AFRICA OIL CORP.

Report to Shareholders

March 31, 2016

AFRICA OIL CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2016 and 2015

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 months ended March 31, 2016 and 2015 and should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014 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 May 13, 2016.

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, exploration and development 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 has actively explored on multiple onshore exploration blocks in various geological settings in East Africa (refer to table below). The Company has made numerous oil discoveries in the South Lokichar Basin (Blocks 10BB and 13T) located in the Tertiary Rift trend in Kenya. Appraisal activities, including extended well testing, appraisal drilling and engineering studies are being undertaken with the goal of sanctioning development of the oil fields in the South Lokichar Basin.

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 continues to hold extensive exploration acreage in this exciting new world-class exploration play fairway.

UPDATED ASSESSMENT OF CONTINGENT RESOURCES

On May 10, 2016, the Company announced details of an updated independent assessment of the Company's contingent resources in the South Lokichar Basin in Blocks 10BB and 13T (Kenya). The estimated gross 2C unrisked resources in the South Lokichar Basin, Kenya have increased by 150 million barrels (or 24%) since they were previously assessed during 2014 to 766 million barrels of oil (Development Pending: 754 million barrels and Development Unclarified: 12 million barrels). The effective date of this assessment was December 31, 2015, and it was carried out in accordance with the standards established by the Canadian Securities Administrators in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities. Please refer to the Company's press release dated May 10, 2016 for details of the contingent resources by field.

MAERSK FARMOUT

During the first quarter of 2016, the Company completed its previously announced (November 9, 2015) farmout transaction with Maersk Olie og Gas A/S, a Danish oil and gas company owned by the Maersk Group ("Maersk") whereby Maersk acquired 50% of AOC's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia in consideration for reimbursement of a portion of AOC's past costs and a future carry on certain exploration and development costs.

At closing, $439.4 million of farmout related proceeds were received from Maersk: $350.0 million as reimbursement of past costs incurred by the Company prior to the agreed March 31, 2015 effective date and $89.4 million representing Maersk's share of costs incurred between the effective date and closing, including a carry reimbursement of $15.0 million related to exploration expenditures.

An additional $75.0 million development carry may be available to AOC upon confirmation of existing resources. Upon Final Investment Decision ("FID"), Maersk will be obligated to carry AOC for an additional amount of up to $405.0 million depending on meeting certain thresholds of resource growth and timing of first oil.

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	Current Net Working Interest % [1]
Kenya	Block 9	AOC	50%
Kenya	Block 10BB	Tullow	25%
Kenya	Block 12A	Tullow	20%
Kenya	Block 13T	Tullow	25%
Kenya	Block 10BA	Tullow	25%
Ethiopia	South Omo	Tullow	15%
Ethiopia	Rift Basin Area	AOC	25%

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.

OPERATIONS UPDATE

The 2016 work program is primarily focused on advancing the development plans associated with the discovered South Lokichar Basin in Kenya. The results of the Company's recently published assessment of contingent resources in the South Lokichar Basin highlights the considerable resource potential within the Basin. The work program includes; continuing studies to support reservoir modelling, additional core analysis, petrophysical analysis, and advancement of the development plans associated with both upstream and midstream activities. In addition, AOC is working closely with our joint venture partners to establish exploration and appraisal drilling targets in advance of re-starting drilling activities later this year. The Kenya Joint Venture Partners continue to progress towards sanctioning Front End Engineering and Design ("FEED") for both Upstream and Mid-stream developments.

Tertiary Rift - Kenya

During the first quarter of 2016, the Cheptuket-1 well (Block 12A) completed drilling to a depth of 3,083 meters. The well encountered oil shows, seen in cuttings and rotary sidewall cores, across a large interval of over 700 meters. Cheptuket-1 is the first well to test the Kerio Valley Basin proving the existence of a working petroleum system in a basin several hundred kilometers distant from the South Lokichar Basin. Additional technical work is required to analyze the results and consider a program to follow up on this result. The PR Marriott Rig-46 rig was released following completion of the well.

Late in 2015, the results of the Etom-2 well in the South Lokichar Basin (Block 13T) were announced. The Etom-2 well was drilled based on recently acquired and interpreted 3D seismic in a previously undrilled fault block adjacent to the Etom oil discovery. The well encountered 102 meters of net oil pay in two columns. Oil samples, sidewall cores and wire line logging all indicate the presence of high API oil in the best quality reservoir encountered in the South Lokichar Basin to date. Discovering this thick interval of high quality oil reservoirs at Etom-2 further underpins the development options and resource base in the South Lokichar Basin. The result follows careful evaluation of 3D seismic data which was shot after the Etom-1 well completed drilling and demonstrates how the partnership has improved its understanding of the basin. This result also suggests significant potential in this underexplored part of the block as it is the most northerly well drilled in the South Lokichar Basin and is located close to the axis of the basin away from the basin-bounding fault. Accordingly, the resource potential of the greater Etom area and neighboring prospects is being considered as part of a future exploration drilling program.

In April 2016, the Governments of Uganda and Kenya announced that separate export pipelines would be developed for the export of production from the development of oil resources in their respective countries. The Company intends to continue working closely with the Kenyan Government and our upstream partners to move the upstream and midstream development projects forward. Pre-FEED work on both these elements is well advanced and it is expected that FEED will commence in the near term. It is expected that any Kenya standalone pipeline plan will take into consideration the potential to accommodate the transportation of additional oil resource from bordering East Africa countries.

In the first quarter of 2016, the Government of Kenya agreed to an 18 month extension to the first additional exploration period on Block 10BA, allowing the joint venture partners to fully integrate the learnings from activities on Blocks 13T and 10BB into decisions on activities to be undertaken on Block 10BA.

The Kenyan Joint Venture 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. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands. Core analysis results support the reservoir assumptions used in the contingent resource estimate and support the view of oil saturations in the reservoir.

A draft field development plan for the discoveries in the South Lokichar Basin was submitted in December 2015 to the Kenyan authorities. Further refinement of the field development plan and engagement with the Government of Kenya will be undertaken throughout 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

During the third quarter of 2015 in the Rift Basin Area Block, a 2D seismic program was completed, which consisted of approximately 600 kilometers of land and lake seismic. Source rock outcrops and oil slicks on the lakes have been identified in the block where there was previously no existing seismic or wells. The Government of Ethiopia has granted a twelve month extension to the initial exploration period, which will now expire in February 2017.

RECENT DEVELOPMENTS

Equity 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 $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 shares at a price of CAD $2.31 for gross proceeds of $100.0 million. Total costs related to the share issuance amounted to $0.1 million.

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

Court Proceedings

The Company is a party to two separate court proceedings in Kenya initiated by Interstate Petroleum Ltd. ("IPL"), and certain parties related to 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 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. A preliminary hearing of the appeal was heard on April 26, 2016 and a ruling in the matter was reserved for July 26, 2016. If the appeal is not allowed, the Company may be required to argue Judicial Review Number 1 of 2012 on its merits.

The Company has initiated its own court proceedings against IPL and certain parties related to IPL, 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 Company is proceeding with the execution of the winding up order.

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

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2016**	**31-Dec 2015**	**30-Sep 2015**	**30-Jun 2015**	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**
Operating expenses ($)	3,672	79,288	3,584	3,333	1,170	102,436	6,008	36,578
Interest income ($)	366	106	99	80	130	157	287	387
Foreign exchange gain (loss) ($)	(49)	(81)	(184)	(117)	(15)	(7)	(207)	41
Fair market value gain (loss) - warrants ($)	-	-	-	-	-	-	-	5
Net loss attributable to non-controlling interest ($) [1]	-	-	-	-	(249)	(48,028)	(245)	(294)
Net loss attributable to common shareholders ($)	(3,362)	(79,323)	(3,681)	(3,375)	(811)	(54,257)	(5,686)	(35,856)
Weighted average shares - Basic	456,417	456,417	435,412	391,130	338,312	312,333	312,290	310,528
Weighted average shares - Diluted	456,417	456,417	435,412	391,130	338,312	312,333	312,290	310,528
Basic loss per share ($)	(0.01)	(0.17)	(0.01)	(0.01)	(0.00)	(0.17)	(0.02)	(0.12)
Diluted loss per share ($)	(0.01)	(0.17)	(0.01)	(0.01)	(0.00)	(0.17)	(0.02)	(0.12)
Oil and gas expenditures ($)	12,266	24,521	48,693	69,272	77,300	135,916	95,527	114,007

[1] AOC currently owns approximately 32% of Africa Energy Corp. ("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

Increased operating expenses, recorded during the second quarter of 2014, can be mainly attributed to a $30.8 million impairment of previously capitalized Blocks 7/8 (Ethiopia) exploration expenditures and increased stock exchange and filing fees associated with the Company's graduation to the TSX in Canada and Nasdaq Stockholm in Sweden. Stock-based compensation expenses and donations, which are included in operating expenses also contribute to quarterly variations and are detailed in tables below.

Increased operating expenses, recorded during the fourth quarter of 2014, are mainly attributable to a $90.6 million impairment of intangible exploration assets related to 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. The impairment provisions resulted from the Company electing to not continue exploration activities in these Blocks.

Reduced operating expenses, recorded during the first quarter of 2015, primarily relate to a $4.2 million gain recorded during the quarter 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 which resulted in a gain being recorded for accounting purposes.

Increased operating expenses, recorded during the fourth quarter of 2015, primarily relate to the recognition of a $70.7 million impairment of intangible exploration assets related to the Company's remaining exploration Blocks in Ethiopia. Operating expenses also increased during the quarter as a result of increased professional fees which we incurred associated with entering into the Maersk farmout agreement.

Equity-based compensation

Three months ended (thousands, except per share amounts)	**31-Mar 2016**	**31-Dec 2015**	**30-Sep 2015**	**30-Jun 2015**	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**
Options granted	-	2,579	-	-	5,194	-	-	120
Performance share units granted	1,024	-	-	-	-	-	-	-
Restricted share units granted	1,270	-	-	-	-	-	-	-
Exercise price per share ($CAD)	-	1.99	-	-	2.45	-	-	7.30
Equity-based compensation expense ($)	690	1,741	1,243	1,148	3,975	2,398	3,046	2,955

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. Equity-based compensation relating to the issuance of stock options for the three months ended March 31, 2016 was $0.6 million as compared to $4.0 million during the same period in 2015. The decrease in equity-based compensation expense can be mainly attributed to the issuance of 5,194,000 stock options of AOC to directors, officers and employees in the first quarter of 2015. As one-third of the fair value of the stock options is expensed immediately upon grant, the remaining expense is expected to decrease over the remaining vesting period. There were no stock options granted during the first quarter of 2016.

On April 26, 2016, the shareholders of the Company approved a new Long Term Incentive Plan ("LTIP"). Under the terms of the LTIP, eligible plan participants may be granted Performance Share Units ("PSUs") and Restricted Share Units ("RSUs"). The LTIP provides that an aggregate number of common shares which may be reserved for issuance shall not exceed 4% of the issued and outstanding common shares of the Company. PSUs are notional share instruments which track the value of the common shares and are subject to non-market

performance conditions related to key strategic, financial and operational milestones. PSUs cliff vest three years from the date of grant, at which time the Board of Directors will assign a performance multiple ranging from nil to two hundred percent to determine the ultimate vested number of PSUs. PSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

During the first quarter of 2016, 1,024,000 PSUs were granted to certain senior officers of the Company. During the three months ended March 31, 2016, the Company recognized $0.03 million in equity-based compensation relating to the PSUs.

RSUs are notional share instruments which track the value of the common shares. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

During the first quarter of 2016, 246,000 RSUs were granted to Non-Executive Directors and 1,024,000 RSUs were granted to other plan participants. During the three months ended March 31, 2016, the Company recognized $0.05 million in equity-based compensation relating to the RSUs.

Donations

Three months ended (thousands)	**31-Mar 2016**	**31-Dec 2015**	**30-Sep 2015**	**30-Jun 2015**	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**
Donation expense	550	980	500	785	-	-	535	750

During the three months ended March 31, 2016, the Company made $0.6 million in donations to the Lundin Foundation compared to $ nil during the three months ended March 31, 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 fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates.

Foreign exchange gains and losses

The foreign exchange gains and losses are primarily related to changes in the value of the Canadian dollar in comparison to the US dollar.

RESULTS OF OPERATIONS

(thousands)	Three months ended March 31, 2016	Three months ended March 31, 2015
Salaries and benefits	$ 459	$ 478
Equity-based compensation	690	3,975
Travel	184	249
Office and general	33	119
Donation	550	-
Depreciation	2	11
Professional fees	1,276	154
Stock exchange and filing fees	137	247
Share of loss from equity investment	341	92
Gain on loss of control	-	(4,155)
Operating expenses	$ 3,672	$ 1,170

Operating expenses increased $2.5 million during the first quarter of 2016 compared to the same period in 2015. The $1.1 million increase in professional fees relates to the completion of the farmout transaction with Maersk. The Company made a $0.6 million donation to the Lundin Foundation in the first quarter of 2016. A gain of $4.2 million was recognized during the first quarter of 2015 due to the Company's investment in Africa Energy changing from a position of control to a position of significant influence. Stock-based compensation decreased $3.3 million during the first quarter of 2016 due to the issuance of 5,194,000 stock options of AOC to directors, officers and employees in the first quarter of 2015. One-third of the fair value of the stock options is expensed immediately upon grant, the remaining expense is expected to decrease over the remaining vesting period. There were no options granted during the first quarter of 2016.

INTANGIBLE EXPLORATION ASSETS

(thousands)	March 31, 2016	December 31, 2015
Intangible exploration assets	$ 507,089	$ 934,293

During 2016, intangible exploration assets decreased by $427.2 million. Expenditures of $12.2 million were incurred during the quarter which was offset by reductions to intangible exploration assets of $439.4 million relating to the completion of the farmout transaction with Maersk. Maersk acquired 50% of AOC's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia in consideration for reimbursement of a portion of AOC's past costs and a future carry on certain exploration and development costs.

An additional $75.0 million development carry may be available to AOC upon confirmation of existing resources. Upon Final Investment Decision ("FID"), Maersk may be obligated to carry AOC for an additional amount of up to $405.0 million dependent upon meeting certain thresholds of resource growth and timing of first oil.

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

For the three months ended	March 31, 2016			March 31, 2015		
(thousands)	Kenya	Ethiopia	Total	Kenya	Ethiopia	Total
Drilling and completion	$ 5,332	$ (2)	**$ 5,330**	$ 60,602	$ (2,177)	**$ 58,425**
Development studies	3,228	-	**3,228**	2,150	-	**2,150**
Exploration surveys and studies	1,535	63	**1,598**	4,568	18	**4,586**
PSA and G&A related	1,878	232	**2,110**	11,809	330	**12,139**
Total	$ 11,973	$ 293	**$ 12,266**	$ 79,129	$ (1,829)	**$ 77,300**

AOC incurred $11.9 million of intangible exploration expenditures in Kenya for the three months ended March 31, 2016. Drilling and completion expenditures primarily relate to the Cheptuket-1 exploration well in Block 12A and costs associated with demobilizing the PR Marriott 46 Rig and associated services. Development study expenditures are associated with studies aimed at progressing towards project sanction for the South Lokichar Basin. Exploration studies costs continue to be incurred in Kenya and the joint venture considers additional drilling and appraisal targets in advance of potentially re-starting drilling activities later in 2016.

The Company incurred $0.3 million of intangible exploration expenditures in Ethiopia for the three months ended March 31, 2016, which consists of license fees and office costs.

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 related fees.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2016, the Company had cash of $523.6 million and working capital of $474.4 million as compared to cash of $104.2 million and working capital of $49.5 million at December 31, 2015. The Company's liquidity and capital resource position improved dramatically during the first quarter of 2016 with the receipt of $439.4 million (inclusive of deposit received prior to year-end) upon completion of the Maersk Farmout (refer to Maersk Farmout Section above for details).

Until detailed engineering is completed and a final South Lokichar Basin development plan is approved, the Company will continue to assess the sufficiency of its capital resources. The Company's current working capital position may not provide it with sufficient capital resources to complete 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 to mid-term oil price environment, the Company has worked closely with its joint venture partners to focus efforts on advancing the South Lokichar Basin development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resource certainty and progressing development studies and planning. We are pleased that Maersk have acquired a 25% interest in the project given the vast financial and technical capabilities they bring to the joint venture and related development activities.

A draft South Lokichar Field Development Plan was submitted to the Government of Kenya in December 2015 and will assist discussions as we progress towards a potential final investment decision. Preparation for FEED is under way. Scoping studies and terms of reference for the detailed upstream environmental and social impact assessments have been submitted to the regulatory authorities in Kenya.

In April 2016, the Governments of Uganda and Kenya announced that separate export pipelines would be developed for the export of production from the development of oil resources in their respective countries. AOC intends to continue working closely with the Kenyan Government and our upstream partners to move the upstream and midstream development projects forward. Pre-FEED work on both these elements is well advanced and it is expected that FEED will commence in the near term. It is expected that any Kenya standalone pipeline plan will take into consideration the potential to accommodate the transportation of additional oil resource from bordering East Africa countries.

The vast resource potential of the South Lokichar Basin has been highlighted by our recent independent assessment of contingent resources in the South Lokichar Basin. AOC is working closely with our joint venture partners to establish exploration and appraisal drilling targets in advance of re-starting drilling activities later this year.

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, March 2015 and December 2015, Africa Energy completed non-brokered private placements reducing the Company's ownership interest in Africa Energy to 32%. Prior to March 2015, when the Company's investment in Africa Energy changed from a position of control to significant influence, the transactions between the Company and Africa Energy were eliminated upon consolidation.

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 $0.04 million during the three months ended March 31, 2016 (three months ended March 31, 2015 - $0.2 million). At March 31, 2016, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2015 – $ 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.

During the three months ended March 31, 2016, the Company invoiced Africa Energy $0.01 million for reimbursable expenses paid by the Company on behalf of Africa Energy (three months ended March 31, 2015 - $0.01 million). At March 31, 2016, the outstanding balance receivable from Africa Energy was $ nil million (at December 31, 2015 – $0.09 million).

COMMITMENTS AND CONTINGENCIES

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

Kenya:

Under the terms of the Block 10BB PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in July 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in July 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 250 square kilometers of 3D seismic) with a minimum gross expenditure of $7.0 million. Additionally, AOC and its partner are required to drill three exploration wells with a minimum gross expenditure of $6.0 million per well. At March 31, 2016, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 9 PSC, the Company and its partner entered into the second additional exploration period in Kenya which was to expire on December 31, 2015. During May 2015, the Company received approval for an eighteen month extension to the second additional exploration period which will expire on June 30, 2017. Under the terms of the PSC, AOC and its partner are required to drill one additional exploratory well to a minimum depth of 1,500 meters with a minimum gross expenditure of $3.0 million. In addition, the Company is required to, in consultation with the Ministry of Energy in Kenya, determine how much 2D or 3D seismic, if any, is required. At March 31, 2016, the Company's working interest in Block 9 was 50%.

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in 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 350 square kilometers of 2D seismic with a total minimum gross expenditure of $6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The commitments in the Block 12A PSC are supported by an outstanding letter of credit of $524,543 in favor of the Kenyan Government which is collateralized by bank deposit of $524,543. At March 31, 2016, the Company's working interest in Block 12A was 20%.

Under the terms of the Block 13T PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in September 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in September 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 200 square kilometers of 3D seismic) with a minimum gross expenditure of $6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $15.0 million. At March 31, 2016, the Company's working interest in Block 13T was 25%.

Under the terms of the Block 10BA PSC, the Company and its partners entered into the first additional exploration period in Kenya which was set to expire in April 2016. During March 2016, the Company received approval for an eighteen month extension to the first additional exploration period which expires in October 2017. 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. At March 31, 2016, the Company's working interest in Block 10BA was 25%.

Ethiopia:

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 March 31, 2016, the Company's working interest in the South Omo Block was 15%.

Under the Rift Basin Area PSA, during the initial exploration period which has been extended to 12 months to expire in February 2017, 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. At March 31, 2016, the Company's working interest in the Rift Basin Area Block was 25%.

OUTSTANDING SHARE DATA

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

Common shares outstanding	456,417,074
Outstanding share purchase options	18,452,500
Outstanding performance share units	1,024,000
Outstanding restricted share units	1,270,000
Full dilution impact on common shares outstanding	477,163,574

USE OF PROCEEDS

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

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

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company' significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2015.

Use of Estimates

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates related to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation, income taxes and fair market value of warrants.

Intangible Exploration Assets

The Company capitalizes costs related to the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures that related to properties with common geological structures and with shared infrastructure are accumulated together within intangible exploration assets. Costs are held un-depleted until such time as the exploration phases on the license area are complete or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible. The determination that a discovery is commercially viable and extraction is technically feasible requires judgment.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of operations. If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU") within intangible exploration assets. The allocation of the company's assets into CGUs requires judgment.

Intangible exploration assets are assessed for impairment when they are reclassified to property and equipment, as intangible exploration assets, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs of

disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

The key assumptions the company uses for estimating future cash flows are reserves, future commodity prices, expected production volumes, future operating and development costs, among others. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

Equity Based Compensation

The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as equity-based compensation expense. The recognized costs are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

The estimated fair value of the PSUs is initially determined at the time and is based on non-market performance conditions. The estimated fair value of the PSUs is assessed for revaluation at the end of every reporting period. The estimated fair value is recognized over the applicable vesting period as equity-based compensation expense.

The fair value of the RSUs is determined at the time of grant and is recognized over the applicable vesting period as equity-based compensation expense.

Income Tax

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant Management judgment.

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

The accounting policies set up below has been applied to these consolidated financial statements.

a) PSUs

PSUs are accounted for as equity based awards. The estimated fair value of the awards is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company will assess the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant and the estimated fair value of the grant will be expensed evenly throughout the remaining vesting period.

b) RSUs

RSUs are accounted for as equity based awards. The estimated fair value of the awards is determined at the time of grant. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). The RSUs will be expensed evenly throughout the remaining vesting period.

There are no new standards or amendments to existing standards effective January 1, 2016.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that 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 periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of March 31, 2016, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order 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's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2016, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

RISK FACTORS

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

International Operations

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

Different Legal System and Litigation

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

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

Financial Statements Prepared on a Going Concern Basis

AOC's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. AOC's operations to date have been primarily financed by equity financing. AOC's future operations are dependent upon the identification and successful completion of additional equity or debt financing or the achievement of profitable operations.

There can be no assurances that AOC will be successful in completing additional financing or achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should AOC be unable to continue as a going concern.

Shared Ownership and Dependency on Partners

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

Uncertainty of Title

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

Risks Relating to Concessions, Licenses and Contracts

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

Competition

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

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

Risks Inherent in Oil and Gas Exploration and Development

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

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

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

Well-flow Test Results

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

Capital Requirements

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

Foreign currency exchange rate risk

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company’s exposure is partially offset by sourcing capital projects and expenditures in US dollars.

Interest rate risk

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

Liquidity risk

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

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

Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash, restricted cash, and accounts receivable. As at March 31, 2016, the Company held $3.7 million of cash in financial institutions outside of Canada where there could be increased exposure to credit risk.

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, appraisal and development activity including both expected drilling and geological and geophysical related activities;
- future development costs and the funding thereof;
- 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;
- pipeline or delivery constraints;
- 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,
- internal conflicts within state or regions.
- 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	March 31, 2016	December 31, 2015
ASSETS			
Current assets			
Cash and cash equivalents		$ 523,649	$ 104,205
Accounts receivable		1,640	393
Due from related party	12	-	87
Prepaid expenses		1,168	1,145
		526,457	105,830
Long-term assets			
Restricted cash	4	1,774	54,274
Equity investment	13	5,921	6,262
Property and equipment	5	30	32
Intangible exploration assets	6	507,089	934,293
		514,814	994,861
Total assets		$ 1,041,271	$ 1,100,691
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 52,064	$ 56,312
		52,064	56,312
Long-term liabilities			
Deposit for farmout	4	-	52,500
		-	52,500
Total liabilities		52,064	108,812
Equity attributable to common shareholders			
Share capital	7(b)	1,290,389	1,290,389
Contributed surplus		47,043	46,353
Deficit		(348,225)	(344,863)
Total equity attributable to common shareholders		989,207	991,879
Total liabilities and equity attributable to common shareholders		$ 1,041,271	$ 1,100,691
Commitments and contingencies	10		

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

Approved on behalf of the Board:

"ANDREW BARTLETT"
ANDREW BARTLETT, DIRECTOR

"KEITH HILL"
KEITH HILL, DIRECTOR

AFRICA OIL CORP.

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

For the three months ended	Note	March 31, 2016	March 31, 2015
Operating expenses			
Salaries and benefits		$ 459	$ 478
Equity-based compensation	8	690	3,975
Travel		184	249
Office and general		33	119
Donation	17	550	-
Depreciation	5	2	11
Professional fees		1,276	154
Stock exchange and filing fees		137	247
Share of loss from equity investment	13	341	92
Gain on loss of control	13	-	(4,155)
		3,672	1,170
Finance income	11	(366)	(130)
Finance expense	11	56	20
Net loss and comprehensive loss		3,362	1,060
Net loss and comprehensive loss attributable to non-controlling interest		-	249
Net loss and comprehensive loss attributable to common shareholders		3,362	811
Net loss attributable to common shareholders per share	14		
Basic		$ 0.01	$ 0.00
Diluted		$ 0.01	$ 0.00
Weighted average number of shares outstanding for the purpose of calculating earnings per share	14		
Basic		456,417,074	338,312,290
Diluted		456,417,074	338,312,290

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)

	Note	March 31, 2016	March 31, 2015
Share capital:	7(b)		
Balance, beginning of the period		$ 1,290,389	$ 1,014,772
Private placement, net		-	120,329
Exercise of options		-	5,546
Balance, end of the period		1,290,389	1,140,647
Contributed surplus:			
Balance, beginning of the period		$ 46,353	$ 39,947
Equity-based compensation	8	690	3,975
Exercise of options	8	-	(1,701)
Balance, end of the period		47,043	42,221
Deficit:			
Balance, beginning of the period		$ (344,863)	$ (257,673)
Net loss and comprehensive loss attributable to common shareholders		(3,362)	(811)
Balance, end of the period		(348,225)	(258,484)
Total equity attributable to common shareholders		989,207	924,384
Non-controlling interest:			
Balance, beginning of the period		$ -	$ -
Net loss and comprehensive loss attributable to non-controlling interest		-	(249)
Derecognition of non-controlling interest on loss of control		-	249
Balance, end of the period		-	-
Total equity		$ 989,207	$ 924,384

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)

For the three months ended		March 31, 2016	March 31, 2015
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss and comprehensive loss for the period		$ (3,362)	$ (1,060)
Items not affecting cash:			
Equity-based compensation	8	690	3,975
Depreciation	5	2	11
Gain on loss of control	13	-	(4,155)
Share of loss from equity investment	13	341	92
Due from related party	12	87	-
Unrealized foreign exchange loss		49	15
Changes in non-cash operating working capital	16	(349)	(977)
		(2,542)	(2,099)
Investing:			
Intangible exploration expenditures	6	(12,266)	(77,300)
Farmout proceeds received on closing	6	386,970	-
Farmout proceeds released from restricted cash	4	52,500	-
Equity investment	13	-	(1,000)
Reduction of cash from change of control	13	-	(254)
Changes in non-cash investing working capital	16	(5,169)	(16,002)
		422,035	(94,556)
Financing:			
Common shares issued	7(b)	-	124,174
Deposit of cash for bank guarantee	4	-	(1,275)
		-	122,899
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(49)	(15)
Increase in cash and cash equivalents		419,444	26,229
Cash and cash equivalents, beginning of the period		$ 104,205	$ 161,162
Cash and cash equivalents, end of the period		$ 523,649	$ 187,391
Supplementary information:			
Interest paid		Nil	Nil
Income taxes paid		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, 2015.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 13, 2016, 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, 2015.

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, 2015.

3) Significant accounting policies:

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

a) Performance share units ("PSUs")

PSUs are accounted for as equity based awards. The estimated fair value of the awards is calculated based on non-market performance conditions set by the Company which are initially determined at the time of grant. The Company will assess the progress of reaching the individual performance conditions during each reporting period. PSUs cliff vest three years from the date of grant and the estimated fair value of the grant will be expensed evenly throughout the remaining vesting period.

b) Restricted share units ("RSUs")

RSUs are accounted for as equity based awards. The estimated fair value of the awards is determined at the time of grant. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). The RSUs will be expensed evenly throughout the remaining vesting period.

There are no new standards or amendments to existing standards effective January 1, 2016.

4) Restricted cash:

		March, 31 2016		December, 31 2015
Bank guarantee	$	1,774	$	1,774
Deposit for farmout		-		52,500
	$	1,774	$	54,274

At March 31, 2016, the Company had a restricted cash balance of $1.8 million, (December 31, 2015 - $54.3 million). Upon completion of the farmout agreement with Maersk (see note 6), the restricted cash balance of $52.5 million recorded at December 31, 2015, relating to a deposit paid by Maersk, was released. The remaining $1.8 million relates to the following outstanding letters of credit:

Block	In favor of		March 31, 2016		December 31, 2015
Rift Basin	Republic of Ethiopia	$	1,250	$	1,250
12A	Republic of Kenya		524		524
		$	1,774	$	1,774

5) Property and equipment:

		March 31, 2016		December 31, 2015
Cost, beginning of the period	$	398	$	396
Additions		-		2
Cost, end of the period		398		398
Accumulated depreciation, beginning of the period		(366)		(346)
Depreciation		(2)		(20)
Accumulated depreciation, end of the period		(368)		(366)
Net carrying amount, beginning of the period	$	32	$	50
Net carrying amount, end of the period	$	30	$	32

As at March 31, 2016, the Company has recorded $0.03 million of property and equipment (December 31, 2015 - $0.03 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:

		March 31, 2016		December 31, 2015
Net carrying amount, beginning of the period	$	934,293	$	785,177
Intangible exploration expenditures		12,266		219,786
Impairment of intangible exploration assets		-		(70,670)
Farmout proceeds		(439,470)		-
Net carrying amount, end of the period	$	507,089	$	934,293

As at March 31, 2016, $507.1 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2015 - $934.3 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 March 31, 2016, 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 three months ended March 31, 2016, the Company capitalized $2.2 million of general and administrative expenses related to intangible exploration assets (three months ended March 31, 2015 – $1.9 million).

During the fourth quarter of 2015, as a result of exploration results to date and oil industry conditions, the Company wrote off $70.7 million of capitalized intangible exploration assets relating to Ethiopia. The remaining carrying value of the intangible exploration assets in Ethiopia is $5.8 million.

On February 4, 2016, the Company completed the Kenyan portion of the farmout with Maersk whereby Maersk acquired 50% of the Company's interests in Blocks 10BB, 13T and 10BA in Kenya. At completion, AOC received $426.6 million (inclusive of the deposit of $52.5 million previously received) from Maersk. This amount represents $343.6 million of reimbursed past costs incurred by AOC prior to the agreed March 31, 2015 effective date of the farmout and $83.0 million representing Maersk's share of costs incurred between the effective date and December 31, 2015, including a carry reimbursement of $15.0 million of exploration expenditures. An additional $75.0 million development carry may be available to AOC upon confirmation of existing resources. Upon Final Investment Decision ("FID"), Maersk may be obligated to carry AOC for an additional amount of up to $405.0 million dependent upon meeting certain thresholds of resource growth and timing of first oil.

On February 22, 2016, the Company completed the Ethiopian portion of the farmout with Maersk whereby Maersk acquired 50% of the Company’s interests in the South Omo and Rift Basin blocks in Ethiopia. At completion, AOC received $12.8 million from Maersk. This amount represents $6.4 million of reimbursed past cost incurred by AOC prior to the agreed March 31, 2015 effective date of the farmout and $6.4 million representing Maersk’s share of costs incurred between the effective date and December 31, 2015.

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:

		March 31, 2016			December 31, 2015		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of the period		456,417,074	$	1,290,389	312,333,279	$	1,014,772
Private placements, net of issue costs	(i)	-		-	140,812,695		270,071
Exercise of options	8	-		-	3,271,100		5,546
Balance, end of the period		456,417,074	$	1,290,389	456,417,074	$	1,290,389

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

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

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

8) Equity-based compensation:

a) Share purchase options

At the 2016 Annual General Meeting, held on April 19, 2016, the Company's shareholders approved the terms of the new 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 5% 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.

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

	March 31, 2016		December 31, 2015	
	Number of shares	Weighted average exercise price (CAD$)	Number of shares	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	18,452,500	5.20	15,893,767	6.19
Granted	-	-	7,773,000	2.30
Expired	-	-	(1,943,167)	7.94
Exercised	-	-	(3,271,100)	1.49
Balance, end of the period	18,452,500	5.20	18,452,500	5.20

No stock options were exercised during the three months ended March 31, 2016. During the year ended December 31, 2015, 3.3 million options were exercised in which $1.7 million in contributed surplus was transferred to share capital. The weighted average closing share price on the day options were exercised during twelve months ended December 31, 2015 was CAD$2.07.

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 three months ended March 31, 2016 the year ended December 31, 2015 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2016	2015
Number of options granted	-	7,773,000
Fair value of options granted (CAD$ per option)	-	0.94
Risk-free interest rate (%)	-	0.83
Expected life (years)	-	3.00
Expected volatility (%)	-	61
Expected dividend yield	-	-

The following table summarizes information regarding the Company's stock options outstanding at March 31, 2016:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
5.94	5,199,000	0.04
7.86	100,000	0.34
8.44	5,441,500	0.87
7.30	120,000	1.24
2.48	4,413,000	3.82
2.25	600,000	3.95
1.98	150,000	4.64
1.99	2,429,000	4.73
5.20	18,452,500	1.98

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 three months ended March 31, 2016, the Company recognized $0.6 million in equity-based compensation (three months ended March 31, 2015 - $4.0 million) related to stock options.

b) Performance share units ("PSUs")

On April 26, 2016, the shareholders of the Company approved a new Long Term Incentive Plan ("LTIP"). Under the terms of the LTIP, eligible plan participants may be granted PSUs and Restricted Share Units ("RSUs"). The LTIP provides that an aggregate number of common shares which may be reserved for issuance shall not exceed 4% of the issued and outstanding common shares of the Company. PSUs are notional share instruments which track the value of the common shares and are subject to non-market performance conditions related to key strategic, financial and operational milestones. PSUs cliff vest three years from the date of grant, at which time the Board of Directors will assign a performance multiple ranging from nil to two hundred percent to determine the ultimate vested number of PSUs. PSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

During the first quarter of 2016, 1,024,000 PSUs were granted to certain senior officers of the Company. The Company accounts for PSUs as equity based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the three months ended March 31, 2016, the Company recognized $0.03 million in equity-based compensation relating to the PSUs.

c) Restricted share units ("RSUs")

RSUs are notional share instruments which track the value of the common shares. RSUs granted to Non-Executive Directors cliff vest three years from the date of grant. RSUs granted to all other eligible plan participants vest over three years (1/3 on the first, second and third anniversary of grant). RSUs may be settled in shares issued from treasury or cash, at the discretion of the Board of Directors.

During the first quarter of 2016, 246,000 RSUs were granted to Non-Executive Directors and 1,024,000 RSUs were granted to other plan participants. The Company accounts for RSUs as equity based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the three

months ended March 31, 2016, the Company recognized $0.05 million in equity-based compensation relating to the RSUs.

Expensing of the LTIP commenced on March 16, 2016, the date of grant.

During the three months ended March 31, 2016, the Company recognized a total of $0.7 million in equity-based compensation relating to the LTIP and Stock Option Plan.

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.

At March 31, 2016	Kenya	Ethiopia	Corporate	**Total**
Total assets	$ 497,741	$ 11,520	$ 532,010	**$ 1,041,271**
Intangible exploration assets	501,248	5,841	-	**507,089**
Property and equipment	-	-	30	**30**

At December 31, 2015	Kenya	Ethiopia	Corporate	**Total**
Total assets	$ 927,656	$ 21,991	$ 151,044	**$ 1,100,691**
Intangible exploration assets	915,924	18,369	-	**934,293**
Property and equipment	-	-	32	**32**

Three months ended March 31, 2016	Kenya	Ethiopia	Corporate	**Total**
Capital expenditures				
Intangible exploration assets	$ 11,973	$ 293	$ -	**$ 12,266**
Property and equipment	-	-	-	**-**
	$ 11,973	$ 293	$ -	**$ 12,266**
Statement of operations				
Expenses	$ 12	$ 4	$ 3,656	**$ 3,672**
Finance income	-	-	(366)	**(366)**
Finance expense	-	-	56	**56**
Segmented loss	$ 12	$ 4	$ 3,346	**$ 3,362**

Three months ended March 31, 2015		Kenya		Ethiopia		Corporate		Total
Capital expenditures								
Intangible exploration assets	$	79,129	$	(1,829)	$	-	**$**	**77,300**
Property and equipment		-		-		-		**-**
	$	79,129	$	(1,829)	$	-	**$**	**77,300**
Statement of operations								
Expenses	$	12	$	4	$	1,154	**$**	**1,170**
Finance income		-		-		(130)		**(130)**
Finance expense		-		-		20		**20**
Segmented loss	$	12	$	4	$	1,044	**$**	**1,060**

10) Commitments and contingencies:

a) Contractual obligations

i) Kenya:

Under the terms of the Block 10BB PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in July 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in July 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 250 square kilometers of 3D seismic) with a minimum gross expenditure of $7.0 million. Additionally, AOC and its partner are required to drill three exploration wells with a minimum gross expenditure of $6.0 million per well. At March 31, 2016, the Company's working interest in Block 10BB was 25%.

Under the terms of the Block 9 PSC, the Company and its partner entered into the second additional exploration period in Kenya which was to expire on December 31, 2015. During May 2015, the Company received approval for an eighteen month extension to the second additional exploration period which will expire on June 30, 2017. Under the terms of the PSC, AOC and its partner are required to drill one additional exploratory well to a minimum depth of 1,500 meters with a minimum gross expenditure of $3.0 million. In addition, the Company is required to, in consultation with the Ministry of Energy in Kenya, determine how much 2D or 3D seismic, if any, is required. At March 31, 2016, the Company's working interest in Block 9 was 50%.

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in 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 350 square kilometers of 2D seismic with a total minimum gross expenditure of $6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The commitments in the Block 12A PSC are supported by an outstanding letter of credit of $524,543 in favor of the Kenyan Government which is collateralized by bank deposit of $524,543 (see note 4). At March 31, 2016, the Company's working interest in Block 12A was 20%.

Under the terms of the Block 13T PSC, the Company and its partners fulfilled the minimum work and financial obligations for the first additional exploration period which expired in September 2015. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partner's entry into the second additional exploration period which expires in September 2017. During the second additional exploration period, the Company and its partner are obligated to complete G&G operations (including acquisition of 200 square kilometers of 3D seismic) with a minimum gross expenditure of $6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $15.0 million. At March 31, 2016, the Company's working interest in Block 13T was 25%.

Under the terms of the Block 10BA PSC, the Company and its partners entered into the first additional exploration period in Kenya which was set to expire in April 2016. During March 2016, the Company received approval for an eighteen month extension to the first additional exploration period which expires in October 2017. 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. At March 31, 2016, the Company's working interest in Block 10BA was 25%.

ii) Ethiopia:

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 March 31, 2016, the Company's working interest in the South Omo Block was 15%.

Under the Rift Basin Area PSA, during the initial exploration period which has been extended by 12 months to expire in February 2017, 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 March 31, 2016, the Company's working interest in the Rift Basin Area Block was 25%.

11) Finance income and expense:

Finance income and expense for the three months ended March 31, 2016 and 2015 is comprised of the following:

For the three months ended		March 31, 2016		March 31, 2015
Interest and other income	$	366	$	130
Bank charges		(7)		(5)
Foreign exchange loss		(49)		(15)
Finance income	$	366	$	130
Finance expense	$	(56)	$	(20)

12) 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, March 2015 and December 2015, Africa Energy completed non-brokered private placements reducing the Company’s ownership interest in Africa Energy to 32%. Prior to March 2015, when the Company’s investment in Africa Energy changed from a position of control to significant influence, the transactions between the Company and Africa Energy were eliminated upon consolidation.

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 $0.04 million during the three months ended March 31, 2016 (three months ended March 31, 2015 - $0.2 million). At March 31, 2016, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2015 – $ 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.

During the three months ended March 31, 2016, the Company invoiced Africa Energy $0.01 million for reimbursable expenses paid by the Company on behalf of Africa Energy (three months ended March 31, 2015 - $0.01 million). At March 31, 2016, the outstanding balance receivable from Africa Energy was $ nil million (at December 31, 2015 – $0.09 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 private placements. 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 and December 2015, Africa Energy completed private placements in which the Company invested $1.0 million and $1.1 million, respectively.

	March 31, 2016	December 31, 2015
Balance, beginning of the period	$ 6,262	$ -
Fair value of investment in Africa Energy upon loss of control	-	5,273
Share of loss from equity investment	(341)	(1,122)
Additional investment through private placements	-	2,110
Balance, end of the period	5,921	6,262

During the three months ended March 31, 2016, the Company recognized losses of $0.3 million related to its investment in Africa Energy (three months ended March 31, 2015 - $0.1 million).

As a result of the value attributed to the Company's investment in Africa Energy during 2015, the value of additional investments made in Africa Energy since March 2015 and the Company's share of losses recognized since March 2015, $5.9 million is recorded as an equity investment as at March 31, 2016.

14) Net loss per share:

For the three months ended	March 31, 2016			March 31, 2015		
		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	$ 3,362	456,417,074	$ 0.01	$ 811	338,312,290	$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 3,362	456,417,074	$ 0.01	$ 811	338,312,290	$ 0.00

During the three months ended March 31, 2016 the Company used an average market price of CAD$1.84 per share (three months ended March 31, 2015 - CAD$2.42 per share) to calculate the dilutive effect of stock options. For the three months ended March 31, 2016, 18,452,500 options were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2015 – 17,363,500).

15) Financial instruments:

Assets and liabilities at March 31, 2016 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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

16) Supplementary information:

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

		March 31, 2016		March 31, 2015
Changes in non-cash w orking capital				
Accounts receivable	$	(1,247)	$	(1,601)
Prepaid expenses		(23)		100
Accounts payable and accrued liabilities		(4,248)		(14,754)
		(5,518)		(16,255)
Non-cash w orking capital derecognized upon loss of control		-		(724)
		(5,518)		(16,979)
Relating to:				
Operating activities		(349)		(977)
Investing activities		(5,169)		(16,002)
Changes in non-cash w orking capital	$	(5,518)	$	(16,979)

17) Donation:

During the three months ended March 31, 2016, as part of the Company's Community Social Responsibility commitment, the Company made a $0.6 million donation to the Lundin Foundation (three months ended March 31, 2015 - $ nil), The Lundin Foundation is a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries.