Consolidated Financial Statements
(Expressed in thousands of United States dollars)

AFRICA OIL CORP.

For the three months ended March 31, 2015 and 2014

Unaudited

Prepared by Management

AFRICA OIL CORP.

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

	Note	March 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		$ 187,391	$ 161,162
Accounts receivable		3,234	1,633
Due from related party	12	108	-
Prepaid expenses		1,176	1,276
		191,909	164,071
Long-term assets			
Restricted cash	4	2,525	1,250
Equity investment	13	6,182	-
Property and equipment	5	39	50
Intangible exploration assets	6	862,477	785,177
		871,223	786,477
Total assets		$ 1,063,132	$ 950,548
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		$ 138,748	$ 153,502
		138,748	153,502
Total liabilities		138,748	153,502
Equity attributable to common shareholders			
Share capital	7(b)	1,140,647	1,014,772
Contributed surplus		42,221	39,947
Deficit		(258,484)	(257,673)
Total equity attributable to common shareholders		924,384	797,046
Total liabilities and equity attributable to common shareholders		$ 1,063,132	$ 950,548
Commitments and contingencies	10		
Subsequent event	19		

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

Approved on behalf of the Board:

"CAMERON BAILEY" *"KEITH HILL"*

CAMERON BAILEY, DIRECTOR **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, 2015	March 31, 2014
Operating expenses			
Salaries and benefits		$ 478	$ 458
Stock-based compensation	8	3,975	9,552
Travel		249	309
Office and general		119	184
Donation	18	-	750
Depreciation	5	11	17
Professional fees		154	195
Stock exchange and filing fees		247	189
Share of loss from equity investment	13	92	-
Gain on loss of control	13	(4,155)	-
		1,170	11,654
Finance income	11	(130)	(436)
Finance expense	11	20	126
Net loss and comprehensive loss		1,060	11,344
Net loss and comprehensive loss attributable to non-controlling interest		249	206
Net loss and comprehensive loss attributable to common shareholders		811	11,138
Net loss attributable to common shareholders per share	15		
Basic		$ 0.00	$ 0.04
Diluted		$ 0.00	$ 0.04
Weighted average number of shares outstanding for the purpose of calculating earnings per share	15		
Basic		338,312,290	309,967,060
Diluted		338,312,290	309,967,060

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

AFRICA OIL CORP.

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

For the three months ended	Note	March 31, 2015	March 31, 2014
Share capital:	7(b)		
Balance, beginning of period		$ 1,014,772	$ 1,007,414
Private placement, net		120,329	-
Exercise of options		5,546	2,539
Balance, end of period		1,140,647	1,009,953
Contributed surplus:			
Balance, beginning of period		$ 39,947	$ 24,396
Stock based compensation	8	3,975	9,552
Exercise of options	8	(1,701)	(789)
Balance, end of period		42,221	33,159
Deficit:			
Balance, beginning of period		$ (257,673)	$ (150,736)
Net loss and comprehensive loss attributable to common shareholders		(811)	(11,138)
Balance, end of period		(258,484)	(161,874)
Total equity attributable to common shareholders		924,384	881,238
Non-controlling interest:			
Balance, beginning of period		$ -	$ 48,773
Net loss and comprehensive loss attributable to non-controlling interest		(249)	(206)
Derecognition of non-controlling interest on loss of control		249	-
Balance, end of period		-	48,567
Total equity		$ 924,384	$ 929,805

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, 2015		March 31, 2014
Cash flow s provided by (used in):	**Note**				
Operations:					
Net loss and comprehensive loss for the period		$	(1,060)	$	(11,344)
Items not affecting cash:					
Stock-based compensation	8		3,975		9,552
Depreciation	5		11		17
Gain on loss of control	13		(4,155)		-
Share of loss from equity investment	13		92		-
Fair value adjustment - w arrants			-		4
Unrealized foreign exchange loss			15		117
Changes in non-cash operating w orking capital	17		(977)		(731)
			(2,099)		(2,385)
Investing:					
Property and equipment expenditures	5		-		(8)
Intangible exploration expenditures	6		(77,300)		(92,426)
Farmout proceeds	6		-		13,207
Equity investment	13		(1,000)		-
Reduction of cash from change of control	13		(254)		-
Changes in non-cash investing w orking capital	17		(16,002)		21,553
			(94,556)		(57,674)
Financing:					
Common shares issued	7(b)		124,174		1,750
Deposit of cash for bank guarantee	4		(1,275)		(450)
			122,899		1,300
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency			(15)		(117)
Increase (decrease) in cash and cash equivalents			26,229		(58,876)
Cash and cash equivalents, beginning of period		$	161,162	$	493,209
Cash and cash equivalents, end of period		$	187,391	$	434,333
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, Ethiopia, and Puntland (Somalia). The Company's registered address is Suite 2600, 1066 West Hastings Street Vancouver, BC, V6E 3X1.

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

2) Basis of preparation:

a) Statement of compliance:

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

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 14, 2015, the date the Board of Directors approved the statements.

b) Basis of measurement:

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

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

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

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

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

3) Significant accounting policies:

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

a) Equity method:

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

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

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

4) Restricted cash:

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

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

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

5) Property and equipment:

		March 31, 2015		December 31, 2014
Cost, beginning of period	$	396	$	382
Additions		-		14
Cost, end of period		396		396
Accumulated depreciation, beginning of period		(346)		(279)
Depreciation		(11)		(67)
Accumulated depreciation, end of period		(357)		(346)
Net carrying amount, beginning of period	$	50	$	103
Net carrying amount, end of period	$	39	$	50

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

6) Intangible exploration assets:

		March 31, 2015		December 31, 2014
Net carrying amount, beginning of period	$	785,177	$	488,688
Intangible exploration expenditures		77,300		437,876
Impairment of intangible exploration assets		-		(128,180)
Farmout proceeds		-		(13,207)
Net carrying amount, end of period	$	862,477	$	785,177

As at March 31, 2015, $862.5 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2014 - $785.2 million). These expenditures relate to the Company's share of exploration projects which are pending the determination of proven and probable petroleum reserves, and include geological and geophysical expenditures, exploratory drilling expenditures, costs required under the Company's Productions Sharing Agreements with the respective governments, and general and administrative costs related to exploration activities. At March 31, 2015, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

During the three months ended March 31, 2015, the Company capitalized $1.9 million of general and administrative expenses related to intangible exploration assets (three months ended March 31, 2014 – $8.9 million).

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

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

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

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

Ongoing political challenges in Puntland (Somalia) persist unresolved, including challenges regarding the legitimacy of oil concession contracts issued by the former and current central Somali governments and regional states (Puntland and Somaliland), many of which cover overlapping territory and border disputes between Somalia (including Puntland) and Somaliland. The Company has significantly reduced its presence in Bosaso, Puntland and ceased operational activities and associated expenditures until the political issues are resolved. As a result, the Company fully impaired $90.6 million of previously capitalized intangible exploration assets during the fourth quarter of 2014 relating to the Dharoor Valley and Nugaal Valley PSAs. The remaining carrying amount of intangible exploration assets is $ nil. During March 2015, the method of accounting for the Company's ownership interest in Africa Energy Corp. ("Africa Energy", formerly Horn Petroleum Corporation) changed to equity accounting. Accordingly, the Company will no longer report intangible exploration assets associated with the oil and gas properties held by Africa Energy (see Note 13).

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, 2015			December 31, 2014		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of period		312,333,279	$	1,014,772	309,470,323	$	1,007,414
Private placements, net of issue costs	(i)	57,020,270		120,329	-		-
Exercise of options	8	3,271,100		5,546	2,862,956		7,358
Balance, end of period		372,624,649	$	1,140,647	312,333,279	$	1,014,772

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

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

8) Share purchase options:

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

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

	March 31, 2015		December 31, 2014	
	Number of shares	Weighted average exercise price (CAD$)	Number of shares	Weighted average exercise price (CAD$)
Outstanding, beginning of year	15,893,767	6.19	13,395,222	4.35
Granted	5,194,000	2.45	6,078,500	8.42
Expired or cancelled	(453,167)	6.62	(716,999)	7.91
Exercised	(3,271,100)	1.49	(2,862,956)	1.89
Balance, end of period	17,363,500	5.94	15,893,767	6.19

The weighted average closing share price on the day options were exercised during the three months ended March 31, 2015 was CAD$2.07 (twelve months ended December 31, 2014 - CAD$8.02).

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

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

The following table summarizes information regarding the Company's stock options outstanding at March 31, 2015:

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

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
2.25	600,000	4.95
2.48	4,557,000	4.82
5.94	5,344,000	1.05
7.30	120,000	2.24
7.86	100,000	1.34
8.32	250,000	0.27
8.44	5,642,500	1.88
9.90	750,000	0.45
5.94	17,363,500	2.41

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, 2015, the Company recognized $3.9 million in stock-based compensation expense related to stock options of AOC and Africa Energy, (three months ended March 31, 2014 - $9.6 million).

9) Segment information:

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

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

At March 31, 2015	Kenya	Ethiopia	Puntland	Corporate	**Total**
Total assets	$ 780,096	$ 95,112	$ -	$ 187,924	**$ 1,063,132**
Intangible exploration assets	776,054	86,423	-	-	**862,477**
Property and equipment	-	-	-	39	**39**

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

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

Three months ended March 31, 2015	Kenya	Ethiopia	Puntland	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**

Three months ended March 31, 2014	Kenya	Ethiopia	Puntland	Corporate	**Total**
Capital expenditures					
Intangible exploration assets	$ 77,286	$ 14,522	$ 618	$ -	**$ 92,426**
Property and equipment	-	-	-	8	**8**
	$ 77,286	$ 14,522	$ 618	$ 8	**$ 92,434**
Statement of operations					
Expenses	$ 21	$ 6	$ 5	$ 11,622	**$ 11,654**
Finance income	-	-	-	(436)	**(436)**
Finance expense	-	-	-	126	**126**
Segmented loss	$ 21	$ 6	$ 5	$11,312	**$ 11,344**

10) Commitments and contingencies:

a) Contractual obligations

i) Kenya:

Under the terms of the Block 10BB PSC, during the first additional exploration period which was extended by the Ministry of Energy and Petroleum for the Republic of Kenya and expires in July 2015, the Company and its partner are obligated to complete G&G operations (including acquisition of 300 square kilometers of 3D seismic) with a minimum gross expenditure of $7.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $6.0 million. The Company intends to enter the next exploration period in Block 10BB. At March 31, 2015, the Company's working interest in Block 10BB was 50%.

Under the terms of the Block 9 PSC, with the drilling of the Bahasi-1 well, AOC and its partner fulfilled the minimum work and financial obligations of the first additional exploration period. Effective December 31, 2013, the Company and its partner entered into the second additional exploration period under the Block 9 PSC in Kenya which will expire on December 31, 2015. Under the terms of the PSC, AOC and its partner are required to drill one additional exploratory well to a minimum depth of 1,500 meters with a minimum gross expenditure of $3.0 million. In addition, the Company is required to, in consultation with the Ministry of Energy in Kenya, determine how much 2D or 3D seismic, if any, is required. At March 31, 2015, the Company's working interest in Block 9 was 50%.

Under the terms of the Block 12A PSC, the Company and its partners notified the Ministry of Energy and Petroleum for the Republic of Kenya of their intention to enter into the first additional exploration period in Block12A which expires in September 2016. During the first additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 200 square kilometers of 3D seismic with a total minimum gross expenditure of $6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of $15.0 million. At March 31, 2015, the Company's working interest in Blocks 12A was 20%.

Under the terms of the Block 13T PSC, during the first additional exploration period which was extended by the Ministry of Energy and Petroleum for the Republic of Kenya and expires in September 2015, the Company and its partner are obligated to complete G&G operations (including acquisition of 200 square kilometers of 3D seismic) with a minimum gross expenditure of $6.0 million. Additionally, AOC and its partner are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The Company intends to enter the next exploration period in Block 13T. At March 31, 2015, the Company's working interest in Block 13T was 50%.

Under the terms of the Block 10BA PSC, the Company and its partners fulfilled the minimum work and financial obligations of the initial exploration period which expired in April 2014. The Ministry of Energy and Petroleum for the Republic of Kenya approved the Company's and its partners' entry into the first additional exploration period which expires in April 2016. During the first additional exploration period, the Company and its partner are obligated to complete geological and geophysical operations, including either 1,000 kilometers of 2D seismic or 50 square kilometers of 3D seismic. Additionally, the Company and its partner are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $17.0 million. The commitments in the Block 10BA PSC are supported by an outstanding letter of credit of $1,275,000 in favor of the Kenyan Government which is collateralized by bank deposit of $1,275,000 (see note 4). At March 31, 2015, the Company's working interest in Block 10BA was 50%.

ii) Ethiopia:

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

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

Under the terms of the South Omo PSA, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period which expired in January 2015. The Ministry of Mines in Ethiopia approved the Company's and its partners' entry into the second additional exploration period which expires in January 2017. During the second additional exploration period, the Company and its partners are obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic) with a minimum gross expenditure of $2.0 million. Additionally, the Company and its partners are required to drill one exploration well to a minimum depth of 3,000 meters with a minimum gross expenditure of $8.0 million. At March 31, 2015, the Company's working interest in the South Omo Block was 30%.

Under the Rift Basin Area PSA, during the initial exploration period which expires in February 2016, the Company and its partner are obligated to complete G&G operations (including the acquisition of 8,000 square kilometers of full tensor gravity and 400 kilometers of 2D seismic) with a minimum gross expenditure of $5.0 million. The commitments in the Rift Basin Area PSA are supported by an outstanding letter of credit of $1,250,000 in favor of the Ethiopian Government which is collateralized by bank deposit of $1,250,000 (see note 4). At March 31, 2015, the Company's working interest in the Rift Basin Area Block was 50%.

iii) Puntland (Somalia):

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

With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners have fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and have entered the second exploration period in each PSA which expire in October 2015. The minimum work obligations during the second exploration period include an exploration well in each block with minimum exploration expenditures of $5.0 million in each block. The Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved.

Under the Joint Venture Agreement with Range Resources Ltd. ("Range"), relating to the Dharoor Valley and Nugaal Valley exploration blocks, the Company was obligated to solely fund $22.8 million of joint venture costs on each of the blocks ($45.5 million in total for both blocks) during the initial exploration period, in exchange for a 80% working interest in each PSA. The Company has fulfilled its sole funding obligation related to the Dharoor Valley and Nugaal Valley blocks, and as a result, Range is obligated to pay its 20% participating interest share of ongoing exploration costs related to each block. Upon commencement of commercial production, $3.5 million will be payable to Range. At March 31, 2015, the Company's working interest in each of the Dharoor Valley and Nugaal Valley exploration blocks was 60%.

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

11) Finance income and expense:

Finance income and expense for the three months ended March 31, 2015 and 2014 is comprised of the following:

	Three months ended March 31, 2015	Three months ended March 31, 2014
Fair value adjustment - w arrants	$ -	$ (4)
Interest and other income	130	436
Bank charges	(5)	(6)
Foreign exchange loss	(15)	(116)
Finance income	$ 130	$ 436
Finance expense	$ (20)	$ (126)

12) Related party transactions:

a) Transactions with Africa Energy Corp. (“Africa Energy”)

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

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.2 million during the three months ended March 31, 2015 (three months ended March 31, 2014 – $0.2 million). At March 31, 2015, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2014 – $ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

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

During the three months ended March 31, 2015, 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, 2014 - $0.02 million). At March 31, 2015, the outstanding balance receivable from Africa Energy was $0.1 million (at December 31, 2014 – $0.07 million).

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

13) Equity Investment:

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

14) Subsidiaries:

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

15) Earnings per share:

For the three months ended	**March 31, 2015**			**March 31, 2014**		
		Weighted Average			Weighted Average	
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ 811	338,312,290	$ 0.00	$ 11,138	309,967,060	$ 0.04
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 811	338,312,290	$ 0.00	$ 11,138	309,967,060	$ 0.04

For the three months ended March 31, 2015, the Company used an average market price of CAD$2.42 per share, respectively (three months ended March 31, 2014 - CAD$8.76) to calculate the dilutive effect of stock options. For the three ended March 31, 2015, 17,363,500 options were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2014 – 18,299,056).

16) Financial Instruments:

Assets and liabilities at March 31, 2015 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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

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

17) Supplementary information:

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

	March 31, 2015	March 31, 2014
Changes in non-cash working capital		
Accounts receivable	$ (1,601)	$ (8,731)
Prepaid expenses	100	47
Accounts payable and accrued liabilities	(14,754)	29,506
	(16,255)	20,822
Non-cash working capital derecognized upon loss of control	(724)	-
	(16,979)	20,822
Relating to:		
Operating activities	(977)	(731)
Investing activities	(16,002)	21,553
Changes in non-cash working capital	$ (16,979)	$ 20,822

18) Donation:

During the three months-ended March 31, 2014, as part of the Company's Community Social Responsibility commitment, the Company made a $0.8 million donation to the Lundin Foundation, a registered Canadian non-profit organization that provides grants and risk capital to organizations dedicated to alleviating poverty in developing countries.

19) Subsequent event:

Subsequent to the first quarter of 2015, the Company entered into an investment agreement relating to a non-brokered private placement wherein, upon closing, 53,623,377 shares will be issued at a price of CAD $2.31 for gross proceeds of CAD $121,560,000. The Company expects the closing to occur by end of May 2015.