Africa Hydrocarbons

Condensed Interim Consolidated Financial Statements

Periods ended June 30, 2015 and 2014

AFRICA HYRDOCARBONS INC.

August 28, 2015

Management's Report to the Shareholders

Management is responsible for the reliability and integrity of these financial statements. The accompanying condensed interim consolidated financial statements have been prepared by management in accordance with International Accounting Standards ("IAS") 34 - Condensed interim Financial Reporting and are in accordance with International Financial Reporting Standards ("IFRS"). The condensed interim consolidated financial statements are presented in Canadian Dollars.

The accompanying condensed interim consolidated financial statements have been prepared using policies and procedures established by management and reflect fairly the Corporation's financial position, results of operations and changes in financial position, within reasonable limits of materiality and within the framework of the accounting policies outlined in the notes to the financial statements. Management has established and maintains a system of internal controls which is designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use and financial information is reliable and accurate.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board is assisted in exercising its responsibilities through the Audit Committee of the Board, which is composed of a majority of non-management directors. The Audit Committee meets periodically with management and the auditors to satisfy itself that management's responsibilities are properly discharged, to review the condensed interim consolidated financial statements and to recommend approval of the condensed interim consolidated financial statements to the Board.

The following condensed interim consolidated financial statements are unaudited and have not been reviewed by the Corporations auditor.

Signed *"John Nelson"*
John Nelson, CEO

Signed *"Charidy Lazorko"*
Charidy Lazorko, CFO

AFRICA HYRDOCARBONS INC.

Condensed Interim Consolidated Statements of Financial Position

	June 30, 2015	September 30, 2014
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	$580,422	$531,960
Trade and other receivables (note 4 and 11)	133,730	573,593
Prepaid expenses and deposits	5,833	1,458
	$719,985	**$1,107,011**
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 6 and 11)	$204,054	$240,093
Shareholders' equity		
Share capital (note 7)	42,926,781	42,426,781
Warrants (note 7(d))		1,916,206
Contributed surplus	9,720,425	7,790,120
Accumulated foreign currency translation	3,320,568	1,386,883
Deficit	(55,451,843)	(52,653,072)
	515,931	866,918
	$719,985	**$1,107,011**

Going concern (note 2)
Commitments and contingencies (note 13)

See accompanying notes to the condensed interim consolidated financial statements.

Approved for issuance by the Board of Directors on August 27, 2015

Signed *"David Antony"*
David Antony, Director

Signed *"Binh Vu"*
Binh Vu, Director

AFRICA HYDROCARBONS INC.

Condensed Interim Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
for the three and nine month period ended June 30, 2015 and 2014
(Unaudited)

	3 Months		9 Months	
	2015	**2014**	**2015**	**2014**
Expenses				
General and administrative	$85,312	$69,936	$220,739	$293,948
Foreign exchange (gain) loss	(327,394)	12,227	1,883,953	12,737
Professional fees	35,575	24,319	84,443	95,796
Share-based payments (note 7(c))	–	56,338	14,099	300,488
Impairment of exploration and evaluation assets (note 5)	8,421	–	741,364	–
	(198,086)	162,820	2,944,598	692,969
Finance (income) expense (note 8)	838	(2,561)	(328)	(10,303)
Income (loss) from continuing operations for the period	**197,248**	**(160,259)**	**(2,944,270)**	**(682,666)**
Discontinued operations (note 13)	145,499	–	145,499	164,839
Net income (loss) for the period	**342,747**	**(160,259)**	**(2,798,771)**	**(517,827)**
Other comprehensive income				
Exchange gain (loss) on translation	(319,957)	(570,843)	1,933,685	515,773
Comprehensive income (loss) for the period	**$ 22,790**	**$ (731,102)**	**$ (865,086)**	**$ 2,055**
Net loss per share (note 9):				
Loss per share from continuing operations:				
Basic and diluted	$0.00	$(0.00)	$(0.03)	$(0.00)
Income (loss) per share from discontinued operations:				
Basic and diluted	$0.00	$(0.00)	$(0.00)	$(0.00)
Net loss per share of the period:				
Basic and diluted	**$0.00**	**$(0.00)**	**$(0.03)**	**$(0.00)**

See accompanying notes to the condensed interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

Condensed interim Consolidated Statements of Changes in Equity
(Unaudited)

	2015	2014
Share capital		
Balance, October 1,	$42,426,781	$41,266,008
Issued pursuant to the exercise of warrants	–	179,304
Issued pursuant to private placement	500,000	2,250,000
Warrants issued with private placement	–	(805,224)
Share issue costs, including broker warrants	–	(261,415)
Balance, June 30,	42,926,781	42,628,673
Warrants		
Balance, October 1,	1,916,206	1,364,368
Issuance of warrants pursuant to private placement	–	805,225
Exercise of warrants	–	(55,003)
Warrants expired	(1,916,206)	(400,274)
Balance, June 30,	–	1,714,314
Contributed surplus		
Balance, October 1,	7,790,120	7,051,183
Share-based payments	14,099	300,488
Warrants expired	1,916,206	400,274
Balance, June 30,	9,720,425	7,751,946
Accumulated foreign currency translation		
Balance, October 1,	1,386,883	69,587
Gain on translation	1,933,685	515,773
Balance, June 30,	3,320,568	585,360
Deficit		
Balance, October 1,	(52,653,072)	(36,255,055)
Net loss	(2,798,771)	(517,827)
Balance, June 30,	(55,451,843)	(36,772,882)
Shareholders' equity	**$515,931**	**$15,907,410**

See accompanying notes to the condensed interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

Condensed interim Consolidated Statements of Cash Flows
for the three and nine month periods ended June 30, 2015 and 2014
(Unaudited)

	3 Months		9 Months	
	2015	**2014**	**2015**	**2014**
Cash provided by (used in):				
Operations:				
Income (loss) from continuing operations	$197,248	$(160,259)	$(2,944,270)	$(682,666)
Items not affecting cash:				
Share-based payments	–	56,338	14,099	300,488
Unrealized foreign exchange	(327,394)	–	2,219,561	–
Impairment of exploration and evaluation assets	8,421	–	732,943	–
	(121,725)	(103,921)	(304,854)	(382,178)
Change in non-cash operating working capital:				
Decrease (increase) in trade and other receivables	(148)	745	(544)	(2,030)
Decrease (increase) in prepaid expenses and deposits	4,375	4,375	(4,375)	(4,375)
Increase (decrease) in trade and other payables	15,349	36,651	(22,801)	6,611
	(102,149)	(62,150)	(332,575)	(381,972)
Discontinued operations				
Income from discontinued operations	145,499	–	145,499	164,389
Change in non-cash discontinued operating working capital:				
Decrease in trade and other receivables	–	–	–	3,623
Decrease in trade and other payables	(145,499)	–	(145,499)	(168,462)
	–	–	–	–
Cash used in operating activities	**(102,149)**	**(62,150)**	**(332,575)**	**(381,972)**
Financing:				
Proceeds from exercise of warrants	–	–	–	124,300
Proceeds received from private placement (note 6)	500,000	–	500,000	2,250,000
Share issue costs	–	–	–	(261,415)
Cash provided by financing activities	**500,000**	**–**	**500,000**	**2,112,885**
Investments:				
Exploration and evaluation assets	–	(154,094)	(708,503)	(1,712,971)
	–	(154,094)	(708,503)	(1,712,971)
Change in non-cash investments working capital:				
Decrease (increase) in trade and other receivables	2,169	(765,453)	440,407	70,616
Increase (decrease) in trade and other payables	(2,216)	–	132,262	–
Cash used in investing activities	**(47)**	**(919,547)**	**(135,835)**	**(1,642,355)**
Effect of foreign exchange on cash and cash equivalents	(986)	(47,517)	16,872	28,219
Net change in cash and cash equivalents	396,818	(1,029,214)	48,462	116,777
Cash and cash equivalents, beginning of period	183,604	1,837,562	531,960	691,571
Cash and cash equivalents, end of period	**$580,422**	**$808,348**	**$580,422**	**$808,348**

See accompanying notes to the condensed interim consolidated financial statements.

1. Nature of operations and basis of presentation:

Africa Hydrocarbons Inc. ("the Corporation") is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the TSX Venture Exchange. The principal business of the Corporation is to explore natural resource properties.

The address of the Corporation's main office is Suite 650-816 7th Ave SW, Calgary, AB T2P 1A1.

Statement of compliance

The June 30, 2015 condensed interim consolidated financial statements are prepared under IFRS. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the condensed interim consolidated financial statements are disclosed in note 5 of the Corporations September 30, 2014 yearend financials.

Basis of measurement

The condensed interim consolidated financial statements have been prepared on a historical cost basis with some exceptions in accordance with IFRS, as detailed in the accounting policies set out in the Corporations September 30, 2014 yearend financials. These policies have been applied consistently for all periods presented in these condensed interim consolidated financial statements

Items included in the financial statements of the Corporation and its subsidiaries are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The consolidated financial statements are presented in Canadian dollars, which is the Corporation's functional and presentation currency.

2. Going concern:

For the period ended June 30, 2015, the Corporation reported a net loss of $2,798,771 and has a deficit of $55,451,843 (September 30, 2014 - $52,653,072). The significant net loss is due to the impairment of the exploration and evaluation assets, due to the results of the completion program on the Tunisia, Bouhajla project, and the significant change in foreign exchange rates. As at June 30, 2015, the Corporation has $580,422 (September 30, 2014 - $531,960) in cash available to meet its liabilities as they become due. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position.

The financial statements have been prepared on the basis that the Corporation will continue to operate as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. The Corporation's ability to continue as a going concern is dependent on its ability to generate additional financial resources in order to meet its planned business objectives. Financial resources will come in the form of debt and/or equity financing. The conditions indicate the existence of a material uncertainty that casts significant doubt about the Corporation's ability to continue as a going concern. These financial statements do not reflect adjustments in the amounts and classifications of assets and liabilities reported that would be necessary if the going concern assumption was not appropriate. Such adjustments could be material.

3. Accounting standards:

Adopted Accounting Standards

a) IAS 32, "Financial Instruments: Presentation" was issued in December 2011 to clarify the current offsetting model and develop common disclosure requirements to enhance the understanding of the potential effects of offsetting arrangements. Amendments to IAS 32 are effective for the Corporation on October 1, 2014 with required retrospective application and early adoption permitted. The adoption of this standard did not an impact on the Corporation's financial statements.

b) IFRS Interpretations Committee ("IFRIC") 21 "Levies" – IFRIC clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for the Corporation on October 1, 2014. The adoption of this standard did not have an impact on the Corporation's financial statements.

4. Trade and other receivables:

	June 30, 2015	September 30, 2014
GST/HST recoverable	$4,302	$4,208
Cash call receivable	129,428	569,385
	$133,730	**$573,593**

5. Exploration and evaluation assets:

A reconciliation of the carrying amount of exploration and evaluation assets as at June 30, 2015 is set out below.

Tunisia, Bouhajla project	
Balance, September 30, 2013	$13,027,282
Additions	2,810,213
Impairment	(15,837,495)
Balance, September 30, 2014	**$** –
Additions	741,364
Impairment	(741,364)
Balance, June 30, 2015	**$** –

On October 20, 2014, the Corporation completed its recompletion program on the Tunisia, Bouhajla project and determined that the first exploration well will be plugged and abandoned. With this information, the Corporation took a full impairment on the project for the year ended September 30, 2014 of $15,837,495 as well as another $741,364 for the period ended June 30, 2015.

On March 2, 2015, pursuant to the terms of the farmout agreement, the Corporation has forfeited its entire interest on the Bouhajla project.

6. Trade and other payables:

	June 30, 2015	September 30, 2014
Trade payables	$48,830	$31,631
Accrued liabilities (Quebec tax re-assessment)	22,963	168,462
Cash call payable	132,261	–
Other accrued payables	–	40,000
	$204,054	**$240,093**

7. Share capital:

(a) Authorized:

Unlimited number of common voting shares and preferred shares

7. Share capital (continued):

(b) Issued:

	Number of Shares	Amount
Balance, September 30, 2013	100,905,949	$41,266,008
Issued pursuant private placement	12,500,000	2,250,000
Warrants issued with private placement (note 10(d))	–	(875,813)
Share issue costs, including broker warrants (note 10(d))	–	(392,718)
Exercise of warrants	703,889	179,304
Balance, September 30, 2014	**114,109,838**	**$42,426,781**
Issued pursuant private placement	50,000,000	500,000
Balance, June 30, 2015	**164,109,838**	**$42,926,781**

On November 7, 2013, the Corporation completed a private placement offering (the "Offering") pursuant to which the Corporation issued 12,500,000 units ("Units") at $0.18 per Unit and raised gross proceeds of $2,250,000. Each Unit was comprised of one common share in the capital of the Corporation ("Common Share") and one half of one Common Share purchase warrant. Each whole warrant entitles the holder to acquire one Common Share at a price of $0.30 per Common Share until November 7, 2014.

In connection with the Offering, the Corporation paid the Underwriter a fee of $157,500. In addition, the Underwriter was issued broker warrants ("Broker Warrants") entitling the Underwriter to subscribe for 875,000 Common Shares equal at an exercise price of $0.30 per Common Share. The Broker Warrants expire May 7, 2015. The Corporation incurred $103,915 in addition share issuance costs related to the private placement.

During the year ended September 30, 2014, 623,889 warrants at $0.18 per warrant and 80,000 warrants at $0.15 per warrants were exercised for cash proceeds of $124,300. An additional $55,004 was recognized in share capital to account for the fair value of the warrants exercised.

On June 24, 2015, the Corporation completed a private placement offering pursuant to which the Corporation issued 50,000,000 units at $0.01 per unit and raised gross proceeds of $500,000.

(c) Stock options:

The Corporation has a stock option plan whereby a maximum of 10% of the issued and outstanding common shares of the Corporation may be reserved for issuance pursuant to the exercise of stock options. The stock options vest immediately on the date of grant unless otherwise required by the exchange or imposed by the Corporation. A summary of the Corporation's stock options, and the changes during the period then ended is as follows:

	June 30, 2015		September 30, 2014	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding, beginning of period	5,450,000	$0.24	3,950,000	$0.21
Granted	–	–	1,500,000	$0.30
Expired	(2,150,000)	$0.24	–	–
Options outstanding and exercisable, end of period	**3,300,000**	**$0.23**	**5,450,000**	**$0.24**

7. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable at June 30, 2015:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
$0.18	1,800,000	0.01 years	$0.18
$0.30	1,500,000	3.37 years	$0.30
	3,300,000	**1.54 years**	**$0.23**

The fair values of the Corporation's options issued were estimated using the Black-Scholes option pricing model. Expected volatility was estimated by considering historic average share price volatility. The inputs used to measure the fair value of options issued were as follows:

June 30,	**2015**	**2014**
Volatility	119.00%	119.00%
Risk free interest rate	1.78%	1.78%
Expected life	5.00 years	5.00 years

Share-based payments totaling $14,099 were expensed during the period ended June 30, 2015 (2014 – $300,488).

(d) Warrants:

	June 30, 2015		September 30, 2014	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Warrants outstanding, beginning of period	34,902,778	$0.30	33,058,262	$0.28
Granted	–	–	7,125,000	$0.30
Exercised	–	–	(703,889)	$0.18
Expired	(34,902,778)	$0.30	(4,576,595)	$0.17
Warrants outstanding, end of period	**–**	**–**	**34,902,778**	**$0.30**

8. Finance income

The Corporation's finance income consists of the following:

Three month period ended June 30,	2015	2014
Bank fees	$838	$373
Interest revenue	–	(2,934)
Finance income	**$838**	**$(2,561)**

Nine month period ended June 30,	2015	2014
Bank fees	$2,082	$1,334
Interest revenue	(2,410)	(11,637)
Finance income	**$(328)**	**$(10,303)**

9. Per share amounts:

The number of shares that have been included in the computation of basic and diluted loss per share are as follows:

Three month period ended June 30,	2015	2014
Weighted average shares outstanding, basic and diluted	117,406,541	114,109,838

Nine month period ended June 30,	2015	2014
Weighted average shares outstanding, basic and diluted	115,632,301	112,237,209

In calculating diluted loss per common share for the periods ended June 30, 2015 and 2014, the Corporation excluded all options and warrants as the exercise price is greater than the average market price of the common shares for the period.

10. Key management compensation:

Key management personnel are composed of the Corporation's Directors and Officers as set out in its information circular.

For the three month period ended June 30, 2015 the Corporation incurred consulting fees of $31,500 (2014 – $63,000), rent of $6,000 (2014 - $2,400) and directors fees of $7,500 (2014 - $7,500) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the condensed interim consolidated statement of comprehensive loss. At June 30, 2015, $19,700 of consulting and directors fees remained outstanding (2014 – $15,000). The Corporation also incurred $Nil (2014 - $45,070) in stock based compensation for options issued to key management.

For the nine month period ended June 30, 2015 the Corporation incurred consulting fees of $118,000 (2014 – $187,600), rent of $18,000 (2014 - $9,600) and directors fees of $26,250 (2014 - $15,000) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the condensed interim consolidated statement of comprehensive loss. At June 30, 2015, $19,700 of consulting and directors fees remained outstanding (2014 – $15,000). The Corporation also incurred $11,279 (2014 - $240,390) in stock based compensation for options issued to key management.

11. Financial instruments:

The carrying values of the Corporation's financial instruments by category were as follows:

June 30, 2015				
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ –	$580,422	$ –	$580,422
Trade and other receivables	–	133,730	–	133,730
Trade and other payables	–	–	(204,054)	(204,054)
	$ –	**$714,152**	**$(204,054)**	**$510,098**

September 30, 2014				
Asset (liability)	**Fair value through profit or loss**	**Loans and receivables at amortized cost**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	$ –	$531,960	$ –	$531,960
Trade and other receivables	–	573,593	–	573,593
Trade and other payables	–	–	(240,093)	(240,093)
	$ –	**$1,105,553**	**$(240,093)**	**$865,460**

The carrying value of the Corporation's financial instruments approximate their fair value.

Financial risk factors

a.) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents, and trade and other receivables are exposed to credit risk. The credit risk on cash and cash equivalents is not considered significant because the counterparties are highly-rated financial institutions. The credit risk on trade and other receivables is not considered significant because the counterparties are federal and provincial governments and the Corporation's joint venture partner, which is required to hold all joint venture funds in a separate bank account to be applied only to the Tunisia project.

b.) Liquidity risk:

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking harm to the Corporation's reputation.

The following are the contractual maturities of financial liabilities as at June 30, 2015:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$204,054	$ –
Total	**$204,054**	**$ –**

The following are the contractual maturities of financial liabilities as at September 30, 2014:

Financial Liabilities	**< One Year**	**> One Year**
Trade and other payables	$240,093	$ –
Total	**$240,093**	**$ –**

11. Financial instruments (continue):

c.) Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, such as interest rates and foreign exchange rates that will affect the Corporation’s comprehensive loss or the value of financial instruments. The objective of market risk management is to control market risk exposures within acceptable limits, while maximizing returns.

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation’s bank. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the statement of loss.
- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the exploration and development costs of its Tunisia Project will mostly be denominated in U.S. dollars. The effect of at 1% change in the exchange rate would have approximately a $183,122 impact on the statement of loss.

12. Capital disclosures:

In the definition of capital, the Corporation includes shareholders’ equity. The Corporation`s objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Corporation sets the amount of capital in proportion to risk. The Corporation manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Corporation may issue new shares, or engage in debt financing.

13. Commitment and contingencies:

Revenu Quebec and the Ministere des Ressources naturelles et de la Faune of Quebec have denied certain exploration expenditures for prior years in the determination of the refundable provincial tax credits and mining duties refund. The Corporation has appealed these reassessments. If the Company is not successful with its objections, the Corporation may potentially have to repay refunds of up to $168,462, which has been recorded in trade and other payables. On May 13, 2015, $145,499 was no longer applicable for reassessment and was written off to discontinue operations on the statement of comprehensive loss. The remaining payable of $22,983 will become disqualified in 2016.

14. Segmented reporting:

June 30, 2015	**Tunisia**	**Canada**	**Total**
Additions to exploration and evaluation assets	$741,364	$ −	$741,364
Total assets	173,770	546,215	719,986
Total liabilities	132,262	71,792	204,054

14. Segmented reporting (continued):

September 30, 2014	Tunisia	Canada	Total
Additions to exploration and evaluation assets	$2,810,213	$ –	$2,810,213
Total assets	612,110	494,901	1,107,011
Total liabilities	7,770	232,323	240,093

On March 2, 2015, pursuant to the terms of the farmout agreement, the Corporation has forfeited its entire interest on the Bouhajla project.