



Interim Consolidated Financial Statements

Periods ended March 31, 2017 and 2016

AFRICA HYRDOCARBONS INC.

May 30, 2017

Management's Report to the Shareholders

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

The accompanying 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 interim consolidated financial statements and to recommend approval of the interim consolidated financial statements to the Board.

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

Signed "Stephen Fabian"

Stephen Fabian, CEO

Signed "Kari Wilkie"

Kari Wilkie, CFO

AFRICA HYRDOCARBONS INC.

Interim Consolidated Statements of Financial Position

	March 31, 2017	September 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 37,720	\$ 193,851
Trade and other receivables (note 9)	4,041	5,360
Prepaid expenses and deposits	156,435	7,291
	\$ 198,196	\$ 206,502
Liabilities and Shareholders' Equity		
Current liabilities:		
Trade and other payables (note 4 and 9)	\$ 120,466	\$ 136,006
Short-term loan (note 5)	75,000	-
	195,466	136,006
Shareholders' equity		
Share capital (note 6)	42,900,211	42,900,211
Contributed surplus	9,720,425	9,720,425
Accumulated foreign currency translation	1,457,989	1,456,912
Deficit	(54,075,895)	(54,007,052)
	2,730	70,496
	\$ 198,196	\$ 206,502

Going concern (note 2)

Commitments and contingencies (note 11)

Subsequent event (note 12)

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on May 30, 2017

Signed "Andrew Male"

Andrew Male, Director

Signed "Stephen Fabian"

Stephen Fabian, Director

AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Comprehensive Loss
for the three and six month period ended March 31, 2017 and 2016

	3 Months		6 Months	
	2017	2016	2017	2016
Expenses				
General and administrative	\$2,030	\$55,700	\$51,201	\$112,164
Foreign exchange	(63)	–	1,346	–
Professional fees	3,482	15,958	14,608	25,369
	5,449	71,658	67,155	137,533
Finance expense (note 7)	1,233	686	1,687	1,450
Net loss for the period	(6,683)	(72,344)	(68,842)	(138,983)
Other comprehensive income				
Exchange gain (loss) on translation	32	(2,720)	1,077	(4,319)
Comprehensive income (loss) for the period	\$ (6,652)	\$ (75,064)	\$ (67,765)	\$ (143,302)
Net loss per share (note 8):				
Loss per share from continuing 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)	\$(0.00)	\$(0.00)

See accompanying notes to the interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Changes in Equity

	March 31, 2017	March 31, 2016
Share capital		
Balance, beginning of period	\$ 42,900,211	\$ 42,900,211
Balance, end of period	42,900,211	42,426,781
Contributed surplus		
Balance, beginning of period	9,720,425	9,720,425
Balance, end of period	9,720,425	9,720,425
Accumulated foreign currency translation		
Balance, beginning of period	1,456,912	1,457,869
Gain (loss) on translation	1,077	(4,319)
Balance, end of period	1,457,989	1,453,550
Deficit		
Balance, beginning of period	(54,007,053)	(53,662,168)
Net loss	(68,842)	(138,983)
Balance, end of period	(54,075,895)	(53,801,151)
Shareholders' equity (deficiency)	\$ 2,730	\$ 273,036

See accompanying notes to the interim consolidated financial statements.

AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Cash Flows
for the three and six month periods ended March 31, 2017 and 2016

	3 Months		6 Months	
	2017	2016	2017	2016
Cash provided by (used in):				
Operations:				
Loss from operations	\$ (6,684)	\$ (72,344)	\$ (72,842)	\$ (138,983)
Cash flows before non-cash operating working capital	(6,684)	(72,344)	(72,842)	(138,983)
Change in non-cash operating working capital:				
Decrease (increase) in trade and other receivables	(49)	–	1,319	5,667
Decrease (increase) in prepaid expenses and deposits	(77,729)	2,875	(149,145)	(5,250)
Increase (decrease) in trade and other payables	(2,229)	5,587	(15,540)	(18,601)
Cash flows from non-cash operating working capital	(80,007)	8,464	(163,366)	(18,184)
Cash flows used in operating activities	(86,691)	(63,880)	(232,208)	(157,167)
Financing:				
Receipt of short-term loan	75,000	–	75,000	–
	75,000	–	75,000	–
Effect of foreign exchange on cash and cash equivalents	32	(2,720)	1,077	(4,319)
Net change in cash and cash equivalents	(11,659)	(66,600)	(156,131)	(161,486)
Cash and cash equivalents, beginning of period	49,379	384,092	193,851	478,978
Cash and cash equivalents, end of period	\$ 37,720	\$ 317,492	\$ 37,720	\$ 317,492

See accompanying notes to the interim consolidated financial statements.

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Notes to the Consolidated Financial Statements, page 1
For the periods ended March 31, 2017 and 2016

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 NEX on the TSX Venture Exchange. The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and is currently reviewing other business opportunities.

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

Statement of compliance

The March 31, 2017 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 interim consolidated financial statements are disclosed in note 5 of the Corporations September 30, 2016 yearend financials.

Basis of measurement

The 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, 2016 yearend financials. These policies have been applied consistently for all periods presented in these 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 March 31, 2017, the Corporation reported a net loss of \$72,492 and has a deficit of \$54,075,895 (September 30, 2016 - \$54,007,052). As at March 31, 2017, the Corporation has \$37,720 (September 30, 2016 - \$193,851) 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:

Future Accounting Standards

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning after October 1, 2016 or later periods. The standards impacted that are applicable to the Corporation are as follows:

a.) IFRS 9, "Financial Instruments" was issued in November 2009 as the first step in its project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets. The IASB intends to expand IFRS 9 during the intervening period to add new requirements for impairment and hedge accounting. IFRS 9 is effective for reporting periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.

b.) IFRS 15, "Revenue from Contracts with Customers" was issued in May 2015 to replace IAS 18 "Revenue" and IAS 11 "Construction Contracts", and several revenue related interpretations. The new standard establishes a control-based revenue

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recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Company continues to assess this new standard, but does not expect it to have a significant impact.

c.) IFRS 16, "Leases" was issued on January 13, 2016, the IASB issued IFRS 16 Leases which replaces IAS 17. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The standard becomes effective January 1, 2019. The Corporation is currently assessing the impact of this standard.

4. Trade and other payables:

	March 31, 2017	September 30, 2016
Trade payables	\$45,116	\$17,694
Accrued liabilities	75,000	22,963
Other accrued payables	350	32,500
	\$120,466	\$73,157

5. Short-term loan

On March 17, 2017, the Corporation received a loan (the "Loan") in the amount of \$75,000 from a shareholder of the Corporation. The loan is due on demand and accrues interest of 12% per annum, payable upon maturity. As of March 31, 2017, total interest accrued pursuant to the loan is \$350.

6. Share capital:

(a) Authorized:

Unlimited number of common voting shares and preferred shares

(b) Issued:

	Number of Shares	Amount
Balance, September 30, 2015	164,109,838	\$42,900,211
Balance, September 30, 2016 and March 31, 2017	164,109,838	\$42,900,211

(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:

	March 31, 2017		September 30, 2016	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable, end of year	1,500,000	\$0.30	1,500,000	\$0.30

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5. Share capital (continued):

The following table summarizes information about stock options outstanding and exercisable at March 31, 2017:

Exercise Prices	Number	Weighted Average Remaining Life	Weighted Average Exercise Price
\$0.30	1,500,000	1.62 years	\$0.30
	1,500,000	1.62 years	\$0.30

Share-based payments totaling \$nil were expensed during the period ended March 31, 2017 (2016 – \$NIL).

6. Finance expenses

The Corporation's finance income consists of the following:

Three month period ended March 31,	2017	2016
Bank fees	\$336	\$686
Interest expense	897	–
Finance expense	\$1,233	\$686

Six month period ended March 31,	2017	2016
Bank fees	\$663	\$1,450
Interest expense	1,024	–
Finance expense	\$1,687	\$1,450

7. 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 & six month period ended March 31,	2017	2016
Weighted average shares outstanding, basic and diluted	164,109,838	164,109,838

In calculating diluted loss per common share for the periods ended March 31, 2017 and 2016, the Corporation excluded all options as the exercise price is greater than the average market price of the common shares for the period.

8. 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 March 31, 2017 the Corporation incurred consulting fees of \$nil (2016 – \$22,500), rent of \$nil (2016 - \$6,000) and directors fees of \$nil (2016 - \$2,500) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive loss. At March 31, 2017, \$nil of consulting and directors fees remained outstanding (2016 – \$29,000).

For the six month period ended March 31, 2017 the Corporation incurred consulting fees of \$15,000 (2016 – \$54,000), rent of \$nil (2016 - \$12,000) and directors fees of \$nil (2016 - \$10,000) paid to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive loss. At March 31, 2017, \$nil of consulting and directors fees remained outstanding (2016 – \$29,000).

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9. Financial instruments:

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

March 31, 2017			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$ -	\$ -
Trade and other receivables	-	4,041	-
Trade and other payables	-	-	120,466
	\$ -	\$4,041	\$120,466

September 30, 2016			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ -	\$193,851	\$ -
Trade and other receivables	-	5,360	-
Trade and other payables	-	-	(136,006)
	\$ -	\$199,211	\$(136,006)

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 the federal government for \$4,241.

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 March 31, 2017:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$ -	\$ -
Total	\$ -	\$ -

The following are the contractual maturities of financial liabilities as at September 30, 2016:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$ -	\$ -
Total	\$ -	\$ -

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9. 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 consolidated statement of loss and comprehensive 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 \$157,364 impact on the consolidated statement of loss and comprehensive loss.

10. 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.

The Corporation is not exposed to external capital requirements.

11. Commitment and contingencies:

The Corporation is involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia. A claim on behalf of a former partner is proceeding to arbitration in the sum of US\$135,989. A settlement payment of \$75,000 has been accrued in the financial statements. See note 12 for settlement details.

12. Subsequent event:

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration as described in note 11 for a settlement amount of \$50,000. It was agreed upon that a further \$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing within the next 12 months or the market capitalization of the release exceeds \$2,500,000 for a 30 day period within the next 2 years. Either of these events are considered unlikely by the Corporation.