Vanoil Energy Ltd.

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE PERIOD ENDED

MARCH 31, 2015

Overview

This Management's Discussion and Analysis ("MD&A"), dated May 25, 2015, focuses upon the activities, results of operations, liquidity, financial condition and capital resources of Vanoil Energy Ltd. ("Vanoil" or the "Company") and its subsidiaries for the six month period ended March 31, 2015. The MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements and notes thereto for the three and six month periods ended March 31, 2015, and the audited consolidated financial statements, notes and MD&A for the year ended September 30, 2014.

The Company's unaudited condensed consolidated interim financial statements for the three month period ended December 31, 2013 have been prepared in accordance with International Accounting Standards 34 – *Interim Financial Reporting* ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Vanoil was incorporated under the laws of the Province of British Columbia and is a reporting issuer in British Columbia and Alberta and trades on the TSX Venture Exchange (the "Exchange"), symbol "VEL". Vanoil is classified Tier 2.

Additional information about the Company, including the Company's Annual Information Form, is available under the Company's profile on SEDAR at www.sedar.com and on the Company's website at www.vanoil.ca.

The Company reports its financial information in Canadian dollars and all monetary amounts set forth herein are expressed in Canadian dollars unless specifically stated otherwise. Readers should be aware that historical results are not necessarily indicative of future performance; actual results will vary from estimates and variances may be significant.

Forward Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements and forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Such forward-looking statements relate to future events or the Company's future performance. All statements other than statements of historical fact may be forward-looking statements. Such forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These forward-looking statements speak only as of the date of this MD&A.

In particular, this MD&A contains forward-looking statements pertaining to the following:

- the Company's intended sale of the assets of Fluormin Limited ("Fluormin");
- the Company's expected sale of the assets of Avana Petroleum Limited ("Avana");
- the Company's international arbitration against the Government of Kenya
- the Company's capital expenditure and investment program and the timing and results therefrom;
- drilling inventory, drilling plans and timing of drilling, completion and tie-in of wells;
- productive capacity of wells, anticipated or expected production rates and anticipated dates of commencement of production;
- results of various projects of the Company;
- the impact of changes in oil and natural gas prices on cash flow;
- expectations regarding the ability to raise capital and to add to reserves;
- oil and natural gas production levels and sources of their growth;
- the performance characteristics of the Company's oil and natural gas properties;
- timing of development of undeveloped reserves;

- the Company's business, disposition and acquisition strategy, the criteria to be considered in connection therewith and the benefits to be derived therefrom;
- the impact of Canadian federal and provincial, Kenyan, Seychellois, Madagascar, British, and South African governmental regulation on the Company relative to other oil and gas issuers of similar size;
- future development and growth prospects;
- expected levels of royalty rates, operating costs, general administrative costs, costs of services and other costs and expenses;
- determination of future quantities of oil and natural gas reserves and the size of and future net revenues therefrom;
- ability to meet current and future obligations;
- the tax horizon and taxability of the Company;
- treatment under governmental regulatory regimes and tax laws;
- projections of market prices and costs;
- weighting of production between different commodities;
- supply and demand for oil and natural gas;
- the ability to obtain equipment, services and supplies in a timely manner to carry out its activities;
- the ability to market oil and natural gas successfully to current and new customers;
- the financial capability of joint venture partners;
- the timing and costs of pipeline, terminal and storage facility construction and expansion and the ability to secure adequate product transportation;
- the ability to obtain financing on acceptable terms or at all;
- currency, exchange and interest rates;
- potential dispositions and acquisitions;
- the timely receipt of governmental approvals;
- realization of the anticipated benefits of acquisitions and dispositions; and
- expectations relating to the renewal of exploration permits by governmental authorities.

With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding, among other things, the following: (i) the Company's intended sale of the assets of Fluormin; (ii) the Company's expected sale of the assets of Avana; iii) the Company's international arbitration against the Government of Kenya; (iv) commodity prices and royalty regimes; (v) the impact of increasing competition; (vi) availability of skilled labour; (vii) timing and amount of capital expenditures; (viii) future exchange rates; (ix) the price of oil and natural gas; (x) conditions in general economic and financial markets; (xi) availability of drilling and related equipment; (xii) continuing participation of joint venture partners; (xiii) royalty rates and future operating costs; (xiv) the Company's ability to obtain additional financing on satisfactory terms; (xv) the success of the Company's operations and exploration and development activities; (xvi) the legislative and regulatory environments of the jurisdictions where the Company carries on business or has operations; and (xvii) that there will be no significant change to economic conditions or political stability in Kenya, Madagascar, the Republic of Seychelles, the United Kingdom and South Africa.

The actual results, performance or achievements of the Company could differ materially from those anticipated in these forward-looking statements as a result of the risk factors set forth below and elsewhere in this MD&A, including but not limited to:

- general economic conditions in Canada, Kenya, Madagascar, the Republic of Seychelles, the United Kingdom, South Africa and globally;
- the ability of management to execute its business plan, including, but not limited to, the sale of the assets of Fluormin and Avana, as well as the international arbitration against the Government of Kenya;
- fluctuations in the prices of oil and natural gas, and interest and exchange rates;
- the risks of the oil and gas industry both domestically and internationally, such as operational risks in exploring for, developing and producing crude oil and natural gas and market demand;
- governmental regulation of the oil and gas industry, including environmental regulation;
- actions taken by governmental authorities, including increases in taxes and changes in government regulations and incentive programs;
- geological, technical, drilling and processing problems;
- risks and uncertainties involving geology of oil and gas deposits;

- risks inherent in marketing operations, including credit risk;
- the ability to enter into or renew leases;
- the uncertainty of reserves estimates and reserves life;
- the uncertainty of estimates and projections relating to production, costs and expenses;
- potential delays or changes in plans with respect to exploration or development projects or capital expenditures;
- availability of sufficient financial resources to fund the Company's capital expenditures;
- uncertainty of finding reserves, and developing and marketing those reserves;
- unanticipated operating events which could reduce production or cause production to be shut-in or delayed;
- incorrect assessments of the value of acquisitions;
- ability to locate satisfactory properties for acquisition or participation;
- shut-ins of connected wells resulting from extreme weather conditions;
- insufficient storage or transportation capacity;
- hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or in personal injury;
- encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations;
- the ability to add production and reserves through development and exploration activities;
- the possibility that government policies or laws, including laws and regulations related to the environment, may change or governmental approvals may be delayed or withheld;
- uncertainty in amounts and timing of royalty payments;
- uncertainties inherent in estimating quantities of oil and natural gas reserves and cash flows to be derived therefrom;
- failure to obtain industry partner and other third party consents and approvals, as and when required;
- stock market volatility and market valuations;
- competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel;
- the availability of capital on acceptable terms or at all;
- the possible effects of political instability in Kenya, the Republic of Seychelles, Madagascar, the United Kingdom, and South Africa;
- failure to realize the anticipated benefits of acquisitions and dispositions; and
- the other factors considered under "Risks and uncertainties".

Statements relating to "reserves" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future. The Company has included the above summary of assumptions and risks related to forward-looking statements provided in this MD&A in order to provide investors with a more complete perspective on the Company's current and future operations and such information may not be appropriate for other purposes.

Readers are cautioned that the foregoing lists of factors are not exhaustive and it would be unreasonable to rely on any such forward-looking statements and information as creating any legal rights, that the statements and information are not guarantees and may involve known and unknown risks and uncertainties, and that actual results are likely to differ (and may differ materially) and objectives and strategies may differ or change from those expressed or implied in the forward-looking statements or information as a result of various factors. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement. Except as required by applicable securities laws, the Company is not under any duty and does not undertake any obligation to publicly update or revise any forward-looking statements after the date of this MD&A or to conform such statements to actual results or to changes in the Company's expectations and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. Readers should also carefully consider the matters discussed under the heading "Risk and uncertainties" in this MD&A.

Overall Performance

At March 31, 2015, the Company had a working capital deficit of $(7,832,498) (September 30, 2014 – $(6,361,651)).

During the six months ended March 31, 2015:

- Vanoil reported a net loss of $1,036,274 for the three month period ended March 31, 2015 in comparison with a net loss of $1,575,368 for the three month period ended March 31, 2014. Vanoil reported a net loss of $1,525,874 for the six month period ended March 31, 2015 in comparison with a net loss of $3,885,959 for the six month period ended March 31, 2014;

- Vanoil reported a comprehensive loss of $789,690 for the three month period ended March 31, 2015 in comparison with a comprehensive loss of $892,015 for the three month period ended March 31, 2014. Vanoil reported a comprehensive loss of $1,367,673 for the six month period ended March 31, 2015 in comparison with a comprehensive loss of $2,683,105 for the six month period ended March 31, 2014;

- On October 1, 2014, the Company announced that it has commenced an international arbitration against the Government of Kenya (the "Respondent"). This action has been filed to resolve a dispute arising from the Respondent's breach of the Production Sharing Contracts (the "PSCs") for Blocks 3A and 3B. Vanoil is seeking not less than US$150 million as full and proper restitution for its seven years of exploration and development, based upon the net present value of its investment in Kenya, to which it is entitled under the PSCs.

- On October 30, 2014, the Company announced the resignation of Mr. Sam Malin as president, chief executive officer ("CEO") and director of the Company. Mr. Don Padgett was appointed as interim president and CEO of the Company.

- On October 31, 2014, the Company announced an immediate review of all Company operations, with the priority goal to eliminate non-essential costs, dispose of non-productive assets and secure sufficient funding to enable Vanoil aggressively pursue its legal arbitration claims against the Republic of Kenya.

- On November 21, 2014, Fluormin commenced the process of the sale of its subsidiary, Sallies Ltd., for consideration of 15,000,000 South African Rand ($1,501,500 CAD). A deposit for the first tranche of funds (7,500,000 South African Rand) ($750,750 CAD) was received by Fluormin on January 2, 2015.

- On May 4, 2015 the Company announced that at its Annual General Meeting of Shareholders held on April 29, 2015, all resolutions proposed to shareholders were duly passed. During the meeting, James Passin, Donald Padgett and Larry Van Hatten were re-elected to the Board of Directors. In addition, Thea Koshman was elected as a new independent Director to the Board.

- The Company continues to be in ongoing discussions regarding the extension of the initial exploration period ended December 31, 2013 of Block 3A and Block 3B in Kenya. On October 1, 2014, Vanoil announced an update with regards to the ongoing communications with the Kenyan Government with respect to the extension of Vanoil's Production Sharing Contracts ("PSCs") over Block 3A and Block 3B. The Company has proceeded with the submission of a formal demand for arbitration. In addition, Vanoil has commenced evaluation of all possible legal remedies that the Company or its shareholders may have against the Government of the Republic of Kenya. As the Company has not received an extension to date and due to the uncertainty of the discussions, the Company expenses all exploration and evaluation activities in Kenya.

- The Company incurred expenditures of $nil on oil and gas exploration and evaluation assets for the three and six month periods ended March 31, 2015. However, $70,733 of exploration and evaluation expenditures were directly expensed during the three months ended March 31, 2015, while $190,917 of exploration and evaluation expenditures were directly expensed during the six months ended March 31, 2015. For the three month period ended March 31, 2014, Vanoil incurred expenditures of $1,226,326 on oil and gas exploration and evaluation assets, while for the six month period ended March 31, 2014, Vanoil incurred expenditures of $2,204,065 on oil and gas exploration and evaluation assets.

Description of Business

Based in Vancouver, Canada, Vanoil is an internationally diversified energy company with a portfolio of oil and gas assets. The following is a brief description of our major projects by geographic location. Please refer to the Ventures tab on Vanoil's website located at www.vanoil.ca for additional information.

Oil and Gas Exploration and Evaluation Assets

The recoverability of the amounts shown for oil and gas exploration and evaluation assets, including deferred oil and gas exploration costs, is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete their development and upon future profitable production.

Kenya Onshore Block 3A and Block 3B

Production Sharing Contracts

In Kenya, Vanoil is in ongoing discussions regarding its interest in land packages known as Blocks 3A and 3B by virtue of being a party to two production sharing contracts with the Government of the Republic of Kenya. Pursuant to both Kenya Block 3A PSC and Kenya Block 3B PSC, the Kenyan Government has a carried 15% participating interest in both Block 3A and Block 3B during their respective exploration phases. The Kenyan Government can elect to convert this carried participating interest into a full working participating interest in accordance with the terms of the Kenya Block 3A PSC and Kenya Block 3B PSC. Vanoil has negotiated with the Government of Kenya for an extension in the Initial Exploration Period. The Initial Exploration Period was for three contract years commencing October, 2007. In 2011, the Initial Exploration Period was extended by eleven months and in 2012 the period was further extended by seven months to April 30, 2013. The Kenya Block 3A PSC and Kenya Block 3B PSC will be extended to December 31, 2013 if the Company drills two wells (as described below), pays an extension fee (which has been paid) and relinquishes 35% of the area of its rights (relinquished area has been proposed and awaiting approval) under the Kenya Block 3A PSC and Kenya Block 3B PSC to the Kenyan Government. Under the terms of the latest extension, Vanoil must commence drilling operations before July 31, 2013 and complete drilling of both its first well and second well by December 31, 2013. With sufficient technical justification, Vanoil may place its two wells anywhere within the boundaries of Block 3A and 3B to satisfy the work program obligations within the Initial Exploration Period of its Kenya Block 3A PSC and Kenya Block 3B PSC.

Vanoil announced an update on the Company's operations at the Madogashe-I drill site Block 3A in Kenya. As per the condition in the extension granted by the Ministry of Energy on January 22, 2013, the Company commenced drilling operations prior to July 31, 2013, in light of the Company's commitment in the amended Blocks 3A and 3B Production Sharing Contracts. Being unable to drill, due to drill site operations having been affected by a number of incidents of local disturbance and protest, the County Governor, requested that the Company reduce and delay drill site operations until a safe return to site could be enabled.

On October 1, 2014, Vanoil announced an update with regards to the ongoing communications with the Kenyan Government with respect to the extension of Vanoil's PSCs over Block 3A and Block 3B. The Company has proceeded with the submission of a formal demand for arbitration. The two arbitrations commenced under each respective PSC, will take place in Kenya and be conducted under the UNCITRAL Arbitration Rules. In addition, Vanoil has commenced evaluation of all possible legal remedies that the Company or its shareholders may have against the Government of the Republic of Kenya.

Blocks 3A and 3B

Block 3A is approximately 12,192 km^2 (prior to relinquishment) and partly lies along the proven hydrocarbons fairway of the Central African Rift System ("CARS"). The Anza Graben in Kenya is the termination rift segment of the CARS in north east Kenya. The Block 3A acreage occupies a convergence area of two sedimentary basins of South Anza and Mochesa. Block 3B is approximately 12,489 km^2 (prior to relinquishment). The Block 3B acreage lies mainly in Lamu Embayment Basin south of Block 3A and has adequate magnetic data with sparse gravity and seismic coverage. A relatively small portion of the Block 3B acreage to the northwest falls within the South Anza Basin. In the past, two exploratory wells have been drilled in Block 3B, testing its hydrocarbons potential.

The Anza Graben in Kenya is also the southeastern extension of the prolific Melut and Muglad rift basins in South Sudan where Cretaceous working petroleum systems have been proved and oil discovered. Potential source rocks for hydrocarbon generation and evidences of a working petroleum system exist in Anza Graben as established in the Chalbi basin to the northwest of Block 3A. This year, oil shows have been established in the Cretaceous sandstones reservoirs in Pai-Pai exploratory well in Chalbi basin. The Cretaceous-Tertiary play associated with South Anza Graben in Block 3A acreage is promising and has been given the first priority by Vanoil management. The Cretaceous play has never been properly tested as the Cretaceous section of the South Anza Basin has only been penetrated by two exploratory wells (Anza-1 and Bahati-1) drilled in the Basin. The Endela-1 well, drilled in South Anza Basin in Block 3A by Walter International, was drilled to a total depth in Lower Tertiary, way above the Cretaceous stratigraphic level which is conceptually considered prospective by Vanoil.

In addition to Block 3A, Vanoil signed in 2007 the Kenya Block 3B PSC. The Block 3B acreage lies mainly in Lamu Embayment Basin south of Block 3A and has adequate magnetic data with sparse gravity and seismic coverage. A relatively small portion of the Block 3B acreage to the northwest falls within the South Anza Basin. In the past, two exploratory wells have been drilled in Block 3B, testing its hydrocarbon potential.

Vanoil completed a 100km^2 3D seismic and gravity survey over its western leads in Block 3A in Kenya, which complemented the 845km^2 of 2D seismic acquired by Vanoil in previous years. Vanoil also signed a contract with Sinopec to secure an onshore drilling rig in Kenya. The contract includes two firm wells and an option for two more.

Vanoil announced an update on the Company's operations at the Madogashe-I drill site Block 3A in Kenya. As per the condition in the extension granted by the Ministry of Energy on January 22, 2013, the Company commenced drilling operations prior to July 31, 2013, in light of the Company's commitment in the amended Blocks 3A and 3B Production Sharing Contracts. Being unable to drill, due to drill site operations having been affected by a number of incidents of local disturbance and protest, the County Governor, requested that the Company reduce and delay drill site operations until a safe return to site could be enabled. The Company continues to liaise with key stakeholders in order to resolve these concerns.

2013 Work Program for Block 3A & 3B

Vanoil was to commence its drilling operations before July 31, 2013 and complete drilling of both its first well and second well by December 31, 2013.

On October 1, 2014, Vanoil announced an update with regards to the ongoing communications with the Kenyan Government with respect to the extension of Vanoil's PSCs over Block 3A and Block 3B. The Company has proceeded with the submission of a formal demand for arbitration. The two arbitrations, to be commenced under each respective PSC, would take place in Kenya and be conducted under the UNCITRAL Arbitration Rules. In addition, Vanoil has commenced evaluation of all possible legal remedies that the Company or its shareholders may have against the Government of the Republic of Kenya.

Kenya Offshore Block L9

12,500,002 common shares of Vanoil will be issued to the shareholders of Avana upon Avana perfecting the 10% interest in Kenya offshore Block L9. On April 15, 2013, Avana Petroleum Kenya Ltd. ("Avana Kenya"), a subsidiary of Avana, and DPKL, signed a transfer agreement whereby DPKL agreed to assign and transfer the 10% interest in the Kenya Block L9 PSC to Avana Kenya in return for payment of a pro-rata share (10% participating interest) of back costs incurred by the partnership between DPKL and FAR Limited in relation to Block L9. This assignment is conditional upon receipt of consent from the Minister of Energy of Kenya, which is currently being sought. Avana's participating interest in the back costs in relation to Block L9 up to March 31, 2013 is approximately US$3,660,000. Block L9 is a 5,065 km^2 block located off the coast of Mombasa in the southern waters of Kenya; a region in which all of the neighbouring acreage is held by Total E&P Limited, Anadarko Petroleum Corporation, BG Group, PTT Public Company Limited and their respective partners. The results of a 560 km^2 3D seismic survey conducted between March 2012 and June 2012 suggest that the analogous Mbawa South prospect extends across the border of Block L8 into L9, and a second 1536 km^2 3D seismic survey conducted by Ophir between June 2012 and September 2012 illuminated potential oil prospects in a separate fairway spanning the southern half of Block L9 and notably the Simba Graben.

As of March 21, 2013, the acquisition date, and March 31, 2015, the conditions for the payment of the second tranche of 12,500,002 common shares, which included Avana perfecting a 10% interest in Kenya Block L9, by receiving government approval for the transfer and Avana paying back costs estimated at approximately US$4,200,000, were not satisfied. Thus, the second tranche of 12,500,002 common shares has not been issued at March 31, 2015.

Seychelles

Vanoil holds a 25% participating interest in Area A and Area B, comprised of in excess of 14,000 km^2 (3.7 million acres) exploration area awarded to Avana, a subsidiary of Vanoil, and its partner East African Exploration Seychelles Limited, a wholly owned subsidiary of Afren, in the Seychelles pursuant to an agreement dated November 28, 2008, as amended on February 2, 2011. Avana and EASL applied to the Government of Seychelles for a further amendment to this agreement whereby, in consideration for the acquisition of 3,300 km^2 of 3D seismic work, which was completed during December 2012 through February 2013, the work program would be considered to be in the third exploration phase which entails the drilling of two exploration wells, the first of which is planned for late 2014/2015. The Government of Seychelles approved the amendment in July 2013, which was dated April 2013. The third exploration period ends on April 21, 2016. The obligation of the third period is two wells to reach Karoo target depth or economic basement and contingent on the result of wells, 3D seismic survey(s) totalling 100 km^2 or 1000 km of additional infill 2D seismic data. A further area, Area C, was relinquished by Avana in 2012. The Government of Seychelles has no back-in rights into successful exploration wells and contractors are allowed to recover 100% of their costs from 100% of the production. Oil and gas royalty rates are both flat at 5%; revenues incur an additional petroleum profit tax that ranges from 30% to 45% depending on previous production revenues. Multiple oil seeps have been observed on Areas A and B, and tar balls of natural origin are abundant throughout the region.

A major 2D survey, which was conducted during the period between September 2011 and December 2011 (3,733km), focused on these areas to better define the prospectivity of the areas. A 3D survey was shot from December 2012 to February 2013 over 3,375 km^2, 600 km^2 in the southern portion of Area A over the Bonit prospect, and 2,775 km^2 over the northern part of Area A. The new 3D seismic data combined with existing 2D data have been processed and are being interpreted by the partners to assess in detail the Tertiary, Cretaceous and Jurassic prospectivity.

On August 29, 2014, Vanoil announced that its wholly owned subsidiary, Avana, has received a default notice under the joint operating agreement (the "JOA") in respect of Seychelles Areas A and B, due to non-payment of its share of joint account expenses in the amount of USD $732,755 plus interest. Avana has not remedied the default within the time period required under the JOA, and is currently in discussions with East African Exploration (Seychelles) Limited ("EAX") with respect to an extension of the payments. EAX has the option to at any time require Vanoil to completely withdraw from the JOA. This would require Vanoil to transfer its participating interest to EAX. As a result, the Company reflects the carrying value of the Seychelles property at its estimated fair value less costs to sell of $1,562,500 USD ($1,979,063 CAD as at March 31, 2015, $1,750,000 as at September 30, 2014). The Avana disposal group is in Level 3 of the fair value hierarchy; fair value was determined with reference to potential sale opportunities and EAX's valuation. Management analyses potential changes in fair value with reference to the aforementioned indicators.

Fluormin

The Fluormin acquisition was completed on May 17, 2013, after the High Court of Justice sanctioned the scheme of arrangement and the admission to trading of the Fluormin shares on AIM was cancelled. Fluormin's assets are primarily comprised of cash, inventory and equipment with some landholdings and an inactive fluorspar mine which is currently on care and maintenance. The purpose of the acquisition was to acquire Fluormin for its cash, cash equivalents, realization on its short term receivables and the sale and salvage value of its non-cash assets. Vanoil has no plans to integrate or otherwise develop or operate Fluormin's landholdings or its inactive fluorspar mine in the context of the Vanoil's current or proposed operations.

On November 21, 2014, Fluormin commenced the process of the sale of its subsidiary, Sallies Ltd., for consideration of 15,000,000 South African Rand ($1,501,500 CAD). A deposit for the first tranche of funds (7,500,000 South African Rand) ($782,038 CAD) was received by Fluormin on January 2, 2015.

Rwanda

Vanoil was party to a TEA for the East Kivu Graben Basin area located in the Kivu Graben at the southern extension of the Albertine Graben, in relation to a concession with an area of 1,631 km^2. The TEA was entered into by Vangold Resources Ltd ("Vangold") in October 2007 and was assigned by Vangold to Vanoil as part of the Vangold plan of arrangement ("Vangold Plan of Arrangement") whereby certain oil and gas properties were transferred from Vangold to Vanoil effective December 31, 2009. Pursuant to the TEA, Vanoil also had the exclusive right to negotiate a production sharing agreement with the Government of Rwanda in connection with this concession.

The Government of Rwanda and Vanoil agreed to end their discussions regarding the exploration of Lake Kivu in Rwanda following expiry of the TEA between them in June 2013. As part of this agreement, the Government of Rwanda and Vanoil amicably resolved the issues referred to the Conciliation Committee.

Selected Unaudited Condensed Consolidated Interim Financial Information – Operations – Three Month Period Ended March 31, 2015

The following table shows selected summary unaudited condensed consolidated interim financial information which have been derived from the unaudited condensed consolidated interim financial statements of the Company for the three month period ended March 31, 2015.

	Three months ended March 31, 2015 $ (unaudited)	Three months ended March 31, 2014 $ (unaudited)
Net and comprehensive loss		
General and administrative expense	**401,154**	867,857
Exploration and evaluation expenses	**70,733**	-
Foreign exchange loss	**511,800**	380,548
Impairment of exploration and evaluation assets	**-**	772,815
Other (income) expense	**(352)**	-
Gain on recovery of exploration costs	**-**	(691,612)
(Gain)/ loss from disposal units	**52,939**	245,760
Net loss	**1,036,274**	1,575,368
Other comprehensive (income) loss	**(246,584)**	(683,353)
Comprehensive loss	**789,690**	892,015
Basic & diluted net loss per share	**(0.01)**	(0.01)

Overall, the comprehensive loss has decreased in the 2015 fiscal period in comparison with fiscal 2014. The decrease is attributable primarily to the fact that the board of directors instructed management to conduct an immediate review of all Company operations with a priority goal of eliminating non-essential costs, dispose of non-productive assets and secure sufficient funding to enable Vanoil to aggressively pursue its legal arbitration claims against the Republic of Kenya. This was announced by the Company on October 31, 2014. The changes in the consolidated comprehensive losses for the three months ended March 31, 2015 and March 31, 2014 are analyzed in detail below.

Review of Unaudited Condensed Consolidated Interim Financial Information – Net and Comprehensive Loss

This review of the unaudited condensed consolidated interim financial information should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six month periods ended March 31, 2015.

For the three month period ended March 31, 2015 the Company reported a net loss of $1,036,724 in comparison with a net loss of $1,575,368 for the three month period ended March 31, 2014. The Company reported a comprehensive loss of $789,690 for the three month period ended March 31, 2015, in comparison with a comprehensive loss of $892,015 for the three month period ended March 31, 2014. The $102,325 decrease in comprehensive loss in fiscal 2015 in comparison with fiscal 2014 is attributed primarily to the following:

- decrease in general and administrative expenses of $466,703; and
- decrease in impairment of exploration and evaluation assets of $772,815;

Offset by the following:

- increase in exploration and evaluation expenditures of $70,733;
- no gain on recovery of exploration costs (March 31, 2014 - $691,612 recovery).

► **Impairment of exploration and evaluation assets**

During the three month period ended March 31, 2015, Vanoil's impairment of exploration and evaluation assets expense decreased in comparison with the three month period ended March 31, 2014. There was no impairment expense in the three month period ended March 31, 2015, as given the uncertainty surrounding rights and ownership to the property, the Company no longer capitalizes Kenyan exploration and evaluation expenditures, immediately expensing them instead.. The impairment expense in the 2014 period relates to the Kenya exploration and evaluation asset which was administered through the Block 3A and Block 3B PSCs. On January 25, 2013, the Company received an extension to its PSC from the Kenyan Ministry of Energy. This extension extended the initial exploration period to December 31, 2013. As the Company has not received an extension to date and due to the uncertainty of the discussions, an indicator of impairment was noted for the property. Based on the indicators of impairment, the Company impaired the Kenya intangible exploration and evaluation asset and recorded an impairment expense of $772,815 for the three month period ended March 31, 2014.

► **Loss from disposal units**

The loss from the disposal units for the three month period ended March 31, 2015 decreased in comparison to the three month period ended March 31, 2014. The disposal units relate to the Sallies and Witkop subsidiaries of Fluormin which were acquired with the intent of being disposed of. Sallies and Witkop were sold on January 2, 2015, resulting in no significant expenditures over this time period, whereas they were fully operational in the prior year.

► **Other comprehensive loss**

Vanoil had a decrease in other comprehensive loss during the three month period ended March 31, 2015 in comparison with the other comprehensive gain during the three month period ended March 31, 2014. The decrease in other comprehensive loss in the three month period ended March 31, 2015 is due to the foreign currency fluctuations and translations of Vanoil's subsidiaries in the Avana and Fluormin groups which have different functional currencies than Vanoil's reporting currency of Canadian dollars.

► **General and administrative expense**

Three months ended	**March 31, 2015** **$**	**March 31, 2014** **$**
General and administrative expense		
Wages and consulting	**49,630**	499,835
Professional services	**101,360**	248,304
Regulatory, communications and filing fees	**12,858**	18,519
Office administration and travel	**237,306**	108,700
Recovery on settlement of payables	**-**	(7,501)
Total	**401,154**	867,857

General and administrative expenses for the three month period ended March 31, 2015 decreased in comparison to the three month period ended March 31, 2014. The decrease from the comparative period is due to a decrease in the following categories: wages and consulting, professional services, regulatory and, communication and filing fees. The decrease in wages and consulting is primarily due to a decrease in the number of employees and consultants used in the three months period ended March 31, 2015 in comparison with fiscal 2014, as the board of directors instructed management to conduct an immediate review of all Company operations with a priority goal of eliminating non-essential costs. The decrease in professional services and regulatory, communications and filing fees is due to less overall activity, as the Company focuses primarily on its international arbitration against the Republic of Kenya.

The decrease in general and administrative expenses in the three months ended March 31, 2015 in comparison with the three months ended March 31, 2014 was offset by a recovery on settlement of payables in 2014. The recovery on settlement of payables was a result of the forgiveness of a loan that the Company had entered into in 2014. In addition, office administration and travel increased as a result of trips to Kenya regarding the international arbitration.

Selected Quarterly Unaudited Condensed Consolidated Interim Financial Information

The table below presents selected unaudited quarterly condensed consolidated interim financial information. The information has been obtained from the Company's unaudited condensed consolidated interim financial statements, which have been prepared in accordance with IFRS.

	March 31, 2015 $	**December 31, 2014 $**	**September 30, 2014 $**	**June 30, 2014 $**
Net loss	1,036,274	489,600	20,494,894	567,539
Comprehensive loss	789,690	577,893	18,051,368	1,444,017
Basic and diluted loss per share	0.00	0.00	0.18	0.005
	March 31, 2014 $	**December 31, 2013**	**September 30, 2013 $**	**June 30, 2013 $**
Net loss	1,575,368	2,310,591	33,528,975	2,059,078
Comprehensive loss	892,015	1,791,090	33,458,620	2,243,053
Basic and diluted loss per share	0.01	0.02	0.29	0.02

The net and comprehensive losses in the previous eight quarters have fluctuated based on the events, transactions and activity in the periods. The decrease in net and comprehensive loss in March 31, 2015 and December 31, 2014 is attributable primarily to the fact that the board of directors instructed management to conduct an immediate review of all Company operations with a priority goal of eliminating non-essential costs and to dispose of non-productive assets. The increase in net and comprehensive loss for the quarters ended September 30, 2014, June 30, 2014, March 31, 2014, December 31, 2013, September 30, 2013, June 30, 2013, and March 31, 2013 was due to an increase in activity in the periods as noted in the quarterly analyses. The increased net and comprehensive loss in the quarters ended June 30, 2014, March 31, 2014, December 31, 2013 and September 30, 2013 was also due to an impairment expense on the Kenya exploration and evaluation asset in the amounts of $280,171, $772,815, $1,167,480 and $31,120,746 respectively. After considering the impact of the impairment charge, the net and comprehensive loss for the quarters ended March 31, 2015, December 31, 2014, September 30, 2014, June 30, 2014, and December 31, 2013 are in line with the net and comprehensive loss of the other quarters that had increased activity.

Selected Unaudited Condensed Consolidated Interim Financial Information – Operations - Six Month Period Ended March 31, 2015

The following table shows selected summary unaudited condensed consolidated interim financial information which have been derived from the unaudited condensed consolidated interim financial statements of the Company for the six month period ended March 31, 2015.

	Six months ended March 31, 2015 $ (unaudited)	Six months ended March 31, 2014 $ (unaudited)
Net and comprehensive loss		
General and administrative expense	667,565	1,789,476
Exploration and evaluation expenditures	190,917	-
Foreign exchange loss	846,278	759,838
Impairment of exploration and evaluation assets	-	1,940,295
Gain on recovery of exploration costs	-	(691,612)
Other income	(593)	-
Loss from disposal units	(178,293)	87,962
Net loss	1,525,874	3,885,959
Other comprehensive (income) loss	(158,201)	(1,202,854)
Comprehensive loss	1,367,673	2,683,105
Basic & diluted net loss per share	(0.01)	(0.03)

Overall, the comprehensive loss has decreased in the 2015 fiscal period in comparison with fiscal 2014. The decrease is attributable primarily to the fact that the board of directors instructed management to conduct an immediate review of all Company operations with a priority goal of eliminating non-essential costs, dispose of non-productive assets and secure sufficient funding to enable Vanoil to aggressively pursue its legal arbitration claims against the Republic of Kenya. This was announced by the Company on October 31, 2014. The changes in the consolidated comprehensive losses for the six months ended March 31, 2015 and March 31, 2014 are analyzed in detail below.

Review of Unaudited Condensed Consolidated Interim Financial Information – Net and Comprehensive Loss

This review of the unaudited condensed consolidated interim financial information should be read in conjunction with the unaudited condensed consolidated interim financial statements of the Company for the three and six month periods ended March 31, 2015.

For the six month period ended March 31, 2015 the Company reported a net loss of $1,525,874 in comparison with a net loss of $3,885,959, for the six month period ended March 31, 2014. The Company reported a comprehensive loss of $1,367,673 for the six month period ended March 31, 2015, in comparison with a comprehensive loss of $2,683,105 for the six month period ended March 31, 2014. The $1,315,432 decrease in comprehensive loss in fiscal 2015 in comparison with fiscal 2014 is attributed primarily to the following:

- decrease in general and administrative expenses of $1,121,911; and
- decrease in impairment of exploration and evaluation assets of $1,940,295;

Offset by the following:

- increase in exploration and evaluation expenditures of $190,917;
- no gain on recovery of exploration costs (March 31, 2014 - $691,612 recovery).

- **Impairment of exploration and evaluation assets**

During the six month period ended March 31, 2015, Vanoil's impairment of exploration and evaluation assets expense decreased in comparison with the six month period ended March 31, 2014. There was no impairment expense in the six month period ended March 31, 2015, as given the uncertainty surrounding rights and ownership to the property, the Company no longer capitalizes Kenyan exploration and evaluation expenditures, immediately expensing them instead.. The impairment expense in the 2014 period relates to the Kenya exploration and evaluation asset which was administered through the Block 3A and Block 3B PSCs. On January 25, 2013, the Company received an extension to its PSC from the Kenyan Ministry of Energy. This extension extended the initial exploration period to December 31, 2013. As the Company has not received an extension to date and due to the uncertainty of the discussions, an indicator of impairment was noted for the property. Based on the indicators of impairment, the Company impaired the Kenya intangible exploration and evaluation asset and recorded an impairment expense of $1,940,295 for the six month period ended March 31, 2014.

- **Loss from disposal units**

The loss from the disposal units for the six month period ended March 31, 2015 decreased in comparison to the six month period ended March 31, 2014. The disposal units relate to the Sallies and Witkop subsidiaries of Fluormin which were acquired with the intent of being disposed of. Sallies and Witkop were sold on January 2, 2015, resulting in no significant expenditures over this time period, whereas they were fully operational in the prior year.

- **Other comprehensive loss**

Vanoil had a decrease in other comprehensive loss during the six month period ended March 31, 2015 in comparison with the other comprehensive gain during the six month period ended March 31, 2014. The decrease in other comprehensive loss in the three month period ended March 31, 2015 is due to the foreign currency fluctuations and translations of Vanoil's subsidiaries in the Avana and Fluormin groups which have different functional currencies than Vanoil's reporting currency of Canadian dollars.

- **General and administrative expense**

Six months ended	March 31, 2015 $	March 31, 2014 $
General and administrative expense		
Wages and consulting	**205,990**	1,043,157
Professional services	**130,331**	513,659
Regulatory, communications and filing fees	**21,125**	39,503
Office administration and travel	**310,119**	329,698
Recovery on settlement of payables	**-**	(136,541)
Total	**667,565**	1,789,476

General and administrative expenses for the six month period ended March 31, 2015 decreased in comparison to the six month period ended March 31, 2014. The decrease from the comparative period is due to a decrease in the following categories: wages and consulting, professional services, regulatory, communications and filing fees and office administration and travel. The decrease in wages and consulting is primarily due to a decrease in the number of employees and consultants used in the six months period ended March 31, 2015 in comparison with fiscal 2014, as the board of directors instructed management to conduct an immediate review of all Company operations with a priority goal of eliminating non-essential costs. The decrease in professional services and regulatory, communications and filing fees is due to less overall activity, as the Company focuses primarily on its international arbitration against the Republic of Kenya.

The decrease in general and administrative expenses in the six months ended March 31, 2015 in comparison with the six months ended March 31, 2014 was offset by a recovery on settlement of payables in 2014. The recovery on settlement of payables was a result of the forgiveness of a loan that the Company had entered into in 2014.

Selected Consolidated Financial Information – Statements of Financial Position

The following table shows selected summary financial information which have been derived from the consolidated financial statements of the Company at September 30, 2014 and September 30, 2013, which have been prepared in accordance with IFRS.

As at	September 30, 2014 $	September 30, 2013 $	September 30, 2012 $
Cash and cash equivalents	**552,582**	1,568,521	474,912
Restricted cash	**-**	-	2,949,600
Receivables	**16,805**	218,155	-
Current assets of disposal unit	**7,072,941**	3,887,973	-
Exploration and evaluation assets	**1,179,819**	18,278,660	19,143,403
Long term assets of disposal unit	**-**	7,079,561	-
Total assets	**7,195,491**	31,112,102	22,641,234
Accounts payable and accrued liabilities	**10,188,402**	10,438,023	2,883,083
Current liabilities of disposal unit	**3,821,441**	834,404	-
Long term liabilities of disposal unit	**-**	2,812,214	-
Total liabilities	**14,019,843**	14,126,641	2,925,083
Shareholders' equity	**(7,265,991)**	16,985,461	19,716,151

Review of Selected Consolidated Financial Information – Statements of Financial Position

The review of the selected consolidated financial information should be read in conjunction with the consolidated financial statements for the Company for the year ended September 30, 2014, together with the audited consolidated financial statements of the Company for the year ended September 30, 2013.

The total assets of the Company increased from September 30, 2012 to September 30, 2013, and then decreased from September 30, 2013 to September 30, 2014. The increase in total assets from September 30, 2012 to September 30, 2013 was due to an increase in cash and cash equivalents, receivables, current and long-term assets of disposal unit as a result of the Fluormin acquisition, as well as an increase in capitalized oil and gas exploration and evaluation costs during the year ended September 30, 2013. The increase in exploration and evaluation costs was primarily due to the acquisition of the Seychelles property, through the acquisition of Avana. Vanoil also continued its expenditures on its Kenya and Rwanda properties during the year ended September 30, 2013. The increase in total assets at September 30, 2013, was offset by the impairment of the Kenya exploration and evaluation asset, which reduced the total assets balance. The decrease in total assets from September 30, 2013 to September 30, 2014 is due to a decrease in receivables, current assets of disposal unit and exploration and evaluation assets. The decrease in current assets of the disposal unit was due to the consideration obtained from the sale of the Sallies subsidiary, which resulted in impairment of the asset. The decrease in exploration and evaluation costs was due to the impairment of the Kenya exploration and evaluation asset and the removal of the Rwanda exploration and evaluation asset. The removal of the Rwanda asset was due to the Government of Rwanda and Vanoil agreeing to end their discussions regarding the exploration of Lake Kivu in Rwanda following expiry of the TEA between them in June 2013. As part of this agreement, the Government of Rwanda and Vanoil have amicably resolved the issues referred to the Conciliation Committee.

The total balance of cash and cash equivalents and restricted cash, decreased from September 30, 2012 to September 30, 2013 and then decreased further from September 30, 2013 to September 30, 2014. For the year ended September 30, 2013, the Company's funds raised and cash obtained from the acquisition of Fluormin exceeded the oil and gas expenditures and the expenditures required for operations. However, the increase in cash and cash equivalents was offset by a decrease in restricted cash. Refer to the Company's consolidated cash flow statements in the audited consolidated financial statements for the Company for the year ended September 30, 2013 for a breakdown of the change in cash and cash equivalents for the year ended September 30, 2013. For the year ended September 30, 2014, the Company's cash provided by its investing and financing activities was exceeded by the cash used for operating activities. Refer to the Company's consolidated cash flow statement in the consolidated financial statements for the Company for the year ended September 30, 2014 for a breakdown of the change in cash and cash equivalents.

The oil and gas exploration and evaluation assets decreased from September 30, 2012 to September 30, 2013 primarily due to the impairment of the Kenya exploration and evaluation asset. The decrease was offset by the exploration costs incurred for the Kenya (Blocks 3A and 3B), and Rwanda properties as well as the acquisition of the Seychelles property through the acquisition of Avana. The oil and gas exploration and evaluation assets decreased from September 30, 2013 to September 30, 2014 primarily due to the impairment of the Kenya exploration and evaluation asset exploration costs as well as the removal of the Rwanda exploration and evaluation asset and the reclassification of Avana as a disposal unit. The removal of the Rwanda asset was due to the Government of Rwanda and Vanoil agreeing to end their discussions regarding the exploration of Lake Kivu in Rwanda following expiry of the TEA between them in June 2013. As part of this agreement, the Government of Rwanda and Vanoil have amicably resolved the issues referred to the Conciliation Committee.

Selected Annual Consolidated Financial Information – Operations

The following table shows selected summary consolidated financial information which have been derived from the audited consolidated financial statements of the Company for the years ended September 30, 2014, 2013, and 2012, which have been prepared in accordance with IFRS.

	2014 **$**	**2013** **$**	**2012** **$**
Net and comprehensive loss			
Operating expenses	**-**	-	-
General and administrative expense	**2,968,585**	5,395,299	936,352
Exploration and evaluation expenditures	**2,423,638**	-	-
Impairment of exploration and evaluation assets	**801,054**	31,120,746	-
Gain on recovery of exploration costs	**(723,611)**	-	-
Other income	**(598)**	(58,141)	-
Impairment from disposal units	**15,360,616**	-	-
Loss from disposal units	**3,468,807**	552,562	-
Net loss	**24,948,392**	37,010,466	2,812,029
Other comprehensive (income) loss	**(2,769,902)**	113,620	-
Comprehensive loss	**22,178,490**	37,124,086	2,812,029
Basic & diluted net loss per share	**(0.21)**	0.46	0.07

Overall, the comprehensive loss has decreased in the 2014 fiscal period in comparison with fiscal 2013.

Exploration and evaluation assets

The breakdown of costs for the six months ended March 31, 2015 and the year ended September 30, 2014 is shown below.

	Six months ended March 31, 2015 $	**Year ended September 30, 2014 $**
Exploration and evaluation assets additions	(unaudited)	(unaudited)
Kenya – Block 3A and 3B		
Seismic costs	**0**	0
Consulting, travel and office costs	**0**	0
Drilling and related costs	**0**	0
PSC costs	**0**	0
Impairment of exploration and evaluation asset	**0**	0
	0	0
Rwanda		
Seismic costs	**0**	0
Consulting, travel and office costs	**0**	0
Technical evaluation agreement costs	**0**	0
Recovery of exploration and costs	**0**	(2,600,081)
	0	(2,600,081)
Seychelles		
Acquisition costs	**0**	0
Additions	**0**	0
Impact of foreign exchange	**0**	0
Reclassification as a disposal unit	**0**	(13,692,773)
	0	(13,692,773)
Equipment		
Additions	**0**	0
Depreciation	**(1,156)**	(3,154)
Impairment	**0**	(801,054)
Impact of foreign exchange	**104,33**	(1,779)
	104,330	(805,987)
Total	**104,330**	(17,098,841)

Exploration and evaluation assets increased as a result of foreign exchange on the pipes that are held at scrap value in Kenya.

Shareholders' equity decreased from September 30, 2014 to March 31, 2015. The decrease in shareholders' equity from September 30, 2014 to March 31, 2015 was primarily due to the comprehensive loss for the six months ended March 31, 2015.

Segment Information on Non-current Assets

The Company operates primarily in one industry, oil and gas exploration and development, as the Fluorspar mine that is held in South Africa is on care and maintenance, and is part of the Company's disposal unit. Vanoil does not generate any significant revenue from its continuing operations. The Company's activities occur primarily in Kenya, Rwanda, Seychelles, Canada, South Africa, and the United Kingdom. The exploration and evaluation assets in the Kenya geographical segment relate to pipes that are held at scrap value. Vanoil's non-current assets are segmented as summarized in the table below based on geographic location:

March 31, 2015	**Kenya**	**Rwanda**	**Seychelles**	**Canada**	**South Africa**	**Total**
	$	$	$	$	$	$
Exploration and evaluation assets	1,282,993	-	-		-	1,282,993

September 30, 2014	**Kenya**	**Rwanda**	**Seychelles**	**Canada**	**South Africa**	**Total**
	$	$	$	$	$	$
Exploration and evaluation assets	1,179,819	-	-		-	1,179,819

Liquidity and Capital Resources

At March 31, 2015, Vanoil had a working capital deficit of $(7,832,498) (September 30, 2014 – $(6,361,651)). Vanoil has $15,690,141 (September 30, 2014 – $14,019,843) of known contractual obligations at March 31, 2015. To mitigate the risk, the Company will look to raise capital through equity financing.

For the six months ended March 31, 2015 the Company used $776,950 for its operating activities in comparison with the Company using $2,934,146 from operations in the six months ended March 31, 2014. Vanoil was provided with $782,038 from its investing activities in the six months ended March 31, 2015, in comparison with the six months ended March 31, 2014, in which the Company received $3,627,326 from its investing activities. The Company was provided with cash from financing activities in the amount of $nil during the six months ended March 31, 2015 and $786 during the six months ended March 31, 2014.

The Company has not yet determined whether its oil and gas exploration and evaluation interests contain reserves that are economically recoverable. The recoverability of the amounts shown for oil and gas exploration and evaluation assets, including deferred oil and gas exploration costs, is dependent primarily upon the results of the international arbitration against the Government of Kenya. Should the arbitration prove favourable to Vanoil, the recoverability of the amounts shown for oil and gas exploration and evaluation assets will be dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing and licenses to complete their development and upon future profitable production or through the proceeds from the sale of assets. The Company's ability to meet its obligations for at least twelve months from the end of March 31, 2015 and to continue as a going concern is dependent upon the success of the Company's international arbitration against the Government of Kenya, the outcome of which cannot be predicted at this time. Accordingly, these matters give rise to a material uncertainty that may cast significant doubt regarding the Company's ability to continue as a going concern.

Vanoil, through its wholly owned subsidiary Avana, holds a 25% participating interest in the properties Area A and Area B, comprised of in excess of 14,000 km^2 (3.7 million acres) exploration area awarded to Avana and its partner East African Exploration Seychelles Limited ("EASL"), a wholly owned subsidiary of Afren, in the Seychelles pursuant to an agreement dated November 28, 2008, as amended on February 2, 2011. Avana and EASL applied to the Government of Seychelles for a further amendment to this agreement whereby, in consideration for the acquisition of 3,300 km^2 of 3D seismic work, which was completed during December 2012 through February 2013, the work program would be considered to be in the third exploration phase which entails the drilling of two exploration wells, the first of which is planned for late 2014/2015. The Government of Seychelles approved the amendment, in July 2013, which was dated April 2013. The commitments of the third exploration phase are based on technical work program content rather than the actual monetary spend, and specifically entail:

- o drilling two exploration wells
- o contingent on the results of the wells, carry out a 3D survey(s) totaling 100 sq km or 1,000km of additional infill 2D data

On August 29, 2014, Vanoil announced that its wholly owned subsidiary, Avana, has received a default notice under the JOA in respect of Seychelles Areas A and B, due to non-payment of its share of joint account expenses in the amount of USD $732,755 plus interest. Avana has not remedied the default within the time period required under the JOA, and is currently in discussions with East African Exploration (Seychelles) Limited with respect to an extension of the payments. As a result, EAX has the option to at any time require Vanoil to completely withdraw from the JOA. This would require Vanoil to transfer its participating interest to EAX, with no compensation to Vanoil.

The following table lists as at March 31, 2015 the information with respect to Vanoil's known contractual obligations.

		Payments due by period		
Contractual obligations	**Total $**	**Less than 1 year $**	**1-3 years $**	**More than 3 years $**
Accounts payable and accrued liabilities[1]	11,164,993	11,164,993	-	-
Current liabilities of disposal unit	4,515,148	4,515,148	-	-
Decommissioning liability	10,000	10,000	-	-
Obligations under production sharing contracts for Kenya	-	-	-	-
Total	**15,690,141**	**15,690,141**	**-**	**-**

The following table lists as at September 30, 2014 the information with respect to Vanoil's known contractual obligations.

		Payments due by period		
Contractual obligations	**Total $**	**Less than 1 year $**	**1-3 years $**	**More than 3 years $**
Accounts payable and accrued liabilities[1]	10,188,402	10,188,402	-	-
Current liabilities of disposal unit	3,821,441	3,821,441	-	-
Decommissioning liability	10,000	10,000	-	-
Obligations under production sharing contracts for Kenya	-	-	-	-
Total	**14,019,843**	**14,019,843**	**-**	**-**

Notes:

(1) Vanoil has received demand letters for outstanding payment (which amounts have been included in accounts payable and accrued liabilities) that have a high likelihood of obligation existing, resulting in a future outflow of economic resources. The amounts as per the demand letters are $811,246 USD ($1,027,524 CAD) and $651,596 USD ($825,311 CAD).

Financial Instruments

The carrying values of the Company's financial instruments are classified into the categories below. Fair values are determined either directly by reference to published price quotations in an active market, or from valuation techniques using observable inputs. The carrying value of all of the Company's financial instruments approximates their fair value.

The Company has determined the estimated fair values of its financial instruments based on appropriate valuation methodologies. All instruments are short-term in nature and therefore fair values approximate their carrying values. The fair values of the Company's financial instruments are not materially different from their carrying values.

The three levels of the fair value hierarchy are:

(i) Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities
(ii) Level 2 – Inputs other than quoted prices that are observable for the asset or liability directly or indirectly and
(iii) Level 3 – Inputs that are not based on observable market data.

At March 31, 2015 and September 30, 2014, the Company's financial instruments which are measured at fair value on a recurring basis were cash and cash equivalents, and restricted investments, within the disposal group. These financial instruments were classified as "Level 1" financial instruments.

Risks arising from financial instruments and risk management

The Company's activities expose it to a variety of risks including interest rate risk; foreign exchange risk; credit risk; and liquidity risk. Reflecting the current stage of development of Vanoil's various projects, the Company's overall risk management program focuses on facilitating the Company's ability to continue as a going concern and seeks to minimize potential adverse effects on the Company's ability to execute its business plan. Risk management is the responsibility of the finance function. Material risks are identified and monitored and are discussed by senior management and with the Audit Committee and the Board of Directors.

(a) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Company places its cash and cash equivalents, with high credit quality financial institutions. Vanoil estimates that for every 1% fluctuation in the interest rate, the Company's comprehensive loss for the six months ended March 31, 2015 would be $127 (six months ended March 31, 2014 - $126) higher or lower.

(b) Foreign exchange risk

Vanoil operates projects in several different countries and therefore, foreign exchange risk exposures arise from transactions denominated in foreign currencies. Foreign exchange risk for the Company arises primarily with respect to the US dollar, the British pound, and South African rand. The foreign exchange risk is for the net amount denominated in US dollars, British pounds and South African rand since Vanoil treats Canadian dollars as the Company's presentation currency.

At March 31, 2015, for every 10% fluctuation in the exchange rate between the US dollar, British pound, South African rand and the Canadian dollar, the Company`s loss and other comprehensive loss would be approximately $70,793 higher or lower (September 30, 2014 - $191,158).

(c) Credit risk

Credit risk arises from cash and cash equivalents, and restricted investments held with banks and financial institutions, as well as credit exposure on outstanding receivables. Vanoil's cash and cash equivalents, and restricted investments are held through large reputable financial institutions, and management believes the risk of loss is remote. Therefore the maximum exposure to credit risk is equal to the carrying value of the Company's receivables.

(d) Liquidity risk

Liquidity risk encompasses the risk that the Company cannot meet its financial obligations. At March 31, 2015, the Company had a working capital deficit of $(7,832,498) (September 30, 2014 – $(6,361,651)).

Vanoil has $15,690,141 (September 30, 2014 – $14,019,843) of known contractual obligations at March 31, 2015 (*note 10*). Due to the Company's working capital deficit position and its known contractual obligations, the Company has significant liquidity risk.

Related Party Transactions

The unaudited condensed consolidated interim financial statements include the financial statements from Vanoil Energy Ltd. and its subsidiaries listed in the following table:

		% equity interest	
Name	**Location of Incorporation**	**At March 31, 2015**	**At September 30, 2014**
Vanoil Energy Holdings Ltd.	British Virgin Islands	100%	100%
Vanoil (Energy) Resources Ltd.	British Virgin Islands	100%	100%
Vanoil Resources Ltd.	British Virgin Islands	100%	100%
Avana Petroleum Limited	Isle of Man	100%	100%
Madagascar Natural Resources Development SARL	Madagascar	100%	100%
Avana Petroleum Kenya Ltd.	Kenya	100%	100%
Fluormin Limited	England and Wales	100%	100%
Fluormin Perth Pty Ltd.[2]	Australia	100%[2]	100%
HMH Fluor Limited[2]	British Virgin Islands	100%[2]	100%
Rubio Investments 391(Proprietary) Limited	Republic of South Africa	100%	100%
Afspec Limited	Mauritius	100%	100%
Kenya Fluorspar (BVI) Holdings Ltd.[2]	British Virgin Islands	100%[2]	100%
Afspar Limited	England and Wales	100%	100%
Sallies Limited	Republic of South Africa	100%	100%
Witkop Fluorspar Mine (Proprietary) Limited[1]	Republic of South Africa	74%	74%

1. Sallies Limited holds a 74% interest in Witkop Fluorspar Mine (Pty) Ltd. (a South African corporation). South African regulations stipulate that a 26% interest in mining corporations must be held by historically disadvantaged persons. Pursuant to this requirement, the balance of the share capital of Witkop Fluorspar Mine (Pty) Ltd. is held by African Renaissance Holdings Limited, a government organization which holds this interest for the local community or disadvantaged persons.
2 In 2014, Fluormin Perth Pty Ltd., HMH Fluor Ltd. and Kenya Fluorspar were deregistered as they were no longer in operation.

There are currently two common shares in the capital of Avana Petroleum Kenya Ltd. issued and outstanding. One share is held by Avana and the remaining share is held by a director of the Company, which is held in trust for Avana.

The Fluormin acquisition that occurred during the year ended September 30, 2013, was considered a related party transaction, as Vanoil and Fluormin share a significant common shareholder and director (*note 3*).

During the six month period ended March 31, 2015 and the year ended September 30, 2014, Vanoil recorded transactions with related parties at amounts agreed to by the transacting parties, within the normal course of business.

During the six months ended March 31, 2015, Vanoil subsidiaries have recorded transactions with related parties based on commercial relationships as follows:

- Avana Limited had signed a service agreement with Avana Petroleum Limited, a Vanoil subsidiary, in which Avana Limited provides office and administrative services to Avana Petroleum in exchange for an annual fee of 3,900GBP. Avana Petroleum Limited must also reimburse Avana Limited for costs incurred at a rate of cost plus 10%. At March 31, 2015, $3,152 related to these transactions was included in the Company's accounts payable and accrued liabilities.
- Avana Resources SARLU has signed an agreement to split charges with Madagascar Natural Resources Development SARLU, a Vanoil subsidiary, in which Avana Resources SARLU will bill a flat fee of USD800 per month to Madagascar Natural Resources Development SARLU, in exchange for the use of its offices as well as administrative support. During the six months ended March 31, 2015, $2,597 related to these transactions was included in the Company's general and administrative expenses.

Sam Malin, a former officer and director of Vanoil, has a controlling interest in Avana Limited and Avana Resources SARLU.

At March 31, 2015, accounts payable and accrued liabilities included $15,053 owed by Vanoil to related parties (September 30, 2014 - $20,615).

The Company has identified its directors and certain senior officers as its key management personnel. The compensation costs for key management personnel for the months ended March 31, 2015 and 2014 are as follows:

	Three months ended	
	March 31, 2015	**March 31, 2014**
	$	**$**
Short-term employee benefits	**45,000**	162,156

	Six months ended	
	March 31, 2015	**March 31, 2014**
	$	**$**
Short-term employee benefits	**119,896**	479,554

Compensation has been included in general and administrative expenses.

Off-Balance Sheet Arrangements

As a result of a transaction entered into by Fluormin in 2011, Fluormin entered into offtake agreements with HMH Fluor Limited, European Industrial Base Metals Limited and North African Mining and Minerals Limited and Glencore International AG ("Glencore") provided a guarantee to Fluormin in respect of performance under the offtake agreements.

These offtake agreements are on the same terms, whereby the developer is required to sell, and Fluormin (or its nominee) is required to purchase, all acid grade fluorspar produced by the developer should it develop a mining facility in respect of the particular base metal project it holds. Fluormin is to pay the price per Dmt for all acid grade fluorspar (and any non-spec product the purchaser wishes to purchase) based on incremental amortized capital and operating costs incurred to produce acid grade fluorspar. In the absence of any agreement as to such costs, the cost will be determined by an independent expert or by arbitration.

Glencore undertakes that none of the developers are to dispose of their assets in such a manner that will deprive Fluormin of the full benefits of the relevant offtake agreement, and Glencore will not cease to hold directly or indirectly more than one half of the equity share capital of any of the Developers, without the consent of Fluormin. Each offtake agreement is to remain in full force and effect from the date of signing until the twentieth anniversary of the date upon which commercial production begins.

Proposed Transactions

There are no undisclosed proposed transactions that will materially affect the performance of the Company.

Critical Accounting Judgments, Estimates and Assumptions

The preparation of the Company's unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In particular, the Company has identified the following areas where significant judgments, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements.

Accounts that require significant judgments, estimates, and assumptions as the basis for determining the stated amounts include exploration and evaluation assets, decommissioning liability, and income taxes. As well, the acquisitions of Avana and Fluormin involved identifying a purchase transaction as being a business combination or an asset purchase, which requires judgment regarding whether the set of assets acquired and liabilities assumed constitute a business based on the particular circumstances. The acquisition of Avana was classified as a purchase of assets and assumption of liabilities. The purchase price allocation to the assets acquired and the liabilities assumed based upon their relative fair values at the date of acquisition involved judgments, estimates and assumptions. The acquisition of Fluormin was classified as a business combination. Therefore, the purchase price allocation and the fair values of the consideration and the net identifiable assets acquired involved judgments, estimates and assumptions.

Exploration and evaluation assets

The assessment of any impairment of exploration and evaluation assets is dependent upon whether there are any indicators of potential impairment. Furthermore, the Company measures disposal groups classified as held for sale at the lower of its carrying amount and fair value less costs to sell. These assessments may be based on assumptions about future events or circumstances. Estimates and assumptions may change if new information becomes available. As at March 31, 2015, the Company holds the Fluormin and Avana disposal groups at fair value less costs to sell. Fair value less costs to sell of disposal groups is determined based on binding and non-binding sales agreements for the disposal groups as a whole and may change based on due diligence activities undertaken by purchasers. Although the Company has taken steps to verify title to its exploration and evaluation assets, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Decommissioning Liabilities

Decommissioning liabilities are recognized in the period in which they arise and are stated at the best estimate of the net present value of future cash expenditures upon reclamation and closure. These estimates require extensive judgment about the nature, cost and timing of the work to be completed, and may change with future changes to costs, environmental laws and regulation and remediation practices. Reclamation and closure costs are capitalized into oil and gas exploration and evaluation assets and depleted on the same basis as the underlying asset.

Acquisition of Fluormin

On May 17, 2013, Vanoil completed its acquisition of Fluormin (*note 3*). As part of the acquisition of Fluormin, Vanoil acquired its subsidiary, Sallies along with its subsidiary, Witkop. These subsidiaries were considered a disposal unit at the acquisition date. Vanoil considered the Sallies and Witkop subsidiaries to meet the criteria to be classified as a disposal unit that is held for sale for the following reasons: Sallies and Witkop were available for immediate sale in their current condition; and the actions required to initiate the sale process had commenced as at September 30, 2014. On November 21, 2014, Fluormin commenced the process of the sale of its subsidiary, Sallies Ltd., for consideration of 15,000,000 South African Rand ($1,501,500 CAD). A deposit for the first tranche of funds (7,500,000 South African Rand) ($782,038 CAD) was received by Fluormin on January 2, 2015. For more details on the disposal unit, refer to note 3.

Income taxes

In assessing the probability of realizing income tax assets recognized, management makes estimates related to expectations of future taxable income, applicable tax opportunities, expected timing of reversals of existing temporary differences and the likelihood that tax positions taken will be sustained upon examination by applicable tax authorities. In making its assessments, management gives additional weight to positive and negative evidence that can be objectively verified. Estimates of future taxable income are based on forecasted cash flows from operations and the application of existing tax laws in each jurisdiction. Weight is attached to tax planning opportunities that are within the Company's control, and are feasible and implementable without significant obstacles. The likelihood that tax positions taken will be sustained upon examination by applicable tax authorities is assessed based on individual facts and circumstances of the relevant tax position evaluated in light of all available evidence. Where applicable tax laws and regulations are either unclear or subject to ongoing varying interpretations, it is reasonably possible that changes in these estimates can occur that materially affect the amounts of income tax assets recognized. At the end of each reporting period, the Company reassesses unrecognized income tax assets.

IFRS standards issued but not yet effective

IFRS 9 – Financial Instruments: Classification and Measurement

IFRS 9 reflects the first phase of the IASB’s work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities, as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company’s financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

IFRS 11 (Amendment) – Joint Arrangements

The amendment provides for further detail of accounting for acquisitions of interests in joint operations. This amendment is effective for reporting periods beginning on or after January 1, 2016. The Company will perform an analysis to determine whether the amendment will impact the Company’s financial position or performance.

IFRS 15 – Revenue from Contracts with Customers

The standard specifies how and when an IFRS reporter will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. This standard is effective for reporting periods beginning on or after January 1, 2017. The Company will perform an analysis to determine whether the amendment will impact the Company’s financial position or performance.

IAS 16 (Amendment) – Property, Plant and Equipment

The amendment clarifies accounting treatment for specific items of property, plant and equipment. This amendment is effective for reporting periods beginning on or after January 1, 2016. This amendment is not expected to impact the Company’s financial position or performance.

IAS 32 (Amendment) – Offsetting Financial Assets and Financial Liabilities

This amendment clarifies the meaning of “currently has a legally enforceable right to set-off”. The amendment also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. This amendment is not expected to impact the Company’s financial position or performance.

IFRIC Interpretation 21 Levies

IFRIC 21 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. The adoption of IFRIC 21 may have an impact on the Company’s accounting for production and similar taxes, which do not meet the definition of an income tax in IAS 12. However, the Company is still assessing and quantifying the effect.

IFRS standards adopted

IAS 36 (Amendment) – Impairment of Assets

On May 29, 2013, the IASB made amendments to the disclosure requirements of IAS 36, requiring disclosure, in certain instances, of the recoverable amount of an asset or cash generating unit, and the basis for the determination of fair value less costs of disposal, when an impairment loss is recognized or when an impairment loss is subsequently reversed. Disclosure requirements have also been expanded when fair value less costs of disposal is used. These amendments have not impacted the Company's financial position or performance.

Subsequent Event

Subsequent to March 31, 2015, Vanoil announced the following event:

On April 29, 2015, Vanoil held the Annual General Meeting of Shareholders. All resolutions proposed to shareholders were duly passed,. During the meeting, James Passin, Donald Padgett and Larry Van Hatten were re-elected to the Board of Directors. In addition, Thea Koshman was elected as a new independent Director to the Board. On May 4, 2015, Larry Van Hatten resigned from the Board of Directors.

Summary of securities as at March 31, 2015

Authorized capital:

Common Shares: unlimited common shares without par value.
Preferred Shares: unlimited preferred shares without par value.

Issued and outstanding	Number of Shares
As at March 31, 2015	
Common shares	116,925,738
Share options outstanding	3,700,000
Share purchase warrants	41,591,229
As at May 25, 2015	
Common shares	116,925,738
Share options outstanding	3,700,000
Share purchase warrants	8,373,937

Share options issued and outstanding as at March 31, 2015

Number of share options	Exercise Price	Date of Expiry
2,400,000	$0.55	February 10, 2020
500,000	$0.65	January 14, 2021
50,000	$0.66	January 21, 2021
750,000	$0.80	April 18, 2022

During the year ended September 30, 2014, Vanoil announced that Aaron D'Este had elected to stand down as President, CEO and Director. As a result, the 2,000,000 stock options that were to expire on September 1, 2022, have now expired on November 10, 2014. The remaining 900,000 options forfeited during the period were a result of management's corporate restructuring, which resulted in the elimination of certain positions and the forfeiture of their associated stock options.

Share purchase warrants issued and outstanding as at March 31, 2015

Number share purchase warrants	Exercise Price	Date of Expiry
33,217,292	$1.00	May 17, 2015
8,373,937	$1.00	August 2, 2017

- During the year ended September 30, 2014, 922, $1.00 share purchase warrants, and 366, $0.75 share purchase warrants, were exercised.
- On October 6, 2013, 2,270,000, $0.75 unexercised share purchase warrants expired
- On March 13, 2014 6,474,881 $0.75 unexercised share purchase warrants expired.
- On July 24, 2014, Vanoil announced that the Exchange has consented to the extension in the expiry date of the following share purchase warrants:
  (i) 4,025,818 Warrants expiring August 2, 2014;
  (ii) 4,291,666 Warrants expiring August 10, 2014; and
  (iii) 56,453 Warrants expiring August 21, 2014.

  The 8,373,937 Warrants exercisable at a price of CDN$1.00 have all been extended to August 2, 2017. In all other respects, the terms of the Warrants will remain unchanged and in full force and effect.

As part of the Fluormin Acquisition, there were 925,332 Fluormin stock options that were not tendered upon the completion of the Fluormin Acquisition. With respect to these outstanding Fluormin options, the articles of association of Fluormin have been amended to provide that, following the scheme of arrangement becoming effective (which occurred on May 17, 2013), if any existing Fluormin optionholder subsequently exercises options then any Fluormin shares to be issued to such person upon exercise will be automatically transferred to Vanoil in exchange for the option holder receiving the same consideration (in relation to both Vanoil shares and warrants) for each such Fluormin share as was provided to Fluormin shareholders under the terms of the scheme of arrangement. As a result, each outstanding Fluormin optionholder will receive upon exercise of their Fluormin option, approximately: (i) 0.806 of a common share of Vanoil, (ii) 0.572 of a $1.00 Warrant, and (iii) 0.116 of a $0.75 Warrant. Assuming the full exercise of the outstanding Fluormin options, an additional 745,817 common shares of Vanoil, 529,289 $1.00 Warrants and 107,338 $0.75 Warrants would have been issued.

During the year ended September 30, 2013, 880,000 Fluormin options expired unexercised. During the year ended September 30, 2014, the remaining 45,332 Fluormin options outstanding expired unexercised on May 11, 2014.

Directors and officers as at May 25, 2015

Directors	**Officers**
James Passin	Donald Padgett, President and CEO
Donald Padgett	Sandy Huntingford, CFO
Thea Koshman	Betty Anne Loy, Corporate Secretary

On May 8, 2014, Vanoil announced that shareholders approved all resolutions put before them at its Annual General and Special Meeting of Shareholders held on May 6, 2014, at the Company's offices. At the meeting, shareholders voted to elect James Passin, Samuel Malin, Don Padgett and Larry Van Hatten as directors for the ensuing year. Francis Karanja, did not stand for re-election at this meeting.

On October 30, 2014, Vanoil announced the resignation of Sam Malin as President and CEO and appointed Don Padgett as interim President and CEO.

On May 4, 2015, the Company announced that at its Annual General Meeting of Shareholders held on April 29, 2015, all resolutions proposed to shareholders were duly passed. During the meeting, James Passin, Donald Padgett and Larry Van Hatten were re-elected to the Board of Directors. In addition, Thea Koshman was elected as a new independent Director to the Board. On May 4, 2015, Larry Van Hatten resigned from the Board of Directors.

Risks and uncertainties

The Company's operations and financial performance are subject to the normal risks of its industry and are subject to various factors which are beyond the control of the Company. Certain of these risk factors are described below. The risks described below are not the only ones facing the Company. Additional risks not currently known to the Company, or that it currently considers immaterial, may also adversely impact the Company's business, operations, financial results or prospects, should any such other events occur. The Company is exposed to a variety of business risks, some of which are inherent to all competitive commercial enterprises and others that are specific to the oil and gas industry. Management endeavours to limit the affects of risk factors through its planning and management processes.

Readers should consider carefully all of the information set out in this MD&A and in the documents incorporated by reference, including in particular but not limited to the factors set out below and under “Risk Factors” in the Company’s Annual Information Form, before making any investment decision and consult with their own professional advisors where necessary.

All statements regarding the Company’s business should be viewed in light of these risk factors. Such information does not purport to be an exhaustive list. If any of the identified risks were to materialize, the Company’s business, financial position, results and/or future operations may be materially affected. Additional risks and uncertainties not presently known to the Company, or which the Company currently deems not to be material, may also have an adverse effect upon the Company.

International Operations

The Company participates in oil and gas projects and activities located in emerging markets, including Kenya and the Republic of Seychelles. In addition, the Company holds an interest in a mineral property in South Africa. Oil and gas exploration, development and production and other activities in these emerging markets are subject to significant political and economic uncertainties that may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, 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 the Company's control, could have a material adverse effect on the Company's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, the Company 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 the Company acquires 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 the Company will be able to obtain all necessary licenses and permits when required.

Different Legal System and Litigation

The Company'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 the Company are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that the Company'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.

The Company'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 the Company 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 the Company would ultimately prevail, such disputes and litigation may still have a substantially negative effect on the Company and its operations.

Financial Statements Prepared on a Going Concern Basis

The Company's unaudited condensed consolidated interim 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. The Company's operations to date have been primarily financed by equity financing. The Company'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 the Company will be successful in completing additional financing or achieving profitability. The unaudited condensed consolidated interim 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 the Company be unable to continue as a going concern.

Shared Ownership and Dependency on Partners

The Company's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs itself in order to perform in place of its partners. The Company 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 the Company's operations relating to such project.

Title on Lands

The acquisition of title to petroleum and natural gas properties is a very detailed and time-consuming process. While the Company has diligently investigated title to its assets, all or any of the lands may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects. There is no guarantee that title to any of the lands included in its assets will not be challenged or impugned. There may be valid challenges to the title of any of the lands included in the Company's assets, which, if successful, could impair the Company's ability to explore, develop and/or operate its assets or to enforce its rights with respect thereto. In addition, other parties may dispute the Company's title to its lands in which it has an interest and such properties may be subject to prior unregistered agreements or transfers or claims by other people, and title may be affected by undetected encumbrances or defects or government actions.

An impairment to or defect in the Company's title to the Company's assets or any of the lands included in its assets could have a material adverse effect on the Company's business, financial condition or results of operation. In addition, such claims, whether or not valid, will involve additional costs and expenses to defend or settle, which could adversely affect the Company's profitability.

Risks Relating to Concessions, Licenses and Contracts

The Company'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 the Company. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on the Company. Also, if the Company or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, the Company'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. The Company competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. The Company's competitors include oil companies which have greater financial resources, staff and facilities than those of the Company and its partners. The Company'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. The Company'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 the Company'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 the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company 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 the Company 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 the Company. 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.

The Company'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.

Capital Requirements

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of participating 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 the Company. 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 the Company may be diluted. If unable to secure financing on acceptable terms, the Company 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 production sharing contracts. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

Additional Financing

The Company's future capital requirements on its existing assets will likely exceed existing cash resources, which would require Vanoil to raise additional financing. The ability of Vanoil to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of Vanoil. This in turn could limit growth prospects in the short run or may even require Vanoil to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, disappointing drilling results, or economic or political dislocation in foreign countries. There can be no assurance that Vanoil will be successful in its efforts to arrange additional financing on terms satisfactory to Vanoil. This may be further complicated by the limited market liquidity for shares of smaller companies, restricting access to some institutional investors. If additional financing is raised by the issuance of common shares from the treasury of Vanoil, control of Vanoil may change and shareholders may suffer additional dilution.

Negative Operating Cash Flow

The Company generates no operating revenue from the exploration activities on its properties and has negative cash flow from operating activities. The Company anticipates that it will continue to have negative cash flow in the foreseeable future. Continued losses may have the following consequences:

- increasing the Company's vulnerability to general adverse economic and industry conditions;
- limiting the Company's ability to obtain additional financing to fund future working capital, capital expenditures, operating and exploration costs and other general corporate requirements; and
- limiting the Company's flexibility in planning for, or reacting to, changes in its business and the industry.

Dilutive Effects on Holders of Common Shares

The Company will issue additional common shares, as specified in the MD&A and the unaudited condensed consolidated interim financial statements, upon Avana perfecting a 10% interest in Kenya offshore Block L9. Accordingly, holders of common shares will suffer dilution.

Environmental Regulation

Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws, including those of the countries in which the Company currently operates. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures, results of operations and competitive position of the Company. However, environmental regulations are expected to become more stringent in the future and costs associated with compliance are expected to increase. Any penalties or other sanctions imposed on the Company for non-compliance with environmental regulations could have a material adverse effect on the Company's business, prospects and results of operations.

The Company was named as a defendant in a court proceeding in the Court of Queen's Bench of Alberta (Canada), filed on June 3, 2011 by Canadian Phoenix relating to the decommissioning liability with respect the "Sarcee" well located near Calgary, Alberta. The claim was settled during the year ended September 30, 2014, with the Company owing $10,000 as a result.

Availability of Equipment and Staff

The Company's oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. The Company currently leases all the drilling rigs used for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to the Company and may delay the Company's exploration and development activities and result in lower production.

Reliance on Operators or Key Employees

The loss of the services of key personnel could have a material adverse effect on the Company's business, prospects and results of operations. The Company has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that the Company will be able to attract and retain the skilled personnel necessary for operation and development of its business. Success of the Company is largely dependent upon the performance of its management and key employees.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse affect on the Company's business and prospects. The ability of Vanoil to market oil or natural gas may depend upon its ability to access third party transportation, processing facilities and acquiring space on pipelines which deliver natural gas to commercial markets. Vanoil is also subject to market fluctuations in the prices of oil and natural gas, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities, operational problems with such pipelines and facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business.

Early Stage of Development

The Company has conducted oil and gas exploration and development activities for a relatively short period. There is limited financial, operational and other information available with which to evaluate the prospects of the Company. There can be no assurance that the Company's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

Risks Relating to Infrastructure

The Company is dependent on available and functioning infrastructure relating to the properties on which it operates such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or do not meet the requirements of the Company, the Company's operations may be significantly hampered which could result in delayed, postponed or cancelled petroleum operations, lower production and sales and/or higher costs. In several areas in which the Company operates, very little infrastructure of any sort that is commonly associated with petroleum operations is in existence.

Current Global Financial Conditions

Global financial conditions have always been subject to volatility. Access to public financing has been negatively impacted by sovereign debt concerns in Europe and the United States, as well as concerns over global growth rates and conditions. These factors may impact the ability of the Company to obtain equity or debt financing in the future, and, if obtained, on terms favourable to the Company. Increased levels of volatility and market turmoil can adversely impact the Company's operations and the value and the price of the common shares could be adversely affected.

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 had no forward exchange contracts in place as at the date of this MD&A.

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.

Conflict of Interests

Certain directors of the Company are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of the Company. If and when a conflict arises with respect to a particular transaction, the affected directors must disclose the conflict and abstain from voting with respect to matters relating to the transaction. All conflicts of interest will be addressed in accordance with the provisions of the *Business Corporations Act* (British Columbia) ("BCBCA") and other applicable laws.

The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

Limitation of Legal Remedies

Securities legislation in certain of the provinces and territories of Canada provides purchasers with various rights and remedies when a reporting issuer's continuous disclosure contains a misrepresentation and ongoing rights to bring actions for civil liability for secondary market disclosure. Under the legislation, the directors would be liable for a misrepresentation. It may be difficult for investors to collect from the directors residing outside Canada on judgments obtained in courts in Canada predicated on the purchaser's statutory rights and on other civil liability provisions of Canadian securities legislation.

Selling Off Of Shares

To the extent that any issued and outstanding Vanoil common shares are sold into the market, there may be an oversupply of shares and an undersupply of purchasers. If this occurs the market price for the Vanoil common shares may decline significantly and investors may be unable to sell their shares at a profit, or at all.

Industry Regulation

Existing regulations in the oil industry, and changes to such regulations, may present regulatory and economic barriers to the purchase and use of certain products, which may significantly reduce the Company's revenues.

Anti-Corruption

Neither the Company nor any of its subsidiaries, nor to the knowledge of the Company, any of its or their respective directors, executives, officers, representatives, agents or employees has: (i) used or is using any corporate funds for any illegal contributions, gifts, entertainment or other expenses relating to political activity that would be illegal; (ii) used or is using any corporate funds for any direct or indirect illegal payments to any foreign or domestic governmental officials or employees; (iii) violated or is violating any provision of the United States Foreign Corrupt Practices Act of 1977, the UK Bribery Act or the Corruption of Foreign Public Officials Act (Canada) or any applicable law of similar effect; (iv) has established or maintained, or is maintaining, any illegal fund of corporate monies or other properties; or (v) made any bribe, illegal rebate, illegal payoff, influence payment, kickback or other illegal payment of any nature.

Forward-Looking Statements May Prove to be Inaccurate

Readers are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Additional information on the risks, assumptions and uncertainties are found in this MD&A under the heading "Forward Looking Statements".