Suite 2000
885 West Georgia Street
Vancouver, B.C. Canada V6C 3E8
Ph. 604-689-7842 Fx. 604-689-4250
africaoilcorp@namdo.com
africaoilcorp.com

NEWS RELEASE

AFRICA OIL 2016 FIRST QUARTER FINANCIAL AND OPERATING RESULTS

May 13, 2016 (AOI–TSX, AOI–Nasdaq-Stockholm) … Africa Oil Corp. ("Africa Oil" or the "Company") is pleased to announce its financial and operating results for the three months ended March 31, 2016.

At March 31, 2016, the Company had cash of $523.6 million and working capital of $474.4 million. The Company's liquidity and capital resource position improved dramatically during the first quarter of 2016 with the receipt of $439.4 million (inclusive of deposit received prior to year-end) upon completion of the previously announced (November 9, 2015) farmout transaction with Maersk Olie og Gas A/S ("Maersk") whereby Maersk acquired 50% of the Company's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia. Proceeds received from Maersk include $350.0 million as reimbursement of past costs incurred by the Company prior to the agreed March 31, 2015 effective date and $89.4 million representing Maersk's share of costs incurred between the effective date and closing, including a carry reimbursement of $15.0 million related to exploration expenditures. An additional $75.0 million development carry may be available to the Company upon confirmation of existing resources. Upon Final Investment Decision ("FID"), Maersk will be obligated to carry Africa Oil for an additional amount of up to $405.0 million depending on meeting certain thresholds of resource growth and timing of first oil.

The Company completed the following significant operational activities during and subsequent to the first quarter of 2016:

- On May 10, 2016, the Company announced details of an updated independent assessment of the Company's contingent resources in the South Lokichar Basin in Blocks 10BB and 13T (Kenya). The estimated gross 2C unrisked resources in the South Lokichar Basin, Kenya have increased by 150 million barrels (or 24%) since they were previously assessed during 2014 to 766 million barrels of oil (Development Pending: 754 million barrels and Development Unclarified: 12 million barrels).

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

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

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

- Over 1,100 meters of whole core has been acquired from the wells drilled in the South Lokichar Basin, and an extensive program of detailed core analysis is ongoing that will provide results throughout the year. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands. Early core analysis results support the reservoir assumptions used in the contingent resource estimate and support the view of oil saturations in the reservoir.

2016 First Quarter Financial Results

Results of Operations
(Thousands United States Dollars)
(unaudited)

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

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

Financial income and expense is made up of the following items:

(Thousands of United States Dollars)
(unaudited)

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

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. Foreign exchange gains and losses are primarily related to changes in the value of the Canadian dollar in comparison to the US dollar.

Consolidated Balance Sheets
(Thousands United States Dollars)
(unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 523,649	$ 104,205
Accounts receivable	1,640	393
Due from related party	-	87
Prepaid expenses	1,168	1,145
	526,457	105,830
Long-term assets		
Restricted cash	1,774	54,274
Equity investment	5,921	6,262
Property and equipment	30	32
Intangible exploration assets	507,089	934,293
	514,814	994,861
Total assets	$ 1,041,271	$ 1,100,691
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 52,064	$ 56,312
	52,064	56,312
Long-term liabilities		
Deposit for farmout	-	52,500
	-	52,500
Total liabilities	52,064	108,812
Equity attributable to common shareholders		
Share capital	1,290,389	1,290,389
Contributed surplus	47,043	46,353
Deficit	(348,225)	(344,863)
Total equity attributable to common shareholders	989,207	991,879
Total liabilities and equity attributable to common shareholders	$ 1,041,271	$ 1,100,691

Intangible exploration assets decreased during the first quarter of 2016 by $427.2 million as a result of the receipt of $439.4 million in proceeds relating to the completion of the farmout transaction with Maersk. This was offset by $12.2 million in intangible exploration expenditures incurred during the quarter. The Company is debt free.

Consolidated Statement of Cash Flows
(Thousands United States Dollars)
(unaudited)

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

Cash inflows during the first quarter of 2016 are primarily driven by the receipt of $439.4 million in proceeds relating to the completion of the farmout transaction with Maersk. The following table breaks down the material components of intangible exploration expenditures for the three months ended March 31, 2016 and 2015:

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

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

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

Consolidated Statement of Equity
(Thousands United States Dollars)
(unaudited)

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

The Company's unaudited consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three months ended March 31, 2016 and 2015, and the 2015 Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

Outlook

In light of the current and forecast short to mid-term oil price environment, the Company has worked closely with its joint venture partners to focus efforts on advancing the South Lokichar Basin development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resource certainty and progressing development studies and planning. We are pleased that Maersk have acquired a 25% interest in the project given the vast financial and technical capabilities they bring to the joint venture and related development activities.

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

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

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

About Africa oil

Africa Oil Corp. is a Canadian oil and gas company with assets in Kenya and Ethiopia. The Company is listed on the Toronto Stock Exchange and on Nasdaq Stockholm under the symbol "AOI".

Currency

All dollar amounts contained in this release are stated in United States dollars, unless otherwise disclosed, the Company's functional and presentation currency.

Additional Information

The information in this release is subject to the disclosure requirements of Africa Oil Corp. under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on May 13, 2016 at 3:00 p.m. Pacific Time.

FORWARD LOOKING INFORMATION

Certain statements made and information contained herein constitute "forward-looking information" (within the meaning of applicable Canadian securities legislation). Such statements and information (together, "forward looking statements") relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities, ultimate recovery of reserves or resources and dates by which certain areas will be explored, developed or reach expected operating capacity, that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking 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 that 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 should not be unduly relied upon. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in oil prices, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government or other regulatory approvals, actual performance of facilities, availability of financing on reasonable terms, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements.

ON BEHALF OF THE BOARD

"Keith C. Hill"
President and CEO

For further information, please contact: Sophia Shane, Corporate Development (604) 689-7842.

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

AFRICA OIL CORP.

(Unaudited)

For the three months ended March 31, 2016 and 2015

AFRICA OIL CORP.

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

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

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

Approved on behalf of the Board:

"ANDREW BARTLETT" *"KEITH HILL"*

ANDREW BARTLETT, DIRECTOR **KEITH HILL, DIRECTOR**

AFRICA OIL CORP.

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

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

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

AFRICA OIL CORP.

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

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

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

AFRICA OIL CORP.

Consolidated Statements of Cash Flows
(Expressed in thousands of United States dollars)
(Unaudited)

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

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

1) Incorporation and nature of business:

Africa Oil Corp. (collectively with its subsidiaries, “AOC” or the “Company”) was incorporated on March 29, 1993 under the laws of British Columbia and is an international oil and gas exploration company based in Canada with oil and gas interests in Kenya and Ethiopia. The Company’s registered address is Suite 2600, 1066 West Hastings Street Vancouver, BC, V6E 3X1.

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

2) Basis of preparation:

a) Statement of compliance:

The Company prepares these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles for interim periods, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2015.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards (“IFRS”) issued and outstanding as at May 13, 2016, the date the Board of Directors approved the statements.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis except as disclosed in the significant accounting policies in Note 3 of the annual financial statements for the year ended December 31, 2015.

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

c) Functional and presentation currency:

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

d) Use of estimates and judgments:

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

Significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2015.

3) Significant accounting policies:

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

a) Performance share units ("PSUs")

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

b) Restricted share units ("RSUs")

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

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

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

4) Restricted cash:

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

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

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

5) Property and equipment:

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

As at March 31, 2016, the Company has recorded $0.03 million of property and equipment (December 31, 2015 - $0.03 million) consisting primarily of office and computer equipment. The Company depreciates its property and equipment on a straight line basis over the useful life of the assets (one to three years).

6) Intangible exploration assets:

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

As at March 31, 2016, $507.1 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2015 - $934.3 million). These expenditures relate to the Company's share of exploration and appraisal stage projects which are pending the determination of proven and probable petroleum reserves, and include expenditures related to the following activities: geological and geophysical studies, exploratory and appraisal drilling, well testing, development studies and related general and administrative costs incurred in relation to the Company's Production Sharing Agreements with the respective host governments. At March 31, 2016, no intangible exploration assets have been transferred to oil and gas interests as commercial reserves have not been established and technical feasibility for extraction has not been demonstrated.

During the three months ended March 31, 2016, the Company capitalized $2.2 million of general and administrative expenses related to intangible exploration assets (three months ended March 31, 2015 – $1.9 million).

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

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

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

Although the Company believes that it has title to its oil and natural gas properties, it cannot control or completely protect itself against the risk of title disputes or challenges.

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

7) Share capital:

a) The Company is authorized to issue an unlimited number of common shares with no par value.

b) Issued:

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

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

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

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

8) Equity-based compensation:

a) Share purchase options

At the 2016 Annual General Meeting, held on April 19, 2016, the Company's shareholders approved the terms of the new stock option plan (the "Plan"). The Plan provides that an aggregate number of common shares which may be reserved for issuance as incentive stock options shall not exceed 5% of the common shares outstanding, and option exercise prices will reflect current trading values of the Company's shares. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall be entitled to a grant of more than 5% of the Company's outstanding issued shares.

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

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

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

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

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model and the fair value of the options granted is expensed over the vesting period of the options. The fair value of each option granted by the Company during the three months ended March 31, 2016 the year ended December 31, 2015 was estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

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

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

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

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. During the three months ended March 31, 2016, the Company recognized $0.6 million in equity-based compensation (three months ended March 31, 2015 - $4.0 million) related to stock options.

b) Performance share units (“PSUs”)

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

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

c) Restricted share units (“RSUs”)

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

During the first quarter of 2016, 246,000 RSUs were granted to Non-Executive Directors and 1,024,000 RSUs were granted to other plan participants. The Company accounts for RSUs as equity based awards whereby the estimated fair value of the grant is expensed evenly throughout the remaining vesting period. During the three months ended March 31, 2016, the Company recognized $0.05 million in equity-based compensation relating to the RSUs.

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

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

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

9) Segment information:

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

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

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

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

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

10) Commitments and contingencies:

a) Contractual obligations

i) Kenya:

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

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

Under the terms of the Block 12A PSC, the Company and its partners entered into the first additional exploration period in Block12A which expires in September 2016. During the first additional exploration period, the Company and its partners are obligated to complete geological and geophysical operations, including 350 square kilometers of 2D seismic with a total minimum gross expenditure of $6.0 million. Additionally, the Company and its partners are required to drill one exploration well with a minimum gross expenditure of $15.0 million. The commitments in the Block 12A PSC are supported by an outstanding letter of credit of $524,543 in favor of the Kenyan Government which is collateralized by bank deposit of $524,543 (see note 4). At March 31, 2016, the Company's working interest in Block 12A was 20%.

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

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

Under the terms of the Block 10BA PSC, the Company and its partners entered into the first additional exploration period in Kenya which was set to expire in April 2016. During March 2016, the Company received approval for an eighteen month extension to the first additional exploration period which expires in October 2017. During the first additional exploration period, the Company and its partner are obligated to complete geological and geophysical operations, including either 1,000 kilometers of 2D seismic or 50 square kilometers of 3D seismic. Additionally, the Company and its partner are obligated to drill one exploration well or to complete 45 square kilometers of 3D seismic. The total minimum gross expenditure obligation for the first additional exploration period is $17.0 million. At March 31, 2016, the Company's working interest in Block 10BA was 25%.

ii) Ethiopia:

Under the terms of the South Omo PSA, the Company and its partners fulfilled the minimum work and financial obligations of the first additional exploration period which expired in January 2015. The Ministry of Mines in Ethiopia approved the Company's and its partners' entry into the second additional exploration period which expires in January 2017. During the second additional exploration period, the Company and its partners are obligated to complete G&G operations (including acquisition of 200 kilometers of 2D seismic) with a minimum gross expenditure of $2.0 million. Additionally, the Company and its partners are required to drill one exploration well to a minimum depth of 3,000 meters with a minimum gross expenditure of $8.0 million. At March 31, 2016, the Company's working interest in the South Omo Block was 15%.

Under the Rift Basin Area PSA, during the initial exploration period which has been extended by 12 months to expire in February 2017, the Company and its partner are obligated to complete G&G operations (including the acquisition of 8,000 square kilometers of full tensor gravity and 400 kilometers of 2D seismic) with a minimum gross expenditure of $5.0 million. The commitments in the Rift Basin Area PSA are supported by an outstanding letter of credit of $1,250,000 in favor of the Ethiopian Government which is collateralized by bank deposit of $1,250,000 (see note 4). At March 31, 2016, the Company's working interest in the Rift Basin Area Block was 25%.

11) Finance income and expense:

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

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

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

12) Related party transactions:

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

On September 20, 2011, a Share Purchase Agreement was executed between the Company and Africa Energy which resulted in the Company owning 51.4% of the outstanding shares of Africa Energy. In June 2012, March 2014, March 2015 and December 2015, Africa Energy completed non-brokered private placements reducing the Company’s ownership interest in Africa Energy to 32%. Prior to March 2015, when the Company’s investment in Africa Energy changed from a position of control to significant influence, the transactions between the Company and Africa Energy were eliminated upon consolidation.

Under the terms of a General Management and Service Agreement between Africa Energy and the Company for the provision of management and administrative services, the Company invoiced Africa Energy $0.04 million during the three months ended March 31, 2016 (three months ended March 31, 2015 - $0.2 million). At March 31, 2016, the outstanding balance receivable from Africa Energy was $ nil (at December 31, 2015 – $ nil). The management fee charged to Africa Energy by the Company is expected to cover the cost of administrative expense and salary costs paid by the Company in respect of services provided to Africa Energy.

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

13) Equity investment:

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

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

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

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

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

14) Net loss per share:

For the three months ended	March 31, 2016			March 31, 2015		
		Weighted Average			Weighted Average	
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ 3,362	456,417,074	$ 0.01	$ 811	338,312,290	$ 0.00
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ 3,362	456,417,074	$ 0.01	$ 811	338,312,290	$ 0.00

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

15) Financial instruments:

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

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

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

16) Supplementary information:

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

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

17) Donation:

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