AFRICA ENERGY CORP.

(Formerly Horn Petroleum Corporation)

Report to Shareholders

September 30, 2015

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three and nine months ended September 30, 2015 and 2014

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Energy Corp. and its subsidiaries (the "Company" or "Africa Energy") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2015 and 2014 and should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2014 and 2013 and related notes thereto.

The financial information in this MD&A is derived from the Company's unaudited consolidated financial statements which have been prepared in United States ("U.S.") dollars, in accordance with International Financial Reporting Standard as issued by the International Accounting Standards Board.

The effective date of this MD&A is November 16, 2015.

Additional information about the Company and its business activities is available on SEDAR at www.sedar.com.

PROFILE AND STRATEGY

Africa Energy is a Canadian-based company whose common shares are traded on the TSX Venture Exchange under the symbol "AFE". The Company is an international oil and gas exploration and development company, based in Canada. As at September 30, 2015, Africa Oil Corp. ("AOC") owned 40.8% of the issued and outstanding common shares of Africa Energy.

The Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block Production Sharing Agreements ("PSAs") in June 2015. The Company has invoked a new corporate strategy to take advantage of the current downturn in oil prices and intends to aggressively pursue onshore and offshore upstream oil opportunities in Africa. Africa Energy has commenced building a strong technical team which will be managed from a new office in Cape Town, South Africa. In line with this refocused effort, the Company changed its name to Africa Energy Corp. which was effective on March 12, 2015 and, effective at market open on March 12, 2015, the Company's common shares began trading on the TSX Venture Exchange under the new symbol AFE.V.

OPERATIONS UPDATE

PUNTLAND

Early in the year, the Company informed the Government of Puntland (Somalia) that the Company would be significantly reducing its presence in Bosaso, Puntland and would refrain from any operational activity and associated expenditures pending a resolution of the political situation between the Regional Government of Puntland and the Federal Government of Somalia regarding the legitimacy of oil concession contracts. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company requested a two year extension to the second exploration period from the Government of Puntland to allow time for these political challenges to be resolved. Accordingly, the Company elected during the fourth quarter of 2014 to record a $90.6 million non-cash impairment charge related to its assets in Puntland. As at September 30, 2015, intangible exploration assets related to these properties was nil.

During June 2015, the Company and its joint venture partners notified the Government of Puntland (Somalia) of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

FINANCING UPDATE

During March 2015, the Company completed a non-brokered private placement issuing an aggregate of 32,486,153 shares at a price of CAD$0.13 per share for gross proceeds of $3.4 million. A finder's fee was paid in the amount of $0.08 million in cash. The Company issued 22,689,615 of the common shares on March 27, 2015 ("first tranche") and issued 9,796,538 common shares on March 30, 2015 ("second tranche"). The common shares issued under the first and second tranche of the private placement were subject to a statutory hold period which expired on July 28, 2015 and July 31, 2015, respectively. Net proceeds from the private placement are expected to be used towards managing the new office, including a technical team, in Cape Town, South Africa as well as pursuing onshore and offshore upstream oil opportunities in Africa.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**30-Sep 2015**	**30-Jun 2015**	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**	**31-Mar 2014**	**31-Dec 2013**
Operating expenses ($)	(692)	(531)	(657)	(90,994)	(436)	(540)	(361)	(538)
Foreign exchange gain (loss) ($)	(102)	20	(16)	(9)	(8)	4	(7)	(8)
Fair market value gain (loss) - warrants	-	-	-	-	-	6	(5)	37
Net loss ($)	(792)	(508)	(673)	(91,003)	(443)	(530)	(372)	(509)
Weighted average shares - Basic	129,335	129,335	97,967	96,849	96,849	96,849	96,849	96,849
Weighted average shares - Diluted	129,335	129,335	97,967	96,849	96,849	96,849	96,849	96,849
Basic loss per share ($)	(0.01)	(0.00)	(0.01)	(0.94)	(0.00)	(0.01)	(0.00)	(0.01)
Diluted loss per share ($)	(0.01)	(0.00)	(0.01)	(0.94)	(0.00)	(0.01)	(0.00)	(0.01)
Oil and gas expenditures ($)	-	-	-	(113)	(211)	(260)	(618)	(119)

As the Company is in the exploration stage, no oil and gas revenue has been generated to date.

Operating expenses decreased in the first quarter of 2014 due to a $50,000 donation in support of tropical cyclone relief efforts in Puntland, higher professional fees associated with the year-end audit during the fourth quarter of 2013, and a reduction in stock-based compensation due to a reduction in the remaining life of outstanding stock options during the first quarter of 2014. Operating expenses increased in the second quarter of 2014 due to increased stock-based compensation expense resulting from the issuance of 2.2 million stock options granted to directors, officers and employees of the Company in the second quarter of 2014, of which one-third vested immediately. Operating expenses decreased slightly in the third quarter of 2014 due mainly to a reduction in stock-based compensation resulting from a reduction in the remaining life of outstanding stock options and a reduction in the fair market value of recent options granted as determined using the Black-Scholes option pricing model. Operating expenses increased in the fourth quarter of 2014 due to a $90.6 million impairment charge on intangible exploration assets. The Company informed the Government of Puntland (Somalia) that the Company would be significantly reducing its presence in Bosaso, Puntland and would refrain from any operational activity and associated expenditures pending a resolution of the political situation between the Regional Government of Puntland and the Federal Government of Somalia regarding the legitimacy of oil concession contracts. Operating expenses decreased for the first quarter of 2015 compared to fourth quarter of 2014. This decrease is due to an impairment charge that was booked in the fourth quarter of 2014. The decrease was slightly offset by an increase in stock-based compensation expense. During the first quarter of 2015, there was issuance of 4.9 million stock options which were granted to directors, officers and employees of the Company in the first quarter of 2015, of which one-third vested immediately. Operating expenses were lower in the second quarter of 2015 compared to the first quarter of 2015 mainly due to the issuance of stock options in the first quarter of 2015 resulting in higher stock-based compensation expense in the first quarter of 2015. Operating expenses increased for the third quarter of 2015 compared to the second quarter of 2015 due to the increase in salaries and travel expenses, offset partially by a reduction in management fees. The increase in salaries and travel costs is a result of hiring technical and administrative staff in Cape Town, South Africa, as part of the Company's new corporate strategy. The decrease in the management fees paid to Africa Oil is a result of hiring a dedicated management team for the Company which led to a revised General Management and Services Agreement between Africa Oil and the Company.

Foreign exchange gains and losses incurred by the Company are the result of holding Canadian dollars which are used to fund a portion of the Company's Canadian dollar operating expenses. The Company does not currently hedge its foreign currency exchange exposure.

Fair market value adjustments to the warrant liability were performed on a quarterly basis. The warrants entitled the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations as they arise. The fair market value of the warrant liability decreased throughout the majority of 2013 through to the end of the second quarter in 2014 resulting in gains in the statement of net loss and comprehensive loss due to a combination of factors, including; a reduction in the Company's share price, a reduction in the remaining life of the warrants that remain outstanding, a reduction in the number of warrants outstanding, and a decrease in the volatility of the Company's share price. In June 2014, 9.5 million warrants expired unexercised leaving no further warrants outstanding.

RESULTS OF OPERATIONS

(thousands)	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Salaries and benefits	$ 341	$ 102	$ 663	$ 102
Stock-based compensation	120	74	431	285
Travel	69	-	88	-
Management fees	60	208	386	619
Office and general	68	18	131	151
Depreciation	10	-	10	-
Professional fees	10	32	115	145
Stock exchange and filing fees	14	2	56	35
Operating expenses	$ 692	$ 436	$ 1,880	$ 1,337

Operating expenses increased by $0.3 million for the three months ended September 30, 2015 compared to the same quarter in 2014. The increase in salaries and benefit costs as well as travel costs can be attributed to hiring a dedicated management team as well as technical exploration and administrative staff for the Company's new office in Cape Town, South Africa. The increase was offset by a decrease in management fees charged to the Company. Effective June 1, 2015, the General Management and Services Agreement between Africa Oil and the Company was revised to reflect hiring of a dedicated management team for the Company.

Operating expenses increased by $0.5 million for the nine months ended September 30, 2015 compared to the same period in 2014. The increase in salaries and benefit costs as well as travel costs can be attributed to hiring a dedicated management team as well as technical exploration and administrative staff for the Company's new office in Cape Town, South Africa. The increase in stock-based compensation expense for the nine months ended September 30, 2015 compared to the same period in 2014 is due to 6.3 million stock options granted to directors, officers and employees of the Company during the nine months ended September 30, 2015, compared to 2.2 million stock options granted during the nine months ended September 30, 2014, of which one-third vested immediately. The increase was partially offset by a decrease in management fees charged to the Company.

INTANGIBLE EXPLORATION ASSETS

During the year ended December 31, 2014, Africa Energy wrote down its investment in intangible exploration assets to nil, recording a $90.6 million impairment charge during the fourth quarter of 2014 relating to the Nugaal and Dharoor Blocks. Ongoing political challenges in Puntland (Somalia) persist unresolved, including challenges regarding the legitimacy of oil concession contracts issued by the former and current central Somali governments and regional states (Puntland and Somaliland), many of which cover overlapping territory and border disputes between Somalia (including Puntland) and Somaliland. The Company downsized its office in Bosaso, Puntland and ceased operational activities and associated expenditures early in 2015, and in June 2015 decided, along with its joint venture partners, to withdraw from the Nugaal and Dharoor Blocks.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2015, the Company had cash of $2.7 million and working capital of $3.0 million as compared to cash of $1.6 million and working capital of $1.3 million at December 31, 2014. The increase in the Company's cash position and working capital are primarily due the completion of a private placement which occurred at the end of first quarter of 2015.

The Company's working capital position may not provide it with sufficient capital resources to meet additional exploration, appraisal and development expenditures. To finance its future acquisition, exploration, development and operating costs, Africa Energy will require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements. 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 Africa Energy.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers and employees whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the three and nine months ended September 30, 2015 was $0.1 million and $0.4 million, respectively, compared to $0.07 million and $0.3 million for three and nine months ended September 30, 2014, respectively. The increase in stock-based compensation expense for the nine months ended September 30, 2015 compared to the same period in 2014 is due to 6.3 million stock options granted to directors, officers and employees of the Company during the nine months ended September 30, 2015, compared to 2.2 million stock options granted during the nine months ended September 30, 2014, of which one-third vested immediately.

RELATED PARTY TRANSACTIONS

Transactions with AOC:

At September 30, 2015, Africa Oil Corp. ("AOC") owned 40.8% of the common shares of Africa Energy.

Under the terms of the General Management and Service Agreement between AOC and the Company for the provision of management and administrative services, AOC invoiced the Company $0.4 million during the nine months ended September 30, 2015 (nine months ended September 30, 2014 – $0.6 million). At September 30, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $ nil). The management fee charged to the Company by AOC is for the provision of management and administrative services and is intended to cover the cost of administrative expense and salary costs paid by AOC.

Under the terms of a Services Agreement between AOC and the Company, AOC invoiced the Company $ nil during the nine months ended September 30, 2015 (nine months ended September 30, 2014 - $0.04 million) for services provided by geologists and geophysicists employed by AOC. At September 30, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $0.03 million).

During the nine months ended September 30, 2015, AOC invoiced the Company $0.09 million for reimbursable expenses paid by AOC on behalf of the Company (nine months ended September 30, 2014 - $0.07 million). At September 30, 2015, the outstanding balance payable to AOC was $0.06 million (at December 31, 2014 – $0.07 million).

COMMITMENTS AND CONTINGENCIES

The Company executed PSAs for the Nugaal Block and Dharoor Block through its wholly-owned subsidiary Canmex Holdings (Bermuda) II Ltd. With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and entered the second exploration period in each PSA which expired in October 2015. The minimum work obligations required during the second exploration period included an exploration well in each block with minimum exploration expenditures of $5.0 million (gross) in each block. The Company had requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges in Somalia to be resolved. The minimum work obligations under each of the PSAs are not supported by parent company or bank guarantees. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

OUTSTANDING SHARE DATA

The following table outlines the maximum potential impact of share dilution upon full execution of outstanding convertible instruments as at the effective date of the MD&A:

Common shares outstanding	129,335,469
Outstanding share purchase options	10,691,500
Full dilution impact on common shares outstanding	140,026,969

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

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

OUTLOOK

The Company has recently hired an experienced technical exploration team and has set up a technical office in South Africa from which it is actively pursuing new venture opportunities across the African continent.

Forward Looking Statements

Certain statements in this document are “forward-looking statements”. Forward-looking statements are statements that are not historical fact and are generally identified by words such as “believes”, “anticipates”, “expects”, “estimates”, “pending”, “intends”, “plans”, “will” or similar words suggesting future outcomes. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

Any statements regarding the following are forward-looking statements:

- expected closing dates for the completion of proposed transactions;
- planned exploration activity including both expected drilling and geological and geophysical related activities;
- anticipated future financing requirements
- future crude oil, natural gas or chemical prices;
- future sources of funding for our capital program;
- availability of potential farmout partners;
- government or other regulatory consent for exploration, development, farmout or acquisition activities;
- future production levels;
- future capital expenditures and their allocation to exploration and development activities;
- future earnings;
- future asset acquisitions or dispositions;
- future debt levels;
- availability of committed credit facilities;
- possible commerciality;
- development plans or capacity expansions;
- future ability to execute dispositions of assets or businesses;
- future sources of liquidity, cash flows and their uses;
- future drilling of new wells;
- ultimate recoverability of current and long-term assets;
- ultimate recoverability of reserves or resources;
- expected finding and development costs;
- expected operating costs;
- estimates on a per share basis;
- future foreign currency exchange rates;
- future market interest rates;
- future expenditures and future allowances relating to environmental matters;

- dates by which certain areas will be developed or will come on stream or reach expected operating capacity; and
- changes in any of the foregoing.

Statements relating to "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- market prices for oil and gas and chemical products;
- our ability to explore, develop, produce and transport crude oil and natural gas to markets;
- ultimate effectiveness of design or design modification to facilities;
- the results of exploration and development drilling and related activities;
- volatility in energy trading markets;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business;
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations;
- renegotiations of contracts;
- results of litigation, arbitration or regulatory proceedings; and
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict,
- conflict between states.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time. Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

AFRICA ENERGY CORP.

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

	Note		September 30, 2015		December 31, 2014
ASSETS					
Current assets					
Cash and cash equivalents		$	2,727	$	1,605
Accounts receivable			192		104
Prepaid expenses			260		67
			3,179		1,776
Long-term assets					
Property and equipment	3		92		-
			92		-
Total assets		$	3,271	$	1,776
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Current liabilities					
Accounts payable and accrued liabilities		$	163	$	370
Due to related party	8		62		95
			225		465
Total liabilities			225		465
Equity attributable to common shareholders					
Share capital	5		89,771		86,494
Contributed surplus	6		3,731		3,300
Deficit			(90,456)		(88,483)
Total equity attributable to common shareholders			3,046		1,311
Total liabilities and equity attributable to common shareholders		$	3,271	$	1,776
Commitments and contingencies	11				

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

Approved on behalf of the Board:

"IAN GIBBS"

IAN GIBBS, DIRECTOR

"ASHLEY HEPPENSTALL"

ASHLEY HEPPENSTALL, DIRECTOR

AFRICA ENERGY CORP.

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

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Operating expenses					
Salaries and benefits		$ 341	$ 102	$ 663	$ 102
Stock-based compensation	6	120	74	431	285
Travel		69	-	88	-
Management fees	8	60	208	386	619
Office and general		68	18	131	151
Depreciation	3	10	-	10	-
Professional fees		10	32	115	145
Stock exchange and filing fees		14	2	56	35
		692	436	1,880	1,337
Finance expense	7	102	8	98	11
Finance income	7	(2)	(1)	(5)	(3)
Net loss and comprehensive loss attributable to common shareholders		(792)	(443)	(1,973)	(1,345)
Net loss per share	9				
Basic		$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Diluted		$ (0.01)	$ (0.00)	$ (0.02)	$ (0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	9				
Basic		129,335,469	96,849,316	118,994,082	96,849,316
Diluted		129,335,469	96,849,316	118,994,082	96,849,316

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

AFRICA ENERGY CORP.

Consolidated Statement of Equity Attributable to Common Shareholders
(Expressed in thousands of United States dollars)
(Unaudited)

	Note	September 30, 2015	September 30, 2014
Share capital:	5(b)		
Balance, beginning of the period		$ 86,494	$ 86,494
Private placement, net of issue costs		3,277	-
Balance, end of the period		89,771	86,494
Contributed surplus:			
Balance, beginning of the period		$ 3,300	$ 2,973
Stock-based compensation	6	431	285
Balance, end of the period		3,731	3,258
Earnings (Deficit):			
Balance, beginning of the period		$ (88,483)	$ 3,865
Net loss for the period		(1,973)	(1,345)
Balance, end of the period		(90,456)	2,520
Equity attributable to common shareholders		$ 3,046	$ 92,272

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

AFRICA ENERGY CORP.

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

	Note	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flows provided by (used in):					
Operations:					
Net loss for the period		$ (792)	$ (443)	$ (1,973)	$ (1,345)
Item not affecting cash:					
Stock-based compensation	6	120	74	431	285
Depreciation	3	10	-	10	-
Fair market value adjustment - warrants		-	-	-	(1)
Unrealized foreign exchange loss		102	8	98	11
Changes in non-cash operating working capital	12	(26)	49	(97)	33
		(586)	(312)	(1,531)	(1,017)
Investing:					
Property and equipment expenditures	3	(60)	-	(102)	-
Intangible exploration expenditures	4	-	(211)	-	(1,089)
Changes in non-cash investing working capital	12	(105)	81	(391)	817
		(165)	(130)	(493)	(272)
Financing:					
Common shares issued, net of issuance costs	5(b)	-	-	3,277	-
Advances from related party	8	121	255	480	752
Payments to related party	8	(82)	(237)	(513)	(837)
		39	18	3,244	(85)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(102)	(8)	(98)	(11)
Increase (decrease) in cash and cash equivalents		(814)	(432)	1,122	(1,385)
Cash and cash equivalents, beginning of the period		$ 3,541	$ 2,628	$ 1,605	$ 3,581
Cash and cash equivalents, end of the period		$ 2,727	$ 2,196	$ 2,727	$ 2,196
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Taxes paid		Nil	Nil	Nil	Nil

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

1) Incorporation and nature of business:

Africa Energy Corp. (collectively with its subsidiaries, "Africa Energy" or the "Company"), formerly Horn Petroleum Corporation ("Horn"), was incorporated under the Business Corporations Act (Alberta) on April 27, 2010 and is an international oil and gas exploration company based in Canada. The Company was continued into the Province of British Columbia under the Business Corporations Act (British Columbia) in 2011 following the acquisition from Africa Oil Corp. ("AOC") of all of the issued and outstanding shares of the subsidiaries holding AOC's interest in oil and gas projects in Puntland (Somalia). The Company's registered address is Suite 2600, 1066 West Hastings Street, Vancouver, BC, V6C 3X1.

Africa Energy is an exploration stage enterprise that had two Production Sharing Agreements ("PSAs") in Puntland (Somalia). To date, Africa Energy has not found proved reserves. The Company and its joint venture partners notified the Puntland Government of their decision to withdraw from the two PSAs during the second quarter of 2015. The Company has invoked a new corporate strategy to take advantage of the current downturn in oil prices and intends to aggressively pursue onshore and offshore upstream oil opportunities in Africa. Oil and gas exploration, development and production activities in 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 dispute challenges, 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 Africa Energy's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Africa Energy 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 Africa Energy 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 Africa Energy 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, specifically International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 16, 2015, the date the Board of Directors approved the statements.

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

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the Company's consolidated financial statements for the year ended December 31, 2014. 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 currency of all the Company's individual entities is US dollars, which represents the currency of the primary economic environment in which the entities operate.

d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2014.

e) New standards and amendments:

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

3) Property and equipment:

	September 30, 2015	December 31, 2014
Cost, beginning of period	$ -	$ -
Additions	102	-
Cost, end of period	102	-
Accumulated depreciation, beginning of period	-	-
Depreciation	(10)	-
Accumulated depreciation, end of period	(10)	-
Net carrying amount, beginning of period	$ -	$ -
Net carrying amount, end of period	$ 92	$ -

During the nine months ended September 30, 2015, the Company purchased computer and office equipment and performed leasehold improvements to its new technical office, which is located in Cape Town, South Africa.

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

4) Intangible exploration assets:

Ongoing political challenges in Puntland (Somalia) persist unresolved, including challenges regarding the legitimacy of oil concession contracts issued by the former and current central Somali governments and regional states (Puntland and Somaliland), many of which cover overlapping territory and border disputes between Somalia (including Puntland) and Somaliland. The Company significantly reduced its presence in Puntland and decided to cease operational activities and associated expenditures early in the year. As a result, the Company fully impaired $90.6 million of previously capitalized intangible exploration assets during the fourth quarter of 2014 relating to the Dharoor Valley and Nugaal Valley PSAs. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs. The remaining carrying amount of intangible exploration assets is $ nil.

5) Share capital:

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

b) Issued:

	September 30, 2015			December 31, 2014		
	Shares		Amount	Shares		Amount
Balance, beginning of the period	96,849,316	$	86,494	96,849,316	$	86,494
Private placement, net of issue costs	32,486,153		3,277	-		-
Balance, end of the period	129,335,469	$	89,771	96,849,316	$	86,494

During March 2015, the Company completed a non-brokered private placement issuing an aggregate of 32,486,153 shares at a price of CAD$0.13 per share for gross proceeds of $3.4 million. A finder's fee was paid in the amount of $0.08 million in cash. The Company issued 22,689,615 of the common shares on March 27, 2015 ("first tranche") and issued 9,796,538 common shares on March 30, 2015 ("second tranche"). The common shares issued under the first and second tranche of the private placement were subject to a statutory hold period which expired on July 28, 2015 and July 31, 2015, respectively.

6) Share purchase options:

At the 2015 Annual General Meeting, held on June 11, 2015, the Company's shareholders approved certain amendments to the Company's stock option plan ("the Plan") and ratified the Plan, as amended. The Plan continues to provide that an aggregate number of common shares which may be reserved for issuance as incentive stock options shall not exceed 10% of the common shares outstanding, and that 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)

Share purchase options outstanding, are as follows:

	September 30, 2015		December 31, 2014	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	4,882,000	0.33	6,678,336	0.70
Granted	6,312,500	0.16	2,184,000	0.30
Expired or cancelled	(503,000)	0.54	(3,980,336)	0.93
Balance, end of the period	10,691,500	0.22	4,882,000	0.33

i) No stock options were exercised during the nine months ended September 30, 2015 or the year ended December 31, 2014.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model. The fair value of each option granted during the nine months ended September 30, 2015 and the year ended December 31, 2014 were estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2015	2014
Number of options granted during the period	6,312,500	2,184,000
Fair value of options granted	0.12	0.19
Risk-free interest rate (%)	0.51	1.09
Expected life (years)	3.00	2.25
Expected volatility (%)	136	129
Expected dividend yield	-	-

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. Stock-based compensation expense for the three and nine months ended September 30, 2015 was $0.1 million and $0.4 million, respectively (three and nine months ended September 30, 2014 - $0.1 million and $0.3 million, respectively).

The following table summarizes information regarding stock options outstanding at September 30, 2015:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
0.32	2,292,000	0.14
0.19	200,000	0.59
0.30	1,887,000	1.62
0.17	4,885,000	4.45
0.13	1,427,500	4.87
0.22	10,691,500	3.02

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

7) Finance income and expense:

Finance income and expense for the three and nine months ended September 30, 2015 and 2014 is comprised of the following:

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Fair market value adjustment - warrants	$ -	$ -	$ -	$ (1)
Interest and other income	(2)	(1)	(5)	(2)
Foreign exchange loss	102	8	98	11
Finance income	$ (2)	$ (1)	$ (5)	$ (3)
Finance expense	102	8	98	11

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect on the date of the transaction. Exchange gains or losses arising from translation are included in the statement of net income (loss) and comprehensive income (loss).

8) Related party transactions:

Transactions with AOC:

At September 30, 2015, Africa Oil Corp. ("AOC") owned 40.8% of the common shares of Africa Energy.

Under the terms of the General Management and Service Agreement between AOC and the Company for the provision of management and administrative services, AOC invoiced the Company $0.4 million during the nine months ended September 30, 2015 (nine months ended September 30, 2014 – $0.6 million). At September 30, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $ nil). The management fee charged to the Company by AOC is for the provision of management and administrative services and is intended to cover the cost of administrative expense and salary costs paid by AOC.

Under the terms of a Services Agreement between AOC and the Company, AOC invoiced the Company $ nil during the nine months ended September 30, 2015 (nine months ended September 30, 2014 - $0.04 million) for services provided by geologists and geophysicists employed by AOC. At September 30, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $0.03 million).

During the nine months ended September 30, 2015, AOC invoiced the Company $0.09 million for reimbursable expenses paid by AOC on behalf of the Company (nine months ended September 30, 2014 - $0.07 million). At September 30, 2015, the outstanding balance payable to AOC was $0.06 million (at December 31, 2014 – $0.07 million).

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

9) Earnings Per Share:

Three months ended	**September 30, 2015**			**September 30, 2014**		
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (792)	129,335,469	$ (0.01)	$ (443)	96,849,316	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (792)	129,335,469	$ (0.01)	$ (443)	96,849,316	$ (0.00)

Nine months ended	**September 30, 2015**			**September 30, 2014**		
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (1,973)	118,994,082	$ (0.02)	$ (1,345)	96,849,316	$ (0.01)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (1,973)	118,994,082	$ (0.02)	$ (1,345)	96,849,316	$ (0.01)

10) Financial Instruments:

Assets and liabilities at September 30, 2015 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company’s cash and cash equivalents are assessed on the fair value hierarchy described above. The Company’s cash and cash equivalents are classified as Level 2. 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)

11) Commitments and Contingencies:

The Company executed PSAs for the Nugaal Block and Dharoor Block through its wholly-owned subsidiary Canmex Holdings (Bermuda) II Ltd. With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and entered the second exploration period in each PSA which expired in October 2015. The minimum work obligations required during the second exploration period included an exploration well in each block with minimum exploration expenditures of $5.0 million (gross) in each block. The Company had requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges in Somalia to be resolved. The minimum work obligations under each of the PSAs are not supported by parent company or bank guarantees. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

12) Supplementary Information:

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

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Changes in non-cash working capital				
Accounts receivable	$ (55)	$ 14	$ (88)	$ 578
Prepaid expenses	(155)	18	(193)	56
Accounts payable and accrued liabilities	79	98	(207)	216
	$ (131)	$ 130	$ (488)	$ 850
Relating to:				
Operating activities	$ (26)	$ 49	$ (97)	$ 33
Investing activities	(105)	81	(391)	817
Changes in non-cash working capital	$ (131)	$ 130	$ (488)	$ 850