



Interim Consolidated Financial Statements

Periods ended June 30, 2017 and 2016

## **AFRICA HYRDOCARBONS INC.**

**August 25, 2017**

### **Management's Report to the Shareholders**

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

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

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

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

# AFRICA HYRDOCARBONS INC.

## Interim Consolidated Statements of Financial Position

	June 30, 2017	September 30, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 37,702	\$ 193,851
Trade and other receivables (note 11)	4,369	5,360
Prepaid expenses and deposits	24,132	7,291
	<b>\$ 66,203</b>	<b>\$ 206,502</b>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Trade and other payables (note 5 and 11)	\$ 69,957	\$ 136,006
Short-term loan (note 6)	75,000	-
	144,957	136,006
<b>Shareholders' equity</b>		
Share capital (note 7)	42,900,211	42,900,211
Contributed surplus	9,720,425	9,720,425
Accumulated foreign currency translation	1,456,834	1,456,912
Deficit	(54,156,224)	(54,007,052)
	(78,754)	70,496
	<b>\$ 66,203</b>	<b>\$ 206,502</b>

Going concern (note 2)

Commitments and contingencies (note 13)

Subsequent events (note 14)

See accompanying notes to the interim consolidated financial statements.

Approved for issuance by the Board of Directors on August 25, 2017

## AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Comprehensive Loss  
for the three and nine month period ended June 30, 2017 and 2016

	3 Months		9 Months	
	2017	2016	2017	2016
Expenses				
General and administrative	\$26,330	\$41,622	\$77,531	\$153,785
Foreign exchange	(1,162)	–	184	–
Professional fees	4,863	6,476	19,471	31,845
	30,031	48,098	97,186	185,630
Finance expense (note 8)	2,798	904	4,485	2,354
Write off of non-refundable deposit (note 4)	37,500	–	37,500	–
Settlement obligation (note 13)	10,000	–	10,000	–
<b>Net loss for the period</b>	<b>(80,329)</b>	<b>(49,002)</b>	<b>(149,171)</b>	<b>(187,984)</b>
Other comprehensive income				
Exchange gain (loss) on translation	(1,155)	–	(78)	–
<b>Comprehensive income (loss) for the period</b>	<b>\$ (81,484)</b>	<b>\$ (49,002)</b>	<b>\$ (149,249)</b>	<b>\$ (187,984)</b>
<b>Net loss per share (note 9):</b>				
Loss per share from continuing operations:				
Basic and diluted	\$(0.01)	\$(0.01)	\$(0.02)	\$(0.02)
<b>Net loss per share of the period:</b>				
<b>  Basic and diluted</b>	<b>\$(0.01)</b>	<b>\$(0.01)</b>	<b>\$(0.02)</b>	<b>\$(0.02)</b>

See accompanying notes to the interim consolidated financial statements.

**AFRICA HYDROCARBONS INC.**

## Interim Consolidated Statements of Changes in Equity

	<b>June 30,</b>	<b>June 30,</b>
	<b>2017</b>	<b>2016</b>
<b>Share capital</b>		
Balance, beginning of period	\$ 42,900,211	\$ 42,900,211
Balance, end of period	42,900,211	42,900,211
<b>Contributed surplus</b>		
Balance, beginning of period	9,720,425	9,720,425
Balance, end of period	9,720,425	9,720,425
<b>Accumulated foreign currency translation</b>		
Balance, beginning of period	1,456,912	1,457,869
Gain (loss) on translation	(78)	(4,399)
Balance, end of period	1,456,834	1,453,470
<b>Deficit</b>		
Balance, beginning of period	(54,007,053)	(53,662,168)
Net loss	(149,171)	(187,984)
Balance, end of period	(54,156,224)	(53,850,152)
<b>Shareholders' equity (deficiency)</b>	<b>\$ (78,754)</b>	<b>\$ 223,954</b>

See accompanying notes to the interim consolidated financial statements.

## AFRICA HYDROCARBONS INC.

Interim Consolidated Statements of Cash Flows  
for the three and nine month periods ended June 30, 2017 and 2016

	3 Months		9 Months	
	2017	2016	2017	2016
Cash provided by (used in):				
<b>Operations:</b>				
Loss from operations	\$ (80,329)	\$ (49,002)	\$ (149,171)	\$ (187,984)
<b>Cash flows before non-cash operating working capital</b>	<b>(80,329)</b>	<b>(49,002)</b>	<b>(149,171)</b>	<b>(187,984)</b>
Change in non-cash operating working capital:				
Decrease (increase) in trade and other receivables	(327)	–	991	5,667
Decrease (increase) in prepaid expenses and deposits	132,303	2,875	(16,841)	(2,375)
Increase (decrease) in trade and other payables	(50,510)	(18,385)	(66,050)	(36,987)
<b>Cash flows from non-cash operating working capital</b>	<b>81,466</b>	<b>(15,510)</b>	<b>(81,900)</b>	<b>(33,696)</b>
<b>Cash flows used in operating activities</b>	<b>1,137</b>	<b>(64,512)</b>	<b>(231,071)</b>	<b>(221,680)</b>
<b>Financing:</b>				
Receipt of short-term loan	–	–	75,000	–
	–	–	75,000	–
Effect of foreign exchange on cash and cash equivalents	(1,155)	(80)	(78)	(4,399)
Net change in cash and cash equivalents	(18)	(64,592)	(156,149)	(226,078)
Cash and cash equivalents, beginning of period	37,720	317,492	193,851	478,978
<b>Cash and cash equivalents, end of period</b>	<b>\$ 37,702</b>	<b>\$ 252,900</b>	<b>\$ 37,702</b>	<b>\$ 252,900</b>

See accompanying notes to the interim consolidated financial statements.

# AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 1  
For the periods ended June 30, 2017 and 2016

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## 1. Nature of operations and basis of presentation:

Africa Hydrocarbons Inc. (the "Corporation") is a public company incorporated under the Company Act, Alberta, Canada and its shares are listed on the NEX on the TSX Venture Exchange. The principal business of the Corporation was to explore natural resource properties. In early 2016, the Corporation ceased to operate in the resource sector and is currently reviewing other business opportunities.

The address of the Corporation's main office is Suite 320, 600 6<sup>th</sup> Ave SW, Calgary, AB, T2P 0S5.

### Statement of compliance

The June 30, 2017 interim consolidated financial statements are prepared under IFRS. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. Areas where estimates are significant to the interim consolidated financial statements are disclosed in note 5 of the Corporations September 30, 2016 yearend financials.

### Basis of measurement

The interim consolidated financial statements have been prepared on a historical cost basis with some exceptions in accordance with IFRS, as detailed in the accounting policies set out in the Corporations September 30, 2016 yearend financials. These policies have been applied consistently for all periods presented in these interim consolidated financial statements

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

## 2. Going concern:

For the period ended June 30, 2017, the Corporation reported a net loss of \$149,171 and has a deficit of \$54,156,224 (September 30, 2016 - \$54,007,052). As at June 30, 2017, the Corporation has \$37,702 (September 30, 2016 - \$193,851) in cash available to meet its liabilities as they become due. The Corporation will manage its activity levels, expenditures and commitments based on its current cash position.

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

## 3. Accounting standards:

### Future Accounting Standards

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

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

## AFRICA HYDROCARBONS INC.

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For the periods ended June 30, 2017 and 2016

b.) IFRS 15, “Revenue from Contracts with Customers” was issued in May 2015 to replace IAS 18 “Revenue” and IAS 11 “Construction Contracts”, and several revenue related interpretations. The new standard establishes a control-based revenue recognition model and provides additional guidance in many areas not covered in detail under existing IFRSs, including how to account for arrangements with multiple performance obligations, variable pricing, customer refund rights, supplier repurchase options and other common complexities. IFRS 15 is effective for reporting periods beginning on or after January 1, 2018. The Corporation continues to assess this new standard, but does not expect it to have a significant impact.

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

#### 4. Write-off of non-refundable deposit

In the period ended December 31, 2016, the Corporation executed a purchase and sale agreement whereby the Corporation agreed to acquire certain mining claims held by a private company. The Corporation advanced a \$37,500 non-refundable deposit to the vendor. The Corporation decided to not move forward with the proposed acquisition and as a result, the deposit was lost.

#### 5. Trade and other payables:

	June 30, 2017	September 30, 2016
Trade payables	\$32,557	\$17,694
Accrued liabilities	35,000	22,963
Other accrued payables	2,400	32,500
	<b>\$69,957</b>	<b>\$73,157</b>

#### 6. Short-term loan

On March 17, 2017, the Corporation received a loan (the “Loan”) in the amount of \$75,000 from a shareholder of the Corporation. The loan is due on demand and accrues interest of 12% per annum, payable upon maturity. As of June 30, 2017, total interest accrued pursuant to the loan is \$2,400. Refer to note 14 for details of settlement subsequent to June 30, 2017.

## AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 3  
For the periods ended June 30, 2017 and 2016

### 7. Share capital:

#### (a) Authorized:

Unlimited number of common voting shares and preferred shares

#### (b) Issued:

On June 30, 2017, the Corporation completed a consolidation of its issued and outstanding common shares on the basis of twenty (20) pre-consolidation common shares for each one (1) post-consolidation common share. All per share numbers in these financial statements have been adjusted to reflect this consolidation.

	Number of Shares	Amount
<b>Balance, September 30, 2016 &amp; June 30, 2017</b>	<b>8,205,475</b>	<b>\$42,900,211</b>

#### (c) Stock options:

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

	<u>June 30, 2017</u>		<u>September 30, 2016</u>	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Options outstanding and exercisable, beginning of period	1,500,000	\$0.30	1,500,000	\$0.30
Expired	(1,500,000)	(\$0.30)	-	-
<b>Options outstanding and exercisable, end of period</b>	<b>-</b>	<b>-</b>	<b>1,500,000</b>	<b>\$0.30</b>

### 8. Finance expenses

The Corporation's finance income consists of the following:

<b>Three month period ended June 30,</b>	<b>2017</b>	<b>2016</b>
Bank fees	\$33	\$904
Interest expense	2,765	-
<b>Finance expense</b>	<b>\$2,798</b>	<b>\$904</b>

  

<b>Nine month period ended June 30,</b>	<b>2017</b>	<b>2016</b>
Bank fees	\$696	\$2,354
Interest expense	3,789	-
<b>Finance expense</b>	<b>\$4,485</b>	<b>\$2,354</b>

## AFRICA HYDROCARBONS INC.

Notes to the Consolidated Financial Statements, page 4  
For the periods ended June 30, 2017 and 2016

### 9. Per share amounts:

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

Three & nine month period ended June 30,	2017	2016
Weighted average shares outstanding, basic and diluted	8,205,475	8,205,491

In calculating diluted loss per common share for the periods ended June 30, 2017 and 2016, the Corporation excluded all options as the exercise price is greater than the average market price of the common shares for the period.

### 10. Key management compensation:

Key management personnel are composed of the Corporation's Directors and Officers.

For the three month period ended June 30, 2017 the Corporation incurred consulting fees of \$2,500 (2016 – \$22,500), rent of \$nil (2016 - \$6,000) and directors fees of \$25,954 (2016 - \$7,500) to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive loss. At June 30, 2017, \$28,454 of consulting and directors fees remained outstanding (2016 – \$17,500).

For the nine month period ended June 30, 2017 the Corporation incurred consulting fees of \$17,500 (2016 – \$76,500), rent of \$nil (2016 - \$18,000) and directors fees of \$25,954 (2016 - \$22,500) to companies which are controlled by key management of the Corporation, which are included in general and administrative on the interim consolidated statement of comprehensive loss. At June 30, 2017, \$28,454 of consulting and directors fees remained outstanding (2016 – \$17,500).

### 11. Financial instruments:

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

June 30, 2017			
Asset (liability)	Fair value through profit or loss	Loans and receivables at amortized cost	Financial liabilities at amortized cost
Cash and cash equivalents	\$ –	\$ –	\$ –
Trade and other receivables	–	4,369	–
Trade and other payables	–	–	34,957
	\$ –	\$4,369	\$34,957

  

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

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

#### Financial risk factors

##### a.) Credit risk:

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Corporation's cash and cash equivalents, and trade and other receivables are exposed to credit risk. The credit risk on cash and cash equivalents is not considered significant because the counterparties are highly-rated financial institutions. The credit risk on trade and other receivables is not considered significant because the counterparties are the federal government for \$4,241.

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Notes to the Consolidated Financial Statements, page 5  
For the periods ended June 30, 2017 and 2016

### 11. Financial instruments (continue):

#### b.) Liquidity risk:

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

The following are the contractual maturities of financial liabilities as at June 30, 2017:

Financial Liabilities	< One Year	> One Year
Trade and other payables	\$34,957	\$ -
Short-term loan	75,000	-
<b>Total</b>	<b>\$109,957</b>	<b>\$ -</b>

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

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

#### c.) Market risk:

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

- Interest rate risk is the risk that future cash flows will fluctuate as a result in changes in market interest rates. The Corporation is exposed to interest rate risk to the extent the changes in market interest rates will impact the Corporation's bank. The Corporation has not entered into any interest rate swaps or financial contracts to date. With regards to interest rate risk, a change of 1% in the effective interest rate would have a minimal impact on the consolidated statement of loss and comprehensive loss.
- Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange risks. The Corporation is exposed to foreign exchange rate risk since the exploration and development costs of its Tunisia Project will mostly be denominated in U.S. dollars. The effect of at 1% change in the exchange rate would have approximately a \$157,377 impact on the consolidated statement of loss and comprehensive loss.

### 12. Capital disclosures:

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

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

The Corporation is not exposed to external capital requirements.

## **AFRICA HYDROCARBONS INC.**

Notes to the Consolidated Financial Statements, page 6  
For the periods ended June 30, 2017 and 2016

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### **13. Commitment and contingencies:**

The Corporation is involved in litigation matters arising out of the ordinary course and conduct of its business from operations conducted in Tunisia. A claim on behalf of a former partner is proceeding to arbitration in the sum of US\$135,989.

On April 3, 2017 the Corporation executed and finalized a full and final release on a claim in arbitration for a settlement amount of CDN\$50,000. The Corporation has paid CDN\$50,000 to the former partner and agreed upon that a further CDN\$35,000 payment will be required if the Corporation completes either a \$1,000,000 in financing on or before April 3, 2018, either as a single or part of multiple financings or the market capitalization of the release exceeds \$2,500,000 for a 30 day period within the next 2 years. As at June 30, 2017, these events are considered likely by the Corporation and therefore \$35,000 has been accrued in the financial statements.

### **14. Subsequent events:**

On July 6, 2017, the Corporation announced the grant of options to certain directors of the Corporation to acquire a total of 820,549 common shares at an exercise price of \$0.16 per share and expire 10 years from the date of grant.

On July 31, 2017, the Corporation closed a non-brokered private placement of 1,406,250 equity units at a price of \$0.16 per unit for gross proceeds of \$225,000. Each unit consists of 1 common share and 1 common share purchase warrant in which the warrant entitles the holder to acquire 1 common share at an exercise price of \$0.21 per share for a period of 12 months. Finders' fee totaling \$3,850 in cash and a finder's warrant to acquire 24,062 common shares at a price of \$0.16 per share for a period of 12 months was paid.

On July 31, 2017, the Corporation closed a shares for debt transaction where the short-term loan described in Note 6 in the amount of \$75,000 plus interest payable of \$2,400 was settled by the issuance of 483,750 common shares at a price of \$0.16 per share.