

AFRICA ENERGY CORP

# Significant Discovery with Low-Risk Upside

February 2019

A LUNDIN GROUP COMPANY



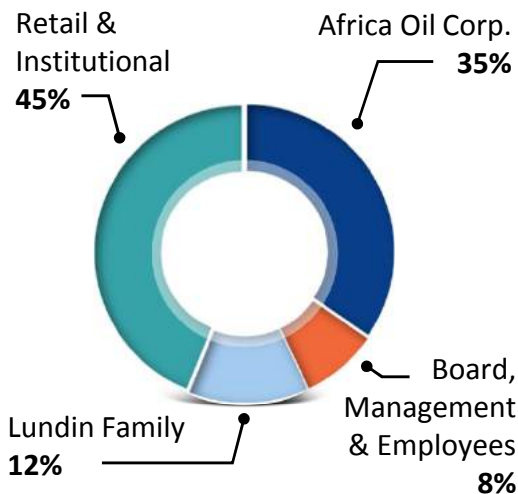
*The Odjell Deepsea Stavanger that drilled the Brulpadda-1AX discovery on Block 11B/12B in South Africa.*

# Corporate Profile



- Independent oil and gas exploration company
- Focused on under-explored regions in Africa
- Backed by Lundin Group
- Proven technical team from Energy Africa / Tullow Oil
- Near-term high-impact exploration assets
- Recent major discovery offshore South Africa
- Reviewing additional acquisition opportunities

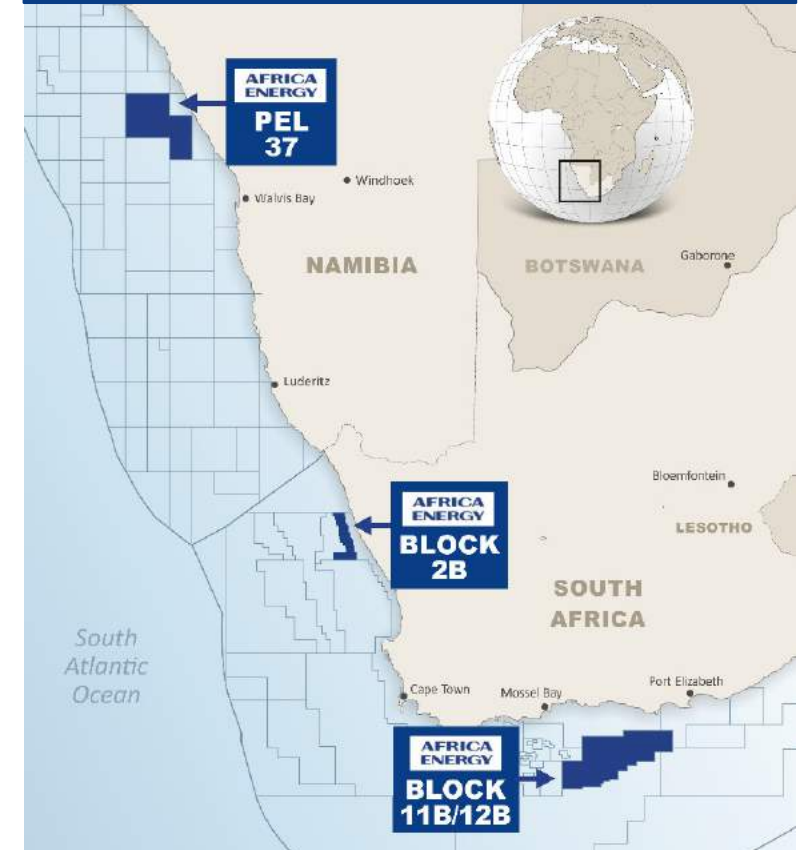
## Share Ownership



## Corporate Snapshot

<b>AFE/AEC</b>	TSX-V/First North Ticker
<b>C\$26 SEK 1.76</b>	Share Price at February 22, 2019
<b>683.4</b>	Common Shares (million)
<b>31.9</b>	Stock Options (million)
<b>\$135.2</b>	Market Cap (US\$ million)
<b>\$0</b>	Debt (US\$)
<b>\$37.9</b>	Cash at Sept. 30, 2018 (US\$ million)
<b>13</b>	Number of Employees

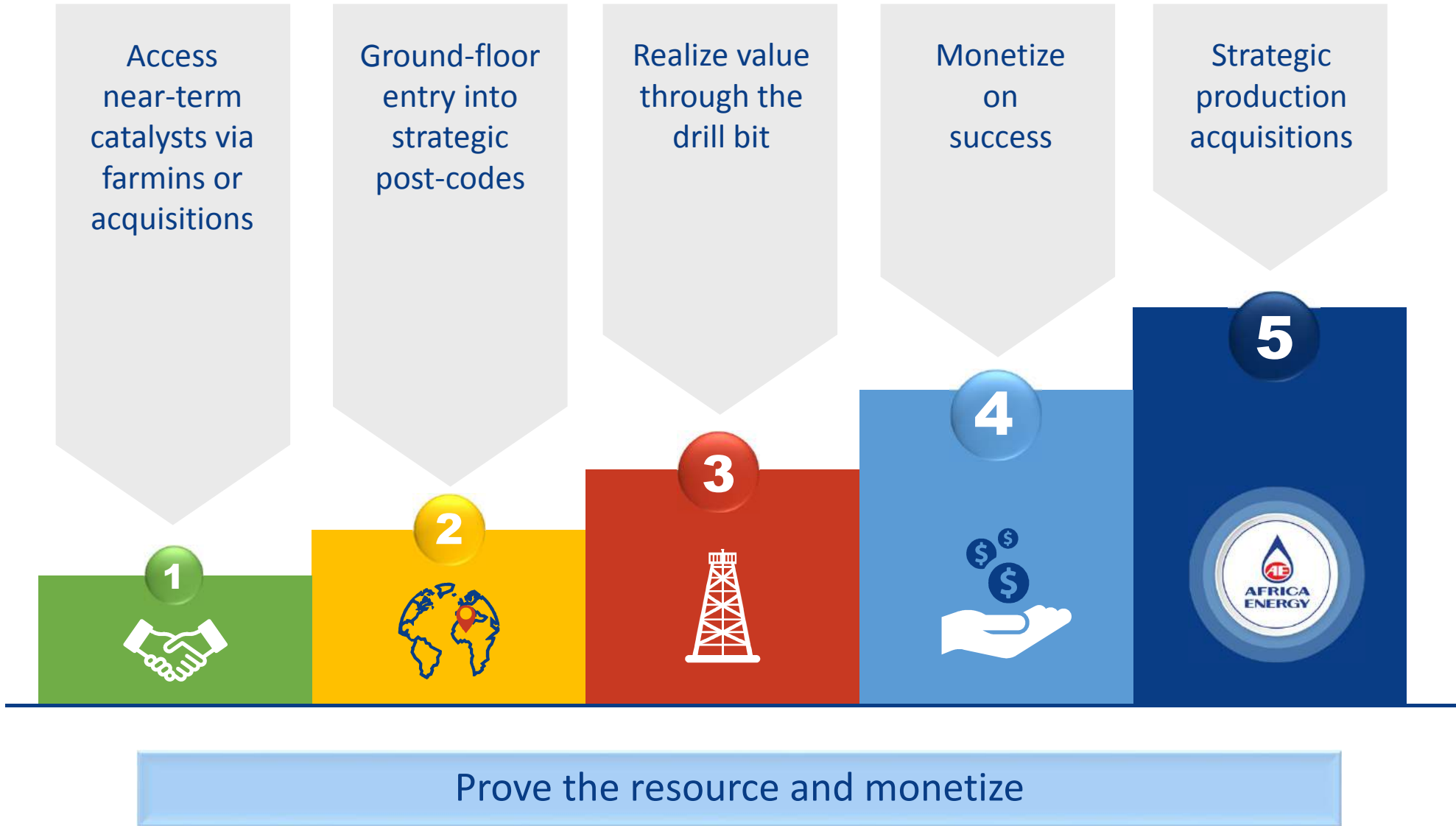
## Asset Footprint



## Equity Research

Pareto Securities	London	Shahin Amini
Numis Securities	London	Thomas Martin
SpareBank 1 Markets	Oslo	Teodor Sveen-Nilsen

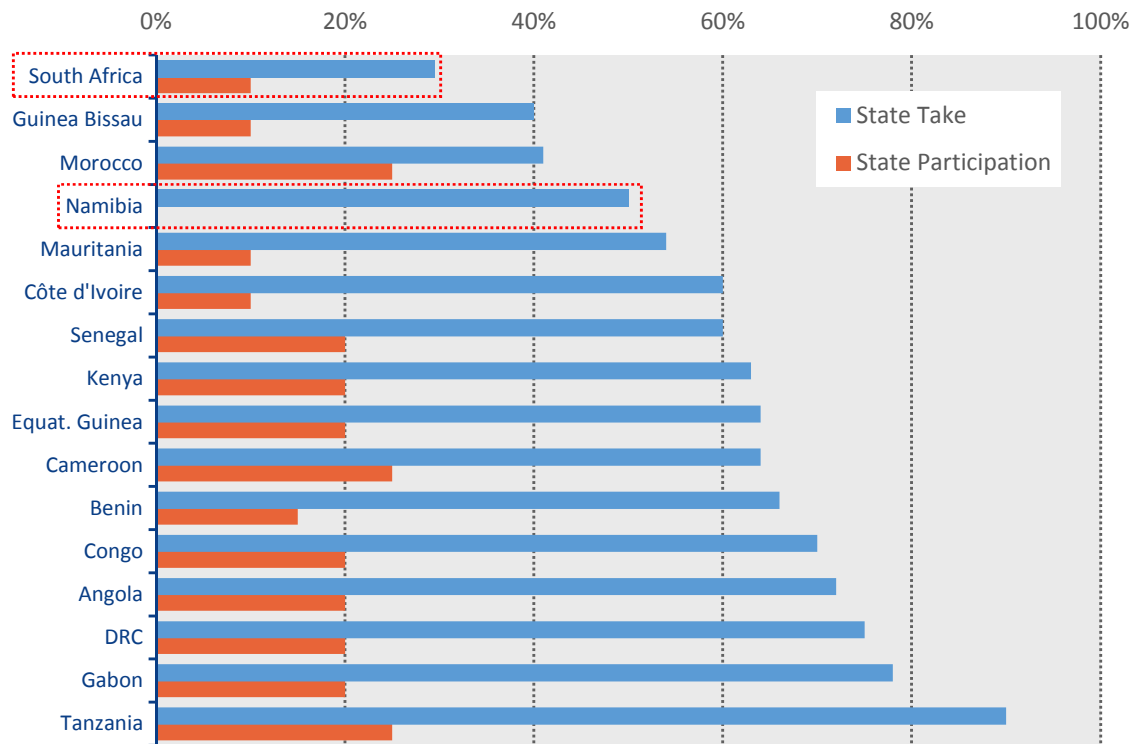
# Business Model & Strategy



# Building an African Champion

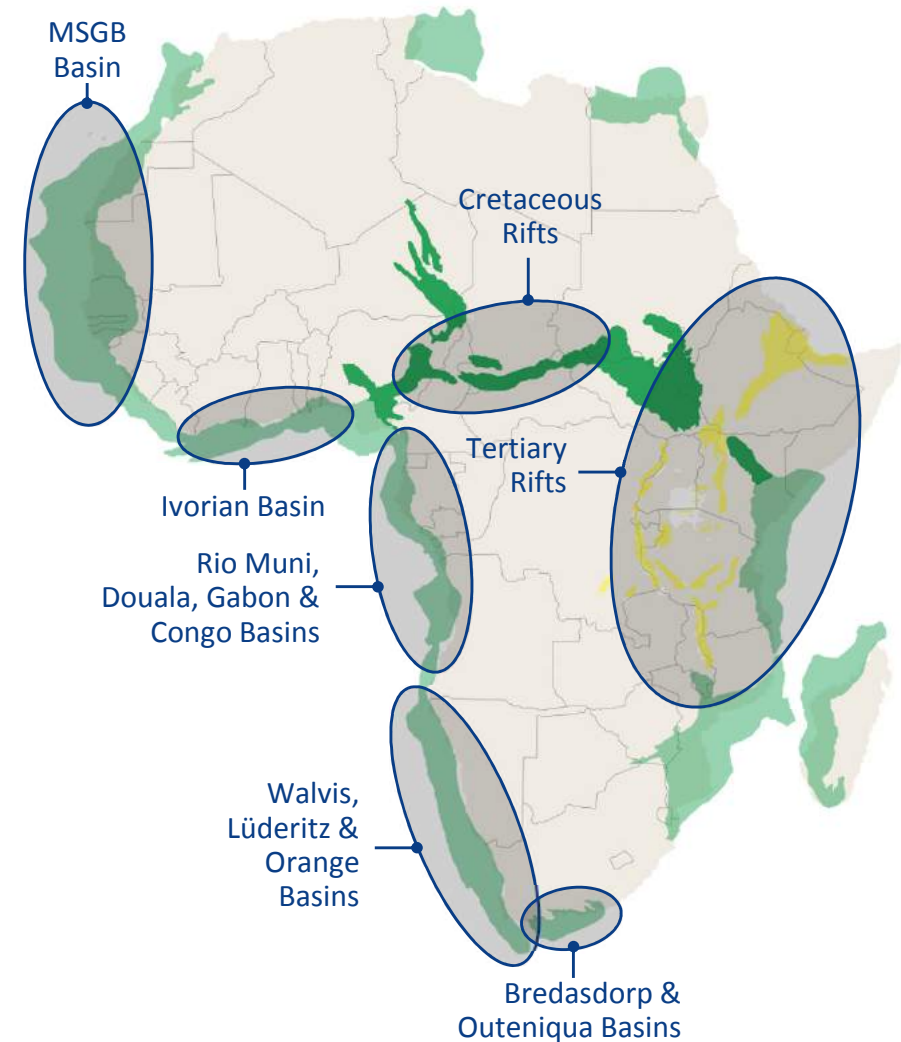
- Focused on frontier regions in Africa
- Prefer offshore, non-operated minority interests
- Targeting stable countries with good commercial terms

## Net State Take & Participation by Country

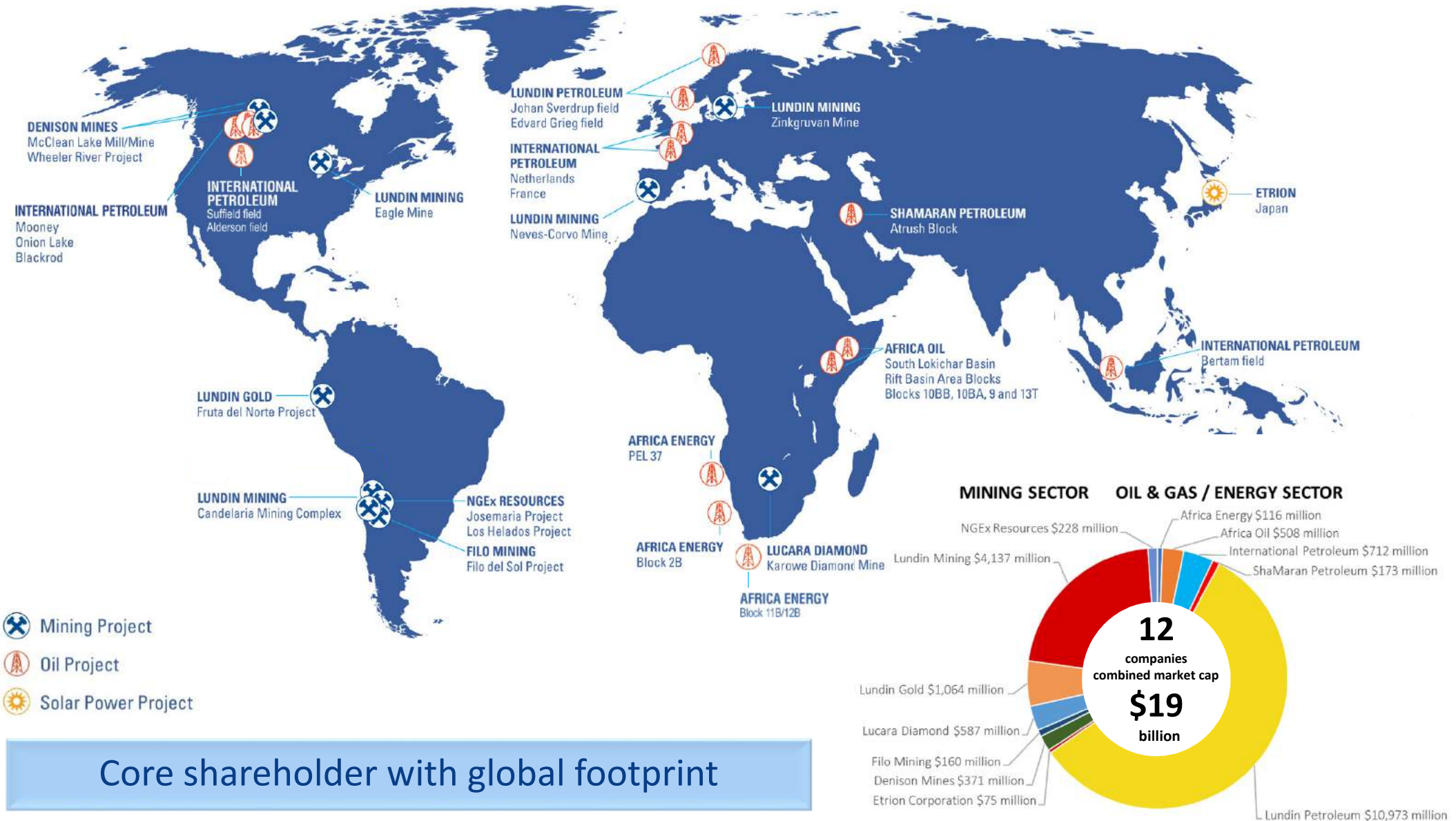


Source: Company estimates.

## New Venture Focus Areas



# Lundin Group of Companies



Core shareholder with global footprint

Group market cap information shown in CAD as of December 31, 2018.

# Lundin Group in Africa



Lundin investment in Africa exceeds \$5 billion

# Non-Executive Directors



**Ashley Heppenstall, Chairman**

- Advisor to the Lundin family and Director of several Lundin Group companies
- Previously President and CEO of Lundin Petroleum AB



**Keith Hill, Director**

- President and CEO of Africa Oil Corp.
- Director of several Lundin Group companies



**John Bentley, Director**

- Senior Independent Director for several listed oil and gas companies
- Previously Chairman of Faroe Petroleum plc and CEO of Energy Africa Ltd.



**Ian Gibbs, Director**

- CFO of Africa Oil Corp.
- Director of several Lundin Group companies



**Adam Lundin, Director**

- President and CEO of Filo Mining Corp.
- Previously Co-Head of the London office for Pareto Securities Ltd.

Seasoned oil and gas veterans that know how to create value

# Senior Management



## Garrett Soden, President, CEO and Director

- Senior Executive and Board Member with the Lundin Group for over a decade
- Director of several listed natural resource companies
- BSc from London School of Economics and MBA from Columbia Business School



## Jan Maier, Vice President Exploration

- 33 years experience in African new venture exploration
- Previously New Business Development Manager and Exploration Manager for the African region at Tullow Oil plc and Energy Africa Ltd.



## Jeromie Kufflick, Chief Financial Officer

- 19 years financial experience in oil and gas industry
- Canadian Chartered Accountant
- Previously Corporate Controller for Africa Oil Corp.



Strong management team with regional and sector expertise



# Solid Track Record

## Five Basin Opening Discoveries in Africa

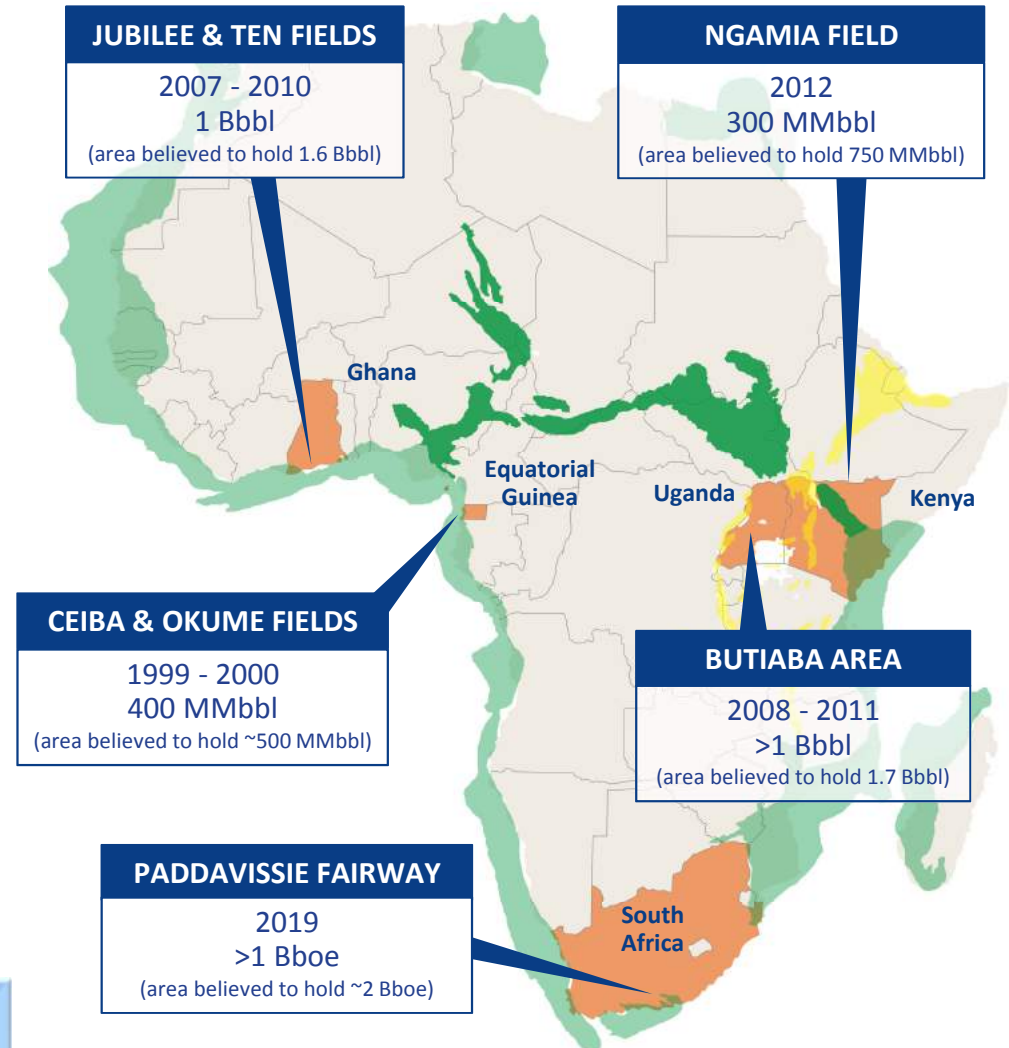


### Technical Team of Geologists and Geophysicists

- Working together across Africa for ~25 years
- Stratigraphic Trap Play and Rift Play expertise
- Major oil discoveries in Ghana, Equatorial Guinea, Uganda and Kenya with Energy Africa / Tullow Oil
- Recent large oil and gas discovery offshore South Africa

*Cyril Ramaphosa, President of South Africa, calls the discovery a “game changer”*

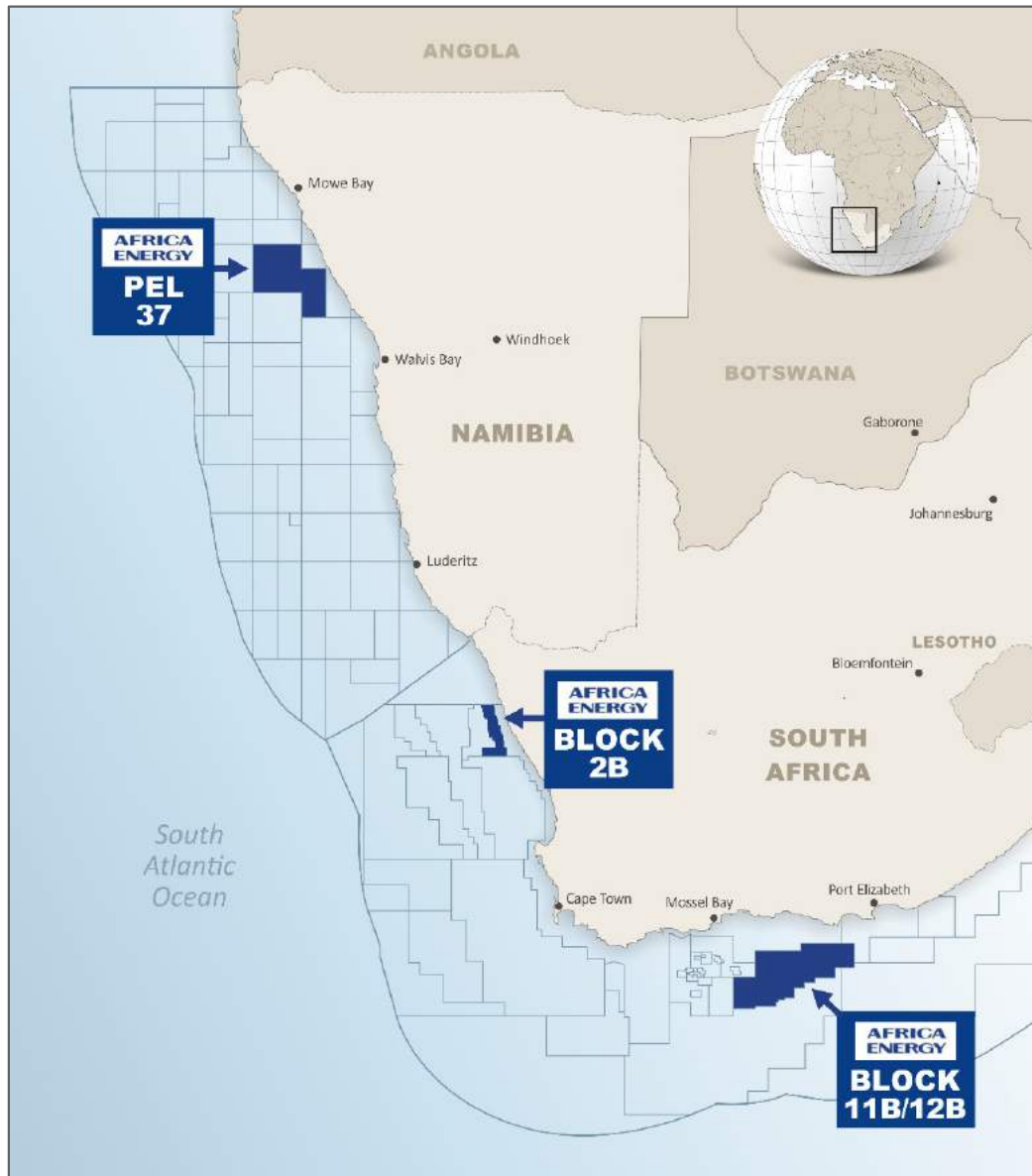
*Patrick Pouyanné, Chairman and CEO of Total, said, “It is gas condensate and light oil...around 1 billion barrels...”*



A team that knows how to find oil

*Resource numbers obtained from third party public disclosure and have not been subject to independent audit by the Company.*

# Asset Overview



## Block 11B/12B, offshore South Africa

- 4.9% effective interest
- Operated by Total SA
- 1 Bboe discovered resources\*
- Low-risk upside with large prospects to drill

## Block 2B, offshore South Africa

- 90% participating interest
- Operated by Africa Energy
- Proven oil basin with existing discovery
- Farmout process with potential well in 2020

## PEL 37, offshore Namibia

- 10% effective interest
- Operated by Tullow Oil
- Cormorant-1 proved the play and source
- Waiting for success at nearby Osprey Prospect

*\*Resource numbers obtained from third party public disclosure and have not been subject to independent audit by the Company.*

# South Africa Overview

## Attractive Location / Fiscal Terms



### Active Players



### Fiscal Terms

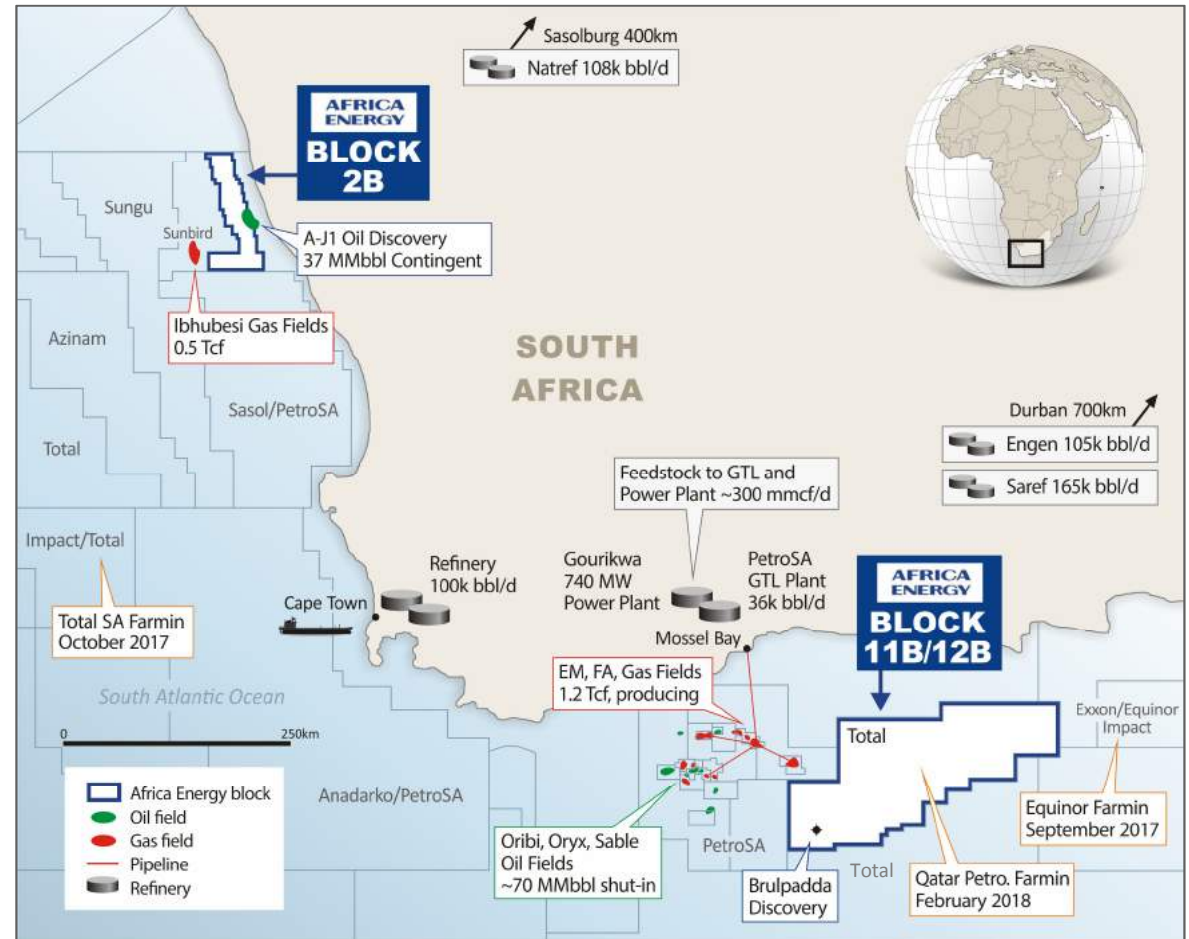
State Take < 30%



- **Royalty: 0.5-5%**
- **Income Tax: 28%**
- Tax benefit from cost uplift
- **After Tax Profit**
- **Tax Deductible Costs:**  
Including cost uplift,  
200% of exploration and appraisal,  
150% of capex and 100% of opex

### State and Black Economic Empowerment (BEE) Participation:

- 10% State back-in rights / 10% BEE participation rights



Blocks 2B and 11B/12B have existing discoveries and nearby infrastructure

# South Africa Block 11B/12B

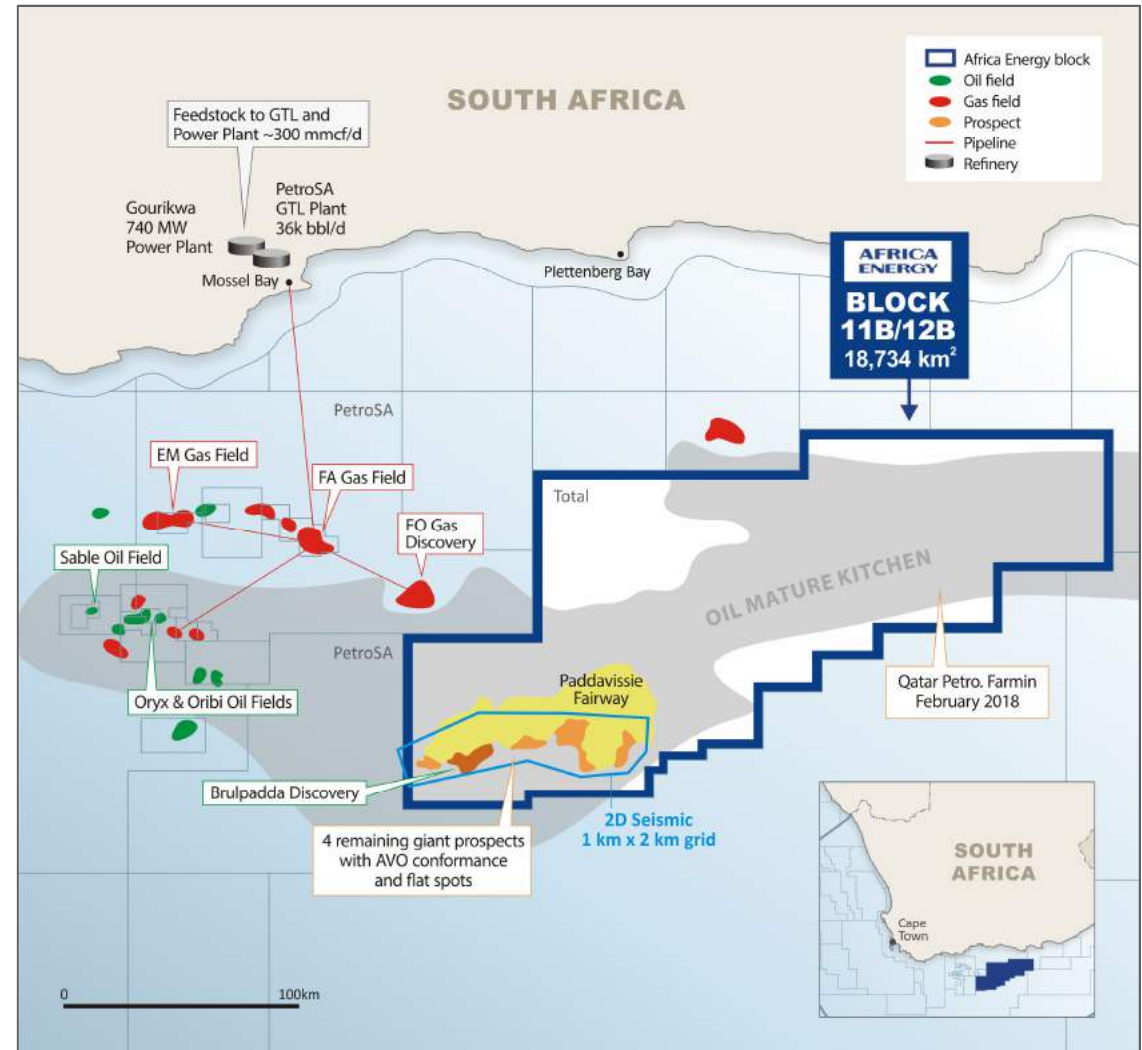
## Significant Discovery with Low-Risk Upside



- Major condensate and light oil discovery
- Four Paddavissie and Deep Prospects de-risked
- Massive acreage position with substantial upside

### Asset Summary

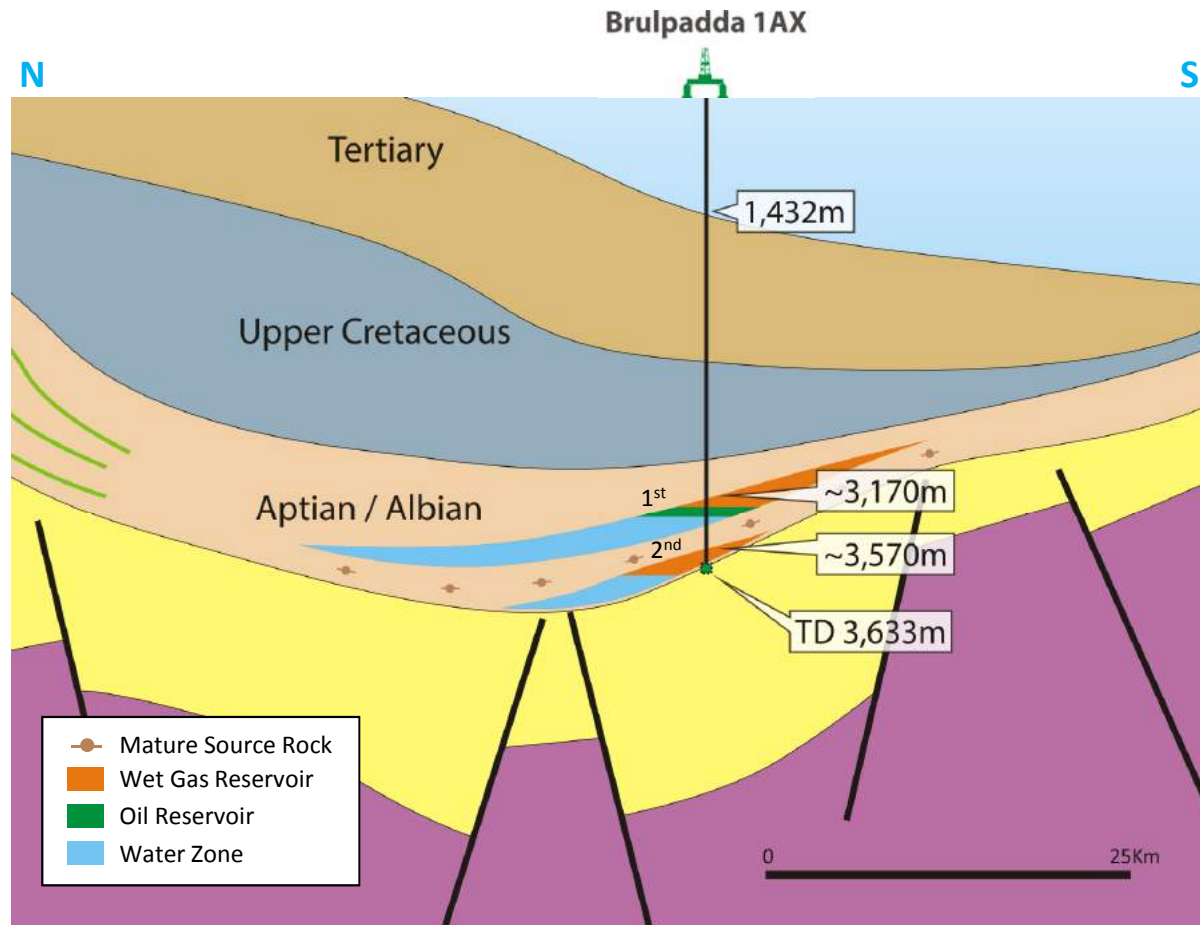
AEC effective interest	4.9%
Partners	Total (operator with 45%), Qatar Petroleum (25%), CNRL (20%)
Basin	Outeniqua Basin
First well	Brulpadda 1-AX re-entry well
Rig release date	February 13, 2019
Water depth	1,432 m
Discovered resource	1 Bboe <sup>(1)</sup>
Well cost estimate	~\$154 MM
Play type	Submarine fan
Min. commercial field size	~350 MMbbl at \$60/bbl <sup>(2)</sup>
Forward work program	3D seismic (Mar. '19) + up to 4 wells (Q4 '19)
Potential next well	Luiperd-1
Next well prospect size	> 500 MMboe <sup>(1)</sup>



(1) Resource numbers obtained from third party public disclosure and have not been subject to independent audit by the Company.  
 (2) Company estimate.

# South Africa Block 11B/12B

## Gas Condensate and Light Oil Discovered



### Paddavissie Objective (1<sup>st</sup> - Primary)

- 34 meters of gas condensate pay + oil pay
- High productivity anticipated given high net to gross and quality of reservoirs
- Significantly de-risks remaining 4 Paddavissie Prospects
- Amplitude Variations with Offset (AVO) conformance to structure and flat spots on Paddavissie Prospects

### Deep Objective (2<sup>nd</sup> - Secondary)

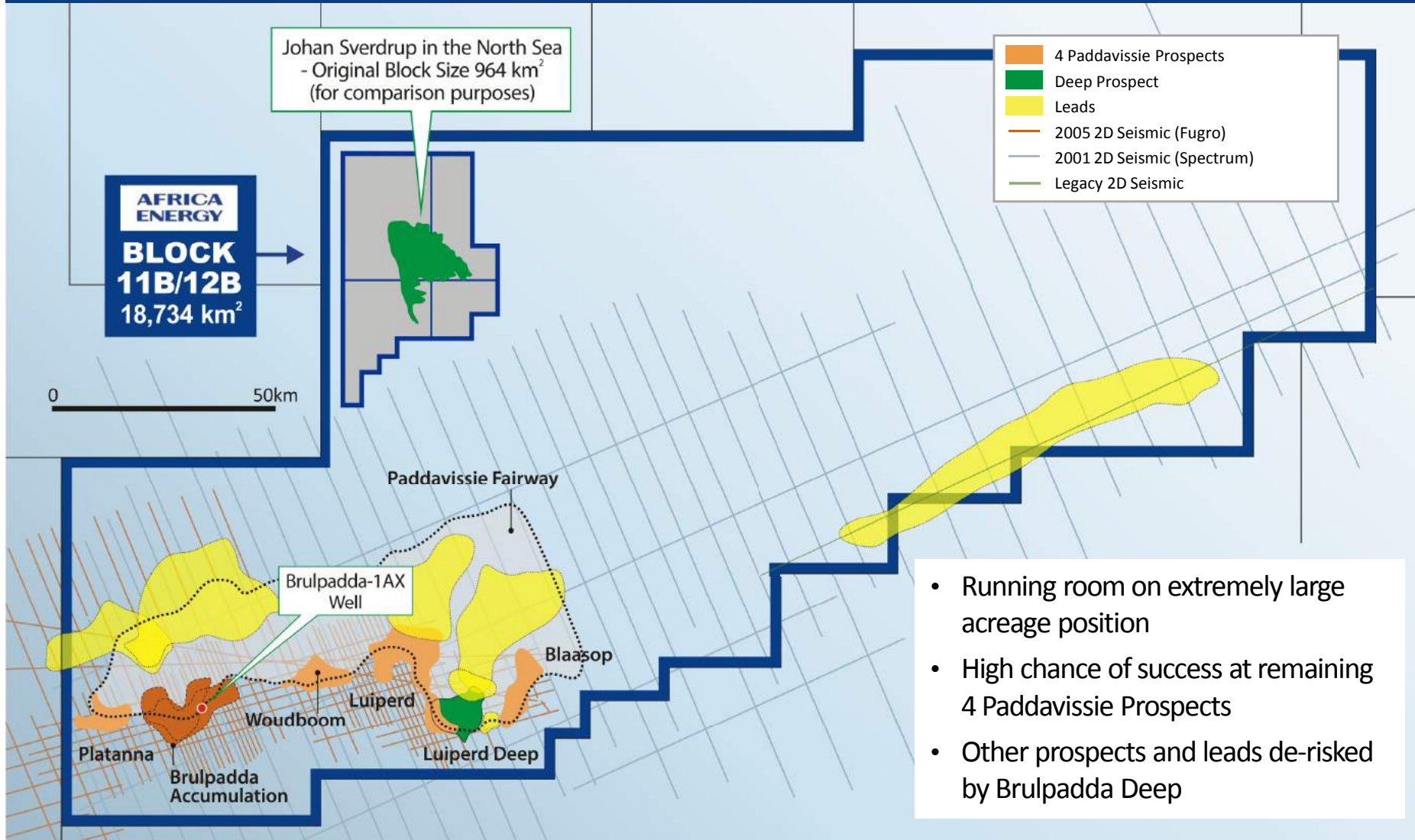
- 24 meters of gas condensate pay
- High productivity anticipated given high net to gross and quality of reservoirs
- De-risks other prospects and leads
- No oil water contact encountered

*French Major states, "Total has opened a new world-class gas and oil play and is well positioned to test several follow-on prospects"*

# South Africa Block 11B/12B

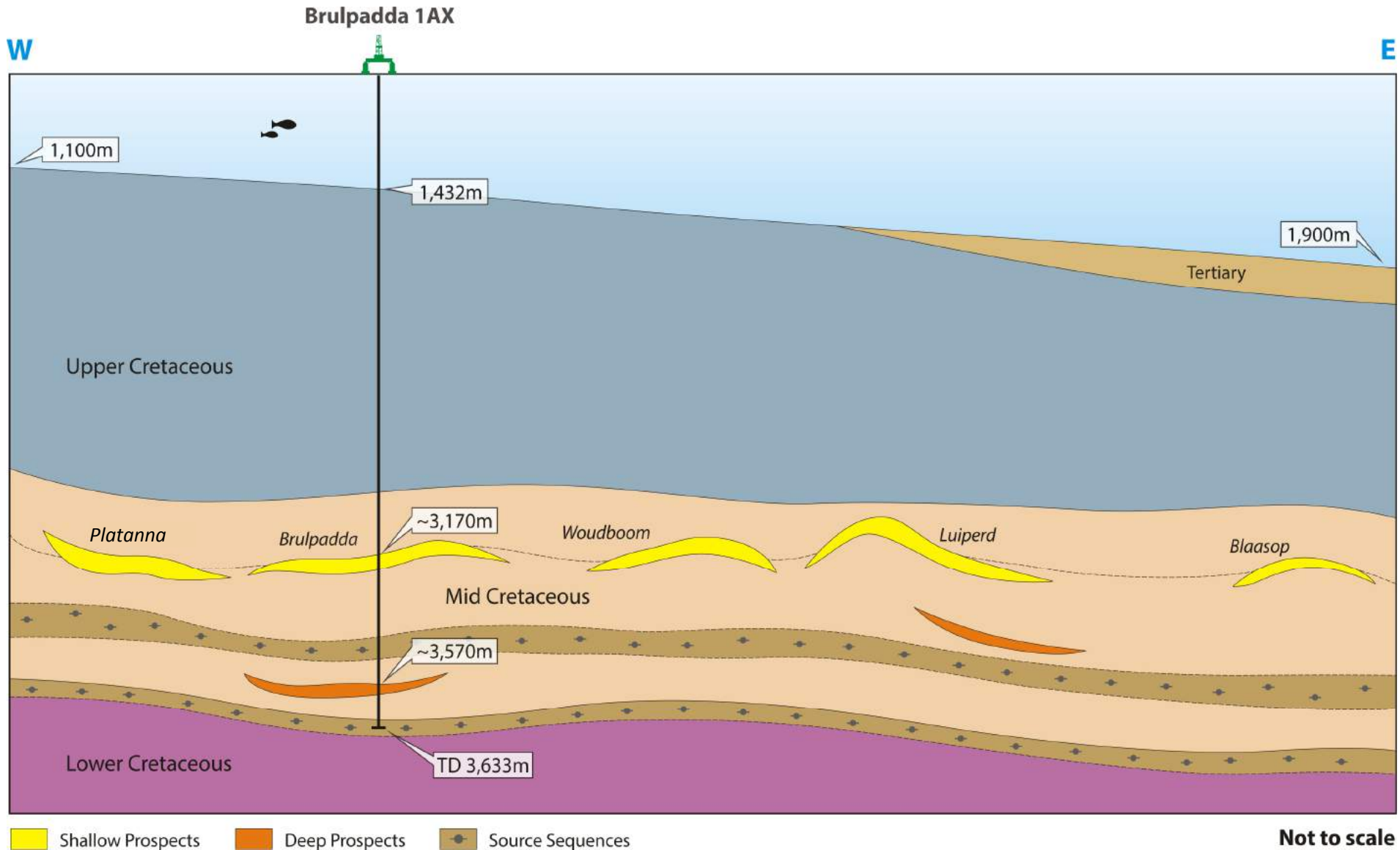
## Huge Block with Plenty of Running Room

### Block 11B/12B Prospect Map



# South Africa Block 11B/12B

## Substantial Follow-On Potential Across Paddavissie Fairway



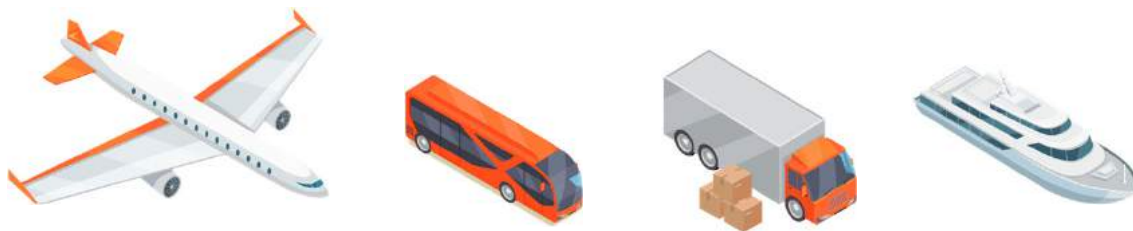
# South Africa Block 11B/12B

## Why is Gas Condensate Valuable?

- One of the lightest and most valuable crude oils
- Trades at a premium to Brent
- Produces products like petrol, jet fuel, diesel and heating fuels
- Also used to produce synthetic materials
- Requires less refining
- Easy to transport

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## CONDENSATE IS A LIGHT OIL



### CONDENSATE

50° - 70° API

### LIGHT OIL

32° - 49° API

### MEDIUM OIL

22° - 31° API

### HEAVY OIL

10° - 21° API



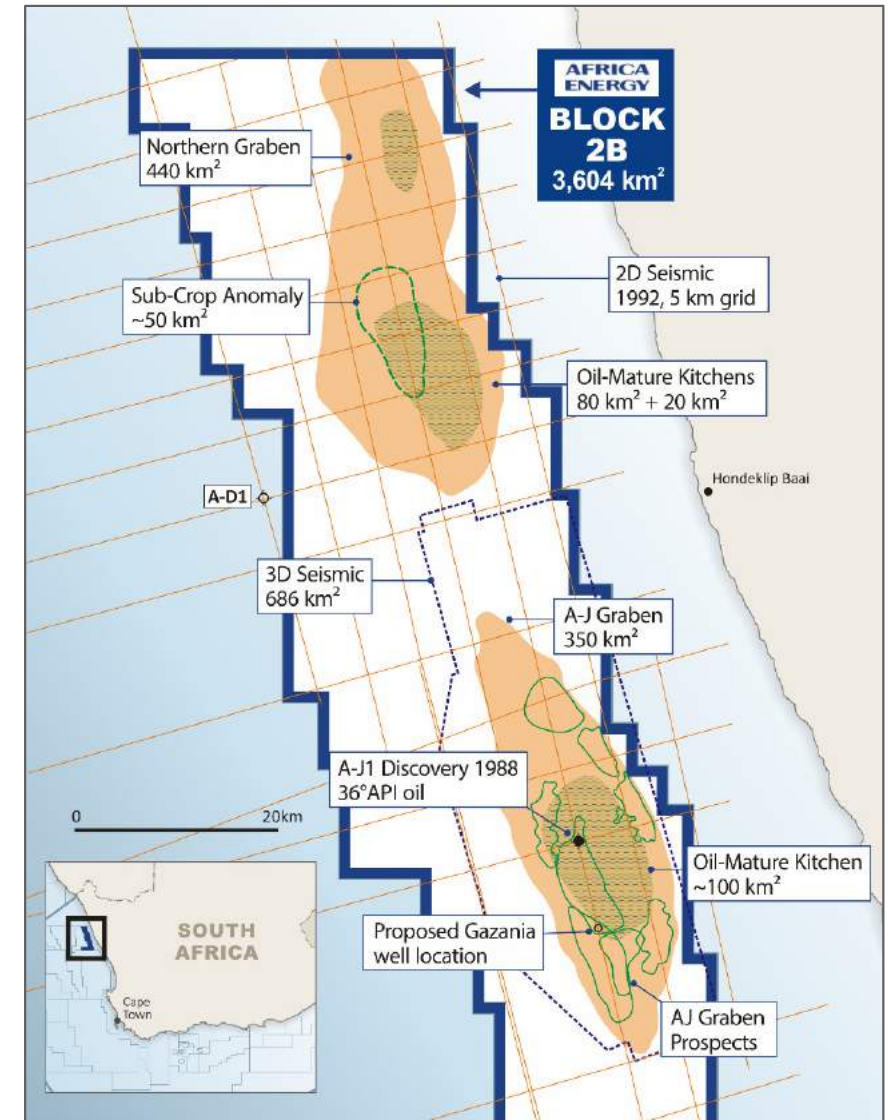


# South Africa Block 2B

## Proven Oil Basin

- A-J1 oil discovery in 1988 flowed high-quality oil to surface (36° API)
- Near-term low-risk exploration well planned updip from discovery
- Analogous to Lokichar Basin (Kenya) and Albertine Graben (Uganda)

Asset Summary	
AEC participating interest	90% (operator)
Partners	Crown Energy AB (10%)
Basin	Orange Basin
First well	Gazania-1
Planned spud date	Timing depends on farmout
Water depth	150 m
First well prospect size	349 MMbbl <sup>(1)</sup>
Well cost estimate	~\$18 MM
Play type	Rift basin
Min. commercial field size	< 50 MMbbl at \$60/bbl <sup>(2)</sup>
Work program to date	686 km <sup>2</sup> of 3D seismic
Seismic data	3D survey by Western Geco 2012
Past costs to date	\$14 MM

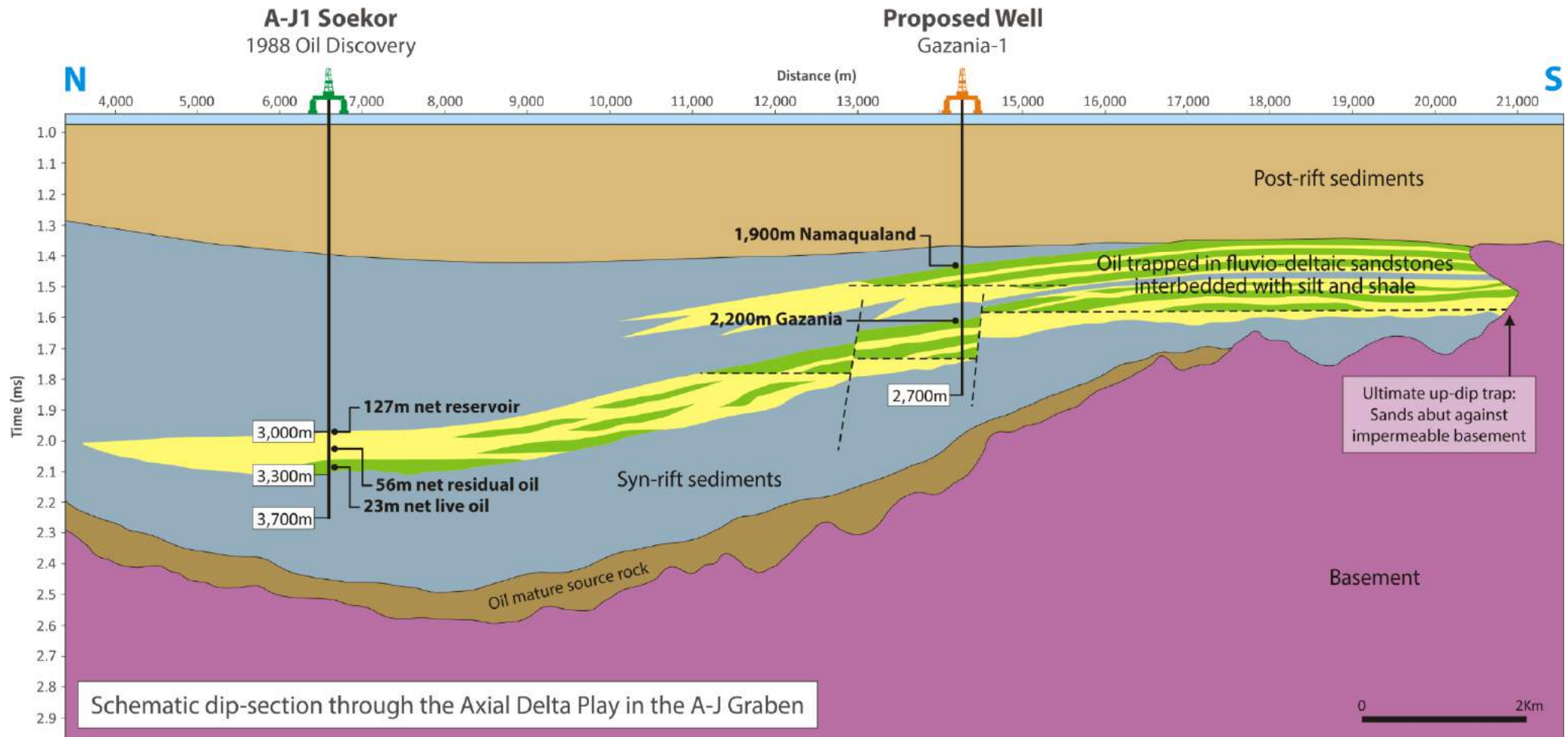


(1) Best Estimate Prospective Resources - 200 MMbbl have been subject to resource assessment by qualified third party resource auditor.

(2) Company estimate.

# South Africa Block 2B

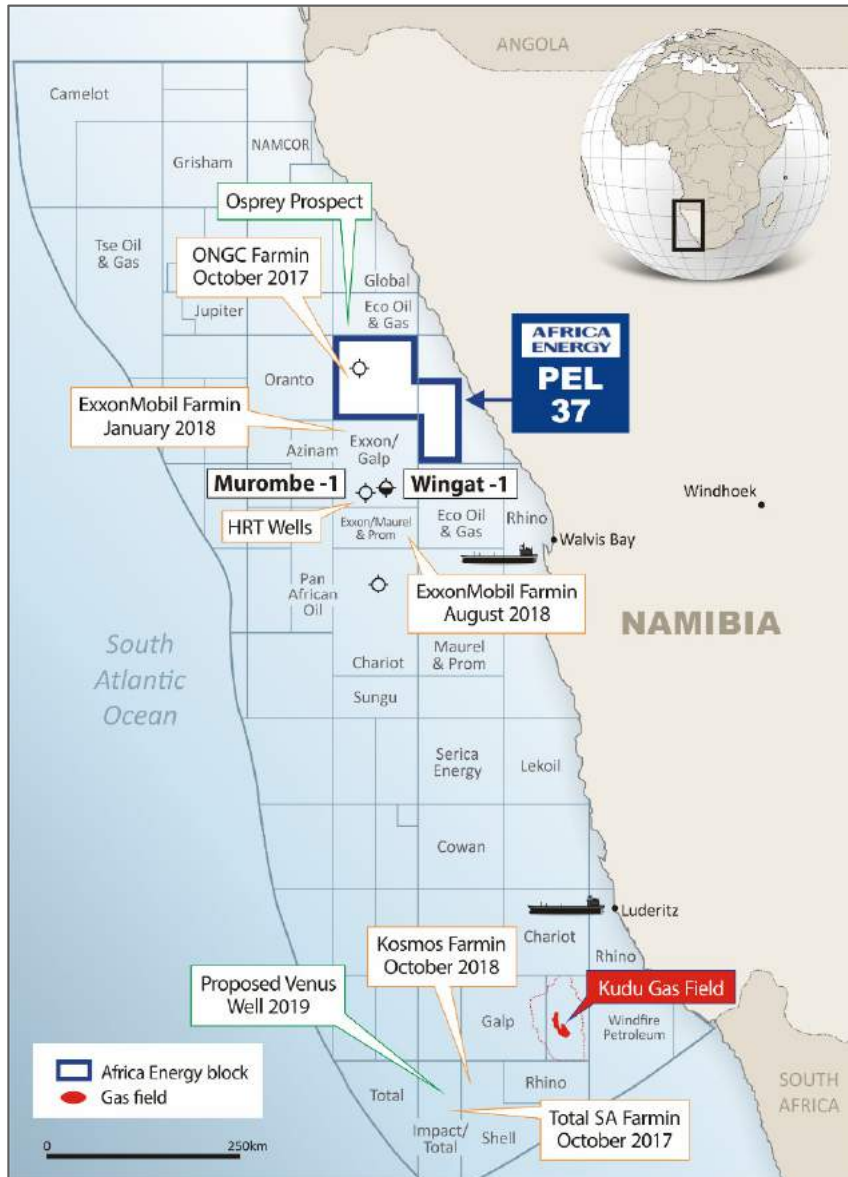
## A-J Graben Axial Delta Play



- Proposed drilling location will test both Namaqualand and Gazania Prospects
- Gazania Prospect up-dip of proven oil discovery (A-J1)
- Porosity improvement inferred by seismic inversion work

# Namibia Overview

## Attractive Location / Fiscal Terms



### History of Oil Industry

Namibia is under-explored. Kudu Gas Field discovered in 1974

Mature oil source proven by HRT wells in 2013 attracted return of major oil companies

Namibia has two major ports to service the oil industry

### Recent Country Entrants



### Fiscal Terms

State Take < 50%



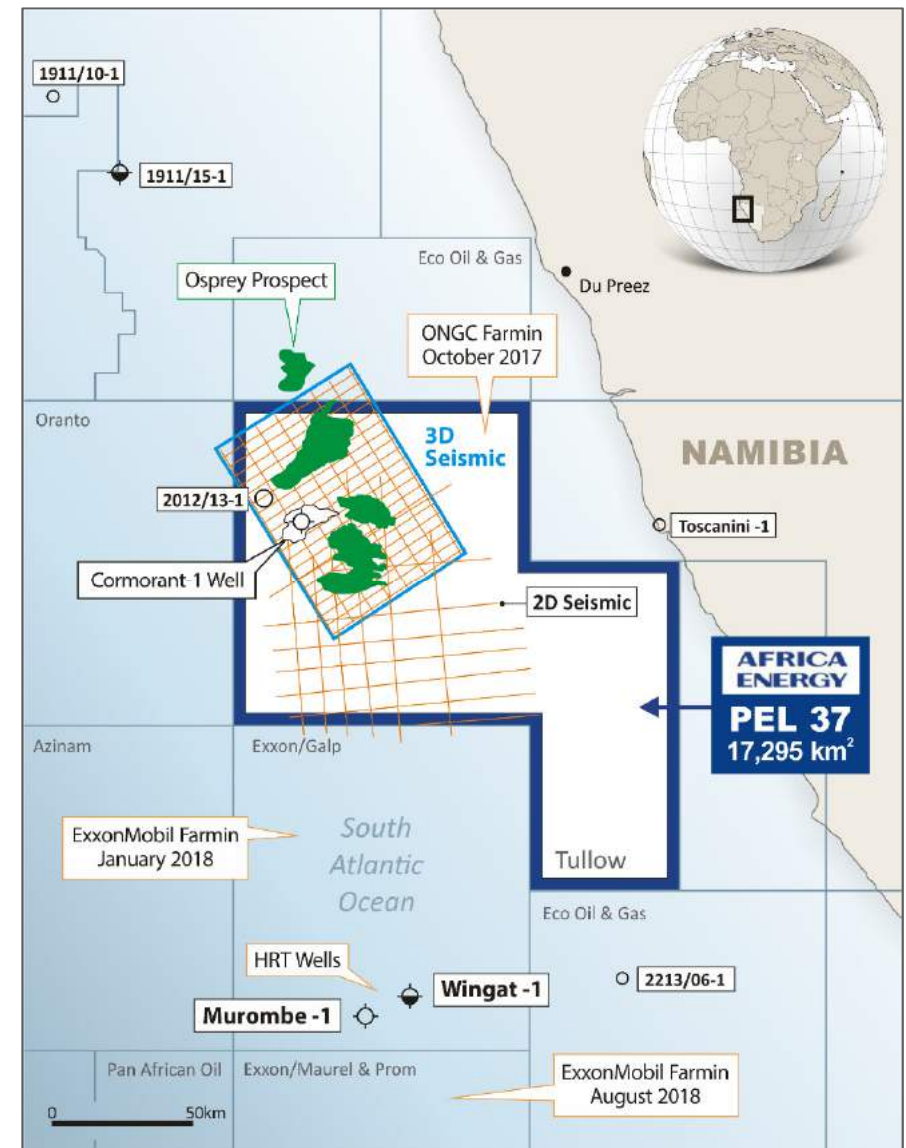
- **Royalty: 5%**
  - **Income Tax: 35%**  
Additional Profits Tax (APT): levied in 3 tiers, if after-tax rate of return levels achieved, nil for PEL 37 in 2nd and 3rd tiers
  - **After Tax Profit**
  - **Tax Deductible Costs:** E&P expenses deductible when incurred, development costs depreciated over time
- Other key terms:** No state participation/ No carry-forward limitation on losses

# Namibia PEL 37

## Significant Resource Potential

- Four Cretaceous-age fans identified on 3D seismic
- Mature source rock proven by nearby HRT wells
- Further prospectivity defined to the south with 2D seismic

Asset Summary	
AEC effective interest	10% <sup>(1)</sup>
Partners	Tullow (operator with 35%), ONGC (30%), Pancontinental Namibia (30%), Paragon (5%)
Basin	Walvis Basin
First well	Cormorant-1
Spud date	September 4, 2018
Water depth	548 m
First well prospect size	124 MMbbl <sup>(2)</sup>
Well cost	~\$28 MM
Play type	Submarine fan
Min. commercial field size	~110 MMbbl at \$60/bbl <sup>(3)</sup>
Work program to date	1 well, 3,300 km <sup>2</sup> 3D and 1,000 km <sup>2</sup> 2D seismic
Seismic data	3D survey by Polarcus 2014
Past costs to date	> \$65 MM <sup>(3)</sup>



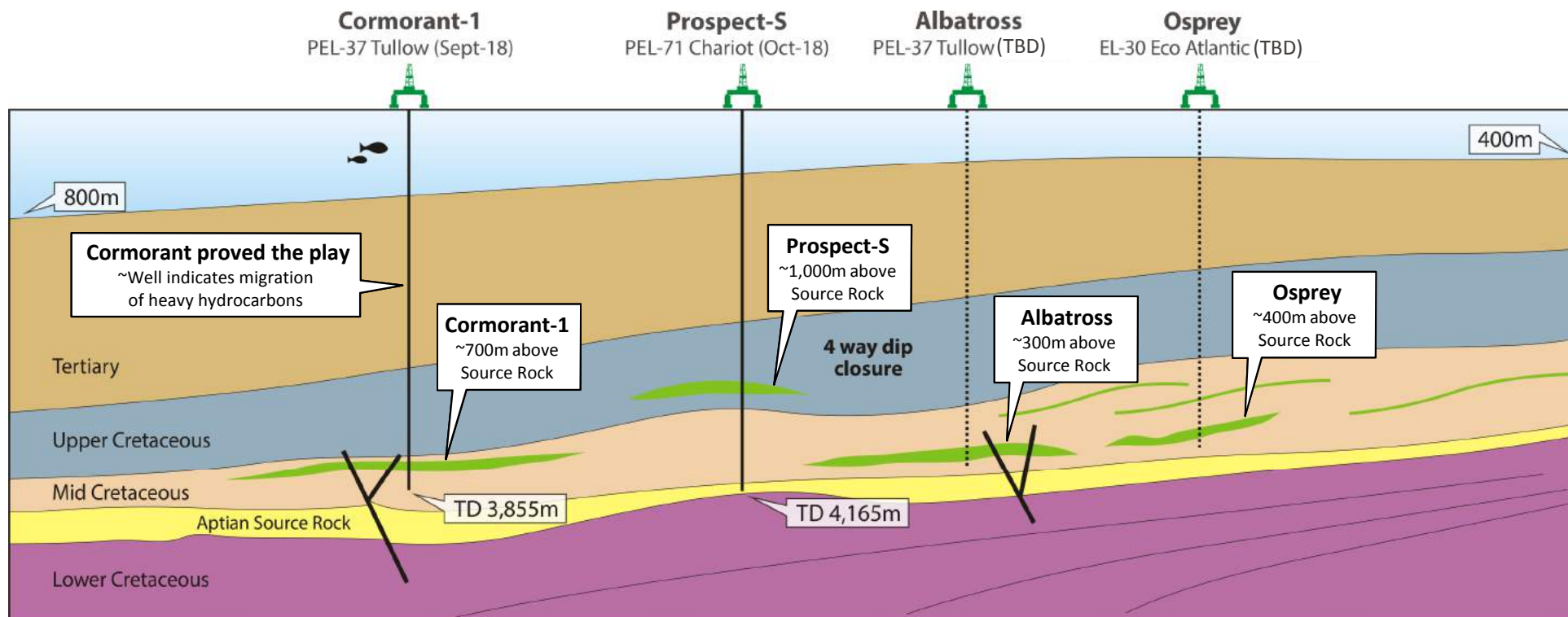
(1) Africa Energy owns one-third of Pancontinental Namibia, which owns 30% of PEL 37.

(2) Best Estimate Prospective Resources - obtained from third party public disclosure and have not been subject to independent audit by the Company.

(3) Company estimate.

# Namibia PEL 37

## Cretaceous Fan Play with Additional Prospectivity



- Cormorant-1 proved fan play and mature source sequence
- Adjacent block, PEL 30, has firm obligation well (Osprey Prospect)
- Albatross at same stratigraphic level as Osprey and in close proximity to Mature Aptian source
- Both plays have seismic “soft” responses indicating presence of reservoir facies
- Main risk remains hydrocarbon migration distance; success at Osprey de-risks Albatross

# Summary – Platform for Growth

## Near-Term, High-Impact Exploration

- Block 11B/12B - 1 Bboe discovered, substantial upside
- Block 2B - Oil basin with existing discovery
- PEL 37 - Proven play with additional prospectivity

## Team of Oil Finders with Successful Track Record

- Experienced board and senior management
- Technical team with significant exploration success in Africa from Energy Africa / Tullow Oil

## Solid Backing

- Supportive shareholders from Lundin Group

## Good Timing

- Acquired world-class exploration assets during oil price downturn



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The resource estimates contained herein are estimates only and there is no guarantee that the estimated resources will be recovered. Volumes of resources have been presented based on a gross interest. Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Prospective resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. There is no certainty that it will be commercially viable to produce any portion of the "Contingent Resources" referred to in this presentation. In the case of "Prospective Resources" there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources referred to in this presentation.

## Uncertainty Ranges for Resources

Estimates of resource volumes can be categorized according to the range of uncertainty associated with the estimates. Uncertainty ranges are described in the COGE Handbook as low, best and high estimates as follows:

A "low estimate" (1C) is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90% probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

A "best estimate" (2C) is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50% probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

A "high estimate" (3C) is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10% probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

# Thank You

## CONTACT DETAILS

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