AFRICA ENERGY CORP.

Report to Shareholders

March 31, 2019

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2019 and 2018

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 months ended March 31, 2019 and 2018, as well as the audited consolidated financial statements for the years ended December 31, 2018 and 2017 and related notes thereto.

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

The effective date of this MD&A is May 9, 2019.

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

PROFILE AND STRATEGY

Africa Energy Corp. is a Canadian oil and gas company with exploration assets in the Republic of South Africa ("South Africa") and the Republic of Namibia ("Namibia"). The Company is focused on high-impact exploration in African countries with good commercial terms.

The Company holds an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa ("Block 11B/12B"), a 90% participating interest in the Exploration Right for Block 2B offshore South Africa ("Block 2B"), and an effective 10% participating interest in Petroleum Exploration License 37 offshore Namibia ("PEL 37").

The Company's common shares are traded on the TSX Venture Exchange under ticker symbol "AFE" and the Nasdaq First North Stockholm under ticker symbol "AEC". As at March 31, 2019, Africa Oil Corp. ("AOC") was the Company's largest shareholder with 34.5% of the issued and outstanding common shares of Africa Energy.

OPERATIONS UPDATE

Block 11B/12B, Republic of South Africa

On December 19, 2018, Main Street 1549 Proprietary Limited ("Main Street 1549"), an entity held 49% by Africa Energy, closed farmin agreements with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa, resulting in Africa Energy holding an effective 4.9% interest in Block 11B/12B. The Company paid a deposit of $0.5 million at signing and an aggregate of $16.5 million at closing of the farmin agreements for its share of the Main Street 1549 costs due. These payments included reimbursement for past exploration expenditures, interim period costs, an agreed carry amount for Brulpadda well costs and the applicable Value Added Tax ("VAT"), which was recovered in February 2019. Under the farmin agreements, Africa Energy agreed to fund a portion of Total and CNRI's costs in respect to the Brulpadda well to a maximum of $7.6 million, plus certain contingent payments due at various milestones associated with commercialization of hydrocarbons from Block 11B/12B.

On February 7, 2019, the Company announced a significant gas condensate and light oil discovery on the Brulpadda prospect located on Block 11B/12B and the opening of a new world-class oil and gas play offshore South Africa with substantial follow-on potential. The Brulpadda well was drilled in approximately 1,400 meters of water by the Odfjell Deepsea Stavanger semi-submersible rig. The well targeted two objectives in a deep marine fan sandstone system within combined stratigraphic/structural closure. Following the success of the main objective, the well was deepened to a final depth of 3,633 meters and was successful in the Brulpadda-deep prospect. The well encountered a total of 57 meters of net gas condensate pay over two Lower Cretaceous high-quality reservoirs. The well also encountered oil pay in the upper reservoir. Core samples were taken in the upper reservoir, and a comprehensive logging and sampling program was performed over both reservoirs. The success at both the Brulpadda primary and secondary targets significantly de-risks other large prospects on Block 11B/12B.

The joint venture partnership for Block 11B/12B recently completed the first phase of the 3D seismic acquisition program with the Polarcus Asima vessel that commenced in the first quarter. The joint venture partnership continues to assess the Brulpadda well results and will focus its efforts on integrating these results with the recently acquired 3D seismic in advance of the upcoming drilling program.

The Brulpadda discovery is located on Block 11B/12B in the Outeniqua Basin 175 kilometers off the southern coast of South Africa. The block covers an area of 18,734 square kilometers with water depths ranging from 200 to 1,800 meters. The Block 11B/12B joint venture partnership is currently in the Second Renewal Period for the Block 11B/12B Exploration Right, which is for a period of two years ending May 17, 2020. Prior to the end of the Second Renewal Period, the Block 11B/12B joint venture partnership can apply for entry into the Third Renewal Period, which is for a two-year period from the date the renewal application is approved. Total SA is operator and has a 45% interest in Block 11B/12B, while Qatar Petroleum and Canadian Natural Resources Limited have 25% and 20% interests, respectively.

Block 2B, Republic of South Africa

Africa Energy is operator and has a 90% participating interest in Block 2B. Crown Energy AB ("Crown") indirectly holds the remaining 10% participating interest.

Block 2B is located in the Orange Basin and covers 3,604 square kilometers off the west coast of South Africa approximately 300 kilometers north of Cape Town with water depths ranging from 50 to 200 meters. Over the main area of interest in the block, the A-J rift graben, water depth ranges from 140 meters to 160 meters. The Company is currently seeking joint venture partners on Block 2B to drill an exploration well.

The Block 2B joint venture partnership is currently in the Second Renewal Period for the Block 2B Exploration Right, which is for a period of two years ending February 20, 2020. During the Second Renewal Period, the joint venture partners are obligated to perform studies and evaluations to determine potential commerciality, as well as economic sensitivity modelling to establish whether the drilling of a well could prove up potentially commercial oil volumes. If it is determined that drilling could prove up potentially commercial oil volumes, the joint venture partners are obligated to drill an exploration well on Block 2B. Prior to the end of the Second Renewal Period, the Block 2B joint venture partnership can apply for entry into the Third Renewal Period, which is for a two-year period from the date the renewal application is approved.

Petroleum Exploration License 37, Republic of Namibia

The Company owns one-third of the shares of Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia"), which holds a 30% participating interest in PEL 37 offshore the Republic of Namibia. The Company's effective interest in PEL 37 is therefore 10%. PEL 37 is operated by Tullow Namibia Ltd, which holds a 35% participating interest, with partners ONGC Videsh Ltd. and Paragon Oil and Gas holding 30% and 5%, respectively.

PEL 37 covers 17,295 square kilometers in the Walvis Basin offshore Namibia approximately 420 kilometers south of the Angolan-Namibian border. In September 2018, the Cormorant-1 well was drilled safely and efficiently in 548 meters of water by the Ocean Rig Poseidon drillship to a total depth of 3,855 meters. The Cormorant-1 well penetrated a 50-meter fan system within the Cormorant Prospect. Interbedded sandstones were encountered in the primary objective of the well but proved to be water bearing. Wet gas signatures, indicative of oil, were encountered in the overlying shale section. The well has been plugged and abandoned.

The PEL 37 joint venture partnership is currently in the Second Renewal Exploration Period for PEL 37, which is for a period of two years ending March 28, 2020 and is the last exploration period. The PEL 37 joint venture partnership has fulfilled all obligations of the Second Renewal Exploration Period for PEL 37.

FINANCING

On May 4, 2018, the Company completed a private placement issuing an aggregate of 362,390,625 common shares at a price of CAD$0.16 per share for gross proceeds of approximately $45.0 million. A broker's fee of approximately $1.1 million was paid in cash to Pareto Securities AB.

SECONDARY LISTING – NASDAQ FIRST NORTH STOCKHOLM

On May 4, 2018, the Company's common shares commenced trading on Nasdaq First North Stockholm under ticker symbol "AEC". The secondary listing has significantly increased the Company's trading liquidity and provided access to a wider retail and institutional investor base in Europe. The Company's shares continue to trade on TSX Venture Exchange under ticker symbol "AFE".

OUTLOOK

Management is very encouraged by the results of the Brulpadda discovery, which has opened a new world class oil and gas play offshore South Africa with significant follow-on potential. The success at both the primary and secondary targets de-risks other prospects in Block 11B/12B. The joint venture partnership for Block 11B/12B recently completed a 3D seismic acquisition program that will be used to select drilling locations. Negotiations are advanced to secure a drilling rig to carry out the next exploration program that will commence early in 2020 with the drilling of the Luiperd Prospect.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**
Operating expenses ($)	(2,268)	(9,496)	(1,147)	(1,913)	(1,049)	(1,721)	(1,138)	(1,304)
Foreign exchange gain (loss) ($)	-	3	31	(59)	(13)	59	172	123
Interest and other income ($)	29	194	266	90	8	14	16	15
Net loss ($)	(2,239)	(9,299)	(850)	(1,882)	(1,054)	(1,648)	(950)	(1,166)
Weighted average shares - Basic	683,432	683,356	681,965	550,170	319,191	319,177	319,177	319,177
Weighted average shares - Diluted	683,432	683,356	681,965	550,170	319,191	319,177	319,177	319,177
Basic loss per share ($)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Diluted loss per share ($)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Exploration and evaluation expenditures ($)	(54)	(18)	(18)	(83)	(23)	(1)	(2)	(73)

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

Operating expenses increased during the fourth quarter of 2017 as the Company approved annual bonuses and incurred professional fees relating to the Block 11B/12B farmins. Operating expenses increased during the second quarter of 2018 due to the issuance of 17.6 million stock options to directors, officers and employees of the Company, of which one-third vested immediately, as well as increased listing fees relating to the secondary listing on the Nasdaq First North Stockholm. Operating expenses increased during the fourth quarter of 2018 as the Company impaired the full amount of its investment in Pancontinental Namibia ($8.2 million). Operating expenses decreased in the first quarter of 2019 due to the impairment charge incurred in the fourth quarter of 2018. This decrease was offset by an increase in salary costs and stock-based compensation. Salary costs increased as the Company approved annual bonuses in the first quarter of 2019. Stock-based compensation increased due to the issuance of 13.7 million stock options to directors, officers and employees of the Company, of which one-third vested immediately.

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

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. The Company holds the vast majority of its cash on hand in US dollars, the Company's functional currency. The Company held investments in short-term U.S. dollar deposits from the end of the second quarter to the end of the fourth quarter of 2018.

Weighted average shares increased in the second and third quarters of 2018 due to the financing that closed in May 2018.

Oil and gas expenditures incurred during 2017 and 2018 related to license fees and geological and geophysical work performed on Block 2B.

RESULTS OF OPERATIONS

(thousands)	Three months ended March 31, 2019	Three months ended March 31, 2018
Salaries and benefits	$ 1,184	$ 605
Stock-based compensation	767	38
Travel	99	50
Consulting fees	79	154
Office and general	131	105
Depreciation	1	9
Gain on disposal of property and equipment	-	(23)
Professional fees	40	73
Stock exchange and filing fees	47	28
Share of (gain)/loss from equity investments	(80)	10
Operating expenses	$ 2,268	$ 1,049

Operating expenses increased by $1.2 million for the three months ended March 31, 2019 compared to the same period in 2018. Salaries and benefits increased by $0.6 million primarily due to annual bonuses being approved during the first quarter of 2019 for management and employees. Stock-based compensation increased by $0.8 million due to the issuance of 13.7 million stock options to directors, officers and employees of the Company during the three months ended March 31, 2019 compared to nil during the three months ended March 31, 2018.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

At March 31, 2019 and December 31, 2018, the Company held the following investment in associates and joint ventures:

(thousands)		March 31, 2019		December 31, 2018
Main Street 1549	$	32,212	$	34,183
Pancontinental Namibia		-		-
Total Investment	$	32,212	$	34,183

i) Main Street 1549:

Africa Energy holds 49% of the common shares of Main Street 1549, a private South African entity. In November 2017, Main Street 1549 entered into farmin agreements with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa. Main Street 1549 paid a deposit of $1.0 million at signature ($0.49 million net to the Company). In December 2018, upon receiving government approval, Main Street 1549 closed the farmin transactions, at which point Africa Energy invested an aggregate of $33.8 million in Main Street 1549. The funding contributed by Africa Energy was used to pay the Company's portion of closing costs for the farmin transactions ($16.5 million net to the Company), as well as the Company's portion of future exploration expenditures on Block 11B/12B ($16.2 million net to the Company) and the Company's portion of an environmental guarantee in favour of the Petroleum Agency of South Africa ($1.0 million net to the Company). The closing payment to Total and CNRI included reimbursement for past exploration expenditures, interim period costs, an agreed carry amount for Brulpadda-1AX well costs and the applicable Value Added Tax ($2.2 million net to the Company), which was recovered in February 2019. The Company has certain contingent payments due at various milestones associated with commercialization of hydrocarbons in Block 11B/12B. Main Street 1549 has assessed the likelihood and timing of future exploration expenditures and has accrued $10.0 million ($4.9 million net to the Company) for the 3D seismic and exploration and appraisal well obligations related to the above contingent consideration. Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

At March 31, 2019, Main Street 1549 had cash of $2.6 million and working capital of $5.5 million. Working capital included $28.8 million in escrow (other current assets) in favor of Total and CNRI to cover Main Street 1549's portion of future exploration expenditures for Block 11B/12B, and current liabilities included a $5.0 million obligation to fund Total's and CNRI's portion of the 3D seismic costs and $5.0 million of Total's and CNRI's portion of the drilling costs for the next exploration or appraisal well.

The investment in Main Street 1549 is accounted for using the equity method as it holds 49% of the voting shares. The Company recognized a gain of $0.08 million for the three months ended March 31, 2019 ($ nil for the three months ended March 31, 2018). During the three months ended March 31, 2019, the Company advanced $ nil to cover Block 11B/12B farmin closing costs and future exploration expenditures (year ended December 31, 2018, $33.8 million).

ii) Pancontinental Namibia:

During the year ended December 31, 2018, the Company impaired the full amount of its investment in Pancontinental Namibia subsequent to performing a full analysis of the Cormorant-1 well results. The joint venture partners on PEL 37 have fulfilled the obligations of the current exploration period.

INTANGIBLE EXPLORATION ASSETS

(thousands)	March 31, 2019	December 31, 2018
Intangible exploration assets	$ 6,874	$ 6,820

During the three months ended March 31, 2019, the Company capitalized $0.05 million (three months ended March 31, 2018, $0.02 million) of intangible exploration expenditures of which $0.01 million of general and administrative expenses related to Block 2B (three months ended March 31, 2018, $0.01 million).

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2019, the Company had cash of $3.6 million and working capital of $3.7 million compared to cash of $3.0 million and working capital of $3.2 million at December 31, 2018.

In addition to the Company's cash and working capital position at March 31, 2019, Main Street 1549 held $2.6 million in cash and $28.8 million in escrow to cover Main Street 1549's portion of future exploration expenditures for Block 11B/12B.

The Company's working capital position may not provide it with sufficient capital resources to execute future potential exploration, appraisal and development expenditure plans. To finance its future acquisition, exploration, development and operating costs, Africa Energy may require additional 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 when needed 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, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the three months ended March 31, 2019 was $0.8 million compared to $0.04 million for the three months ended March 31, 2018. The increase in stock-based compensation expense is due to the 13.7 million stock options granted to directors, officers and employees of the Company during the three months ended March 31, 2019, of which one-third vested immediately, compared to nil options granted during the three months ended March 31, 2018.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP (“AOC”):

At March 31, 2019, AOC owned 34.5% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision administrative services, AOC invoiced the Company $0.03 million during the three months ended March 31, 2019 (March 31, 2018, $0.03 million). At March 31, 2019, the outstanding balance payable to AOC was $ nil (at December 31, 2018, $ nil). The service fee charged to the Company by AOC is for the provision of management and administrative services and is intended to cover the administrative and salary costs paid by AOC on behalf of Africa Energy. The service fee is recognized as part of consulting fees.

Under the terms of a Consulting Services Agreement, effective March 1, 2019, between AOC and the Company for the provision of new venture consulting services, the Company invoiced AOC $0.05 million during the three months ended March 31, 2019 (March 31, 2018, $ nil). At March 31, 2019, the outstanding balance receivable from AOC was $0.05 million (at December 31, 2018, $ nil). The consulting fee charged to AOC by the Company is intended to cover the costs of the Company’s employees who are providing AOC with new venture services. The consulting fee is recognized as a reduction in salaries and benefits expense.

COMMITMENTS AND CONTINGENCIES

BLOCK 2B, REPUBLIC OF SOUTH AFRICA

Under the terms of the Block 2B Exploration Right, the Company and its partner have fulfilled the obligations of the First Renewal Period. During the first quarter of 2018, the Block 2B joint venture partnership received approval for entry into the Second Renewal Period for the Block 2B Exploration Right from the Petroleum Agency of South Africa for a period of two years commencing February 20, 2018. During the Second Renewal Period, the joint venture partners are obligated to perform studies and evaluations to determine potential commerciality, as well as economic sensitivity modelling to establish whether the drilling of a well could prove up potentially commercial oil volumes. If it is determined that drilling could prove up potentially commercial oil volumes, the joint venture partners are obligated to drill an exploration well on Block 2B.

Under the Thombo Share Purchase Agreement, the Company may be obligated to issue up to an additional 20 million common shares of Africa Energy and to pay up to $1.5 million in additional contingent cash and/or shares of Africa Energy, at the option of the Company, if certain milestones associated with the commercialization of Block 2B are achieved.

At March 31, 2019, management has assessed the likelihood and timing of future drilling and has not accrued any significant obligations related to the above contingent consideration.

Under the farmin agreement with a subsidiary of Crown, the Company is obligated to fund Crown’s remaining 10% participating interest of costs associated with the drilling and testing of the next well in Block 2B.

PROPERTY LEASE CONTRACTS

The Company has committed to future minimum payments at March 31, 2019 under a South African operating lease for the rental of office space. The office lease has a remaining term of less than twelve months and is therefore considered to be a short-term lease. Short-term leases and leases of low-value assets consist of office equipment, field office space, and equipment used in the Company's operations. The following table includes amounts expensed:

(thousands)		
2019		45
Total minimum payments	$	45

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 this MD&A:

Common shares outstanding	683,889,427
Outstanding share purchase options	44,990,000
Full dilution impact on common shares outstanding	728,879,427

Subsequent to the end of the quarter, 400,000 options were exercised.

OFF-BALANCE SHEET ARRANGEMENTS

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

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019 and have been applied in preparing these financial statements.

IFRS 16: Leases

Effective January 1, 2019, the Company adopted IFRS 16 Leases. The Company has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Company's consolidated balance sheet, consolidated statements of net loss and comprehensive loss, shareholders' equity and cash flows have not been restated.

The Company has elected to use the following practical expedients permitted under the standard:

- Account for leases with a remaining term of less than twelve months as short-term leases;
- Account for leases with a low dollar value (less than $5 thousand) as an expense; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

In applying IFRS 16, the Company has applied the practical expedient identified in the standard in which short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.

RISK FACTORS

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below. Refer to the Company's Annual Information Form dated February 28, 2019 on Sedar (www.sedar.com) for further risk factor disclosures.

CAPITAL REQUIREMENTS

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfil the minimum work obligations under the terms of its various exploration agreements. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

SHARED OWNERSHIP AND DEPENDECY ON PARTNERS

The Company's operations may, to varying degrees, be conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. The Company and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have significant negative effects on the Company's operations relating to such project.

Main Street 1549, an entity held 49% by the Company, has financial obligations in respect of Block 11B/12B. In the event that the shareholders of Main Street 1549 cannot fund obligations due in the future, the Company may, among other things, risk losing its effective interest in Block 11B/12B.

Pancontinental Namibia, an entity held one-third by the Company, has financial obligations in respect of PEL 37. In the event that the shareholders of Pancontinental Namibia cannot fund obligations in the future, as required by the PEL 37 joint operating agreement, the Company may, among other things, risk losing its effective interest in PEL 37.

LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. Liquidity describes a company's ability to access cash. Companies operating in the upstream oil and gas industry, during the exploration phase, require sufficient cash in order to fulfill their work commitments in accordance with contractual obligations and to be able to potentially acquire strategic oil and gas assets.

The Company will potentially issue debt or equity and enter into farmout agreements with joint venture partners to ensure the Company has sufficient available funds to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support these financial obligations and the Company's capital programs. The Company will also adjust the pace of its exploration activities to manage its liquidity position.

FOREIGN CURRENCY EXCHANGE RATE RISK

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. Africa Energy had no forward exchange contracts in place as at March 31, 2019.

CREDIT RISK

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from its joint venture partners. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests.

NEXT EARNINGS REPORT RELEASE

The Company plans to report its results for the three months ended June 30, 2019 on August 14, 2019.

FORWARD LOOKING STATEMENTS

Certain statements in this document constitute forward-looking information or forward-looking statements under applicable securities law (collectively, "forward-looking statements"). Forward-looking statements are statements that relate to future events, including the Company's future performance, opportunities or business prospects. Any statements that express or involve discussions with respect to expectations, beliefs, projections, plans, future events or performance (often but not always identified by words such as "believes", "seeks", "anticipates", "expects", "estimates", "pending", "intends", "plans", "will", "would have" or similar words suggesting future outcomes), are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements 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. 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.

Forward-looking statements include, but are not limited to, statements concerning:

- Expected closing dates for the completion of proposed transactions;
- Planned exploration, appraisal and development activity including both expected drilling and geological and geophysical related activities;
- Proposed development plans;
- Future development costs and the funding thereof;
- Expected funding and development costs;
- Anticipated future financing requirements;
- Future sources of funding for the Company's capital program;
- Future capital expenditures and their allocation to exploration and development activities;
- Expected operating costs;
- Future sources of liquidity, cash flows and their uses;
- Availability of potential farmout partners;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil, natural gas or chemical prices;
- 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 drilling of new wells;
- Interpretation of drill results and other technical data;
- Timing of completion of drilling programs;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- The tax and royalty regime in the countries where the Company operates;
- 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 explored or developed or will come on stream or reach expected operating capacity;
- The Company's ability to comply with future legislation or regulations;
- Relations with local communities;
- Future staffing levels or requirements; 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.

These 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;
- Changes in oil prices, results of exploration, appraisal and development activities, uninsured risks, regulatory changes, defects in title, availability of material and equipment and timelines of government or other regulatory approvals;
- Changes in the social climate in the regions in which the Company operates;
- Health, safety and environmental risks;
- Climate change legislation and regulation changes;
- The Company's 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;
- Short term well test results on exploration and appraisal wells do not necessarily indicate the long-term performance or ultimate recovery that may be expected from a well;
- Pipeline or delivery constraints;
- Volatility in energy trading markets;
- Incorrect assessments of value when making acquisitions;
- Foreign-currency exchange rates;
- Economic conditions in the countries and regions in which the Company carries on business;
- Governmental actions, including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- Renegotiations of contracts;
- Results of litigation, arbitration or regulatory proceedings;
- Political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- Internal conflicts within states or regions.

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 its assessment of all information at that time. Although management believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such forward-looking statements were made, no assurances can be given that such expectations will prove to be correct, and such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon.

The forward-looking statements are made as of the date hereof or as of the date specified in the documents incorporated by reference into this AIF, as the case may be, and except as required by law, the Company undertakes no obligation to update publicly, re-issue, or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This cautionary statement expressly qualifies the forward-looking statements contained herein.

AFRICA ENERGY CORP.

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

	Note	March 31, 2019	December 31, 2018
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,619	$ 3,009
Accounts receivable		46	64
Due from related party	10	50	-
Prepaid expenses		123	202
		3,838	3,275
Long-term assets			
Investment in associates	4	32,212	34,183
Property and equipment	5	21	22
Intangible exploration assets	6	6,874	6,820
		39,107	41,025
Total assets		$ 42,945	$ 44,300
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Current liabilities			
Accounts payable and accrued liabilities		$ 180	$ 78
		180	78
Total liabilities		180	78
Equity attributable to common shareholders			
Share capital	7	152,507	152,481
Contributed surplus	8	6,203	5,447
Deficit		(115,945)	(113,706)
Total equity attributable to common shareholders		42,765	44,222
Total liabilities and equity attributable to common shareholders		$ 42,945	$ 44,300
Commitments and contingencies	13		

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)

For the three months ended	**Note**		**March 31, 2019**		**March 31, 2018**
Operating expenses					
Salaries and benefits	10	$	1,184	$	605
Stock-based compensation	8		767		38
Travel			99		50
Consulting fees	10		79		154
Office and general			131		105
Depreciation	5		1		9
Gain on disposal of property and equipment	5		-		(23)
Professional fees			40		73
Stock exchange and filing fees			47		28
Share of (gain)/loss from equity investments	4		(80)		10
			2,268		1,049
Finance expense	9		-		13
Finance income	9		(29)		(8)
Net loss and comprehensive loss attributable to common shareholders			(2,239)		(1,054)
Net loss per share	11				
Basic		$	(0.00)	$	(0.00)
Diluted		$	(0.00)	$	(0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	11				
Basic			683,431,649		319,190,987
Diluted			683,431,649		319,190,987

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	March 31, 2019	March 31, 2018
Share capital:	7(b)		
Balance, beginning of the period		$ 152,481	$ 108,246
Exercise of options		26	3
Balance, end of the period		152,507	108,249
Contributed surplus:	8		
Balance, beginning of the period		$ 5,447	$ 4,497
Excercise of options		(11)	(2)
Stock-based compensation		767	38
Balance, end of the period		6,203	4,533
Deficit:			
Balance, beginning of the period		$ (113,706)	$ (100,621)
Net loss for the period		(2,239)	(1,054)
Balance, end of the period		(115,945)	(101,675)
Equity attributable to common shareholders		$ 42,765	$ 11,107

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)

For the three months ended			**March 31, 2019**		**March 31, 2018**
Cash flows provided by (used in):	**Note**				
Operations:					
Net loss for the period		$	(2,239)	$	(1,054)
Item not affecting cash:					
Stock-based compensation	8		767		38
Depreciation	5		1		9
Gain on disposal of property and equipment	5		-		(23)
Share of (gain)/loss from equity investments	4		(80)		10
Unrealized foreign exchange (gain)/loss			-		13
Changes in non-cash operating working capital	14		109		(589)
Net cash used in operating activities			(1,442)		(1,596)
Investing:					
Property and equipment expenditures	5		-		(2)
Proceeds from disposition of property and equipment	5		-		33
Intangible exploration expenditures	6		(54)		(23)
Net investment in associates	4		2,051		(558)
Changes in non-cash investing working capital	14		40		521
Net cash provided by/(used in) investing activities			2,037		(29)
Financing:					
Common shares issued	7(b)		15		1
Net cash provided by financing activities			15		1
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency			-		(13)
Increase/(decrease) in cash and cash equivalents			610		(1,637)
Cash and cash equivalents, beginning of the period		$	3,009	$	3,132
Cash and cash equivalents, end of the period		$	3,619	$	1,495
Supplementary information:					
Interest paid			Nil		Nil
Taxes paid			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") was incorporated under the Business Corporations Act (Alberta) on April 27, 2010 and is an international oil and gas exploration and production 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 the issued and outstanding shares of the subsidiaries holding AOC's interests in certain oil and gas projects. The Company's registered address is Suite 2600, 1066 West Hastings Street, Vancouver, BC, V6C 3X1.

Africa Energy is an exploration-stage enterprise that currently has no proved reserves. In 2015, the Company decided to take advantage of the downturn in oil prices and aggressively pursue exploration and production assets in Africa. In October 2016, the Company acquired a 90% participating interest in the Exploration Right for Block 2B offshore the Republic of South Africa ("Block 2B"). In September 2017, the Company acquired one-third of the shares in a wholly-owned subsidiary of Pancontinental Oil and Gas N.L. ("Pancontinental") that holds a 30% participating interest in Petroleum Exploration License 37 offshore the Republic of Namibia ("PEL 37"). In December 2018, Main Street 1549 Proprietary Limited ("Main Street 1549"), an entity owned 49% by the Company, closed farmin agreements to acquire a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B") resulting in the Company holding an effective 4.9% interest.

Oil and gas exploration, development and production activities in emerging markets are subject to significant uncertainties that 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 to laws and regulations, a change in taxation policies, and the imposition of currency controls, in addition to the risks associated with exploration activities and dependence on partners and shared ownership. 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, 2018. The policies applied in these condensed consolidated financial statements are based on International Financial Reporting

Standards ("IFRS") issued and outstanding as at May 9, 2019, 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. 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, 2018. 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.

Management applies judgment in reviewing each of its contractual arrangements to determine whether the arrangement contains a lease within the scope of IFRS 16. Leases that are recognized are subject to further management judgment and estimation in various areas specific to the arrangement. In determining the lease term to be recognized, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option.

All other 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, 2018.

3) New accounting standards:

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2019 and have been applied in preparing these financial statements

IFRS 16: Leases

Effective January 1, 2019, the Company adopted IFRS 16 Leases. The Company has applied the new standard using the modified retrospective approach. The modified retrospective approach does not require restatement of prior period financial information as it recognizes the cumulative effect as an adjustment to opening retained earnings and applies the standard prospectively. Therefore, the comparative information in the Company's consolidated balance sheet, consolidated statements of net loss and comprehensive loss, shareholders' equity and cash flows have not been restated.

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

The Company has elected to use the following practical expedients permitted under the standard:

- Account for leases with a remaining term of less than twelve months as short-term leases;
- Account for leases with a low dollar value (less than $5 thousand) as an expense; and
- The use of hindsight in determining the lease term where the contract contains terms to extend or terminate the lease.

In applying IFRS 16, the Company has applied the practical expedient identified in the standard in which short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the financial statements as incurred.

4) Investment in associates and joint ventures:

The following is a summary of the Company's investment in associates and joint ventures:

		March 31, 2019		December 31, 2018
Main Street 1549	$	32,212	$	34,183
Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia")		-		-
Total Investment	$	32,212	$	34,183

i) Main Street 1549:

		March 31, 2019		December 31, 2018
Balance, beginning of the period	$	34,183	$	490
Funds contributed to Main Street 1549		-		33,834
Funds received from Main Street 1549		(2,051)		-
Share of gain/(loss) from equity investment		80		(141)
Balance, end of the period	$	32,212	$	34,183

Africa Energy holds 49% of the common shares of Main Street 1549, a private South African entity. In November 2017, Main Street 1549 entered into farmin agreements with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa. Main Street 1549 paid a deposit of $1.0 million at signature ($0.49 million net to the Company). In December 2018, upon receiving government approval, Main Street 1549 closed the farmin transactions, at which point Africa Energy invested an aggregate of $33.8 million in Main Street 1549. The funding contributed by Africa Energy was used to pay the Company's portion of closing costs for the farmin transactions ($16.5 million net to the Company), as well as the Company's portion of future exploration expenditures on Block 11B/12B ($16.2 million net to the Company) and the Company's portion of an environmental guarantee in favour of the Petroleum Agency of South Africa ($1.0 million net to the Company). The closing payment to Total and CNRI included reimbursement for past exploration expenditures, interim period costs, an agreed carry amount for

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

Brulpadda-1AX well costs and the applicable Value Added Tax ($2.2 million net to the Company), which was recovered in February 2019.

Due to the discovery at the Brulpadda-1AX well, Main Street 1549 will be obligated to fund $5.0 million ($2.5 million net to the Company) of Total's and CNRI's portion of the 3D seismic costs and $5.0 million ($2.5 million net to the Company) of Total's and CNRI's portion of the drilling costs for the next exploration or appraisal well.

In the event of a commercial discovery and granting of a production right, Main Street 1549 will be obligated to fund a discovery bonus. If the commercial discovery is oil, Main Street 1549 will be obligated to pay Total and CNRI up to $90.0 million ($44.1 million net to the Company) depending on the amount of reserves at that time. If the commercial discovery is gas, Main Street 1549 will be obligated to pay Total and CNRI up to $24.0 million ($11.8 million net to the Company) depending on the amount of reserves at that time.

At March 31, 2019, Main Street 1549 has assessed the likelihood and timing of future exploration expenditures and has accrued the 3D seismic and exploration and appraisal well obligations related to the above contingent consideration. Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

The investment in Main Street 1549 is accounted for using the equity method as it holds 49% of the voting shares. The Company recognized a gain of $0.08 million for the three months ended March 31, 2019 ($ nil for the three months ended March 31, 2018). During the three months ended March 31, 2019, the Company advanced $ nil to cover Block 11B/12B farmin closing costs and future exploration expenditures (December 31, 2018, $33.8 million).

The Company has determined that the investment in Main Street 1549 is not impaired.

The following is a financial summary of Main Street 1549:

		March 31, 2019		December 31, 2018
Cash and cash equivalents included in current assets	$	2,593	$	357
Other current assets		28,779		39,425
Non-current assets		60,215		36,512
Current liabilities		(25,849)		(6,532)
Net assets of Main Street 1549	$	65,738	$	69,762
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net assets	$	32,212	$	34,183

For the three months ended		**March 31, 2019**		**March 31, 2018**
Finance expense	$	-	$	-
Finance income		171		-
Net gain/(loss) and comprehensive gain/(loss)		163		-
Proportionate share of Main Street 1549's net gain/(loss)	$	80	$	-

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

At March 31, 2019, Main Street 1549 had cash of $2.6 million and working capital of $5.5 million. Other current assets included $28.8 million in escrow in favor of Total and CNRI to cover Main Street 1549's portion of future exploration expenditures for Block 11B/12B. Current liabilities included a $5.0 million obligation to fund Total's and CNRI's portion of the 3D seismic costs and $5.0 million of Total's and CNRI's portion of the drilling costs for the next exploration or appraisal well

ii) Pancontinental Namibia:

		March 31, 2019		December 31, 2018
Balance, beginning of the period	$	-	$	6,777
Acquisition of shares		-		5,500
Contingent consideration accrued		-		(4,500)
Funds contributed to Pancontinental Namibia		-		464
Share of loss from equity investment		-		(39)
Writedown of investment		-		(8,202)
Balance, end of the period	$	-	$	-

During the year ended December 31, 2018, the Company impaired the full amount of its investment in Pancontinental Namibia subsequent to performing a full analysis of the Cormorant-1 well results. The joint venture partners on PEL 37 have fulfilled the obligations of the current exploration period.

5) Property and equipment:

		March 31, 2019		December 31, 2018
Cost, beginning of the period	$	165	$	196
Additions		-		3
Disposal		-		(34)
Cost, end of the period		165		165
Accumulated depreciation, beginning of the period		(143)		(147)
Depreciation		(1)		(20)
Disposal		-		24
Accumulated depreciation, end of the period		(144)		(143)
Net carrying amount, beginning of the period	$	22	$	49
Net carrying amount, end of the period	$	21	$	22

During the year ended December 31, 2018, the Company purchased property and equipment for its technical office located in Cape Town, South Africa. During the year ended December 31, 2018, the Company disposed of a vehicle with a net carrying amount of $0.01 million for proceeds of $0.03 million resulting in a gain of $0.2 million.

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

6) Intangible exploration assets:

		March 31, 2019		December 31, 2018
Net carrying amount, beginning of the period	$	6,820	$	6,678
Intangible exploration expenditures		54		142
Net carrying amount, end of the period	$	6,874	$	6,820

As at March 31, 2019, $6.9 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2018, $6.8 million). These expenditures relate to the acquisition of a 90% participating interest in Block 2B as well as license fees, geological and geophysical studies and general and administrative costs related to Block 2B.

During the three months ended March 31, 2019, the Company capitalized $0.01 million of general and administrative expenses related to intangible exploration assets (December 31, 2018, $0.04 million).

The Company has determined that as at March 31, 2019, intangible exploration assets are not impaired.

7) Share capital:

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

b) Issued:

		March 31, 2019			December 31, 2018		
	Note	Shares		Amount	Shares		Amount
Balance, beginning of the period		683,356,094	$	152,481	319,177,135	$	108,246
Exercise of options	8	133,333		26	1,788,334		339
Private placement, net of issue costs		-		-	362,390,625		43,896
Balance, end of the period		683,489,427	$	152,507	683,356,094	$	152,481

On May 4, 2018, the Company completed a private placement issuing an aggregate of 362,390,625 common shares at a price of CAD $0.16 per share for gross proceeds of approximately $45.0 million. A broker's fee of $1.1 million was paid in cash to Pareto Securities AB. In conjunction with the private placement, the Company listed its common shares on Nasdaq First North Stockholm.

8) Share purchase options:

At the Annual General and Special Meeting held on July 5, 2018, the Company's shareholders ratified and approved the Company's stock option plan (the "Plan"). The Plan provides that the aggregate number of incentive stock options issued shall not exceed 10% of the total common shares outstanding, and that the option exercise price will not be below the market trading value of the Company's shares at the time of grant. 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 receive a grant of more than 5% of the Company's total common shares outstanding.

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

Share purchase options outstanding, are as follows:

	March 31, 2019		December 31, 2018	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	31,808,333	0.16	16,095,000	0.14
Granted	13,715,000	0.245	18,185,000	0.165
Expired	-	-	(683,333)	0.17
Exercised	(133,333)	0.15	(1,788,334)	0.14
Balance, end of the period	45,390,000	0.18	31,808,333	0.16

i) During the three months ended March 31, 2019, 133,333 stock options were exercised in which $0.01 million in contributed surplus was transferred to share capital. During the year ended December 31, 2018, 1,788,334 stock options were exercised in which $0.1 million in contributed surplus was transferred to share capital.

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 three months ended March 31, 2019 and year ended December 31, 2018 were estimated on the date of grant using the following weighted average assumptions:

	2019	2018
Number of options granted during the period	13,715,000	18,185,000
Fair value of options granted (CAD$)	0.15	0.11
Risk-free interest rate (%)	1.47	1.78
Expected life (years)	3.00	3.00
Expected volatility (%)	94	106
Expected dividend yield	-	-

Options granted during 2017 cliff vest three years from the date of grant and expire after five years. All remaining options granted vest over a two-year period, with one-third vesting immediately, and expire five years after the grant date. The Company recognized $0.8 million in stock-based compensation expense for the three months ended March 31, 2019 (March 31, 2018, $0.04 million).

The following table summarizes information regarding stock options outstanding at March 31, 2019:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.17	3,530,000	0.95
0.13	1,420,000	1.37
0.11	1,850,000	2.02
0.125	4,290,000	2.13
0.17	2,500,000	3.27
0.165	18,085,000	4.13
0.245	13,715,000	4.92
0.18	45,390,000	3.71

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

The following table summarizes information regarding stock options exercisable at March 31, 2019:

Weighted average exercise price (CAD$/share)	Options exercisable	Weighted average remaining contractual life in years
0.17	3,530,000	0.95
0.13	1,420,000	1.37
0.11	1,850,000	2.02
0.125	4,290,000	2.13
0.165	6,028,333	4.13
0.245	4,571,667	4.92
0.17	21,690,000	3.02

9) Finance income and expense:

Finance income and expense for the three months ended March 31, 2019 and 2018 is comprised of the following

For the three months ended	**March 31, 2019**	**March 31, 2018**
Interest and other income	$ (29)	$ (8)
Foreign exchange loss	-	13
Finance expense	-	13
Finance income	$ (29)	$ (8)

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 loss and comprehensive loss.

10) Related party transactions:

Transactions with AOC:

At March 31, 2019, AOC owned 34.5% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision administrative services, AOC invoiced the Company $0.03 million during the three months ended March 31, 2019 (March 31, 2018, $0.03 million). At March 31, 2019, the outstanding balance payable to AOC was $ nil (at December 31, 2018, $ nil). The service fee charged to the Company by AOC is for the provision of management and administrative services and is intended to cover the administrative and salary costs paid by AOC on behalf of Africa Energy. The service fee is recognized as part of consulting fees.

Under the terms of a Consulting Services Agreement, effective March 1, 2019, between AOC and the Company for the provision of new venture consulting services, the Company invoiced AOC $0.05 million during the three months ended March 31, 2019 (March 31, 2018, $ nil). At March 31, 2019, the outstanding balance receivable from AOC was $0.05 million (at December 31, 2018, $ nil). The consulting fee charged to AOC by the Company is intended to cover the costs of the Company's employees who are providing AOC with new venture services. The consulting fee is recognized as a reduction in salaries and benefits expense.

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

11) Net Loss Per Share:

Three months ended	March 31, 2019			March 31, 2018		
		Weighted Average			Weighted Average	
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (2,239)	683,431,649	$ (0.00)	$ (1,054)	319,190,987	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (2,239)	683,431,649	$ (0.00)	$ (1,054)	319,190,987	$ (0.00)

For the three months ended March 31, 2019, 45,390,000 options were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2018, 16,076,666).

12) Financial Instruments:

Assets and liabilities at March 31, 2019 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, accounts receivable and accounts payable and accrued liabilities are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are classified as Level 2. The Company's investments in associates are classified as Level 3. 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. The fair value approximates the carrying value due to the short maturity. There were no transfers between levels in the fair value hierarchy in the period.

13) Commitments and Contingencies:

a) PSA and Agreement Commitments

Block 2B

Under the terms of the Block 2B Exploration Right, the Company and its partner have fulfilled the obligations of the First Renewal Period. During the first quarter of 2018, the Block 2B joint venture partnership received approval for entry into the Second Renewal Period for the Block 2B Exploration Right from the Petroleum Agency of South Africa for a period of two years commencing February 20, 2018. During the Second Renewal

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

Period, the joint venture partners are obligated to perform studies and evaluations to determine potential commerciality, as well as economic sensitivity modelling to establish whether the drilling of a well could prove up potentially commercial oil volumes. If it is determined that drilling could prove up potentially commercial oil volumes, the joint venture partners are obligated to drill an exploration well on Block 2B.

Under the Thombo Share Purchase Agreement, the Company is obligated to the following:

1. At spud of the third well (the AJ-1 well drilled in 1988 being the first and only well drilled on Block 2B to date), pay $0.5 million in cash or common shares of the Company valued at that time;

2. At spud of the fourth well, pay $0.5 million in cash or common shares of the Company valued at that time; and

3. At declaration of commerciality by the joint operating committee, either;

    a. pay $0.5 million in cash or common shares of the Company valued at that time; or

    b. in the event that a predetermined level of reserves is achieved, issue up to 20 million common shares of the Company depending on the amount of reserves at that time.

At March 31, 2019, management has assessed the likelihood and timing of future drilling and has not accrued any material obligations related to the above contingent consideration.

Under the farmin agreement with a subsidiary of Crown Energy AB (“Crown”), the Company is obligated to fund Crown’s remaining 10% participating interest of costs associated with the drilling and testing of the next well in Block 2B.

Main Street 1549

Refer to note 4(i) for details on commitments.

b) Office lease

The Company has committed to future minimum payments at March 31, 2019 under a South African operating lease for the rental of office space. The office lease has a remaining term of less than twelve months and is therefore considered to be a short-term lease. Short-term leases and leases of low-value assets consist of office equipment, field office space, and equipment used in the Company’s operations. The following table includes amounts expensed:

2019		45
Total minimum payments	$	45

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

14) Supplementary Information:

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

For the three months ended		March 31, 2019		March 31, 2018
Changes in non-cash working capital				
Accounts receivable	$	18	$	(22)
Due from related party		(50)		-
Prepaid expenses		79		79
Accounts payable and accrued liabilities		102		(625)
Contingent consideration		-		500
	$	149	$	(68)
Relating to:				
Operating activities	$	109	$	(589)
Investing activities		40		521
Changes in non-cash working capital	$	149	$	(68)