AFRICA ENERGY CORP.

Report to Shareholders

March 31, 2020

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2020 and 2019

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, 2020 and 2019, as well as the audited consolidated financial statements for the years ended December 31, 2019 and 2018 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 ("US") 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 6, 2020.

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 Africa.

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").

On February 24, 2020, the Company executed two farmout agreements whereby the Company will transfer operatorship and an aggregate 62.5% participating interest in Block 2B. The Company will retain a 27.5% participating interest in Block 2B. Closing of the two farmout agreements is subject to standard conditions for this type of transaction, including approval of the South African government.

ONGC has recently provided the PEL 37 joint venture partnership its notice of withdrawal. The remaining joint venture partners have agreed to receive their pro rata interest in PEL 37. Subject to approval by the Namibian government, Pancontinental Namibia will hold a 42.86% interest in PEL 37, and the Company's effective interest will increase from 10% to 14.29%. Tullow and Paragon will hold the remaining 50% and 7.14%, respectively.

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". Africa Oil Corp. ("AOC") is the Company's largest shareholder with 32.6% of the issued and outstanding common shares of Africa Energy.

OPERATIONS UPDATE

Block 11B/12B, Republic of South Africa

The Company owns 49% of the shares of Main Street 1549 Proprietary Limited ("Main Street 1549"), which holds a 10% participating interest in Block 11B/12B offshore South Africa. The Company's effective interest in Block 11B/12B is therefore 4.9%. Block 11B/12B is operated by Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, which holds a 45% participating interest with partners Qatar Petroleum and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, holding 25% and 20%, respectively.

On February 7, 2019, the Company announced a significant gas condensate and light oil discovery on the Brulpadda Prospect on Block 11B/12B. The discovery opened 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 success at 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 light oil pay in the upper reservoir and intersected the oil water contact calibrating the Amplitude Variance with Offset response. 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 similar prospects on Block 11B/12B. The total drilling operation lasted 61 days and cost the joint venture partnership approximately $160 million.

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 approximately 19,000 square kilometers with water depths ranging from 200 to 1,800 meters.

In March and April 2019, Polarcus Limited ("Polarcus") acquired 570 square kilometers of 3D seismic with the Polarcus Asima vessel. The first phase of 3D seismic covered the Brulpadda discovery and the Luiperd Prospect. The fully-processed 3D seismic dataset validates the direct hydrocarbon indicators and thick reservoir development at the main objective and illuminates the deep target, confirming the large resource potential of the Paddavissie Fairway. The 3D seismic also increases our confidence in the sedimentological and structural interpretation and has been integral in selecting the location for the next exploration well on Block 11B/12B, the Luiperd Prospect.

The joint venture partnership continues to analyze and integrate the fully processed 3D seismic with the analysis of the core samples and the modular formation dynamics tester ("MDT") samples. The core indicates a high net to gross in the main objective with good intergranular porosity and permeability. The pressure, volume and temperature ("PVT") analysis performed on the MDT samples confirmed the high liquid yield in the main gas condensate zone of the main and deep reservoirs.

In July 2019, the operator of Block 11B/12B, Total, executed a multi-well drilling contract with Odfjell Drilling for the Deepsea Stavanger semi-submersible rig, the same rig that drilled the Brulpadda discovery in February 2019. The rig is currently in dry dock in Bergen, Norway for maintenance and modifications in preparation for the upcoming drilling program on Block 11B/12B and is expected to mobilize from the North Sea to South Africa in second quarter of 2020 to spud the Luiperd well in third quarter of 2020. Total is preparing a robust year-round drilling solution for the deepwater environment on Block 11B/12B.

On December 9, 2019, Shearwater GeoServices Holding AS commenced an initial 2D seismic program of 3,370 linear kilometers using the Multi-Purpose Vessel SW Cook. The goal of the 2D seismic program was to define the lead and prospect inventory of the large under-explored area in Block 11B/12B to the east of the Paddavissie Fairway. The scope of the survey was increased to focus on the new Kloofpadda lead to the east following encouraging seismic indicators identified with onboard fast-track processing. The expanded survey totaling 7,033 linear kilometers was completed in March 2020.

On December 29, 2019, Petroleum Geo-Services ASA ("PGS") commenced the second phase 3D seismic program of 2,200 square kilometers using the PGS Apollo seismic vessel. The scope of the survey was increased to cover a newly identified potential northern extension to the Luiperd Prospect. The expanded survey totaling 2,305 square kilometers was completed in April 2020.

The 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. The joint venture partnership has recently applied to enter into the Third Renewal Period, a two-year period from the date the renewal application is approved.

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. Oil was discovered and tested by Soekor in the A-J1 borehole drilled in 1988.

On February 24, 2020, the Company executed two farmout agreements whereby the Company will transfer operatorship and an aggregate 62.5% participating interest in the Exploration Right for Block 2B. Africa Energy will retain a 27.5% participating interest in Block 2B. Closing of the two farmout agreements is subject to standard conditions for this type of transaction, including approval of the South African government.

Under the terms of a farmout agreement entered into with a subsidiary of Azinam Limited ("Azinam"), a wholly-owned subsidiary of Africa Energy will farmout a 50% participating interest and transfer operatorship in Block 2B to Azinam (the "Azinam Farmout Agreement"). In consideration for the assignment of this interest, Azinam will pay Africa Energy $0.5 million at close and a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. Azinam paid a $1.5 million deposit to Africa Energy at signature of the Azinam Farmout Agreement and will place an additional amount into escrow at close to support its obligations under the Azinam Farmout Agreement.

Under the terms of a farmout agreement entered into with a subsidiary of Panoro Energy ASA ("Panoro"), a wholly-owned subsidiary of Africa Energy will farmout a 12.5% participating interest in Block 2B to Panoro. In consideration for the assignment of this interest, Panoro will pay a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

Under the terms of the Block 2B Exploration Right, the Company and its partner have fulfilled the obligations of the Second Renewal Period, which was set to expire on February 20, 2020. Prior to expiry, the Block 2B joint venture partnership applied for entry into the Third Renewal Period, which is the last period under the Block 2B Exploration Right. The Company has proposed to include an obligation to drill a well in the Third Renewal Period, which is for a period of two years from the date the application is approved by the South African Government. In accordance with the terms of the Block 2B Exploration Right, the Company is required to relinquish 15% of the current exploration area.

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 (“Tullow”), which holds a 35% participating interest, with partners ONGC Videsh Ltd. (“ONGC”) and Paragon Oil and Gas (“Paragon”) holding 30% and 5%, respectively.

ONGC recently provided the PEL 37 joint venture partnership its notice of withdrawal. The remaining joint venture partners have agreed to receive their pro rata interest in PEL 37. Subject to approval by the Namibian government, Pancontinental Namibia will hold a 42.86% interest in PEL 37, and the Company’s effective interest will increase from 10% to 14.29%. Tullow and Paragon will hold the remaining 50% and 7.14%, 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 recently received a one-year extension to the Second Renewal Exploration Period until March 21, 2021. The PEL 37 joint venture partnership has fulfilled its obligations of the current exploration period.

FINANCING

On February 5, 2020, the Company completed a private placement issuing an aggregate of 104,652,174 common shares at a price of SEK 2.30 (approximately CAD $0.32) per share for gross proceeds of $25.0 million. A broker’s fee of approximately $1.0 million was paid in cash to Pareto Securities AB and SpareBank1 Markets AS.

OUTLOOK

Africa Energy expects to commence an extremely active and potentially transformational period in 2020. The recent $25.0 million financing and the farmout of Block 2B will allow the Company to participate in up to four high-impact exploration wells offshore South Africa. The planned wells are all targeting material prospects with relatively high chances of success.

The Block 11B/12B joint venture operated by Total has embarked on an ambitious exploration program offshore South Africa to follow-up on the large Brulpadda light oil and gas condensate discovery in February 2019. The fully-processed Polarcus 3D dataset confirms the large resource potential of the Paddavissie Fairway. The expanded Shearwater 2D seismic survey is complete, and the onboard fast-track processing has identified significant prospectivity with encouraging seismic indicators across the new Kloofpadda lead to the east. The PGS 3D seismic survey is complete after being expanded to cover a newly identified northern extension to the Luiperd Prospect. The multi-well exploration program on Block 11B/12B is expected to commence with the Luiperd well in the third quarter of 2020 and will target several de-risked submarine fan prospects with substantial prospective resources.

Management is focused on closing the Block 2B farmouts whereby the Company will be carried through the next exploration well, Gazania-1, expected to spud by the first quarter of 2021. Block 2B has significant contingent and prospective resources in shallow water close to shore, including the A-J1 discovery from 1988 that flowed light sweet crude oil to surface. The Gazania-1 well will target two prospects in a relatively low-risk rift basin oil play up-dip from the discovery.

COVID-19 UPDATE

The world is currently in the midst of a global health care crisis. Governments worldwide have already implemented a series of steps based upon the predictions and advice of health care professionals, scientists and experts that study infectious diseases. A major consequence of this crisis is the devastating impact the government mandated closures are having on so many industries, businesses and the economy.

To date, we have not seen a significant impact in our operations. In an effort to protect the health and safety of employees, the Company has allowed all of its employees to work from home and has restricted all unnecessary travel.

In Block 11B/12B, Total, acting as the operator, is monitoring COVID-19's impact on operations closely. The recently completed seismic surveys were not impacted by the current health crises. Odfjell Drilling is currently modifying the Deepsea Stavanger semi-submersible rig in preparation for the upcoming drilling campaign. Total is working closely with Odfjell to ensure that mobilization of the rig from the North Sea to South Africa and commencement of the drilling campaign can occur safely and efficiently. The global coronavirus situation remains fluid, and we will update investors when the drilling schedule is confirmed.

In Block 2B, the Company is waiting on South African government approval for its recently announced farmout agreement. While we expect minor delays to the approval process as a result of the recent lockdown in South Africa, we understand that the governmental departments responsible for the approval have recently resumed operations.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**
Operating expenses ($)	(1,856)	(559)	(686)	(1,109)	(2,268)	(9,496)	(1,147)	(1,913)
Foreign exchange gain (loss) ($)	(195)	32	(35)	28	-	3	31	(59)
Interest and other income ($)	60	12	21	17	29	194	266	90
Net loss ($)	(1,991)	(515)	(700)	(1,064)	(2,239)	(9,299)	(850)	(1,882)
Weighted average shares - Basic	749,015	684,217	684,063	683,788	683,432	683,356	681,965	550,170
Weighted average shares - Diluted	749,015	684,217	684,063	683,788	683,432	683,356	681,965	550,170
Basic loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Diluted loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)
Exploration and evaluation expenditures ($)	(27)	(129)	(1)	(20)	(54)	(18)	(18)	(83)

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

Operating costs decreased during the second quarter of 2018 due to higher stock-based compensation costs in the second quarter of 2018 associated with 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 the 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 paid annual bonuses in the first quarter of 2019. Stock-based compensation increased due to the issuance of 13.7 million stock options in the first quarter of 2019 to directors, officers and employees of the Company, of which one-third vested immediately. Operating expenses decreased in the second quarter of 2019 due to bonuses paid and stock options granted in the first quarter of 2019. Operating expenses decreased during the third and fourth quarters of 2019 due to a reduction in staff as well as a consulting agreement whereby the Company provides new venture services that are recorded as a reduction in salaries and benefits. Operating expenses increased during the first quarter of 2020 as the Company paid annual bonuses as well as granted 14.7 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 Canadian dollars and South African Rand 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 cash in short-term US 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. Weighted average shares increased during the first quarter of 2020 due to the financing that closed in February 2020.

Oil and gas expenditures incurred related to license fees and geological and geophysical work performed on Block 2B. Additionally, the Company incurred costs in the fourth quarter of 2019 associated with planning an exploration well that is expected to spud by Q1 2021.

RESULTS OF OPERATIONS

(thousands)	**Three months ended March 31, 2020**	**Three months ended March 31, 2019**
Salaries and benefits	$ 1,023	$ 1,184
Stock-based compensation	574	767
Travel	24	99
Consulting fees	57	79
Office and general	38	131
Depreciation	9	1
Professional fees	77	40
Stock exchange and filing fees	68	47
Share of gain from equity investments	(14)	(80)
Operating expenses	$ 1,856	$ 2,268

Operating expenses decreased by $0.4 million for the three months ended March 31, 2020 compared to the same period in 2019. Salary and benefit costs decreased $0.2 million due to a reduction in staffing levels. Stock-based compensation decreased by $0.2 million due to the issuance of 14.7 million stock options to directors, officers and employees of the Company at a lower fair value expense per option compared to the 13.7 million options granted during the three months ended March 31, 2019. Office and general and travel expenses decreased due to efforts made by management to reduce overall corporate costs. Professional fees increased due to legal fees associated with the farmout of Block 2B.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Company held the following investment in associates and joint ventures:

(thousands)		**March 31, 2020**		**December 31, 2019**
Main Street 1549	$	32,269	$	32,255
Pancontinental Namibia		-		-
Total Investment	$	32,269	$	32,255

i) Main Street 1549:

Africa Energy holds 49% of the common shares of Main Street 1549, a private South African entity. Main Street 1549 holds a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa.

The Company has certain contingent payments due to Total and CNRI 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 the full carry obligation for the 3D seismic and exploration and appraisal well obligations ($10.0 million and $4.9 million, respectively, net to the Company) related to the above contingent consideration. Main Street 1549 has not accrued any material obligations related to a commercial discovery bonus.

At March 31, 2020, Main Street 1549 had cash of $4.3 million (gross) with negative working capital of $4.4 million (gross). Current liabilities included a $5.0 million (gross) obligation to fund Total's and CNRI's portion of the 3D seismic costs and $5.0 million (gross) of Total's and CNRI's portion of the drilling costs for the next exploration well.

The investment in Main Street 1549 is accounted for using the equity method as the Company holds 49% of the voting shares. During the three months ended March 31, 2020, the Company recognized a gain from its investment in Main Street 1549 of $0.01 million ($0.1 million for the three months ended March 31, 2019).

ii) Pancontinental Namibia:

During the year ended December 31, 2019, the Company received $0.1 million from Pancontinental Namibia that was accounted for as a recovery in the statement of profit and loss

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INTANGIBLE EXPLORATION ASSETS

(thousands)	March 31, 2020	December 31, 2019
Intangible exploration assets	$ 7,051	$ 7,024

During the three months ended March 31, 2020, the Company capitalized $0.03 million (three months ended March 31, 2019, $0.05 million) of intangible exploration expenditures of which $0.02 million of general and administrative expenses related to Block 2B (three months ended March 31, 2019, $0.01 million).

LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2020, the Company had cash of $26.3 million and working capital of $24.7 million compared to cash of $2.4 million and working capital of $2.1 million at December 31, 2019. On February 5, 2020, the Company completed a private placement issuing an aggregate of 104,652,174 common shares at a price of SEK 2.30 (approximately CAD $0.32) per share for gross proceeds of $25.0 million.

In addition, Main Street 1549, an entity owned 49% by Africa Energy, held $4.3 million (gross) cash with negative working capital of $4.4 million (gross) at March 31, 2020.

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, 2020 was $0.6 million compared to $0.8 million for the three months ended March 31, 2019. During the three months ended March 31, 2020, 14.7 million stock options were granted to directors, officers and employees of the Company, of which one-third vested immediately, compared to 13.7 million stock options granted during the three months ended March 31, 2019, of which one-third vested immediately. The decrease in stock-based compensation expense can be mainly attributed to a decrease in the fair value expense per option granted during the three months ended March 31, 2020 compared to the same period in 2019.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At March 31, 2020, AOC owned 32.6% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision of management and administrative services, AOC invoiced the Company $0.03 million during the three months ended March 31, 2020 (March 31, 2019, $0.03 million). At March 31, 2020, the outstanding balance payable to AOC was $ nil (at December 31, 2019, $ nil). The service fee charged to the Company by AOC is for the provision of 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 $0.2 million during the three months ended March 31, 2020 ($0.05 million for the three months ended March 31, 2019). At March 31, 2020, the outstanding balance receivable from AOC was $ nil (at December 31, 2019, $ 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 Second Renewal Period, which was set to expire on February 20, 2020. Prior to expiry, the Block 2B joint venture partnership applied for entry into the Third Renewal Period, which is the last period under the Block 2B Exploration Right. The Company has proposed to include an obligation to drill a well in the Third Renewal Period, which is for a period of two years from the date the application is approved by the South African Government.

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, 2020, 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 farm-in 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 2.

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	789,384,935
Outstanding share purchase options	58,818,333
Full dilution impact on common shares outstanding	848,203,268

OFF-BALANCE SHEET ARRANGEMENTS

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

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 March 24, 2020 on Sedar (www.sedar.com) for further risk factor disclosures.

INTERNATIONAL OPERATIONS

Oil and gas exploration, development and production activities in emerging markets are subject to significant political and economic uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, civil unrest, nationalization, 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. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on the Company's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, the Company 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 the Company acquires 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 the Company will be able to obtain all necessary licenses and permits when required. To mitigate some of this risk, the Company focuses on operations in stable countries with good commercial terms.

UNCERTAINTY OF TITLE

Although the Company conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations.

DIFFERENT LEGAL SYSTEM AND LITIGATION

The legal system within the countries in which the Company operates differs in various degrees from that of Canada. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. Almost all material production and exploration rights and related contracts of the Company will be subject to the national or local laws of South Africa and Namibia. This means that the Company's ability to exercise or enforce its rights and obligations will differ from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction.

The Company's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in concessions, licenses and agreements that often involve several parties. If the Company were to become involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, agreements or otherwise, such disputes or related litigation may be costly and time consuming and the outcome may be highly uncertain. Even if the Company would ultimately prevail, such disputes and litigation may still have a substantially negative effect on the Company's business, assets, financial conditions and its operations.

RISKS INHERENT IN OIL AND GAS EXPLORATION AND DEVELOPMENT

Oil and gas operations involve many inherent risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by the Company will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Company’s business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience, knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury.

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.

In respect to the Company's participating interest in Block 2B, Block 11B/12B and PEL 37, the Company is reliant on third parties, including its joint venture partners, to fund their obliged proportion of expenditures. In the event that the joint venture partners cannot fund obligations in the future, as required by the applicable joint operating agreements and farmout agreements, the Company may, among other things, risk losing its participating interest and risk not completing on the Block 2B farmout agreements.

RISKS RELATING TO CONCESSIONS, LICENSES AND CONTRACTS

The Company's operations are based on a relatively small number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of the Company. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on the Company. In addition, if the Company or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, the Company's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

RISKS RELATING TO SOUTH AFRICAN REGULATIONS

Many of the Company's holdings are in South Africa and are subject to South African laws and regulations, such as the Liquid Fuels Charter made November 2, 2000 and the Mineral and Petroleum Resources Development Act, 2002, the primary legislation governing the upstream hydrocarbons sector in South Africa (the "MPRDA"). The Liquid Fuels Charter requires the holder of certain exploration rights and licences to make sincere attempts to find a suitable partner who is a Historically Disadvantaged South African and to make available to such partner not more than a 1/10th undivided interest share in the right or license at fair market value. The terms of, and application of, these black empowerment policies and other laws and regulations in South Africa may be subject to change and interpretation, which may impact the Company's holdings in South Africa. In addition, the MPRDA may be replaced by a new bill, the Upstream Petroleum Resources Development Bill, to govern the extraction and production of hydrocarbon resources in South Africa ("UPRDB"). The UPRDB was issued in draft form on December 24, 2019, and proposes, among other things, to increase the State back-in right from 10% to 20%. The draft bill is still subject to discussion, and the final terms are uncertain. If amendments are made to the fiscal parameters as well as the general administration right/concessions in the current MPRDA, this may impact the Company's holdings in South Africa.

Main Street 1549 was certified as a Black Empowered Entity at the date it closed its farmin agreements with each of Total and CNRI to acquire an aggregate 10% participating interest in the Block 11B/12B Exploration Right.

CLIMATE CHANGE LEGISLATION

Climate change continues to be a global challenge. Cities and countries are increasingly seeking to hold companies financially responsible for changes in climate and the global effects of climate change. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place in order to promote the reduction of greenhouse gas emissions. The petroleum industry faces scrutiny from individuals and governments, worldwide, that the use of fossil fuels to meet the world's energy demands contributes to the rise of greenhouse gas emissions in the world's atmosphere.

Implementation of strategies by any level of government within the countries in which the Company operates, and whether to meet international agreed limits, or as otherwise determined, for reducing greenhouse gases and to address climate change could have a material impact on the operations and financial condition of the Company. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

ENVIRONMENTAL REGULATION

The oil and natural gas industry is subject to environmental regulation pursuant to the local, provincial (or state) and federal legislation, as applicable, within each of the Company's countries of operation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Company or the oil and gas assets, some of which may be material. Furthermore, management of the Company believes the political climate appears to favour new programs for environmental laws and regulation, particularly in relation to the reduction of emissions or emissions intensity, and there is a risk that any such programs, laws or regulations, if proposed and enacted, will contain emission reduction targets which the Company cannot meet, and financial penalties or charges could be incurred as a result of the failure to meet such targets.

Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures, results of operations and competitive position of the Company. However, environmental regulations are expected to become more stringent in the future and costs associated with compliance are expected to increase. Any penalties or other sanctions imposed on the Company for non-compliance with environmental regulations could have a material adverse effect on the Company's business, prospects and results of operations.

PRICES, MARKETS AND MARKETING OF CRUDE OIL AND NATURAL GAS

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse effect on the Company's business and prospects.

GLOBAL HEALTH EMERGENCY

The demand for oil and natural gas could be affected by global health emergencies, as is currently the case with COVID-19. Travel restrictions and business closures as a result of containment efforts have had a significantly negative impact on the demand for oil and oil-based products, oil prices, jet fuel consumption, and global economic growth, as well as a significant impact on logistics and operations.

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, 2020.

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.

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 and six months ended June 30, 2020 on August 13, 2020.

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 MD&A 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 MD&A, 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, 2020		December 31, 2019
ASSETS					
Current assets					
Cash and cash equivalents		$	26,281	$	2,408
Accounts receivable			58		63
Prepaid expenses			61		84
			26,400		2,555
Long-term assets					
Investment in associates	3		32,269		32,255
Property and equipment	4		65		74
Intangible exploration assets	5		7,051		7,024
			39,385		39,353
Total assets		$	65,785	$	41,908
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Current liabilities					
Accounts payable and accrued liabilities		$	1,690	$	413
Lease obligations	13		32		31
			1,722		444
Long-term liabilities					
Lease obligations	13		11		20
			11		20
Total liabilities			1,733		464
Equity attributable to common shareholders					
Share capital	6		176,718		152,649
Contributed surplus	7		7,549		7,019
Deficit			(120,215)		(118,224)
Total equity attributable to common shareholders			64,052		41,444
Total liabilities and equity attributable to common shareholders		$	65,785	$	41,908
Commitments and contingencies	12				

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

Approved on behalf of the Board:

"IAN GIBBS" *"ASHLEY HEPPENSTALL"*

IAN GIBBS, DIRECTOR **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, 2020		March 31, 2019
Operating expenses					
Salaries and benefits	9	$	1,023	$	1,184
Stock-based compensation	7		574		767
Travel			24		99
Consulting fees	9		57		79
Office and general			38		131
Depreciation	4		9		1
Professional fees			77		40
Stock exchange and filing fees			68		47
Share of gain from equity investments	3		(14)		(80)
			1,856		2,268
Finance expense	8		195		-
Finance income	8		(60)		(29)
Net loss and comprehensive loss attributable to common shareholders			(1,991)		(2,239)
Net loss per share	10				
Basic		$	(0.00)	$	(0.00)
Diluted		$	(0.00)	$	(0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	10				
Basic			749,014,694		683,431,649
Diluted			749,014,694		683,431,649

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, 2020		March 31, 2019
Share capital:	6(b)				
Balance, beginning of the period		$	152,649	$	152,481
Private placement, net of issue costs			23,959		-
Exercise of options			110		26
Balance, end of the period			176,718		152,507
Contributed surplus:	7				
Balance, beginning of the period		$	7,019	$	5,447
Excercise of options			(44)		(11)
Stock-based compensation			574		767
Balance, end of the period			7,549		6,203
Deficit:					
Balance, beginning of the period		$	(118,224)	$	(113,706)
Net loss for the period			(1,991)		(2,239)
Balance, end of the period			(120,215)		(115,945)
Equity attributable to common shareholders		$	64,052	$	42,765

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, 2020**	**March 31, 2019**
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss for the period		$ (1,991)	$ (2,239)
Items not affecting cash:			
Stock-based compensation	7	574	767
Depreciation	4	9	1
Interest on lease obligations	13	1	-
Share of gain from equity investments	3	(14)	(80)
Unrealized foreign exchange loss		195	-
Changes in non-cash operating working capital	14	(120)	109
Net cash used in operating activities		(1,346)	(1,442)
Investing:			
Intangible exploration expenditures	5	(27)	(54)
Net investment in associates	3	-	2,051
Changes in non-cash investing working capital	14	1,425	40
Net cash provided by/(used in) investing activities		1,398	2,037
Financing:			
Common shares issued	6(b)	25,066	15
Share issuance costs	6(b)	(1,041)	-
Payment of lease obligations	13	(9)	-
Net cash provided by financing activities		24,016	15
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(195)	-
Increase in cash and cash equivalents		23,873	610
Cash and cash equivalents, beginning of the period		$ 2,408	$ 3,009
Cash and cash equivalents, end of the period		$ 26,281	$ 3,619
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 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 2500, 666 Burrard Street, Vancouver, BC, V6C 2X8.

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 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 held 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, the imposition of currency controls, and health pandemics, 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, 2019. The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 6, 2020, the date the Board of Directors approved the statements.

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

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the Company's consolidated financial statements for the year ended December 31, 2019. 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2019.

3) Investment in associates and joint ventures:

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

		March 31, 2020		December 31, 2019
Main Street 1549	$	32,269	$	32,255
Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia")		-		-
Total Investment	$	32,269	$	32,255

i) Main Street 1549:

		March 31, 2020		December 31, 2019
Balance, beginning of the period	$	32,255	$	34,183
Funds received from Main Street 1549		-		(2,047)
Share of gain from equity investment		14		119
Balance, end of the period	$	32,269	$	32,255

Africa Energy holds 49% of the common shares of Main Street 1549, a private South African entity. In December 2018, Main Street 1549 completed 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.

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

Due to the discovery at the Brulpadda-1AX well in February 2019, Main Street 1549 is 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 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, 2020, Main Street 1549 has assessed the likelihood and timing of future exploration expenditures and has accrued the required 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 the Company holds 49% of the voting shares. During the three months ended March 31, 2020, the Company recognized a gain from its investment in Main Street 1549 of $0.01 million ($0.1 million for the three months ended March 31, 2019).

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, 2020		**December 31, 2019**
Cash and cash equivalents included in current assets	$	4,311	$	17,752
Other current assets		2,001		2,004
Non-current assets		70,212		67,452
Current liabilities		(10,668)		(21,381)
Net assets of Main Street 1549	$	65,856	$	65,827
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net assets	$	32,269	$	32,255

For the three months ended		**March 31, 2020**		**March 31 2019**
Operating expense	$	(3)	$	(8)
Finance income		32		171
Net gain and comprehensive gain	$	29	$	163
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net gain	$	14	$	80

At March 31, 2020, Main Street 1549 had cash of $4.3 million (gross) with negative working capital of $4.4 million (gross). Current liabilities included a $5.0 million (gross) obligation to fund Total's and CNRI's portion of the 3D seismic costs and $5.0 million (gross) of Total's and CNRI's portion of the drilling costs for the next exploration well.

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

ii) Pancontinental Namibia:

		March 31, 2020		December 31, 2019
Balance, beginning of the period	$	-	$	-
Funds received from Pancontinental Namibia		-		(133)
Recovery of investment		-		133
Balance, end of the period	$	-	$	-

During the year ended December 31, 2019, the Company received a one-time cash repayment of $0.1 million which was accounted for as a recovery in the statement of profit and loss. The joint venture partners on PEL 37 have fulfilled the obligations of the current exploration period expiring March 21, 2021.

4) Property and equipment:

		March 31, 2020		December 31, 2019
Cost, beginning of the period	$	233	$	165
Additions		-		5
Increase in right-of-use assets		-		63
Cost, end of the period		233		233
Accumulated depreciation, beginning of the period		(159)		(143)
Depreciation		(9)		(16)
Accumulated depreciation, end of the period		(168)		(159)
Net carrying amount, beginning of the period	$	74	$	22
Net carrying amount, end of the period	$	65	$	74

As at March 31, 2020, the Company has recorded $0.07 million of property and equipment (December 31, 2019 - $0.07 million) consisting primarily of right-of-use assets, which is defined as the lessee's right to use an asset over the life of a lease. The Company depreciates its right-of-use assets over the term of the contract. The Company depreciates its property and equipment, other than right of use assets, on a straight-line basis over the useful life of the assets (one to three years). Included in depreciation is $0.01 million relating to the Company’s right-of-use assets.

5) Intangible exploration assets:

		March 31, 2020		December 31, 2019
Net carrying amount, beginning of the period	$	7,024	$	6,820
Intangible exploration expenditures		27		204
Net carrying amount, end of the period	$	7,051	$	7,024

As at March 31, 2020, $7.1 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2019, $7.0 million). These expenditures relate to the acquisition of a 90% participating interest in Block 2B as well as license fees, geological, geophysical and well studies and general and administrative costs related to Block 2B.

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

During the three months ended March 31, 2020, the Company capitalized $0.02 million of general and administrative expenses related to intangible exploration assets (December 31, 2019, $0.05 million).

The Company has determined that as at March 31, 2020, intangible exploration assets are not impaired.

6) Share capital:

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

b) Issued:

		March 31, 2020		December 31, 2019	
	Note	**Shares**	**Amount**	**Shares**	**Amount**
Balance, beginning of the period		684,216,927	$ 152,649	683,356,094	$ 152,481
Exercise of options	7	515,834	110	860,833	168
Private placement, net of issue costs		104,652,174	23,959	-	-
Balance, end of the period		789,384,935	$ 176,718	684,216,927	$ 152,649

On February 5, 2020, the Company completed a private placement issuing an aggregate of 104,652,174 common shares at a price of SEK 2.30 (approximately CAD$0.32) per share for gross proceeds of $25.0 million. A broker's fee of approximately $1.0 million was paid in cash to Pareto Securities AB and SpareBank1 Markets AS.

7) Share purchase options:

At the Annual General and Special Meeting held on June 13, 2019, 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.

Share purchase options outstanding are as follows:

	March 31, 2020		December 31, 2019	
	Number of options	**Weighted average exercise price (CAD$)**	**Number of options**	**Weighted average exercise price (CAD$)**
Outstanding, beginning of the period	44,634,167	0.18	31,808,333	0.16
Granted	14,700,000	0.17	13,715,000	0.245
Expired	-	-	(28,333)	0.22
Exercised	(515,834)	0.17	(860,833)	0.15
Balance, end of the period	58,818,333	0.18	44,634,167	0.18

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

i) During the three months ended March 31, 2020, 515,834 stock options were exercised from which $0.04 million in contributed surplus was transferred to share capital. During the year ended December 31, 2019, 860,833 stock options were exercised from which $0.07 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, 2020 and the year ended December 31, 2019 were estimated on the date of grant using the following weighted average assumptions:

	2020	2019
Number of options granted during the period	14,700,000	13,715,000
Fair value of options granted (CAD$)	0.10	0.15
Risk-free interest rate (%)	0.66	1.47
Expected life (years)	3.00	3.00
Expected volatility (%)	92	94
Expected dividend yield	-	-

The following table summarizes information regarding stock options outstanding at March 31, 2020:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.17	3,150,000	0.14
0.13	1,350,000	0.37
0.11	1,850,000	1.01
0.125	4,020,000	1.13
0.17	2,500,000	2.26
0.165	17,553,333	3.12
0.245	13,695,000	3.92
0.170	14,700,000	4.99
0.18	58,818,333	3.31

2,500,000 options granted at CAD$0.17 per share 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 following table summarizes information regarding stock options exercisable at March 31, 2020:

Weighted average exercise price (CAD$/share)	Options exercisable	Weighted average remaining contractual life in years
0.17	3,150,000	0.14
0.13	1,350,000	0.37
0.11	1,850,000	1.01
0.125	4,020,000	1.13
0.165	11,533,332	3.12
0.245	9,130,000	3.92
0.17	4,900,000	4.99
0.18	35,933,332	2.88

The Company recognized $0.6 million in stock-based compensation expense for the three months ended March 31, 2020 ($0.8 million for the three months ended March 31, 2019).

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

8) Finance income and expense:

Finance income and expense is comprised of the following:

For the three months ended		March 31, 2020		March 31, 2019
Interest and other income	$	(60)	$	(29)
Foreign exchange loss		195		-
Finance expense		195		-
Finance income	$	(60)	$	(29)

9) Related party transactions:

Transactions with AOC:

At March 31, 2020, AOC owned 32.6% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision of management and administrative services, AOC invoiced the Company $0.03 million during the three months ended March 31, 2020 (March 31, 2019, $0.03 million). At March 31, 2020, the outstanding balance payable to AOC was $ nil (at December 31, 2019, $ nil). The service fee charged to the Company by AOC is for the provision of 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 $0.2 million during the three months ended March 31, 2020 ($0.05 million for the three months ended March 31, 2019). At March 31, 2020, the outstanding balance receivable from AOC was $ nil (at December 31, 2019, $ 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.

10) Net Loss Per Share:

For the years ended	March 31, 2020						March 31, 2019					
			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	$	(1,991)	749,014,694	$	(0.00)	$	(2,239)	683,431,649	$	(0.00)
Effect of dilutive securities		-	-		-		-	-		-
Dilutive loss per share	$	(1,991)	749,014,694	$	(0.00)	$	(2,239)	683,431,649	$	(0.00)

For the three months ended March 31, 2020, 58,818,333 options were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2019, 45,390,000).

11) Financial Instruments:

Assets and liabilities at March 31, 2020 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, accounts payable and accrued liabilities and leases payable 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.

12) 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 Second Renewal Period, which was set to expire on February 20, 2020. Prior to expiry, the Block 2B joint venture partnership applied for entry into the Third Renewal Period, which is the last period under the Block 2B Exploration Right. The Company has proposed to include an obligation to drill a well in the Third Renewal Period, which is for a period of two years from the date the application is approved by the South African Government. In accordance with the terms of the Block 2B Exploration Right, the Company is required to relinquish 15% of the current exploration area.

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.

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

At March 31, 2020, 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.

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Refer to note 3(i) for details on commitments.

13) Lease Obligations:

The following table details the Company's lease obligations:

	March 31, 2020	December 31, 2019
Less than one year	35	35
Greater than one year	11	20
Total lease payments	46	55
Amounts representing interest	(3)	(4)
Present value of net lease payments	43	51
Current portion of lease obligations	(32)	(31)
Non-current portion of lease obligations	11	20

The Company's short-term leases and leases of low-value assets amounted to $ nil for the three months ended March 31, 2020 ($0.07 million for the year ended December 31, 2019) and are expensed accordingly. The Company's lease obligations consist of rent and parking for its office in Cape Town, South Africa. The Company's lease contract was effective beginning August 1, 2019 for a period of two years but may have extension options as described in Note 2(d) "Use of estimates and judgments". Leases are negotiated on an individual basis and contain a wide range of different terms and conditions.

(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, 2020		March 31, 2019
Changes in non-cash working capital				
Accounts receivable	$	5	$	18
Due from related party		-		(50)
Prepaid expenses		23		79
Accounts payable and accrued liabilities		1,277		102
	$	1,305	$	149
Relating to:				
Operating activities	$	(120)	$	109
Investing activities		1,425		40
Changes in non-cash working capital	$	1,305	$	149