AFRICA ENERGY CORP.

Report to Shareholders

September 30, 2020

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three and nine months ended September 30, 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 and nine months ended September 30, 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 November 10, 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 14.6% participating interest in Petroleum Exploration License 37 offshore Namibia ("PEL 37").

On August 24, 2020, the Company announced the signing of definitive agreements to increase its effective interest in Block 11B/12B from 4.9% to 10%, subject to certain consents and approvals. See more detail on these agreements in the Block 11B/12B Operations Update.

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.

The Company's common shares are traded on the TSX Venture Exchange in Toronto under ticker symbol "AFE" and the Nasdaq First North Growth Market in Stockholm under ticker symbol "AEC". Africa Oil Corp. ("AOC") is currently the Company's largest shareholder with 31.3% 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 Block 11B/12B Participating Interest"). 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 International Upstream LLC and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, holding 25% and 20%, respectively.

In August 2020, the Company announced the signing of definitive agreements to increase its effective interest in Block 11B/12B offshore South Africa from 4.9% to 10%, subject to certain consents and approvals. Africa Energy entered into an investment agreement (the "Investment Agreement") with Impact Oil & Gas Limited ("Impact") and Impact Oil & Gas SA Blocks 11B-12B Limited ("Impact 11B/12B"), and on October 22, 2020, Africa Energy completed the Investment Agreement, subscribing for new shares (the "Investment") and thereby obtaining 99.9% voting control of Impact 11B/12B, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street ("Arostyle Loan Agreement"). Impact has also entered into a subscription agreement with Africa Energy (the "Subscription Agreement") to subscribe for 509,092,771 common shares of Africa Energy (the "Subscription Shares") that is subject to completion of the Investment. Closing of the Subscription Agreement is expected to take place in November 2020 subject to standard conditions.

Also in August 2020, Africa Energy and Arostyle entered into an implementation agreement (the "Implementation Agreement") that provides for certain amendments to the existing Main Street shareholders' agreement (the "Main Street SHA") and the Arostyle Loan Agreement (together, the "Arostyle Transaction"). The Arostyle Transaction was completed on October 22, 2020.

The Implementation Agreement and the amendments to the Main Street SHA provide that Africa Energy has agreed to fund 100% of the obligations of Main Street for a risk-adjusted return linked to the proceeds on any future sale of Main Street or the Block 11B/12B Participating Interest. In addition, the Main Street SHA provides that either Africa Energy or Arostyle has the right to trigger the sale of the Block 11B/12B Participating Interest to a wholly-owned subsidiary of Africa Energy ("Arostyle Option"). The Arostyle Option is exercisable by either party upon commencement of demobilization after completion of the Luiperd-1X well and will be subject to receiving all required regulatory approvals and joint venture partner consents and waivers. Exercise of the Arostyle Option would result in Arostyle being issued 64,455,916 common shares of Africa Energy.

On October 28, 2020, the Company announced a significant gas condensate discovery on the Luiperd Prospect on Block 11B/12B. This discovery reconfirms this world-class exploration play with substantial follow-on potential and follows the adjacent play-opening Brulpadda discovery in 2019 that proved a significant new petroleum province in the region.

The Luiperd-1X exploration well was drilled in approximately 1,800 meters of water by the Odfjell Deepsea Stavanger semi-submersible rig to a total depth of about 3,400 meters. The well targeted the hydrocarbons potential in a mid-Cretaceous aged deep marine sequence where fan sandstone systems are developed within combined stratigraphic/structural closure. The well encountered 73 meters of net gas condensate pay over a mid-Cretaceous high-quality reservoir interval and did not encounter the water contact. Following a comprehensive coring and logging program, the Block 11B/12B joint venture is now testing the Luiperd-1X well to assess dynamic reservoir characteristics and deliverability with results expected by the end of November 2020. Due to the success at Luiperd, the joint venture has decided to proceed with development studies and engage with authorities on commercialization of gas rather than drilling another exploration well in this program.

The Luiperd 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 19,000 square kilometers with water depths ranging from 200 to 1,800 meters. The success at both the Luiperd-1X well and the Brulpadda-1AX well significantly de-risks the remaining Paddavissie Fairway prospects on Block 11B/12B.

In May 2020, the Block 11B/12B joint venture received the fast-track 2D seismic dataset from Shearwater GeoServices Holding AS for the 7,033 linear kilometer 2D seismic program completed earlier in the year on Block 11B/12B. Initial interpretative work has confirmed the Kloofpadda Play Trend, which consists of a number of large and encouraging leads. The Block 11B/12B joint venture received the fully processed 2D seismic dataset in early September and will then begin full prospect analysis for the eastern part of the block.

In June 2020, the Block 11B/12B joint venture received the fast-track 3D seismic dataset from Petroleum Geo-Services ASA (“PGS”) for the 2,305 square kilometer 3D seismic program completed earlier in the year on Block 11B/12B. Initial interpretive work has identified a number of additional leads. In September 2020, the Block 11B/12B joint venture received the fully integrated fast track processed 3D dataset. Furthermore, the final fully processed 3D over the Paddavissie Fairway which integrates the PGS and Polarcus Limited acquired surveys is due to be delivered early 2021 and will be used to mature previously identified leads into prospects.

The joint venture partnership was recently granted approval from the South African Government for entry into the Third Renewal Period for the Block 11B/12B Exploration Right, which is for a period of two years ending September 7, 2022.

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, Africa Energy 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 43.85% participating interest in PEL 37 offshore the Republic of Namibia. The Company's effective interest in PEL 37 is therefore 14.6%. PEL 37 is operated by Tullow Namibia Ltd. ("Tullow"), which holds a 51.15% participating interest, with Paragon Oil and Gas (Pty) Ltd. the remaining 5%.

ONGC Videsh Ltd. has withdrawn from PEL 37 joint venture partnership, and Pancontinental Namibia and Tullow agreed to acquire their pro rata interest in PEL 37, increasing their participating interest from 30% and 35%, respectively, to 43.85% and 51.15%, 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 was 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 September 30, 2020, the Company completed a private placement issuing an aggregate of 81,667,000 common shares at a price of SEK 3.00 (approximately CAD$0.45) per share for gross proceeds of approximately $27.6 million. A broker fee of approximately $0.8 million in aggregate was paid in cash to Pareto Securities AB, Arctic Securities AS and Fearnley Securities AS.

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 fee of approximately $1.0 million in aggregate was paid in cash to Pareto Securities AB and SpareBank1 Markets AS.

OUTLOOK

Africa Energy recently announced a significant gas condensate discovery on the Luiperd Prospect on Block 11B/12B. The discovery reconfirms this world-class exploration play with substantial follow-on potential and follows the adjacent play-opening Brulpadda discovery in 2019 that proved a significant new petroleum province in the region. The Block 11B/12B joint venture is testing the Luiperd-1X well to assess dynamic reservoir characteristics and deliverability. Due to the success at Luiperd, the joint venture has decided to proceed with development studies and engage with authorities on gas commercialization rather than drilling another exploration well in the current program. The Company expects the joint venture to drill additional wells before the Exploration Right expires in September 2022.

Management is focused on closing the Block 2B farmouts whereby the Company will retain a 27.5% interest and be carried through the next exploration well, Gazania-1, which is expected to spud in the second quarter of 2021. Closing of the two farmout agreements is subject to standard conditions for this type of transaction, including approval of the South African government. Block 2B has significant contingent and prospective resources in shallow water close to shore and includes 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 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 on 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 and drilling to date have not been impacted by the current health crises. Total worked closely with the South African Government Authorities and the drilling contractors during the ongoing drilling operations and will continue to do so in order to ensure that the completion of the drilling campaign occurs safely and efficiently. The global coronavirus situation remains fluid, and we will update investors if operations are impacted.

In Block 2B, the Company is waiting on South African government approval for the recently announced farmout agreements. While the Company expects minor delays to the approval process as a result of the recent lockdown in South Africa, the governmental departments responsible for the approval resumed operations in May 2020 and are currently reviewing the application for transfer.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**30-Sep 2020**	**30-Jun 2020**	**31-Mar 2020**	**31-Dec 2019**	**30-Sep 2019**	**30-Jun 2019**	**31-Mar 2019**	**31-Dec 2018**
Operating expenses ($)	(1,138)	(559)	(1,856)	(559)	(686)	(1,109)	(2,268)	(9,496)
Foreign exchange gain (loss) ($)	22	50	(195)	32	(35)	28	-	3
Interest and other income ($)	18	40	60	12	21	17	29	194
Net loss ($)	(1,098)	(469)	(1,991)	(515)	(700)	(1,064)	(2,239)	(9,299)
Weighted average shares - Basic	798,067	790,639	749,015	684,217	684,063	683,788	683,432	683,356
Weighted average shares - Diluted	798,067	790,639	749,015	684,217	684,063	683,788	683,432	683,356
Basic loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Diluted loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Exploration and evaluation expenditures ($)	(29)	(69)	(27)	(129)	(1)	(20)	(54)	(18)

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

Operating expenses decreased in the first quarter of 2019 due to the impairment of the full amount of the investment in Pancontinental Namibia ($8.2 million) 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. Operating expenses increased during the third quarter of 2020 due to professional fees incurred relating to the transactions to increase the Company’s effective interest in Block 11B/12B.

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 of 2018 to the end of the fourth quarter of 2018 as well as in the second quarter of 2020.

Weighted average shares increased during the first and third quarters of 2020 due to the financings that closed in February and September 2020.

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

RESULTS OF OPERATIONS

(thousands)	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Salaries and benefits	$ 227	$ 192	$ 1,380	$ 1,841
Stock-based compensation	191	273	1,004	1,373
Travel	-	21	24	160
Consulting fees	55	76	159	232
Office and general	33	69	99	313
Depreciation	8	5	24	7
Professional fees	537	36	674	134
Stock exchange and filing fees	80	37	188	131
Share of (income)/loss from equity investments	7	(23)	1	(128)
Operating expenses	$ 1,138	$ 686	$ 3,553	$ 4,063

Operating expenses increased by $0.5 million for the three months ended September 30, 2020, compared to the same period in 2019 due to an increase in professional fees, stock exchange and filing fees related to the transactions to increase the Company's effective interest in Block 11B/12B offshore South Africa. This increase was partially offset by efforts to reduce overall corporate costs.

Operating expenses decreased by $0.5 million for the nine months ended September 30, 2020, compared to the same period in 2019 due to efforts to reduce overall corporate costs and a reduction in stock-based compensation of $0.4 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 nine months ended September 30, 2019. This decrease was partially offset by an increase in professional fees, stock exchange and filing fees related to the transactions to increase the Company's effective interest in Block 11B/12B offshore South Africa.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

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

(thousands)	September 30, 2020	December 31, 2019
Main Street 1549	$ 46,644	$ 32,255
Pancontinental Namibia	-	-
Total Investment	$ 46,644	$ 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.

Due to the discovery at the Brulpadda-1AX well in February 2019, Main Street 1549 has funded $5.0 million of 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 Luiperd-1X 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 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 depending on the amount of reserves at that time.

At September 30, 2020, Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

In August 2020, the Company announced the signing of definitive agreements to increase its effective interest in Block 11B/12B offshore South Africa from 4.9% to 10%. Africa Energy entered into an investment agreement (the "Investment Agreement") with Impact Oil & Gas Limited (“Impact”) and Impact Oil & Gas SA Blocks 11B-12B Limited ("Impact 11B/12B"), and on October 22, 2020, Africa Energy subscribed for new shares (the "Investment") and thereby obtained 99.9% voting control of Impact 11B/12B, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street (“Arostyle Loan Agreement”). Impact has also entered into a subscription agreement with Africa Energy (the "Subscription Agreement") to subscribe for 509,092,771 common shares of Africa Energy (the "Subscription Shares") that is subject to completion of the Investment. Closing of the Subscription Agreement is expected to take place in November 2020, subject to standard conditions.

Also in August 2020, Africa Energy and Arostyle entered into an implementation agreement (the "Implementation Agreement") that provides for certain amendments to the existing Main Street shareholders' agreement (the "Main Street SHA") and the Arostyle Loan Agreement (together, the "Arostyle Transaction"). The Arostyle Transaction was completed on October 22, 2020.

The Implementation Agreement and the amendments to the Main Street SHA provide that Africa Energy has agreed to fund 100% of the obligations of Main Street for a risk-adjusted return linked to the proceeds on any future sale of Main Street or the Block 11B/12B Participating Interest. In addition, the Main Street SHA provides that either Africa Energy or Arostyle has the right to trigger the sale of the Block 11B/12B Participating Interest to a wholly-owned subsidiary of Africa Energy (“Arostyle Option”). The Arostyle Option will become exercisable by either party after completion of the Luiperd-1X well and will be subject to receiving all required regulatory approvals and joint venture partner consents and waivers. Exercise of the Arostyle Option would result in Arostyle being issued 64,455,916 common shares of Africa Energy.

The investment in Main Street 1549 is accounted for using the equity method as the Company holds 49% of the voting shares. The Company recognized losses of $0.006 million and $0.001 million for the three and nine months ended September 30, 2020, respectively, relating its investment in Main Street 1549 (the Company recognized gains of $0.02 million and $0.1 million for the three months and nine months ended September 30, 2019, respectively).

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.

INTANGIBLE EXPLORATION ASSETS

(thousands)	September 30, 2020	December 31, 2019
Intangible exploration assets	$ 7,149	$ 7,024

During the nine months ended September 30, 2020, the Company capitalized $0.1 million (nine months ended September 30, 2019, $0.08 million) of intangible exploration expenditures of which $0.06 million of general and administrative expenses related to Block 2B (nine months ended September 30, 2019, $0.02 million).

LIQUIDITY AND CAPITAL RESOURCES

At September 30, 2020, the Company had cash of $39.1 million and working capital of $37.4 million compared to cash of $2.4 million and working capital of $2.1 million at December 31, 2019. The Company completed two private placements; one in September 2020 issuing an aggregate of 81,667,000 common shares at a price of SEK 3.00 (approximately CAD 0.45) per share for gross proceeds of $27.6 million, and another in February 2020 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.

Main Street 1549, an entity owned 49% by Africa Energy, held $0.5 million cash with negative working capital of $5.9 million at September 30, 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 and nine months ended September 30, 2020 was $0.2 million and $1.0 million, respectively, compared to $0.3 million and $1.4 million for the three and nine months ended September 30, 2019, respectively. During 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 nine months ended September 30, 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 2020 compared to the same period in 2019.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At September 30, 2020, AOC owned 31.3% 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 $0.02 million and $0.08 million during the three and nine months ended September 30, 2020, respectively ($0.03 million and $0.09 million during the three and nine months ended September 30, 2019, respectively). At September 30, 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 the Consulting Services Agreement, effective March 1, 2019, between AOC and the Company for the provision of new venture consulting services, the Company invoiced AOC $0.06 million during 2020 until the expiration of the Consulting Services Agreement on June 30, 2020. The consulting fee charged to AOC by the Company was intended to cover the costs of the Company's employees who are provided AOC with new venture services. The consulting fee was recognized as a reduction in salaries and benefits expense.

On July 1, 2020, the Company entered into a General Technical and Administrative Service Agreement with Africa Oil SA Corp. ("AOSAC"), a wholly-owned subsidiary of AOC. The Company invoiced AOSAC $0.1 million during the three and nine months ended September 30, 2020. The consulting fee charged to AOSAC by the Company is intended to cover the costs of the Company's employees who are providing AOSAC with technical and administrative services relating to its 100% operating interest in Block 3B/4B, located offshore South Africa. The consulting fee is recognized as a reduction in salaries and benefits expense, and office and general costs.

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 September 30, 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 2B.

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	883,940,268
Outstanding share purchase options	45,580,000
Full dilution impact on common shares outstanding	929,520,268

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.

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 licenses 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 September 30, 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 year ended December 31, 2020 on March 24, 2021.

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	September 30, 2020	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		$ 39,106	$ 2,408
Accounts receivable		108	63
Prepaid expenses		125	84
		39,339	2,555
Long-term assets			
Investment in associates	3	46,644	32,255
Property and equipment	4	50	74
Intangible exploration assets	5	7,149	7,024
		53,843	39,353
Total assets		$ 93,182	$ 41,908
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Current liabilities			
Accounts payable and accrued liabilities		$ 1,948	$ 413
Lease obligations	13	25	31
		1,973	444
Long-term liabilities			
Lease obligations	13	-	20
		-	20
Total liabilities		1,973	464
Equity attributable to common shareholders			
Share capital	6	206,116	152,649
Contributed surplus	7	6,875	7,019
Deficit		(121,782)	(118,224)
Total equity attributable to common shareholders		91,209	41,444
Total liabilities and equity attributable to common shareholders		$ 93,182	$ 41,908
Subsequent events	15		
Commitments and contingencies	12		

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

Approved on behalf of the Board:

"IAN GIBBS"

IAN GIBBS, DIRECTOR

"ADAM LUNDIN"

ADAM LUNDIN, CHAIRMAN

AFRICA ENERGY CORP.

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

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Operating expenses					
Salaries and benefits	9	$ 227	$ 192	$ 1,380	$ 1,841
Stock-based compensation	7	191	273	1,004	1,373
Travel		-	21	24	160
Consulting fees	9	55	76	159	232
Office and general		33	69	99	313
Depreciation	4	8	5	24	7
Professional fees		537	36	674	134
Stock exchange and filing fees		80	37	188	131
Share of (income)/loss from equity investments	3	7	(23)	1	(128)
		1,138	686	3,553	4,063
Finance expense	8	-	35	123	7
Finance income	8	(40)	(21)	(118)	(67)
Net loss and comprehensive loss attributable to common shareholders		(1,098)	(700)	(3,558)	(4,003)
Net loss per share	10				
Basic		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Diluted		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	10				
Basic		798,067,073	684,063,123	779,308,894	683,763,346
Diluted		798,067,073	684,063,123	779,308,894	683,763,346

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

AFRICA ENERGY CORP.

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

	Note		September 30, 2020		September 30, 2019
Share capital:	6(b)				
Balance, beginning of the period		$	152,649	$	152,481
Private placement, net of issue costs			50,675		-
Exercise of options			2,792		168
Balance, end of the period			206,116		152,649
Contributed surplus:	7				
Balance, beginning of the period		$	7,019	$	5,447
Excercise of options			(1,148)		(71)
Stock-based compensation			1,004		1,373
Balance, end of the period			6,875		6,749
Deficit:					
Balance, beginning of the period		$	(118,224)	$	(113,706)
Net loss for the period			(3,558)		(4,003)
Balance, end of the period			(121,782)		(117,709)
Equity attributable to common shareholders		$	91,209	$	41,689

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

AFRICA ENERGY CORP.

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

	Note	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Cash flows provided by (used in):	**Note**				
Operations:					
Net loss for the period		$ (1,098)	$ (700)	$ (3,558)	$ (4,003)
Items not affecting cash:					
Stock-based compensation	7	191	273	1,004	1,373
Depreciation	4	8	5	24	7
Interest on lease obligations	13	1	1	3	1
Share of (income)/loss from equity investments	3	7	(23)	1	(128)
Unrealized foreign exchange (gain)/loss		(22)	35	123	7
Changes in non-cash operating working capital	14	215	(45)	40	141
Net cash used in operating activities		(698)	(454)	(2,363)	(2,602)
Investing:					
Property and equipment expenditures	6	-	(3)	-	(3)
Intangible exploration expenditures	5	(29)	(1)	(125)	(75)
Investment in joint venture	3	(14,390)	-	(14,390)	2,047
Changes in non-cash investing working capital	14	(36)	-	1,409	(15)
Net cash provided by/(used in) investing activities		(14,455)	(4)	(13,106)	1,954
Financing:					
Common shares issued	6(b)	28,726	37	54,267	97
Share issuance costs	6(b)	(907)	-	(1,948)	-
Payment of lease obligations	13	(8)	(6)	(24)	(6)
Net cash provided by financing activities		27,811	31	52,295	91
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		21	(35)	(128)	(7)
Increase/(decrease) in cash and cash equivalents		12,679	(462)	36,698	(564)
Cash and cash equivalents, beginning of the period		$ 26,427	$ 2,907	$ 2,408	$ 3,009
Cash and cash equivalents, end of the period		$ 39,106	$ 2,445	$ 39,106	$ 2,445
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Taxes paid		Nil	Nil	Nil	Nil

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

1) Incorporation and nature of business:

Africa Energy Corp. (collectively with its subsidiaries, "Africa Energy" or the "Company") 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 currently holds a 43.85% 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

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

Standards ("IFRS") issued and outstanding as at November 10, 2020, 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, 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:

		September 30, 2020		**December 31, 2019**
Main Street 1549	$	46,644	$	32,255
Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia")		-		-
Total Investment	$	46,644	$	32,255

i) Main Street 1549:

		September 30, 2020		**December 31, 2019**
Balance, beginning of the period	$	32,255	$	34,183
Funds contributed to Main Street 1549		14,390		-
Funds received from Main Street 1549		-		(2,047)
Share of income/(loss) from equity investment		(1)		119
Balance, end of the period	$	46,644	$	32,255

Africa Energy holds 49% of the common shares of Main Street 1549, a private South African entity. The remaining 51% of the common shares of Main Street 1549 are held by Arostyle Investments (RF) (Proprietary) Limited ("Arostyle"). 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 ("Block 11B/12B Participating Interest").

Due to the discovery at the Brulpadda-1AX well in February 2019, Main Street 1549 has funded $5.0 million of 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 Luiperd-1X well.

During the three months ended September 30, 2020, the Company funded $14.4 million in cash calls relating to the Company's Block 11B/12B Participating Interest.

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 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 depending on the amount of reserves at that time.

At September 30, 2020, Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

In August 2020, the Company announced the signing of definitive agreements to increase its effective interest in Block 11B/12B offshore South Africa from 4.9% to 10%. Africa Energy entered into an investment agreement (the "Investment Agreement") with Impact Oil & Gas Limited ("Impact") and Impact Oil & Gas SA Blocks 11B-12B Limited ("Impact 11B/12B"), and on October 22, 2020, Africa Energy subscribed for new shares (the "Investment") and thereby obtained 99.9% voting control of Impact 11B/12B, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street ("Arostyle Loan Agreement"). Impact has also entered into a subscription agreement with Africa Energy (the "Subscription Agreement") to subscribe for 509,092,771 common shares of Africa Energy (the "Subscription Shares") that is subject to completion of the Investment. Closing of the Subscription Agreement is expected to take place in November 2020, subject to standard conditions.

Also in August 2020, Africa Energy and Arostyle entered into an implementation agreement (the "Implementation Agreement") that provides for certain amendments to the existing Main Street shareholders' agreement (the "Main Street SHA") and the Arostyle Loan Agreement (together, the "Arostyle Transaction"). The Arostyle Transaction was completed on October 22, 2020.

The Implementation Agreement and the amendments to the Main Street SHA provide that Africa Energy has agreed to fund 100% of the obligations of Main Street for a risk-adjusted return linked to the proceeds on any future sale of Main Street or the Block 11B/12B Participating Interest. In addition, the Main Street SHA provides that either Africa Energy or Arostyle has the right to trigger the sale of the Block 11B/12B Participating Interest to a wholly-owned subsidiary of Africa Energy ("Arostyle Option"). The Arostyle Option will become exercisable by either party after completion of the Luiperd-1X well and will be subject to receiving all required regulatory approvals and joint venture partner consents and waivers. Exercise of the Arostyle Option would result in Arostyle being issued 64,455,916 common shares of Africa Energy.

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

The investment in Main Street 1549 is accounted for using the equity method as the Company holds 49% of the voting shares. The Company recognized losses of $0.006 million and $0.001 million for the three and nine months ended September 30, 2020, respectively, relating its investment in Main Street 1549 (the Company recognized gains of $0.02 million and $0.1 million for the three months and nine months ended September 30, 2019, respectively).

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

The following is a financial summary of Main Street 1549:

		September 30, 2020		December 31, 2019
Cash and cash equivalents included in current assets	$	50	$	17,752
Other current assets		2,001		2,004
Non-current assets [1]		101,127		67,452
Current liabilities		(7,986)		(21,381)
Net assets of Main Street 1549	$	95,192	$	65,827
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net assets	$	46,644	$	32,255

For the nine months ended		September 30, 2020		September 30, 2019
Operating expense	$	(29)	$	(23)
Finance income		27		284
Net income/(loss) and comprehensive income/(loss)	$	(2)	$	261
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net income/(loss)	$	(1)	$	128

(1) At September 30, 2020, the carrying value of non-current assets included a fair value adjustment of $15.2 million.

At September 30, 2020, Main Street 1549 had cash of $0.05 million (gross) with negative working capital of $5.9 million (gross).

ii) Pancontinental Namibia:

		September 30, 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.

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

4) Property and equipment:

		September 30, 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		(24)		(16)
Accumulated depreciation, end of the period		(183)		(159)
Net carrying amount, beginning of the period	$	74	$	22
Net carrying amount, end of the period	$	50	$	74

As at September 30, 2020, the Company has recorded $0.05 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 $0.02 million relating to the Company's right-of-use assets.

5) Intangible exploration assets:

		September 30, 2020		December 31, 2019
Net carrying amount, beginning of the period	$	7,024	$	6,820
Intangible exploration expenditures		125		204
Net carrying amount, end of the period	$	7,149	$	7,024

As at September 30, 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.

On February 24, 2020, the Company executed two farmout agreements whereby the Company will transfer an aggregate 62.5% participating interest in the Exploration Right for Block 2B offshore South Africa. Africa Energy will retain a 27.5% participating interest in Block 2B.

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.

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

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.

Closing of the two farmout agreements is subject to standard conditions for this type of transaction, including approval of the South African government.

During the nine months ended September 30, 2020, the Company capitalized $0.06 million of general and administrative expenses related to intangible exploration assets (December 31, 2019, $0.05 million).

At September 30, 2020, intangible exploration assets were not impaired as there were no indicators for impairment, therefore a full impairment test was not performed.

6) Share capital:

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

b) Issued:

		September 30, 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	13,404,167		2,792	860,833		168
Private placement, net of issue costs		186,319,174		50,675	-		-
Balance, end of the period		883,940,268	$	206,116	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.

On September 30, 2020, the Company completed a private placement issuing an aggregate of 81,667,000 common shares at a price of SEK 3.00 (approximately CAD$0.45) per share for gross proceeds of approximately $27.6 million. A broker's fee of approximately $0.8 million was paid in cash to Pareto Securities AB, Arctic Securities AS and Fearnley Securities AS.

7) Share purchase options:

At the Annual General and Special Meeting held on June 11, 2020, 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:

	September 30, 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	(350,000)	0.17	(28,333)	0.22
Exercised	(13,404,167)	0.16	(860,833)	0.15
Balance, end of the period	45,580,000	0.18	44,634,167	0.18

i) During the nine months ended September 30, 2020, 13,404,167 stock options were exercised from which $1.1 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 nine months ended September 30, 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 September 30, 2020:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.125	2,770,000	0.62
0.11	950,000	0.67
0.17	2,500,000	1.76
0.165	12,580,000	2.62
0.245	12,285,000	3.42
0.17	14,495,000	4.48
0.18	45,580,000	3.22

2,500,000 options granted at CAD$0.17 per share during 2017 cliff vested 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.

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

The following table summarizes information regarding stock options exercisable at September 30, 2020:

Weighted average exercise price (CAD$/share)	Options exercisable	Weighted average remaining contractual life in years
0.125	2,770,000	0.62
0.11	950,000	0.67
0.170	2,500,000	1.76
0.165	12,580,000	2.62
0.245	7,720,000	3.42
0.17	4,695,000	4.48
0.18	31,215,000	2.79

The Company recognized $0.2 million and $1.0 million in stock-based compensation expense for the three and nine months ended September 30, 2020, respectively ($0.3 million and $1.4 million in stock-based compensation expense for the three and nine months ended September 30, 2019, respectively).

8) Finance income and expense:

Finance income and expense is comprised of the following:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Interest and other income	$ (18)	$ (21)	$ (118)	$ (67)
Foreign exchange (gain)/loss	(22)	35	123	7
Finance expense	-	35	123	7
Finance income	$ (40)	$ (21)	$ (118)	$ (67)

9) Related party transactions:

Transactions with AOC:

At September 30, 2020, AOC owned 31.3% 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 $0.02 million and $0.08 million during the three and nine months ended September 30, 2020, respectively ($0.03 million and $0.09 million during the three and nine months ended September 30, 2019, respectively). At September 30, 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.

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

Under the terms of the Consulting Services Agreement, effective March 1, 2019, between AOC and the Company for the provision of new venture consulting services, the Company invoiced AOC $0.06 million during 2020 until the expiration of the Consulting Services Agreement on June 30, 2020. The consulting fee charged to AOC by the Company was intended to cover the costs of the Company's employees who are provided AOC with new venture services. The consulting fee was recognized as a reduction in salaries and benefits expense.

On July 1, 2020, the Company entered into a General Technical and Administrative Service Agreement with Africa Oil SA Corp. ("AOSAC"), a wholly-owned subsidiary of AOC. The Company invoiced AOSAC $0.1 million during the three and nine months ended September 30, 2020. The consulting fee charged to AOSAC by the Company is intended to cover the costs of the Company's employees who are providing AOSAC with technical and administrative services relating to its 100% operating interest in Block 3B/4B, located offshore South Africa. The consulting fee is recognized as a reduction in salaries and benefits expense, and office and general costs.

10) Net Loss Per Share:

For the three months ended	September 30, 2020			September 30, 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	$ (1,098)	798,067,073	$ (0.00)	$ (700)	684,063,123	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (1,098)	798,067,073	$ (0.00)	$ (700)	684,063,123	$ (0.00)

For the nine months ended	September 30, 2020			September 30, 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	$ (3,558)	779,308,894	$ (0.00)	$ (4,003)	683,763,346	$ (0.01)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (3,558)	779,308,894	$ (0.00)	$ (4,003)	683,763,346	$ (0.01)

For the nine months ended September 30, 2020, 45,580,000 options were anti-dilutive and were not included in the calculation of dilutive loss per share (nine months ended September 30, 2019, 44,662,500).

11) Financial Instruments:

Assets and liabilities at September 30, 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 September 30, 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.

Main Street 1549

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

13) Lease Obligations:

The following table details the Company's lease obligations:

	September 30, 2020	December 31, 2019
Less than one year	27	35
Greater than one year	-	20
Total lease payments	27	55
Amounts representing interest	(2)	(4)
Present value of net lease payments	25	51
Current portion of lease obligations	(25)	(31)
Non-current portion of lease obligations	-	20

The Company's short-term leases and leases of low-value assets amounted to $ nil for the three and nine months ended September 30, 2020 ($0.02 million and $0.07 million for the three and nine months ended September 30, 2019, respectively) 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:

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Changes in non-cash working capital				
Accounts receivable	$ (47)	$ (16)	$ (45)	$ (2)
Due from related party	-	18	-	-
Prepaid expenses	(89)	(25)	(41)	133
Accounts payable and accrued liabilities	315	(22)	1,535	(5)
	$ 179	$ (45)	$ 1,449	$ 126
Relating to:				
Operating activities	$ 215	$ (45)	$ 40	$ 141
Investing activities	(36)	-	1,409	(15)
Changes in non-cash working capital	$ 179	$ (45)	$ 1,449	$ 126

15) Subsequent events:

On October 22, 2020, the Company completed the Investment Agreement and the Arostyle Transaction as described in note 3(i).