



AFRICA ENERGY CORP.

Report to Shareholders

December 31, 2022

AFRICA ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Amounts expressed in United States dollars unless otherwise indicated)
For the years ended December 31, 2022 and 2021

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Energy Corp. and its subsidiaries (collectively 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 audited consolidated financial statements for the years ended December 31, 2022 and 2021 and related notes thereto.

The financial information in this MD&A is derived from the Company's audited 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 March 29, 2023.

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

PROFILE AND STRATEGY

Africa Energy is a Canadian oil and gas company focused on the Republic of South Africa ("South Africa").

The Company owns 49% of the common shares and 100% of the Class B shares of Main Street 1549 Proprietary Limited ("Main Street 1549"). Main Street 1549 has a 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa ("Block 11B/12B"). In accordance with the Main Street 1549 shareholders agreement ("Main Street 1549 SHA"), the Company has the ability to trigger the sale of the 10% participating interest in Block 11B/12B to a wholly-owned subsidiary of Africa Energy (see details in the Operations Update section). The Company also holds a 27.5% participating interest in the Exploration Right for Block 2B offshore South Africa ("Block 2B").

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". Impact Oil and Gas Limited ("Impact") and Africa Oil Corp. ("AOC") are currently the Company's largest shareholders with 36.2% and 19.7%, respectively, 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 common shares and 100% of the Class B shares of Main Street 1549, which holds a 10% participating interest in Block 11B/12B offshore South Africa ("Block 11B/12B Participating Interest"). The remaining 51% of the common shares of Main Street 1549 are held by Arostyle Investments (RF) (Proprietary) Limited ("Arostyle"). Block 11B/12B is operated by Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of TotalEnergies, which holds a 45% participating interest with partners Qatar Petroleum International Upstream LLC, a wholly-owned subsidiary of Qatar

Energy, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, holding 25% and 20%, respectively. Africa Energy holds all of the Class B shares of Africa Energy UK Limited ("AEUK") and thereby 99.9% voting control. AEUK's sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street 1549.

In accordance with a definitive agreement entered into with Arostyle on August 20, 2020, amendments to the Main Street 1549 SHA provide that Africa Energy fund 100% of the funding requirements related to the Block 11B/12B Participating Interest by way of Class B share subscriptions, which provide a risk-adjusted return linked to the proceeds on any future sale of Main Street 1549 or the Block 11B/12B Participating Interest. In addition, the amendments to the Main Street 1549 SHA provide 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 for an unlimited period of time 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 Africa Energy shares. The Arostyle Option remains unexercised.

In the fourth quarter of 2020, the Company announced a significant gas condensate discovery and successful open flow test on the Luiperd Prospect on Block 11B/12B. The discovery reconfirmed the 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 and Brulpadda discoveries are located on Block 11B/12B in the Outeniqua Basin approximately 175 kilometers off the southern coast of South Africa. The block covers an area of approximately 19,000 square kilometers with water depths ranging from approximately 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.

The Company and its joint venture partners are contemplating an early production system ("EPS") for a phased development of the Paddavissie Fairway. The EPS would provide first gas and condensate production from the Luiperd discovery and would accelerate the Block 11B/12B development timeline by utilizing existing nearby infrastructure on the adjacent block in order to supply gas to existing customers in Mossel Bay. The joint venture submitted an application for a Production Right on September 5, 2022. As part of the Production Right application, the joint venture partnership proposed to relinquish the Northern portion of the block and elected to enter into a Gas Market Development Period to confirm the economic viability of the project.

In September 2020, the Block 11B/12B joint venture received the fully-processed 2D seismic dataset from Shearwater GeoServices Holding AS for the 7,033 linear kilometer 2D seismic program completed in the first quarter of 2020 on Block 11B/12B. The Block 11B/12B joint venture is conducting a full interpretation and prospect analysis for the eastern part of the block. The technical analysis has identified multiple prospects and leads some of which have potential direct hydrocarbon indicators within the Kloofpadda Play Trend that is currently being considered for potential future exploration drilling.

In March 2021, the Block 11B/12B joint venture received the final fully-processed merged 3D seismic volume over the Paddavissie Fairway composed of a 2,305 square kilometer 3D seismic program acquired

by Petroleum Geo-Services ASA ("PGS") in 2020 and a 570 square kilometers 3D seismic program acquired by Polarcus Limited in 2019. The improved quality of the final fully-processed 3D volume has resulted in significantly higher resolution further reducing exploration risk. The final 3D volume has been integrated with the drilling and testing results to facilitate development studies. The technical analysis has identified multiple additional prospects within the greater Paddavissie Fairway with amplitudes conforming to structure that could be incorporated into any future development scheme.

Prior to the expiry of the Block 11B/12B Exploration Right on September 7, 2022 the joint venture partnership submitted an application for a Production Right. The Partnership elected to enter a Gas Market Development Period, which defers the field development work program for up to a maximum of five years, allowing the joint venture time to confirm the economic viability of the project.

Block 2B, Republic of South Africa

Africa Energy has a 27.5% participating interest in Block 2B offshore South Africa. Block 2B is operated by a subsidiary of Eco (Atlantic) Oil & Gas Ltd. ("Eco"), which acquired 100% of the shares of Azinam Limited on March 28, 2022. Eco holds a 50% participating interest, a subsidiary of Panoro Energy ASA ("Panoro") holds a 12.5% participating interest with Crown Energy AB ("Crown") indirectly holding the remaining 10%.

Block 2B is located offshore South Africa in the Orange Basin where both Total and Shell recently announced significant oil and gas discoveries offshore Namibia. The block covers 3,062 square kilometers approximately 25 kilometers off the west coast of South Africa near the border with Namibia in water depths ranging from 50 to 200 meters. Soekor discovered and tested oil on Block 2B in 1988 with the A-J1 borehole, which intersected thick reservoir sandstones between 2,985 meters and 3,350 meters. The well flowed 191 barrels of oil per day of 36-degree API oil from a 10-meter sandstone interval at approximately 3,250 meters. Significant prospectivity has been identified over the entire A-J graben area using 686 square kilometers of 3D seismic data acquired in 2013.

On April 19, 2021, Africa Energy completed two farmout agreements (see details below) whereby the Company transferred operatorship and an aggregate 62.5% participating interest in the Exploration Right for Block 2B. Africa Energy retains a 27.5% participating interest in Block 2B.

Africa Energy farmed-out a 50% participating interest and transferred operatorship in Block 2B to Azinam Limited, which was acquired by Eco on March 28, 2022. In consideration for the assignment of this interest, Africa Energy was paid \$0.8 million at close, which includes reimbursement of costs incurred prior to completion. In addition, Eco paid a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. To support this obligation, Eco placed \$20.1 million in escrow on April 14, 2022, subsequent to which Africa Energy repaid a \$1.5 million deposit to Eco.

Africa Energy farmed-out a 12.5% participating interest in Block 2B to Panoro Energy ASA ("Panoro"). In consideration for the assignment of this interest, Africa Energy was paid \$0.09 million on April 14, 2022, which includes costs incurred prior to escrow being funded. Panoro also paid a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

On October 4, 2022, the Company and its joint venture partners commenced drilling the Gazania-1 exploration well, which was completed November 18, 2022. The well was designed to test the extension of the oil discovered in the A-J1 in 1988. The well was drilled to a total depth of 2,330 meters below sea level and encountered wet gas throughout the main target interval. This confirms an active petroleum system within the basin, but the well did not encounter commercial hydrocarbons. Early interpretation indicates that the trapping mechanism was not effective at this location. The well was logged, plugged and abandoned. Further technical work is required to understand the complexity of the sedimentology and to evaluate alternative viable trapping configurations in the A-J Graben.

The Third Renewal Period of the Block 2B Exploration Right expired on November 16, 2022. The Block 2B joint venture submitted a Production Right application to the Petroleum Agency of South Africa prior to this date on November 15, 2022. The Third Renewal Period included an obligation to drill a well, which was satisfied by the drilling of the Gazania-1 exploration well.

Petroleum Exploration License 37, Republic of Namibia

The Company owns one-third of the shares of Pancontinental Namibia. Pancontinental Namibia held a direct interest in PEL 37, which expired on March 21, 2021. The PEL 37 joint venture partnership fulfilled its obligations of the last exploration period for PEL 37. During the fourth quarter of 2022, Pancontinental Namibia decided to end its pursuit of seeking a new license for the blocks in PEL 37.

OUTLOOK

The Block 11B/12B joint venture has applied for the Production Right and is contemplating an early production system ("EPS") for a phased development of the Paddavissie Fairway. The EPS would provide first gas and condensate production from the Luiperd discovery and would accelerate the Block 11B/12B development timeline by utilizing nearby infrastructure on the adjacent block in order to supply natural gas to customers in Mossel Bay. The EPS would significantly decrease the capital expenditures required to reach first production on Block 11B/12B. The Company expects that a full development of the Paddavissie Fairway would follow the EPS as the gas market expands in South Africa. We are encouraged by the 2D and 3D seismic data that has identified additional prospectivity in the Paddavissie Fairway and to the east, confirming the large exploration upside remaining across the block. The development of Block 11B/12B will have positive implications for the South African economy and will be critical in facilitating the country's energy transition beyond coal with a domestic natural gas supply.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022	31-Dec 2021	30-Sep 2021	30-Jun 2021	31-Mar 2021
Operating income / (expense) (\$)	(15,864)	(1,192)	(1,253)	(2,517)	25,210	(555)	(705)	(2,374)
Interest expense (\$)	(11)	-	-	-	-	-	-	-
Foreign exchange (loss)/gain (\$)	35	(71)	(115)	118	(27)	(32)	21	(3)
Interest and other income (\$)	53	31	10	4	4	5	9	11
Net income / (loss) (\$)	(15,787)	(1,232)	(1,358)	(2,395)	25,187	(582)	(675)	(2,366)
Weighted average shares - Basic	1,407,585	1,402,564	1,399,658	1,398,603	1,397,290	1,395,923	1,395,528	1,395,333
Weighted average shares - Diluted	1,407,585	1,402,564	1,399,658	1,398,603	1,409,287	1,395,923	1,395,528	1,395,333
Basic income / (loss) per share (\$)	(0.01)	(0.00)	(0.00)	(0.00)	0.02	(0.00)	(0.00)	(0.00)
Diluted income / (loss) per share (\$)	(0.01)	(0.00)	(0.00)	(0.00)	0.02	(0.00)	(0.00)	(0.00)
Exploration and evaluation expenditures (\$)	(8,199)	(20)	(18)	-	-	-	(30)	(170)

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

Operating expenses decreased in the second quarter of 2021 as the Company paid bonuses to employees and incurred professional fees relating to the completion of the Block 2B farmout agreements in the first quarter of 2021. The Company recorded operating income in the fourth quarter of 2021 due to a \$27.1 million non-cash gain on revaluation of the financial asset. The non-cash gain on revaluation of the financial asset relates to the Company's investment in Block 11B/12B and is due to increases in the base assumptions for commodity prices. With the exception of the non-cash gain on revaluation of the financial asset, overall operating expenses in the first quarter of 2022 were higher than the fourth quarter of 2021 as the Company paid annual bonuses and granted stock options to directors, officers, employees and consultants during the quarter. Operating expenses increased during the fourth quarter of 2022 as the Company impaired \$14.7 million, the full amount of Block 2B intangible exploration assets.

Interest expense relates to interest accrued on the promissory note entered into in the fourth quarter of 2022.

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 of the cash and prevailing market interest rates. The Company holds the vast majority of its cash in US dollars, the Company's functional currency.

Oil and gas expenditures incurred to date related to license fees, geological and geophysical analysis and drilling on Block 2B. The Company has incurred costs up to the second quarter of 2021 associated with planning the Gazania-1 exploration well, subsequent to which the Company's working interest share of drilling expenditures were funded by the other joint venture partners. During the fourth quarter of 2022, the Company incurred costs associated with the drilling of the Gazania-1 exploration well, as drilling costs exceeded levels beyond which Eco and Panoro were obliged to fund on behalf of the Company.

RESULTS OF OPERATIONS

(thousands)	Three months ended December 31, 2022	Three months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and benefits	\$ 250	\$ 283	\$ 1,763	\$ 2,579
Stock-based compensation	630	1,203	3,027	1,441
Travel	28	2	40	2
Consulting fees	61	91	447	342
Office and general	34	62	170	229
Depreciation	1	6	14	32
Professional fees	134	186	363	575
Stock exchange and filing fees	38	46	310	297
Impairment of intangible exploration assets	14,676	-	14,676	-
Gain on revaluation of financial asset	-	(27,098)	-	(27,098)
Share of loss from investment in associates	12	9	16	25
Operating expenses / (income)	\$ 15,864	\$ (25,210)	\$ 20,826	\$ (21,576)

The Company recorded \$15.9 million of operating expenses for the three months ended December 31, 2022, compared to \$25.2 million of operating income for the same period in 2021. During the three months ended December 31, 2022, the Company impaired the full amount of its intangible exploration assets in Block 2B, resulting in a \$14.7 million impairment. During the three months ended December 31, 2021, the Company recorded a \$27.1 million non-cash gain on revaluation of the financial asset. The non-cash gain on revaluation of the financial asset relates to the Company's investment in Block 11B/12B and was due to increases in the base assumptions for commodity prices.

The Company recorded \$20.8 million of operating expenses for the year ended December 31, 2022, compared to \$21.6 million of operating income for the same period in 2021. The Company impaired the full amount of its intangible exploration assets in Block 2B, resulting in a \$14.7 million impairment during the fourth quarter of 2022. During the fourth quarter of 2021, the Company recorded a \$27.1 million non-cash gain on revaluation of the financial asset. The non-cash gain on revaluation of the financial asset relates to the Company's investment in Block 11B/12B and is due to increases in the base assumptions for commodity prices.

SELECTED ANNUAL INFORMATION

For the years ended December 31, (thousands, except per share amounts)	2022	2021	2020
Statement of Operations Data			
Interest income	\$ 98	\$ 29	\$ 144
Net (loss) / income	(20,772)	21,564	(4,263)
Data per Common Share			
Basic and diluted (loss) / income per share	(0.01)	0.02	(0.00)
Balance Sheet Data			
Working capital	3,863	9,473	18,193
Total assets	\$ 257,424	\$ 267,240	\$ 244,034

As the Company is in the exploration stage, no oil and gas revenue has been generated to date. Accordingly, income reported relates to gains on revaluation of the financial asset, interest income on cash deposits and foreign exchange gains on Canadian dollar and South African Rand holdings. During the year ended

December 31, 2021, the Company recorded a non-cash gain on the revaluation on the financial asset relating to the Company's investment in Block 11B/12B.

The increase in interest income is attributable to increases in interest rates and fluctuations in exchange rates.

The Company recorded a net loss of \$21.0 million in 2022 compared to net income in 2021 of \$21.6 million. The net loss and the recorded net income is explained above in "Results of Operations".

The Company's working capital decreased in 2022 compared to 2021 as a result of Block 2B intangible exploration expenditures and cash-based operating expenses incurred in 2022. The Company's working capital decreased in 2021 compared to 2020 due to investments in Main Street 1549 and cash-based operating expenditures.

The decrease in total assets from 2021 to 2022 is primarily due to the impairment of the full amount of the intangible exploration assets in Block 2B as well as cash-based operating expenses incurred in 2022. The increase in total assets from 2020 to 2021 is primarily due to the non-cash gain on the revaluation of the financial asset due to increases in the base assumption of commodity prices.

INVESTMENT IN MAIN STREET 1549

At December 31, 2022, Africa Energy holds 49% of the common shares and 100% of the Class B 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. Main Street 1549 holds a 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. Africa Energy holds all of the Class B shares of AEUK and thereby 99.9% voting control, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street 1549.

At December 31, 2022, the Company accounted for its investment in Main Street 1549 as follows: \$248.6 million as a financial asset and \$1.6 million as an equity investment.

In accordance with a definitive agreement entered into with Arostyle on August 20, 2020, amendments to the Main Street 1549 SHA provide that Africa Energy fund 100% of the funding requirements related to the Block 11B/12B Participating Interest by way of Class B share subscriptions, which provide a risk-adjusted return linked to the proceeds on any future sale of Main Street 1549 or the Block 11B/12B Participating Interest. In addition, the amendments to the Main Street 1549 SHA provide 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. The Arostyle Option is exercisable by either party for an unlimited period of time 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 Africa Energy Shares. The Arostyle Option remains unexercised.

For the year ended December 31, 2022, the Company invested \$0.5 million in Main Street 1549 by way of Class B share subscriptions (for the year ended December 31, 2021, \$5.6 million).

The Main Street 1549 SHA provides priority dividend distribution entitlement by class of share. For accounting purposes, shares that have priority distribution entitlements do not meet the definition of a Solely Payments of Principal and Interest, and therefore the majority of the investment in Main Street 1549 was derecognized from the equity investment and recorded as a financial instrument at fair value through profit or loss ("FVTPL").

In order to value the financial asset recognized at FVTPL, the Company estimated the priority dividend distributions to be received by the Company as this represents fair value of future cash flows to be received by Africa Energy in accordance with the amended Main Street 1549 SHA. The total proceeds estimated to be received by Main Street 1549 to be distributed to its shareholders were based on a discounted future cash flow model of the Company's Block 11B/12B Participating Interest. At December 31, 2022, for accounting purposes, the Company used a discount rate of 16% (December 31, 2021, 16%), a base gas price of \$8.64/mmbtu (December 31, 2021, \$8.14/mmbtu) and a base Brent oil price of \$70/bbl (December 31, 2021, \$67/bbl) to determine the fair value of the financial asset, which was estimated to be \$248.6 million at December 31, 2022 (December 31, 2021, \$247.9 million). The Company's estimate of the fair value of the investment in Main Street 1549 is measured as set out in the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 and related notes thereto.

For the year ended December 31, 2022, no gain or loss was recorded on revaluation of the financial asset. For the year ended December 31, 2021, the Company recorded a \$27.1 million non-cash gain on revaluation of the financial asset due to increases in the base assumptions for commodity prices. Note, there is no guarantee that the estimated commodity prices will be realized in the event the development proceeds.

As at December 31, 2022, a one percent increase in the effective discount rate would have resulted in a reduction in disposal proceeds of \$39.6 million. A one percent decrease in the effective discount rate would have resulted in an increase in disposal proceeds of \$46.5 million. An increase in the gas price of \$1/mmbtu would result in an increase in disposal proceeds of \$36.0 million and a decrease of \$1/mmbtu would result in a decrease in disposal proceeds of \$35.9 million. An increase in the Brent oil price of \$5/bbl would result in an increase of disposal proceeds of \$10.7 million and a decrease of \$5/bbl would result in a decrease in disposal proceeds of \$10.7 million. In terms of the actual disposal proceeds used in the model, a \$30.0 million increase/decrease in the disposal proceeds would create an after-tax impact of \$27.0 million to net loss.

In accordance with the Block 11B/12B farmin agreements entered into by Main Street 1549 with each of Total and CNRI, 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 proposed development is for exploitation of predominantly 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 proposed development is for exploitation of 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. On September 5, 2022, the joint venture partnership on Block 11B/12B applied for a Production Right. At the time of application, the Company may have been required to provide suitable guarantees to support its discovery bonus obligation. As at December 31, 2022, no guarantees have been required and the Company has not provided a guarantee to support its discovery bonus obligation.

At December 31, 2022, Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

The Company recognized a loss of \$0.02 million for the year ended December 31, 2022 relating to its share of the loss from its equity investment in Main Street 1549 (the Company recognized a loss of \$0.03 million for the year ended December 31, 2021).

The Company has determined there are no indicators of impairment in Main Street 1549 at December 31, 2022.

INTANGIBLE EXPLORATION ASSETS

(thousands)	December 31, 2022	December 31, 2021
Intangible exploration assets	\$ -	\$ 6,525

During the year ended December 31, 2022, the Company impaired the full amount of intangible exploration assets related to Block 2B subsequent to performing an analysis of the Gazania-1 exploration well results which did not encounter commercial hydrocarbons. As at December 31, 2021, \$6.5 million of exploration expenditures were capitalized as intangible exploration assets. These expenditures relate to license fees, geological, geophysical and well studies and general and administrative costs related to Block 2B.

On April 19, 2021, Africa Energy completed two farmout agreements (see details below) whereby the Company transferred operatorship and an aggregate 62.5% participating interest in the Block 2B Exploration Right. Africa Energy retained a 27.5% participating interest in Block 2B.

Africa Energy farmed-out a 50% participating interest and transferred operatorship in Block 2B to Azinam Limited, which was acquired by Eco on March 28, 2022. In consideration for the assignment of this interest, Africa Energy was paid \$0.8 million at close, which includes reimbursement of costs incurred prior to completion. In addition, Eco paid a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. To support this obligation, Eco placed \$20.1 million in escrow on April 14, 2022, subsequent to which Africa Energy repaid a \$1.5 million deposit to Eco.

Africa Energy farmed-out a 12.5% participating interest in Block 2B to Panoro. In consideration for the assignment of this interest, Africa Energy was paid \$0.09 million on April 14, 2022, which includes costs incurred prior to escrow being funded. Panoro also paid a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

At December 31, 2022, the Company impaired the full amount of its Block 2B intangible exploration assets.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company's financial statements for the year ended December 31, 2022 have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At December 31, 2022, the Company had cash of \$6.8 million and working

capital of \$3.9 million compared to cash of \$10.9 million and working capital of \$9.5 million at December 31, 2021. The reduction in cash and working capital since December 31, 2021, can be mainly attributed to cash-based operating expenditures and intangible exploration expenditures related to the drilling of the Gazania-1 exploration well on Block 2B. On December 23, 2022, the Company entered into a promissory note for \$5.0 million which is due on January 31, 2024 (see "Related Party Transactions" for details).

The Company is in the exploration stage and has no proved reserves. The Company's ability to continue as a going concern is dependent upon its ability to secure financing from external sources, potentially including the issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements to finance its future acquisition, exploration, development and operating costs. To date, the Company has funded its operations through debt and equity financing. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financings or that such financings will be on terms acceptable to the Company. As such, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize assets and discharge liabilities in the normal course of business.

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 year ended December 31, 2022, was \$3.0 million compared to \$1.4 million for year ended December 31, 2021. During the first quarter of 2022, 21.8 million stock options were granted to directors, officers, employees and consultants of the Company, of which one-third vested immediately, compared to 23.2 million granted during the fourth quarter of 2021.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At December 31, 2022, AOC owned 19.7% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision of administrative services, AOC invoiced the Company \$0.04 million during the year ended December 31, 2022 (\$0.06 million for the year ended December 31, 2021). At December 31, 2022, the outstanding balance payable to AOC was \$ nil (at December 31, 2021, \$ 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 General Technical and Administrative Service Agreement with Africa Oil SA Corp. ("AOSAC"), a wholly-owned subsidiary of AOC, the Company invoiced AOSAC \$0.5 million during the year ended December 31, 2022 (\$0.3 million for the year ended December 31, 2021). At December 31, 2022, the outstanding balance receivable from AOSAC was \$ nil (at December 31, 2021, \$ nil). The fee charged to AOSAC by the Company is intended to cover the costs of the Company's employees that are providing AOSAC with technical and administrative services related to AOC's interest in Block 3B/4B offshore South Africa. The fee is recognized as a reduction in salaries and benefits expense, and office and general costs.

On December 23, 2022, the Company entered into a promissory note agreement with AOC for \$2.0 million, Deepkloof Limited for \$2.0 million and Lorito Holdings S.à.r.l. for \$1.0 million. Deepkloof Limited is the largest shareholder of Impact Oil & Gas Limited ("Impact"). At December 31, 2022, Impact owned 36.2% of the common shares of Africa Energy. AOC, Deepkloof Limited and Impact are related parties of the Company. Lorito Holdings S.à.r.l. is a company owned by a trust whose settlor was the late Adolf H. Lundin

The maturity date of the promissory notes is January 31, 2024 and accrue interest at a 10% annual interest rate if repaid by October 31, 2023 or 15% annual interest rate if repaid after October 31, 2023. The promissory notes have no security and are repayable pro rata any time before maturity without penalty.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT:

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Company's Board of Directors and Senior Management. Senior Management includes the Company's President and Chief Executive Officer, Chief Financial Officer and the Vice President of Exploration.

Directors' fees include Board and Committee Chair retainers. Management's short-term wages and benefits include salary, benefits, bonuses and any other compensation earned or awarded during the year. Share-based compensation includes expenses related to the Company's stock option plan.

For the years ended	December 31, 2022	December 31, 2021
Directors' fees	\$ 190	\$ 191
Directors' share-based compensation	437	193
Management's short-term wages, bonuses and benefits	1,342	1,982
Management's share-based compensation	1,547	817
	\$ 3,516	\$ 3,183

COMMITMENTS AND CONTINGENCIES

BLOCK 2B, REPUBLIC OF SOUTH AFRICA

The Third Renewal Period of the Block 2B Exploration Right was set to expire on November 16, 2022. Prior to expiry, the Block 2B joint venture submitted a Production Right application to the Petroleum Agency of South Africa. The Third Renewal Period included an obligation to drill a well, which was satisfied by the drilling of the Gazania-1 exploration well. Drilling of this well was completed on November 18, 2022.

Under the Thombo Share Purchase Agreement, the Company is 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 to former shareholders of Thombo, at the option of the Company, if certain milestones associated with the commercialization of Block 2B are achieved.

At December 31, 2022, 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 was obligated to fund Crown's remaining 10% participating interest of costs associated with the drilling and testing of the Gazania-1 well

on Block 2B. For additional details on the farmout agreements and funding obligations, see discussion under 'Operations Update, Block 2B Republic of South Africa'.

OUTSTANDING SHARE DATA

The following table outlines the maximum potential impact of share dilution upon full execution of outstanding share purchase options as at the effective date of this MD&A:

Common shares outstanding	1,407,812,249
Outstanding share purchase options	73,778,334
Full dilution impact on common shares outstanding	1,481,590,583

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company's significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2022.

USE OF ESTIMATES

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Such estimates relate to unsettled transactions and events as of the date of the consolidated financial statements. Accordingly, actual results may differ from these estimated amounts as future confirming events occur. Significant estimates used in the preparation of the consolidated financial statements include, but are not limited to, valuation of financial assets, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation, income taxes and contingent consideration.

FINANCIAL ASSETS

The investment in Main Street 1549 common shares and Class B Shares is initially recorded at fair value based on the value of the expected distributions as determined based on preferential dividend distributions the Company would receive from Mainstreet 1549. The recoverable amount of the participating interest in Block 11B/12B was determined by calculating the fair value less costs of disposal of Mainstreet 1549's interest in Block 11B/12B through the use of a discounted cash flow model. The

discounted future cash flow model involves significant estimates including the discount rate and the estimate of cash flows from oil and natural gas resources. The estimate of cash flows from condensate and natural gas resources includes significant assumptions related to forecasted condensate and natural gas resource volumes, condensate and natural gas commodity prices, operating costs and future development costs. The Company engages independent third-party specialists to estimate the forecasted natural gas commodity price, forecasted resource volumes and certain forecasted operating costs and future development costs. Management takes into account changes in conditions and events affecting the Company's Block 11B/12B Participating Interest in determining the assumptions each period.

INTANGIBLE EXPLORATION ASSETS

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount.

STOCK-BASED COMPENSATION

The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense. The recognized costs are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

EQUITY INVESTMENTS

Investments in associates are initially recorded at cost. The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable.

CONSOLIDATION OF ENTITIES

When assessing control over a subsidiary, judgment is required to consider the nature of the Company's relationship with the subsidiary and whether strategic and operating decisions made by the subsidiary are made independently without the control of the Company. Factors considered when assessing control include share ownership, board composition, decision making related to the relevant activities of the investee, being those activities that significantly affect the Company's returns and management involvement in the business.

INCOME TAX

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves,

timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant Management judgment.

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 29, 2023 on Sedar (www.sedar.com) for further risk factor disclosures.

FINANCIAL STATEMENTS PREPARED ON A GOING CONCERN BASIS

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Africa Energy's operations to date have been primarily financed by equity financing. Africa Energy's future operations are dependent upon the identification and successful completion of equity or debt financing, the achievement of profitable operations or partial divestiture and farmout agreements. There can be no assurances that the Company will be successful in completing an equity or debt financing, or a partial divestiture or farmout arrangement, or in achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

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

INFLATION RISK

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future

development decisions, which could have a material adverse effect on its financial performance and cash flows.

CONFLICT IN UKRAINE

The conflict in Ukraine has impacted global markets and may continue to result in increased volatility in financial markets and commodity prices and disruption in supply chains. The Company does not have a direct exposure to operations in Ukraine or Russia and does not have any business relationships with any sanctioned entities or people. The Company will continue to review all its engagements with new stakeholders to ensure this remains the case.

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 favor 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.

GLOBAL HEALTH EMERGENCY

The demand for oil and natural gas could be affected by global health emergencies, as was 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.

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.

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.

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.

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 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.

SHARED OWNERSHIP AND DEPENDENCY 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 and Block 11B/12B, 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.

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.

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.

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. Concerns around climate change have resulted in some lenders and investors moving away from financing oil and gas activities, and the Company may find access to capital limited, or made contingent upon environmental performance standards.

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 December 31, 2022.

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.

GEOPOLITICAL RISK

The marketability and price of oil and natural gas is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power,

may have a significant impact on the price of crude oil and natural gas. The level of geo-political risk escalates at certain points in time. While the specific impact on the global economy would depend on the nature of the event, in general, any major event could result in instability and volatility. Current areas of concern include the global uncertainty and market repercussions due to Russia's military invasion of Ukraine and rising civil unrest and activism globally. Beginning in November 2021, Russia began to amass troops along the Ukrainian border, heightening military tensions in Eastern Europe. In February 2022, Russia sent troops into pro-Russian separatist regions in Ukraine. Ongoing military tensions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the tension between these nations remains uncertain.

NEXT EARNINGS REPORT RELEASE

The Company plans to report its results for the three months ended March 31, 2023, on May 10, 2023.

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;
- Availability of materials and equipment;
- Proposed development plans and associated regulatory applications;
- Outcome of commercial negotiations with government and other regulatory authorities;
- 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.



KPMG LLP
205 5th Avenue SW
Suite 3100
Calgary AB T2P 4B9
Tel 403-691-8000
Fax 403-691-8008
www.kpmg.ca

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Africa Energy Corp.

Opinion

We have audited the consolidated financial statements of Africa Energy Corp. (the Company), which comprise:

- the consolidated balance sheet as at December 31, 2022
- the consolidated statement of net (loss) / income and comprehensive (loss) / income for the year then ended
- the consolidated statement of equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Financial Statements” section of our auditor’s report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company is in the exploration stage and has no proved reserves. The Company will require financing from external sources, potentially including the issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements to finance its future acquisition, exploration, development and operating costs.

As stated in Note 1 in the financial statements, these events or conditions, along with other matters as set forth in Note 1 in the financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the "***Material Uncertainty Related to Going Concern***" section of the auditor's report, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

Evaluation of the level 3 fair value of the investment in Main Street 1549 Proprietary Limited ("Main Street")

Description of the matter

We draw attention to Note 2(d)(iv), Note 3(k)(i) and Note 4 to the financial statements. The investment in Main Street is a financial asset measured at fair value through profit or loss and has a level 3 fair value of \$248.6 million at December 31, 2022. The level 3 fair value of the investment in Main Street includes unobservable inputs and is measured based on a discounted cash flow model of Main Street's interest in Block 11B/12B and involves significant estimates, including:

- The estimate of cash flows from condensate and natural gas resources
- The discount rate

The estimate of cash flows from condensate and natural gas resources includes significant assumptions related to:

- Forecasted condensate and natural gas resource volumes
- Forecasted condensate and natural gas commodity prices
- Forecasted operating costs
- Forecasted future development costs



During the year ended December 31, 2022, the Company engaged an independent third-party resource specialist to estimate forecasted condensate and natural gas resource volumes and certain forecasted operating costs and future development costs. In addition, the Company engaged an independent third-party specialist to estimate the forecasted natural gas commodity prices.

Why the matter is a key audit matter

We identified the evaluation of the level 3 fair value of the investment in Main Street as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the investment and the high degree of estimation uncertainty in determining its fair value. In addition, significant auditor judgment and specialized skills and knowledge were required to evaluate the results of our audit procedures regarding the estimate of cash flows from condensate and natural gas resources and the discount rate due to the sensitivity of the fair value of the investment to minor changes to these significant estimates.

How the matter was addressed in the audit

The following are the primary procedures we performed to address this key audit matter:

We examined the Company's discounted cash flow model of Main Street's interest in Block 11B/12B as at December 31, 2022, verifying the inputs to source data and mathematical accuracy.

With respect to the estimate of cash flows from condensate and natural gas resources:

- We evaluated the competence, capabilities and objectivity of the independent third-party resource specialist engaged by the Company to evaluate the forecasted condensate and natural gas resource volumes and certain forecasted operating costs and future development costs
- We evaluated the competence, capabilities and objectivity of the independent third-party specialist engaged by the Company to estimate the forecasted natural gas commodity price
- We compared the forecasted condensate and natural gas commodity prices and forecasted operating costs to other external market data

We involved valuation professionals with specialized skills and knowledge, who assisted in:

- Evaluating the appropriateness of the Company's discount rate by comparing the discount rate to market and other external data
- Assessing the reasonableness of the Company's estimate of the level 3 fair value of the investment in Main Street by comparing it against a fair value range that was independently developed for the level 3 fair value of the investment in Main Street using market metrics and other external data.

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2021 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 24, 2022.



Other Information

Management is responsible for the other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.
- Determine, from the matters communicated with those charged with governance, those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this auditor's report is David Yung.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 29, 2023

AFRICA ENERGY CORP.

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

		December 31, 2022	December 31, 2021
ASSETS			
	Note		
Current assets			
Cash and cash equivalents		\$ 6,794	\$ 10,852
Accounts receivable		344	194
Prepaid expenses		115	104
		7,253	11,150
Long-term assets			
Investment in associate	4	1,597	1,613
Financial asset	4	248,564	247,930
Property and equipment		10	22
Intangible exploration assets	5	-	6,525
		250,171	256,090
Total assets		\$ 257,424	\$ 267,240
LIABILITIES AND EQUITY			
Current liabilities			
Accounts payable and accrued liabilities		\$ 3,390	\$ 1,675
Lease obligations		-	2
		3,390	1,677
Long-term liabilities			
Promissory notes	11	5,000	-
		5,000	-
Total liabilities		8,390	1,677
Equity			
Share capital	6	360,613	358,436
Contributed surplus	7	10,116	8,050
Deficit		(121,695)	(100,923)
Total equity		249,034	265,563
Total liabilities and equity		\$ 257,424	\$ 267,240
Incorporation, nature of business and going concern	1		
Commitments and contingencies	16		

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

Approved on behalf of the Board:

"PASCAL NICODEME"

PASCAL NICODEME, DIRECTOR

"WILLIAM LUNDIN"

WILLIAM LUNDIN, CHAIRMAN

AFRICA ENERGY CORP.

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

For the years ended		December 31, 2022	December 31, 2021
	Note		
Operating expenses			
Salaries and benefits	11	\$ 1,763	\$ 2,579
Stock-based compensation	7	3,027	1,441
Travel		40	2
Consulting fees	11	447	342
Office and general		170	229
Depreciation		14	32
Professional fees		363	575
Stock exchange and filing fees		310	297
Impairment of intangible exploration assets	5	14,676	-
Gain on revaluation of financial asset	4	-	(27,098)
Share of loss from investment in associates	4	16	25
		20,826	(21,576)
Finance expense	10	44	41
Finance income	10	(98)	(29)
Net (loss) / income and comprehensive (loss) / income		(20,772)	21,564
Net (loss) / income per share	13		
Basic		\$ (0.01)	\$ 0.02
Diluted		\$ (0.01)	\$ 0.02
Weighted average number of shares outstanding for the purpose of calculating earnings per share	13		
Basic		1,402,128,307	1,396,025,176
Diluted		1,402,128,307	1,408,793,350

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

AFRICA ENERGY CORP.

Consolidated Statements of Equity
(Expressed in thousands of United States dollars)

		December 31, 2022	December 31, 2021
	Note		
Share capital:	6(b)		
Balance, beginning of the year		\$ 358,436	\$ 357,905
Exercise of options		2,177	531
Balance, end of the year		360,613	358,436
Contributed surplus:	7		
Balance, beginning of the year		\$ 8,050	\$ 6,820
Exercise of options		(961)	(211)
Stock-based compensation		3,027	1,441
Balance, end of the year		10,116	8,050
Deficit:			
Balance, beginning of the year		\$ (100,923)	\$ (122,487)
Net (loss) / income for the year		(20,772)	21,564
Balance, end of the year		(121,695)	(100,923)
Total Equity		\$ 249,034	\$ 265,563

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

AFRICA ENERGY CORP.

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

		December 31, 2022	December 31, 2021
Cash flows used in:	Note		
Operations:			
Net (loss)/income for the year		\$ (20,772)	\$ 21,564
Items not affecting cash:			
Stock-based compensation	7	3,027	1,441
Depreciation		14	32
Interest on lease obligations		-	2
Share of loss from investment in associates	4	16	25
Unrealized foreign exchange loss		33	41
Impairment of intangible exploration assets	5	14,676	-
Gain on revaluation of financial asset	4	-	(27,098)
Changes in non-cash operating working capital	17	(16)	(45)
Net cash used in operating activities		(3,022)	(4,038)
Investing:			
Property and equipment expenditures		(2)	-
Intangible exploration expenditures	5	(8,237)	(200)
Farmout proceeds, net	5	86	843
Investment in Main Street 1549	4	(469)	(5,635)
Changes in non-cash investing working capital	17	1,405	(9)
Net cash used in investing activities		(7,217)	(5,001)
Financing:			
Common shares issued on exercise of options	7	1,216	320
Promissory notes	11	5,000	-
Payment of lease obligations		-	(33)
Net cash provided by financing activities		6,216	287
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(35)	(39)
Decrease in cash and cash equivalents		(4,058)	(8,791)
Cash and cash equivalents, beginning of the year		\$ 10,852	\$ 19,643
Cash and cash equivalents, end of the year		\$ 6,794	\$ 10,852
Supplementary information:			
Interest paid		Nil	Nil
Taxes paid		Nil	Nil

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

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

1) Incorporation, nature of business and going concern:

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, an exploration-stage enterprise that currently has no proved reserves, owns the following interests in exploration assets:

- 49% of the common shares and 100% of the Class B shares in Main Street 1549 Proprietary Limited ("Main Street 1549"), which has a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B"); and
- a 27.5% participating interest in the Exploration Right for Block 2B offshore the Republic of South Africa ("Block 2B").

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.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. The Company's working capital was \$3.9 million at December 31, 2022 (December 31, 2021: \$9.5 million) and the Company used cash in operating activities of \$3.0 million for the year ended December 31, 2022 (December 31, 2021: \$4.0 million). In addition, the Company has a \$5.0 million promissory note outstanding due January 31, 2024.

The Company is in the exploration stage and has no proved reserves. The Company's ability to continue as a going concern is dependent upon its ability to secure financing from external sources, potentially including the issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements to finance its future acquisition, exploration, development and operating costs. To date, the Company has funded its operations through debt and equity financing. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financings or that such financings will be on terms acceptable to the Company. As such, a material uncertainty exists that may cast significant doubt on the

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

Company's ability to continue as a going concern and, therefore, its ability to realize assets and discharge liabilities in the normal course of business.

These financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities, reported amounts of revenue and expenses, and statement of financial position classifications used that would be necessary were the going concern assumption deemed to be inappropriate. Such adjustments could be material.

2) Basis of preparation:

a) Statement of compliance:

The Company prepares these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"), effective as of December 31, 2022. These consolidated financial statements were approved by the Company's Board of Directors on March 29, 2023.

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 relevant accounting policy.

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, 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 that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

i) Exploration and evaluation costs:

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount (see note 5).

ii) Stock-based payments:

Charges for share-based payments are based on the fair value at the date of the award. The options are valued using the Black-Scholes model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding (see note 7).

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

iii) Valuation of investments:

Investments in associates are initially recorded at cost. The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable (see note 4).

iv) Valuation of financial asset:

The investment in Main Street 1549 common shares and Class B Shares is initially recorded at fair value based on the value of the expected distributions as determined based on preferential dividend distributions the Company would receive from Mainstreet 1549. The recoverable amount of the participating interest in Block 11B/12B was determined by calculating the fair value less costs of disposal ("FVLCD") of Mainstreet 1549's interest in Block 11B/12B through the use of a discounted cash flow model. The discounted future cash flow model involves significant estimates including the discount rate and the estimate of cash flows from condensate and natural gas resources. The estimate of cash flows from condensate and natural gas resources includes significant assumptions related to forecasted condensate and natural gas resource volumes, condensate and natural gas commodity prices, operating costs and future development costs. The Company engages independent third-party specialists to estimate the forecasted natural gas commodity price, forecasted resource volumes and certain forecasted operating costs and future development costs. Management takes into account changes in conditions and events affecting the Company's Block 11B/12B Participating Interest in determining the assumptions each period.

The financial asset is revalued at each period end.

v) Consolidation of entities:

When assessing control over a subsidiary, judgment is required to consider the nature of the Company's relationship with the subsidiary and whether strategic and operating decisions made by the subsidiary are made independently without the control of the Company. Factors considered when assessing control include share ownership, board composition, decision making related to the relevant activities of the investee, being those activities that significantly affect the Company's returns and management involvement in the business (see notes 4 and 14).

vi) Deferred tax asset:

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

vii) Leases:

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

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

3) Significant accounting policies:

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements and have been applied consistently by the Company and its subsidiaries.

a) Basis of consolidation:

i) Subsidiaries:

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for acquisitions of subsidiaries and assets that meet the definition of a business under IFRS. The consideration of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred at the date control passes. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The fair value of property, plant and equipment and intangible exploration assets recognized in a business combination is based on market values. The excess of the cost of acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized immediately in the statement of net (loss) / income and comprehensive (loss) / income.

ii) Jointly controlled operations and jointly controlled assets:

The Company's oil and natural gas activities involve jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

iii) Transactions eliminated on consolidation:

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the consolidated financial statements.

b) Investment in associates:

Investments in associates are accounted for using the equity method where there is significant influence or joint control through a joint venture. Significant influence occurs when an entity holds, directly or indirectly, 20 per cent or more of the voting power of the investee. A joint venture is where the parties to the joint arrangement have rights to the net assets of the arrangement. Investments of this nature are recorded at original cost. The investment is adjusted periodically for the Company's share of the profit or loss of the investment after the date of acquisition. Distributions received reduce the carrying amount of the investment.

The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. If such impairment indicators exist, the carrying amount of the investment is compared to its recoverable amount. The recoverable amount is the

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

higher of the investment's fair value less costs to sell and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount.

c) Foreign currency:

Monetary assets and liabilities denominated in foreign currencies are translated into US dollars at exchange rates prevailing at the balance sheet date and non-monetary assets and liabilities are translated at rates in effect on the date of the transaction. Revenues and expenses are translated at exchange rates at the date of transaction. Exchange gains or losses arising from translation are included in the statement of net (loss) / income and comprehensive (loss) / income.

d) Property and equipment and Intangible exploration assets:

i) *Pre-exploration expenditures:*

Costs incurred prior to obtaining the legal rights to explore an area are recognized in the statement of net (loss) / income comprehensive (loss) / income as incurred.

ii) *Exploration expenditures:*

Exploration expenditures include costs associated with the acquisition of a license interest, directly attributable general and administrative costs, expenditures incurred in the process of determining oil and gas exploration targets, and exploration drilling costs. All exploration expenditures with common geological structure and shared infrastructure are accumulated together within intangible exploration assets. Costs are held un-depleted until such time as the exploration phases on the license area are complete, the license area is relinquished, or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible.

If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into a cash-generating unit within "oil and gas interests" subsequent to determining that the assets are not impaired (see "Impairment" below). Where results of exploration drilling indicate the presence of hydrocarbons that are ultimately not considered commercially viable, all related costs are recognized in the statement of net (loss) / income and comprehensive (loss) / income.

Net proceeds from any disposal of an intangible exploration asset are recorded as a reduction in intangible explorations assets.

iii) *Development and production costs:*

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons has been demonstrated are capitalized on a cash-generating unit basis. Subsequent expenditures are capitalized only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any remaining costs associated with the part replaced are expensed in the statement of net (loss) / income and comprehensive (loss) / income.

Net proceeds from any disposal of oil and gas interests are recorded as a gain or loss on disposal recognized in the statement of net (loss) / income and comprehensive (loss) / income to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalized costs of the asset.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

e) Depreciation:

For property and equipment, depreciation is recognized in the statement of net (loss) / income and comprehensive (loss) / income on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Land is not depreciated. The estimated useful lives for other property and equipment, consisting of primarily office and computer equipment, for the current and comparative years are from one to three years.

f) Impairment:

i) Financial assets carried at amortized cost:

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Company recognizes loss allowances for expected credit losses ("ECLs") on its financial assets measured at amortized cost. Due to the nature of its financial assets, the Company measures loss allowances at an amount equal to expected lifetime ECLs.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the statement of net (loss) / income and comprehensive (loss) / income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost, the reversal is recognized in the statement of net (loss) / income and comprehensive (loss) / income.

ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets, other than intangible exploration assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible exploration assets are assessed for impairment when they are reclassified to property and equipment, as oil and gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the statement of net (loss) / income and comprehensive (loss) / income. Impairment losses recognized in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

g) Stock-based compensation:

The Company has a stock option plan as described in note 7. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. When the stock options are exercised, the proceeds received and the applicable amounts recorded in contributed surplus are credited to share capital.

h) Finance income and expenses:

Borrowing costs incurred for the purpose of funding oil and gas exploration and development expenditures are capitalized. All other borrowing costs are recognized in the statement of net (loss) / income and comprehensive (loss) / income using the effective interest method. The capitalization rate used to determine the amount of borrowing costs to be capitalized is the weighted average interest rate applicable to the Company's outstanding borrowings during the period.

Interest income is recognized as it accrues in the statement of net (loss) / income and comprehensive (loss) / income, using the effective interest method.

Gains and losses related to foreign currency translation are reported under each of finance income and finance expenses on a net basis.

i) Income tax:

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of net (loss) / income and comprehensive (loss) / income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Earnings per share:

Basic earnings per share is calculated by dividing the statement of net (loss) / income and comprehensive (loss) / income by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the statement of net (loss) / income and comprehensive (loss) / income and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees. The weighted average number of diluted shares is calculated in accordance with the treasury stock method. The treasury stock method assumes that the proceeds received from the exercise of all potentially dilutive instruments are used to repurchase common shares at the average market price.

k) Financial instruments:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

i) *Financial assets and liabilities at fair value through profit or loss ("FVTPL"):*

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term or when the financial asset or liability does not meet the requirements to be classified as amortized cost. Additionally, investments in common shares and Class B shares that contain priority distribution entitlements are also included in this category.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of net (loss) / income and comprehensive (loss) / income. Gains and losses arising from changes in fair value are presented in the statement of net (loss) / income and comprehensive (loss) / income within financing income or expense in the period in which they arise. Financial assets and liabilities at FVTPL are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current.

The Company's financial asset has been recognized in this category as it does not meet the definition of Solely Payments of Principal and Interest ("SPPI").

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

ii) Financial assets at amortized cost:

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

The Company's financial assets measured at amortized cost comprise of cash and cash equivalents and accounts receivable. Financial assets at amortized cost are initially measured at fair value and thereafter using the effective interest method less a provision for impairment.

iii) Financial liabilities at amortized cost:

Financial liabilities at amortized cost include accounts payables and the promissory note and are initially recognized at fair value. Subsequently, accounts payables and the promissory note are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

l) Provisions:

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

m) Farmout Agreements:

The Company recognizes any cash payments received as a credit to intangible exploration assets and does not recognize any consideration in respect of the value of the work to be performed by the farmee. As a result, no gain is recognized on the farm-out unless the cash consideration received exceeds the carrying value of the entire asset held.

4) Investment in Main Street 1549:

Financial Asset:

	December 31, 2022	December 31, 2021
Balance, beginning of the year	\$ 247,930	\$ 215,197
Funds contributed to Main Street 1549 through subscription of Class B Shares	452	5,635
Funds contributed to Main Street 1549 through advances	17	-
Reclassification of advances to Main Street 1549	165	-
Revaluation of financial asset	-	27,098
Balance, end of the year	\$ 248,564	\$ 247,930

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

Investment in associate: common shares of Main Street 1549:

	December 31,	December 31,
	2022	2021
Balance, beginning of the year	\$ 1,613	\$ 1,638
Share of loss from investment in associates	(16)	(25)
Balance, end of the year	\$ 1,597	\$ 1,613

At December 31, 2022, Africa Energy holds 49% of the common shares and 100% of the Class B 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"). Main Street 1549 holds a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B Participating Interest"). Africa Energy holds all of the Class B shares of Africa Energy UK Limited ("AEUK") and thereby 99.9% voting control, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street 1549.

At December 31, 2022, the Company accounted for its investment in Main Street 1549 as follows: \$248.6 million as a financial asset and \$1.6 million as an equity investment.

In accordance with a definitive agreement entered into with Arostyle on August 20, 2020, amendments to the Main Street 1549 shareholders agreement ("Main Street 1549 SHA") provide that Africa Energy fund 100% of the funding requirements related to the Block 11B/12B Participating Interest by way of Class B share subscriptions, which provide a risk-adjusted return linked to the proceeds on any future sale of Main Street 1549 or the Block 11B/12B Participating Interest. In addition, the amendments to the Main Street 1549 SHA provide 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 (the "Arostyle Option"). The Arostyle Option is exercisable by either party for an unlimited period of time 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 Africa Energy shares. The Arostyle Option remains unexercised.

For the year ended December 31, 2022, the Company invested \$0.5 million in Main Street 1549 by way of Class B share subscriptions (for the year ended December 31, 2021, \$5.6 million).

The Main Street 1549 SHA provides priority dividend distribution entitlement by class of share. For accounting purposes, shares that have priority distribution entitlements do not meet the definition of Solely Payments of Principal and Interest ("SPPI"), and therefore the majority of the investment in Main Street 1549 was derecognized from the equity investment and recorded as a financial instrument at fair value through profit or loss ("FVTPL").

In order to value the financial asset recognized at FVTPL, the Company estimated the priority dividend distributions to be received by the Company as this represents fair value of future cash flows to be received by Africa Energy in accordance with the amended Main Street 1549 SHA. The total proceeds estimated to be received by Main Street 1549 to be distributed to its shareholders were based on a discounted future cash flow model of the Company's Block 11B/12B Participating Interest. At December 31, 2022, for accounting purposes, the Company used a discount rate of 16% (December 31, 2021, 16%), a base gas price of \$8.64/mmbtu (December 31, 2021, \$8.14/mmbtu) and a base Brent oil price of \$70/bbl (December 31, 2021, \$67/bbl) to determine the fair value of the financial asset, which was estimated to be \$248.6 million at December 31, 2022 (December 31, 2021, \$247.9 million).

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

For the year ended December 31, 2022, no gain or loss was recorded on revaluation of the financial asset. For the year ended December 31, 2021, the Company recorded a \$27.1 million non-cash gain on revaluation of the financial asset due to increases in the base assumptions for commodity prices. There is no guarantee that the estimated commodity prices will be realized in the event the development proceeds.

As at December 31, 2022, a one percent increase in the effective discount rate would have resulted in a reduction in disposal proceeds of \$39.6 million. A one percent decrease in the effective discount rate would have resulted in an increase in disposal proceeds of \$46.5 million. An increase in the gas price of \$1/mmbtu would result in an increase in disposal proceeds of \$36.0 million and a decrease of \$1/mmbtu would result in a decrease in disposal proceeds of \$35.9 million. An increase in the Brent oil price of \$5/bbl would result in an increase in disposal proceeds of \$10.7 million and a decrease of \$5/bbl would result in a decrease in disposal proceeds of \$10.7 million. In terms of the actual disposal proceeds used in the model, a \$30.0 million increase/decrease in the disposal proceeds would create an after-tax impact of \$27.0 million to net loss.

In accordance with the Block 11B/12B farmin agreements entered into by Main Street 1549 with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of TotalEnergies, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, 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 proposed development is for exploitation of predominantly 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 proposed development is for exploitation of 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. On September 5, 2022, the joint venture partnership on Block 11B/12B applied for a Production Right. At the time of application the Company may have been required to provide suitable guarantees to support its discovery bonus obligation. As at December 31, 2022, no guarantees have been required and the Company has not provided a guarantee to support its discovery bonus obligation.

At December 31, 2022, Main Street 1549 has not accrued any obligations related to the commercial discovery bonus.

The Company recognized a loss of \$0.02 million for the year ended December 31, 2022 relating to its share of the loss from its equity investment in Main Street 1549 (the Company recognized a loss of \$0.03 million for the year ended December 31, 2021).

The Company has determined there are no indicators of impairment in the equity investment in Main Street 1549 at December 31, 2022.

The following is a financial summary of Main Street 1549:

	December 31, 2022	December 31, 2021
Cash and cash equivalents included in current assets	\$ 64	\$ 50
Other current assets	2,002	2,005
Non-current assets	105,944	104,967
Preferential interest on dividend distributions ⁽¹⁾	(103,856)	(103,405)
Current liabilities	(895)	(325)
Net assets of Main Street 1549	\$ 3,259	\$ 3,292
Percentage of ownership	49%	49%
Proportionate share of Main Street 1549's net assets	\$ 1,597	\$ 1,613

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

For the years ended	December 31, 2022	December 31, 2021
Operating expense	\$ (49)	\$ (68)
Finance income	16	17
Net loss and comprehensive loss	\$ (33)	\$ (51)
Percentage of ownership	49%	49%
Proportionate share of Main Street 1549's net loss	\$ (16)	\$ (25)

- (1) Included in the financial summary is an adjustment for preferential interest on dividend distributions.

At December 31, 2022, Main Street 1549 had cash of \$0.06 million (gross) with working capital of \$1.2 million (gross).

5) Intangible exploration assets:

	December 31, 2022	December 31, 2021
Net carrying amount, beginning of the year	\$ 6,525	\$ 7,168
Intangible exploration expenditures	8,237	200
Farmout proceeds, net	(86)	(843)
Writedown of intangible exploration assets	(14,676)	-
Net carrying amount, end of the year	\$ -	\$ 6,525

During the year ended December 31, 2022, the Company impaired the full amount of its intangible exploration assets related to Block 2B subsequent to performing an analysis of the Gazania-1 exploration well results which did not encounter commercial hydrocarbons. As at December 31, 2021, \$6.5 million of exploration expenditures were capitalized as intangible exploration assets. These expenditures relate to license fees, geological, geophysical and well studies and general and administrative costs related to Block 2B.

On April 19, 2021, the Company completed two farmout agreements (see details below) whereby the Company transferred an aggregate 62.5% participating interest in the Block 2B Exploration Right. Africa Energy retains a 27.5% participating interest in Block 2B.

Africa Energy farmed-out a 50% participating interest and transferred operatorship in Block 2B to Azinam Limited, which was acquired by Eco (Atlantic) Oil & Gas Ltd. ("Eco") on March 28, 2022. In consideration for the assignment of this interest, Africa Energy was paid \$0.8 million at close, which includes reimbursement of costs incurred prior to completion. In addition, Eco paid a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. To support this obligation, Eco placed \$20.1 million in escrow on April 14, 2022, subsequent to which Africa Energy repaid a \$1.5 million deposit to Eco.

Africa Energy farmed-out a 12.5% participating interest in Block 2B to Panoro Energy ASA ("Panoro"). In consideration for the assignment of this interest, Africa Energy was paid \$0.09 million on April 14, 2022, which includes costs incurred prior to escrow being funded. Panoro also paid a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

During the year ended December 31, 2022, the Company capitalized \$0.04 million of general and administrative expenses related to intangible exploration assets (for the year ended December 31, 2021, \$0.06 million). As at December 31, 2022, the Company impaired the full amount of its Block 2B intangible exploration assets.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

6) Share capital:

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

b) Issued:

	Note	December 31, 2022		December 31, 2021	
		Shares	Amount	Shares	Amount
Balance, beginning of the year		1,398,603,039	\$ 358,436	1,395,333,039	\$ 357,905
Shares issued upon exercise of options	7	9,209,210	2,177	3,270,000	531
Balance, end of the year		1,407,812,249	\$ 360,613	1,398,603,039	\$ 358,436

7) Share purchase options:

At the Annual General and Special Meeting ("AGSM") held on June 21, 2022, the Company's shareholders ratified and approved the Company's stock option plan (the "Plan"). The Plan provides that the aggregate number of incentive stock options issued shall not exceed 10% of the total common shares outstanding, and that the option exercise price will not be below the market trading value of the Company's shares at the time of grant. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall receive a grant of more than 5% of the Company's total common shares outstanding.

Share purchase options outstanding are as follows:

	December 31, 2022		December 31, 2021	
	Number of options	Weighted average exercise price (CAD\$)	Number of options	Weighted average exercise price (CAD\$)
Outstanding, beginning of the year	62,720,000	0.22	42,780,000	0.18
Granted	21,780,000	0.25	23,210,000	0.28
Exercised	(10,721,666)	0.19	(3,270,000)	0.12
Balance, end of the year	73,778,334	0.23	62,720,000	0.22

- i) During the year ended December 31, 2022, 10,721,666 stock options were exercised from which \$1.0 million in contributed surplus was transferred to share capital. During the year ended December 31, 2021, 3,270,000 stock options were exercised from which \$0.2 million in contributed surplus was transferred to share capital.
- ii) Amendments were approved to the Plan at the AGSM allowing for the provision of the net exercise of options. During the year ended December 31, 2022, 10,721,666 stock options were exercised and 9,209,210 shares were issued, the difference due to the net exercise of 2,500,000 options resulting in the issuance of 987,544 shares.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

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 year ended December 31, 2022 and the year ended December 31, 2021 were estimated on the date of grant using the following assumptions:

	2022	2021
Number of options granted during the year	21,780,000	23,210,000
Fair value of options granted (CAD\$)	0.13	0.15
Risk-free interest rate (%)	2.24	1.26
Expected life (years)	3.60	3.00
Expected volatility (%)	74	88
Expected dividend yield	-	-

The following table summarizes information regarding stock options outstanding at December 31, 2022:

Weighted average exercise price (CAD\$/share)	Options outstanding	Weighted average remaining contractual life in years
0.17	8,710,000	0.37
0.25	8,975,000	1.17
0.17	11,620,000	2.23
0.28	22,951,667	3.86
0.25	21,521,667	4.23
0.23	73,778,334	2.97

All options outstanding vest over a two-year period, with one-third vesting immediately, and expire five years after the grant date.

The following table summarizes information regarding stock options exercisable at December 31, 2022:

Weighted average exercise price (CAD\$/share)	Options exercisable	Weighted average remaining contractual life in years
0.17	8,710,000	0.37
0.25	8,975,000	1.17
0.17	11,620,000	2.23
0.28	15,215,000	3.86
0.25	7,001,667	4.23
0.22	51,521,667	2.49

The Company recognized \$3.0 million in stock-based compensation expense for the year ended December 31, 2022 (\$1.4 million for the year ended December 31, 2021).

8) Financial risk management:

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration and financing activities such as:

- credit risk;
- liquidity risk; and
- market risk.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

a) Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our 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 that are non-performing and to reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. As at December 31, 2022, the Company held \$0.1 million of cash in financial institutions outside of Canada where there could be increased exposure to credit risk.

b) 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 actively monitors its liquidity to ensure that its 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.

To finance its future acquisition, exploration, development and operating costs, Africa Energy will require financing from external sources, potentially including the 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 or, if available, that it will be offered on terms acceptable to Africa Energy.

c) Market risk:

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of financial instruments.

i) 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 to foreign currency exchange risk is mitigated by the fact that the Company sources the majority of its capital projects and expenditures in US dollars. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

ii) Interest rate risk:

As at December 31, 2022, the Company has not entered into any borrowing arrangements or derivative instruments in which exposure to fluctuations in interest rates exists.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

The impact of interest rate risk on the valuation of the financial asset has been considered and disclosed in Note 4.

iii) Commodity price risk:

The Company is not directly exposed to fluctuations in commodity prices as Africa Energy is currently in the exploration phase and has no production.

The impact of commodity price risk on the valuation of the financial asset has been considered and disclosed in Note 4.

9) Capital management:

The Company's objective when managing its capital structure is to maintain balance sheet strength in order to ensure the Company's strategic exploration and business development objectives are met while providing an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure and makes adjustments to it based on changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, which currently consists exclusively of equity instruments, the Company may issue additional shares, issue debt, execute working interest farmout arrangements and revise its capital and operating expenditures program. In addition, the Company manages its cash and cash equivalents balances based on forecasted capital outlays and foreign exchange risks in order to ensure that the risk of negative foreign exchange effects is minimized while ensuring that interest yields on account balances are appropriate. The Company considers its capital structure to include shareholder's equity and working capital. The Company does not have externally imposed capital requirements.

10) Finance income and expense:

Finance income and expense is comprised of the following:

For the years ended	December 31, 2022	December 31, 2021
Interest and other income	\$ (98)	\$ (29)
Interest expense	11	-
Foreign exchange loss	33	41
Finance expense	\$ 44	\$ 41
Finance income	(98)	(29)

11) Related party transactions:

a) Transactions with AOC:

At December 31, 2022, AOC owned 19.7% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision of administrative services, AOC invoiced the Company \$0.04 million during the year ended December 31, 2022 (\$0.06 million for the year ended December 31, 2021). At December 31, 2022, the outstanding balance payable to AOC was \$ nil (at December 31, 2021, \$ nil). The service fee charged to the Company by AOC is for the provision of

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

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 General Technical and Administrative Service Agreement with Africa Oil SA Corp. ("AOSAC"), a wholly-owned subsidiary of AOC, the Company invoiced AOSAC \$0.5 million during the year ended December 31, 2022 (\$0.3 million for the year ended December 31, 2021). At December 31, 2022, the outstanding balance receivable from AOSAC was \$ nil (at December 31, 2021, \$ nil). The fee charged to AOSAC by the Company is intended to cover the costs of the Company's employees that are providing AOSAC with technical and administrative services related to AOC's interest in Block 3B/4B offshore South Africa. The fee is recognized as a reduction in salaries and benefits expense, and office and general costs.

b) Remuneration of Directors and Senior Management:

Remuneration of Directors and Senior Management includes all amounts earned and awarded to the Company's Board of Directors and Senior Management. Senior Management includes the Company's President and Chief Executive Officer, Chief Financial Officer and the Vice President of Exploration.

Directors' fees include Board and Committee Chair retainers. Management's short-term wages and benefits include salary, benefits, bonuses and any other compensation earned or awarded during the year. Share-based compensation includes expenses related to the Company's stock option plan.

For the years ended	December 31, 2022	December 31, 2021
Directors' fees	\$ 190	\$ 191
Directors' share-based compensation	437	193
Management's short-term wages, bonuses and benefits	1,342	1,982
Management's share-based compensation	1,547	817
	\$ 3,516	\$ 3,183

c) Promissory Notes:

On December 23, 2022, the Company entered into a promissory note agreement with AOC for \$2.0 million, Deepkloof Limited for \$2.0 million and Lorito Holdings S.à.r.l. for \$1.0 million. Deepkloof Limited is the largest shareholder of Impact Oil & Gas Limited ("Impact"). At December 31, 2022, Impact owned 36.2% of the common shares of Africa Energy. AOC, Deepkloof Limited and Impact are related parties of the Company. Lorito Holdings S.à.r.l. is a company owned by a trust whose settlor was the late Adolf H. Lundin.

The maturity date of the promissory notes is January 31, 2024 and accrue interest at a 10% annual interest rate if repaid by October 31, 2023 or 15% annual interest rate if repaid after October 31, 2023. The promissory notes have no security and are repayable pro rata any time before maturity without penalty.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

12) Income Taxes:

Substantially all of the differences between actual income tax expense (recovery) of \$ nil and the expected federal, Alberta and British Columbia statutory corporate income tax recovery related to losses not recognized and share issue costs.

The following table reconciles the expected tax recovery calculated at the Canadian statutory rate with the actual tax recovery:

For the years ended	December 31, 2022	December 31, 2021
Net (loss) / income and comprehensive (loss) / income	\$ (20,772)	\$ 21,564
Combined federal and provincial statutory income tax rate	27.0%	27.0%
Expected tax (recovery) / expense	(5,608)	5,822
Stock-based compensation	817	389
Loss taxed at a different rate	-	(16)
Non-taxable expense items	20	16
Writedown of intangible exploration assets	3,963	-
Revaluation of financial asset	-	(7,316)
Unrecognized tax losses	808	1,105
Tax recovery	\$ -	\$ -

The Company has the following un-booked deductible temporary differences at December 31, 2022 and 2021:

	2022	2021
Unbooked deductible temporary differences		
Share issue costs	\$ 450	\$ 896
Unrealized loss on equity investments	40,838	40,822
Non-capital losses carried forward	54,221	47,233
Charitable Donations	403	403
	\$ 95,912	\$ 89,354

The Company has non-capital losses carry forward of \$32.5 million in Canada that begin expiring in 2033 and non-capital losses carry forward of \$21.7 million in South Africa that relate to the acquisition of Main Street 840. The non-capital losses in South Africa do not expire.

During the year ended December 31, 2020, as result of the Company's investment in Impact Oil and Gas SA Blocks 11B/12B Limited, the Company acquired a taxable temporary difference in the amount of \$0.04 million for which no deferred tax liability has been recognized as a result of the Initial Recognition Exemption. As at December 31, 2022, the company had a total of \$0.04 million (2021 - \$0.04 million) of taxable temporary differences for which no deferred tax liability has been recognized.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

13) Net (loss) / income per share:

For the years ended	December 31, 2022			December 31, 2021		
	Net loss	Weighted Average		Net income	Weighted Average	
Number of shares		Per share amounts	Number of shares		Per share amounts	
Basic (loss) / income per share						
Net (loss) / income attributable to common shareholders	\$ (20,772)	1,402,128,307	\$ (0.01)	\$ 21,564	1,396,025,176	\$ 0.02
Effect of dilutive securities	-	-	-	-	12,768,174	-
Dilutive (loss) / income per share	\$ (20,772)	1,402,128,307	\$ (0.01)	\$ 21,564	1,408,793,350	\$ 0.02

For the year ended December 31, 2022, 73,778,334 options were anti-dilutive and were not included in the calculation of dilutive loss per share. During the year ended December, 31, 2021, the Company used an average market price of CAD\$0.28 per share to calculate the dilutive effect of share purchase options.

14) Subsidiaries:

The Company has the following wholly-owned subsidiaries, unless otherwise stated: Africa Energy UK Limited (United Kingdom), formerly Impact Oil and Gas SA Blocks 11B-12B Limited, Canmex Holdings (Bermuda) I Ltd. (Bermuda), Canmex Holdings (Bermuda) II Ltd. (Bermuda), Africa Energy Holdings (Bermuda) I Ltd. (Bermuda), Africa Energy SA Corp. (Canada), Thombo Petroleum Ltd. (United Kingdom), Africa Energy South Africa (pty) Limited (South Africa), Africa Energy Namibia Corp. (Canada), 1153123 B.C. Ltd. (Canada), Pancontinental Namibia Pty Ltd. (Australia, 33.3% owned), and Main Street 1549 (pty) Ltd. (South Africa, 49% owned). All of the Company's subsidiaries are engaged in oil and gas exploration activities.

15) Financial instruments:

Assets and liabilities at December 31, 2022 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, promissory note and accounts payable and accrued liabilities are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables, promissory note and accounts payable and accrued liabilities are classified as Level 2. The Company's investments in associates and joint ventures, and financial assets 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.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

16) Commitments and contingencies:

PSA and Agreement Commitments

Block 2B

The Third Renewal Period of the Block 2B Exploration Right was set to expire on November 16, 2022. Prior to expiry, the Block 2B joint venture submitted a Production Right application to the Petroleum Agency of South Africa. The Third Renewal Period included an obligation to drill a well, which was satisfied by the drilling of the Gazania-1 exploration well. Drilling of this well was completed on November 18, 2022.

Under the Thombo Share Purchase Agreement, the Company is obligated to pay the following to former shareholders of Thombo:

1. At spud of the third well (the AJ-1 well drilled in 1988 being the first well drilled and Gazania-1 recently being the second well drilled on Block 2B to date), pay \$0.5 million in cash or common shares of the Company valued at that time;
2. At spud of the fourth well, pay \$0.5 million in cash or common shares of the Company valued at that time; and
3. At declaration of commerciality by the joint operating committee, either;
 - a. pay \$0.5 million in cash or common shares of the Company valued at that time; or
 - b. in the event that a predetermined level of reserves is achieved, issue up to 20 million common shares of the Company depending on the amount of reserves at that time.

At December 31, 2022, management has assessed the likelihood and timing of future drilling and has not accrued any obligations related to the above contingent consideration.

Under the farmin agreement with a subsidiary of Crown Energy AB ("Crown"), the Company was obligated to fund Crown's remaining 10% participating interest of costs associated with the drilling and testing of the Gazania-1 well on Block 2B. For additional details on the farmout agreements and funding obligations, refer to Note 5.

Main Street 1549

Refer to Note 4 for details on commitments.

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2022 and 2021

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

17) Supplementary information:

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

For the years ended	December 31, 2022	December 31, 2021
Changes in non-cash working capital		
Accounts receivable	\$ (150)	\$ (43)
Prepaid expenses	(11)	91
Accounts payable and accrued liabilities	1,715	(102)
	<u>\$ 1,554</u>	<u>\$ (54)</u>
Relating to:		
Operating activities	\$ (16)	\$ (45)
Investing activities	1,405	(9)
	<u>\$ 1,389</u>	<u>\$ (54)</u>
Reclassification of advances to Main Street 1549	165	-
Changes in non-cash working capital	<u>\$ 1,554</u>	<u>\$ (54)</u>