AFRICA ENERGY CORP.

(Formerly Horn Petroleum Corporation)

Report to Shareholders

March 31, 2015

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2015 and 2014

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Energy Corp. and its subsidiaries (the "Company" or "Africa Energy") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three months ended March 31, 2015 and 2014 and should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2014 and 2013 and related notes thereto.

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

The effective date of this MD&A is May 14, 2015.

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-based company whose common shares are traded on the TSX Venture Exchange under the symbol "AFE". The Company is an international oil and gas exploration and development company, based in Canada, with oil and gas interests in Puntland (Somalia). As at March 31, 2015, Africa Oil Corp. ("AOC") owned 40.8% of the issued and outstanding common shares of Africa Energy.

The Company has invoked a new corporate strategy to take advantage of the current downturn in oil prices and intends to aggressively pursue onshore and shallow-water upstream oil opportunities in Africa. Africa Energy has commenced building a strong technical team which will be managed from a new office in Cape Town, South Africa. In line with this refocused effort, the Company changed its name to Africa Energy Corp. which was effective on March 12, 2015 and, effective at market open on March 12, 2015, the Company's common shares began trading on the TSX Venture Exchange under the new symbol AFE.V.

OPERATIONS UPDATE

PUNTLAND

The Company has informed the Government of Puntland (Somalia) that the Company will be significantly reducing its presence in Bosaso, Puntland and will refrain from any operational activity and associated expenditures pending a resolution of the political situation between the Regional Government of Puntland and the Federal Government of Somalia regarding the legitimacy of oil concession contracts. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Government of Puntland to allow time for these political challenges to be resolved. Accordingly, the Company elected during the fourth quarter of 2014 to record a $90.6 million non-cash impairment charge related to its assets in Puntland. As at March 31, 2015, intangible exploration assets related to these properties was nil.

The Company holds interests in 36,168 km2 (gross) of acreage in respect of the production sharing agreements ("PSAs") in the Dharoor Valley block and the Nugaal Valley block located in Puntland (Somalia).

The following table summarizes the Company’s net working interests in the various PSAs, based on working interest ownership:

Block/Area	March 31, 2015 Net Working Interest %	December 31, 2014 Net Working Interest %
Dharoor Valley	60%	60%
Nugaal Valley	60%	60%

FINANCING UPDATE

During March 2015, the Company completed a non-brokered private placement issuing an aggregate of 32,486,153 shares at a price of CAD$0.13 per share for gross proceeds of $3.4 million. A finder’s fee was paid in the amount of $0.08 million in cash. The Company issued 22,689,615 of the common shares on March 27, 2015 (“first tranche”) and issued 9,796,538 common shares on March 30, 2015 (“second tranche”). The common shares issued under the first and second tranche of the private placement are subject to a statutory hold period which expires on July 28, 2015 and July 31, 2015, respectively. Net proceeds from the private placement are expected to be used towards managing the new office, including a technical team, in Cape Town, South Africa as well as pursuing onshore and shallow-water upstream oil opportunities in Africa.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**	**31-Mar 2014**	**31-Dec 2013**	**30-Sep 2013**	**30-Jun 2013**
Operating expenses ($)	(657)	(90,994)	(436)	(540)	(361)	(538)	(457)	(465)
Foreign exchange gain (loss) ($)	(16)	(9)	(8)	4	(7)	(8)	11	(25)
Fair market value gain (loss) - warrants	-	-	-	6	(5)	37	268	197
Net loss ($)	(673)	(91,003)	(443)	(530)	(372)	(509)	(176)	(290)
Weighted average shares - Basic	97,967	96,849	96,849	96,849	96,849	96,849	96,849	96,849
Weighted average shares - Diluted	97,967	96,849	96,849	96,849	96,849	96,849	96,849	96,849
Basic income (loss) per share ($)	(0.01)	(0.94)	(0.00)	(0.01)	0.00	(0.01)	0.00	0.00
Diluted income (loss) per share ($)	(0.01)	(0.94)	(0.00)	(0.01)	0.00	(0.01)	0.00	0.00
Oil and gas expenditures ($)	-	(113)	(211)	(260)	(618)	(119)	(243)	(391)

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

Operating expenses were relatively consistent in the second and third quarter of 2013. Operating expenses were higher in the fourth quarter of 2013 due mainly to increased professional fees associated with the year end audit and a $50,000 donation in support of tropical cyclone relief efforts in Puntland. Operating expenses decreased in the first quarter of 2014 due to the donation and higher professional fees in the fourth quarter of 2013, as well as a reduction in stock-based compensation due to a reduction in the remaining life of outstanding stock options. Operating expenses increased in the second quarter of 2014 due to increased stock-based compensation expense resulting from the issuance of 2.2 million stock options granted to directors, officers and employees of the Company in the second quarter of 2014, of which one-third vested immediately. Operating expenses decreased slightly in the third quarter of 2014 due mainly to a reduction in stock-based compensation resulting from a reduction in the remaining life of outstanding stock options and a reduction in the fair market value of recent options granted as determined using the Black-Scholes option pricing model. Operating expenses increased in the fourth quarter of 2014 due to a $90.6 million impairment charge on intangible exploration assets. The Company has informed the Government of Puntland (Somalia) that the Company will be significantly reducing its presence in Bosaso, Puntland and will refrain from any operational activity and associated expenditures pending a resolution of the political situation between the Regional Government of Puntland and the Federal Government of Somalia regarding the legitimacy of oil concession contracts. Operating expenses decreased for the first quarter of 2015 compared to fourth quarter of 2014. This decrease is due to an impairment charge that was booked in the fourth quarter of 2014. The decrease was slightly offset by an increase in stock-based compensation expense. During the first quarter of 2015, there was issuance of 4.9 million stock options which were granted to directors, officers and employees of the Company in the first quarter of 2015, of which one-third vested immediately.

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

Fair market value adjustments to the warrant liability were performed on a quarterly basis. The warrants entitled the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. In accordance with IFRS, an obligation to issue shares for a price that is not fixed in the company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations as they arise. The fair market value of the warrant liability decreased throughout the majority of 2013 through to the end of the second quarter in 2014 resulting in gains in the statement of net income and comprehensive income due to a combination of factors, including; a reduction in the Company's share price, a reduction in the remaining life of the warrants that remain outstanding, a reduction in the number of warrants outstanding, and a decrease in the volatility of the Company's share price. In June 2014, 9.5 million warrants expired unexercised leaving no further warrants outstanding.

RESULTS OF OPERATIONS

For the three months ended March 31, (thousands)		2015		2014
Salaries and benefits	$	140	$	-
Stock-based compensation		230		27
Management fees		184		206
Office and general		17		43
Professional fees		72		73
Stock exchange and filing fees		14		12
Operating expenses	$	657	$	361

Operating expenses increased $0.3 million for the three months ended March 31, 2015 compared to the same period in 2014 due mainly to an increase in stock-based compensation expense and salary expense. The increase in stock-based compensation expense is due to 4.9 million stock options granted to directors, officers and employees of the Company during the first quarter of 2015, of which one-third vested immediately. In addition, salary costs increased, which was the result of hiring a fully dedicated President and Chief Executive Officer during May of 2014 as well as a Vice President Exploration during February of 2015.

INTANGIBLE EXPLORATION ASSETS

During the year ended December 31, 2014, Africa Energy wrote down its investment in intangible exploration assets to nil, recording a $90.6 million impairment charge during the fourth quarter of 2014 relating to the Dharoor and Nugaal Blocks. Ongoing political challenges in Puntland (Somalia) persist unresolved, including challenges regarding the legitimacy of oil concession contracts issued by the former and current central Somali governments and regional states (Puntland and Somaliland), many of which cover overlapping territory and border disputes between Somalia (including Puntland) and Somaliland. The Company has decided to downsize its office in Bosaso, Puntland and cease operational activities and associated expenditures until the political issues are resolved.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2015, the Company had cash of $3.5 million and working capital of $4.2 million as compared to cash of $1.6 million and working capital of $1.3 million at December 31, 2014. The increase in the Company's cash position and working capital are primarily due the completion of a private placement which occurred at the end of first quarter of 2015.

The Company's working capital position may not provide it with sufficient capital resources to meet additional exploration, appraisal and development expenditures. To finance its future acquisition, exploration, development and operating costs, Africa Energy will require financing from external sources, including issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Africa Energy.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers and employees whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the three months ended March 31, 2015 was $0.2 million, compared to $0.03 million for three months ended March 31, 2014. The increase in stock-based compensation expense is due to 4.9 million stock options granted to directors, officers and employees of the Company during the first quarter of 2015, of which one-third vested immediately.

RELATED PARTY TRANSACTIONS

Transactions with AOC

At March 31, 2015, Africa Oil Corp. ("AOC") owned 40.8% of the common shares of Africa Energy.

Under the terms of the General Management and Service Agreement between AOC and the Company for the provision of management and administrative services, AOC invoiced the Company $0.2 million during the three months ended March 31, 2015 (three months ended March 31, 2014 – $0.2 million).

At March 31, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $ nil). The management fee charged to the Company by AOC is for the provision of management and administrative services and is intended to cover the cost of administrative expense and salary costs paid by AOC.

Under the terms of a Services Agreement between AOC and the Company, AOC invoiced the Company $ nil during the three months ended March 31, 2015 (three months ended March 31, 2014 - $0.03 million) for services provided by geologists and geophysicists employed by AOC. At March 31, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $0.03 million).

During the three months ended March 31, 2015, AOC invoiced the Company $0.01 million for reimbursable expenses paid by AOC on behalf of the Company (three months ended March 31, 2014 - $0.02 million). At March 31, 2015, the outstanding balance payable to AOC was $0.1 million (at December 31, 2014 – $0.07 million).

COMMITMENTS AND CONTINGENCIES

Please note that the following commitments and contingencies are representative of Africa Energy's net obligations at the effective date of the MD&A.

With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners have fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and have entered the second exploration period in each PSA which expire in October 2015. The minimum work obligations required during the second exploration period include an exploration well in each block with minimum exploration expenditures of $5.0 million (gross) in each block. The Company has requested a two year extension to the current exploration period from the Puntland Government to allow time for the ongoing political challenges to be resolved.

Under the Joint Venture Agreement with Range Resources Ltd. ("Range"), relating to the Dharoor Valley and Nugaal Valley exploration blocks, the Company was obligated to solely fund $22.8 million of joint venture costs on each of the blocks ($45.5 million in total for both blocks) during the initial exploration period, in exchange for a 80% working interest in each PSA. The Company currently holds a 60% working interest in both the Dharoor Valley and Nugaal Valley PSAs. An additional $3.5 million will be payable to Range upon commencement of commercial production. The Company has fulfilled its sole funding obligation related to the Dharoor Valley and Nugaal Valley blocks, and as a result, Range is obligated to pay its 20% participating interest share of ongoing exploration costs related to each block.

OUTSTANDING SHARE DATA

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

Common shares outstanding	129,335,469
Outstanding share purchase options	9,490,666
Full dilution impact on common shares outstanding	138,826,135

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' significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2014.

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 related 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, recovery of exploration costs capitalized in accordance with IFRS, stock-based compensation, income taxes and fair market value of warrants and convertible debentures.

Intangible Explorations Assets

The Company capitalizes costs related to 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 that related to properties with common geological structures and with 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 or commercially viable reserves have been discovered and extraction of those reserves is determined to be technically feasible. The determination that a discovery is commercially viable and extraction is technically feasible requires judgment.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately not considered commercially viable, all related costs are recognized in the statement of operations. If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into the smallest group of assets that generate 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”) within intangible exploration assets. The allocation of the company’s assets into CGUs requires judgment.

Intangible exploration assets are assessed for impairment when they are reclassified to property and equipment, as intangible exploration assets, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. 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 cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs to sell, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

The key assumptions the company uses for estimating future cash flows are reserves, future commodity prices, expected production volumes, future operating and development costs, among others. The estimated useful life of the CGU, the timing of future cash flows and discount rates are also important assumptions made by management.

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.

Warrants

An obligation to issue shares for a price that is not fixed in the company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of operations as they arise. The warrants entitle the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. The estimated fair value is adjusted on a quarterly basis with gains or losses recognized in the statement of operations. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing the warrants and convertible debentures. The Black-Scholes model is based on significant assumptions such as volatility, dividend yield and expected term.

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.

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

There are no new standards or amendments to existing standards effective January 1, 2015.

RISK FACTORS

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below. Refer to the Company's Annual Information Form dated February 26, 2015 on Sedar (www.sedar.com) for further risk factor disclosures.

International Operations

Horn participates in oil and gas projects located in emerging markets, including Puntland (Somalia). Oil and gas exploration, development and production activities in these emerging markets, including Puntland (Somalia), 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 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 Horn's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Horn 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 Horn 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 Horn will be able to obtain all necessary licenses and permits when required.

International Boundary Disputes

Due to ongoing political disputes, the geographic boundaries separating Somalia from its neighbors and dividing the various semiautonomous regions of Somalia (including Puntland) are not universally agreed within Somalia or by the international community.

Somaliland has disputed its border with the Republic of Somalia (including the Regional State of Puntland) since May 1991 when Somaliland unilaterally declared its independence. Its claim is based on the fact that it is the successor state to the British Somaliland protectorate that united with the Republic of Somalia in July 1960. However neither the Republic of Somalia, nor the wider international community, have recognized their claim to independence nor the associated depiction of their borders.

Despite this position, the Somaliland government has written on a number of occasions (including September 2007 and February 2012) to formally inform the Company of its claim of sovereignty. Elements of this territorial claim overlap oil concessions granted to the Company by the Puntland government in the Nugaal Valley basin.

An added complication developed in 2012 when the Sool, Sanaag and Cayn (SSC) region of Somalia established the Khatumo State administration. SSC leaders declared this an autonomous state that exists in the aforementioned disputed zone between Somalia/Puntland and Somaliland. The SSC rejects all Somaliland claims to the area and see themselves as the legitimate representatives of the local communities within a Federal State of Somalia.

Political Instability

The Company is highly exposed to significant political risk in Somalia and the Puntland Regional State. Whilst the political and security situation in Somalia has seen some major advancement over the last few years, the country as a whole is still characterized by strong internal political tension that can easily escalate into violence.

The election of an internationally recognized Federal Government of Somalia in August 2012 (the first permanent central government in the country since the start of the civil war in 1991) was a noticeable achievement. This has led to a range of additional political improvements including recognition by the UN and other key international governments. However the structures and systems of government are still fragile and emerging.

In January 2014 the Regional State of Puntland underwent its own Presidential election that led to the relatively peaceful transition of power to a new President. This democratic step was again hailed by the international community as a sign of the progress taking place in the country.

Different Legal System and Litigation

The Puntland (Somalia) legal system 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 Somalia or Puntland. 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 would 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, 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 and its operations.

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. In light of the boundary disputes and the dynamic political environment at both the federal and regional levels within Somalia, the constitutional and legal basis surrounding mineral and oil and gas rights is often disputed between the various levels of government and semi-autonomous states. The Federal Government of Somalia, elected in 2012, and the various regional governments have yet to mutually agree on a legislative framework surrounding the granting of exploration rights and administering exploration activities.

Competing Claims From ConocoPhillips

By a letter dated November 16, 2007 AOC was advised by ConocoPhillips, which entity had previously engaged in oil and gas exploration in Somalia, that it was claiming a continued interest in certain parts of the concessions that comprise the blocks in which the Company holds its interest. ConocoPhillips stated that it had acquired its interest from the Somali Democratic Republic (a name given to Somalia in 1969 by the communist regime of President Barre), that its interests have not been terminated by the Somali Democratic Republic, and that they have not been relinquished by ConocoPhillips. The letter stated ConocoPhillips disagreement with any suggestion that its interests had lapsed. No further correspondence has been received by either the Company or AOC since 2007.

The Company does not recognize the interest of ConocoPhillips and disputes ConocoPhillip's position in respect of this matter. However, if ConocoPhillips chooses to pursue its claims, the outcome of a dispute or lawsuit cannot be predicted with any certainty.

Competition

The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. Horn competes with numerous other companies in the search for and acquisition of prospects.

Risks Inherent in Oil and Gas Exploration and Development

Horn'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 and knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury.

Capital Requirements

To finance its future acquisition, exploration, development and operating costs, Horn will 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 Horn. 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 Horn may be diluted. If unable to secure financing on acceptable terms, Horn may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfill the minimum work obligations under the terms of its various PSAs. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

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. Horn had no forward exchange contracts in place as at or during the year ended December 31, 2014.

For the period ended March 31, 2015, a 5% increase or decrease in the value of the Canadian dollar in relation to the US dollar, which is the Company's functional currency, and using average Canadian dollar cash balances during the year would have resulted in an approximately $0.02 million (2014 – $0.003 million) increase or decrease in foreign exchange gains/losses, respectively.

At March 31, 2015, the Company had $1.0 million Canadian dollars (2014 – $0.06 million) in cash and cash equivalents.

Interest rate risk

The Company does not have any current exposure to fluctuations in interest rates.

Liquidity risk

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

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

Credit risk

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of 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 who are non-performing and 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, 2014, the Company held $0.07 million of cash in financial institution outside of Canada where there could be increased exposure to credit risk.

OUTLOOK

The Company is actively pursuing new venture opportunities across the African continent.

The Company has informed the Government of Puntland (Somalia) that the Company will be significantly reducing its presence in Bosaso, Puntland and will refrain from any operational activity and associated expenditures pending a resolution of the political situation between the Regional Government of Puntland and the Federal Government of Somalia regarding the legitimacy of oil concession contracts. Given the considerable efforts taken by the Company to date in Puntland (Somalia), the Company has requested a two year extension to the current exploration period from the Government of Puntland to allow time for these political challenges to be resolved.

Forward Looking Statements

Certain statements in this document are “forward-looking statements”. Forward-looking statements are statements that are not historical fact and are generally identified by words such as “believes”, “anticipates”, “expects”, “estimates”, “pending”, “intends”, “plans”, “will” or similar words suggesting future outcomes. By their nature, forward-looking statements and information 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 and information. 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.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

Any statements regarding the following are forward-looking statements:

- expected closing dates for the completion of proposed transactions;
- planned exploration activity including both expected drilling and geological and geophysical related activities;

- anticipated future financing requirements
- future crude oil, natural gas or chemical prices;
- future sources of funding for our capital program;
- availability of potential farmout partners;
- government or other regulatory consent for exploration, development, farmout or acquisition activities;
- future production levels;
- future capital expenditures and their allocation to exploration and development activities;
- 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 sources of liquidity, cash flows and their uses;
- future drilling of new wells;
- ultimate recoverability of current and long-term assets;
- ultimate recoverability of reserves or resources;
- expected finding and development costs;
- expected operating costs;
- 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 developed or will come on stream or reach expected operating capacity; 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.

The 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;
- our 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;
- volatility in energy trading markets;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business;
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations;
- renegotiations of contracts;

- results of litigation, arbitration or regulatory proceedings; and
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict,
- conflict between states.

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 our assessment of all information at that time. Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

AFRICA ENERGY CORP.

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

			March 31, 2015		December 31, 2014
ASSETS	**Note**				
Current assets					
Cash and cash equivalents		$	3,538	$	1,605
Accounts receivable	3		776		104
Prepaid expenses			143		67
			4,457		1,776
Total assets		$	4,457	$	1,776
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Current liabilities					
Accounts payable and accrued liabilities		$	197	$	370
Due to related party	8		108		95
			305		465
Total liabilities			305		465
Equity attributable to common shareholders					
Share capital	5		89,778		86,494
Contributed surplus	6		3,530		3,300
Deficit			(89,156)		(88,483)
Total equity attributable to common shareholders			4,152		1,311
Total liabilities and equity attributable to common shareholders		$	4,457	$	1,776

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

Approved on behalf of the Board:

"IAN GIBBS" *"ASHLEY HEPPENSTALL"*

IAN GIBBS, DIRECTOR **ASHLEY HEPPENSTALL, DIRECTOR**

AFRICA ENERGY CORP.

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

	Note	Three months ended March 31, 2015	Three months ended March 31, 2014
Operating expenses			
Salaries and benefits		$ 140	$ -
Stock-based compensation	6	230	27
Management fees	8	184	206
Office and general		17	43
Professional fees		72	73
Stock exchange and filing fees		14	12
		657	361
Finance expense	7	16	12
Finance income	7	-	(1)
Net loss and comprehensive loss attributable to common shareholders		(673)	(372)
Net loss per share	9		
Basic		$ (0.01)	$ (0.00)
Diluted		$ (0.01)	$ (0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	9		
Basic		97,966,594	96,849,316
Diluted		97,966,594	96,849,316

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

AFRICA ENERGY CORP.

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

	Note		March 31, 2015		March 31, 2014
Share capital:	5(b)				
Balance, beginning of the period		$	86,494	$	86,494
Private placement, net of issue costs			3,284		-
Balance, end of the period			89,778		86,494
Contributed surplus:					
Balance, beginning of the period		$	3,300	$	2,973
Stock-based compensation	6		230		27
Balance, end of the period			3,530		3,000
Earnings (Deficit):					
Balance, beginning of the period		$	(88,483)	$	3,865
Net loss for the period			(673)		(372)
Balance, end of the period			(89,156)		3,493
Equity attributable to common shareholders		$	4,152	$	92,987

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

AFRICA ENERGY CORP.

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

Three months ended		**March 31, 2015**	**March 31, 2014**
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss for the period		$ (673)	$ (372)
Item not affecting cash:			
Stock-based compensation	6	230	27
Fair market value adjustment - warrants		-	5
Unrealized foreign exchange loss		16	7
Changes in non-cash operating working capital	11	36	48
		(391)	(285)
Investing:			
Intangible exploration expenditures	4	-	(618)
Changes in non-cash investing working capital	11	(309)	703
		(309)	85
Financing:			
Common shares issued, net of issuance costs	5(b)	3,284	-
Advances from related party	8	197	255
Payments to related party	8	(184)	(206)
Changes in non-cash financing working capital	11	(648)	-
		2,649	49
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(16)	(7)
Increase (decrease) in cash and cash equivalents		1,933	(158)
Cash and cash equivalents, beginning of the period		$ 1,605	$ 3,581
Cash and cash equivalents, end of the period		$ 3,538	$ 3,423
Supplementary information:			
Interest paid		Nil	Nil
Taxes paid		Nil	Nil

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

1) Incorporation and nature of business:

Africa Energy Corp. (collectively with its subsidiaries, "Africa Energy" or the "Company"), formerly Horn Petroleum Corporation ("Horn"), was incorporated under the Business Corporations Act (Alberta) on April 27, 2010 and is an international oil and gas exploration company based in Canada with oil and gas interests in Puntland (Somalia). 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 of the issued and outstanding shares of the subsidiaries holding AOC's interest in oil and gas projects in Puntland (Somalia). The Company's registered address is Suite 2610, 1066 West Hastings Street, Vancouver, BC, V6C 3X1.

Africa Energy is an exploration stage enterprise that has two Production Sharing Agreements in Puntland (Somalia). To date, Africa Energy has not found proved reserves and is considered to be in the exploration stage. Oil and gas exploration, development and production activities in emerging markets such as Puntland (Somalia) are subject to significant uncertainties which 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 in taxation policies, and the imposition of currency controls, in addition to the risks associated with exploration activities. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Africa Energy's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Africa Energy could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which Africa Energy has or may acquire an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that Africa Energy will be able to obtain all necessary licenses and permits when required.

2) Basis of preparation:

a) Statement of compliance:

The Company prepares these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles, specifically International Accounting Standard 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2014.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 14, 2015, the date the Board of Directors approved the statements.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the Company's consolidated financial statements for the year ended December 31, 2014. Those accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

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

c) Functional and presentation currency:

These consolidated financial statements are presented in United States (US) dollars. The functional currency of all the Company's individual entities is US dollars, which represents the currency of the primary economic environment in which the entities operate.

d) Use of estimates and judgments:

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2014.

e) New standards and amendments:

There are no new standards or amendments to existing standards effective January 1, 2015.

3) Accounts Receivable:

	March 31, 2015	December 31, 2014
Receivable relating to private placement (note a)	648	-
Other receivables	128	104
	$ 776	$ 104

a) At March 31, 2015, the Company had $0.6 million in accounts receivable relating to the private placement that closed in the first quarter of 2015. The full amount was collected early in the second quarter of 2015.

4) Intangible exploration assets:

Ongoing political challenges in Puntland (Somalia) persist unresolved, including challenges regarding the legitimacy of oil concession contracts issued by the former and current central Somali governments and regional states (Puntland and Somaliland), many of which cover overlapping territory and border disputes between Somalia (including Puntland) and Somaliland. The Company has significantly reduced its presence in Puntland and has decided to cease operational activities and associated expenditures until the political issues are resolved. As a result, the Company fully impaired $90.6 million of previously capitalized intangible exploration assets during the fourth quarter of 2014 relating to the Dharoor Valley and Nugaal Valley PSAs. The remaining carrying amount of intangible exploration assets is $ nil.

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

5) Share capital:

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

b) Issued:

	March 31, 2015		December 31, 2014	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	96,849,316	$ 86,494	96,849,316	$ 86,494
Private placement, net of issue costs	32,486,153	3,284	-	-
Balance, end of the period	129,335,469	$ 89,778	96,849,316	$ 86,494

During March 2015, the Company completed a non-brokered private placement issuing an aggregate of 32,486,153 shares at a price of CAD$0.13 per share for gross proceeds of $3.4 million. A finder's fee was paid in the amount of $0.08 million in cash. The Company issued 22,689,615 of the common shares on March 27, 2015 ("first tranche") and issued 9,796,538 common shares on March 30, 2015 ("second tranche"). The common shares issued under the first and second tranche of the private placement are subject to a statutory hold period which expires on July 28, 2015 and July 31, 2015, respectively.

6) Share purchase options:

At the 2013 Annual General Meeting, held on June 3, 2014, the Company approved the stock option plan ("the Plan"). The Amended Plan provides that an aggregate number of common shares which may be reserved for issuance as incentive stock options shall not exceed 10% of the common shares outstanding, and option exercise prices will reflect current trading values of the Company's shares. 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 be entitled to a grant of more than 5% of Africa Energy's outstanding issued shares.

Share purchase options outstanding, are as follows:

	March 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	4,882,000	0.33	6,678,336	0.70
Granted	4,885,000	0.17	2,184,000	0.30
Expired or cancelled	(276,334)	0.72	(3,980,336)	0.93
Balance, end of the period	9,490,666	0.24	4,882,000	0.33

i) No stock options were exercised during the three months ended March 31, 2015 or the year ended December 31, 2014.

(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 three months ended March 31, 2015 and the year ended December 31, 2014 were estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2015	2014
Number of options granted during the period	4,885,000	2,184,000
Fair value of options granted	0.10	0.19
Risk-free interest rate (%)	0.50	1.09
Expected life (years)	3.00	2.25
Expected volatility (%)	137	129
Expected dividend yield	-	-

All options granted vest over a two-year period, of which one-third vest immediately, and expire three or five years after the grant date. Stock-based compensation expense for the three months ended March 31, 2015 was $0.2 million (March 31, 2014 – $0.03 million).

The following table summarizes information regarding stock options outstanding at March 31, 2015:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
0.32	2,468,000	0.64
0.19	200,000	1.09
0.30	1,937,666	2.13
0.17	4,885,000	4.95
0.24	9,490,666	3.18

7) Finance income and expense:

Finance income and expense for the three months ended March 31, 2015 and 2014 is comprised of the following:

Three months ended	**March 31, 2015**	**March 31, 2014**
Fair market value adjustment - warrants	$ -	$ 5
Interest and other income	-	(1)
Foreign exchange loss	16	7
Finance income	$ -	$ (1)
Finance expense	16	12

The warrants entitled the holder to acquire a fixed number of common shares for a fixed Canadian dollar price per share. An obligation to issue shares for a price that is not fixed in the Company's functional currency, and that does not qualify as a rights offering, must be classified as a derivative liability and measured at fair value with changes recognized in the statement of net income (loss) and comprehensive income (loss) as they arise.

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

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

8) Related party transactions:

Transactions with AOC:

At March 31, 2015, Africa Oil Corp. ("AOC") owned 40.8% of the common shares of Africa Energy.

Under the terms of the General Management and Service Agreement between AOC and the Company for the provision of management and administrative services, AOC invoiced the Company $0.2 million during the three months ended March 31, 2015 (three months ended March 31, 2014 – $0.2 million).

At March 31, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $ nil). The management fee charged to the Company by AOC is for the provision of management and administrative services and is intended to cover the cost of administrative expense and salary costs paid by AOC.

Under the terms of a Services Agreement between AOC and the Company, AOC invoiced the Company $ nil during the three months ended March 31, 2015 (three months ended March 31, 2014 - $0.03 million) for services provided by geologists and geophysicists employed by AOC. At March 31, 2015, the outstanding balance payable to AOC was $ nil (at December 31, 2014 – $0.03 million).

During the three months ended March 31, 2015, AOC invoiced the Company $0.01 million for reimbursable expenses paid by AOC on behalf of the Company (three months ended March 31, 2014 - $0.02 million). At March 31, 2015, the outstanding balance payable to AOC was $0.1 million (at December 31, 2014 – $0.07 million).

9) Earnings Per Share:

Three months ended	March 31, 2015			March 31, 2014		
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (673)	97,966,594	$ (0.01)	$ (372)	96,849,316	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (673)	97,966,594	$ (0.01)	$ (372)	96,849,316	$ (0.00)

10) Financial Instruments:

Assets and liabilities at March 31, 2015 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.

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

The Company's cash and cash equivalents are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents are classified as Level 2. 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. There were no transfers between levels in the fair value hierarchy in the period.

11) Supplementary Information:

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

Three months ended		**March 31, 2015**		**March 31, 2014**
Changes in non-cash working capital				
Accounts receivable	$	(672)	$	572
Prepaid expenses		(76)		19
Accounts payable and accrued liabilities		(173)		160
	$	(921)	$	751
Relating to:				
Operating activities	$	36	$	48
Investing activities		(309)		703
Financing activities		(648)		-
Changes in non-cash working capital	$	(921)	$	751