AFRICA ENERGY CORP.

Report to Shareholders

March 31, 2016

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three months ended March 31, 2016 and 2015

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, 2016 and 2015 and should also be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2015 and 2014 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 13, 2016.

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. As at March 31, 2016, Africa Oil Corp. ("AOC") owned 32% of the issued and outstanding common shares of Africa Energy.

Early in 2015, the Company invoked a new corporate strategy to take advantage of the current downturn in oil prices and intends to aggressively pursue onshore and offshore upstream oil opportunities in Africa. Africa Energy has built 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. Late in 2015, the Company, as part of its new corporate strategy, executed three definitive agreements which, subject to government approval required for closing, will result in the Company holding a 90% participating interest and operatorship in Block 2B offshore in the Republic of South Africa.

OPERATIONS UPDATE

PENDING TRANSACTIONS

On December 16, 2015, the Company executed the following three definitive agreements which, if completed, will result in the Company holding a 90% participating interest and operatorship in Block 2B offshore in the Republic of South Africa:

<u>Afren plc</u>

The Company executed a sale and purchase agreement with Afren plc, in Administration, and certain of its subsidiaries whereby the Company will acquire the Afren plc subsidiary owning a 25% participating interest in Block 2B for cash consideration of $1 million.

<u>Thombo Petroleum Ltd.</u>

The Company executed a share purchase agreement to acquire all of the shares of Thombo Petroleum Ltd. ("Thombo") for cash consideration of $2 million as well as the issuance of 14.8 million new common shares of the Company. The Company has also agreed to issue up to an additional 20 million common shares of Africa Energy and, at the option of the Company, to either pay and/or issue up to $1.5 million in additional contingent cash and/or shares of Africa Energy, both payable on milestones associated with the commercialization of Block 2B. Thombo holds a 34.5% participating interest and operatorship in Block 2B.

<u>Crown Energy AB</u>

The Company executed a farm-in agreement with Crown Energy AB ("Crown") to acquire a 30.5% participating interest in Block 2B. The Company will reimburse Crown for $0.3 million of net back costs and will fund costs for Crown's remaining 10% participating interest associated with the drilling and testing of the next well in Block 2B.

Completion of the above three definitive agreements is subject to receipt of government approval.

OUTLOOK

The Company has recently taken the first step of its new corporate strategy by entering into agreements to acquire 90% of Block 2B in South Africa. The Company's proven Cape Town-based technical team remains the driving force behind the identification and evaluation of the opportunities available within this current oil sector downturn. Management expects these initial transactions will be the first of a number of transactions to grow Africa Energy. An exploration driven strategy in Africa will deliver value to our shareholders as the world oil markets recover, and Africa Energy has the technical team and access to capital from supportive shareholders to deliver on this strategy.

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 common shares issued under the private placement were subject to a statutory hold period which expired in July of 2015. As anticipated, net proceeds from the private placement were used to fund corporate costs including the Company's new office and technical team, in Cape Town, South Africa as well as pursuing onshore and offshore upstream oil opportunities in Africa.

During December 2015, the Company completed a non-brokered private placement issuing an aggregate of 115,041,666 shares at a price of CAD$0.06 per share for gross proceeds of $5.0 million. A finder's fee was paid in the amount of $0.04 million in cash. The common shares issued in the private placement are subject to a statutory hold period which expired on May 1, 2016. Net proceeds of the private placement will be used towards the Company's acquisition costs for the three South African transactions and related exploration activities, as well as for general working capital purposes.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**31-Mar 2016**	**31-Dec 2015**	**30-Sep 2015**	**30-Jun 2015**	**31-Mar 2015**	**31-Dec 2014**	**30-Sep 2014**	**30-Jun 2014**
Operating expenses ($)	(1,189)	(1,172)	(692)	(531)	(657)	(90,994)	(436)	(540)
Foreign exchange gain (loss) ($)	123	(53)	(102)	20	(16)	(9)	(8)	4
Fair market value gain (loss) - warrants	-	-	-	-	-	-	-	6
Net loss ($)	(1,064)	(1,223)	(792)	(508)	(673)	(91,003)	(443)	(530)
Weighted average shares - Basic	244,377	130,586	129,335	129,335	97,967	96,849	96,849	96,849
Weighted average shares - Diluted	244,377	130,586	129,335	129,335	97,967	96,849	96,849	96,849
Basic loss per share ($)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.94)	(0.00)	(0.01)
Diluted loss per share ($)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.94)	(0.00)	(0.01)
Oil and gas expenditures ($)	-	-	-	-	-	(113)	(211)	(260)

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

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 related to the Company's PSAs in Puntland (Somalia). The Company began reducing its presence in Puntland (Somalia) early in 2015 and by mid-2015 had fully withdrawn from the Nugaal Block and Dharoor Block PSAs. Operating expenses decreased for the first quarter of 2015 compared to fourth quarter of 2014. This decrease is due to the 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, the Company granted 4.9 million stock options to directors, officers and employees of the Company, of which one-third vested immediately. Operating expenses were lower in the second quarter of 2015 compared to the first quarter of 2015 mainly due to the issuance of stock options in the first quarter of 2015 resulting in higher stock-based compensation expense in the first quarter of 2015. Operating expenses increased for the third quarter of 2015 compared to the second quarter of 2015 due to the increase in salaries and travel expenses, offset partially by a reduction in management fees. The increase in salaries and travel costs is a result of hiring technical and administrative staff in Cape Town, South Africa, as part of the Company's new corporate strategy. The decrease in the management fees paid to AOC is a result of hiring a dedicated management team for the Company which led to a revised General Management and Services Agreement between AOC and the Company. Operating costs increased for the fourth quarter of 2015 compared to the third quarter of 2015 due to an increase in transaction related professional fees incurred in the fourth quarter of 2015 as well as an increase in office and general costs mainly relating to technical software license fees and costs associated with the closure of the Bosaso (Puntland) office. The transaction related professional fees are a direct result of ongoing activity by the Company with respect to new ventures, including fees associated with the three South African transactions. Operating costs for the first quarter of 2016 were consistent with the fourth quarter of 2015.

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

RESULTS OF OPERATIONS

For the three months ended March 31, (thousands)		**2016**		**2015**
Salaries and benefits	$	609	$	140
Stock-based compensation		98		230
Travel		74		-
Management fees		40		184
Office and general		242		17
Depreciation		18		-
Professional fees		98		72
Stock exchange and filing fees		10		14
Operating expenses	$	1,189	$	657

Operating expenses increased $0.5 million during the three months ended March 31, 2016 compared to the same period in 2015. The increase in salaries and benefit costs as well as travel costs can be attributed to hiring a dedicated management team as well as technical exploration and administrative staff for the Company's new office in Cape Town, South Africa. Office and general costs increased due mainly to technical software license fees and the costs associated with running a new office in Cape Town, South Africa. The decrease in stock-based compensation can be attributed to a decrease in the number of options granted from 4.9 million during the first quarter of 2015, compared to 0.9 million during the first quarter of 2016. The decrease in management fees charged to the Company can be attributed to revisions to the General Management and Services Agreement between AOC and the Company effective June 1, 2015 and February 1, 2016 to reflect hiring of a dedicated management team for the Company.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2016, the Company had cash and working capital of $5.8 million as compared to cash of $7.0 million and working capital of $6.7 million at December 31, 2015. The decrease in the Company's cash position and working capital are primarily due to the utilization of cash in order to progress the Company's new corporate strategy.

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, 2016 was $0.1 million compared to $0.2 million for the three months ended March 31, 2015. The decrease in stock-based compensation expense is due to 0.9 million stock options granted to directors, officers and employees of the Company during the three months ended March 31, 2016, compared to 4.9 million stock options granted during the three months ended March 31, 2015, of which one-third vested immediately.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AOC:

At March 31, 2016, AOC owned 32% 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 $0.04 million during the three months ended March 31, 2016 (three months ended March 31, 2015 – $0.2 million). At March 31, 2016, the outstanding balance payable to AOC was $ nil (at December 31, 2015 – $ 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.

During the three months ended March 31, 2016, AOC invoiced the Company $0.01 million for reimbursable expenses paid by AOC on behalf of the Company (three months ended March 31, 2015 - $0.01 million). At March 31, 2016, the outstanding balance payable to AOC was $ nil (at December 31, 2015 – $0.09 million).

COMMITMENTS AND CONTINGENCIES

PRODUCTION SHARING CONTRACTS

The Company executed Production Sharing Agreements (“PSAs”) with the Puntland Petroleum Minerals Agency for the Nugaal Block and Dharoor Block through its wholly-owned subsidiary Canmex Holdings (Bermuda) II Ltd. With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and entered the second exploration period in each PSA which expired in October 2015. The minimum work obligations required during the second exploration period included an exploration well in each block with minimum exploration expenditures of $5.0 million (gross) in each block. The Company had requested a two year extension to the exploration period from the Puntland Government to allow time for the ongoing political challenges in Somalia to be resolved. The minimum work obligations under each of the PSAs were not supported by parent company or bank guarantees. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

PROPERTY LEASE CONTRACTS

The Company has committed to future minimum payments at March 31, 2016 under South African operating leases that includes the rental of housing and office space, including a proportionate share of operating costs as follows:

(thousands)	
2016	79
2017	22
Total minimum payments	101

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	244,377,135
Outstanding share purchase options	9,099,500
Full dilution impact on common shares outstanding	253,476,635

Subsequent to the end of the quarter, 200,000 share purchase options expired.

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, 2015.

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.

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.

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, 2016.

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, 2016 on Sedar (www.sedar.com) for further risk factor disclosures.

INTERNATIONAL OPERATIONS

Africa Energy participates in oil and gas projects located in emerging markets. Oil and gas exploration, development and production activities in these 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 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 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 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 Africa Energy will be able to obtain all necessary licenses and permits when required.

DIFFERENT LEGAL SYSTEM AND LITIGATION

The South African 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 South Africa. 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.

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. Africa Energy competes with numerous other companies in the search for and acquisition of prospects.

RISKS INHERENT IN OIL AND GAS EXPLORATION AND DEVELOPMENT

Africa Energy'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, Africa Energy 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 Africa Energy. 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 Africa Energy may be diluted. If unable to secure financing on acceptable terms, Africa Energy 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 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 or during the period ended March 31, 2016.

For the period ended March 31, 2016, 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 $0.002 million (2015 – $0.02 million) increase or decrease in foreign exchange gains/losses, respectively.

At March 31, 2016, the Company had $0.3 million Canadian dollars (2015 – $1.0 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 March 31, 2016 the Company held $0.2 million of cash in financial institution outside of Canada where there could be increased exposure to credit risk.

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)

	Note		March 31, 2016		December 31, 2015
ASSETS					
Current assets					
Cash and cash equivalents		$	5,763	$	7,004
Accounts receivable			129		122
Prepaid expenses			169		146
			6,061		7,272
Long-term assets					
Property and equipment	3		130		106
			130		106
Total assets		$	6,191	$	7,378
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Current liabilities					
Accounts payable and accrued liabilities		$	328	$	462
Due to related party	7		-		87
			328		549
Total liabilities			328		549
Equity attributable to common shareholders					
Share capital	4		94,685		94,685
Contributed surplus	5		3,921		3,823
Deficit			(92,743)		(91,679)
Total equity attributable to common shareholders			5,863		6,829
Total liabilities and equity attributable to common shareholders		$	6,191	$	7,378
Commitments and contingencies	10				

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

Approved on behalf of the Board:

"IAN GIBBS"

IAN GIBBS, DIRECTOR

"ASHLEY HEPPENSTALL"

ASHLEY HEPPENSTALL, DIRECTOR

AFRICA ENERGY CORP.

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

Three months ended	Note	March 31, 2016	March 31, 2015
Operating expenses			
Salaries and benefits		$ 609	$ 140
Stock-based compensation	5	98	230
Travel		74	-
Management fees	7	40	184
Office and general		242	17
Depreciation	3	18	-
Professional fees		98	72
Stock exchange and filing fees		10	14
		1,189	657
Finance expense	6	-	16
Finance income	6	(125)	-
Net loss and comprehensive loss attributable to common shareholders		(1,064)	(673)
Net loss per share	8		
Basic		$ (0.00)	$ (0.01)
Diluted		$ (0.00)	$ (0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	8		
Basic		244,377,135	97,966,594
Diluted		244,377,135	97,966,594

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, 2016		March 31, 2015
Share capital:	4(b)				
Balance, beginning of the period		$	94,685	$	86,494
Private placement, net of issue costs			-		3,284
Balance, end of the period			94,685		89,778
Contributed surplus:					
Balance, beginning of the period		$	3,823	$	3,300
Stock-based compensation	5		98		230
Balance, end of the period			3,921		3,530
Deficit:					
Balance, beginning of the period		$	(91,679)	$	(88,483)
Net loss for the period			(1,064)		(673)
Balance, end of the period			(92,743)		(89,156)
Equity attributable to common shareholders		$	5,863	$	4,152

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, 2016	March 31, 2015
Cash flows provided by (used in):	**Note**		
Operations:			
Net loss for the period		$ (1,064)	$ (673)
Item not affecting cash:			
Stock-based compensation	5	98	230
Depreciation	3	18	-
Unrealized foreign exchange (gain) loss		(123)	16
Changes in non-cash operating working capital	12	(124)	36
		(1,195)	(391)
Investing:			
Property and equipment expenditures	3	(42)	-
Changes in non-cash investing working capital	12	(40)	(309)
		(82)	(309)
Financing:			
Common shares issued, net of issuance costs	4(b)	-	3,284
Advances from related party	7	51	197
Payments to related party	7	(138)	(184)
Changes in non-cash financing working capital	12	-	(648)
		(87)	2,649
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		123	(16)
Increase (decrease) in cash and cash equivalents		(1,241)	1,933
Cash and cash equivalents, beginning of the period		$ 7,004	$ 1,605
Cash and cash equivalents, end of the period		$ 5,763	$ 3,538
Supplementary information:			
Interest paid		Nil	Nil
Taxes paid		Nil	Nil

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

1) Incorporation and nature of business:

Africa Energy Corp. (collectively with its subsidiaries, "Africa Energy" or the "Company") was incorporated under the Business Corporations Act (Alberta) on April 27, 2010 and is an international oil and gas exploration company based in Canada. The Company was continued into the Province of British Columbia under the Business Corporations Act (British Columbia) in 2011 following the acquisition from Africa Oil Corp. ("AOC") of all of the issued and outstanding shares of the subsidiaries holding AOC's interests in certain oil and gas projects, which have since been relinquished by the Company. The Company's registered address is Suite 2600, 1066 West Hastings Street, Vancouver, BC, V6C 3X1.

Africa Energy is an exploration stage enterprise that to date, has not found proved reserves. Early in 2015, the Company invoked a new corporate strategy to take advantage of the current downturn in oil prices and intends to aggressively pursue onshore and offshore upstream oil opportunities in Africa. In December of 2015, the Company entered into two purchase agreements and one farmin agreement which, subject to completion, will see the Company hold a 90% participating interest in an Exploration Right on Block 2B, offshore South Africa. Oil and gas exploration, development and production activities in emerging markets 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, 2015.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at May 13, 2016, the date the Board of Directors approved the statements.

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

b) 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, 2015. Those accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

c) Functional and presentation currency:

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

d) Use of estimates and judgments:
The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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, 2015.

3) Property and equipment:

	March 31, 2016	December 31, 2015
Cost, beginning of the period	$ 129	$ -
Additions	42	129
Cost, end of the period	171	129
Accumulated depreciation, beginning of the period	(23)	-
Depreciation	(18)	(23)
Accumulated depreciation, end of the period	(41)	(23)
Net carrying amount, beginning of the period	$ 106	$ -
Net carrying amount, end of the period	$ 130	$ 106

During the three months ended March 31, 2016, the Company purchased property and equipment for its new technical office, which is located in Cape Town, South Africa.

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

4) Share capital:

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

b) Issued:

	March 31, 2016		December 31, 2015	
	Shares	Amount	Shares	Amount
Balance, beginning of the period	244,377,135	$ 94,685	96,849,316	$ 86,494
Private placement, net of issue costs	-	-	147,527,819	8,191
Balance, end of the period	244,377,135	$ 94,685	244,377,135	$ 94,685

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 common shares issued under the private placement were subject to a statutory hold period which expired in July of 2015.

During December 2015, the Company completed a non-brokered private placement issuing an aggregate of 115,041,666 common shares at a price of CAD $0.06 per share for gross proceeds of $5 million. A finder's fee was paid in the amount of $0.04 million in cash. The common shares issued under the private placement are subject to a statutory hold period which expired on May 1, 2016.

5) Share purchase options:

At the 2015 Annual General Meeting, held on June 11, 2015, the Company's shareholders approved certain amendments to the Company's stock option plan ("the Plan") and ratified the Plan, as amended. The Plan continues to provide 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 that 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 the Company's outstanding issued shares.

Share purchase options outstanding, are as follows:

	March 31, 2016		December 31, 2015	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	8,399,500	0.19	4,882,000	0.33
Granted	900,000	0.11	6,312,500	0.16
Expired or cancelled	-	-	(2,795,000)	0.36
Balance, end of the period	9,299,500	0.18	8,399,500	0.19

i) No stock options were exercised during the three months ended March 31, 2016 or the year ended December 31, 2015.

(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, 2016 and the year ended December 31, 2015 were estimated on the date of grant using the Black-Scholes options pricing model with the following weighted average assumptions:

	2016	2015
Number of options granted during the period	900,000	6,312,500
Fair value of options granted	0.06	0.07
Risk-free interest rate (%)	0.54	0.51
Expected life (years)	3.00	3.00
Expected volatility (%)	118	136
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. During the three months ended March 31, 2016, the Company recognized $0.1 million in stock-based compensation expense (March 31, 2015 - $0.2 million).

The following table summarizes information regarding stock options outstanding at March 31, 2016:

Weighted Average Exercise price (CAD$/share)	Number outstanding	Weighted average remaining contractual life in years
0.19	200,000	0.08
0.30	1,887,000	1.12
0.17	4,885,000	3.95
0.13	1,427,500	4.37
0.11	900,000	4.85
0.18	9,299,500	3.45

6) Finance income and expense:

Finance income and expense for the three months ended March 31, 2016 and 2015 is comprised of the following:

For the three months ended	**March 31, 2016**	**March 31, 2015**
Interest and other income	$ (2)	$ -
Foreign exchange (gain) loss	(123)	16
Finance income	$ (125)	$ -
Finance expense	-	16

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

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

7) Related party transactions:

Transactions with AOC:

At March 31, 2016, Africa Oil Corp. ("AOC") owned 32% 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 $0.04 million during the three months ended March 31, 2016 (three months ended March 31, 2015 – $0.2 million). At March 31, 2016, the outstanding balance payable to AOC was $ nil (at December 31, 2015 – $ 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.

During the three months ended March 31, 2016, AOC invoiced the Company $0.01 million for reimbursable expenses paid by AOC on behalf of the Company (three months ended March 31, 2015 - $0.01 million). At March 31, 2016, the outstanding balance payable to AOC was $ nil (at December 31, 2015 – $0.09 million).

8) Net Loss Per Share:

Three months ended	**March 31, 2016**			**March 31, 2015**		
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (1,064)	244,377,135	$ (0.00)	$ (673)	97,966,594	$ (0.01)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (1,064)	244,377,135	$ (0.00)	$ (673)	97,966,594	$ (0.01)

During the three months ended March 31, 2016 the Company used an average market price of CAD$0.13 per share (three months ended March 31, 2015 - CAD$0.14 per share) to calculate the dilutive effect of stock options. For the three months ended March 31, 2016, 9,299,500 options were anti-dilutive and were not included in the calculation of dilutive loss per share (three months ended March 31, 2015 – 9,490,666).

9) Financial Instruments:

Assets and liabilities at March 31, 2016 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, receivables, due to related party and payables are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables and payables 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.

10) Commitments and Contingencies:

a) PSA commitments

The Company executed Production Share Agreements ("PSAs") with the Puntland Petroleum Minerals Agency for the Nugaal Block and Dharoor Block through its wholly-owned subsidiary Canmex Holdings (Bermuda) II Ltd. With the completion of drilling Shabeel-1 and Shabeel North-1 in 2012, the Company and its partners fulfilled the minimum work obligations of the initial exploration period under both of the Dharoor Valley and Nugaal Valley PSAs and entered the second exploration period in each PSA which expired in October 2015. The minimum work obligations required during the second exploration period included an exploration well in each block with minimum exploration expenditures of $5.0 million (gross) in each block. The Company had requested a two year extension to the exploration period from the Puntland Government to allow time for the ongoing political challenges in Somalia to be resolved. The minimum work obligations under each of the PSAs were not supported by parent company or bank guarantees. In June 2015, the Company and its joint venture partners notified the Puntland State of Somalia of their decision to withdraw from the Nugaal Block and Dharoor Block PSAs.

b) Office and housing leases

The Company has committed to future minimum payments at March 31, 2016 under a South African operating lease that includes the rental of housing and office space, including a proportionate share of operating costs as follows:

(thousands)	
2016	79
2017	22
Total minimum payments	101

11) Pending Transactions:

On December 16, 2015, the Company executed the following three definitive agreements which, if completed, will result in the Company holding a 90% participating interest and operatorship in Block 2B offshore in the Republic of South Africa:

a) Afren plc

The Company executed a sale and purchase agreement with Afren plc, in Administration, and certain of its subsidiaries whereby the Company will acquire the Afren plc subsidiary owning a 25% participating interest in Block 2B for cash consideration of $1 million.

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

b) Thombo Petroleum Ltd.

The Company executed a share purchase agreement to acquire all of the shares of Thombo Petroleum Ltd. ("Thombo") for cash consideration of $2 million as well as the issuance of 14.8 million new common shares of the Company. The Company has also agreed to issue up to an additional 20 million common shares of Africa Energy and, at the option of the Company, to either pay and/or issue up to $1.5 million in additional contingent cash and/or shares of Africa Energy, both payable on milestones associated with the commercialization of Block 2B. Thombo holds a 34.5% participating interest and operatorship in Block 2B.

c) Crown Energy AB

The Company executed a farm-in agreement with Crown Energy AB to acquire a 30.5% participating interest in Block 2B. The Company will reimburse Crown for $0.3 million of net back costs and will fund costs for Crown's remaining 10% participating interest associated with the drilling and testing of the next well in Block 2B.

Completion of the above three definitive agreements is subject to receipt of all requisite government approvals.

12) Supplementary Information:

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

For the three months ended	**March 31, 2016**	**March 31, 2015**
Changes in non-cash working capital		
Accounts receivable	$ (7)	$ (672)
Prepaid expenses	(23)	(76)
Accounts payable and accrued liabilities	(134)	(173)
	$ (164)	$ (921)
Relating to:		
Operating activities	$ (124)	$ 36
Investing activities	(40)	(309)
Financing activities	-	(648)
Changes in non-cash working capital	$ (164)	$ (921)