AFRICA ENERGY CORP.

Report to Shareholders

September 30, 2017

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three and nine months ended September 30, 2017 and 2016

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Energy Corp. and its subsidiaries (the "Company" or "Africa Energy") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three and nine months ended September 30, 2017 and 2016, as well as the audited consolidated financial statements for the years ended December 31, 2016 and 2015 and related notes thereto.

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

The effective date of this MD&A is November 20, 2017.

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 production company that holds a 90% participating interest in the offshore Exploration Right for Block 2B in the Republic of South Africa ("Block 2B"), as well as an effective 10% participating interest in offshore Petroleum License 37 in the Republic of Namibia ("PEL 37"). As at September 30, 2017, Africa Oil Corp. ("AOC") owned 28.5% of the issued and outstanding common shares of Africa Energy.

In 2015, the Company decided to take advantage of the downturn in oil prices and aggressively pursue oil and gas exploration and production assets in Africa. Africa Energy has built a strong technical team in Cape Town, South Africa, with a track record of success, including several large oil discoveries in Africa.

OPERATIONS UPDATE

In July 2017, the Company appointed Garrett Soden as the Company's President and Chief Executive Officer. Mr. Soden replaced James Phillips who elected to retire. Mr. Soden was also appointed to the Company's Board of Directors. Mr. Soden has extensive experience as a senior executive and board member of various public companies in the natural resources sector. He has worked with the Lundin Group for the last decade.

Block 11B/12B, Republic of South Africa

In November 2017, Main Street 1549 Proprietary Limited ("Main Street 1549"), an entity held 49% by Africa Energy, entered into farmout agreements with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B. This provides Africa Energy with an effective interest in Block 11B/12B of 4.9%. Block 11B/12B is located in the Outeniqua Basin, approximately 175 kilometers off the southern coast of South Africa. The block covers an area of approximately 19,000 square kilometers with water depths ranging from 200 to 2,000 meters. Total is Operator of Block 11B/12B. The Company looks forward to the proposed exploration well on Block 11B/12B.

Petroleum Exploration Licence 37, Republic of Namibia

On September 13, 2017, the Company completed the acquisition of one-third of the shares in a subsidiary of Pancontinental Oil & Gas N.L. ("Pancontinental") that holds a 30% participating interest in PEL 37 offshore the Republic of Namibia. The Company paid Pancontinental $2.2 million at closing and will pay an additional $5.5 million upon spud of the first exploration well provided that certain commercial conditions exist on the spud date. PEL 37 is located in the Walvis Basin and covers an area of 17,295 square kilometers of the northern Namibian offshore region located about 420 kilometers south of the Angolan/Namibian border. Water depths over PEL 37 range from 400 to 1,500 meters. The Company expects a well to be drilled on PEL 37 in 2018.

Block 2B, Republic of South Africa

On October 21, 2016, the Company closed three transactions to acquire a 90% participating interest and operatorship in Block 2B. A well drilled in 1988 on Block 2B by South African state oil company Soekor discovered and tested light oil from a Cretaceous sandstone section confirming that this rift basin is hydrocarbon-bearing. The Company's technical team has identified numerous prospects and potential drilling locations on Block 2B utilizing the previously acquired 3D seismic.

The following three transactions closed on October 21, 2016:

<u>Afren plc ("Afren")</u>

The Company paid $1.0 million to Afren (in Administration) and certain of its subsidiaries to acquire the Afren subsidiary holding a 25% participating interest in Block 2B.

Thombo Petroleum Ltd. (“Thombo”)

The Company paid $2.0 million less obligations outstanding at the effective date and issued 14.8 million new common shares of the Company to acquire all the shares of Thombo, a privately-held company holding a 34.5% participating interest and operatorship in Block 2B. The Company may be required to issue up to an additional 20 million common shares of Africa Energy and, at the option of the Company, to pay up to $1.5 million in additional contingent cash and/or shares of Africa Energy if certain milestones associated with the commercialization of Block 2B are achieved.

Crown Energy AB (“Crown”)

The Company completed a farm-in agreement with a subsidiary of Crown to acquire a 30.5% participating interest in Block 2B. As part of the transaction, the Company paid Crown $0.3 million for the reimbursement of historical costs and will fund Crown's remaining 10% participating interest of costs associated with the drilling and testing of the next well in Block 2B.

OUTLOOK

Africa Energy is pleased to have acquired an effective 10% interest in PEL 37 and to have executed farmout agreements to acquire an effective 4.9% interest in Block 11B/12B. The Company is in the process of farming down Block 2B, and looks forward to drilling at least two exploration wells in 2018. Africa Energy will continue to aggressively identify, evaluate and negotiate additional exploration and production opportunities across Africa. The Company’s proven Cape Town-based technical team remains the driving force behind the identification and evaluation of opportunities during the current oil sector downturn. Management intends to grow Africa Energy into a material Africa-focused independent exploration and production company. The Company has the technical team and the access to capital from supportive shareholders to deliver on this strategy.

FINANCING UPDATE

In November 2016, the Company completed a non-brokered private placement issuing 60 million common shares at a price of CAD$0.25 per share for gross proceeds of CAD$15.0 million, which equates to approximately $11.2 million. A finder’s fee of approximately $0.3 million was paid in cash. The common shares issued under the private placement were subject to a statutory four-month hold period that expired on March 16, 2017.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**	**30-Jun 2016**	**31-Mar 2016**	**31-Dec 2015**
Operating expenses ($)	(1,138)	(1,304)	(1,037)	(910)	(1,048)	(1,223)	(1,189)	(1,172)
Foreign exchange gain (loss) ($)	172	123	41	40	3	(3)	123	(53)
Net loss ($)	(950)	(1,166)	(980)	(866)	(1,044)	(1,224)	(1,064)	(1,223)
Weighted average shares - Basic	319,177	319,177	319,177	286,612	244,377	244,377	244,377	130,586
Weighted average shares - Diluted	319,177	319,177	319,177	286,612	244,377	244,377	244,377	130,586
Basic loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)
Diluted loss per share ($)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)
Oil and gas expenditures ($)	(2)	(73)	(80)	(424)	-	-	-	-

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

Operating costs were relatively consistent from the fourth quarter of 2015 through to the third quarter of 2017, with the exception of the fourth quarter of 2016 and the second quarter of 2017. Operating expenses were slightly lower in the fourth quarter of 2016 due to $0.2 million of professional fees directly related to acquisitions being capitalized to intangible exploration assets in the quarter. Operating costs increased during the second quarter of 2017 as the Company acquired $0.3 million of geological and geophysical data to evaluate new venture opportunities.

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

Weighted average shares increased as a result of the financings that closed in November 2016 and December 2015.

Oil and gas expenditures increased in the fourth quarter of 2016 due to capitalization of transaction advisory expenses relating to the Block 2B acquisitions and work performed by the Company's technical team on Block 2B subsequent to closing the three related transactions. Oil and gas expenditures in the first, second and third quarters of 2017 related to geological and geophysical work performed on Block 2B.

RESULTS OF OPERATIONS

(thousands)	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Salaries and benefits	$ 627	$ 577	$ 1,802	$ 1,696
Stock-based compensation	40	88	156	395
Travel	124	54	256	183
Management fees	33	32	96	105
Consulting fees	100	72	196	197
New venture costs	-	35	315	44
Office and general	107	55	335	391
Depreciation	14	18	46	48
Professional fees	63	104	224	367
Stock exchange and filing fees	30	13	53	34
Operating expenses	$ 1,138	$ 1,048	$ 3,479	$ 3,460

Operating expenses increased by $0.1 million during the three months ended September 30, 2017 compared to the same period in 2016. Increased new venture activities has resulted in a $0.1 million increase in travel.

Operating expenses were consistent during the nine months ended September 30, 2017 compared to the same period in 2016. New venture costs increased by $0.3 million as the Company acquired $0.3 million of geological and geophysical data in the second quarter of 2017. This increase was offset by a $0.2 million decrease in stock-based compensation and a $0.1 million decrease in professional fees. The decrease in stock-based compensation is due to the issuance of 7.3 million options during 2016, of which one-third vested immediately, compared to 2.5 million options being issued during 2017 where all options cliff vest after three years. Professional fees were higher during 2016 due to increased legal costs associated with closing the Block 2B transactions in 2016 and legal costs related to the acquisition of an effective 10% participating interest in PEL 37 being capitalized in the third quarter of 2017.

INVESTMENT IN JOINT VENTURE

(thousands)	September 30, 2017	December 31, 2016
Equity investment	$ 3,340	$ -

On September 13, 2017, the Company completed the acquisition of one-third of the shares in a wholly-owned subsidiary of Pancontinental that holds a 30% participating interest in PEL 37. The Company paid Pancontinental $2.2 million at closing and will pay an additional $5.5 million upon spud of the first exploration well provided that certain commercial conditions exist on the spud date. Management has assessed the likelihood and timing of future drilling and has accrued $1.1 million of contingent consideration in accounts payable and accrued liabilities.

The investment in the joint venture is accounted for using the equity method. The Company's share of losses during the period since the date of acquisition was not significant. During the nine months ended September 30, 2017, $0.04 million in legal expenses relating to the acquisition of Pancontinental were capitalized.

INTANGIBLE EXPLORATION ASSETS

(thousands)	September 30, 2017	December 31, 2016
Intangible exploration assets	$ 6,676	$ 6,521

During 2016, the Company completed the acquisition of a 90% participating interest in Block 2B and capitalized acquisition costs.

During the nine months ended September 30, 2017, the Company capitalized $0.2 million of intangible exploration expenditures of which $0.09 million of general and administrative expenses related to Block 2B (September 30, 2016 - $ nil).

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2017, the Company had cash of $4.6 million and working capital of $3.7 million compared to cash of $10.2 million and working capital of $10.0 million at December 31, 2016. The decrease in the Company's cash and working capital are primarily due to cash-based operating expenditures and intangible exploration expenditures on Block 2B, as well as the acquisition of shares relating to PEL 37. Working capital as at September 30, 2017 includes an accrued liability of $1.1 million, which is an estimate of the probability that a well will be spud on PEL 37. In the event drilling does not commence in PEL 37, the Company will have no financial obligation. However, the Company will be obligated to pay an additional $5.5 million upon spud of the well assuming certain commercial conditions exist.

The Company's working capital position may not provide it with sufficient capital resources to execute future exploration, appraisal and development expenditure plans. To finance its future acquisition, exploration, development and operating costs, Africa Energy may 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 when needed or, if available, that it will be offered on terms acceptable to Africa Energy.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the three and nine months ended September 30, 2017 was $0.04 million and $0.2 million, respectively, compared to $0.09 million and $0.4 million for the three and nine months ended September 30, 2016, respectively. The decrease in stock-based compensation expense is due to the 7.3 million stock options granted to directors, officers and employees of the Company during the nine months ended September 30, 2016, of which one-third vested immediately, compared to 2.5 million options granted to an officer of the Company during the nine months ended September 30, 2017 where all options cliff vest after three years.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At September 30, 2017, AOC owned 28.5% 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 $0.03 million and $0.1 million during the three and nine months ended September 30, 2017, respectively ($0.03 million and $0.1 million for the three and nine months ended September 30, 2016, respectively). At September 30, 2017, the outstanding balance payable to AOC was $ nil (at December 31, 2016 – $ 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 administrative and salary costs paid by AOC.

During the three and nine months ended September 30, 2017, AOC invoiced the Company $0.03 million and $0.1 million, respectively, for reimbursable expenses paid by AOC on behalf of the Company ($0.01 million and $0.1 million for the three and nine months ended September 30, 2016, respectively). At September 30, 2017, the outstanding balance payable to AOC was $ nil (at December 31, 2016 – $0.06 million).

COMMITMENTS AND CONTINGENCIES

BLOCK 2B, REPUBLIC OF SOUTH AFRICA

Under the terms of the Block 2B Exploration Right, the First Renewal Period was set to expire in March 2017. Prior to the expiry of the First Renewal Period, and in accordance with the terms of the Exploration Right for Block 2B, the Company submitted an application for entry into the Second Renewal Period. As part of the application process, the Company proposed a work program and budget that will need to be agreed with the Government of the Republic of South Africa. The application submitted is for entry into the Second Renewal Period and is for a period of two years.

Under the Thombo Share Purchase Agreement, the Company may be obligated to issue up to an additional 20 million common shares of Africa Energy and to pay up to $1.5 million in additional contingent cash and/or shares of Africa Energy, at the option of the Company, if certain milestones associated with the commercialization of Block 2B are achieved.

Under the farmout agreement with a subsidiary of Crown, the Company is obligated to fund Crown's remaining 10% participating interest of costs associated with the drilling and testing of the next well in Block 2B.

PEL 37, REPUBLIC OF NAMIBIA

Under the Share Subscription Agreement with Pancontinental, the Company is obligated to pay an additional $5.5 million upon spud of the first exploration well, provided that certain commercial conditions exist on the spud date. If the Company fails to fund the contingent consideration when it becomes due, all shares acquired by the Company will be cancelled and the Company will lose its right to recover any amounts previously funded at that time.

PROPERTY LEASE CONTRACTS

The Company has committed to future minimum payments at September 30, 2017 under South African operating leases for the rental of office space, including a proportionate share of operating costs as follows:

(thousands)		
2017	$	18
2018		76
2019		19
Total minimum payments	$	113

OUTSTANDING SHARE DATA

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

Common shares outstanding	319,177,135
Outstanding share purchase options	16,095,000
Full dilution impact on common shares outstanding	335,272,135

OFF-BALANCE SHEET ARRANGEMENTS

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

RISK FACTORS

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below. Refer to the Company's Annual Information Form dated April 30, 2017 on Sedar (www.sedar.com) for further risk factor disclosures.

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 to foreign currency exchange risk is mitigated by the fact that the Company sources the majority of its capital projects and expenditures in US dollars. Africa Energy had no forward exchange contracts in place as at or during the period ended September 30, 2017.

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 September 30, 2017, the Company held $0.4 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;
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- 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	September 30, 2017	December 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents		$ 4,567	$ 10,179
Accounts receivable		144	164
Prepaid expenses		201	268
		4,912	10,611
Long-term assets			
Investment in joint venture	7	3,340	-
Property and equipment	8	62	104
Intangible exploration assets	9	6,676	6,521
		10,078	6,625
Total assets		$ 14,990	$ 17,236
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Current liabilities			
Accounts payable and accrued liabilities	7	$ 1,260	$ 509
Due to related party	13	-	57
		1,260	566
Total liabilities		1,260	566
Equity attributable to common shareholders			
Share capital	10	108,246	108,246
Contributed surplus	11	4,457	4,301
Deficit		(98,973)	(95,877)
Total equity attributable to common shareholders		13,730	16,670
Total liabilities and equity attributable to common shareholders		$ 14,990	$ 17,236
Commitments and contingencies	16		
Subsequent events	18		

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)

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Operating expenses					
Salaries and benefits		$ 627	$ 577	$ 1,802	$ 1,696
Stock-based compensation	11	40	88	156	395
Travel		124	54	256	183
Management fees	13	33	32	96	105
Consulting fees		100	72	196	197
New venture costs		-	35	315	44
Office and general		107	55	335	391
Depreciation	8	14	18	46	48
Professional fees		63	104	224	367
Stock exchange and filing fees		30	13	53	34
		1,138	1,048	3,479	3,460
Finance income	12	(188)	(4)	(383)	(128)
Net loss and comprehensive loss attributable to common shareholders		(950)	(1,044)	(3,096)	(3,332)
Net loss per share	14				
Basic		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Diluted		$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	14				
Basic		319,177,135	244,377,135	319,177,135	244,377,135
Diluted		319,177,135	244,377,135	319,177,135	244,377,135

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

AFRICA ENERGY CORP.

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

	Note	September 30, 2017	September 30, 2016
Share capital:	10(b)		
Balance, beginning of the period		$ 108,246	$ 94,685
Balance, end of the period		108,246	94,685
Contributed surplus:			
Balance, beginning of the period		$ 4,301	$ 3,823
Stock-based compensation	11	156	395
Balance, end of the period		4,457	4,218
Deficit:			
Balance, beginning of the period		$ (95,877)	$ (91,679)
Net loss for the period		(3,096)	(3,332)
Balance, end of the period		(98,973)	(95,011)
Equity attributable to common shareholders		$ 13,730	$ 3,892

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

AFRICA ENERGY CORP.

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

	Note	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Cash flows provided by (used in):					
Operations:					
Net loss for the period		$ (950)	$ (1,044)	$ (3,096)	$ (3,332)
Item not affecting cash:					
Stock-based compensation	11	40	88	156	395
Depreciation	8	14	18	46	48
Unrealized foreign exchange gain		(172)	(3)	(336)	(123)
Changes in non-cash operating working capital	17	(122)	(237)	34	(253)
		(1,190)	(1,178)	(3,196)	(3,265)
Investing:					
Property and equipment expenditures	8	(3)	(3)	(4)	(63)
Intangible exploration expenditures	9	(2)	-	(155)	-
Investment in joint venture	7	(3,340)	-	(3,340)	-
Changes in non-cash investing working capital	17	1,112	13	804	(12)
		(2,233)	10	(2,695)	(75)
Financing:					
Advances from related party	13	62	44	199	209
Payments to related party	13	(78)	(22)	(256)	(222)
		(16)	22	(57)	(13)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		172	3	336	123
Decrease in cash and cash equivalents		(3,267)	(1,143)	(5,612)	(3,230)
Cash and cash equivalents, beginning of the period		$ 7,834	$ 4,917	$ 10,179	$ 7,004
Cash and cash equivalents, end of the period		$ 4,567	$ 3,774	$ 4,567	$ 3,774
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Taxes paid		Nil	Nil	Nil	Nil

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

1) Incorporation and nature of business:

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

Africa Energy is an exploration-stage enterprise that currently has no proved reserves. In 2015, the Company decided to take advantage of the downturn in oil prices and aggressively pursue exploration and production assets in Africa. In October 2016, the Company acquired a 90% participating interest in the offshore Exploration Right for Block 2B, in the Republic of South Africa (“Block 2B”). In September 2017, the Company acquired one-third of the shares in a wholly-owned subsidiary of Pancontinental Oil and Gas N.L. (“Pancontinental”) that holds a 30% participating interest in offshore Petroleum Exploration License 37 in the Republic of Namibia (“PEL 37”). Africa Energy continues to review upstream oil and gas opportunities across Africa.

Oil and gas exploration, development and production activities in emerging markets are subject to significant uncertainties that may adversely affect the Company’s operations. Uncertainties include, but are not limited to, the risk of war, terrorism, civil unrest, expropriation, nationalization or other title dispute challenges, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change 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”). Condensed interim financial statements 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, 2016.

The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at November 20, 2017, 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, 2016. 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, 2016.

3) Significant accounting policies:

The accounting policy set out below has been applied to these consolidated financial statements.

a) Equity method:

Investments in associates are accounted for using the equity method. Investments of this nature are recorded at original cost. The investment is adjusted periodically for the Company's share of the profit or loss of the investment after the date of acquisition. Distributions received reduce the carrying amount of the investment.

The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable. If such impairment indicators exist, the carrying amount of the investment is compared to its recoverable amount. The recoverable amount is the higher of the investment's fair value less costs to sell and its value in use. The investment is written down to its recoverable amount when its carrying amount exceeds the recoverable amount.

4) New accounting standards:

There are no new standards or amendments to existing standards effective January 1, 2017.

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2017, and have not been applied in preparing these financial statements.

IFRS 9: Financial instruments

The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after January 1, 2018. Early adoption is permitted. The Company has assessed the impact of IFRS 9 and has determined that IFRS 9 will not materially impact the quantitative disclosures on the financial statements.

IFRS 15: Revenue from contracts with customers

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after January 1, 2018 and earlier application is permitted. The Company has assessed the impact of IFRS 15 and has determined that it will not affect the current financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

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

5) Asset acquisitions:

On October 21, 2016, the Company completed the following asset acquisitions in respect of Block 2B:

i) Main Street 840 (Proprietary) Limited (“Main Street”)

The Company paid $1.0 million to acquire all the shares of Main Street, a subsidiary of Afren plc (in Administration), holding a 25% participating interest in Block 2B.

ii) Thombo Petroleum Ltd. (“Thombo”)

The Company paid $2.0 million less obligations outstanding at the effective date and issued 14.8 million new common shares of the Company at a price of CAD $0.24 per share to acquire all the shares of Thombo, a privately held company holding a 34.5% participating interest and operatorship in Block 2B. The Company may be required to issue up to an additional 20 million common shares of Africa Energy and to pay up to $1.5 million in additional contingent cash and/or shares of Africa Energy, at the option of the Company, if certain milestones associated with the commercialization of Block 2B are achieved (see Note 16). Due to management’s assessment of the likelihood and timing of the milestone payments, there has been no value assigned to the contingent consideration.

Costs associated with the acquisition, amounting to $0.3 million, were capitalized.

The financial results of Main Street and Thombo have been included in the Company’s consolidated financial statements since the closing date.

The below amounts are estimates made by management during the preparation of these consolidated financial statements based on information then available. Amendments may be made to these amounts as values subject to estimate are finalized.

The purchase price was allocated based on fair values as follows:

Net Assets Acquired

	Thombo	Main Street	Total
Net assets acquired:			
Cash and cash equivalents	$ 31	$ -	$ 31
Accounts receivable	9	-	9
Intangible exploration assets	4,732	1,034	5,766
Accounts payable and accrued liabilities	(119)	(34)	(153)
Total net assets acquired	$ 4,653	$ 1,000	$ 5,653

Consideration

	Thombo	Main Street	Total
Shares issued	$ 2,721	$ -	$ 2,721
Cash issued	1,932	1,000	2,932
Total purchase price	$ 4,653	$ 1,000	$ 5,653

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

6) Farmouts:

i) Crown Energy AB ("Crown")

On October 21, 2016, the Company completed a farm-in agreement with a subsidiary of Crown to acquire a 30.5% participating interest in Block 2B. As part of the transaction, the Company paid $0.3 million for the reimbursement of historical costs net to Crown. In addition, the Company will fund Crown's remaining 10% participating interest associated with the drilling and testing of the next well on Block 2B.

Together with the acquisition of Main Street and Thombo, the Company now holds a 90% participating interest and operatorship in Block 2B.

7) Investment in joint venture:

		September 30, 2017		December 31, 2016
Balance, beginning of the period	$	-	$	-
Acquisition of shares		2,200		-
Contingent consideration		1,100		-
Legal costs associated with acquisition		40		-
Balance, end of the period	$	3,340	$	-

On September 13, 2017, the Company completed the acquisition of one-third of the shares in a wholly-owned subsidiary of Pancontinental that holds a 30% participating interest in PEL 37. The Company paid Pancontinental $2.2 million at closing and will pay an additional $5.5 million upon spud of the first exploration well provided that certain commercial conditions exist on the spud date. Management has assessed the likelihood and timing of future drilling and has accrued $1.1 million of contingent consideration in accounts payable and accrued liabilities.

The investment in the joint venture is accounted for using the equity method. The Company's share of losses during the period since the date of acquisition was not significant. During the nine months ended September 30, 2017, $0.04 million in legal expenses relating to the acquisition of Pancontinental were capitalized.

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

8) Property and equipment:

		September 30, 2017		December 31, 2016
Cost, beginning of the period	$	192	$	129
Additions		4		63
Cost, end of the period		196		192
Accumulated depreciation, beginning of the period		(88)		(23)
Depreciation		(46)		(65)
Accumulated depreciation, end of the period		(134)		(88)
Net carrying amount, beginning of the period	$	104	$	106
Net carrying amount, end of the period	$	62	$	104

During the nine months ended September 30, 2017, the Company purchased property and equipment for its technical office located in Cape Town, South Africa.

9) Intangible exploration assets:

		September 30, 2017		December 31, 2016
Net carrying amount, beginning of the period	$	6,521	$	-
Intangible exploration expenditures		155		424
Farmout (Note 6)		-		331
Acquisitions (Note 5)		-		5,766
Net carrying amount, end of the period	$	6,676	$	6,521

As at September 30, 2017, $6.7 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2016 – $6.5 million). These expenditures relate to the acquisition of a 90% participating interest in Block 2B, which occurred during the fourth quarter of 2016, as well as geological and geophysical studies and general and administrative costs directly related to Block 2B.

During the nine months ended September 30, 2017, the Company capitalized $0.09 million of general and administrative expenses related to intangible exploration assets (December 31, 2016 – $0.07 million).

10) Share capital:

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

b) Issued:

	September 30, 2017			December 31, 2016		
	Shares		Amount	Shares		Amount
Balance, beginning of the period	319,177,135	$	108,246	244,377,135	$	94,685
Acquisition of Thombo Petroleum Ltd	-		-	14,800,000		2,721
Private placement, net of issue costs	-		-	60,000,000		10,840
Balance, end of the period	319,177,135	$	108,246	319,177,135	$	108,246

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

On October 21, 2016, the Company issued 14,800,000 new common shares of the Company to acquire all of the shares of Thombo (see Note 5). The common shares issued in accordance with the share purchase agreement were subject to a statutory four-month hold period that expired on February 22, 2017.

In November 2016, the Company completed a non-brokered private placement issuing an aggregate of 60,000,000 common shares at a price of CAD$0.25 per share for gross proceeds of $11.2 million. A finder's fee of $0.3 million was paid in cash. The common shares issued under the private placement were subject to a statutory four-month hold period that expired on March 16, 2017.

11) Share purchase options:

At the Annual General and Special Meeting, held on July 6, 2017, the Company's shareholders ratified and approved the Company's stock option plan (the "Plan"). The Plan provides that the aggregate number of incentive stock options issued shall not exceed 10% of the total common shares outstanding, and that the option exercise price will not be below the market trading value of the Company's shares at the time of grant. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall receive a grant of more than 5% of the Company's total common shares outstanding.

Share purchase options outstanding, are as follows:

	September 30, 2017		December 31, 2016	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	15,479,500	0.16	8,399,500	0.19
Granted	2,500,000	0.17	7,310,000	0.12
Expired	(1,884,500)	0.30	(230,000)	0.18
Balance, end of the period	16,095,000	0.14	15,479,500	0.16

i) No stock options were exercised during the nine months ended September 30, 2017 or the year ended December 31, 2016.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model. The fair value of each option granted during the nine months ended September 30, 2017 and the year ended December 31, 2016 was estimated on the date of grant using the following weighted average assumptions:

	2017	2016
Number of options granted during the period	2,500,000	7,310,000
Fair value of options granted (CAD$)	0.12	0.09
Risk-free interest rate (%)	1.57	0.54
Expected life (years)	3.00	3.00
Expected volatility (%)	121	121
Expected dividend yield	-	-

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

Options granted during 2017 cliff vest three years from the date of grant and expire after five years. All remaining options granted vest over a two-year period, with one-third vesting immediately, and they expire three or five years after the grant date. The Company recognized $0.04 million and $0.2 million in stock-based compensation expense for the three and nine months ended September 30, 2017, respectively, ($0.09 million and $0.4 million for the three and nine months ended September 30, 2016, respectively).

The following table summarizes information regarding stock options outstanding at September 30, 2017:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.17	4,885,000	2.45
0.13	1,420,000	2.87
0.11	1,850,000	3.51
0.125	5,440,000	3.63
0.17	2,500,000	4.76
0.14	16,095,000	3.38

As at September 30, 2017, 11,165,000 stock options were exercisable.

12) Finance income and expense:

Finance income and expense for the three and nine months ended September 30, 2017 and 2016 is comprised of the following:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Interest and other income	$ (16)	$ (1)	$ (47)	$ (5)
Foreign exchange (gain)/loss	(172)	(3)	(336)	(123)
Finance income	$ (188)	$ (4)	$ (383)	$ (128)

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.

13) Related party transactions:

Transactions with AOC:

At September 30, 2017, AOC owned 28.5% 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 $0.03 million and $0.1 million during the three and nine months ended September 30, 2017, respectively ($0.03 million and $0.1 million for the three and nine months ended September 30, 2016, respectively). At September 30, 2017, the outstanding balance payable to AOC was $ nil (at December 31, 2016 – $ 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 administrative and salary costs paid by AOC.

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

During the three and nine months ended September 30, 2017, AOC invoiced the Company $0.03 million and $0.1 million, respectively, for reimbursable expenses paid by AOC on behalf of the Company ($0.01 million and $0.1 million for the three and nine months ended September 30, 2016, respectively). At September 30, 2017, the outstanding balance payable to AOC was $ nil (at December 31, 2016 – $0.06 million).

14) Net Loss Per Share:

Three months ended	**September 30, 2017**			**September 30, 2016**		
		Weighted Average			Weighted Average	
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (950)	319,177,135	$ (0.00)	$ (1,044)	244,377,135	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (950)	319,177,135	$ (0.00)	$ (1,044)	244,377,135	$ (0.00)

Nine months ended	**September 30, 2017**			**September 30, 2016**		
		Weighted Average			Weighted Average	
	Earnings	Number of shares	Per share amounts	Earnings	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (3,096)	319,177,135	$ (0.01)	$ (3,332)	244,377,135	$ (0.01)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (3,096)	319,177,135	$ (0.01)	$ (3,332)	244,377,135	$ (0.01)

For the nine months ended September 30, 2017, 16,095,000 options were anti-dilutive and were not included in the calculation of dilutive loss per share (nine months ended September 30, 2016 – 15,479,500).

15) Financial Instruments:

Assets and liabilities at September 30, 2017 that are measured at fair value are classified into levels reflecting the method used to make the measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in Level 2 include valuations using inputs other than quoted prices for which all significant inputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's cash and cash equivalents, accounts receivable, due to related party and accounts payable and accrued liabilities are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables, due to related party and accounts payable and accrued liabilities 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. The fair value approximates the carrying value due to the short maturity. There were no transfers between levels in the fair value hierarchy in the period.

16) Commitments and Contingencies:

a) PSA and Agreement Commitments

Block 2B

Under the terms of the Block 2B Exploration Right, the Company and its partner have fulfilled the obligations of the First Renewal Period that was set to expire in March 2017. Prior to the expiry, and in accordance with the terms of the Exploration Right for Block 2B, the Company submitted an application for entry into the Second Renewal Period. As part of the application process, the Company proposed a work program and budget that will need to be agreed with the Government of the Republic of South Africa. The application submitted is for entry into the Second Renewal Period and is for a period of two years.

Under the Thombo Share Purchase Agreement, the Company is obligated to the following:

1. At spud of the third well (the AJ-1 well drilled in 1988 being the first and only well drilled on Block 2B to date), pay $0.5 million in cash or common shares of the Company valued at that time;

2. At spud of the fourth well, pay $0.5 million in cash or common shares of the Company valued at that time; and

3. At declaration of commerciality by the joint operating committee, either;

    a. pay $0.5 million in cash or common shares of the Company valued at that time; or

    b. in the event that a predetermined level of reserves is achieved, issue up to 20 million common shares of the Company depending on the amount of reserves at that time.

Under the farmout agreement with a subsidiary of Crown, the Company is obligated to fund Crown's remaining 10% participating interest of costs associated with the drilling and testing of the next well in Block 2B.

PEL 37

Under the Share Subscription Agreement with Pancontinental, the Company is obligated to pay an additional $5.5 million upon spud of the first exploration well, provided that certain commercial conditions exist on the spud date. If the Company fails to fund the contingent consideration when it becomes due, all shares acquired by the Company will be cancelled and the Company will lose its right to recover any amounts previously funded at that time.

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

b) Office and housing leases

The Company has committed to future minimum payments at September 30, 2017 under a South African operating lease for the rental of office space, including a proportionate share of operating costs as follows:

2017	$	18
2018		76
2019		19
Total minimum payments	$	113

17) Supplementary Information:

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Nine months ended September 30, 2017	Nine months ended September 30, 2016
Changes in non-cash working capital				
Accounts receivable	$ (11)	$ (29)	$ 20	$ (45)
Prepaid expenses	(115)	(110)	67	(96)
Accounts payable and accrued liabilities	1,116	(85)	751	(124)
	$ 990	$ (224)	$ 838	$ (265)
Relating to:				
Operating activities	$ (122)	$ (237)	$ 34	$ (253)
Investing activities	1,112	13	804	(12)
Changes in non-cash working capital	$ 990	$ (224)	$ 838	$ (265)

18) Subsequent events:

Africa Energy holds 49% of the common shares of Main Street 1549 Proprietary Limited (“Main Street 1549”), which, in November 2017, entered into farmout agreements with each of Total E&P South Africa BV (“Total”), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited (“CNRI”), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa. Africa Energy paid a deposit of $0.5 million at signature and will pay an additional $6.9 million for past costs at closing. The Company has agreed to fund a portion of Total and CNRI’s costs for the first exploration well to a maximum of $7.6 million, plus certain contingent payments due at various milestones associated with commercialization of hydrocarbons in Block 11B/12B. Closing is subject to standard conditions for a transaction of this type, including approval of the South African government and the TSX Venture Exchange as required.