AFRICA ENERGY CORP.

Report to Shareholders

June 30, 2018

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the three and six months ended June 30, 2018 and 2017

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 six months ended June 30, 2018 and 2017, as well as the audited consolidated financial statements for the years ended December 31, 2017 and 2016 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 August 14, 2018.

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

PROFILE AND STRATEGY

Africa Energy Corp. is a Canadian oil and gas company with exploration assets in the Republic of South Africa ("South Africa") and the Republic of Namibia ("Namibia"). The Company holds a 90% participating interest in the Exploration Right for Block 2B offshore South Africa ("Block 2B"), an effective 10% participating interest in Petroleum Exploration License 37 offshore Namibia ("PEL 37"), and, upon closing, an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa ("Block 11B/12B"). Closing of the Block 11B/12B farmin transactions is subject to standard conditions for a transaction of this type, including approval of the South African government.

The Company's common shares are traded on the TSX Venture Exchange under ticker symbol "AFE" and the Nasdaq First North Stockholm under ticker symbol "AEC". As at June 30, 2018, Africa Oil Corp. ("AOC") was the Company's largest shareholder with 34.6% of the issued and outstanding common shares of Africa Energy.

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

FINANCING

On May 4, 2018, the Company completed a private placement issuing an aggregate of 362,390,625 common shares at a price of CAD$0.16 per share for gross proceeds of approximately $45.0 million. A broker's fee of approximately $1.1 million was paid in cash to Pareto Securities AB. The common shares issued under the private placement in Canada are subject to a statutory hold period which will expire on September 5, 2018.

The expected gross proceeds from the offering will be used to finance the Company's acquisition, drilling and other joint venture costs for its projects offshore South Africa and offshore Namibia, as well as for general corporate purposes.

SECONDARY LISTING – NASDAQ FIRST NORTH STOCKHOLM

On May 4, 2018, the Company's common shares commenced trading on Nasdaq First North Stockholm under ticker symbol "AEC". Management expects the secondary listing to increase the Company's trading liquidity and provide access to a wider retail and institutional investor base in Europe. The Company's shares continue to trade on TSX Venture Exchange under ticker symbol "AFE".

OPERATIONS UPDATE

Petroleum Exploration License 37, Republic of Namibia

On September 13, 2017, the Company completed the acquisition of one-third of the shares of Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia"), which holds a 30% participating interest in PEL 37 offshore the Republic of Namibia. The Company paid Pancontinental Namibia $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, including its pro rata portion of exploration drilling costs of one well in the Second Renewal Period being funded by another joint venture partner.

PEL 37 is located in the Walvis Basin and covers an area of 17,295 square kilometers in the northern Namibian offshore region with water depths ranging from 400 to 1,500 meters. The joint venture partners of PEL 37, with Tullow Namibia Ltd. as operator, plan to spud the Cormorant-1 well on September 1, 2018. The Ocean Rig Poseidon drillship rig has been contracted to drill the Cormorant-1 well. The rig is currently in Walvis Bay, approximately 330 kilometers from the well location, waiting to mobilize to the well site.

During the first quarter of 2018, the joint venture partnership on PEL 37 received notification from the Ministry of Mines and Energy in Namibia that its application for entry into the Second Renewal Period had been approved. The Second Renewal Period is for a period of two years commencing March 28, 2018 and includes an obligation to drill an exploration well on PEL 37.

Block 11B/12B, Republic of South Africa

On November 20, 2017, Main Street 1549 Proprietary Limited ("Main Street 1549"), an entity held 49% by Africa Energy, entered into farmin agreements with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B. Upon close, this transaction will provide Africa Energy with an effective 4.9% interest in Block 11B/12B. The Company paid a deposit of $490k at signing and will pay an additional $6.86 million at closing. Africa Energy has agreed to fund a portion of Total and CNRI's costs for the proposed exploration well to a maximum of $7.55 million, plus certain contingent payments due at various milestones associated with commercialization of hydrocarbons from

Block 11B/12B. Closing is subject to standard conditions for a transaction of this type, including approval by the South African government.

Block 11B/12B is located in the Outeniqua Basin, approximately 175 kilometers off the southern coast of South Africa, covering an area of approximately 18,734 square kilometers with water depths ranging from 200 to 2,000 meters. The joint venture partners on Block 11B/12B, with Total as operator, plan to spud the Brulpadda-1AX re-entry well in December 2018. The Odfjell Deepsea Stavanger semi-submersible rig has been contracted to drill the Brulpadda-1AX re-entry well. The rig is currently drilling for Aker BP in the North Sea and is expected to mobilize to South Africa in time to spud the well in December.

During the second quarter of 2018, the joint venture partnership received approval for entry into the Second Renewal Period from the Petroleum Agency of South Africa for the Block 11B/12B Exploration Right for a period of two years commencing May 17, 2018.

Block 2B, Republic of South Africa

Africa Energy is operator and has a 90% participating interest in Block 2B. Crown Energy AB ("Crown") indirectly holds the remaining 10% participating interest.

Block 2B is located in the Orange Basin and covers 3,604 square kilometers off the west coast of South Africa approximately 300 kilometers north of Cape Town with water depths ranging from 50 to 200 meters. Over the main area of interest in the block, the A-J rift graben, water depth ranges from 140 meters to 160 meters. The Company is currently seeking joint venture partners on Block 2B.

During the first quarter of 2018, the joint venture partnership received approval for entry into the Second Renewal Period from the Petroleum Agency of South Africa for the Block 2B Exploration Right for a period of two years commencing February 20, 2018. During the Second Renewal Period, the joint venture partners are obligated to perform studies and evaluations to determine potential commerciality, as well as economic sensitivity modelling to establish whether the drilling of a well could prove up potentially commercial oil volumes. If it is determined that drilling could prove up potentially commercial oil volumes, the joint venture partners are obligated to drill an exploration well on Block 2B.

OUTLOOK

With the recent $45.0 million financing completed, Africa Energy looks forward to drilling two near-term high-impact exploration wells. The Cormorant-1 well on PEL 37 is expected to spud on September 1, 2018. The Cormorant prospect was defined utilizing high-quality 3D seismic acquired in 2014 and is one of four submarine fan prospects with significant prospective resources. The Brulpadda-1AX re-entry well on Block 11B/12B is expected to spud in December 2018. The Brulpadda prospect was defined on 2D seismic and is one of five submarine fan prospects with large prospective resources.

The Company's proven Cape Town-based technical team remains the driving force behind the identification and evaluation of new venture opportunities. Management intends to grow Africa Energy into a material Africa-focused independent exploration and production company. Management believes that it has the technical team and access to capital from supportive shareholders to deliver on this strategy.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**30-Jun 2018**	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**	**31-Dec 2016**	**30-Sep 2016**
Operating expenses ($)	(1,913)	(1,049)	(1,721)	(1,138)	(1,304)	(1,037)	(910)	(1,048)
Foreign exchange gain (loss) ($)	(59)	(13)	59	172	123	41	40	3
Interest and other income ($)	90	8	14	16	15	16	4	1
Net loss ($)	(1,882)	(1,054)	(1,648)	(950)	(1,166)	(980)	(866)	(1,044)
Weighted average shares - Basic	550,170	319,191	319,177	319,177	319,177	319,177	286,612	244,377
Weighted average shares - Diluted	550,170	319,191	319,177	319,177	319,177	319,177	286,612	244,377
Basic loss per share ($)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Diluted loss per share ($)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Exploration and evaluation expenditures ($)	(83)	(23)	(1)	(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 third quarter of 2016 through to the second quarter of 2018. 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. Operating costs increased during the fourth quarter of 2017 as the Company approved annual bonuses and incurred professional fees relating to the Block 11B/12B farmins. Operating costs increased during the second quarter of 2018 due to the issuance of 17.6 million stock options to directors, officers and employees of the Company, of which one-third vested immediately, as well listing fees relating to the secondary listing on the Nasdaq First North Stockholm.

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.

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. The Company holds the vast majority of its cash on hand in US dollars, the Company's functional currency.

Weighted average shares increased in the fourth quarter of 2016 and the first quarter of 2017 due to the financing that closed in November 2016. Weighted average shares increased in the second quarter of 2018 due to the financing that closed in May 2018.

Oil and gas expenditures increased in the fourth quarter of 2016 due to the capitalization of transaction advisory expenses relating to the Block 2B acquisitions and work performed by the Company's technical team on Block 2B after closing the three related transactions. Oil and gas expenditures incurred during 2017 and the first half of 2018 related to license fees and geological and geophysical work performed on Block 2B.

RESULTS OF OPERATIONS

(thousands)	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Salaries and benefits	$ 559	$ 601	$ 1,164	$ 1,175
Stock-based compensation	616	42	654	116
Travel	75	73	125	132
Management fees	33	31	66	63
Consulting fees	163	34	284	96
New venture costs	-	295	-	315
Office and general	129	115	234	228
Depreciation	7	15	16	32
Gain on disposal of property and equipment	-	-	(23)	-
Professional fees	115	86	188	161
Stock exchange and filing fees	201	12	229	23
Share of loss from equity investments	15	-	25	-
Operating expenses	$ 1,913	$ 1,304	$ 2,962	$ 2,341

Operating costs increased by $0.6 million during the three months ended June 30, 2018 compared to the same period in 2017. Stock-based compensation increase by $0.6 million due to the issuance of 17.6 million stock options to directors, officers and employees of the Company, of which one-third vested immediately, during the second quarter of 2018. No options were issued during the second quarter of 2017. Stock exchange and filling fees increased by $0.2 million due to the secondary listing on the Nasdaq First North Listing. Consulting fees increased by $0.1 million mainly due to an increase in activity relating to business development and new venture opportunities. These increases were partially offset by a $0.3 million decrease in new venture costs as the Company acquired geological and geophysical data in the second quarter of 2017.

Operating costs increased by $0.6 million during the six months ended June 30, 2018 compared to the same period in 2017. Stock-based compensation increase by $0.5 million due to the issuance of 17.6 million stock options to directors, officers and employees of the Company, of which one-third vested immediately, during the first half of 2018. No options were issued during the first half of 2017. Stock exchange and filling fees increased by $0.2 million due to the secondary listing on the Nasdaq First North Listing. Consulting fees increased by $0.2 million mainly due to an increase in activity relating to business development and new venture opportunities. These increases were partially offset by a $0.3 million decrease in new venture costs as the Company acquired geological and geophysical data during the first half of 2017.

INVESTMENT IN ASSOCIATES

The following is a summary of the Company's investment in associates:

	June 30, 2018	December 31, 2017
Pancontinental Namibia	$ 7,851	$ 6,777
Main Street 1549	490	490
Total Investment	$ 8,341	$ 7,267

i) Pancontinental Namibia:

On September 13, 2017, the Company completed the acquisition of one-third of the shares of Pancontinental Namibia that holds a 30% participating interest in PEL 37 offshore Namibia. The Company paid Pancontinental Namibia $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 $5.5 million of contingent consideration in accounts payable and accrued liabilities (December 31, 2017, $4.5 million).

The investment in Pancontinental Namibia is accounted for using the equity method. The Company recognized losses of $0.02 million and $0.03 million for the three and six months ended June 30, 2018, respectively ($ nil for the three and six months ended June 30, 2017). The Company has advanced $0.04 million and $0.1 million during the three and six months ended June 30, 2018, respectively, to cover Pancontinental Namibia's overhead and PEL 37 cash calls ($ nil for the three and six months ended June 30, 2017).

ii) Main Street 1549:

Africa Energy holds 49% of the common shares of Main Street 1549. In November 2017, Main Street 1549 entered into farmin agreements with each of Total and CNRI to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. Africa Energy paid a deposit of $0.49 million at signing and will pay an additional $6.86 million 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 $7.55 million plus certain contingent payments due at various milestones associated with commercialization of hydrocarbons from Block 11B/12B. Closing is subject to standard conditions for a transaction of this type, including approval of the South African government.

INTANGIBLE EXPLORATION ASSETS

(thousands)	June 30, 2018	December 31, 2017
Intangible exploration assets	$ 6,784	$ 6,678

During the three months ended March 31, 2018, the Company capitalized $0.02 million of intangible exploration expenditures of which $0.01 million of general and administrative expenses related to Block 2B (March 31, 2017, $0.06 million).

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2018, the Company had cash of $44.1 million and working capital of $38.6 million compared to cash of $3.1 million and negative working capital of $1.9 million at December 31, 2017. The significant increase in the Company's cash and working capital since December 31, 2017 is due mainly to the Company completing a private placement for gross proceeds of approximately $45.0 million. Working capital as at June 30, 2018 includes an accrued liability of $5.5 million (December 31, 2017, $4.5 million), which is an estimate made by management of the probability that the Company will pay the $5.5 million due upon spud of the well on PEL 37 if certain commercial conditions exist. In the event drilling does not commence on PEL 37, the Company has no financial obligation.

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

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the three and six months ended June 30, 2018 was $0.6 million and $0.7 million, respectively, compared to $0.04 million and $0.1 million for the three and six months ended June 30, 2017, respectively. The increase in stock-based compensation expense is due to the 17.6 million stock options granted to directors, officers and employees of the Company during the six months ended June 30, 2018, of which one-third vested immediately. No options were granted during the six months ended June 30, 2017.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At June 30, 2018, AOC owned 34.6% 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 $0.07 million during the three and six months ended June 30, 2018, respectively ($0.03 million and $0.06 million for the three and six months ended June 30, 2017, respectively). At June 30, 2018, the outstanding balance payable to AOC was $ nil (at December 31, 2017, $ 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 on behalf of Africa Energy.

During the three and six months ended June 30, 2018, AOC invoiced the Company $ nil, for reimbursable expenses paid by AOC on behalf of the Company ($0.01 million and $0.07 million for the three and six months ended June 30, 2017, respectively). At June 30, 2018, the outstanding balance payable to AOC was $ nil (at December 31, 2017, $ nil).

COMMITMENTS AND CONTINGENCIES

BLOCK 2B, REPUBLIC OF SOUTH AFRICA

Under the terms of the Block 2B Exploration Right, the Company and its partner have fulfilled the obligations of the First Renewal Period. During the first quarter of 2018, the Company received approval for entry into the Second Renewal Period from the Petroleum Agency of South Africa for the Block 2B Exploration Right for a period of two years commencing February 20, 2018. During the Second Renewal Period, the joint venture partners are obligated to perform studies and evaluations to determine potential commerciality, as well as economic sensitivity modelling to establish whether the drilling of a well could prove up potentially commercial oil volumes. If it is determined that drilling could prove up potentially commercial oil volumes, the joint venture partners are obligated to drill an exploration well on Block 2B.

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.

Management has assessed the likelihood and timing of future drilling and has not accrued any significant obligations related to the above contingent consideration.

Under the farmin 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

During the first quarter of 2018, the joint venture partnership in PEL 37 received notification from the Ministry of Mines and Energy in Namibia that its application for entry into the Second Renewal Period had been approved. The Second Renewal Period is for a period of two years commencing March 28, 2018 and includes an obligation to drill an exploration well on 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, including its pro rata portion of exploration drilling costs of one well in the Second Renewal Period being funded by another joint venture partner. 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.

Management has assessed the likelihood and timing of future drilling and has accrued $5.5 million of contingent consideration in accounts payable and accrued liabilities. In determining the likelihood and timing of future drilling, Management has considered the current political environment in Namibia, status of procurement and the joint venture's commitment to a drilling rig, current oil price environment and access to capital.

PROPERTY LEASE CONTRACTS

The Company has committed to future minimum payments at June 30, 2018 under a South African operating lease for the rental of office space, including a proportionate share of operating costs as follows:

(thousands)		
2018		38
2019		19
Total minimum payments	$	57

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	681,586,094
Outstanding share purchase options	33,375,000
Full dilution impact on common shares outstanding	714,961,094

OFF-BALANCE SHEET ARRANGEMENTS

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

NEW ACCOUNTING STANDARDS

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 Leases. It replaces the existing leasing standard (IAS 17 Leases) and provides transparency on companies' lease assets and liabilities by removing off balance sheet lease financing and will improve comparability between companies that lease and those that borrow to buy. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Company is currently assessing the impact of this standard.

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 23, 2018 on Sedar (www.sedar.com) for further risk factor disclosures.

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 farmout 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 obligations under the terms of its various agreements. Availability of capital will also directly impact the Company’s ability to take advantage of acquisition opportunities.

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.

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 June 30, 2018.

INTEREST RATE RISK

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

CREDIT RISK

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners that are non-performing and 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, 2018, the Company held $0.4 million of cash in financial institutions 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	June 30, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 44,069	$ 3,132
Accounts receivable		140	125
Prepaid expenses		60	206
		44,269	3,463
Long-term assets			
Investment in associates	4	8,341	7,267
Property and equipment	5	25	49
Intangible exploration assets	6	6,784	6,678
		15,150	13,994
Total assets		$ 59,419	$ 17,457
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Current liabilities			
Accounts payable and accrued liabilities		$ 182	$ 835
Contingent consideration	4	5,500	4,500
		5,682	5,335
Total liabilities		5,682	5,335
Equity attributable to common shareholders			
Share capital	7	152,145	108,246
Contributed surplus	8	5,149	4,497
Deficit		(103,557)	(100,621)
Total equity attributable to common shareholders		53,737	12,122
Total liabilities and equity attributable to common shareholders		$ 59,419	$ 17,457
Related party transactions	10		
Commitments and contingencies	13		

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 June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Operating expenses					
Salaries and benefits		$ 559	$ 601	$ 1,164	$ 1,175
Stock-based compensation	8	616	42	654	116
Travel		75	73	125	132
Management fees	10	33	31	66	63
Consulting fees		163	34	284	96
New venture costs		-	295	-	315
Office and general		129	115	234	228
Depreciation	5	7	15	16	32
Gain on disposal of property and equipment	5	-	-	(23)	-
Professional fees		115	86	188	161
Stock exchange and filing fees		201	12	229	23
Share of loss from equity investments	4	15	-	25	-
		1,913	1,304	2,962	2,341
Finance expense	9	59	-	72	-
Finance income	9	(90)	(138)	(98)	(195)
Net loss and comprehensive loss attributable to common shareholders		(1,882)	(1,166)	(2,936)	(2,146)
Net loss per share	11				
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	11				
Basic		550,169,714	319,177,135	435,318,413	319,177,135
Diluted		550,169,714	319,177,135	435,318,413	319,177,135

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	June 30, 2018	June 30, 2017
Share capital:	7(b)		
Balance, beginning of the period		$ 108,246	$ 108,246
Private placement, net of issue costs		43,896	-
Exercise of options		3	-
Balance, end of the period		152,145	108,246
Contributed surplus:	8		
Balance, beginning of the period		$ 4,497	$ 4,301
Excercise of options		(2)	-
Stock-based compensation		654	116
Balance, end of the period		5,149	4,417
Deficit:			
Balance, beginning of the period		$ (100,621)	$ (95,877)
Net loss for the period		(2,936)	(2,146)
Balance, end of the period		(103,557)	(98,023)
Equity attributable to common shareholders		$ 53,737	$ 14,640

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 June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash flows provided by (used in):	**Note**				
Operations:					
Net loss for the period		$ (1,882)	$ (1,166)	$ (2,936)	$ (2,146)
Item not affecting cash:					
Stock-based compensation	8	616	42	654	116
Depreciation	5	7	15	16	32
Gain on disposal of property and equipment		-	-	(23)	-
Share of loss from equity investments	4	15	-	25	-
Unrealized foreign exchange (gain)/loss		59	(123)	72	(164)
Changes in non-cash operating working capital	14	12	116	(577)	156
		(1,173)	(1,116)	(2,769)	(2,006)
Investing:					
Property and equipment expenditures	5	-	-	(2)	(1)
Proceeds from disposition of property and equipment	5	-	-	33	-
Intangible exploration expenditures	6	(83)	(73)	(106)	(153)
Investment in associates	4	(541)	-	(1,099)	-
Changes in non-cash investing working capital	14	534	(347)	1,055	(308)
		(90)	(420)	(119)	(462)
Financing:					
Common shares issued	7(b)	45,000	-	45,001	-
Share issuance costs	7(b)	(1,104)		(1,104)	-
Advances from related party	10	33	91	66	137
Payments to related party	10	(33)	(146)	(66)	(178)
		43,896	(55)	43,897	(41)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(59)	123	(72)	164
Decrease in cash and cash equivalents		42,574	(1,468)	40,937	(2,345)
Cash and cash equivalents, beginning of the period		$ 1,495	$ 9,302	$ 3,132	$ 10,179
Cash and cash equivalents, end of the period		$ 44,069	$ 7,834	$ 44,069	$ 7,834
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 Exploration Right for Block 2B offshore the Republic of South Africa (“Block 2B”). In September 2017, the Company acquired one-third of the shares in a wholly-owned subsidiary of Pancontinental Oil and Gas N.L. (“Pancontinental”) that holds a 30% participating interest in Petroleum Exploration License 37 offshore the Republic of Namibia (“PEL 37”). In November 2017, Main Street 1549 Proprietary Limited (“Main Street 1549”), an entity owned 49% by the Company, entered into farmin agreements to acquire a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa (“Block 11B/12B”) that will result in the Company holding an effective 4.9% interest upon close. Closing of the Block 11B/12B farmin transactions is subject to standard conditions for a transaction of this type, including approval of the South African government. 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 to laws and regulations, 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, 2017. The policies applied in these condensed consolidated financial statements are based on International Financial Reporting Standards ("IFRS") issued and outstanding as at August 14, 2018, the date the Board of Directors approved the statements.

The comparative figures have been reclassified to conform to the current year financial statement presentation.

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, 2017. 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, 2017.

3) New accounting standards:

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. The Company has implemented IFRS 9 and has determined that the measurement of financial instruments does not have a material impact on the disclosures in the financial statements.

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

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. The Company has determined that IFRS 15 will not affect the current financial statements as the Company currently does not have any revenue contracts.

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 Leases. It replaces the existing leasing standard (IAS 17 Leases) and provides transparency on companies' lease assets and liabilities by removing off balance sheet lease financing and will improve comparability between companies that lease and those that borrow to buy. IFRS 16 is effective January 1, 2019, with earlier application permitted. The Company is currently assessing the impact of this standard.

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.

4) Investment in associates:

The following is a summary of the Company's investment in associates:

		June 30, 2018		December 31, 2017
Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia")	$	7,851	$	6,777
Main Street 1549		490		490
Total Investment	$	8,341	$	7,267

The Company has determined that the investments in Pancontinental Namibia and Main Street 1549 are not impaired.

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

i) Pancontinental Namibia:

		June 30, 2018		December 31, 2017
Balance, beginning of the period	$	6,777	$	-
Acquisition of shares		-		2,200
Contingent consideration accrued		1,000		4,500
Legal costs associated with acquisition		-		64
Funds contributed to Pancontinental Namibia		99		24
Share of loss from equity investment		(25)		(11)
Balance, end of the period	$	7,851	$	6,777

On September 13, 2017, the Company completed the acquisition of one-third of the shares of Pancontinental Namibia, a private Australian entity that holds a 30% participating interest in PEL 37 offshore the Republic of Namibia. The Company paid Pancontinental Namibia $2.2 million at closing and capitalized $0.06 million in legal expenses relating to the acquisition of Pancontinental Namibia. The Company 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 $5.5 million of contingent consideration in accounts payable and accrued liabilities (December 31, 2017, $4.5 million).

The investment in Pancontinental Namibia is accounted for using the equity method. The Company recognized losses of $0.02 million and $0.03 million for the three and six months ended June 30, 2018, respectively ($ nil for the three and six months ended June 30, 2017). The Company has advanced $0.04 million and $0.1 million during the three and six months ended June 30, 2018, respectively, to cover Pancontinental Namibia's overhead and PEL 37 cash calls ($ nil for the three and six months ended June 30, 2017).

ii) Main Street 1549:

		June 30, 2018		December 31, 2017
Balance, beginning of the period	$	490	$	-
Funds advanced to Main Street 1549		-		490
Balance, end of the period	$	490	$	490

Africa Energy holds 49% of the common shares of Main Street 1549, a private South African entity. In November 2017, Main Street 1549 entered into farmin agreements with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total SA, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, to acquire an aggregate 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa. Main Street 1549 paid a deposit of $1.0 million at signature ($0.49 million net to the Company) and will pay an additional $14.0 million for past costs at closing ($6.86 million net to the Company). Main Street 1549 has agreed to fund a portion of Total and CNRI's costs for the first exploration well to a maximum of $15.4 million ($7.55 million net to the Company) plus certain contingent payments due at various milestones associated with commercialization of hydrocarbons from Block 11B/12B. Closing is subject to standard conditions for a transaction of this type, including approval of the South African government.

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

5) Property and equipment:

		June 30, 2018		December 31, 2017
Cost, beginning of the period	$	196	$	192
Additions		2		4
Disposal		(34)		-
Cost, end of the period		164		196
Accumulated depreciation, beginning of the period		(147)		(88)
Depreciation		(16)		(59)
Disposal		24		-
Accumulated depreciation, end of the period		(139)		(147)
Net carrying amount, beginning of the period	$	49	$	104
Net carrying amount, end of the period	$	25	$	49

During the six months ended June 30, 2018 and the year ended December 31, 2017, the Company purchased property and equipment for its technical office located in Cape Town, South Africa. During the six months ended June 30, 2018, the Company disposed of a vehicle with a net carrying amount of $0.01 million for proceeds of $0.03 million resulting in a gain of $0.02 million.

6) Intangible exploration assets:

		June 30, 2018		December 31, 2017
Net carrying amount, beginning of the period	$	6,678	$	6,521
Intangible exploration expenditures		106		157
Net carrying amount, end of the period	$	6,784	$	6,678

As at June 30, 2018, $6.8 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2017, $6.7 million). These expenditures relate to the acquisition of a 90% participating interest in Block 2B as well as license fees, geological and geophysical studies and general and administrative costs related to Block 2B.

During the six months ended June 30, 2018, the Company capitalized $0.02 million of general and administrative expenses related to intangible exploration assets (December 31, 2017, $0.09 million).

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

7) Share capital:

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

b) Issued:

		June 30, 2018		December 31, 2017	
	Note	Shares	Amount	Shares	Amount
Balance, beginning of the period		319,177,135	$ 108,246	319,177,135	$ 108,246
Exercise of options	8	18,334	3	-	-
Private placement, net of issue costs		362,390,625	43,896	-	-
Balance, end of the period		681,586,094	$ 152,145	319,177,135	$ 108,246

On May 4, 2018, the Company completed a private placement issuing an aggregate of 362,390,625 common shares at a price of CAD $0.16 per share for gross proceeds of approximately $45.0 million. A broker's fee of $1.1 million was paid in cash to Pareto Securities AB. The common shares issued under the private placement in Canada are subject to a statutory hold period that will expire on September 5, 2018. In conjunction with the private placement, the Company listed its common shares on Nasdaq First North Stockholm.

8) Share purchase options:

At the Annual General and Special Meeting held on July 5, 2018, 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:

	June 30, 2018		December 31, 2017	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	16,095,000	0.14	15,479,500	0.16
Granted	17,565,000	0.165	2,500,000	0.17
Expired	(266,666)	0.17	(1,884,500)	0.30
Exercised	(18,334)	0.14	-	-
Balance, end of the period	33,375,000	0.16	16,095,000	0.14

i) During the six months ended June 30, 2018, 18,334 stock options were exercised in which $2 thousand in contributed surplus was transferred to share capital. No stock options were exercised during the year ended December 31, 2017.

(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 six months ended June 30, 2018 and the year ended December 31, 2017 were estimated on the date of grant using the following weighted average assumptions:

	2018	2017
Number of options granted during the period	17,565,000	2,500,000
Fair value of options granted (CAD$)	0.11	0.12
Risk-free interest rate (%)	1.77	1.57
Expected life (years)	3.00	3.00
Expected volatility (%)	106	121
Expected dividend yield	-	-

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 expire five years after the grant date. The Company recognized $0.6 million and $0.7 million in stock-based compensation expense for the three and six months ended June 30, 2018, respectively, ($0.04 million and $0.1 million for the three and six months ended June 30, 2017, respectively).

The following table summarizes information regarding stock options outstanding at June 30, 2018:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.17	4,620,000	1.70
0.13	1,420,000	2.12
0.11	1,850,000	2.77
0.125	5,420,000	2.88
0.17	2,500,000	4.02
0.165	17,565,000	4.87
0.16	33,375,000	3.81

As at June 30, 2018, 19,165,000 stock options were exercisable.

9) Finance income and expense:

Finance income and expense for the three and six months ended June 30, 2018 and 2017 is comprised of the following:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Interest and other income	$ (90)	$ (15)	$ (98)	$ (31)
Foreign exchange (gain)/loss	59	(123)	72	(164)
Finance expense	59	-	72	-
Finance income	$ (90)	$ (138)	$ (98)	$ (195)

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.

10) Related party transactions:

Transactions with AOC:

At June 30, 2018, AOC owned 34.6% 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 $0.07 million during the three and six months ended June 30, 2018, respectively ($0.03 million and $0.06 million for the three and six months ended June 30, 2017, respectively). At June 30, 2018, the outstanding balance payable to AOC was $ nil (at December 31, 2017, $ 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 on behalf of Africa Energy.

During the three and six months ended June 30, 2018, AOC invoiced the Company $ nil, for reimbursable expenses paid by AOC on behalf of the Company ($0.01 million and $0.07 million for the three and six months ended June 30, 2017, respectively). At June 30, 2018, the outstanding balance payable to AOC was $ nil (at December 31, 2017, $ nil).

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

11) Net Loss Per Share:

Three months ended	**June 30, 2018**			**June 30, 2017**		
		Weighted Average			Weighted Average	
	Net loss	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share Net loss attributable to common shareholders	$ (1,882)	550,169,714	$ (0.00)	$ (1,166)	319,177,135	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (1,882)	550,169,714	$ (0.00)	$ (1,166)	319,177,135	$ (0.00)

Six months ended	**June 30, 2018**			**June 30, 2017**		
		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	$ (2,936)	435,318,413	$ (0.01)	$ (2,146)	319,177,135	$ (0.01)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (2,936)	435,318,413	$ (0.01)	$ (2,146)	319,177,135	$ (0.01)

For the six months ended June 30, 2018, 33,375,000 options were anti-dilutive and were not included in the calculation of dilutive loss per share (six months ended June 30, 2017, 13,528,334).

12) Financial Instruments:

Assets and liabilities at June 30, 2018 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 and accounts payable and accrued liabilities are assessed on the fair value hierarchy described above. The Company's cash and cash equivalents, receivables and accounts payable and accrued liabilities are classified as Level 2. 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.

13) 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. During the first quarter of 2018, the Company received approval for entry into the Second Renewal Period from the Petroleum Agency of South Africa for the Block 2B Exploration Right for a period of two years commencing February 20, 2018. During the Second Renewal Period, the joint venture partners are obligated to perform studies and evaluations to determine potential commerciality, as well as economic sensitivity modelling to establish whether the drilling of a well could prove up potentially commercial oil volumes. If it is determined that drilling could prove up potentially commercial oil volumes, the joint venture partners are obligated to drill an exploration well on Block 2B.

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.

Management has assessed the likelihood and timing of future drilling and has not accrued any material obligations related to the above contingent consideration.

Under the farmin agreement with a subsidiary of Crown Energy AB (“Crown”), the Company is obligated to fund Crown’s remaining 10% participating interest of costs associated with the drilling and testing of the next well in Block 2B.

PEL 37

During the first quarter of 2018, the joint venture partnership in PEL 37 received notification from the Ministry of Mines and Energy in Namibia that its application for entry into the Second Renewal Period had been approved. The Second Renewal Period is for a period of two years commencing March 28, 2018, and includes an obligation to drill an exploration well on PEL 37.

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

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, including its pro rata portion of exploration drilling costs of one well in the Second Renewal Period being funded by another joint venture partner. 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.

Management has assessed the likelihood and timing of future drilling and has accrued $5.5 million of contingent consideration in accounts payable and accrued liabilities. In determining the likelihood and timing of future drilling, Management has considered the current political environment in Namibia, status of procurement and the joint venture's commitment to a drilling rig, current oil price environment and access to capital.

b) Office and housing leases

The Company has committed to future minimum payments at June 30, 2018 under a South African operating lease for the rental of office space, including a proportionate share of operating costs as follows:

(thousands)		
2018		38
2019		19
Total minimum payments	$	57

14) Supplementary Information:

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Changes in non-cash working capital				
Accounts receivable	$ 7	$ 7	$ (15)	$ 31
Prepaid expenses	67	88	146	182
Accounts payable and accrued liabilities	(28)	(326)	(653)	(365)
Contingent consideration	500	-	1,000	-
	$ 546	$ (231)	$ 478	$ (152)
Relating to:				
Operating activities	$ 12	$ 116	$ (577)	$ 156
Investing activities	534	(347)	1,055	(308)
Changes in non-cash working capital	$ 546	$ (231)	$ 478	$ (152)