AFRICA ENERGY CORP.

Report to Shareholders

December 31, 2018

AFRICA ENERGY CORP.

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Amounts expressed in United States dollars unless otherwise indicated)

For the years ended December 31, 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. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended December 31, 2018 and 2017 and related notes thereto.

The financial information in this MD&A is derived from the Company's audited 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 February 28, 2019.

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 an effective 4.9% participating interest in the Exploration Right for Block 11B/12B offshore South Africa ("Block 11B/12B"), a 90% participating interest in the Exploration Right for Block 2B offshore South Africa ("Block 2B"), and an effective 10% participating interest in Petroleum Exploration License 37 offshore Namibia ("PEL 37").

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 December 31, 2018, Africa Oil Corp. ("AOC") was the Company's largest shareholder with 34.5% of the issued and outstanding common shares of Africa Energy.

OPERATIONS UPDATE

Block 11B/12B, Republic of South Africa

On December 19, 2018, Main Street 1549 Proprietary Limited ("Main Street 1549"), an entity held 49% by Africa Energy, closed 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 South Africa, resulting in Africa Energy holding an effective 4.9% interest in Block 11B/12B. The Company paid a deposit of $0.5 million at signing and an aggregate of $16.5 million at closing of the farmin agreements for its share of the Main Street 1549 costs due. These payments included reimbursement for past exploration expenditures, interim period costs, an agreed carry amount for Brulpadda well costs and the applicable Value Added Tax ("VAT"), which was recovered in February 2019. Under the farmin agreements, Africa Energy agreed to fund a portion of Total and CNRI's

costs in respect to the Brulpadda well to a maximum of $7.6 million, plus certain contingent payments due at various milestones associated with commercialization of hydrocarbons from Block 11B/12B.

On February 7, 2019, the Company announced a significant gas condensate and light oil discovery on the Brulpadda prospects located on Block 11B/12B and the opening of a new world-class oil and gas play offshore South Africa with substantial follow-on potential. The Brulpadda well was drilled in approximately 1,400 meters of water by the Odfjell Deepsea Stavanger semi-submersible rig. The well targeted two objectives in a deep marine fan sandstone system within combined stratigraphic/structural closure. Following the success of the main objective, the well was deepened to a final depth of 3,633 meters and was successful in the Brulpadda-deep prospect. The well encountered a total of 57 meters of net gas condensate pay over two Lower Cretaceous high-quality reservoirs. Core samples were taken in the upper reservoir, and a comprehensive logging and sampling program was performed over both reservoirs.

The Brulpadda discovery is located on Block 11B/12B in the Outeniqua Basin 175 kilometers off the southern coast of South Africa. The block covers an area of 18,734 square kilometers with water depths ranging from 200 to 1,800 meters. The Block 11B/12B joint venture partnership is currently in the Second Renewal Period for the Block 11B/12B Exploration Right, which is for a period of two years ending May 17, 2020. Following the success of Brulpadda and confirmation of the play potential, the joint venture partnership for Block 11B/12B plans to acquire 3D seismic in 2019, followed by up to four exploration wells. Total SA is operator and has a 45% interest in Block 11B/12B, while Qatar Petroleum and Canadian Natural Resources Limited have 25% and 20% interests, respectively.

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 Block 2B joint venture partnership received approval for entry into the Second Renewal Period of the Exploration Right 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.

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. PEL 37 is operated by Tullow Namibia Ltd, which holds a 35% participating interest, with partners ONGC Videsh Ltd. and Paragon Oil and Gas holding 30% and 5%, respectively. The Company’s effective interest in PEL 37 is 10%. Africa Energy paid Pancontinental Namibia $2.2 million at closing and paid an additional $5.5 million upon spudding the Cormorant-1 exploration well in September 2018.

PEL 37 covers 17,295 square kilometers in the Walvis Basin offshore Namibia approximately 420 kilometers south of the Angolan-Namibian border. In September 2018, the Cormorant-1 well was drilled safely and efficiently in 548 meters of water by the Ocean Rig Poseidon drillship to a total depth of 3,855 meters. The Cormorant-1 well penetrated a 50-meter fan system within the Cormorant Prospect. Interbedded sandstones were encountered in the primary objective of the well but proved to be water bearing. Wet gas signatures, indicative of oil, were encountered in the overlying shale section. The well has been plugged and abandoned.

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 were subject to a statutory hold period which expired on September 5, 2018.

The 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 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". The secondary listing has significantly increased the Company's trading liquidity and provided 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".

OUTLOOK

Management is very encouraged by the results of the Brulpadda discovery, which has opened a new world class oil and gas play offshore South Africa with significant follow-on potential. The success at both the primary and secondary targets de-risks other prospects in Block 11B/12B. The joint venture partnership for Block 11B/12B plans to acquire 3D seismic in 2019, followed by up to four exploration wells.

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)	**31-Dec 2018**	**30-Sep 2018**	**30-Jun 2018**	**31-Mar 2018**	**31-Dec 2017**	**30-Sep 2017**	**30-Jun 2017**	**31-Mar 2017**
Operating expenses ($)	(9,496)	(1,147)	(1,913)	(1,049)	(1,721)	(1,138)	(1,304)	(1,037)
Foreign exchange gain (loss) ($)	3	31	(59)	(13)	59	172	123	41
Interest and other income ($)	194	266	90	8	14	16	15	16
Net loss ($)	(9,299)	(850)	(1,882)	(1,054)	(1,648)	(950)	(1,166)	(980)
Weighted average shares - Basic	683,356	681,965	550,170	319,191	319,177	319,177	319,177	319,177
Weighted average shares - Diluted	683,356	681,965	550,170	319,191	319,177	319,177	319,177	319,177
Basic loss per share ($)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Diluted loss per share ($)	(0.01)	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.00)	(0.00)
Exploration and evaluation expenditures ($)	(18)	(18)	(83)	(23)	(1)	(2)	(73)	(80)

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

Operating expenses were relatively consistent from the first quarter of 2017 through to the third quarter of 2018. 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 expenses 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 expenses 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 as increased listing fees relating to the secondary listing on the Nasdaq First North Stockholm. Operating expenses increased during the fourth quarter of 2018 as the Company impaired the full amount of its investment in Pancontinental Namibia ($8.2 million).

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. The Company held investments in short-term U.S. dollar deposits from the end of the second quarter to the end of the fourth quarter of 2018.

Weighted average shares increased in the second and third quarters of 2018 due to the financing that closed in May 2018.

Oil and gas expenditures incurred during 2017 and 2018 related to license fees and geological and geophysical work performed on Block 2B.

RESULTS OF OPERATIONS

(thousands)	Three months ended December 31, 2018	Three months ended December 31, 2017	Year ended December 31, 2018	Year ended December 31, 2017
Salaries and benefits	$ 517	$ 989	$ 2,245	$ 2,791
Stock-based compensation	210	40	1,093	196
Travel	92	40	252	296
Management fees	32	33	130	129
Consulting fees	28	186	348	382
New venture costs	-	-	-	315
Office and general	124	133	486	468
Depreciation	1	13	20	59
Gain on disposal of property and equipment	-	-	(23)	-
Professional fees	93	274	344	498
Stock exchange and filing fees	52	2	328	55
Writedown of investment	8,202	-	8,202	-
Share of loss from equity investments	145	11	180	11
Operating expenses	$ 9,496	$ 1,721	$ 13,605	$ 5,200

Operating expenses increased $7.8 million for the three months ended December 31, 2018 compared to the same period in 2017. The Company recognized an $8.2 million impairment in its investment in Pancontinental Namibia during the three months ended December 31, 2018. Salaries and benefits decreased by $0.5 million primarily due to annual bonuses approved at the end of December 2017 for management and employees. No bonuses were approved in the fourth quarter of 2018. Stock-based compensation increased by $0.2 million due to the issuance of 18.2 million stock options to directors, officers and employees of the Company during 2018 compared to 2.5 million options granted to an officer of the Company during 2017. Consulting fees decreased $0.2 million due mainly to a long-term consulting contract that expired June 30, 2018. Professional fees decreased by $0.2 million due mainly to legal fees incurred relating to the Block 11B/12B farmin transactions during the fourth quarter of 2017. The Company recognized losses from its investments in Pancontinental Namibia and Main Street 1549 during the fourth quarter of 2018. The loss from Main Street 1549 was the largest contributor, which was mainly the result of a foreign currency loss on Rand based VAT receivable paid on the Block 11B/12B farmins ($2.2 million net to the Company). Subsequent to year end, the VAT receivable relating to the Block 11B/12B farmins was recovered from the South African Government.

Operating expenses increased $8.4 million during the year ended December 31, 2018 compared to the same period in 2017. The Company recognized an $8.2 million impairment in its investment in Pancontinental Namibia during the year ended December 31, 2018. Salaries and benefits decreased by $0.5 million primarily due to annual bonuses approved in December 2017 for management and employees. No bonuses were approved in 2018. Stock-based compensation increased by $0.9 million due to the issuance of 18.2 million stock options to directors, officers and employees of the Company during 2018 compared to 2.5 million options granted to an officer of the Company during 2017. New venture costs decreased as the Company acquired $0.3 million of geological and geophysical data during 2017. Professional fees decreased by $0.2 million due mainly to legal fees incurred relating to the Block 11B/12B farmin transactions during 2017. Stock exchange and filing fees increased by $0.3 million due to the secondary listing on Nasdaq First North Stockholm on May 4, 2018. The Company recognized losses from its investments in Pancontinental Namibia and Main Street 1549 during 2018. The loss from Main Street 1549 was the largest contributor, which was mainly the result of a foreign currency loss on Rand based VAT receivable paid on the Block 11B/12B farmins.

SELECTED ANNUAL INFORMATION

For the years ended December 31, (thousands, except per share amounts)		2018		2017		2016
Statement of Operations Data						
Interest income	$	558	$	61	$	9
Net loss		(13,085)		(4,744)		(4,198)
Data per Common Share						
Basic and diluted loss per share		(0.02)		(0.01)		(0.02)
Balance Sheet Data						
Working capital		3,197		(1,872)		10,045
Total assets	$	44,300	$	17,457	$	17,236

As the Company is in the exploration stage, no oil and gas revenue has been generated to date. Accordingly, the only income reported is interest income on cash deposits and foreign exchange gains on Canadian dollar and South African Rand holdings.

The increase in interest income is attributable to the Company commencing investments in short-term U.S. dollar deposits during the second quarter of 2018 on cash received from the financing completed in May 2018.

The Company recorded a net loss of $13.1 million in 2018 compared to a net loss in 2017 of $4.7 million. The $8.3 million increase in the net loss is mainly attributed to an increase in operating expenses as explained above in “Results of Operations”.

The Company recorded a net loss of $4.7 million in 2017 compared to a net loss in 2016 of $4.2 million. The $0.5 million increase in the net loss is mainly attributed to a $0.6 million increase in salaries and benefits, which resulted from annual bonuses being approved in December 2017 for management and employees.

The increase in working capital from 2017 to 2018 is due to the Company completing a private placement during 2018 which was offset by cash-based operating expenses and funding of the investments in Main Street 1549 and Pancontinental Namibia. The decrease in working capital from 2016 to 2017 is due to cash-based operating expenses and the investments in Pancontinental Namibia and Main Street 1549. Net working capital at December 31, 2017 included a $4.5 million contingent liability, which was an estimate made by management of the probability that a well would spud on PEL 37 and that certain commercial conditions would exist resulting in an obligation of $5.5 million to Pancontinental Namibia.

The increase in total assets from 2017 and 2018 is due to the Company’s investment in Main Street 1549 offset partially by the write-down of Pancontinental Namibia. The increase in total assets from 2016 to 2017 is due the Company’s investments in associates which is offset by cash-based operating expenditures.

INVESTMENT IN ASSOCIATES AND JOINT VENTURES

During the years ended December 31, 2018 and 2017, the Company made the following investment in associates and joint ventures:

	December 31, 2018	December 31, 2017
Main Street 1549	$ 34,183	$ 490
Pancontinental Namibia	-	6,777
Total Investment	$ 34,183	$ 7,267

i) Main Street 1549:

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 and CNRI 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). In December 2018, upon receiving government approval, Main Street 1549 closed the farmin transactions, at which point Africa Energy invested an aggregate of $33.8 million in Main Street 1549. The funding contributed by Africa Energy was used to pay the Company’s portion of closing costs for the farmin transactions ($16.5 million net to the Company), as well as the Company’s portion of future exploration expenditures on Block 11B/12B ($16.2 million net to the Company) and the Company’s portion of an environmental guarantee in favour of the Petroleum Agency of South Africa ($1.0 million net to the Company). The closing payment to Total and CNRI included reimbursement for past exploration expenditures, interim period costs, an agreed carry amount for Brulpadda-1AX well costs and the applicable VAT ($2.2 million net to the Company), which was recovered in February 2019. The Company has certain contingent payments due at various milestones associated with commercialization of hydrocarbons in Block 11B/12B. Main Street 1549 has assessed the likelihood and timing of future exploration expenditures and has not accrued any material obligations related to the above contingent consideration.

At December 31, 2018, Main Street 1549 held $0.4 million in cash and $35.1 million held in escrow to cover Main Street 1549's portion of future exploration expenditures for Block 11B/12B.

The investment in Main Street 1549 is accounted for using the equity method. The Company recognized losses of $0.1 million for the year ended December 31, 2018 ($ nil for the year ended December 31, 2017). The Company has advanced $33.8 million for year ended December 31, 2018, to cover Block 11B/12B farmin closing costs and future exploration expenditures ($ nil for the year ended December 31, 2017).

ii) Pancontinental Namibia:

During the year ended December 31, 2018, the Company impaired the full amount of its investment in Pancontinental Namibia subsequent to performing a full analysis of the Cormorant-1 well results. The joint venture partners on PEL 37 have fulfilled the obligations of the current exploration period.

INTANGIBLE EXPLORATION ASSETS

(thousands)	December 31, 2018	December 31, 2017
Intangible exploration assets	$ 6,820	$ 6,678

During 2018, the Company capitalized $0.1 million (2017, $0.2 million) of intangible exploration expenditures of which $0.04 million of general and administrative expenses related to Block 2B (2017, $0.09 million).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2018, the Company had cash of $3.0 million and working capital of $3.2 million compared to cash of $3.1 million and negative working capital of $1.9 million at December 31, 2017.

In addition to the Company's cash and working capital position at December 31, 2018, Main Street 1549 held $0.4 million in cash and $35.1 million held in escrow to cover Main Street 1549's portion of future exploration expenditures for Block 11B/12B. Subsequent to year end, Main Street 1549 recouped $4.4 million in VAT from the South African Government, which had been paid on closing of the Block 11B/12B farmin.

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 year ended December 31, 2018 was $1.1 million compared to $0.2 million for the year ended December 31, 2017. The increase in stock-based compensation expense is due to the 18.2 million stock options granted to directors, officers and employees of the Company during the year ended December 31, 2018, of which one-third vested immediately, compared to 2.5 million options granted to an officer of the Company during the year ended December 31, 2017 where all options cliff vest after three years.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At December 31, 2018, AOC owned 34.5% 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 $0.1 million during the year ended December 31, 2018 (2017, $0.1 million). At December 31, 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 year ended December 31, 2018, AOC invoiced the Company $ nil for reimbursable expenses paid by AOC on behalf of the Company (2017, $0.1 million). At December 31, 2018, the outstanding balance payable to AOC was $ nil (at December 31, 2017, $ nil).

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT:

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

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

For the years ended December 31,	2018	2017
Directors' fees	$ 114	$ 104
Directors' share-based compensation	170	32
Management's short-term wages, bonuses and benefits	822	1,165
Management's share-based compensation	524	92
	$ 1,630	$ 1,393

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 Block 2B joint venture partnership received approval for entry into the Second Renewal Period for the Block 2B Exploration Right from the Petroleum Agency of South Africa 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.

At December 31, 2018, 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.

PROPERTY LEASE CONTRACTS

The Company has committed to future minimum payments at December 31, 2018 under a South African operating lease for the rental of office space, including a proportionate share of operating costs as follows:

(thousands)		
2019		18
Total minimum payments	$	18

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	683,489,427
Outstanding share purchase options	31,675,000
Full dilution impact on common shares outstanding	715,164,427

Subsequent to December 31, 2018, 133,333 options were exercised.

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company' significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2018.

USE OF ESTIMATES

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

INTANGIBLE EXPLORATION ASSETS

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

Where results of exploration drilling indicate the presence of hydrocarbons that are ultimately not considered commercially viable, all related costs are recognized in the statement of operations. If commercial reserves are established and technical feasibility for extraction demonstrated, then the related capitalized intangible exploration costs are transferred into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU") within intangible exploration assets. The allocation of the company's assets into CGUs requires judgment.

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

The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs to sell, recent

market transactions are considered, if available. In the absence of such transactions, an appropriate valuation model is used.

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

STOCK-BASED COMPENSATION

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

CONTINGENT CONSIDERATION

The Company estimates the value of contingent consideration by preparing an assessment of the likelihood and timing of future drilling obligations. The assessment may include probabilities assigned by Management. Management will review and revise the valuation of contingent consideration as more information becomes available and future plans become more certain.

INCOME TAX

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves, timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant Management judgment.

NEW ACCOUNTING PRONOUNCEMENTS AND CHANGES IN ACCOUNTING POLICIES

There are no new standards or amendments to existing standards effective January 1, 2018.

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018 and have 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. 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.

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 implemented IFRS 15 and has determined that it 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 improves 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 and does not anticipate the impact of IFRS 16 to be material.

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

RISK FACTORS

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below. Refer to the Company's Annual Information Form dated February 28, 2019 on Sedar (www.sedar.com) for further risk factor disclosures.

INTERNATIONAL OPERATIONS

Oil and gas exploration, development and production activities in emerging markets are subject to significant political and economic uncertainties which may adversely affect the Company's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, civil unrest, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change to laws and regulations, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on the Company's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas

concessions acquired by the Company, the Company could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which the Company acquires an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits when required. To mitigate some of this risk, the Company focuses on operations in stable countries with good commercial terms.

RISKS RELATING TO SOUTH AFRICAN REGULATIONS

Many of the Company's holdings are in South Africa and are subject to South African laws and regulations, such as the Liquid Fuels Charter made November 2, 2000 and the Mineral and Petroleum Resources Development Act. The Liquid Fuels Charter requires the holder of certain exploration rights and licences to make sincere attempts to find a suitable partner who is a Historically Disadvantaged South African and to make available to such partner not more than a 1/10th undivided interest share in the right or license at fair market value. The terms of, and application of, these black empowerment policies and other laws and regulations in South Africa are subject to change and may impact the Company's holdings in South Africa. In addition, there is a bill, dating back to 2013, to amend the primary legislation governing the upstream hydrocarbons sector in South Africa, the Mineral and Petroleum Resources Development Act, 2002 (the "MPRDA"). If amendments are made to the fiscal parameters as well as the general administration right/concessions in the current MPRDA, it may also impact the Company's holdings in South Africa.

CAPITAL REQUIREMENTS

To finance its future acquisition, exploration, development and operating costs, the Company may require financing from external sources, including from the issuance of new shares, issuance of debt or execution of working interest farm-out agreements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to the Company. If additional financing is raised through the issuance of equity or convertible debt securities, control of the Company may change and the interests of shareholders in the net assets of the Company may be diluted. If unable to secure financing on acceptable terms, the Company may have to cancel or postpone certain of its planned exploration and development activities which may ultimately lead to the Company's inability to fulfil the minimum work obligations under the terms of its various exploration agreements. Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

SHARED OWNERSHIP AND DEPENDECY ON PARTNERS

The Company's operations may, to varying degrees, be conducted together with one or more partners through contractual arrangements. In such instances, the Company may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, the Company may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. The Company and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have significant negative effects on the Company's operations relating to such project.

Main Street 1549, an entity held 49% by the Company, has financial obligations in respect of Block 11B/12B. In the event that the shareholders of Main Street 1549 cannot fund obligations due in the future, the Company may, among other things, risk losing its effective interest in Block 11B/12B.

Pancontinental Namibia, an entity held one-third by the Company, has financial obligations in respect of PEL 37. In the event that the shareholders of Pancontinental Namibia cannot fund obligations in the future, as required by the PEL 37 joint operating agreement, the Company may, among other things, risk losing its effective interest in PEL 37.

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.

DIFFERENT LEGAL SYSTEM AND LITIGATION

The legal system within the countries in which the Company operates differs in various degrees from that of Canada. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. Almost all material production and exploration rights and related contracts of the Company will be subject to the national or local laws of South Africa and Namibia. This means that the Company's ability to exercise or enforce its rights and obligations will differ from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction.

The Company's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in concessions, licenses and agreements that often involve several parties. If the Company were to become involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, agreements or otherwise, such disputes or related litigation may be costly and time consuming and the outcome may be highly uncertain. Even if the Company would ultimately prevail, such disputes and litigation may still have a substantially negative effect on the Company's business, assets, financial conditions and its operations.

UNCERTAINTY OF TITLE

Although the Company conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations.

COMPETITIVE CONDITIONS

The oil and natural gas industry is intensely competitive in all aspects, including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. Africa Energy competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. Africa Energy's competitors include oil companies that have greater financial resources, staff and facilities than those of Africa Energy and its partners. The Company's ability to discover reserves in the future will depend on its ability to successfully explore its present properties, to select and acquire suitable producing properties or prospects on which to conduct future exploration and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. Africa Energy's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. The Company strives to be competitive by working with its partners to utilize current technologies to enhance its exploration and development activities.

Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have a material adverse effect on the Company's business, prospects and results of operations.

RISKS INHERENT IN OIL AND GAS EXPLORATION AND DEVELOPMENT

Oil and gas operations involve many inherent risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that the Company will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by the Company will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by the Company. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The Company's business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience, knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury.

FOREIGN CURRENCY EXCHANGE RISK

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. Africa Energy had no forward exchange contracts in place as at December 31, 2018.

CREDIT RISK

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of the Company's credit exposure relates to amounts due from its joint venture partners. The risk of the Company's joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners who are non-performing and reacquire any previous farmed out working interests.

RISKS RELATING TO CONCESSIONS, LICENSES AND CONTRACTS

The Company's operations are based on a relatively small number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of the Company. In case of a dispute, it cannot be certain that the view of the Company would prevail or that the Company otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on the Company. In addition, if the Company or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, the Company's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

CLIMATE CHANGE LEGISLATION

Climate change continues to be a global challenge. Cities and countries are increasingly seeking to hold companies financially responsible for changes in climate and the global effects of climate change. Climate change policy is evolving at regional, national and international levels, and political and economic events may significantly affect the scope and timing of climate change measures that are ultimately put in place in order to promote the reduction of greenhouse gas emissions. The petroleum industry faces scrutiny from individuals and governments, worldwide, that the use of fossil fuels to meet the world's energy demands contributes to the rise of greenhouse gas emissions in the world's atmosphere.

Implementation of strategies by any level of government within the countries in which the Company operates, and whether to meet international agreed limits, or as otherwise determined, for reducing greenhouse gases and to address climate change could have a material impact on the operations and financial condition of the Company. In addition, concerns about climate change have resulted in a number of environmental activists and members of the public opposing the continued exploitation and development of fossil fuels. Given the evolving nature of the debate related to

climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Company and its operations and financial condition.

ENVIRONMENTAL REGULATION

The oil and natural gas industry is subject to environmental regulation pursuant to the local, provincial (or state) and federal legislation, as applicable, within each of the Company's countries of operation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Company or the oil and gas assets, some of which may be material. Furthermore, management of the Company believes the political climate appears to favour new programs for environmental laws and regulation, particularly in relation to the reduction of emissions or emissions intensity, and there is a risk that any such programs, laws or regulations, if proposed and enacted, will contain emission reduction targets which the Company cannot meet, and financial penalties or charges could be incurred as a result of the failure to meet such targets.

Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures, results of operations and competitive position of the Company. However, environmental regulations are expected to become more stringent in the future and costs associated with compliance are expected to increase. Any penalties or other sanctions imposed on the Company for non-compliance with environmental regulations could have a material adverse effect on the Company's business, prospects and results of operations.

NEXT EARNINGS REPORT RELEASE

The Company plans to report its results for the three months ended March 31, 2019 on May 9, 2019.

FORWARD LOOKING STATEMENTS

Certain statements in this document constitute forward-looking information or forward-looking statements under applicable securities law (collectively, "forward-looking statements"). Forward-looking statements are statements that relate to future events, including the Company's future performance, opportunities or business prospects. Any statements that express or involve discussions with respect to expectations, beliefs, projections, plans, future events or performance (often but not always identified by words such as "believes", "seeks", "anticipates", "expects", "estimates", "pending", "intends", "plans", "will", "would have" or similar words suggesting future outcomes), are not statements of historical fact and may be forward-looking statements.

By their nature, forward-looking statements involve assumptions, inherent risks and uncertainties, many of which are difficult to predict and are usually beyond the control of management that could cause actual results to be materially different from those expressed by these forward-looking statements. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

Forward-looking statements include, but are not limited to, statements concerning:

- Expected closing dates for the completion of proposed transactions;
- Planned exploration, appraisal and development activity including both expected drilling and geological and geophysical related activities;
- Proposed development plans;
- Future development costs and the funding thereof;
- Expected funding and development costs;
- Anticipated future financing requirements;
- Future sources of funding for the Company’s capital program;
- Future capital expenditures and their allocation to exploration and development activities;
- Expected operating costs;
- Future sources of liquidity, cash flows and their uses;
- Availability of potential farmout partners;
- Government or other regulatory consent for exploration, development, farmout, or acquisition activities;
- Future production levels;
- Future crude oil, natural gas or chemical prices;
- Future earnings;
- Future asset acquisitions or dispositions;
- Future debt levels;
- Availability of committed credit facilities;
- Possible commerciality;
- Development plans or capacity expansions;
- Future ability to execute dispositions of assets or businesses;
- Future drilling of new wells;
- Interpretation of drill results and other technical data;
- Timing of completion of drilling programs;
- Ultimate recoverability of current and long-term assets;
- Ultimate recoverability of reserves or resources;
- The tax and royalty regime in the countries where the Company operates;
- Estimates on a per share basis;
- Future foreign currency exchange rates;
- Future market interest rates;
- Future expenditures and future allowances relating to environmental matters;
- Dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity;
- The Company’s ability to comply with future legislation or regulations;
- Relations with local communities;
- Future staffing levels or requirements; and
- Changes in any of the foregoing.

Statements relating to “reserves” or “resources” are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

These forward-looking statements are subject to known and unknown risks and uncertainties and other factors, which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- Market prices for oil and gas and chemical products;
- Changes in oil prices, results of exploration, appraisal and development activities, uninsured risks, regulatory changes, defects in title, availability of material and equipment and timelines of government or other regulatory approvals;
- Changes in the social climate in the regions in which the Company operates;
- Health, safety and environmental risks;
- Climate change legislation and regulation changes;
- The Company's ability to explore, develop, produce and transport crude oil and natural gas to markets;
- Ultimate effectiveness of design or design modification to facilities;
- The results of exploration and development drilling and related activities;
- Short term well test results on exploration and appraisal wells do not necessarily indicate the long-term performance or ultimate recovery that may be expected from a well;
- Pipeline or delivery constraints;
- Volatility in energy trading markets;
- Incorrect assessments of value when making acquisitions;
- Foreign-currency exchange rates;
- Economic conditions in the countries and regions in which the Company carries on business;
- Governmental actions, including changes to taxes or royalties, and changes in environmental and other laws and regulations;
- Renegotiations of contracts;
- Results of litigation, arbitration or regulatory proceedings;
- Political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; and
- Internal conflicts within states or regions.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on its assessment of all information at that time. Although management believes that the expectations conveyed by the forward-looking statements are reasonable based on the information available to it on the date such forward-looking statements were made, no assurances can be given that such expectations will prove to be correct, and such forward-looking statements included in, or incorporated by reference into, this AIF should not be unduly relied upon.

The forward-looking statements are made as of the date hereof or as of the date specified in the documents incorporated by reference into this AIF, as the case may be, and except as required by law, the Company undertakes no obligation to update publicly, re-issue, or revise any forward-looking statements, whether as a result of new information, future events or otherwise. This cautionary statement expressly qualifies the forward-looking statements contained herein.

Independent auditor's report

To the Shareholders of Africa Energy Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Africa Energy Corp. and its subsidiaries (together, the Company) as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2018 and 2017;
- the consolidated statements of net loss and comprehensive loss for the years then ended;
- the consolidated statements of equity attributable to common shareholders for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

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

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

PricewaterhouseCoopers LLP
111-5th Avenue S.W., Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor’s responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from

error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Alisa Sorochan.

(signed) "PricewaterhouseCoopers LLP"

Chartered Professional Accountants

Calgary, Alberta
February 28, 2019

AFRICA ENERGY CORP.

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

	Note	December 31, 2018	December 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents		$ 3,009	$ 3,132
Accounts receivable		64	125
Prepaid expenses		202	206
		3,275	3,463
Long-term assets			
Investment in associates	5	34,183	7,267
Property and equipment	6	22	49
Intangible exploration assets	7	6,820	6,678
		41,025	13,994
Total assets		$ 44,300	$ 17,457
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS			
Current liabilities			
Accounts payable and accrued liabilities		$ 78	$ 835
Contingent consideration		-	4,500
		78	5,335
Total liabilities		78	5,335
Equity attributable to common shareholders			
Share capital	8	152,481	108,246
Contributed surplus	9	5,447	4,497
Deficit		(113,706)	(100,621)
Total equity attributable to common shareholders		44,222	12,122
Total liabilities and equity attributable to common shareholders		$ 44,300	$ 17,457
Related party transactions	13		
Commitments and contingencies	18		

The notes are an integral part of the consolidated 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)

For the years ended	**Note**	**December 31, 2018**	**December 31, 2017**
Operating expenses			
Salaries and benefits		$ 2,245	$ 2,791
Stock-based compensation	9	1,093	196
Travel		252	296
Management fees	13	130	129
Consulting fees		348	382
New venture costs		-	315
Office and general		486	468
Depreciation	6	20	59
Gain on disposal of property and equipment	6	(23)	-
Professional fees		344	498
Stock exchange and filing fees		328	55
Writedown of investment	5	8,202	-
Share of loss from equity investments	5	180	11
		13,605	5,200
Finance expense	12	38	-
Finance income	12	(558)	(456)
Net loss and comprehensive loss attributable to common shareholders		(13,085)	(4,744)
Net loss per share	15		
Basic		$ (0.02)	$ (0.01)
Diluted		$ (0.02)	$ (0.01)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	15		
Basic		560,005,956	319,177,135
Diluted		560,005,956	319,177,135

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

AFRICA ENERGY CORP.

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

	Note		December 31, 2018		December 31, 2017
Share capital:	8(b)				
Balance, beginning of the year		$	108,246	$	108,246
Private placement, net of issue costs			43,896		-
Exercise of options			339		-
Balance, end of the year			152,481		108,246
Contributed surplus:	9				
Balance, beginning of the year		$	4,497	$	4,301
Excercise of options			(143)		-
Stock-based compensation			1,093		196
Balance, end of the year			5,447		4,497
Deficit:					
Balance, beginning of the year		$	(100,621)	$	(95,877)
Net loss for the year			(13,085)		(4,744)
Balance, end of the year			(113,706)		(100,621)
Equity attributable to common shareholders		$	44,222	$	12,122

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

AFRICA ENERGY CORP.

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

For the years ended		December 31, 2018	December 31, 2017
Cash flows provided by (used in):	Note		
Operations:			
Net loss for the year		$ (13,085)	$ (4,744)
Item not affecting cash:			
Stock-based compensation	9	1,093	196
Depreciation	6	20	59
Gain on disposal of property and equipment	6	(23)	-
Share of loss from equity investments	5	180	11
Unrealized foreign exchange (gain)/loss		38	(395)
Writedown of investment	5	8,202	-
Changes in non-cash operating working capital	19	(713)	844
Net cash used in operating activities		(4,288)	(4,029)
Investing:			
Property and equipment expenditures	6	(3)	(4)
Proceeds from disposition of property and equipment	6	33	-
Intangible exploration expenditures	7	(142)	(157)
Investment in associates	5	(35,298)	(7,278)
Changes in non-cash investing working capital	19	(4,479)	4,083
Net cash used in investing activities		(39,889)	(3,356)
Financing:			
Common shares issued	8(b)	45,196	-
Share issuance costs	8(b)	(1,104)	-
Advances from related party	13	130	243
Payments to related party	13	(130)	(300)
Net cash provided by/(used in) financing activities		44,092	(57)
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(38)	395
Decrease in cash and cash equivalents		(123)	(7,047)
Cash and cash equivalents, beginning of the year		$ 3,132	$ 10,179
Cash and cash equivalents, end of the year		$ 3,009	$ 3,132
Supplementary information:			
Interest paid		Nil	Nil
Taxes paid		Nil	Nil

The notes are an integral part of the consolidated 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 December 2018, Main Street 1549 Proprietary Limited ("Main Street 1549"), an entity owned 49% by the Company, closed 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") resulting in the Company holding an effective 4.9% interest. 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 and dependence on partners and shared ownership. These uncertainties, all of which are beyond the Company's control, could have a material adverse effect on Africa Energy's business, prospects and results of operations. In addition, if legal disputes arise related to oil and gas concessions acquired by the Company, Africa Energy could be subject to the jurisdiction of courts other than those of Canada. The Company's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which Africa Energy has or may acquire an interest. The Company may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that Africa Energy will be able to obtain all necessary licenses and permits when required.

2) Basis of preparation:

a) Statement of compliance:

The Company prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board ("IASB"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of February 28, 2019, 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 relevant accounting policy.

c) Functional and presentation currency:

These consolidated financial statements are presented in United States (US) dollars. The functional currency of all the Company's individual entities (refer to Note 16) 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are noted below with further details of the assumptions contained in the relevant note.

i) Exploration and evaluation costs:

Exploration and evaluation costs are initially capitalized as intangible exploration assets with the intent to establish commercially viable reserves. The Company is required to make estimates and judgments about the future events and circumstances regarding whether the carrying amount of intangible exploration assets exceeds its recoverable amount (see note 7).

ii) Share-based payments:

Charges for share-based payments are based on the fair value at the date of the award. The shares are valued using the Black-Scholes model, and inputs to the model include assumptions on share price volatility, discount rates and expected life outstanding (see note 9).

iii) Valuation of investments:

Investments in associates are initially recorded at cost. The Company assesses investments in associates for impairment whenever changes in circumstances or events indicate that the carrying value may not be recoverable (see note 5).

iv) Consolidation of entities:

When assessing control over a subsidiary, the Company is required to consider the nature of its relationship with the subsidiary and whether strategic and operating decisions made by the subsidiary are made independently without the significant influence or control of the Company. Factors considered when assessing control include share ownership, board composition and management involvement in the business. The determination of whether strategic and operating decisions made by the Company's subsidiaries are made independently without the significant influence or control of the Company requires judgment (see notes 5 and 16).

v) Deferred tax asset:

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

3) Significant accounting policies:

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

a) Basis of consolidation:

i) Subsidiaries:

ii) Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

iii) Jointly controlled operations and jointly controlled assets:

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

iv) Transactions eliminated on consolidation:

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

b) Equity method:

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

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

c) Foreign currency:

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

d) Property and equipment and Intangible exploration assets:

i) Pre-exploration expenditures:

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

ii) Exploration expenditures:

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

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

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

iii) Development and production costs:

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

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

e) Depreciation:

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

f) Impairment:

i) Financial assets carried at amortized cost:

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

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

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

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

All impairment losses are recognized in the statement of net loss and comprehensive loss.

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

ii) Non-financial assets:

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used.

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

g) Stock-based compensation:

The Company has a stock option plan as described in note 9. The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense and an increase to contributed surplus. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest. When the stock options are exercised, the proceeds received and the applicable amounts recorded in contributed surplus are credited to share capital.

h) Finance income and expenses:

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

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

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

i) Income tax:

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

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be

applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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

j) Earnings per share:

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

k) Financial instruments:

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

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

i) Financial assets and liabilities at fair value through profit or loss:

A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of net loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the statement of net loss and comprehensive loss within financing income or expense in the period in which they arise. Financial assets and liabilities at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current. The Company does not have any financial instruments in this category.

ii) Available-for-sale investments:

Available-for-sale investments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Company does not have any financial instruments in this category.

Available-for-sale investments are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive loss. Available-for-sale investments are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months.

Interest on available-for-sale investments, calculated using the effective interest method, is recognized in the statement of net loss and comprehensive loss as part of interest income. Dividends on available-for-sale equity instruments are recognized in the statement of net loss and comprehensive loss when the Company's right to receive payment is established. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income to the statement of net loss and comprehensive loss.

iii) Loans and receivables:

Loans and receivables at amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise of cash and cash equivalents and accounts receivable. Loans and receivables are initially recognized at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment.

iv) Financial liabilities at amortized cost:

Financial liabilities at amortized cost include accounts payables and are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payables are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

l) Provisions:

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

Decommissioning obligations:

The Company's activities may give rise to dismantling, decommissioning and site disturbance re-mediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category. The Company does not have any decommissioning obligations.

4) New accounting standards:

There are no new standards or amendments to existing standards effective January 1, 2018.

The following new standards and amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018 and have 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. 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.

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 improves 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 and does not anticipate the impact of IFRS 16 to be material.

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

5) Investment in associates and joint ventures:

During the years ended December 31, 2018 and 2017, the Company held the following investment in associates and joint ventures:

		December 31, 2018		December 31, 2017
Main Street 1549	$	34,183	$	490
Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia")		-		6,777
Total Investment	$	34,183	$	7,267

i) Main Street 1549:

		December 31, 2018		December 31, 2017
Balance, beginning of the year	$	490	$	-
Funds contributed to Main Street 1549		33,834		490
Share of loss from equity investment		(141)		-
Balance, end of the year	$	34,183	$	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). In December 2018, upon receiving government approval, Main Street 1549 closed the farmin transactions, at which point Africa Energy invested an aggregate of $33.8 million in Main Street 1549. The funding contributed by Africa Energy was used to pay the Company's portion of closing costs for the farmin transactions ($16.5 million net to the Company), as well as the Company's portion of future exploration expenditures on Block 11B/12B ($16.2 million net to the Company) and the Company's portion of an environmental guarantee in favour of the Petroleum Agency of South Africa ($1.0 million net to the Company). The closing payment to Total and CNRI included reimbursement for past exploration expenditures, interim period costs, an agreed carry amount for Brulpadda-1AX well costs and the applicable Value Added Tax ($2.2 million net to the Company), which was recovered in February 2019.

In the event of a discovery arising from the drilling of the Brulpadda-1AX well and the Operating Committee deciding to acquire 3D seismic data, Main Street 1549 will be obligated to fund $5.0 million ($2.5 million net to the Company) of Total's and CNRI's portion of the 3D seismic costs. Additionally, upon discovery and the Operating Committee deciding to drill a second exploration well or an appraisal well, Main Street 1549 will be obligated to fund $5.0 million ($2.5 million net to the Company) of Total's and CNRI's portion of the drilling costs.

In the event of a commercial discovery and granting of a production right, Main Street 1549 will be obligated to fund a discovery bonus. If the commercial discovery is oil, Main Street 1549 will be obligated to pay Total and CNRI up to $90.0 million ($44.1 million net to the Company) depending on the amount of reserves at that time. If the commercial discovery is gas, Main Street 1549 will be obligated to pay Total and CNRI up to $24.0 million ($11.8 million net to the Company) depending on the amount of reserves at that time.

At December 31, 2018, considering the status of drilling at Brulpadda-1AX, Main Street 1549 has assessed the likelihood and timing of future exploration expenditures and has not accrued any material obligations related to the above contingent consideration.

The investment in Main Street 1549 is accounted for using the equity method as it holds 49% of the voting power. The Company recognized losses of $0.1 million for the year ended December 31, 2018 ($ nil for the year ended December 31, 2017). The Company has advanced $33.8 million for year ended December 31, 2018, to cover Block 11B/12B farmin closing costs and future exploration expenditures ($ nil for the year ended December 31, 2017).

The Company has determined that the investment in Main Street 1549 is not impaired.

The following is a financial summary of Main Street 1549:

		December 31, 2018		December 31, 2017
Cash and cash equivalents included in current assets	$	357	$	1,000
Other current assets		39,425		-
Non-current assets		36,512		-
Current liabilities		(6,532)		-
Net assets of Main Street 1549	$	69,762	$	1,000
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net assets	$	34,183	$	490

		December 31, 2018		December 31, 2017
Finance income	$	58	$	-
Net loss and comprehensive loss		(287)		-
Proportionate share of Main Street 1549's net loss	$	(141)	$	-

At December 31, 2018, other current assets included $35.1 million held in escrow in favor of Total and CNRI to cover Main Street 1549's portion of future exploration expenditures for Block 11B/12B.

ii) Pancontinental Namibia :

		December 31, 2018		December 31, 2017
Balance, beginning of the year	$	6,777	$	-
Acquisition of shares		5,500		2,200
Contingent consideration accrued		(4,500)		4,500
Legal costs associated with acquisition		-		64
Funds contributed to Pancontinental Namibia		464		24
Share of loss from equity investment		(39)		(11)
Writedown of investment		(8,202)		-
Balance, end of the year	$	-	$	6,777

During the year ended December 31, 2018, the Company impaired the full amount of its investment in Pancontinental Namibia subsequent to performing a full analysis of the Cormorant-1 well results. The joint venture partners on PEL 37 have fulfilled the obligations of the current exploration period.

6) Property and equipment:

		December 31, 2018		December 31, 2017
Cost, beginning of the year	$	196	$	192
Additions		3		4
Disposal		(34)		-
Cost, end of the year		165		196
Accumulated depreciation, beginning of the year		(147)		(88)
Depreciation		(20)		(59)
Disposal		24		-
Accumulated depreciation, end of the year		(143)		(147)
Net carrying amount, beginning of the year	$	49	$	104
Net carrying amount, end of the year	$	22	$	49

During the years ended December 31, 2018 and 2017, the Company purchased property and equipment for its technical office located in Cape Town, South Africa. During the years ended December 31, 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.

7) Intangible exploration assets:

		December 31, 2018		December 31, 2017
Net carrying amount, beginning of the year	$	6,678	$	6,521
Intangible exploration expenditures		142		157
Net carrying amount, end of the year	$	6,820	$	6,678

As at December 31, 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 year ended December 31, 2018, the Company capitalized $0.04 million of general and administrative expenses related to intangible exploration assets (December 31, 2017, $0.09 million).

The Company has determined that as at December 31, 2018, intangible exploration assets are not impaired.

8) Share capital:

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

b) Issued:

	Note	December 31, 2018		December 31, 2017	
		Shares	Amount	Shares	Amount
Balance, beginning of the year		319,177,135	$ 108,246	319,177,135	$ 108,246
Exercise of options	9	1,788,334	339	-	-
Private placement, net of issue costs		362,390,625	43,896	-	-
Balance, end of the year		683,356,094	$ 152,481	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 were subject to a statutory hold period that expired on September 5, 2018. In conjunction with the private placement, the Company listed its common shares on Nasdaq First North Stockholm.

9) 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:

	December 31, 2018		December 31, 2017	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the year	16,095,000	0.14	15,479,500	0.16
Granted	18,185,000	0.165	2,500,000	0.17
Expired	(683,333)	0.17	(1,884,500)	0.30
Exercised	(1,788,334)	0.14	-	-
Balance, end of the year	31,808,333	0.16	16,095,000	0.14

i) During the year ended December 31, 2018, 1,788,334 stock options were exercised in which $0.1 million in contributed surplus was transferred to share capital. No stock options were exercised during the year ended December 31, 2017.

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 years ended December 31, 2018 and 2017 were estimated on the date of grant using the following weighted average assumptions:

	2018	2017
Number of options granted during the year	18,185,000	2,500,000
Fair value of options granted (CAD$)	0.11	0.12
Risk-free interest rate (%)	1.78	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 $1.1 million in stock-based compensation expense for the year ended December 31, 2018 (December 31, 2017, $0.2 million).

The following table summarizes information regarding stock options outstanding at December 31, 2018:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.17	3,570,000	1.19
0.13	1,420,000	1.62
0.11	1,850,000	2.26
0.125	4,350,000	2.38
0.17	2,500,000	3.51
0.165	18,118,333	4.37
0.16	31,808,333	3.43

The following table summarizes information regarding stock options exercisable at December 31, 2018:

Weighted average exercise price (CAD$/share)	Options exercisable	Weighted average remaining contractual life in years
0.17	3,570,000	1.19
0.13	1,420,000	1.62
0.11	1,850,000	2.26
0.125	4,350,000	2.38
0.165	6,061,667	4.37
0.15	17,251,667	2.76

10) Financial risk management:

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

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

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

a) Credit risk:

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of our credit exposure relates to amounts due from our joint venture partners. The risk of our joint venture partners defaulting on their obligations per their respective joint operating and farmout agreements is mitigated as there are contractual provisions allowing the Company to default joint venture partners that are non-performing and reacquire any previous farmed out working interests. The maximum exposure for the Company is equal to the sum of its cash and accounts receivable. As at December 31, 2018, the Company held $0.2 million of cash in financial institutions outside of Canada where there could be increased exposure to credit risk.

b) Liquidity risk:

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

The Company actively monitors its liquidity to ensure that its 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.

To finance its future acquisition, exploration, development and operating costs, Africa Energy will require financing from external sources, potentially including the issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements. There can be no assurance that such financing will be available to the Company or, if available, that it will be offered on terms acceptable to Africa Energy.

c) Market risk:

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

i) Foreign currency exchange rate risk:

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure to foreign currency exchange risk is mitigated by the fact that the Company sources the majority of its capital projects and expenditures in US dollars. The Company has not entered into any derivative instruments in an effort to mitigate exposure to fluctuations in foreign exchange rates.

ii) Interest rate risk:

As at December 31, 2018, the Company has not entered into any borrowing arrangements or derivative instruments in which exposure to fluctuations in interest rates exists.

iii) Commodity price risk:

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

11) Capital management:

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

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

		December 31, 2018		**December 31, 2017**
Equity	$	44,222	$	12,122
Less: working capital [1]		(3,197)		1,872
Total capitalization	$	41,025	$	13,994

[1] Working capital is calculated as current assets less current liabilities.

12) Finance income and expense:

Finance income and expense for the years ended December 31, 2018 and 2017 is comprised of the following:

For the years ended		**December 31, 2018**		**December 31, 2017**
Interest and other income	$	(558)	$	(61)
Foreign exchange (gain)/loss		38		(395)
Finance expense		38		-
Finance income	$	(558)	$	(456)

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:

a) Transactions with AOC:

At December 31, 2018, AOC owned 34.5% 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 $0.1 million during the year ended December 31, 2018 (2017, $0.1 million). At December 31, 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 year ended December 31, 2018, AOC invoiced the Company $ nil for reimbursable expenses paid by AOC on behalf of the Company (2017, $0.1 million). At December 31, 2018, the outstanding balance payable to AOC was $ nil (at December 31, 2017, $ nil).

b) Remuneration of Directors and Senior Management:

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

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

For the years ended December 31,	**2018**	**2017**
Directors' fees	$ 114	$ 104
Directors' share-based compensation	170	32
Management's short-term wages, bonuses and benefits	822	1,165
Management's share-based compensation	524	92
	$ 1,630	$ 1,393

14) Income Taxes:

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

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

For the years ended December 31,	2018	2017
Net loss and comprehensive loss	$ (13,085)	$ (4,744)
Combined federal and provincial statutory income tax rate	27.0%	27.0%
Expected tax recovery	(3,533)	(1,281)
Stock-based compensation	295	53
Loss taxed at a different rate	(23)	(34)
Non-taxable expense items	22	31
Writedown of investment	2,215	-
Unrecognized tax losses	1,024	1,231
Tax recovery	$ -	$ -

The Company has the following un-booked deductible temporary differences at December 31, 2018 and 2017:

	2018	2017
Unbooked deductible temporary differences		
Share issue costs	$ 1,050	$ 264
Unrealized loss on equity investments	8,393	-
Non-capital losses carried forward	51,957	47,762
Charitable Donations	403	403
	$ 61,803	$ 48,429

The Company has non-capital losses carry forward of $22.2 million in Canada which begin expiring 2032 and non-capital losses carry forward of $29.7 million in South Africa which relate to the acquisition of Main Street 840. The non-capital losses in South Africa do not expire.

15) Net Loss Per Share:

For the years ended	December 31, 2018			December 31, 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	$ (13,085)	560,005,956	$ (0.02)	$ (4,744)	319,177,135	$ (0.01)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (13,085)	560,005,956	$ (0.02)	$ (4,744)	319,177,135	$ (0.01)

For the year ended December 31, 2018, 31,808,333 options were anti-dilutive and were not included in the calculation of dilutive loss per share (December 31, 2017, 16,095,000).

16) Subsidiaries:

The Company has the following wholly owned subsidiaries, unless otherwise stated; Canmex Holdings (Bermuda) I Ltd. (Bermuda), Canmex Holdings (Bermuda) II Ltd. (Bermuda), Africa Energy Holdings (Bermuda) I Ltd. (Bermuda), Africa Energy SA Corp. (Canada), Thombo Petroleum Ltd. (United Kingdom), Main Street 840 (Proprietary) Limited (South Africa), Africa Energy Namibia Corp. (Canada), Pancontinental Namibia Pty Ltd. (Australia, 33.3% owned), and Main Street 1549 (pty) Ltd. (South Africa, 49% owned). All of the Company's subsidiaries are engaged in oil and gas exploration activities.

17) Financial Instruments:

Assets and liabilities at December 31, 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. The Company's investments in associates are classified as Level 3. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level. The fair value approximates the carrying value due to the short maturity. There were no transfers between levels in the fair value hierarchy in the period.

18) 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 Block 2B joint venture partnership received approval for entry into the Second Renewal Period for the Block 2B Exploration Right from the Petroleum Agency of South Africa 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.

At December 31, 2018, 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.

Main Street 1549

Refer to note 5(i) for details on commitments.

b) Office and housing leases

The Company has committed to future minimum payments at December 31, 2018 under a South African operating lease for the rental of office space, including a proportionate share of operating costs as follows:

2019		18
Total minimum payments	$	18

19) Supplementary Information:

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

For the years ended		December 31, 2018		December 31, 2017
Changes in non-cash working capital				
Accounts receivable	$	61	$	39
Prepaid expenses		4		62
Accounts payable and accrued liabilities		(757)		4,826
Contingent consideration		(4,500)		-
	$	(5,192)	$	4,927
Relating to:				
Operating activities	$	(713)	$	844
Investing activities		(4,479)		4,083
Changes in non-cash working capital	$	(5,192)	$	4,927