AFRICA ENERGY CORP.

Report to Shareholders

June 30, 2022

AFRICA ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Amounts expressed in United States dollars unless otherwise indicated)
For the three and six months ended June 30, 2022 and 2021

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Energy Corp. and its subsidiaries (the "Company" or "Africa Energy") and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the Company's unaudited consolidated financial statements for the three and six months ended June 30, 2022 and 2021, as well as the audited consolidated financial statements for the years ended December 31, 2021 and 2020 and related notes thereto.

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

The effective date of this MD&A is August 11, 2022.

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 is focused on high-impact exploration in Africa.

The Company owns 49% of the common shares and 100% of the Class B shares of Main Street 1549 Proprietary Limited ("Main Street 1549"). Main Street 1549 has a 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa ("Block 11B/12B"). In accordance with the Main Street 1549 shareholders agreement ("Main Street 1549 SHA"), the Company has the ability to trigger the sale of the 10% participating interest in Block 11B/12B to a wholly-owned subsidiary of Africa Energy (see details in the Operations Update section). The Company also holds a 27.5% participating interest in the Exploration Right for Block 2B offshore South Africa ("Block 2B") and an effective 14.6% participating interest in Petroleum Exploration License 37 offshore Namibia ("PEL 37").

The Company's common shares are traded on the TSX Venture Exchange in Toronto under ticker symbol "AFE" and the Nasdaq First North Growth Market in Stockholm under ticker symbol "AEC". Impact Oil and Gas Limited ("Impact") and Africa Oil Corp. ("AOC") are currently the Company's largest shareholders with 36.4% and 19.8%, respectively, of the issued and outstanding common shares of Africa Energy.

OPERATIONS UPDATE

Block 11B/12B, Republic of South Africa

The Company owns 49% of the common shares and 100% of the Class B shares of Main Street 1549, which holds a 10% participating interest in Block 11B/12B offshore South Africa ("Block 11B/12B Participating Interest"). The remaining 51% of the common shares of Main Street 1549 are held by

Arostyle Investments (RF) (Proprietary) Limited ("Arostyle"). Block 11B/12B is operated by Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total Energies, which holds a 45% participating interest with partners Qatar Petroleum International Upstream LLC, a wholly-owned subsidiary of Qatar Energy, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, holding 25% and 20%, respectively. Africa Energy holds all of the Class B shares of Africa Energy UK Limited ("AEUK") and thereby 99.9% voting control. AEUK's sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street 1549.

In accordance with a definitive agreement entered into with Arostyle, amendments to the Main Street 1549 SHA provide that Africa Energy fund 100% of the obligations of Main Street 1549 by way of Class B share subscriptions, which provide a risk-adjusted return linked to the proceeds on any future sale of Main Street 1549 or the Block 11B/12B Participating Interest. In addition, the amendments to the Main Street 1549 SHA provide that either Africa Energy or Arostyle has the right to trigger the sale of the 10% participating interest in Block 11B/12B to a wholly-owned subsidiary of Africa Energy ("Arostyle Option"). The Arostyle Option is exercisable by either party for an unlimited period of time and will be subject to receiving all required regulatory approvals and joint venture partner consents and waivers. Exercise of the Arostyle Option would result in Arostyle being issued 64,455,916 Africa Energy shares. The Arostyle Option remains unexercised.

In the fourth quarter of 2020, the Company announced a significant gas condensate discovery and successful open flow test on the Luiperd Prospect on Block 11B/12B. The discovery reconfirmed the world-class exploration play with substantial follow-on potential and follows the adjacent play-opening Brulpadda discovery in 2019 that proved a significant new petroleum province in the region.

The Luiperd and Brulpadda discoveries are located on Block 11B/12B in the Outeniqua Basin approximately 175 kilometers off the southern coast of South Africa. The block covers an area of approximately 19,000 square kilometers with water depths ranging from approximately 200 to 1,800 meters. The success at both the Luiperd-1X well and the Brulpadda-1AX well significantly de-risks the remaining Paddavissie Fairway prospects on Block 11B/12B.

The Company and its joint venture partners are contemplating an early production system ("EPS") for a phased development of the Paddavissie Fairway. The joint venture is currently performing development studies and preparing a field development plan and an environmental application with the intention of agreeing gas terms and submitting an application for a Production Right before the Exploration Right expires in September 2022. The EPS would provide first gas and condensate production from the Luiperd discovery and would accelerate the Block 11B/12B development timeline by utilizing existing nearby infrastructure on the adjacent block in order to supply gas to existing customers in Mossel Bay.

In September 2020, the Block 11B/12B joint venture received the fully-processed 2D seismic dataset from Shearwater GeoServices Holding AS for the 7,033 linear kilometer 2D seismic program completed in the first quarter of 2020 on Block 11B/12B. The Block 11B/12B joint venture is conducting a full interpretation and prospect analysis for the eastern part of the block. The technical analysis has identified multiple prospects and leads some of which have potential direct hydrocarbon indicators within the Kloofpadda Play Trend that is currently being considered for potential future exploration drilling.

In March 2021, the Block 11B/12B joint venture received the final fully-processed merged 3D seismic volume over the Paddavissie Fairway composed of a 2,305 square kilometer 3D seismic program acquired by Petroleum Geo-Services ASA ("PGS") in 2020 and a 570 square kilometers 3D seismic program acquired by Polarcus Limited in 2019. The improved quality of the final fully-processed 3D volume has resulted in significantly higher resolution further reducing exploration risk. The final 3D volume has been integrated with the drilling and testing results to facilitate development studies. The technical analysis has identified multiple additional prospects within the greater Paddavissie Fairway with amplitudes conforming to structure that could be incorporated into any future development scheme.

The Block 11B/12B joint venture partnership is currently in the Third Renewal Period for the Block 11B/12B Exploration Right, which is for a period of two years ending September 7, 2022. Prior to the end of the Third Renewal Period, the Company expects the joint venture partnership to apply for a Production Right on Block 11B/12B.

Block 2B, Republic of South Africa

Africa Energy has a 27.5% participating interest in Block 2B offshore South Africa. Block 2B is operated by a subsidiary of Eco (Atlantic) Oil & Gas Ltd. ("Eco"), which acquired 100% of the shares of Azinam Limited on March 28, 2022. Eco holds a 50% participating interest, a subsidiary of Panoro Energy ASA ("Panoro") holds a 12.5% participating interest with Crown Energy AB ("Crown") indirectly holding the remaining 10%.

Block 2B is located offshore South Africa in the Orange Basin where both Total and Shell recently announced significant oil and gas discoveries offshore Namibia. The block covers 3,062 square kilometers off the west coast of South Africa 300 kilometers north of Cape Town with water depths ranging from 50 to 200 meters. Oil was discovered and tested by Soekor in the A-J1 borehole drilled in 1988. Thick reservoir sandstones were intersected between 2,985 meters and 3,350 meters. The well was tested and flowed 191 barrels of oil per day of 36-degree API oil from a 10-meter sandstone interval at about 3,250 meters. Significant prospectivity has been identified over the entire A-J graben area using 686 square kilometers of 3D seismic data acquired in 2013.

On April 19, 2021, Africa Energy completed two farmout agreements whereby the Company transferred operatorship and an aggregate 62.5% participating interest in the Exploration Right for Block 2B. Africa Energy retains a 27.5% participating interest in Block 2B.

Africa Energy farmed-out a 50% participating interest and transferred operatorship in Block 2B to Azinam Limited, which was acquired by Eco on March 28, 2022. In consideration for the assignment of this interest, Africa Energy was paid $0.8 million at close, which includes reimbursement of costs incurred prior to completion. In addition, Eco will pay a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. To support this obligation, Eco placed $20.1 million in escrow on April 14, 2022, subsequent to which Africa Energy repaid a $1.5 million deposit to Eco.

Africa Energy farmed-out a 12.5% participating interest in Block 2B to Panoro Energy ASA ("Panoro"). In consideration for the assignment of this interest, Africa Energy was paid $0.09 million on April 14, 2022, which includes costs incurred prior to escrow being funded. Panoro will also pay a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

On March 3, 2022, the Company and its joint venture partners entered into a drilling contract for the Island Innovator semi-submersible rig with Island Drilling Company AS for the upcoming drilling of the Gazania-1 well on Block 2B. The drilling rig is expected to depart imminently from the North Sea in order to spud the well in September 2022. In preparation for drilling the well, the joint venture partnership has been engaging with stakeholders, including local communities, in an effort to ensure a smooth and efficient drilling operation.

The Block 2B joint venture partnership received approval for entry into the Third Renewal Period, which is for a period of two years and will expire on November 16, 2022. The Third Renewal Period includes an obligation to drill a well.

Petroleum Exploration License 37, Republic of Namibia

The Company owns one-third of the shares of Pancontinental Namibia Pty Ltd. ("Pancontinental Namibia"), which holds a 43.85% participating interest in PEL 37 offshore the Republic of Namibia. The Company's effective interest in PEL 37 is therefore 14.6%. PEL 37 is operated by Tullow Namibia Ltd. ("Tullow"), which holds a 51.15% participating interest, with Paragon Oil and Gas (Pty) Ltd. holding the remaining 5%. Tullow has notified the joint venture partners of its intention to withdraw from PEL 37.

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 was plugged and abandoned.

Pancontinental Namibia is currently seeking an extension to the Second Renewal Exploration Period which expired on March 27, 2021. The PEL 37 joint venture partnership has fulfilled its obligations of the current exploration period.

OUTLOOK

The Island Innovator semi-submersible drilling rig is expected to drill the Gazania-1 well on Block 2B, in September 2022. Block 2B is located offshore South Africa in the Orange Basin where Total and Shell recently announced the large Venus and Graff oil and gas discoveries across the border offshore Namibia. The block has significant contingent and prospective resources in shallow water close to shore and includes the A-J1 discovery from 1988 that flowed light sweet crude oil to surface. Gazania-1 will target two large prospects seven kilometers up-dip from A-J1 and has an optional sidetrack to target a third prospect.

The Block 11B/12B joint venture is currently performing development studies and preparing a field development plan and an environmental application in order to submit an application for the Production Right by September 2022. The joint venture is contemplating an early production system ("EPS") for a phased development of the Paddavissie Fairway. The EPS would provide first gas and condensate production from the Luiperd discovery and would accelerate the Block 11B/12B development timeline by utilizing nearby infrastructure on the adjacent block in order to supply natural gas to customers in Mossel Bay. The EPS would significantly decrease the capital expenditures required to reach first production on Block 11B/12B. The Company expects that a full development of the Paddavissie Fairway would follow the EPS as the gas market expands in South Africa. We are encouraged by the 2D and 3D seismic data that has identified additional prospectivity in the Paddavissie Fairway and to the east, confirming the large exploration upside remaining across the block. The development of Block 11B/12B will have positive implications for the South African economy and will be critical in facilitating the country's energy transition beyond coal with a domestic natural gas supply.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	**30-Jun 2022**	**31-Mar 2022**	**31-Dec 2021**	**30-Sep 2021**	**30-Jun 2021**	**31-Mar 2021**	**31-Dec 2020**	**30-Sep 2020**
Operating income / (expense) ($)	(1,253)	(2,517)	25,210	(555)	(705)	(2,374)	(858)	(1,138)
Foreign exchange (loss)/gain ($)	(115)	118	(27)	(32)	21	(3)	127	22
Interest and other income ($)	10	4	4	5	9	11	26	18
Net income / (loss) ($)	(1,358)	(2,395)	25,187	(582)	(675)	(2,366)	(705)	(1,098)
Weighted average shares - Basic	1,399,658	1,398,603	1,397,290	1,395,923	1,395,528	1,395,333	1,155,276	798,067
Weighted average shares - Diluted	1,399,658	1,398,603	1,409,287	1,395,923	1,395,528	1,395,333	1,155,276	798,067
Basic income / (loss) per share ($)	(0.00)	(0.00)	0.02	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Diluted income / (loss) per share ($)	(0.00)	(0.00)	0.02	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Exploration and evaluation expenditures ($)	(18)	-	-	-	(30)	(170)	(19)	(29)

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

Operating expenses increased during the first quarter of 2021 as the Company paid bonuses to employees in the quarter and incurred professional fees relating to the completion of the Block 2B farmout agreements. The Company recorded operating income in the fourth quarter of 2021 due to a $27.1 million non-cash gain on revaluation of the financial asset. The non-cash gain on revaluation of the financial asset relates to the Company's investment in Block 11B/12B and is due to increases in the base assumptions for commodity prices. With the exception of the non-cash gain on revaluation of the financial asset, overall operating expenses in the first quarter of 2022 were higher than the fourth quarter of 2021 as the Company paid annual bonuses and granted stock options to directors, officers, employees and consultants during the quarter.

Foreign exchange gains and losses incurred by the Company are the result of holding Canadian dollars and South African Rand 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 of the cash and prevailing market interest rates. The Company holds the vast majority of its cash in US dollars, the Company's functional currency.

Weighted average shares increased during the fourth quarter of 2020 and first quarter of 2021 due to the Company issuing 509,092,771 common shares to Impact pursuant to the completion of a subscription agreement in November 2020.

Oil and gas expenditures incurred to date related to license fees, geological and geophysical analysis and drilling preparation on Block 2B. The Company has incurred costs up to the third quarter of 2021 associated with planning the Gazania-1 exploration well, subsequent to which the Company's working interest share of expenditures were funded by the other joint venture partners.

RESULTS OF OPERATIONS

(thousands)	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Salaries and benefits	$ 312	$ 286	$ 1,250	$ 1,995
Stock-based compensation	629	42	1,762	196
Travel	6	-	6	-
Consulting fees	106	75	274	177
Office and general	25	54	87	113
Depreciation	-	9	13	18
Professional fees	74	142	157	330
Stock exchange and filing fees	94	83	198	231
Share of loss from equity investments	7	14	23	19
Operating expenses	$ 1,253	$ 705	$ 3,770	$ 3,079

Operating expense increased by $0.5 million for the three months ended June 30, 2022 compared to the same period in 2021. Stock-based compensation increased by $0.6 million compared to the same period in 2021 as the Company granted 21.8 million stock options to directors, officers, employees and consultants in the first half of 2022 and no options were granted in the first half of 2021.

Operating expense increased by $0.7 million for the six months ended June 30, 2022 compared to the same period in 2021. Salaries and benefits decreased by $0.7 million due to a decrease in bonuses paid in the first half of 2022 compared to the same period in 2021. Stock-based compensation increased by $1.6 million compared to the same period in 2021 as the Company granted 21.8 million stock options to directors, officers, employees and consultants of the Company during the first half of 2022 and no options were granted in the first half of 2021. Professional fees decreased by $0.2 million due mainly to legal fees incurred during the six months ended June 30, 2021 associated with the farmout of Block 2B.

INVESTMENT IN MAIN STREET 1549

At June 30, 2022, Africa Energy holds 49% of the common shares and 100% of the Class B Shares of Main Street 1549, a private South African entity. The remaining 51% of the common shares of Main Street 1549 are held by Arostyle. Main Street 1549 holds a 10% participating interest in the Exploration Right for Block 11B/12B offshore South Africa. Africa Energy holds all of the Class B shares of AEUK and thereby 99.9% voting control, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street 1549.

At June 30, 2022, the Company accounted for its investment in Main Street 1549 as follows: $248.5 million as a financial asset and $1.6 million as an equity investment.

In accordance with a definitive agreement entered into with Arostyle, amendments to the Main Street 1549 SHA provide that Africa Energy fund 100% of the obligations of Main Street 1549 by way of Class B share subscriptions, which provide a risk-adjusted return linked to the proceeds on any future sale of Main Street 1549 or the Block 11B/12B Participating Interest. In addition, the amendments to the Main Street 1549 SHA provide that either Africa Energy or Arostyle has the right to trigger the sale of the

10% participating interest in Block 11B/12B to a wholly-owned subsidiary of Africa Energy. The Arostyle Option is exercisable by either party for an unlimited period of time and will be subject to receiving all required regulatory approvals and joint venture partner consents and waivers. Exercise of the Arostyle Option would result in Arostyle being issued 64,455,916 Africa Energy Shares. The Arostyle Option remains unexercised.

During the six months ended June 30, 2022, the Company invested $0.5 million in Main Street 1549 by way of Class B share subscriptions (for the year ended December 31, 2021, $5.6 million).

The Main Street 1549 SHA provides priority dividend distribution entitlement by class of share. For accounting purposes, shares that have priority distribution entitlements do not meet the definition of a Solely Payments of Principal and Interest, and therefore the majority of the investment in Main Street 1549 was derecognized from the equity investment and recorded as a financial instrument at fair value through profit or loss ("FVTPL").

In order to value the financial asset recognized at FVTPL, the Company estimated the priority dividend distributions to be received by the Company as this represents fair value of future cash flows to be received by Africa Energy in accordance with the amended Main Street 1549 SHA. The total proceeds estimated to be received by Main Street 1549 to be distributed to its shareholders were based on a discounted future cash flow model of the Company's effective interest in Block 11B/12B. At June 30, 2022, for accounting purposes, the Company used a discount rate of 16.4% (December 31, 2021, 16.4%), a base gas price of $8.14/mcf (December 31, 2021, $8.14/mcf) and a base Brent oil price of $67/bbl (December 31, 2021, $67/bbl) to determine the fair value of the financial asset, which was estimated to be $248.5 million at June 30, 2022 (December 31, 2021, $247.9 million). The value of the remaining, non-priority dividends for common shares to be received by the Company was estimated to be $1.6 million and accounted for as an equity investment.

For the six months ended June 30, 2022, no gain or loss was recorded on revaluation of the financial asset. For the year ended December 31, 2021, the Company recorded a $27.1 million non-cash gain on revaluation of the financial asset due to increases in the base assumptions for commodity prices. Note, there is no guarantee that the estimated commodity prices will be realized in the event the development proceeds.

As at June 30, 2022, a one percent increase in the effective discount rate would have resulted in a reduction in disposal proceeds of $37.0 million. A one percent decrease in the effective discount rate would have resulted in an increase in disposal proceeds of $42.7 million. An increase in the gas price of $1/mcf would result in an increase in disposal proceeds of $37.7 million and a decrease of $1/mcf would result in a decrease in disposal proceeds of $37.9 million. An increase in the Brent oil price of $5/bbl would result in an increase of disposal proceeds of $12.9 million and a decrease of $5/bbl would result in a decrease in disposal proceeds of $12.9 million. In terms of the actual disposal proceeds used in the model, a $30.0 million increase/decrease in the disposal proceeds would create an after-tax impact of $27.0 million.

In accordance with the Block 11B/12B farmin agreements entered into with each of Total and CNRI, 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 proposed development is for exploitation of predominantly oil, Main Street 1549 will be obligated to pay Total and CNRI up to $90.0 million depending on the amount of reserves at that time. If the proposed development is for exploitation of gas, Main Street 1549 will be obligated to pay Total and CNRI up to $24.0 million depending on the amount of reserves at that time. If the joint venture partnership on Block 11B/12B applies for a Production Right, the Company may be required to provide suitable guarantees at the time of application to support its discovery bonus obligation.

At June 30, 2022, Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

The Company recognized a loss of $0.007 million and $0.023 million for the three and six months ended June 30, 2022, respectively, relating to its share of the loss from its equity investment in Main Street 1549 (the Company recognized a loss of $0.014 million and $0.019 million for the three and six months ended June 30, 2021, respectively).

The Company has determined there are no indicators of impairment in Main Street 1549 at June 30, 2022.

INVESTMENT IN PANCONTINENTAL NAMIBIA

The Company owns one-third of the shares of Pancontinental Namibia, which holds a 43.85% participating interest in PEL 37 offshore the Republic of Namibia. The Company's effective interest in PEL 37 is therefore 14.6%. Pancontinental Namibia is currently seeking an extension to the Second Renewal Exploration Period, which expired on March 27, 2021. The PEL 37 joint venture partnership has fulfilled its obligations of the current exploration period. The Company fully wrote off the value of its investment in Pancontinental Namibia in 2018.

INTANGIBLE EXPLORATION ASSETS

(thousands)	June 30, 2022	December 31, 2021
Intangible exploration assets	$ 6,457	$ 6,525

During the six months ended June 30, 2022, the Company capitalized $0.02 million (six months ended June 30, 2021, $0.2 million) of intangible expenditure of which $0.02 million in general and administrative expenses related to Block 2B (six months ended June 30, 2021, $0.06 million).

On April 19, 2021, Africa Energy completed two farmout agreements whereby the Company transferred operatorship and an aggregate 62.5% participating interest in the Block 2B Exploration Right. Africa Energy retained a 27.5% participating interest in Block 2B.

Africa Energy farmed-out a 50% participating interest and transferred operatorship in Block 2B to Azinam Limited, which was acquired by Eco on March 28, 2022. In consideration for the assignment of this interest, Africa Energy was paid $0.8 million at close, which includes reimbursement of costs incurred prior to completion. In addition, Eco will pay a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. To support this obligation, Eco placed $20.1 million in escrow on April 14, 2022, subsequent to which Africa Energy repaid a $1.5 million deposit to Eco.

Africa Energy farmed-out a 12.5% participating interest in Block 2B to Panoro. In consideration for the assignment of this interest, Africa Energy was paid $0.09 million on April 14, 2022, which includes costs incurred prior to escrow being funded. Panoro will also pay a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

At June 30, 2022, intangible exploration assets were not impaired as there were no indicators for impairment, therefore a full impairment test was not performed.

LIQUIDITY AND CAPITAL RESOURCES

At June 30, 2022, the Company had cash of $7.2 million and working capital of $7.2 million compared to cash of $10.9 million and working capital of $9.5 million at December 31, 2021. The reduction in cash and working capital since December 31, 2021, can be attributed to cash based operating expenditures and the investments in Main Street 1549 required to fund Block 11B/12B expenditures.

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

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the three and six months ended June 30, 2022, was $0.6 million and $1.8 million, respectively, compared to $0.04 million and $0.2 million for the three and six months ended June 30, 2021. During the first half of 2022, 21.8 million stock options were granted to directors, officers, employees and consultants of the Company, of which one-third vested immediately, compared to no options granted during the six months ended June 30, 2022.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At June 30, 2022, AOC owned 19.8% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision of administrative services, AOC invoiced the Company $0.01 and $0.02 million during the three and six months ended June 30, 2022, respectively, ($0.01 and $0.03 million for the three and six months ended June 30, 2021, respectively). At June 30, 2022, the outstanding balance payable to AOC was $ nil (at December 31, 2021, $ nil). The service fee charged to the Company by AOC is for the provision of administrative services and is intended to cover the administrative and salary costs paid by AOC on behalf of Africa Energy. The service fee is recognized as part of consulting fees.

Under the terms of the General Technical and Administrative Service Agreement with Africa Oil SA Corp. ("AOSAC"), a wholly-owned subsidiary of AOC, the Company invoiced AOSAC $0.1 million and $0.2 million during the three and six months ended June 30, 2022, respectively ($0.1 million and $0.2 million for the three and six months ended June 30, 2021, respectively). At June 30, 2022, the outstanding balance receivable from AOC was $0.03 million (at December 31, 2021, $ nil). The fee charged to AOSAC by the Company is intended to cover the costs of the Company's employees that are providing AOSAC with technical and administrative services related to AOC's interest in Block 3B/4B offshore South Africa. The fee is recognized as a reduction in salaries and benefits expense, and office and general costs.

COMMITMENTS AND CONTINGENCIES

BLOCK 2B, REPUBLIC OF SOUTH AFRICA

Under the terms of the Block 2B Exploration Right, the Company and its partners are currently in the Third Renewal Period, which is set to expire on November 16, 2022. The Third Renewal Period includes an obligation to drill a well.

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 June 30, 2022, 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 farm-in 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 on Block 2B. The Company expects that its obligation to fund Crown will be covered under the terms of the farmout agreements completed with Eco and Panoro. For details on the farmout agreements and funding obligations, see discussion under 'Operations Update, Block 2B Republic of South Africa'.

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	1,402,542,250
Outstanding share purchase options	79,048,333
Full dilution impact on common shares outstanding	1,481,590,583

Subsequent to June 30, 2022, the Company issued 2,232,544 common shares as a result of 3,745,000 options exercised.

OFF-BALANCE SHEET ARRANGEMENTS

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

RISK FACTORS

The Company is subject to various risks and uncertainties, including, but not limited to, those listed below. Refer to the Company's Annual Information Form dated March 24, 2022 on Sedar (www.sedar.com) for further risk factor disclosures.

CONFLICT IN UKRAINE

The conflict in Ukraine has impacted global markets and may continue to result in increased volatility in financial markets and commodity prices and disruption in supply chains. The Company does not have a direct exposure to operations in Ukraine or Russia and does not have any business relationships with any sanctioned entities or people. The Company will continue to review all its engagements with new stakeholders to ensure this remains the case.

GLOBAL HEALTH EMERGENCY

The demand for oil and natural gas could be affected by global health emergencies, as was the case with COVID-19. Travel restrictions and business closures as a result of containment efforts have had a significantly negative impact on the demand for oil and oil-based products, oil prices, jet fuel consumption, and global economic growth, as well as a significant impact on logistics and operations.

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 favor 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.

PRICES, MARKETS AND MARKETING OF CRUDE OIL AND NATURAL GAS

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Company. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse effect on the Company's business and prospects.

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.

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.

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.

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.

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, 2002, the primary legislation governing the upstream hydrocarbons sector in South Africa (the "MPRDA"). The Liquid Fuels Charter requires the holder of certain exploration rights and licenses 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 may be subject to change and interpretation, which may impact the Company's holdings in South Africa. In addition, the MPRDA may be replaced by a new bill, the Upstream Petroleum Resources Development Bill, to govern the extraction and production of hydrocarbon resources in South Africa ("UPRDB"). The UPRDB was issued in draft form on December 24, 2019, and proposes, among other things, to increase the State back-in right from 10% to 20%. The draft bill is still subject to discussion, and the final terms are uncertain. If amendments are made to the fiscal parameters as well as the general administration right/concessions in the current MPRDA, this may impact the Company's holdings in South Africa.

Main Street 1549 was certified as a Black Empowered Entity at the date it closed its farmin agreements with each of Total and CNRI to acquire an aggregate 10% participating interest in the Block 11B/12B Exploration Right.

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.

In respect to the Company's participating interest in Block 2B, Block 11B/12B and PEL 37, the Company is reliant on third parties, including its joint venture partners, to fund their obliged proportion of expenditures. In the event that the joint venture partners cannot fund obligations in the future, as required by the applicable joint operating agreements and farmout agreements, the Company may, among other things, risk losing its participating interest.

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.

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.

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. Concerns around climate change have resulted in some lenders and investors moving away from financing oil and gas activities, and the Company may find access to capital limited, or made contingent upon environmental performance standards.

FOREIGN CURRENCY EXCHANGE RATE RISK

The Company is exposed to changes in foreign exchange rates as expenses in international subsidiaries, oil and gas expenditures, or financial instruments may fluctuate due to changes in rates. The Company's exposure is partially offset by sourcing capital projects and expenditures in US dollars. Africa Energy had no forward exchange contracts in place as at June 30, 2022.

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.

GEOPOLITICAL RISK

The marketability and price of oil and natural gas is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising outside of Canada, including changes in political regimes or parties in power, may have a significant impact on the price of crude oil and natural gas. The level of geo-political risk escalates at certain points in time. While the specific impact on the global economy would depend on the nature of the event, in general, any major event could result in instability and volatility. Current areas of concern include the global uncertainty and market repercussions due to Russia's military invasion of Ukraine and rising civil unrest and activism globally. Beginning in November 2021, Russia began to amass troops along the Ukrainian border, heightening military tensions in Eastern Europe. In February 2022, Russia sent troops into pro-Russian separatist regions in Ukraine. Ongoing military tensions between Russia and Ukraine have the potential to threaten the supply of oil and gas from the region. The long-term impacts of the tension between these nations remains uncertain.

NEXT EARNINGS REPORT RELEASE

The Company plans to report its results for the nine months ended September 30, 2022, on November 9, 2022.

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;
- Availability of materials and equipment;
- Proposed development plans and associated regulatory applications;
- Outcome of commercial negotiations with government and other regulatory authorities;
- 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 MD&A 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 MD&A, 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.

AFRICA ENERGY CORP.

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

	Note		June 30, 2022		December 31, 2021
ASSETS					
Current assets					
Cash and cash equivalents		$	7,205	$	10,852
Accounts receivable			102		194
Prepaid expenses			48		104
			7,355		11,150
Long-term assets					
Investment in associate	3, 4		1,590		1,613
Financial asset	3		248,547		247,930
Property and equipment			11		22
Intangible exploration assets	5		6,457		6,525
			256,605		256,090
Total assets		$	263,960	$	267,240
LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS					
Current liabilities					
Accounts payable and accrued liabilities		$	133	$	1,675
Lease obligations			-		2
			133		1,677
Total liabilities			133		1,677
Equity attributable to common shareholders					
Share capital	6		358,839		358,436
Contributed surplus	7		9,664		8,050
Deficit			(104,676)		(100,923)
Total equity attributable to common shareholders			263,827		265,563
Total liabilities and equity attributable to common shareholders		$	263,960	$	267,240
Commitments and contingencies	12				

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

Approved on behalf of the Board:

"PASCAL NICODEME" *"WILLIAM LUNDIN"*

PASCAL NICODEME, DIRECTOR **WILLIAM LUNDIN, CHAIRMAN**

AFRICA ENERGY CORP.

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

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Operating expenses					
Salaries and benefits		$ 312	$ 286	$ 1,250	$ 1,995
Stock-based compensation	7	629	42	1,762	196
Travel		6	-	6	-
Consulting fees	9	106	75	274	177
Office and general		25	54	87	113
Depreciation		-	9	13	18
Professional fees		74	142	157	330
Stock exchange and filing fees		94	83	198	231
Share of loss from equity investments	3	7	14	23	19
		1,253	705	3,770	3,079
Finance expense	8	115	-	-	-
Finance income	8	(10)	(30)	(17)	(38)
Net loss and comprehensive loss attributable to common shareholders		(1,358)	(675)	(3,753)	(3,041)
Net loss per share	10				
Basic		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Diluted		$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average number of shares outstanding for the purpose of calculating earnings per share	10				
Basic		1,399,658,277	1,395,527,544	1,399,133,573	1,395,430,829
Diluted		1,399,658,277	1,395,527,544	1,399,133,573	1,395,430,829

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

AFRICA ENERGY CORP.

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

	Note		June 30, 2022		June 30, 2021
Share capital:	6(b)				
Balance, beginning of the period		$	358,436	$	357,905
Exercise of options			403		90
Balance, end of the period			358,839		357,995
Contributed surplus:	7				
Balance, beginning of the period		$	8,050	$	6,820
Excercise of options			(148)		(36)
Stock-based compensation			1,762		196
Balance, end of the period			9,664		6,980
Deficit:					
Balance, beginning of the period		$	(100,923)	$	(122,487)
Net loss for the period			(3,753)		(3,041)
Balance, end of the period			(104,676)		(125,528)
Equity attributable to common shareholders		$	263,827	$	239,447

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

AFRICA ENERGY CORP.

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

	Note	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows used in:					
Operations:					
Net loss for the period		$ (1,358)	$ (675)	$ (3,753)	$ (3,041)
Items not affecting cash:					
Stock-based compensation	7	629	42	1,762	196
Depreciation		-	9	13	18
Interest on lease obligations		-	(1)	-	-
Share of loss from equity investments	3	7	14	23	19
Unrealized foreign exchange (gain) / loss		115	(21)	(3)	(18)
Changes in non-cash operating working capital	13	(156)	(303)	(44)	30
Net cash used in operating activities		(763)	(935)	(2,002)	(2,796)
Investing:					
Property and equipment expenditures		(2)	-	(2)	-
Intangible exploration expenditures	5	(18)	(30)	(18)	(200)
Farmout proceeds, net	5	86	843	86	843
Investment in Main Street 1549 Class B shares	3	(189)	(493)	(452)	(4,293)
Changes in non-cash investing working capital	13	(1,503)	447	(1,515)	510
Net cash used in investing activities		(1,626)	767	(1,901)	(3,140)
Financing:					
Common shares issued on exercise of options	7	255	54	255	54
Payment of lease obligations		-	(9)	-	(19)
Net cash used in financing activities		255	45	255	35
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(115)	22	1	21
Decrease in cash and cash equivalents		(2,249)	(101)	(3,647)	(5,880)
Cash and cash equivalents, beginning of the period		$ 9,454	$ 13,864	$ 10,852	$ 19,643
Cash and cash equivalents, end of the period		$ 7,205	$ 13,763	$ 7,205	$ 13,763
Supplementary information:					
Interest paid		Nil	Nil	Nil	Nil
Taxes paid		Nil	Nil	Nil	Nil

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

1) Incorporation and nature of business:

Africa Energy Corp. (collectively with its subsidiaries, "Africa Energy" or the "Company") was incorporated under the Business Corporations Act (Alberta) on April 27, 2010, and is an international oil and gas exploration 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 2500, 666 Burrard Street, Vancouver, BC, V6C 2X8.

Africa Energy, an exploration-stage enterprise that currently has no proved reserves, owns the following interests in exploration assets:

- 49% of the common shares and 100% of the Class B shares in Main Street 1549 Proprietary Limited ("Main Street 1549"), which has a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B");
- a 27.5% participating interest in the Exploration Right for Block 2B offshore the Republic of South Africa ("Block 2B"); and
- 33.3% of the shares in a wholly-owned subsidiary of Pancontinental Oil and Gas N.L. ("Pancontinental"), which currently holds a 43.85% participating interest in Petroleum Exploration License 37 offshore the Republic of Namibia ("PEL 37").

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, the imposition of currency controls, and health pandemics, 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 these condensed consolidated interim financial statements in accordance with Canadian generally accepted accounting principles, specifically International Accounting Standard 34 Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"). They are condensed as they do not include all the information required for full annual financial statements, and they should be read in conjunction with the consolidated financial statements for the year ended December 31, 2021. The policies applied in these condensed consolidated financial statements are based on International Financial

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

Reporting Standards ("IFRS") issued and outstanding as at August 11, 2022, the date the Board of Directors approved the statements.

b) Basis of measurement:

The consolidated financial statements have been prepared on the historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the Company's consolidated financial statements for the year ended December 31, 2021. Those accounting policies have been applied consistently to all periods presented in these consolidated financial statements.

c) Functional and presentation currency:

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

All other significant estimates and judgment used in the preparation of these consolidated financial statements are described in the Company's consolidated financial statements for the year ended December 31, 2021.

3) Investment in Main Street 1549:

Financial Asset:

		June 30, 2022		December 31, 2021
Balance, beginning of the period	$	247,930	$	215,197
Funds contributed to Main Street 1549 through subscription of Class B Shares		452		5,635
Reclassification of advances to Main Street 1549		165		-
Revaluation of financial asset		-		27,098
Balance, end of the period	$	248,547	$	247,930

Equity Investment:

		June 30, 2022		December 31, 2021
Balance, beginning of the period	$	1,613	$	1,638
Share of loss from equity investment		(23)		(25)
Balance, end of the period	$	1,590	$	1,613

At June 30, 2022, Africa Energy holds 49% of the common shares and 100% of the Class B Shares of Main Street 1549, a private South African entity. The remaining 51% of the common shares of Main Street 1549 are held by Arostyle Investments (RF) (Proprietary) Limited ("Arostyle"). Main Street 1549 holds a 10% participating interest in the Exploration Right for Block 11B/12B offshore the Republic of South Africa ("Block 11B/12B Participating Interest"). Africa Energy holds all of the Class B shares of Africa Energy UK Limited ("AEUK") and thereby 99.9% voting control, whose sole asset is a loan to Arostyle that provides for an indirect financial interest in Main Street 1549.

At June 30, 2022, the Company accounted for its investment in Main Street 1549 as follows: $248.5 million as a financial asset and $1.6 million as an equity investment.

In accordance with a definitive agreement entered into with Arostyle, amendments to the Main Street 1549 shareholders agreement ("Main Street 1549 SHA") provide that Africa Energy fund 100% of the obligations of Main Street 1549 by way of Class B share subscriptions, which provide a risk-adjusted return linked to the proceeds on any future sale of Main Street 1549 or the Block 11B/12B Participating Interest. In addition, the amendments to the Main Street 1549 SHA provide that either Africa Energy or Arostyle has the right to trigger the sale of the 10% participating interest in Block 11B/12B to a wholly-owned subsidiary of Africa Energy (the "Arostyle Option"). The Arostyle Option is exercisable by either party for an unlimited period of time and will be subject to receiving all required regulatory approvals and joint venture partner consents and waivers. Exercise of the Arostyle Option would result in Arostyle being issued 64,455,916 Africa Energy shares. The Arostyle Option remains unexercised.

During the six months ended June 30, 2022, the Company invested $0.5 million in Main Street 1549 by way of Class B share subscriptions (for the year ended December 31, 2021, $5.6 million).

The Main Street 1549 SHA provides priority dividend distribution entitlement by class of share. For accounting purposes, shares that have priority distribution entitlements do not meet the definition of Solely Payments of Principal and Interest ("SPPI"), and therefore the majority of the investment in Main Street 1549 was derecognized from the equity investment and recorded as a financial instrument at fair value through profit or loss ("FVTPL").

In order to value the financial asset recognized at FVTPL, the Company estimated the priority dividend distributions to be received by the Company as this represents fair value of future cash flows to be received by Africa Energy in accordance with the amended Main Street 1549 SHA. The total proceeds estimated to be received by Main Street 1549 to be distributed to its shareholders were based on a discounted future cash flow model of the Company's effective interest in Block 11B/12B. At June 30, 2022, for accounting purposes, the Company used a discount rate of 16.4% (December 31, 2021, 16.4%), a base gas price of $8.14/mcf (December 31, 2021, $8.14/mcf) and a base Brent oil price of $67/bbl (December 31, 2021, $67/bbl) to determine the fair value of the financial asset, which was estimated to be $248.5 million at June 30, 2022 (December 31, 2021, $247.9 million). The value of the remaining, non-priority dividends for common shares to be received by the Company was estimated to be $1.6 million and accounted for as an equity investment.

For the six months ended June 30, 2022, no gain or loss was recorded on revaluation of the financial asset. For the year ended December 31, 2021, the Company recorded a $27.1 million non-cash gain on revaluation of the financial asset due to increases in the base assumptions for commodity prices. Note, there is no guarantee that the estimated commodity prices will be realized in the event the development proceeds.

As at June 30, 2022, a one percent increase in the effective discount rate would have resulted in a reduction in disposal proceeds of $37.0 million. A one percent decrease in the effective discount rate would have resulted in an increase in disposal proceeds of $42.7 million. An increase in the gas price of $1/mcf would result in an increase in disposal proceeds of $37.7 million and a decrease of $1/mcf would result in a decrease in disposal proceeds of $37.9 million. An increase in the Brent oil price of $5/bbl would result in an increase in disposal proceeds of $12.9 million and a decrease of $5/bbl would result in a decrease in disposal proceeds of $12.9 million. In terms of the actual disposal proceeds used in the model, a $30.0 million increase/decrease in the disposal proceeds would create an after-tax impact of $27.0 million.

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

In accordance with the Block 11B/12B farmin agreements entered into with each of Total E&P South Africa BV ("Total"), a wholly-owned subsidiary of Total Energies, and CNR International (South Africa) Limited ("CNRI"), a wholly-owned subsidiary of Canadian Natural Resources Limited, 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 proposed development is for exploitation of predominantly oil, Main Street 1549 will be obligated to pay Total and CNRI up to $90.0 million depending on the amount of reserves at that time. If the proposed development is for exploitation of gas, Main Street 1549 will be obligated to pay Total and CNRI up to $24.0 million depending on the amount of reserves at that time. If the joint venture partnership on Block 11B/12B applies for a Production Right, the Company may be required to provide suitable guarantees at the time of application to support its discovery bonus obligation.

At June 30, 2022, Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

The Company recognized a loss of $0.007 million for the three months ended June 30, 2022 and a loss of $0.023 million for the six months ended June 30, 2022 relating to its share of the loss from its equity investment in Main Street 1549 (the Company recognized a loss of $0.014 million for the three months ended June 30, 2021 and a loss of $0.019 for the six months ended June 30, 2021).

The Company has determined there are no indicators of impairment in Main Street 1549 at June 30, 2022.

The following is a financial summary of Main Street 1549:

		June 30, 2022		**December 31, 2021**
Cash and cash equivalents included in current assets	$	74	$	50
Other current assets		2,002		2,005
Non-current assets		105,127		104,967
Preferential interest on dividend distributions (1)		(103,891)		(103,405)
Current liabilities		(67)		(325)
Net assets of Main Street 1549	$	3,245	$	3,292
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net assets	$	1,590	$	1,613

For the six months ended		**June 30, 2022**		**June 30, 2021**
Operating expense	$	(33)	$	(45)
Finance (loss) / income		(13)		6
Net loss and comprehensive loss	$	(46)	$	(39)
Percentage of ownership		49%		49%
Proportionate share of Main Street 1549's net loss	$	(23)	$	(19)

(1) Included in the financial summary is an adjustment for preferential interest on dividend distributions.

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

At June 30, 2022, Main Street 1549 had cash of $0.07 million (gross) with working capital of $2.0 million (gross).

4) Investment in Pancontinental Namibia:

The Company owns one-third of the shares of Pancontinental Namibia, which holds a 43.85% participating interest in PEL 37 offshore the Republic of Namibia. The Company's effective interest in PEL 37 is therefore 14.6%. Pancontinental Namibia is currently seeking an extension to the Second Renewal Exploration Period, which expired on March 27, 2021. The PEL 37 joint venture partnership has fulfilled its obligations of the last exploration period. The Company fully wrote off the value of its investment in Pancontinental Namibia in 2018.

5) Intangible exploration assets:

	June 30, 2022	December 31, 2021
Net carrying amount, beginning of the period	$ 6,525	$ 7,168
Intangible exploration expenditures	18	200
Farmout proceeds, net	(86)	(843)
Net carrying amount, end of the period	$ 6,457	$ 6,525

As at June 30, 2022, $6.5 million of exploration expenditures have been capitalized as intangible exploration assets (December 31, 2021, $6.5 million). These expenditures relate to license fees, geological, geophysical and well studies and general and administrative costs related to Block 2B.

On April 19, 2021, the Company completed two farmout agreements whereby the Company transferred an aggregate 62.5% participating interest in the Block 2B Exploration Right. Africa Energy retains a 27.5% participating interest in Block 2B.

Africa Energy farmed-out a 50% participating interest and transferred operatorship in Block 2B to Azinam Limited, which was acquired by Eco (Atlantic) Oil & Gas Ltd. ("Eco") on March 28, 2022. In consideration for the assignment of this interest, Africa Energy was paid $0.8 million at close, which includes reimbursement of costs incurred prior to completion. In addition, Eco will pay a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. To support this obligation, Eco placed $20.1 million in escrow on April 14, 2022, subsequent to which Africa Energy repaid a $1.5 million deposit to Eco.

Africa Energy farmed-out a 12.5% participating interest in Block 2B to Panoro Energy ASA ("Panoro"). In consideration for the assignment of this interest, Africa Energy was paid $0.09 million on April 14, 2022, which includes costs incurred prior to escrow being funded. Panoro will also pay a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

During the six months ended June 30, 2022, the Company capitalized $0.02 million of general and administrative expenses related to intangible exploration assets (for the year ended December 31, 2021, $0.06 million).

The Company has determined that as at June 30, 2022, intangible exploration assets are not impaired.

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

6) Share capital:

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

b) Issued:

		June 30, 2022		December 31, 2021	
	Note	Shares	Amount	Shares	Amount
Balance, beginning of the period		1,398,603,039	$ 358,436	1,395,333,039	$ 357,905
Exercise of options	7	1,706,667	403	3,270,000	531
Balance, end of the period		1,400,309,706	$ 358,839	1,398,603,039	$ 358,436

7) Share purchase options:

At the Annual General and Special Meeting held on June 21, 2022, the Company's shareholders ratified and approved the Company's stock option plan (the "Plan"). The Plan provides that the aggregate number of incentive stock options issued shall not exceed 10% of the total common shares outstanding, and that the option exercise price will not be below the market trading value of the Company's shares at the time of grant. The term of any option granted under the Plan will be fixed by the Board of Directors and may not exceed five years from the date of grant. Vesting periods are determined by the Board of Directors and no optionee shall receive a grant of more than 5% of the Company's total common shares outstanding.

Share purchase options outstanding are as follows:

	June 30, 2022		December 31, 2021	
	Number of options	Weighted average exercise price (CAD$)	Number of options	Weighted average exercise price (CAD$)
Outstanding, beginning of the period	62,720,000	0.22	42,780,000	0.18
Granted	21,780,000	0.25	23,210,000	0.28
Exercised	(1,706,667)	0.19	(3,270,000)	0.12
Balance, end of the period	82,793,333	0.23	62,720,000	0.22

i) During the six months ended June 30, 2022, 1,706,667 stock options were exercised from which $0.1 million in contributed surplus was transferred to share capital. During the year ended December 31, 2021, 3,270,000 stock options were exercised from which $0.2 million in contributed surplus was transferred to share capital.

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

The fair value of each option granted is estimated on the date of grant using the Black-Scholes options pricing model. The fair value of each option granted during the six months ended June 30, 2022 and the year ended December 31, 2021 were estimated on the date of grant using the following assumptions:

	2022	2021
Number of options granted during the period	21,780,000	23,210,000
Fair value of options granted (CAD$)	0.12	0.15
Risk-free interest rate (%)	2.24	1.26
Expected life (years)	3.00	3.00
Expected volatility (%)	74	88
Expected dividend yield	-	-

The following table summarizes information regarding stock options outstanding at June 30, 2022:

Weighted average exercise price (CAD$/share)	Options outstanding	Weighted average remaining contractual life in years
0.170	2,500,000	0.01
0.165	10,493,333	0.87
0.245	10,820,000	1.67
0.170	13,990,000	2.74
0.275	23,210,000	4.37
0.250	21,780,000	4.74
0.230	82,793,333	3.26

2,500,000 options granted at CAD$0.17 per share 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 following table summarizes information regarding stock options exercisable at June 30, 2022:

Weighted average exercise price (CAD$/share)	Options exercisable	Weighted average remaining contractual life in years
0.170	2,500,000	0.01
0.165	10,493,333	0.87
0.245	10,820,000	1.67
0.170	13,990,000	2.74
0.275	7,736,667	4.37
0.250	7,260,000	4.74
0.211	52,800,000	2.53

The Company recognized $0.6 million and $1.8 million in stock-based compensation expense for the three and six months ended June 30, 2022, respectively ($0.04 and $0.2 million for the three and six months ended June 30, 2021, respectively).

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

8) Finance income and expense:

Finance income and expense is comprised of the following:

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Interest and other income	$ (10)	$ (9)	$ (14)	$ (20)
Foreign exchange (gain) / loss	115	(21)	(3)	(18)
Finance expense	$ 115	$ -	$ -	$ -
Finance income	(10)	(30)	(17)	(38)

9) Related party transactions:

a) Transactions with AOC:

At June 30, 2022, AOC owned 19.8% of the common shares of Africa Energy.

Under the terms of the General Service Agreement between AOC and the Company for the provision of administrative services, AOC invoiced the Company $0.01 and $0.02 million during the three and six months ended June 30, 2022 ($0.01 and $0.03 million for the three and six months ended June 30, 2021). At June 30, 2022, the outstanding balance payable to AOC was $ nil (at December 31, 2021, $ nil). The service fee charged to the Company by AOC is for the provision of administrative services and is intended to cover the administrative and salary costs paid by AOC on behalf of Africa Energy. The service fee is recognized as part of consulting fees.

Under the terms of the General Technical and Administrative Service Agreement with Africa Oil SA Corp. ("AOSAC"), a wholly-owned subsidiary of AOC, the Company invoiced AOSAC $0.1 million and $0.2 million during the three and six months ended June 30, 2022 ($0.1 million and $0.2 million for the three and six months ended June 30, 2021). At June 30, 2022, the outstanding balance receivable from AOC was $0.03 million (at December 31, 2021, $ nil). The fee charged to AOSAC by the Company is intended to cover the costs of the Company's employees that are providing AOSAC with technical and administrative services related to AOC's interest in Block 3B/4B offshore South Africa. The fee is recognized as a reduction in salaries and benefits expense, and office and general costs.

10) Net Loss per share:

For the three months ended	June 30, 2022			June 30, 2021		
		Weighted Average			Weighted Average	
	Net profit	Number of shares	Per share amounts	Net loss	Number of shares	Per share amounts
Basic earnings per share						
Net loss attributable to common shareholders	$ (1,358)	1,399,658,277	$ (0.00)	$ (675)	1,395,527,544	$ (0.00)
Effect of dilutive securities	-	-	-	-	-	-
Dilutive loss per share	$ (1,358)	1,399,658,277	$ (0.00)	$ (675)	1,395,527,544	$ (0.00)

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

For the six months ended	June 30, 2022							June 30, 2021					
			Weighted Average						Weighted Average				
		Net profit	Number of shares		Per share amounts		Net loss	Number of shares		Per share amounts			
Basic earnings per share Net loss attributable to common shareholders	$	(3,753)	1,399,133,573	$	(0.00)	$	(3,041)	1,395,430,829	$	(0.00)			
Effect of dilutive securities		-	-		-		-	-		-			
Dilutive loss per share	$	(3,753)	1,399,133,573	$	(0.00)	$	(3,041)	1,395,430,829	$	(0.00)			

For the six months ended June 30, 2022, 82,793,333 options were anti-dilutive and were not included in the calculation of dilutive loss per share (six months ended June 30, 2021, 42,190,000).

11) Financial instruments:

Assets and liabilities at June 30, 2022 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, accounts payable and accrued liabilities and leases payable 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 and joint venture and financial assets 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.

12) Commitments and contingencies:

PSA and Agreement Commitments

Block 2B

Under the terms of the Block 2B Exploration Right, the Company and its partners are currently in the Third Renewal Period, which is set to expire on November 16, 2022. The Third Renewal Period includes an obligation to drill a well.

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;

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

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 June 30, 2022, 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 on Block 2B. The Company's obligation to fund Crown is expected to be covered under the terms of the farmout agreements completed with Eco and Panoro. For details on the farmout agreements and funding obligations, refer to Note 5.

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Refer to Note 3 for details on commitments.

13) Supplementary information:

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

	Three months ended June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Changes in non-cash working capital				
Accounts receivable	$ 125	$ 18	$ 92	$ (29)
Prepaid expenses	60	57	56	147
Accounts payable and accrued liabilities	(1,679)	69	(1,542)	422
	$ (1,494)	$ 144	$ (1,394)	$ 540
Relating to:				
Operating activities	$ (156)	$ (303)	$ (44)	$ 30
Investing activities	(1,503)	447	(1,515)	510
	$ (1,659)	$ 144	$ (1,559)	$ 540
Reclassification of advances to Main Street 1549	165	-	165	-
Changes in non-cash working capital	$ (1,494)	$ 144	$ (1,394)	$ 540