



AFRICA ENERGY CORP.

Management's Discussion and Analysis

Prepared by Management

AFRICA ENERGY CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Amounts expressed in United States dollars unless otherwise indicated)
For the three months ended March 31, 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 months ended March 31, 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 May 16, 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.

On October 28, 2020, the Company announced a significant gas condensate discovery 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-1X exploration well was drilled in approximately 1,800 meters of water by the Odfjell Deepsea Stavanger semi-submersible rig to a total depth of about 3,400 meters. The well targeted the hydrocarbons potential of a mid-Cretaceous aged deep marine sequence where fan sandstone systems are developed within combined stratigraphic/structural closure. The well encountered 73 meters of net gas condensate pay over a mid-Cretaceous high-quality reservoir interval and did not encounter the hydrocarbon/water contact.

The Luiperd-1X well was opened to flow on November 1, 2020. After several tests at different choke settings, the well reached a maximum constrained flowrate through a 58/64" choke of 33 million cubic feet per day of natural gas and 4,320 barrels of condensate per day, an aggregate of approximately 9,820 barrels of oil equivalent per day. The choke configuration could not be increased due to surface equipment limitations. The absolute open flow potential of the well is expected to be significantly higher than the restricted test rates. Due to the substantial exploration success at Luiperd, the joint venture has decided to proceed with development studies and engage with authorities on commercialization of gas.

The Luiperd discovery is 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 initial 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 matured 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, resulting in significantly higher resolution, is expected to further reduce exploration risk. The final 3D volume has been integrated with the drilling and testing results to facilitate development studies. The initial technical analysis has identified multiple additional prospects within the greater Paddavissie Fairway with amplitudes conforming to structure that can 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., 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, Panoro will 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. Mobilization of the rig is expected in mid-July with spud of the well to occur in September 2022. The joint venture partnership completed a seabed survey and ordered a wellhead in the second half of 2021 in preparation for drilling.

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 Block 2B joint venture has contracted a semi-submersible rig to drill the Gazania-1 well, which is expected to spud 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.

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.

COVID-19 UPDATE

During 2020, we witnessed an unprecedented level of market volatility, oil price weakness and a substantial reduction in the world oil demand due to the impact of COVID-19 pandemic. We also saw a robust response by international oil producers led by the group of OPEC+ countries to reduce supply and address the challenge of demand destruction from the pandemic. The oil producers' response removed significant supply from the market, reducing inventories and allowing markets to rebalance. Global commodity prices have significantly improved since the first half of 2020, but uncertainty remains with respect to the future demand for oil resulting from potential virulent variants of COVID-19.

To date, we have not seen a significant impact on our operations. In an effort to protect the health and safety of employees, the Company has allowed all of its employees to work from home and has restricted all unnecessary travel.

On Block 11B/12B, Total, acting as the operator, monitored COVID-19's impact on operations closely. The completed seismic survey and drilling and testing of the Luiperd-1X exploration well were not impacted by the current health crises beyond certain delays. Total worked closely with the South African Government authorities and the drilling contractors to ensure that drilling operations concluded safely and efficiently.

On Block 2B, the Company and its joint venture partners are focused on the planning and logistics to drill the Gazania-1 well. The joint venture partners, led by Eco as operator, will work closely with the drilling contractor to limit the impact of COVID-19 on drilling operations.

SELECTED QUARTERLY INFORMATION

Three months ended (thousands, except per share amounts)	31-Mar 2022	31-Dec 2021	30-Sep 2021	30-Jun 2021	31-Mar 2021	31-Dec 2020	30-Sep 2020	30-Jun 2020
Operating income / (expense) (\$)	(2,517)	25,210	(555)	(705)	(2,374)	(858)	(1,138)	(559)
Foreign exchange (loss)/gain (\$)	118	(27)	(32)	21	(3)	127	22	50
Interest and other income (\$)	4	4	5	9	11	26	18	40
Net income / (loss) (\$)	(2,395)	25,187	(582)	(675)	(2,366)	(705)	(1,098)	(469)
Weighted average shares - Basic	1,398,603	1,397,290	1,395,923	1,395,528	1,395,333	1,155,276	798,067	790,639
Weighted average shares - Diluted	1,398,603	1,409,287	1,395,923	1,395,528	1,395,333	1,155,276	798,067	790,639
Basic income / (loss) per share (\$)	(0.00)	0.02	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Diluted income / (loss) per share (\$)	(0.00)	0.02	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Exploration and evaluation expenditures (\$)	-	-	-	(30)	(170)	(19)	(29)	(69)

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

Operating expenses increased during the third and fourth quarters of 2020 due to professional fees incurred relating to the transactions to increase the Company's effective interest in Block 11B/12B. 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 third quarter of 2020 due to the financing that closed in September 2020. 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

	Three months ended March 31, 2022	Three months ended March 31, 2021
(thousands)		
Salaries and benefits	\$ 938	\$ 1,709
Stock-based compensation	1,133	154
Consulting fees	168	102
Office and general	62	59
Depreciation	13	9
Professional fees	83	188
Stock exchange and filing fees	104	148
Share of loss from equity investments	16	5
Operating expenses	\$ 2,517	\$ 2,374

Operating expense increased by \$0.1 million for the three months ended March 31, 2022 compared to the same period in 2021. Salary and benefit costs decreased by \$0.8 million due to a reduction in annual bonuses paid compared to the same period in 2021. Stock-based compensation increased by \$1.0 million compared to the same period in 2021 as stock options were granted to directors, officers, employees and consultants of the Company during the quarter, of which one-third vest immediately, versus nil in the first quarter of the prior year. Professional fees decreased by \$0.1 million due to legal fees incurred during the three months ended March 31, 2021 associated with the farmout of Block 2B.

INVESTMENT IN MAIN STREET 1549

At March 31, 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 March 31, 2022, the Company accounted for its investment in Main Street 1549 as follows: \$248.2 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 three months ended March 31, 2022, the Company invested \$0.3 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. 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 \$248.2 million at March 31, 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 three months ended March 31, 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 March 31, 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 March 31, 2022, Main Street 1549 has not accrued any material obligations related to the commercial discovery bonus.

The Company recognized a loss of \$0.02 million for the three months ended March 31, 2022, relating to its share of the loss from its equity investment in Main Street 1549 (the Company recognized losses of \$0.005 million for the three months ended March 31, 2021).

The Company has determined there are no indicators of impairment in Main Street 1549 at March 31, 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)	March 31, 2022	December 31, 2021
Intangible exploration assets	\$ 6,525	\$ 6,525

No expenditures were capitalized to intangible exploration assets relating to Block 2B during the three months ended March 31, 2022 (for the three months ended March 31, 2021, \$0.2 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, Panoro will pay a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

At March 31, 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 March 31, 2022, the Company had cash of \$9.5 million and working capital of \$8.0 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 months ended March 31, 2022, was \$1.1 million compared to \$0.2 million for the three months ended March 31, 2021. During the three months ended March 31, 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 three months ended March 31, 2021.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At March 31, 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 million during the three months ended March 31, 2022 (\$0.02 million for the three months ended March 31, 2021). At March 31, 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 during the three months ended March 31, 2022 (\$0.1 million for the three months ended March 31, 2021). The consulting 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 consulting 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 March 31, 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	1,399,744,706
Outstanding share purchase options	83,358,333
Full dilution impact on common shares outstanding	1,483,103,039

Subsequent to March 31, 2022, the Company issued 1,141,667 common shares as a result of option exercises.

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.

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.

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.

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 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.

CAPITAL REQUIREMENTS

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

Availability of capital will also directly impact the Company's ability to take advantage of acquisition opportunities.

SHARED OWNERSHIP AND DEPENDENCY 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.

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.

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 farm agreements with each of Total and CNRI to acquire an aggregate 10% participating interest in the Block 11B/12B Exploration Right.

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.

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.

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 March 31, 2022.

LIQUIDITY RISK

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

The Company will potentially issue debt or equity and enter into farmout agreements with joint venture partners to ensure the Company has sufficient available funds to meet current and foreseeable financial requirements. The Company actively monitors its liquidity to ensure that its cash flows and working capital are adequate to support these financial obligations and the Company's capital programs. The Company will also adjust the pace of its exploration activities to manage its liquidity position.

CREDIT RISK

Credit risk is the risk of loss if counterparties do not fulfill their contractual obligations. The majority of 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 six months ended June 30, 2022, on August 11, 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.