



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 years ended December 31, 2022 and 2021

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Africa Energy Corp. and its subsidiaries (collectively 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 audited consolidated financial statements for the years ended December 31, 2022 and 2021 and related notes thereto.

The financial information in this MD&A is derived from the Company's audited 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 March 29, 2023.

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

PROFILE AND STRATEGY

Africa Energy is a Canadian oil and gas company focused on the Republic of South Africa ("South 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").

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 36.2% and 19.7%, 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 TotalEnergies, 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 on August 20, 2020, amendments to the Main Street 1549 SHA provide that Africa Energy fund 100% of the funding requirements related to the Block 11B/12B Participating Interest 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 Block 11B/12B Participating Interest 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 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. The joint venture submitted an application for a Production Right on September 5, 2022. As part of the Production Right application, the joint venture partnership proposed to relinquish the Northern portion of the block and elected to enter into a Gas Market Development Period to confirm the economic viability of the project.

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.

Prior to the expiry of the Block 11B/12B Exploration Right on September 7, 2022 the joint venture partnership submitted an application for a Production Right. The Partnership elected to enter a Gas Market Development Period, which defers the field development work program for up to a maximum of five years, allowing the joint venture time to confirm the economic viability of the project.

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 approximately 25 kilometers off the west coast of South Africa near the border with Namibia in water depths ranging from 50 to 200 meters. Soekor discovered and tested oil on Block 2B in 1988 with the A-J1 borehole, which intersected thick reservoir sandstones between 2,985 meters and 3,350 meters. The well flowed 191 barrels of oil per day of 36-degree API oil from a 10-meter sandstone interval at approximately 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 (see details below) 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 paid 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 also paid a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

On October 4, 2022, the Company and its joint venture partners commenced drilling the Gazania-1 exploration well, which was completed November 18, 2022. The well was designed to test the extension of the oil discovered in the A-J1 in 1988. The well was drilled to a total depth of 2,330 meters below sea level and encountered wet gas throughout the main target interval. This confirms an active petroleum system within the basin, but the well did not encounter commercial hydrocarbons. Early interpretation indicates that the trapping mechanism was not effective at this location. The well was logged, plugged and abandoned. Further technical work is required to understand the complexity of the sedimentology and to evaluate alternative viable trapping configurations in the A-J Graben.

The Third Renewal Period of the Block 2B Exploration Right expired on November 16, 2022. The Block 2B joint venture submitted a Production Right application to the Petroleum Agency of South Africa prior to this date on November 15, 2022. The Third Renewal Period included an obligation to drill a well, which was satisfied by the drilling of the Gazania-1 exploration well.

Petroleum Exploration License 37, Republic of Namibia

The Company owns one-third of the shares of Pancontinental Namibia. Pancontinental Namibia held a direct interest in PEL 37, which expired on March 21, 2021. The PEL 37 joint venture partnership fulfilled its obligations of the last exploration period for PEL 37. During the fourth quarter of 2022, Pancontinental Namibia decided to end its pursuit of seeking a new license for the blocks in PEL 37.

OUTLOOK

The Block 11B/12B joint venture has applied for the Production Right and 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)	31-Dec 2022	30-Sep 2022	30-Jun 2022	31-Mar 2022	31-Dec 2021	30-Sep 2021	30-Jun 2021	31-Mar 2021
Operating income / (expense) (\$)	(15,864)	(1,192)	(1,253)	(2,517)	25,210	(555)	(705)	(2,374)
Interest expense (\$)	(11)	-	-	-	-	-	-	-
Foreign exchange (loss)/gain (\$)	35	(71)	(115)	118	(27)	(32)	21	(3)
Interest and other income (\$)	53	31	10	4	4	5	9	11
Net income / (loss) (\$)	(15,787)	(1,232)	(1,358)	(2,395)	25,187	(582)	(675)	(2,366)
Weighted average shares - Basic	1,407,585	1,402,564	1,399,658	1,398,603	1,397,290	1,395,923	1,395,528	1,395,333
Weighted average shares - Diluted	1,407,585	1,402,564	1,399,658	1,398,603	1,409,287	1,395,923	1,395,528	1,395,333
Basic income / (loss) per share (\$)	(0.01)	(0.00)	(0.00)	(0.00)	0.02	(0.00)	(0.00)	(0.00)
Diluted income / (loss) per share (\$)	(0.01)	(0.00)	(0.00)	(0.00)	0.02	(0.00)	(0.00)	(0.00)
Exploration and evaluation expenditures (\$)	(8,199)	(20)	(18)	-	-	-	(30)	(170)

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

Operating expenses decreased in the second quarter of 2021 as the Company paid bonuses to employees and incurred professional fees relating to the completion of the Block 2B farmout agreements in the first quarter of 2021. 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. Operating expenses increased during the fourth quarter of 2022 as the Company impaired \$14.7 million, the full amount of Block 2B intangible exploration assets.

Interest expense relates to interest accrued on the promissory note entered into in the fourth quarter of 2022.

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.

Oil and gas expenditures incurred to date related to license fees, geological and geophysical analysis and drilling on Block 2B. The Company has incurred costs up to the second quarter of 2021 associated with planning the Gazania-1 exploration well, subsequent to which the Company's working interest share of drilling expenditures were funded by the other joint venture partners. During the fourth quarter of 2022, the Company incurred costs associated with the drilling of the Gazania-1 exploration well, as drilling costs exceeded levels beyond which Eco and Panoro were obliged to fund on behalf of the Company.

RESULTS OF OPERATIONS

(thousands)	Three months ended December 31, 2022	Three months ended December 31, 2021	Year ended December 31, 2022	Year ended December 31, 2021
Salaries and benefits	\$ 250	\$ 283	\$ 1,763	\$ 2,579
Stock-based compensation	630	1,203	3,027	1,441
Travel	28	2	40	2
Consulting fees	61	91	447	342
Office and general	34	62	170	229
Depreciation	1	6	14	32
Professional fees	134	186	363	575
Stock exchange and filing fees	38	46	310	297
Impairment of intangible exploration assets	14,676	-	14,676	-
Gain on revaluation of financial asset	-	(27,098)	-	(27,098)
Share of loss from investment in associates	12	9	16	25
Operating expenses / (income)	\$ 15,864	\$ (25,210)	\$ 20,826	\$ (21,576)

The Company recorded \$15.9 million of operating expenses for the three months ended December 31, 2022, compared to \$25.2 million of operating income for the same period in 2021. During the three months ended December 31, 2022, the Company impaired the full amount of its intangible exploration assets in Block 2B, resulting in a \$14.7 million impairment. During the three months ended December 31, 2021, the Company recorded 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 was due to increases in the base assumptions for commodity prices.

The Company recorded \$20.8 million of operating expenses for the year ended December 31, 2022, compared to \$21.6 million of operating income for the same period in 2021. The Company impaired the full amount of its intangible exploration assets in Block 2B, resulting in a \$14.7 million impairment during the fourth quarter of 2022. During the fourth quarter of 2021, the Company recorded 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.

SELECTED ANNUAL INFORMATION

For the years ended December 31, (thousands, except per share amounts)	2022	2021	2020
Statement of Operations Data			
Interest income	\$ 98	\$ 29	\$ 144
Net (loss) / income	(20,772)	21,564	(4,263)
Data per Common Share			
Basic and diluted (loss) / income per share	(0.01)	0.02	(0.00)
Balance Sheet Data			
Working capital	3,863	9,473	18,193
Total assets	\$ 257,424	\$ 267,240	\$ 244,034

As the Company is in the exploration stage, no oil and gas revenue has been generated to date. Accordingly, income reported relates to gains on revaluation of the financial asset, interest income on cash deposits and foreign exchange gains on Canadian dollar and South African Rand holdings. During the year ended

December 31, 2021, the Company recorded a non-cash gain on the revaluation on the financial asset relating to the Company's investment in Block 11B/12B.

The increase in interest income is attributable to increases in interest rates and fluctuations in exchange rates.

The Company recorded a net loss of \$21.0 million in 2022 compared to net income in 2021 of \$21.6 million. The net loss and the recorded net income is explained above in "Results of Operations".

The Company's working capital decreased in 2022 compared to 2021 as a result of Block 2B intangible exploration expenditures and cash-based operating expenses incurred in 2022. The Company's working capital decreased in 2021 compared to 2020 due to investments in Main Street 1549 and cash-based operating expenditures.

The decrease in total assets from 2021 to 2022 is primarily due to the impairment of the full amount of the intangible exploration assets in Block 2B as well as cash-based operating expenses incurred in 2022. The increase in total assets from 2020 to 2021 is primarily due to the non-cash gain on the revaluation of the financial asset due to increases in the base assumption of commodity prices.

INVESTMENT IN MAIN STREET 1549

At December 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 December 31, 2022, the Company accounted for its investment in Main Street 1549 as follows: \$248.6 million as a financial asset and \$1.6 million as an equity investment.

In accordance with a definitive agreement entered into with Arostyle on August 20, 2020, amendments to the Main Street 1549 SHA provide that Africa Energy fund 100% of the funding requirements related to the Block 11B/12B Participating Interest 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 Block 11B/12B Participating Interest 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.

For the year ended December 31, 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 Block 11B/12B Participating Interest. At December 31, 2022, for accounting purposes, the Company used a discount rate of 16% (December 31, 2021, 16%), a base gas price of \$8.64/mmbtu (December 31, 2021, \$8.14/mmbtu) and a base Brent oil price of \$70/bbl (December 31, 2021, \$67/bbl) to determine the fair value of the financial asset, which was estimated to be \$248.6 million at December 31, 2022 (December 31, 2021, \$247.9 million). The Company's estimate of the fair value of the investment in Main Street 1549 is measured as set out in the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021 and related notes thereto.

For the year ended December 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 December 31, 2022, a one percent increase in the effective discount rate would have resulted in a reduction in disposal proceeds of \$39.6 million. A one percent decrease in the effective discount rate would have resulted in an increase in disposal proceeds of \$46.5 million. An increase in the gas price of \$1/mmbtu would result in an increase in disposal proceeds of \$36.0 million and a decrease of \$1/mmbtu would result in a decrease in disposal proceeds of \$35.9 million. An increase in the Brent oil price of \$5/bbl would result in an increase of disposal proceeds of \$10.7 million and a decrease of \$5/bbl would result in a decrease in disposal proceeds of \$10.7 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 to net loss.

In accordance with the Block 11B/12B farmin agreements entered into by Main Street 1549 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. On September 5, 2022, the joint venture partnership on Block 11B/12B applied for a Production Right. At the time of application, the Company may have been required to provide suitable guarantees to support its discovery bonus obligation. As at December 31, 2022, no guarantees have been required and the Company has not provided a guarantee to support its discovery bonus obligation.

At December 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 year ended December 31, 2022 relating to its share of the loss from its equity investment in Main Street 1549 (the Company recognized a loss of \$0.03 million for the year ended December 31, 2021).

The Company has determined there are no indicators of impairment in Main Street 1549 at December 31, 2022.

INTANGIBLE EXPLORATION ASSETS

(thousands)	December 31, 2022	December 31, 2021
Intangible exploration assets	\$ -	\$ 6,525

During the year ended December 31, 2022, the Company impaired the full amount of intangible exploration assets related to Block 2B subsequent to performing an analysis of the Gazania-1 exploration well results which did not encounter commercial hydrocarbons. As at December 31, 2021, \$6.5 million of exploration expenditures were capitalized as intangible exploration assets. These expenditures relate to license fees, geological, geophysical and well studies and general and administrative costs related to Block 2B.

On April 19, 2021, Africa Energy completed two farmout agreements (see details below) 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 paid 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 also paid a disproportionate amount of the Gazania-1 exploration well costs on behalf of the Company.

At December 31, 2022, the Company impaired the full amount of its Block 2B intangible exploration assets.

LIQUIDITY, CAPITAL RESOURCES AND GOING CONCERN

The Company's financial statements for the year ended December 31, 2022 have been prepared on a going concern basis, which assumes the realization of assets and discharge of liabilities in the normal course of business as they become due. At December 31, 2022, the Company had cash of \$6.8 million and working

capital of \$3.9 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 mainly attributed to cash-based operating expenditures and intangible exploration expenditures related to the drilling of the Gazania-1 exploration well on Block 2B. On December 23, 2022, the Company entered into a promissory note for \$5.0 million which is due on January 31, 2024 (see "Related Party Transactions" for details).

The Company is in the exploration stage and has no proved reserves. The Company's ability to continue as a going concern is dependent upon its ability to secure financing from external sources, potentially including the issuance of new shares, issuance of debt or executing working interest farmout or disposition arrangements to finance its future acquisition, exploration, development and operating costs. To date, the Company has funded its operations through debt and equity financing. While the Company has been successful in raising capital in the past, there is no assurance that it will be successful in closing further financings or that such financings will be on terms acceptable to the Company. As such, a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern and, therefore, its ability to realize assets and discharge liabilities in the normal course of business.

STOCK-BASED COMPENSATION

The Company uses the fair value method of accounting for stock options granted to directors, officers, employees and consultants whereby the fair value of all stock options granted is recorded as a charge to operations. Stock-based compensation for the year ended December 31, 2022, was \$3.0 million compared to \$1.4 million for year ended December 31, 2021. During the first quarter 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 23.2 million granted during the fourth quarter of 2021.

RELATED PARTY TRANSACTIONS

TRANSACTIONS WITH AFRICA OIL CORP ("AOC"):

At December 31, 2022, AOC owned 19.7% 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 \$0.04 million during the year ended December 31, 2022 (\$0.06 million for the year ended December 31, 2021). At December 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 \$0.5 million during the year ended December 31, 2022 (\$0.3 million for the year ended December 31, 2021). At December 31, 2022, the outstanding balance receivable from AOSAC was \$ nil (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.

On December 23, 2022, the Company entered into a promissory note agreement with AOC for \$2.0 million, Deepkloof Limited for \$2.0 million and Lorito Holdings S.à.r.l. for \$1.0 million. Deepkloof Limited is the largest shareholder of Impact Oil & Gas Limited ("Impact"). At December 31, 2022, Impact owned 36.2% of the common shares of Africa Energy. AOC, Deepkloof Limited and Impact are related parties of the Company. Lorito Holdings S.à.r.l. is a company owned by a trust whose settlor was the late Adolf H. Lundin

The maturity date of the promissory notes is January 31, 2024 and accrue interest at a 10% annual interest rate if repaid by October 31, 2023 or 15% annual interest rate if repaid after October 31, 2023. The promissory notes have no security and are repayable pro rata any time before maturity without penalty.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT:

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

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

For the years ended	December 31, 2022	December 31, 2021
Directors' fees	\$ 190	\$ 191
Directors' share-based compensation	437	193
Management's short-term wages, bonuses and benefits	1,342	1,982
Management's share-based compensation	1,547	817
	\$ 3,516	\$ 3,183

COMMITMENTS AND CONTINGENCIES

BLOCK 2B, REPUBLIC OF SOUTH AFRICA

The Third Renewal Period of the Block 2B Exploration Right was set to expire on November 16, 2022. Prior to expiry, the Block 2B joint venture submitted a Production Right application to the Petroleum Agency of South Africa. The Third Renewal Period included an obligation to drill a well, which was satisfied by the drilling of the Gazania-1 exploration well. Drilling of this well was completed on November 18, 2022.

Under the Thombo Share Purchase Agreement, the Company is 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 to former shareholders of Thombo, at the option of the Company, if certain milestones associated with the commercialization of Block 2B are achieved.

At December 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 was obligated to fund Crown's remaining 10% participating interest of costs associated with the drilling and testing of the Gazania-1 well

on Block 2B. For additional 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 share purchase options as at the effective date of this MD&A:

Common shares outstanding	1,407,812,249
Outstanding share purchase options	73,778,334
Full dilution impact on common shares outstanding	1,481,590,583

OFF-BALANCE SHEET ARRANGEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company's significant accounting policies can be found in the Company's Financial Statements for the year ended December 31, 2022.

USE OF ESTIMATES

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

FINANCIAL ASSETS

The investment in Main Street 1549 common shares and Class B Shares is initially recorded at fair value based on the value of the expected distributions as determined based on preferential dividend distributions the Company would receive from Mainstreet 1549. The recoverable amount of the participating interest in Block 11B/12B was determined by calculating the fair value less costs of disposal of Mainstreet 1549's interest in Block 11B/12B through the use of a discounted cash flow model. The

discounted future cash flow model involves significant estimates including the discount rate and the estimate of cash flows from condensate and natural gas resources. The estimate of cash flows from condensate and natural gas resources includes significant assumptions related to forecasted condensate and natural gas resource volumes, condensate and natural gas commodity prices, operating costs and future development costs. The Company engages independent third-party specialists to estimate the forecasted natural gas commodity price, forecasted resource volumes and certain forecasted operating costs and future development costs. Management takes into account changes in conditions and events affecting the Company's Block 11B/12B Participating Interest in determining the assumptions each period.

INTANGIBLE EXPLORATION ASSETS

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

STOCK-BASED COMPENSATION

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

EQUITY INVESTMENTS

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

CONSOLIDATION OF ENTITIES

When assessing control over a subsidiary, judgment is required to consider the nature of the Company's relationship with the subsidiary and whether strategic and operating decisions made by the subsidiary are made independently without the control of the Company. Factors considered when assessing control include share ownership, board composition, decision making related to the relevant activities of the investee, being those activities that significantly affect the Company's returns and management involvement in the business.

INCOME TAX

The Company follows the balance sheet method of accounting for income taxes whereby future income taxes are recognized based on the differences between the carrying values of assets and liabilities reported in the Annual Financial Statements and their respective tax basis. Future income tax assets and liabilities are recognized at the tax rates at which Management expects the temporary differences to reverse. Management bases this expectation on future earnings, which require estimates for reserves,

timing of production, crude oil price, operating cost estimates and foreign exchange rates. Management assesses, based on all available evidence, the likelihood that the future income tax assets will be recovered from future taxable income and a valuation allowance is provided to the extent that it is more than likely that future income tax assets will not be realized. As a result, future earnings are subject to significant Management judgment.

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 29, 2023 on Sedar (www.sedar.com) for further risk factor disclosures.

FINANCIAL STATEMENTS PREPARED ON A GOING CONCERN BASIS

The Company's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. Africa Energy's operations to date have been primarily financed by equity financing. Africa Energy's future operations are dependent upon the identification and successful completion of equity or debt financing, the achievement of profitable operations or partial divestiture and farmout agreements. There can be no assurances that the Company will be successful in completing an equity or debt financing, or a partial divestiture or farmout arrangement, or in achieving profitability. The consolidated financial statements do not give effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern.

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.

INFLATION RISK

A failure to secure the services and equipment necessary to the Company's operations for the expected price, on the expected timeline, or at all, may have an adverse effect on the Company's financial performance and cash flows. The Company's operating costs could escalate and become uncompetitive due to supply chain disruptions, inflationary cost pressures, equipment limitations, escalating supply costs, commodity prices, and additional government intervention through stimulus spending or additional regulations. The Company's inability to manage costs may impact project returns and future

development decisions, which could have a material adverse effect on its financial performance and cash flows.

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.

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.

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.

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.

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 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 and Block 11B/12B, 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 December 31, 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 three months ended March 31, 2023, on May 10, 2023.

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.