



AFRICA ENERGY CORP.

Report to Shareholders

December 31, 2019

AFRICA ENERGY CORP.

Notes to Consolidated Financial Statements

For the years ended December 31, 2019 and 2018

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

21) Subsequent Events:

a) Private Placement

On February 5, 2020, the Company completed a private placement issuing an aggregate of 104,652,174 common shares at a price of SEK 2.30 (approximately CAD\$0.32) per share for gross proceeds of \$25.0 million. A broker's fee of approximately \$0.9 million was paid in cash to Pareto Securities AB and SpareBank1 Markets AS.

b) Block 2B Farmouts

On February 24, 2020, the Company executed two farmout agreements whereby the Company will transfer an aggregate 62.5% participating interest in the Exploration Right for Block 2B offshore South Africa. Africa Energy will retain a 27.5% participating interest in Block 2B.

Under the terms of a farmout agreement entered into with a subsidiary of Azinam Limited ("Azinam"), a wholly-owned subsidiary of Africa Energy will farmout a 50% participating interest and transfer operatorship in Block 2B to Azinam (the "Azinam Farmout Agreement"). In consideration for the assignment of this interest, Azinam will pay Africa Energy \$0.5 million at close and a disproportionate amount of the Gazania-1 exploration well and other joint venture costs on behalf of the Company. Azinam paid a \$1.5 million deposit to Africa Energy at signature of the Azinam Farmout Agreement and will place an additional amount into escrow at close to support its obligations under the Azinam Farmout Agreement.

Under the terms of a farmout agreement entered into with a subsidiary of Panoro Energy ASA ("Panoro"), a wholly-owned subsidiary of Africa Energy will farmout 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.

Closing of the two farmout agreements is subject to standard conditions for this type of transaction, including approval of the South African government.