



# 20211118 - Canadian Global Energy Forum

## Grayson Andersen

### Unofficial transcript

Calgary, Alberta, Canada

18 November 2021

**Moderator 0:00**

So this last speaker really changes that around. Now, I'll be really honest with you. I've been asked, what do I think of ReconAfrica? But you know what I'm a very positive person. And what I love is, here is a Canadian company, going against the grain exploring in undeveloped, totally unexplored basins. That is a real positive. And their share price has done well whether you agree with it or not. It has made people money. So those are the things that everyone wants to do. So anyone who's trying to be negative at this point, and yes, it's unproven, but it's a very positive story, and I would argue is an explorationist, how many people drill first, on projects that perhaps they should for a fraction of the cost of shooting a load of seismic and then don't drill at all? What is key to oil and gas as a geologist is the fact that there is oil and gas there. Is there a source rock that is mature and producing hydrocarbons? Well, if you look at the cost of perhaps exploring traditionally, in the Namibian basin that they're focused on, you would have spent three times what they've spent to prove a hydrocarbon system. I'll leave you with that thought we'll explore that on the stage. So I can now welcome to the podium for his pitch. Grayson Andersen, who's the manager of [Investor] Relations for Recon. He's Corporate Vice-President of Capital Markets previously with Frontera Energy, Advisor to Geopark limited on capital markets, investor relations, Canadian Natural Resources limited in Calgary, Bachelor of Commerce [inaudible] degree Memorial City, Newfoundland, Grayson.

**Grayson Andersen 1:34**

Thank you, Mike. It's good to see you in a chillier environment. We were both at Africa Oil Week, in Dubai last week, which was very well attended and very well received by everybody. I'm here today to speak to you about ReconAfrica. It's an extremely exciting story. As Mike mentioned, we're discovering the newly discovered Kavango Basin which is in Northeast Namibia, Northwest Botswana. Before I get going I'd like to remind everybody that this presentation will contain forward looking information and our risk factors are available in our annual AIF forms which are available on Sedar.



**NEWLY DISCOVERED**

# Kavango Basin

**NAMIBIA & BOTSWANA**

**CORPORATE PRESENTATION** Nov 2021



**Grayson Andersen** 2:20

As you can see from our introduction slide here, you know, some of the things that are Canadian-centric to this opening slide is, you can see our low impact seismic program that we've done this year using the Polaris weight drop system. Again, it was a Canadian system from a Canadian company originally designed by Apache and Polaris in northeast BC, again to do low impact seismic so you have minimal environmental impact yet still getting the desired signal and amount of information for your seismic program.

## KAVANGO BASIN: POTENTIALLY ONE OF THE LARGEST UNDEVELOPED ONSHORE BASINS GLOBALLY

One Company has licenced the entire Kavango Basin in Namibia & Botswana - 8.5 million acres

### First two wells discover an active petroleum system with reservoir quality rock

- 6-2 well confirmed 198m (650 ft) of net reservoir over five intervals encountering light oil and natural gas
- 6-1 well preliminary results 350m (1,148 ft) of oil and natural gas shows over seven potential zones

### 450km 2D Seismic and Upcoming Multi-Well Drilling Program Key to Unlocking

#### Commercial Potential of the Entire Basin

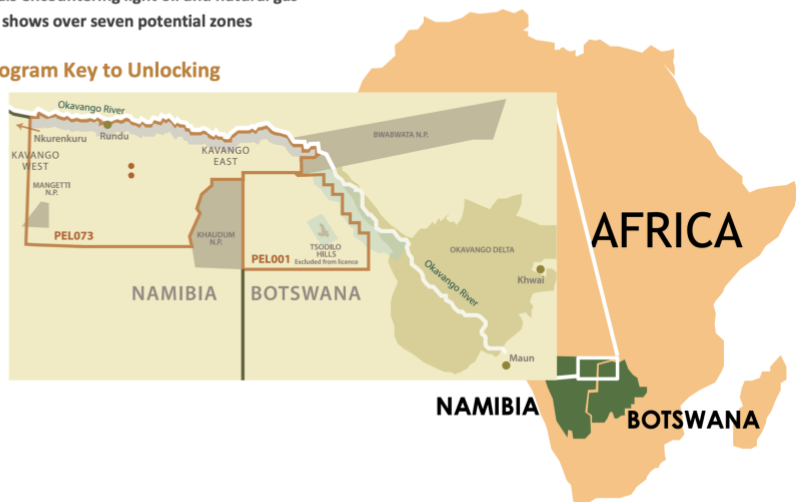
- 2D Seismic Program completed – undergoing interpretation
- Second phase of multi-well drilling program early Q1 2022

#### Stable governments, with competitive fiscal terms

- Licence contracts with exploration and production phases
- Royalties: Namibia 5% Botswana typically 3-10%

#### Catalyst-rich near term

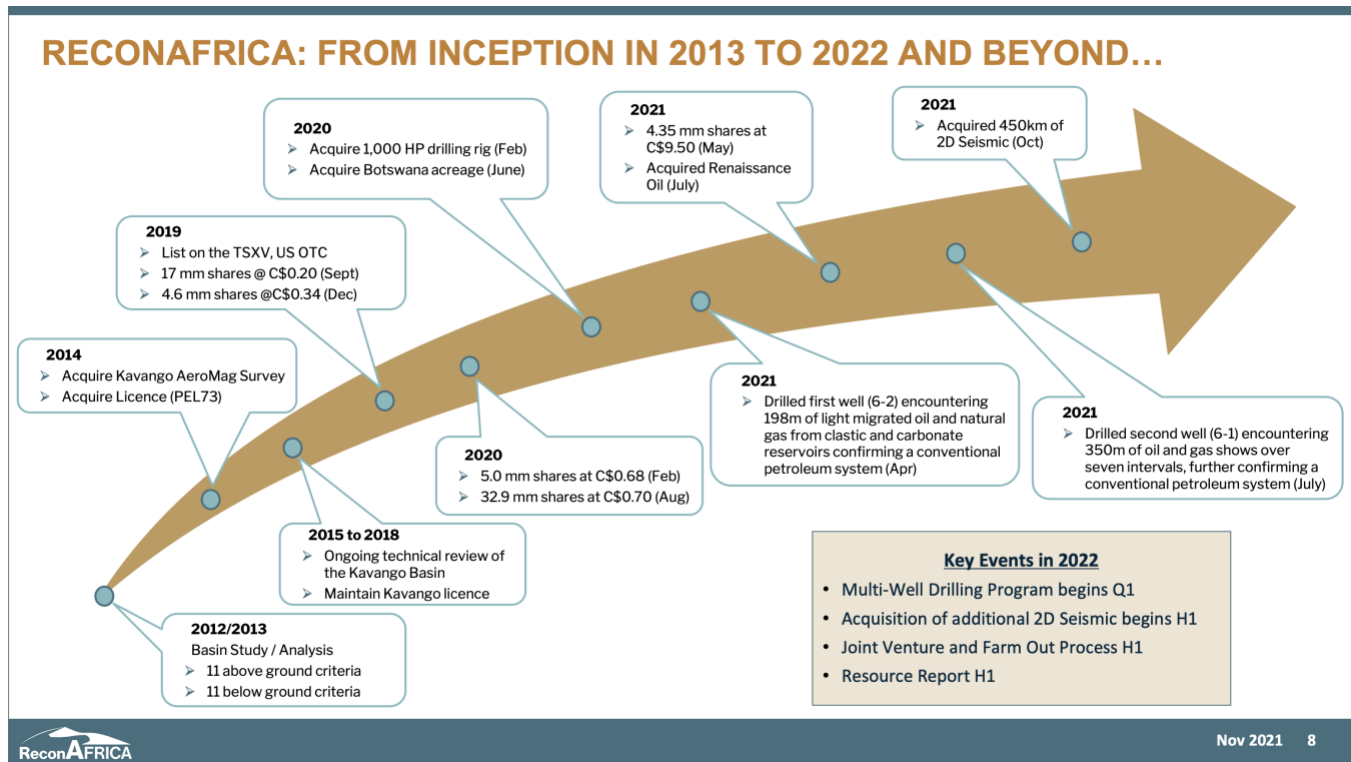
- Seismic: Phase 1 data undergoing interpretation
- Multi-Well Drilling Program: expected to commence in early Q1 2022, key to commerciality
- JV process in H1 2022 - good unsolicited interest



### Grayson Andersen 2:55

So what is the newly discovered Kavango Basin? It's 8.5 million acres, a significant portion of land that we believe encompasses the entire sedimentary basin, we believe there are five sub basins within the Kavango Basin. As you can see from the map, about two thirds of the basin sits in Namibia and a third in Botswana. We, as Mike mentioned, we drilled first before shooting seismic. We originally planned to drill three wells. These are basically three wells, we decided to drill after buying our own drilling rig and shipping it over to Namibia in late 2020 to start drilling earlier this year in 2021. The first well that we drilled, was completed in April, it was a stratigraphic test well where we encountered five, maybe six potential reservoir zones encountering three different types of gas C1, C2, C3, and light oil, which came back in the water based drilling fluid, as well as some some gas and oil shows as we were drilling. The second well, the sixth one well, similar type of results. So following the success we had with our first two wells proving up a conventional migrated petroleum system, hydrocarbon system, we decided we didn't need to drill a third well, and we instead go about exploration in a more conventional way. You know, in a basin that didn't have any well control, the last well drilled anywhere near where we've drilled was drilled in 1964. The Etosha petroleum well, which was about, I believe it's about 300 miles away. But what we learned from that well, from the rocks in that well is that, you know, there was a Permian age Karoo rock, Dr. Jim Granath, who's, you know, one of the great people behind our company, [...] theory that as you went east, that Korean Permian age rock got thicker and deeper, which is why, you know, we've ended up where we are, why Namibia and Botswana? When Craig Steinke, our founder, went looking for new oil and gas plays globally, back in 2012-13, he had a set of criteria, 11 above ground 11 below ground, is it stable, is it a license system, PSC type system, what were the systems, do they respect rule of law contracts, etc. Namibia fit those bills significantly, as did did Botswana.

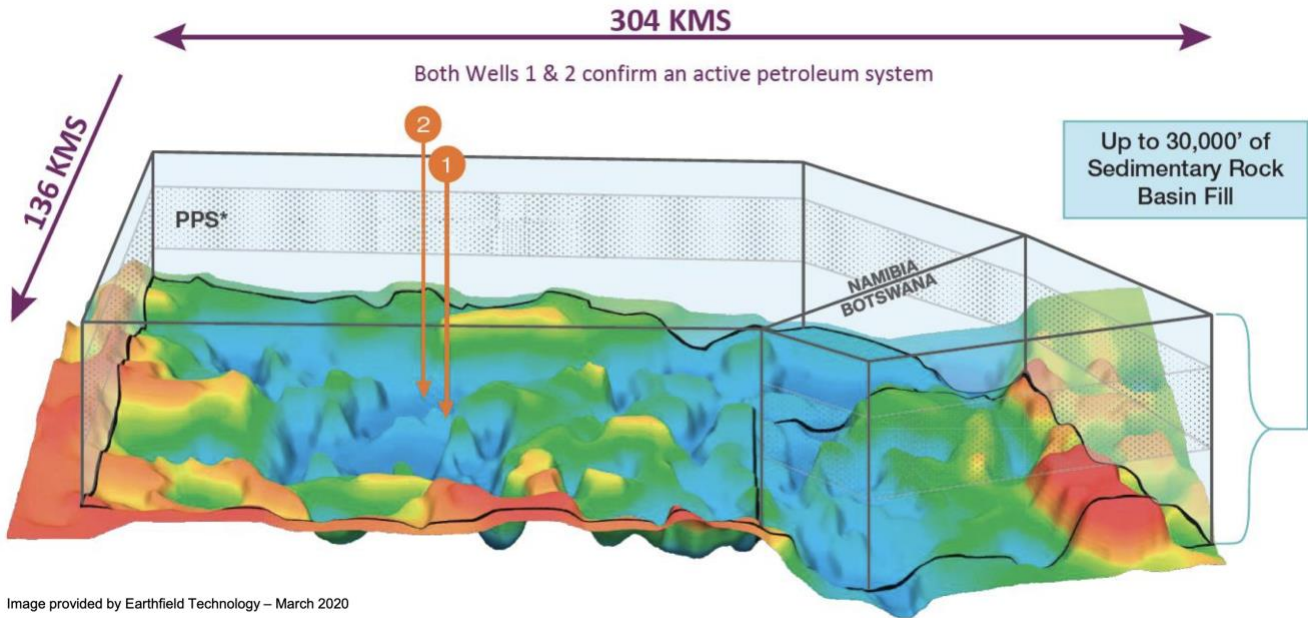
License contracts royalties of between 3 to 10% depending on which country, and as we've had a very busy 2021 We're going to have an even busier 2022



### Grayson Andersen 5:50

So where's the company come from? As I said, Craig did some basin study analysis with Jim Granath and Dan Jarvie, very well respected US oil and gas guys. Had this theory about the Kavango basin being an extension of a Permian age source rock system. He got the acreage in 2014, and as everybody's aware in 2014, oil prices went from 100 back down to 40, so exploration went off the table for almost every country globally. We sat on the land until about 2019, where we went public via an RTO. Since that time, we raised about \$100 million. We've got about half of that left, we bought our own rig refurbished it, shipped it over to Namibia, drilled two wells, now shot 450 kilometers of 2d seismic. So we've got a very active plan going ahead with us. We're currently interpreting the 2D program and we'll follow up with a seismically defined multi-well drilling program in 2022, once all of that information is compiled. Additionally, that seismic program will lead to a resource report in the first half of 2022, and we'll be going through a farm-down joint venture process because for a company of our size with our capital ability, truly exploring, developing 8.5 million acres it's going to take a lot more people, a lot more capital, and the more people and more capital we can get involved, the quicker it'll happen.

## AERO-MAGNETIC SURVEY OF KAVANGO BASIN

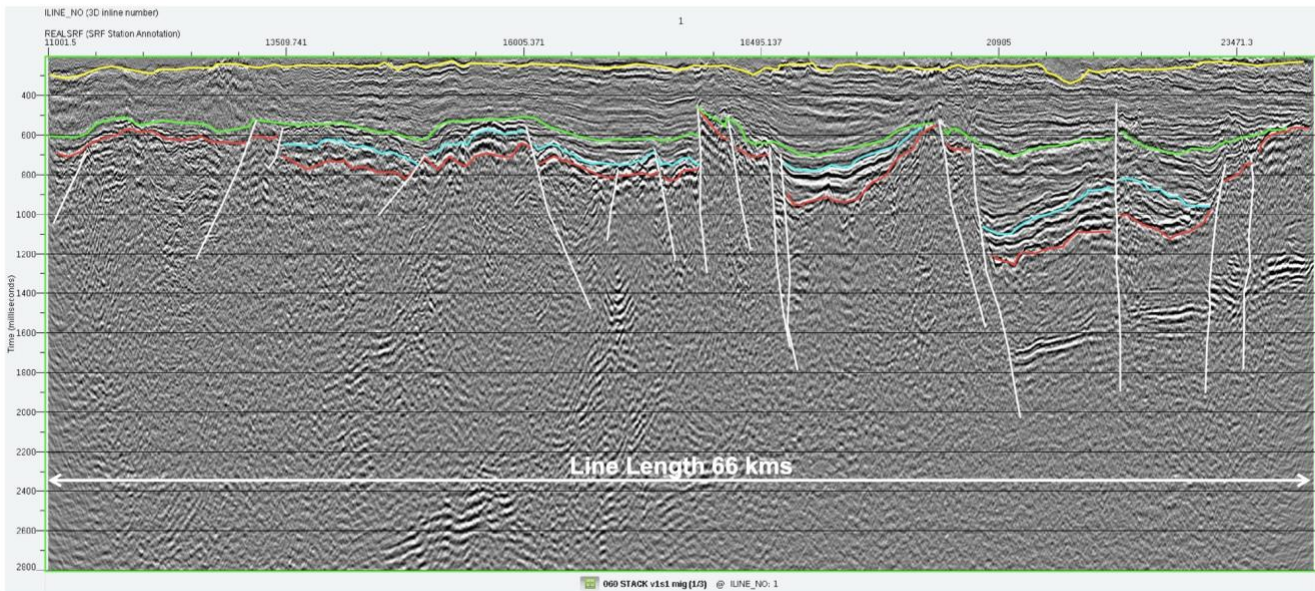


### Grayson Andersen 7:25

So the reason why we drilled before we shot seismic was because the government of Namibia in 2010 had shot a tight-grid Aeromag survey that nobody had ever acquired or [inaudible]. Craig was there and acquired it, we got Bill Cathey from Earthfield Technologies in the US to interpret it, and he said: good news guys, this is a basin of between 30,000 and 35,000 feet, and every basin in the world that has a commercial producing hydrocarbon basin has these characteristics. We drilled the first two wells, as you can see, off structure which is encouraging, because we did find the five to six different zones as was mentioned before.

## EXAMPLE OF EARLY RESULTS FROM 1st KAVANGO BASIN 2D SEISMIC PROGRAM

Example of a North South line, Central Kavango Basin - Interpreted



### Grayson Andersen 8:15

This is the preliminary results for the first phase of seismic that we've just completed, 450 kilometers. As you can see, lots of structuring, stratigraphic structural traps. We're really encouraged by it. I basically just walked around Africa Oil Week last week with that picture in my hand, and when I put it down in front of geologists, most of them reacted - their face told the entire story. We're extremely excited about what we're doing in our office here in Calgary these days, in terms of getting more information in detail with respect to our seismic as we go through the interpretation process.

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**CEO**  
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**Bill Cathey**  
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 Aeromagnetic expertise as President and Geoscientist of Earthfield Technology with more than 25 years of potential field interpretation experience.



**Dr. Ansgar Wanke**  
**Geologist**  
 Geologist with more than 20 years' experience, including the head of the geology department at the University of Namibia.



**Nick Steinsberger**  
**SVP, Drilling & Completions**  
 33 years' experience in petroleum engineering, drilling and completions, production and facilities.



**Claire Preece**  
**ESG & Corporate Communications**  
 25 years' experience in Community and Environmental Impact Assessments, environmental and socio-economic reporting and stakeholder engagement.

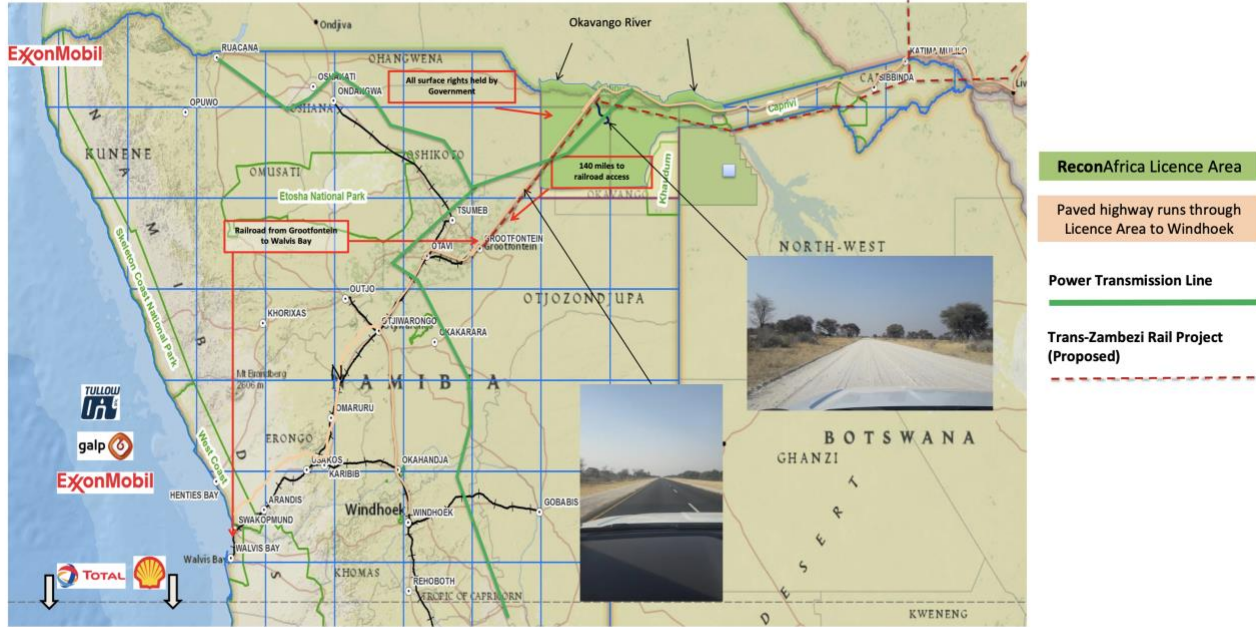


**Shiraz Dhanani** **Lead Geophysicist**  
 More than 40 years' experience with BP and Exxon, focusing on new country access with a strong focus on Africa, specialized in seismic operations.

### Grayson Andersen 8:56

Our people everybody talks about people today, here, our technical people, Jay Park, many of the people in the room are very familiar with Jay. He's a Calgary-based lawyer who's done International Petroleum law for multiple decades. Jim Granath, Scot Evans, our CEO, former Halliburton, and Exxon. And the honorable Diana McQueen is our Senior Vice President of Communications, as many of you are aware, she's the former energy minister and Environment Minister here in Alberta.

## MONETIZING THE HYDROCARBONS; HIGH QUALITY LOCAL INFRASTRUCTURE



### Grayson Andersen 9:23

We talked about monetizing the hard hydrocarbons. It's something that everybody talks about. Namibia being a former German colony has phenomenal infrastructure, you can see the roads are well paved and well maintained. There's a rail network and a transmission network, where we can monetize both oil and gas turning molecules into electrons.



## ESG: A COMMITMENT FROM THE START

### Commitment to ESG from the start

- Develop Carbon offset projects lock step with project development
- Reforestation, offsets, emissions reductions

### N\$112 million (C\$10m) ESG Commitment

- N\$20 (C\$1.35) million donated for COVID relief efforts
- 22 fresh water well drilling program for regional communities, 14 drilled
- Educational, agricultural and health & wellness focus

### Strategies to align with Namibian and Global Best Practices

- Namibia's Vision 2030, Harambee Prosperity Plan, NDP5
- CDP, UN Global Compact, TCFD, SASB, GRI Sustainability Disclosures

### Active Engagement with Local Communities

- Strong local hiring and training policy
- Comprehensive Stakeholder Consultation, Environmental Impact Assessments and Environmental Management Plans for all projects and activities

### Strict adherence to regulations and environmental best practice

- No drilling in environmental sensitive areas, local ecosystems will be protected
- Working in concert with all relevant Government Ministries

Solar Powered Water Pumps



ReconAfrica's 1st Community Water Well



Community Water Wells alleviate a long walk for water

### Grayson Andersen 9:49

ESG is critical to any operation [inaudible] these days. Something that we've done, although we've raised about \$100 million, we've committed \$10 million to ESG initiatives, we think this is something that no other exploration stage company has ever done. We have a number of key initiatives, wildlife management reform, education, and, as was mentioned before, we've drilled 16 community water wells so far, we're going to drill another six with the current program and drill more as we go forward with our ESG program. Again, we're starting from a low carbon base, and we're going to maintain a low carbon base, carbon-neutrality from the start. It's a critical part of our business and we know that we have to be the most progressive, dynamic oil company in this day and age given where we're operating.

## RECONAFRICA INVESTMENT CONCLUSIONS

- **Kavango Basin, one of the largest onshore undeveloped basins globally**
- **Strong government support, competitive fiscal terms, stable regulatory and political environment**
- **Fully funded exploration program with near term catalysts**
- **Seismic interpretation confirms:**
  - consistency with the rift basin origin of the Kavango Basin
  - target rich environment
- **Multi-well drilling program – expected to commence early Q1 2022**
- **JV Data Room Opens, Significant Partnering Potential – Q1 2022**

Company Owned Jarvie - 1 Drilling Rig



*One Company holds the rights to the entire  
Kavango Basin in Namibia and Botswana - 8.5 mm acres  
– High Impact Exploration –*

### **Grayson Andersen 27:32**

So here's some key conclusions. We have a fully funded exploration program for 2022 We have significantly de-risked the basin through drilling and seismic, and coming up in 2022 multi-well drilling program with joint venturing opportunities for everybody. Thank you very much

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## **Panel Discussion (ReconAfrica-relevant bits selected)**

### **Moderator**

Now, if we come to ReconAfrica, they don't have production. So my question to Grayson is simple. You know, if I was an exploration company with 50 million in the bank, you can spend that easily, we've seen enough listed companies that have spent that money and disappeared. And one of my answers to the first question today would be where have they gone? Well, they spent it and left. Because they didn't have production [inaudible]. So my question to Grayson is slightly loaded: Are you thinking of trying to get into some production, and would coming back to Canada, the small Canadian company that perhaps has some cash flow with increased prices, I did a simple calculation, if you had a \$25 net back on a barrel, for 200 barrels a day, for 365 days a year you generate before tax \$1.8 million. That's a lot of money to pay for the overheads of a company. So would a company that's got 50 million in the bank consider putting production in the base by perhaps merging with [inaudible] that cash flow in Canada who doesn't have the international exposure you have? Is that a question you will be happy to answer?

### **Grayson Andersen**

Thanks, my God. Absolutely. You know, our problem is we have too much land and too much opportunity. So we know we need to systematically de risk it, which is what we're doing now. And what we've been doing for the past year and a bit. Going after something else now would be a distraction for us, we're running 24/7, 365 days a year, Scot Evans, our CEO likes to call it, we want to have basin mastery of the Kavango Basin. And you'll never ever achieve that, it's sort of a theoretical thing. But we want to be able to farm-down multiple parts, or as I said, we believe we have five sub-basins, if we can farm-down three or four of those sub basins and keep one for ourselves wholly, that's kind of the plan or strategy now. You know, we're funded for the next 12 months, but as we've done in the last year, we need to allocate our capital appropriately, get the returns, get the value in the market that's required to make sure that we can fund it ourselves if we have to, or bring in partners who will you know, give us [past] costs plus a carry and, and other other potential things. But for us, you know, going after something else now, we you know, we legitimately don't have the bandwidth. We have everybody within the organization focused on de-risking what we have, and executing strategy whereby we can find commercial hydrocarbons and then get them to production. We're, you know, one of the slides in the presentation was, you know, getting it to market and we're already analyzing what are truck sizes, what a railcar sizes, how many tanks we're going to need at Walvis Bay for tankage, what we need to do for an export jetty, all those types of things. So we think we have the most exciting exploration project, and going into something else right now just doesn't fit.

### **Moderator**

That makes sense. But I still come back to the point I'm going to ask Tony, you know, for a new startup company, exploration is great. But if it doesn't work, you've got nothing left. So how important do you think it is, and I'm not trying to disagree with Grayson, I'm just, I wrote an article about six years ago, called 'Back to the Future', it was saying, look at the successful companies that have got the cash flow to enable them to maintain the effort to quantum leap through a series of projects. So I'd still come back



to Recon and say, perhaps they should consider a small producing asset that will [bankroll] their activities, and I understand the issue with bandwidth.

**Grayson Andersen**

We own our own rig. So at the end of the day, we could be an African drilling company, if nothing else.

**Moderator**

Well, that's a fair one.

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**Moderator**

With that, it comes to expertise, because clearly, you will have specific knowledge in your countries, whether it's legal, whether it's technical, whether it's politics, and how to manage the community, or indeed pick out a completely new basin, and go to a place with fantastic fiscal regimes. So let's come back, with the minutes we've got left here to talk about Canada again, and the expertise in the room. I mean, I see a lot of friends here. And many of them either consulting or about or want to be retired. There's very few young people around with the experience, there's a massive gap, I talk about the '84 to 2003 crash. But there's a huge amount of experience here, for those companies that are going to need it if they go and find it. Now, how long that will be available, I have no idea. But I think Canada has the attitude to achieve it. So, I mean, Grayson, you're a Canadian-based company, you've got lots of talented people on your management sheet. And you've used that expertise. What do you say to a new company about how they access international knowledge from within Canada.

**Grayson Andersen**

So at the end of the last panel, the moderator asked, you know, three important things. And, you know, I was thinking to myself, you know, based on our experience in the last few years, it's just people, people and people. Our technical team, our board, our directors, are all incredible, with phenomenal track records of delivering, no matter what they've done in their career. We've recently opened an office here in Calgary, because we understand as a company, there is a dearth of expertise here that's being underutilized or has been underutilized. You know, not a lot of people, you know, I guess some younger people apparently don't want to go international or maybe don't even want to do this industry, whether you're an engineering or geologist, they want to do other things. But there is still an incredible amount of technical capital in this town. And that's why we've recently opened an office here. And we're continuously expanding. The other thing that we realized in country is how important local people are. So we've got the sort of high end management technical people, we've got technical people in the right places being Calgary, you know, Scot and Nick Steinsberger are in Dallas. But for us, the revolutionary thing for the execution of our business this year has been the growth of Reconenergy Namibia, you know, we're up to 23 or 24 people, we've just hired two people this week, we've hired three people in Botswana this week. Without the local people, you can't have the real impact and change that you really need to get your social licence and maintain your social licence as you want to build a project. So for us, Calgary is super important because, you know, if you look at the services, Polaris, we use Absolute Imaging [Inc.] for our seismic processing in addition to Down Under [Geosolutions (America)



LLC], which is Australian based. So, you know, we've been a global company, kind of from the start, even before COVID hit, and the pandemic hit. But Calgary is a very important place for us because we realize the skill set is here, the knowledge is here, the services are here. And we need to be bigger here. So that's what we're doing.

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**Moderator**

And finally, a word from you Grayson. What is what about this timing issue? It took you a while to get started, now you're started, you're really focused on this. How long do you think it's going to really take you before, you'll be able to say, Well, it worked, it didn't work, let's be honest,

**Grayson Andersen**

Time, time, time is a critical business issue to consider every single day. You know, when we're going into a joint venture process, how much time is left on our exploration acreage. You know, with extension periods, etc, we think we could get out, you know, currently to 2024 with an additional extension period to 2026-27. And then there's a potential for a third extension period. So we've got lots of duration on our land. From a markets perspective, because I'm a markets guy, we're an exploration company, when exploration companies don't [inaudible, 'produce'?), the market generally doesn't care about them. So you know, rush and go as quickly as possible to shoot 450 kilometers of seismic, get it processed, now interpreting it so that we can get back drilling, as soon as the calendar turns over to 2022. Because once we start drilling, we're not going to stop drilling, you know, we have to get to commercialization. So what does commercialization time mean? You know, having started working with different parties, on the commercialization strategy, we think that, you know, we always know internationally, you're going to get your timing wrong, but we think, in a 12 to 18 month window, you could go from discovery, to production and sales in Namibia, onshore, this is a great thing, you know, onshore hasn't been done like this in a long time. So cycle times are low, costs are low. As long as you have the support of the government, the people and we do, you know, we we may not have the support of the media, but our industry generally doesn't have the support of the media anywhere these days. So, yes. So we have the support of local governments, national governments, and the people. We have a social licence to operate, and if we can do that, then we can we have a better chance of reaching our time goals and achieving them than if we don't do it.

**Moderator**

Well, I think we're out of time. And I'd like to thank the panel enormously for a huge subject, which is impossible to cover in an hour and 40

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