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## Overview

ReconAfrica (RECO-TSXV) is exploring for oil and natural gas in the newly discovered Kavango Basin, onshore Namibia and Botswana, the largest undeveloped hydrocarbon basin in the world. The company owns 8.5M acres, which include 6.3M net acres in Namibia and 2.2M acres in Botswana, covering the entire Kavango Basin. The first resource report for the Kavango Basin, using 450km of 2D seismic and the results of two stratigraphic test wells, identified prospective resources of over 5.2 billion bbls of original oil in place and over 2.1 Tcf of original gas in place, including recoverable resources of 1.0 billion bbls of oil and 1.4 Tcf of natural gas (risked recoverable 73.5 million barrels of oil and 32.4 bcf of natural gas). The company is debt free and owns its own drilling rig, providing financial and operational flexibility. The company is fully funded for its upcoming multi-well drilling campaign and additional phases of 2D seismic.

## The last oil frontier

The history of Reconnaissance Energy Africa, broadly known as ReconAfrica, began in 2014 when the company acquired the PEL73 license in Namibia and embarked on a journey to explore the Kavango Basin, a massive undeveloped and previously unknown basin covering a vast area of 8.5M acres in NE Namibia and NW Botswana. Through two licenses, RECO has gained exclusive access to the whole basin, positioning the company as the sole player in the region.

The first two stratigraphic wells confirmed several intervals of interests containing oil and natural gas. These wells have confirmed a significant rift basin similar to the other major petroleum provinces/rift basins including onshore Africa and areas of the North Sea. In addition, more than 1,200km of 2D seismic acquired by the company resulted in significant targets and leads that RECO could target during the exploratory campaigns.

Management has indicated that the company could be poised to initiate production in the next 12-18 months, depending on the success of the exploration program. The company notes it has a well-delineated marketing plan thanks to existing infrastructure in the region.

ReconAfrica was granted an Environmental Clearance Certificate (ECC) by the Government of Namibia, which included approval to drill exploration stratigraphic wells. RECO has designed its drilling plan to take into account the environment and wildlife by establishing wider buffer zones than required, aiming to minimize the impact it has on animals and ecologically sensitive areas. For the drilling process, the company has been using a 100% organic, water-based, biodegradable, chloride-free drilling fluid system that minimizes the environmental footprint.

## Some key milestones

Since 2020, ReconAfrica has sped up its development through a series of initiatives:

- Acquired a 1,000 HP drilling rig in February 2020.
- Drilled the first well (Kawe 6-2), which encountered 198m of light oil and natural gas in April 2021.
- Drilled a second well (Mbambi 6-1), which encountered 350m of oil and gas in July 2021.
- Acquired 450km of 2D Seismic, completed in October 2021.
- Phase 2 of 2D Seismic covering 761km recently completed in June 2022.

## What to watch next

ReconAfrica has unveiled a well delineated roadmap, which includes a multi-well drilling program and 2D seismic acquisition. The upcoming milestones include:

- Drilling of the third well "8-2", which is targeting 799MMbbls of Original Oil in Place (OOIP) and is currently on the drilling process.
- Drilling of the fourth well "3-1", which is targeting 158MMbbls of OOIP and is expected to be drilled by September.
- Acquisition of a third phase of 2D seismic of around 1,000 linear km.
- JV earn-out process that the company expects to complete during 2022.

## Key Metrics

<b>Price</b>	C\$5.57	<b>Chairman</b>	Craig Steinke
<b>Market Cap (M)</b>	C\$1,101	<b>CEO</b>	Scot Evans
<b>Shares Out (M)</b>	200.9	<b>CFO</b>	Carlos Escribano
<b>LTM Revenue (M)</b>	C\$10.3	<b>SVP D&amp;C</b>	Nick Steinsberger

## Management

## Headquarters

Reconnaissance Energy Africa Ltd.  
885 West Georgia St., 2200  
Vancouver, BC, V6C 3E8  
+1.604.423.5384

## Global Locations

Operations in Mexico, Namibia and Botswana  
HQ in Vancouver

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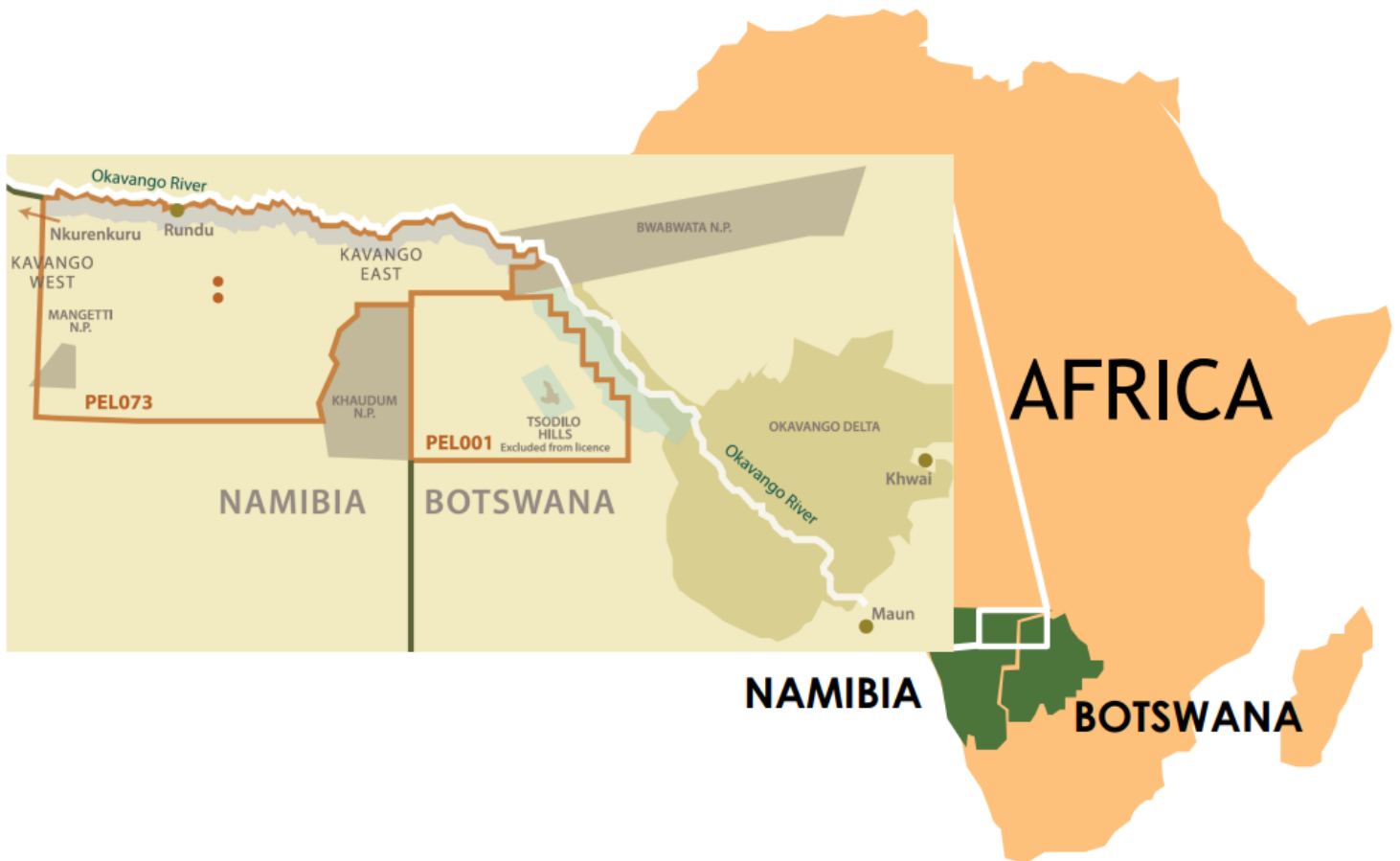
**For important information, please see the Important Disclosures beginning on page 15 of this document.**

## ReconAfrica

Reconnaissance Energy Africa, broadly known as ReconAfrica, is a Canadian-based oil and gas company engaged in exploration and development of hydrocarbons in Northeastern Namibia and Northwestern Botswana. RECO got a 90% interest in the Namibia License in 2015, entitling the company to a 25-year production period that can be extended for an additional 10-year period, with the National Petroleum Company of Namibia (NAMCOR) holding the remaining 10% interest. In June 2020, ReconAfrica was granted a petroleum license in Botswana that also includes a 25-year production period. Through these licenses, the company is covering the entirety of the newly discovered Kavango Basin. In addition, after the acquisition of Renaissance in July 2021, the company owns a working interest in four blocks in Mexico.

As part of its first exploration program, ReconAfrica commenced drilling the initial stratigraphic well in January 2021, drilled to a total depth of 7,525 feet, which yielded positive results encountering almost 660 feet of oil and gas across five discrete intervals. The second well was spudded in May 2021, reaching a total depth of 9,121 feet, which was successful as well, including 1,148 feet of hydrocarbons over seven intervals. The company has been using its own drilling rig, a 1000HP Crown purchased in 1Q20.

**Figure 1: ReconAfrica core assets map**



Source: Company Reports

**Figure 2: Company-owned drilling rig - Jarvie-1**



Source: Company Reports

## Licenses overview

### Namibia

- ReconAfrica holds a 90% Working Interest in Petroleum Exploration License 73.
- NAMCOR holds 10% carry to commerciality.
- 25-year production license extendable for an additional 10-year period.
- 5% Royalty on hydrocarbons produced.
- 35% Corporate income tax.
- Additional profits tax depending on after tax IRR. Between 15% and 20% the rate is 25%, between 20% and 25% the rate is 28%, and if IRR is above 25%, the rate is 29%.

### Botswana

- ReconAfrica holds a 100% Working Interest in Exploration License 001/2020.
- 25-year production license extendable for an additional 20-year period.
- Royalties between 3% and 10% subject to negotiation.
- 22% Corporate income tax.

## Exploration Commitments

As part of the exploration licenses, RECO has significant work commitments in Namibia and Botswana. Below we highlight the key terms on each license:

### Namibia

The Petroleum Agreement describes an eight-year exploration work program that includes the following phases:

- Initial Exploration Period (4 years): Minimum expenditure of US\$5M.
- First Renewal Exploration Period (2 years): Minimum expenditure of US\$10M.
- Second Renewal Exploration Period (2 years): Minimum expenditure of US\$10M.

The company had already fulfilled the work requirements for the Initial Exploration and First Renewal period by December 2021.

### Botswana

The Petroleum License includes the following terms:

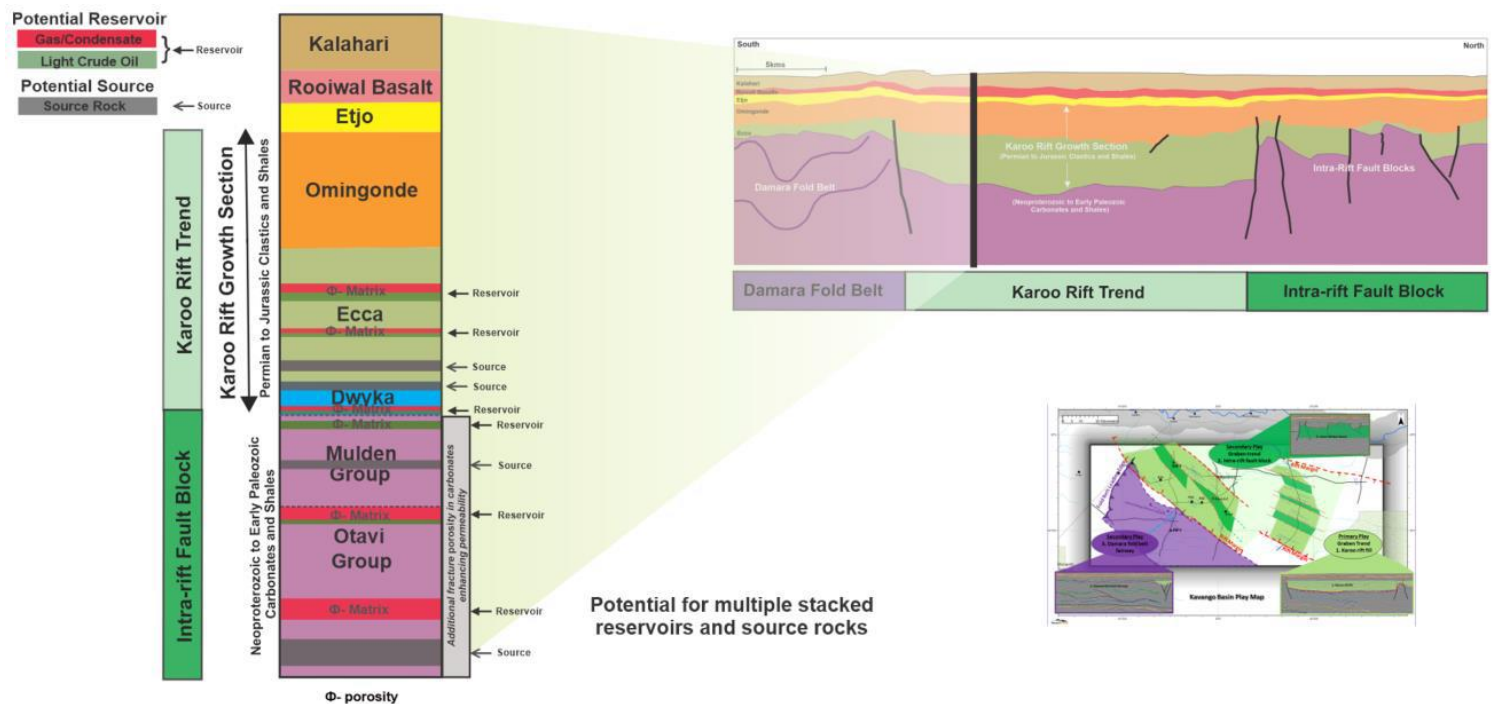
- Initial Exploration Period (4 years): Minimum work program of US\$432k.
- The company has the right to extend the exploratory period up to January 2034.

## The Kavango Basin

ReconAfrica controls virtually all of the Kavango Basin through its exploratory licenses in Namibia and Botswana that span over 8.5M acres (6.3M net acres in Namibia and 2.2M acres in Botswana). This newly discovered basin was completely unexplored until the company initiated its exploration program.

Thanks to drilling and 2D seismic, six potential reservoirs and four potential source rock intervals have been identified in the rift trend and intra-rift fault blocks. The two stratigraphic test wells were drilled on intra-rift fault blocks and encountered multiple potential reservoirs in both the Permian Karoo graben rift fill and the pre-rift carbonates. These wells encountered O&G within the Karoo and pre-rift intervals. In addition, the company has sampled thermogenic gas seeps on the block that are likely coming from a deeper Damara trend.

Figure 3: Stratigraphic column for the Rift Graben areas of the Kavango Basin



Source: Company Reports

Of course, the marketing of the hydrocarbons takes a very important place in any company's strategy. This becomes even more critical as Namibia does not have refining capacity so far.

The company sees the best choice to sell its O&G to be the Walvis Bay deep-water port, a world-class commercial port located in the African west coast. From the Kavango Basin, the first part of the journey starts with trucking over 140 miles (225km) until reaching Gootfontein. From there, the remaining 392 miles (631km) are covered by the Transnamib railroad that ends in the port facilities.

The company believes that after commerciality, three phases could be developed that would improve marketing conditions:

- Phase 1: Trucking and rail to Walvis Bay
- Phase 2: Rail extension through its license into Zambia that would directly connect the block with Walvis.
- Phase 3: Pipeline solution.

Figure 4: Access to Infrastructure, Kavango Basin



Source: Company Reports

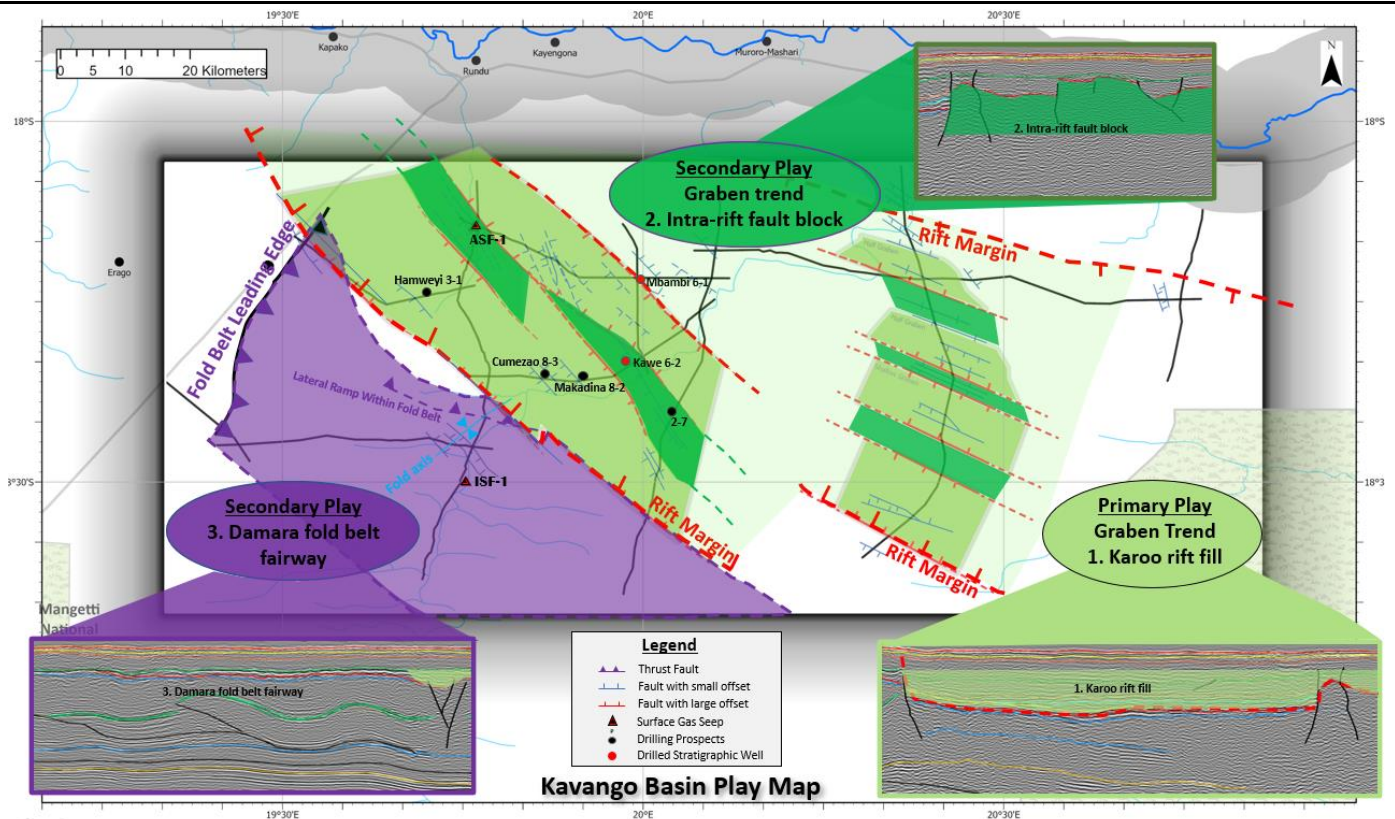
## Operations overview and reserves

ReconAfrica operations are mostly focused on its Namibia and Botswana plays. The company also owns interests in some blocks in Mexico within the Veracruz and Chiapas regions. Nonetheless, the most important operation for the company is the Kavango Basin, in which it has already commenced its exploratory endeavours. ReconAfrica has established three different hydrocarbon plays as part of the drilling program and the 2D seismic interpretation, which the company will test during the upcoming drilling schedule:

- Primary: Karoo Rift Fill (Light Oil)
- Secondary: Intra-Rift Fault Blocks (Light Oil)
- Secondary: Damara Fold Belt (Gas/Gas Condensate)

Within these plays, the company has identified four ready-to-drill high impact targets. This initial four-well program will be executed continuously during 2022 and early 2023 and will target seismically defined structures with the objective of testing two of the three play types: (1) oil prone Karoo Rift Fill and (2) Intra-Rift Fault Block plays. This drilling will help ReconAfrica identify and determine commerciality of the resources. In the next map (Figure 3), the company shows the drilling prospects identified.

Figure 5: Kavango Basin play map

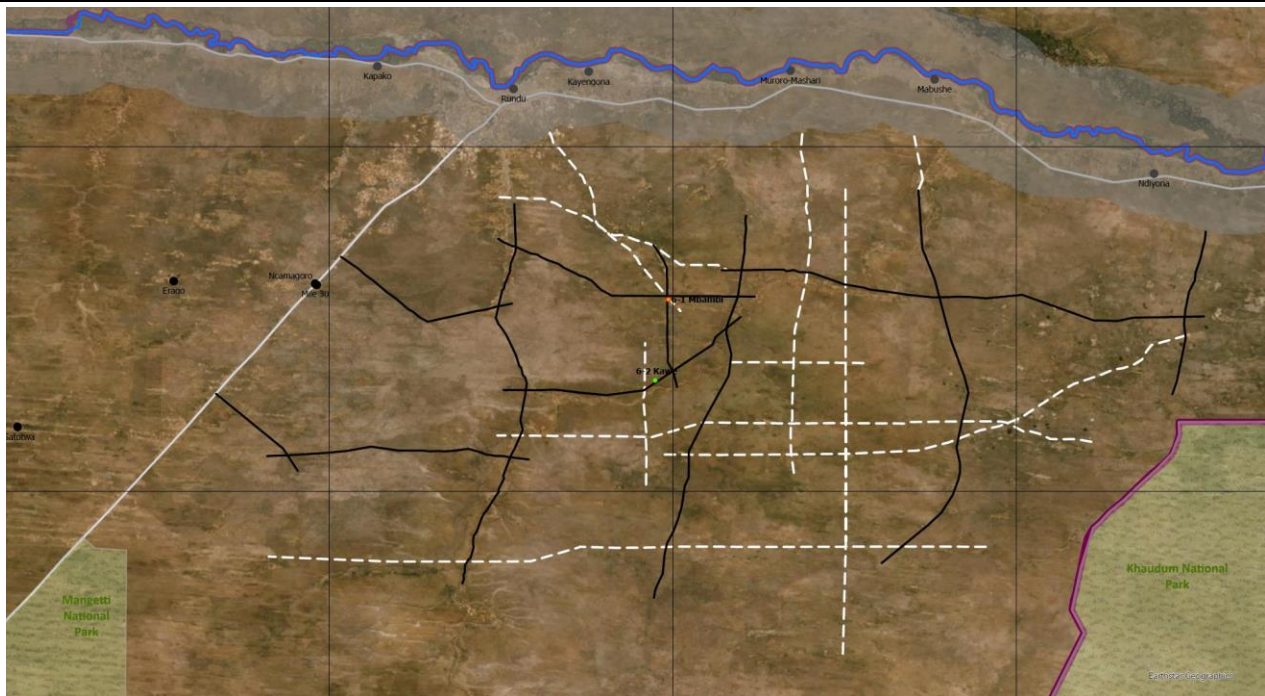


Source: Company Reports

The first well drilled was the "8-2", which was spud on June 25 and will be drilled to a total depth of 9,184 feet in 60 days. This well will test the potential of the Karoo Rift Fill but will also target the Pre-Karoo Mulden and Otavi formations identified in the 6-2 well. Interestingly, a report prepared by Netherland, Sewell & Associates Inc. (NSAI), the company's independent qualified reserves evaluator, has estimated unrisked gross 799MMbbls of original oil in place (OOIP). The second well, "3-1", is expected to be drilled by September and will test the western extension of the field targeting 158MMbbls of OOIP.

In addition, ReconAfrica recently completed Phase 2 of the 2D seismic acquisition program that comprised 761 linear km. Altogether, the first two phases have covered 1,211km of 2D seismic, and the company is expecting a new Phase that will cover more than 1,000km of 2D seismic and will begin during the fall of 2022 (subject to permitting).

Figure 6: 2D Seismic programs



Source: Company Reports. Note: Phase 1: Black solid lines, Phase 2: Dashed white lines

**Delineating the first resources estimates**

In May 2022, ReconAfrica announced the filing of the prospective resources report that includes the very first estimates for the Kavango Basin. This report prepared by NSAI is based on 35 leads located within the petroleum exploration license (PEL) 73 in northeast Namibia, based on the first phase of 2D seismic data (approximately 450km), and information from the first two wells drilled in the basin (the 6-2 and 6-1 wells).

Figure 7: Unrisked estimate prospective resources

Company Gross		Company Net after Royalties	
Oil MMbl	Natural Gas Bcf	Oil MMbl	Natural Gas Bcf
899	1,281	854	1,217

Source: Company Reports

### **Well design and ESG considerations**

An important aspect for any O&G E&P company is identifying the best drilling process and well design to reduce costs, achieve the objectives of the drilling, and aid in keeping people and the environment safe.

ReconAfrica was granted an Environmental Clearance Certificate (ECC) by the Government of Namibia that included approval to drill four exploration stratigraphic wells. As part of this program, the company has been drilling conventional stratigraphic wells with the intention to identify the extent and potential of the Kavango Basin. RECO has designed its drilling plan to take into account the environment and wildlife by establishing wider buffer zones than required, aiming to minimize the impact it has on animals and ecologically sensitive areas.

Regarding the drilling process, RECO has been using a 100% organic, water-based, biodegradable, chloride-free drilling fluid system that minimizes the environmental footprint. Furthermore, the company notes the well casing and drilling techniques used ensure that there is no impact on aquifers. The company will also include an [MDT](#) Modular formation Dynamics Tester from Schlumberger that should help to understand the commerciality of the resources without needing to test fluids flow.

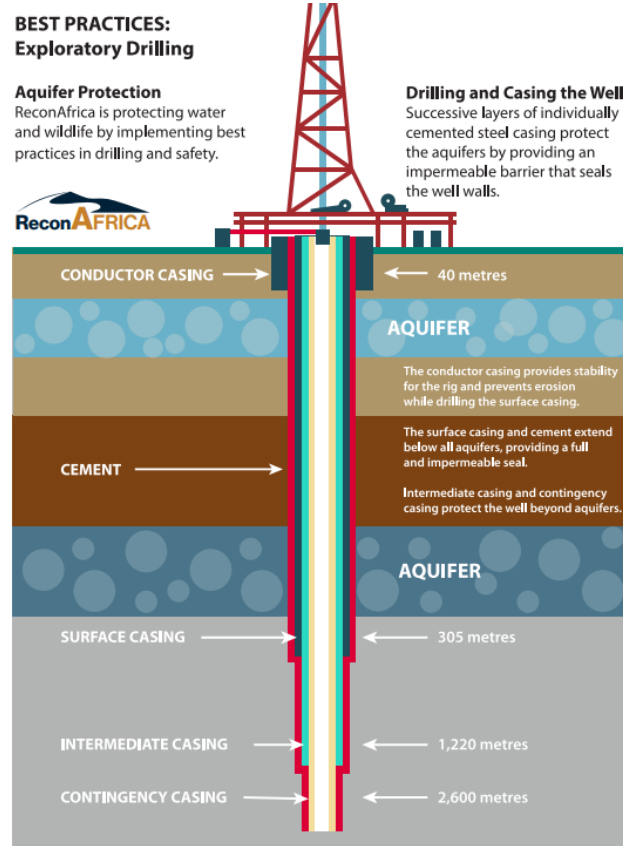
In addition to the exploratory drilling program, ReconAfrica got another ECC for a seismic program, which was designed as a 2D low-impact seismic survey using technically advanced and environmentally responsible techniques. The Explorer 860 system, designed by the Canadian company Polaris, requires a single small tractor (less than three meters wide) and all tools involved in testing are designed for minimal disturbance.

Accusations were published by a research firm and in the press that RECO has not been compliant with environmental regulations, or respectful of the environment. RECO has responded with press releases (links [here](#), [here](#) and [here](#)) offering evidence clarifying its activities and stance, and reiterating that it has been operating with all environmental permits required by law. Furthermore, ReconAfrica has established buffer and no-go zones to help protect nearby wildlife and the environment.

As part of its ESG program, ReconAfrica has also committed C\$10M in initiatives in Namibia, which includes drilling and installing water wells for communities located within Kavango East and West, providing school materials and sport equipment to numerous schools in the 2D seismic route, implementing an educational scholarship for 10 first-year students from the region, and supporting the government with N\$15M for Namibia's COVID-19 vaccine rollout campaign, among other initiatives.



**Figure 8: Well design example**



Source: Company Reports

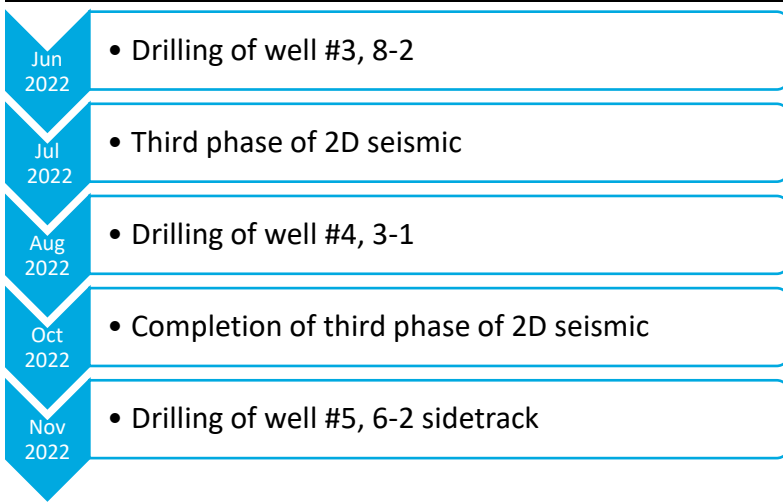
### Mexico Blocks

In Mexico, the company owns a 100% working interest in the Chiapas and Ponton Blocks and a 25% stake in the Amatitlan block (Veracruz), where Lukoil is the partner. The group has not satisfied the commitments it had by the end of April but is currently working with the Comision Nacional de Hidrocarburos (CNH) in order to get an extension.

The CNH might also try to seek a direct payment obligation or pursue further action against the company, which could represent a negative outflow. Nevertheless, even if the CNH takes any of these approaches, it is unlikely that the situation will be solved in the short term.

Past and upcoming milestones

Figure 9: Upcoming milestones



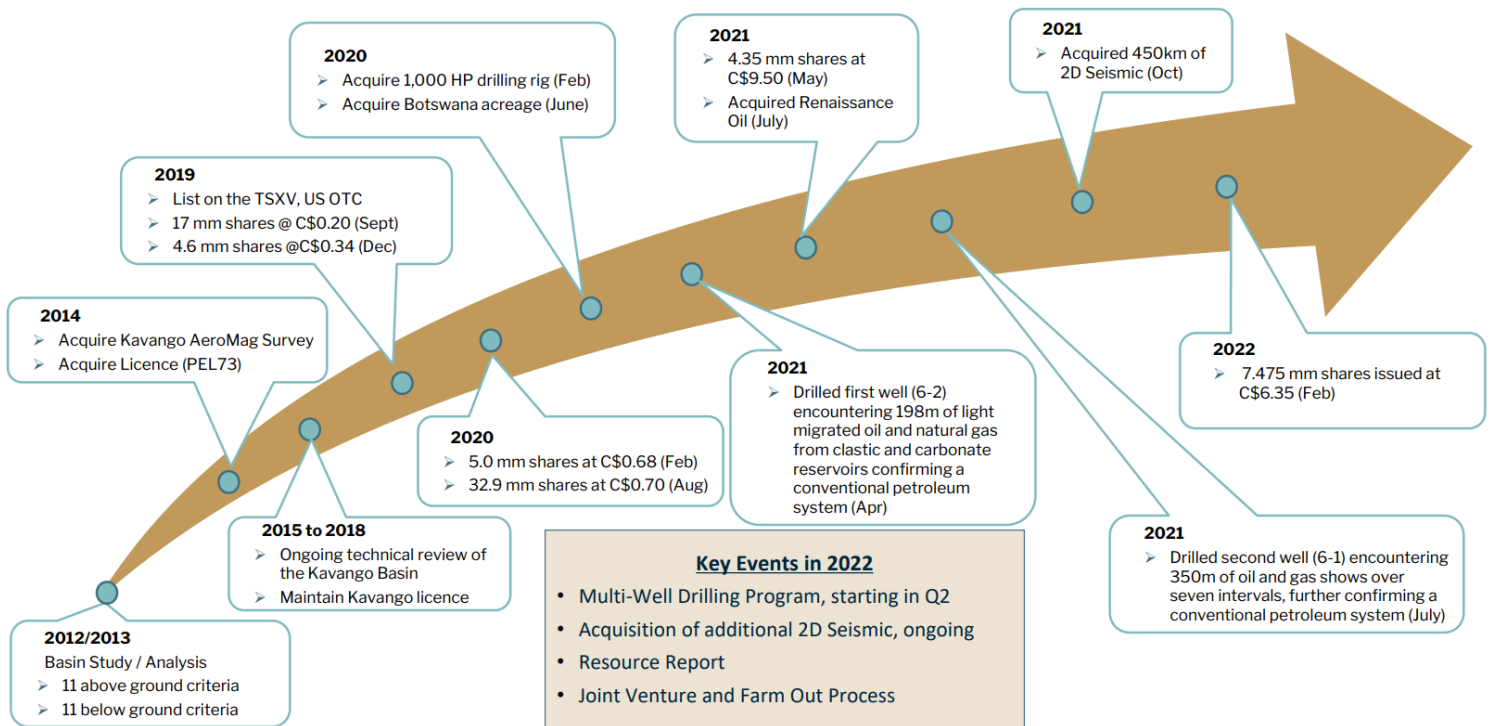
Source: Company Reports, Canaccord Genuity

During 2022, the company has planned a multi-well campaign that it expects will help increase the knowledge of the basin and determine resources with more certainty, as well as help to probe the commerciality of the resources.

As mentioned, ReconAfrica is expecting to drill four wells consecutively, starting with 8-2 during June. Updates around drilling campaigns are generally noteworthy for E&P companies.

We also note that the company has been targeting a farm-out joint venture for 2022, which RECO seems to be targeting for the last quarter. Management believes additional drilling and acquiring more 2D seismic could help the process, as the more information the company gathers, the more appealing it could become for potential partners.

Figure 10: ReconAfrica milestones from 2013 to 2022



Source: Company Reports

## Financial overview

### Latest financings

ReconAfrica has a small revenue stream coming from its Mexican operations. Nonetheless, the company is focused on its African assets. During the last few years, the company has been quite active in equity capital markets as it requires intensive capital in order to pursue its exploration programs within the Kavango Basin. Below we detail the company's latest financings:

**Figure 12: ReconAfrica last two years financings**

Date Announced	Transaction Type	Gross Proceeds C\$M	Issuance Price C\$/sh	Shares Issued (000s)	Warrants Issued (000s)
Aug 4, 2020	Public Offering	\$23.0	\$0.7	32,855	32,855
Feb 10, 2021	Warrants Exercise	\$34.3	\$1.0	34,300	-
May 5, 2021	Public Offering	\$41.4	\$9.5	4,358	2,179
Feb 8, 2022	Public Offering	\$47.5	\$6.35	7,475	7,475

Source: Company Reports, FactSet, Canaccord Genuity

RECO notes the latest round secures the company's financing needs for the on-going exploratory program and the planned seismic surveys. As we will see in the next section, the company has a clean balance sheet with ~C\$100M in cash and currently debt-free.

RECO's latest offering has been the largest YTD among Canadian O&G E&P companies. In Figure 13, we show all the completed equity offerings done by Canadian O&G companies during 2022.

**Figure 13: Canadian O&G E&P Equity Offerings, 2022 YTD**

Date Announced	Company	Ticker	Transaction Type	Gross Proceeds C\$M	Issuance Price C\$/sh
Feb 3, 2022	ROK Resources	ROK	Follow-on	\$13.51	\$0.14
Feb 3, 2022	Source Rock Royalties	SRR	IPO	\$10.8	\$0.71
<b>Feb 8, 2022</b>	<b>ReconAfrica</b>	<b>RECO</b>	<b>Follow-on</b>	<b>\$47.50</b>	<b>\$6.35</b>
Feb 22, 2022	Avanti Energy	AVN	Follow-on	\$8.1	\$0.97
Feb 28, 2022	Journey Energy	JOY	Follow-on	\$9.59	\$3.35

Source: Company Reports, FactSet, Canaccord Genuity

## Capital Structure

ReconAfrica trades on the TSXV under the symbol RECO. Figure 14 shows ReconAfrica's Capital Structure based on latest market information. Balance sheet items such as shares outstanding, cash, and debt are based on the latest reported period (1Q22).

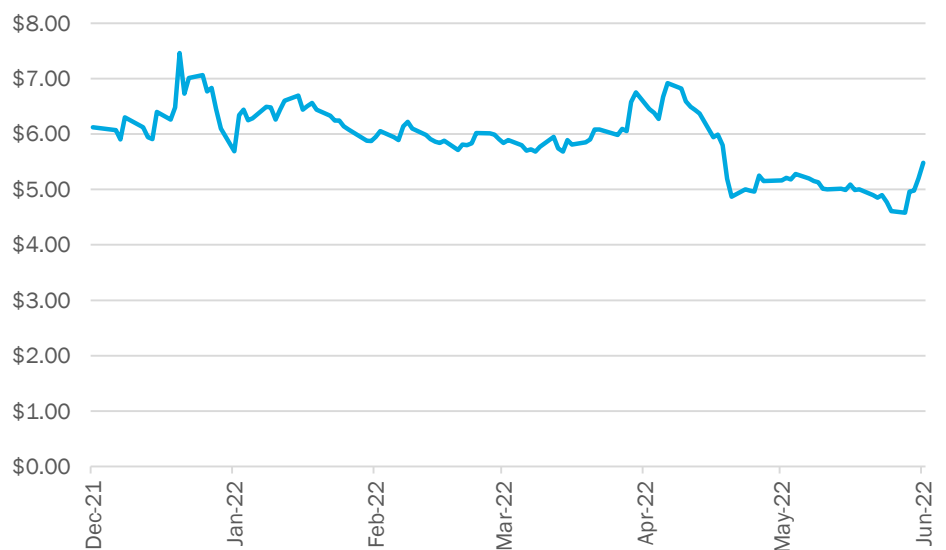
**Figure 14: Capital Structure and Enterprise Value**

in 000s	# of Shares
<u>Prices of June 27, 2022:</u>	
<b>Common Shares Outstanding</b>	<b>200,876.4</b>
Warrants (average exercise price C\$8.37)	16,230.2
Compensation options (exercise price C\$6.73)	1,152.5
Share options (average exercise price C\$5.54)	18,388.4
<b>Fully Diluted</b>	<b>236,647.5</b>
<b>Enterprise Value</b>	
Share price, C\$/share	5.48
Market cap, C\$M	1,100.8
Cash, C\$M	102.5
Debt, C\$M	0.0
<b>Enterprise Value, C\$M</b>	<b>998.3</b>

Source: Company Reports, FactSet, Canaccord Genuity

## Stock performance and volume

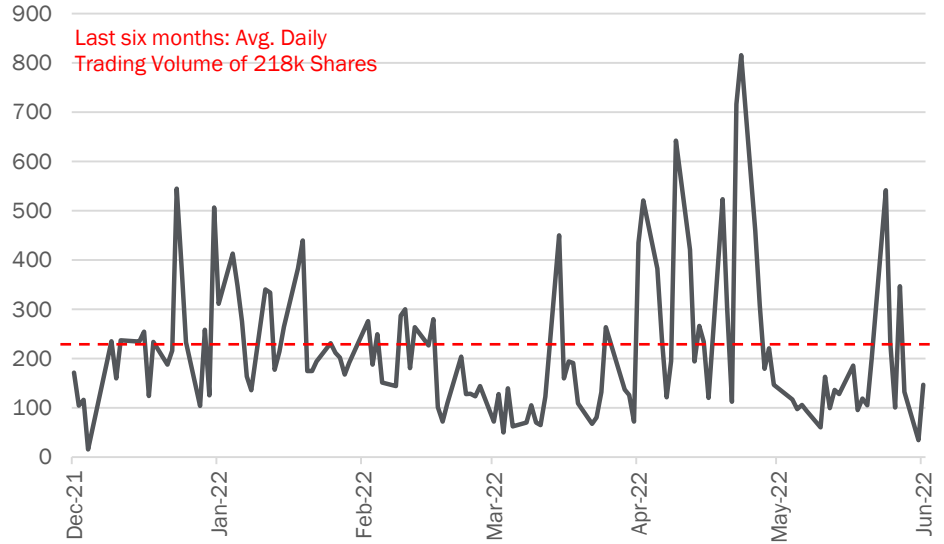
**Figure 15: ReconAfrica share price performance, last six months, daily**



Source: FactSet, Canaccord Genuity

We note that ReconAfrica is showing a 6-month Average Daily Trading Volume (ADTV) of US\$1.3M. In Figure 16, we exhibit the volume in thousands of shares for the last six months.

**Figure 16: ReconAfrica volume in thousands of shares, last six months, daily**



Source: FactSet, Canaccord Genuity

## Leadership team

Figure 17: Directors and officers



Source: Company Reports, Canaccord Genuity

### **Craig Steinke – Executive Chairman**

Mr. Steinke, founder of ReconAfrica, serves as its executive chairman. An entrepreneur and businessman, he brings over 25 years of experience in identifying, developing, and financing O&G projects in various regions. He is a member of the Association of International Petroleum Negotiators.

### **Mark Gerlitz – Lead Director**

Mr. Gerlitz is the Principal of MonteLago Consulting, which provides advisory services to the International Energy Industry. He has over 20 years of experience advising international energy companies across the entire energy value chain. He is a member of the Association of International Petroleum Negotiators.

### **Dr. Joseph R. Davis – Director**

Dr. Davis has more than 40 years of experience as an O&G geologist, and he led the technical team that discovered the Kavango Basin. He has a PhD in Geology from the University of Texas and serves as Secretary of the Trustee Associates of the American Association of Petroleum Geologists (AAPG) Foundation.

### **Scot Evans – CEO**

Mr. Evans was appointed CEO in August 2020. He is an energy industry leader with over 35 years of experience, including senior roles at Exxon, Landmark Graphics, and Halliburton. With experience in several plays in the US and internationally, he is an expert in developing new field resources.

### **Carlos Escribano – CFO**

Mr. Escribano was appointed CFO in January 2020. With more than 14 years of experience in senior level financial management, he has served as CFO for public multinational companies in the natural resources space. He is a CPA and graduate of the University of British Columbia.

### **Nick Steinsberger – SVP, Drilling & Completions**

Mr. Steinsberger has 32 years of experience in petroleum engineering, drilling and completions, production, and surface facilities. In July 2003, he began Steinsberger Gas Consulting and is considered a world leader in completions and well design, having supervised over 1,500 well programs in North America.

### **Diana McQueen – SVP, Corporate Communications & Stakeholder Relations**

Ms. McQueen is a Senior Policy advisor and business development manager in the fields of Energy, Environment, Regulatory, Indigenous Relations, and Municipal Issues. Highly experienced in governmental affairs, she has held several cabinet roles in Alberta including Ministry of Energy, Ministry of Environment & Water, and Ministry of Environment & Sustainable Resource Development.

## Appendix: Important Disclosures

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### Investment Recommendation

Date and time of first dissemination: June 30, 2022, 04:00 ET

Date and time of production: June 30, 2022, 08:08 ET

### Distribution of Ratings:

#### Global Stock Ratings (as of 06/30/22)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	641	67.83%	37.13%
Hold	132	13.97%	16.67%
Sell	11	1.16%	18.18%
Speculative Buy	156	16.51%	39.74%
	945*	100.0%	

\*Total includes stocks that are Under Review

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**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

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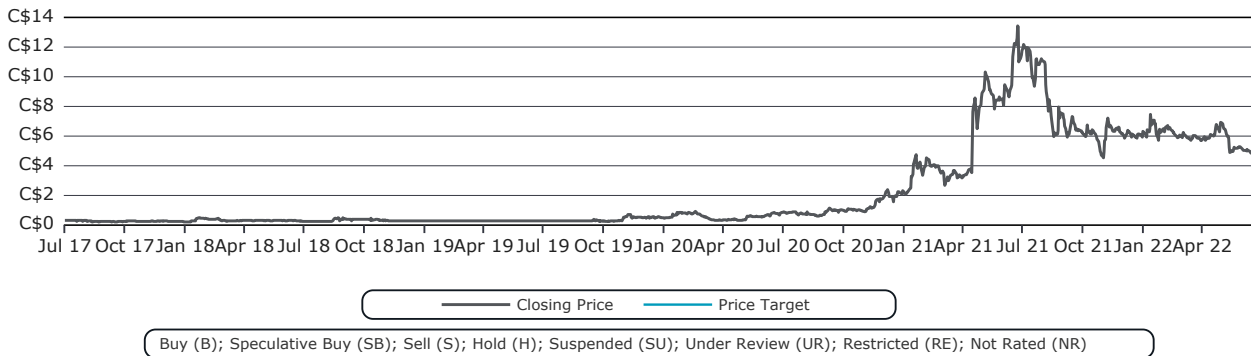
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In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Investment Banking services from Reconnaissance Energy Africa Ltd. .

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**Reconnaissance Energy Africa Ltd. Rating History as of 06/29/2022**



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