Consolidated Financial Statements

March 31, 2023 and December 31, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Reconnaissance Energy Africa Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Reconnaissance Energy Africa Ltd. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2023, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the 15 month period ended March 31, 2023, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2023, and its financial performance and its cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company's revenues are not sufficient to fund ongoing operations and the Company may be required to raise new financing through the sale of shares or issuance of debt to continue with its operations and to develop its assets should payment be required on the balance of royalties payable. Accordingly, the Company's continued successful operations are dependent on its ability to obtain additional financing. Although management has been successful in raising capital in the past, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company. As stated in Note 1, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets totalled $113,753,023 as of March 31, 2023. As more fully described in Note 3 to the consolidated financial statements, management is required to assess the E&E Assets for indicators of impairment when facts and circumstances suggest that the carrying amount of the E&E Assets may exceed its recoverable amount.

The principal considerations for our determination that the assessment of impairment indicators of the E&E Assets is a key audit matter are that there was judgment made by management when assessing whether there were indicators of impairment for the E&E Assets, specifically relating to the assets' carrying amount which is impacted by the legal and regulatory environment in the jurisdictions in which the Company operates. This in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to prepare an estimate of the recoverable amount of the E&E Assets.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, among others:

- Obtaining an understanding of the key controls associated with evaluating the E&E Assets for indicators of impairment.
- Examining management's assessment of impairment indicators of its E&E Assets.
- Examining the regulatory framework in the jurisdictions where the Company is licensed to carrying out exploration activities through discussions with management and reviewing published information.
- Assessing compliance with agreements and expenditure requirements including examining license agreements and other supporting documentation that evidence compliance within the terms of the agreements.
- Obtaining, from legal counsel, confirmation of title to corroborate that the E&E Assets are in good standing.

Other Matters

The consolidated financial statements of Reconnaissance Energy Africa Ltd. for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 28, 2022.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Grant P. Block.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

July 31, 2023

RECONNAISSANCE ENERGY AFRICA LTD.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars, unless otherwise stated)

		March 31, 2023		December 31, 2021
ASSETS				
Current Assets				
Cash	**$**	**38,814,806**	$	61,153,991
Restricted cash (Note 5)		**17,147,713**		-
Trade receivables		**7,587,176**		9,825,608
Other receivables		**5,172,348**		1,749,836
Prepaid expenses		**849,622**		867,482
		69,571,665		73,596,917
Exploration and evaluation assets (Note 6)		**113,753,023**		54,388,201
Property, plant and equipment (Note 7)		**5,603,719**		5,943,460
Total Assets	**$**	**188,928,407**	$	133,928,578
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**7,807,604**	$	6,638,213
Royalties payable (Note 8)		**94,948,453**		41,013,348
Decommissioning liabilities (Note 10)		**730,443**		-
		103,486,500		47,651,561
Decommissioning liabilities (Note 10)		**1,799,329**		758,184
Deferred tax liability (Note 15)		**316,168**		294,112
Total Liabilities	**$**	**105,601,997**	$	48,703,857
Shareholders' Equity				
Share capital (Note 11)		**355,031,053**		311,000,325
Reserves (Note 11)		**73,080,671**		48,588,119
Deficit		**(347,110,310)**		(274,162,169)
Accumulated other comprehensive income ("AOCI")		**2,324,996**		(201,554)
Total Shareholders' Equity		**83,326,410**		85,224,721
Total Liabilities and Shareholders' Equity	**$**	**188,928,407**	$	133,928,578

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 14)
Subsequent events (Note 17)

These consolidated financial statements were authorized for issue by the Board of Directors on July 31, 2023.
Approved by the Board of Directors:

______*"Craig Steinke"*_________ Executive Chairman ______*"Mark Gerlitz"*_________ Director

The accompanying notes are an integral part of these consolidated financial statements.

RECONNAISSANCE ENERGY AFRICA LTD.

Consolidated Statements of Loss and Comprehensive Loss

(Expressed in Canadian Dollars, unless otherwise stated)

		15-Month Period Ended March 31, 2023		Year Ended December 31, 2021
INCOME				
Revenue	**$**	**32,637,218**	$	10,409,713
Royalties		**(26,429,369)**		(8,217,849)
		6,207,849		2,191,864
EXPENSES				
Production costs		**1,657,634**		669,983
Resource property evaluation		**3,632,996**		1,325,888
General and administration (Note 12)		**30,168,446**		14,757,680
Repairs and maintenance		**318,376**		-
Depreciation		**38,556**		34,383
Accretion (Note 10)		**84,586**		53,416
Change in decommissioning liabilities (Note 10)		**156,417**		(53,416)
Share-based payments (Notes 9, 11)		**21,268,745**		17,873,077
Settlement of consulting agreement (Note 11)		**-**		11,855,983
Settlement of option agreement (Notes 5, 11)		**-**		110,342,000
Impairment (Note 5)		**-**		105,299,108
		57,325,756		262,158,102
Other Items				
Other income		**(1,492,883)**		(8,314)
Finance expense (Note 8)		**23,362,630**		3,549,410
Exchange gain		**(41,734)**		(394,470)
		21,828,013		3,146,626
Loss before taxes		**72,945,920**		263,112,864
Deferred tax expense (Note 15)		**2,221**		294,112
Loss		**72,948,141**		263,406,976
Other Comprehensive Income				
Items that may be reclassified subsequently to net loss				
Translation adjustment		**(2,526,550)**		217,032
Loss and comprehensive loss	**$**	**70,421,591**	$	263,624,008
Basic and diluted loss per common share	**$**	**0.37**	$	1.60
Weighted average number of common shares outstanding - basic and diluted		**199,739,230**		164,643,046

The accompanying notes are an integral part of these consolidated financial statements.

RECONNAISSANCE ENERGY AFRICA LTD.
Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian Dollars, unless otherwise stated)

	Share Capital					
	Number	Amount	Reserves	Deficit	AOCI	Equity
Balance at December 31, 2020	109,748,157	$ 28,375,266	$ 10,951,307	$ (10,755,193)	$ 15,478	$ 28,586,858
Shares issued:						
Public offering (Note 11)	4,358,040	41,401,380	-	-	-	41,401,380
Issue costs - cash (Note 11)	-	(2,949,349)	-	-	-	(2,949,349)
Issue costs - compensation options (Note 11)	-	(529,797)	529,797	-	-	-
Issue costs - warrants (Note 11)	-	(5,175,453)	5,175,453	-	-	-
Business combination (Note 5)	17,533,264	189,534,584	13,598,308	-	-	203,132,892
Warrants exercise	53,250,294	54,025,784	(8,359,432)	-	-	45,666,352
Compensation option exercise	780,215	970,603	(422,657)	-	-	547,946
Options exercise	3,549,523	5,347,307	(2,613,717)	-	-	2,733,590
Share-based payments (Note 11)	-	-	17,873,077	-	-	17,873,077
Settlement of consulting agreement (Note 11)	-	-	11,855,983	-	-	11,855,983
Loss	-	-		(263,406,976)	-	(263,406,976)
Translation adjustment	-	-	-	-	(217,032)	(217,032)
Balance at December 31, 2021	189,219,493	$ 311,000,325	$ 48,588,119	$ (274,162,169)	$ (201,554)	$ 85,224,721
Shares issued:						
Public offering (Note 11)	7,475,000	43,201,322	4,264,928	-	-	47,466,250
Issue costs - cash (Note 11)	-	(3,395,277)	-	-	-	(3,395,277)
Issue costs - compensation options (Note 11)	-	(538,850)	538,850	-	-	-
Issue costs - units (Note 11)	19,685	(11,231)	11,231	-	-	-
Warrants exercise (Note 11)	2,474,382	1,624,141	(320,362)	-	-	1,303,779
Compensation option exercise (Note 11)	3,375	3,426	(1,064)	-	-	2,362
Options exercise (Note 11)	2,886,871	3,147,197	(1,269,776)	-	-	1,877,421
Share-based payments (Note 11)	-	-	21,268,745	-	-	21,268,745
Loss	-	-	-	(72,948,141)	-	(72,948,141)
Translation adjustment	-	-	-	-	2,526,550	2,526,550
Balance at March 31, 2023	**202,078,806**	**$ 355,031,053**	**$ 73,080,671**	**$ (347,110,310)**	**$ 2,324,996**	**$ 83,326,410**

The accompanying notes are an integral part of these consolidated financial statements.

RECONNAISSANCE ENERGY AFRICA LTD.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars, unless otherwise stated)

	15-Month Period Ended March 31, 2023	Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss	**$ (72,948,141)**	$ (263,406,976)
Items not involving cash:		
Deferred tax expense (Note 15)	**2,221**	294,112
Depreciation	**38,556**	34,383
Accretion on decommissioning liabilities (Note 10)	**84,586**	53,416
Change in estimate - decommissioning liabilities (Note 10)	**156,417**	(53,416)
Gain on property, plant and equipment disposition	**-**	(41,910)
Finance expense (Note 8)	**23,405,096**	3,549,410
Other income	**-**	(1,311)
Settlement of option agreement (Notes 5, 11)	**-**	110,342,000
Settlement of consulting agreement (Notes 5, 11)	**-**	11,855,983
Impairment (Note 5)	**-**	105,299,108
Share-based payments (Note 9, 11)	**21,268,745**	17,873,077
Unrealized foreign exchange	**596,605**	(168,426)
Changes in non-cash working capital items:		
Receivables	**(1,184,080)**	(5,782,828)
Prepaid expenses	**17,860**	(649,406)
Accounts payable and accrued liabilities	**(273,868)**	875,711
Royalties payable	**26,167,029**	8,217,849
Net cash used in operating activities	**(2,668,974)**	(11,709,224)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash acquired in business combination (Note 5)	**-**	14,243,206
Restricted cash	**(17,147,713)**	-
Investment in property, plant and equipment (Note 7)	**(375,492)**	(299,348)
Proceeds from property, plant and equipment disposition	**-**	70,412
Investment in exploration and evaluation assets (Note 6)	**(50,927,456)**	(35,339,088)
Net cash used in investing activities	**(68,450,661)**	(21,324,818)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares (Note 11)	**50,649,812**	90,349,268
Share issue costs (Note 11)	**(3,395,277)**	(2,949,349)
Net cash provided by financing activities	**47,254,535**	87,399,919
Impact of exchange rate changes on cash	**1,525,915**	(5,281)
Net change in cash	**(22,339,185)**	54,360,596
Cash, beginning of period	**61,153,991**	6,793,395
Cash, end of period	**$ 38,814,806**	$ 61,153,991

The accompanying notes are an integral part of these consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

Reconnaissance Energy Africa Ltd. ("ReconAfrica" or the "Company") was incorporated on June 22, 1978, under the provisions of the Company Act of British Columbia. The Company is a junior oil and natural gas company with a focus on exploration and development in Namibia and Botswana. The address of the Company's corporate office and principal place of business is PO Box 48326 Bentall, Vancouver, BC, V7X 1A1, Canada. On July 27, 2021, the Company completed the acquisition of 100% of the common shares of Renaissance Oil Corp. ("Renaissance") by way of plan of arrangement under the Business Corporations Act (British Columbia). Renaissance is an oil and gas corporation engaged in the development and production of oil and natural gas in Mexico (See Note 5 and 13). On December 28, 2022, the Company changed its year-end from December 31 to March 31. The Company's transition financial year consists of a 15-month period ending March 31, 2023.

These consolidated financial statements (the "Financial Statements") have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. ReconAfrica's revenues are not sufficient to fund ongoing operations and the Company may be required to raise new financing through the sale of shares or issuance of debt to continue with its operations and to develop its assets should payment be required on the balance of royalties payable (Note 8). Accordingly, the Company's continued successful operations are dependent on its ability to obtain additional financing. Although management has been successful in raising capital in the past, there is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company. These conditions indicate the existence of material uncertainties that may cast significant doubt on the Company's ability to continue as a going concern. These Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. These adjustments could be material.

2. BASIS OF PREPARATION

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Basis of measurement

These Financial Statements have been prepared on an accruals basis and are based on historical costs, except for certain financial instruments classified as financial instruments at fair value through profit or loss. These Financial Statements are presented in Canadian dollars unless otherwise noted.

Principles of consolidation

The consolidated financial statements include the accounts of ReconAfrica and its subsidiaries. ReconAfrica's subsidiaries include entities in each of the jurisdictions that the Company operates including Canada, Mexico, Namibia and Botswana. Subsidiaries included in the Company's accounts include 1163631 B.C. Ltd.; 0408861 BC Ltd.; Reconnaissance Energy International Corp. ("REI"); Reconnaissance Oil & Gas Corporation ("ROG"); Reconnaissance Energy Namibia Pty Ltd. ("REN"); AfriCan Corporation ("ACC"); CanAfrica Drilling Pty Ltd. ("CanAfrica"); Reconnaissance Energy Botswana (Pty) Ltd. ("REB"); and Renaissance Oil Corp. ("ROC"), Renaissance Oil Corp. S.A. de C.V. ("ROC S.A."), R2 Energy Ltd. ("R2 Energy"), RocMex S.A. de C.V. ("RocMex"), Renaissance Oil Corporation ("RNC"). Transactions between ReconAfrica and its subsidiaries have been eliminated upon consolidation.

Use of estimates and judgments

The preparation of these Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and contingent liabilities at the date of the Financial Statements and reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes may differ from these estimates:

(a) Critical judgements

Contingencies
Due to the size, complexity and nature of the Company's operations, various legal and tax matters are outstanding from time to time. In the event that management's estimate of the probability of a financial impact of these matters changes, the Company will recognize the effects of the changes in its consolidated financial statements on the date such changes occur.

Impairment indicators
The assessment of impairment indicators as required by IFRS 6 – Exploration for and evaluation of mineral resources and International Accounting Standard ("IAS") 36 – Impairment of assets requires management to make judgements in estimates for costs, future commodity prices or recoverable reserves underlying its exploration and evaluation assets.

Functional currency
The Company's functional currency has been assessed by management with consideration given to the currency and economic factors that mainly influence the Company's business. Specifically, the Company considers the currencies in which its revenues and expenses are settled by the Company, as well as the currency in which the Company may receive or raise financing. Changes to these factors may have an impact on the judgment applied in the determination of the Company's functional currency.

(b) Critical accounting estimates

Critical accounting estimates are estimates and assumptions made by management that may result in a material adjustment to the carrying amount of assets and liabilities within the next financial year and are the following:

Share-based payments
Management is required to make certain estimates when determining the fair value of stock option awards, and the number of awards that are expected to vest. These estimates affect the amount recognized as share-based payments in the consolidated statements of loss and comprehensive loss.

Lease assets and obligations
The measurement of lease obligations is subject to management's estimate of the applicable incremental borrowing rate and the expected lease term. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense may differ due to changes in the market conditions and expected lease terms. Applicable incremental borrowing rates are based on judgments of the economic environment, term, and the underlying risk inherent to the asset.

Decommissioning costs
Decommissioning costs will be incurred by the Company at the end of the operating life of the Company's facilities and properties. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, and changes to the credit-adjusted discount rate. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Deferred income tax
Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense, and indirect taxes. A number of these estimates require management to make estimates of future taxable profit, and if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statements of financial position could be impacted. The Company is subject to assessments by tax authorities who may interpret tax law differently. These factors may affect the final amount or the timing of tax payments.

Reclassification of prior year presentation

Certain comparative figures within the statements of loss and comprehensive loss, and cash flows have been reclassified to conform to the current period's presentation. For the statements of loss and comprehensive loss, these include finance expense, accretion on decommissioning liabilities, and change in estimate of decommissioning liabilities. For the statement of cash flows, these include accretion on decommissioning liabilities, change in estimate – decommissioning liabilities, finance expense, accounts payable and accrued liabilities, and royalties payable. These reclassifications had no impact on the reported results from operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies followed by the Company in the preparation of these consolidated financial statements:

Financial assets and liabilities

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. Cash, restricted cash, trade receivables, other receivables, accounts payable, and royalties payable are measured at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the credit risk of the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Impairment of goodwill

The Company recognizes goodwill relating to business acquisitions when the total purchase price exceeds the fair value of the net identifiable assets and liabilities acquired. Goodwill is stated at cost less impairment and is not amortized. Goodwill is assessed for impairment annually or more frequently if events or changes in circumstances indicate that goodwill may be impaired. Goodwill is tested for impairment at the level of a cash-generating unit by comparing the recoverable amount with the carrying amount. Recoverable amount is the higher of fair value less costs of disposal (“FVLCD”) and value in use (“VIU”). In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the cash generating unit (“CGU”) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the CGU is estimated to be less than its carrying amount, the carrying amount of the CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss. An impairment loss on goodwill is not reversed if circumstances change in future years.

(v) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes financial liabilities when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Foreign currency translation

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and each of its subsidiaries is the Canadian dollar, except for REI, ROG, REN, ACC, CanAfrica and ROC S.A. which have a functional currency of the US dollar and REB which has a functional currency of the Botswana pula. The functional currency determinations were conducted through an analysis of the consideration factors identified in IAS 21, The Effects of Changes in Foreign Exchange Rates.

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. At each period end, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate prevailing at the period end date. All differences are recognized in net earnings. Non-monetary assets, liabilities and transactions denominated in a foreign currency and measured at historical cost are translated at the exchange rate in effect at the transaction date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. For the purpose of consolidation, assets and liabilities of foreign subsidiaries are translated from their functional currency to Canadian dollars using the exchange rate prevailing at the period end date. The consolidated statements of loss and comprehensive loss and cash flows are translated using the average exchange rates for the period. Foreign exchange differences resulting from such transactions are recorded in equity as cumulative translation adjustment.

Exploration and evaluation assets

Costs incurred before the Company has obtained the legal right to explore are expensed as incurred. Once the legal right to explore has been acquired, exploration and evaluation expenditures are capitalized on a property-by-property basis. The Company capitalizes the costs of acquiring, maintaining its interest in, exploring and evaluating oil and gas and mineral properties until such time as the lease expires, it is abandoned, sold or considered impaired in value. Exploration and evaluation properties are not amortized during the exploration and evaluation stage.

At each reporting date the carrying amounts of the Company's exploration and evaluation assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The technical feasibility and commercial viability of retrieving petroleum resources is assessed on the existence of economically recoverable reserves for the project. In the situation that the asset is deemed not to be technically feasible or commercially viable the accumulated E&E costs associated with the exploration project are charged to E&E expense in the period, the determination is made. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period.

The exploration and evaluation phase of a particular project is completed when both the technical feasibility and commercial viability of extracting oil or gas are demonstrable for the project or there is no prospect of a positive outcome for the project. Exploration and evaluation assets with commercial reserves will be reclassified to development and production assets and the carrying amounts will be assessed for impairment and adjusted (if appropriate) to their estimated recoverable amounts. If commercial reserves are not discovered or the project is abandoned, the exploration and evaluation asset is written off in the consolidated statements of loss and comprehensive loss.

Property, plant, and equipment

Property, plant and equipment ("PP&E") are carried at cost, less accumulated depreciation and any accumulated impairment losses. Cost includes an expenditure that is directly attributable to the acquisition of the asset and the cost of materials and direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use.

The cost of replacing a part of an item of PP&E is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of PP&E (repair and maintenance) are recognized in profit or loss as incurred.

PP&E are depreciated based on estimates of useful lives and salvage values. These estimates consider data and information from various sources including vendors, industry and regional practices, and may change as more experience is gained, market conditions shift, or technological advancements are made. Gains and losses on disposal of an item of PP&E are determined by comparing the proceeds from disposal to the carrying amount of PP&E and are recognized in the consolidated statements of earnings (loss).

Share-based payments

The Company applies the fair value method of accounting for stock option awards using the Black-Scholes Option Pricing Model. Under this method, the Company recognizes compensation expense for employee stock option awards, based on the grant date fair value, for each vesting installment, over the vesting period of the options. Each installment is valued separately, based on assumptions determined from historical data, and recognized as compensation expense over each installment's individual tranche vesting period. Forfeiture estimates are recognized in the period they are estimated and are revised for actual forfeitures and changes in forfeiture estimates in subsequent periods.

In situations where stock option awards are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Warrants issued in equity financing transactions

Equity financing transactions may involve issuance of common shares or units. A unit comprises a certain number of common shares and a certain number of share purchase warrants. Depending on the terms and conditions of each equity financing agreement, the warrants are exercisable into additional common shares prior to expiry at a price stipulated by the agreement. Warrants that are part of units are valued based on the relative fair value method and included in share capital with the common shares that were concurrently issued. Warrants that are issued as payment for an agency fee or other transactions costs are accounted for as share-based payments.

Share issuance costs

Professional, consulting, regulatory fees and other costs that are directly attributable to the issuance of shares are recognized as a deduction from equity.

Loss per common share

The Company computes the dilutive effect of options, warrants and similar instruments whereby the dilutive effect on loss per share is recognized by the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. The Company assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive. Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding during the year.

Current and deferred income taxes

Income tax expense comprises current and deferred tax. Current and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date. Deferred tax is provided for based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxes are not recognized for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

Segment reporting

Upon the closing of the acquisition of Renaissance, the Company is considering both its African and Mexican assets as separate reportable operating segments. Further, due to the acquisition, the Company now has a decentralized business unit structure designed to manage assets in each country the Company operates. As a result, the Company's operating segments are: (i) The exploration and evaluation of its African assets; (ii) the oil and gas operations in Mexico; and (iii) the corporate segment. The Mexico segment derives its revenues solely from the production and sale of oil and natural gas from one customer. The corporate segment primarily aggregates costs incurred at the Company's head office in Vancouver and operations office in Calgary. The Company's chief operating decision maker is the CEO.

Business combination

Business combinations are recognized in accordance with IFRS 3 Business Combinations ("IFRS 3") using the acquisition method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, and liabilities incurred or assumed at the acquisition date. Identifiable assets and liabilities assumed are measured and recognized at their fair value at the date of the acquisition, with the exception of deferred tax assets and liabilities, which are measured in accordance with IAS 12. Transaction costs associated with a business combination are expensed as incurred. Results of acquisitions are included in the financial statements from the closing date of the acquisition.

Measurement period adjustments in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, and income/loss. The Company has up to 1 year from the date of acquisition to make these adjustments, which are made retrospectively. The measurement period ends when information sought about the assets acquired, liabilities assumed, or consideration transferred that exists at the acquisition date is obtained. The measurement period cannot exceed one year from the acquisition date. The Company has not recognized any measurement period adjustments in the current year.

Revenue recognition

Revenue associated with the sale of crude oil and natural gas is measured based on the consideration specified in contracts with customers.

Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring control of crude oil and natural gas to a customer at contractually specified transfer points. This transfer coincides with title passing to the customer and the customer taking physical possession of the commodity. The Company satisfies its performance obligations at a point in time with no amounts of revenue recognized relating to performance obligations satisfied over time.

The Company invoices customers for delivered products monthly and payment occurs shortly thereafter. The Company does not have any contracts where the period between the transfer of control of the commodity to the customer and payment by the customer exceeds one year. As a result, the Company does not adjust its revenue transactions to reflect significant financing components.

Decommissioning liabilities

The Company recognizes a decommissioning liability, with a corresponding increase to the carrying amount of the related Property, Plant and Equipment, or exploration and evaluation assets, in the period in which a reasonable estimate of the fair value can be made of the statutory, contractual, constructive or legal liabilities associated with the retirement and reclamation of the Company's oil and gas properties, facilities and pipelines. The amount recognized is the estimated cost of decommissioning, discounted to its present value using the credit-adjusted discount rate. The estimates are reviewed periodically. Changes in the provision as a result of changes to the timing of expenditures, costs or risk-free rates are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment or exploration and evaluation assets. The unwinding of the discount on the decommissioning provision is charged to the consolidated statements of loss and comprehensive loss. Actual costs incurred upon settlement of the obligations are charged against the provision to the extent of the liability recorded and the remaining balance of the actual costs is recorded in the consolidated statements of loss and comprehensive loss.

Lease assets and obligations

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At the lease commencement date, a lease obligation is recognized at the present value of future lease payments discounted using the Company's incremental borrowing rate when the rate implicit in the lease is not readily available. A corresponding right-of-use asset is recognized at the amount of the lease obligation, adjusted for lease incentives received and initial direct costs. The Company does not recognize leases for short-term leases with a lease term of 12 months or less, or leases for low-value assets.

Payments are applied against the lease obligation and interest expense is recognized on the lease obligations using the effective interest rate method. Depreciation is recognized on the right-of-use asset over the lease term.

Investment in associate

When the Company determines that it has significant influence over an investment, the investment is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and the carrying value is adjusted thereafter to include the Company's pro rata share of earnings or loss of the investee.

The amount of the adjustment is included in the determination of net earnings (loss) and the investment account is also increased or decreased to reflect the Company's share of capital transactions. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

The Company assesses its investments to determine whether there is any indication of impairment. When there is an indication of impairment, the Company tests the carrying amount of the investment to ensure it does not exceed the higher of the present value of cash flows expected to be generated (value in use) and the amount that could be realized by selling the investment (fair value less cost to sell). When a reduction to the carrying amount of an investment is required after applying the impairment test, an impairment loss is recognized equal to the amount of the reduction.

The Company holds a 25% ownership interest in Lumex Holding B.V. ("Lumex") and accounts for the investment under the equity method. At March 31, 2023 and December 31, 2021 the investment in Lumex is nil.

New accounting standards adopted

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy.

4. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The Company's financial instruments consist of cash, restricted cash, trade receivables, other receivables, accounts payable and royalties payable. The carrying value of cash, restricted cash, trade receivables, other receivables, accounts payable and royalties payable are a reasonable approximation of their fair value due to the short-term nature of these instruments. Fair value measurements are categorized into a fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

- Level 1 inputs are determined by reference to unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 inputs are determined based on inputs other than unadjusted quoted prices that are observable, either directly or indirectly.
- Level 3 inputs are not based on observable market data. The Company does not have any financial instruments classified as Level 3.

The type of risk exposure and the way in which such exposure is managed is provided as follows:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is related to its trade receivables and cash and restricted cash deposits in financial institutions. The Company manages cash deposit risk by using major banks that are high credit quality financial institutions as determined by rating agencies. Risks related to trade receivables are considered minimal as the sale of production in Mexico is to the state-owned oil and gas corporation.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements in Mexico, taking into account its anticipated cash flows from operations and its holdings of cash. While the royalties payable are currently due, the full balance will not be paid in the current period. For all other operating segments, the Company's sole source of funding has been the issuance of equity securities for cash, primarily through prospectus offerings, and the exercising of outstanding options and warrants. The Company's access to financing is always uncertain and additional funding will be required to meet its longer-term business objectives, including planned drilling activities. This may include debt or equity financing in addition to funds raised from potential joint venture partners. There can be no assurance that such financing will be available in the amount required at any time or for any period or, if available, that it can be obtained on terms satisfactory to the Company.

Foreign exchange risk

Foreign exchange risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company has a non-material direct exposure to foreign exchange risk arising from cash, trade receivables, other receivables, accounts payable and accrued liabilities and royalties payable measured in foreign currencies, principally the US dollar, Mexican Peso, Namibian Dollar and Botswana Pula. The Company has a policy of settling items denominated in foreign currencies at the spot rate in place at the time of settlement.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's main exposure to interest rate risk relates to the interest charged on the royalties payable balance. Increases to the prevailing interest rates in Mexico will result in higher interest payable.

Commodity price risk

Oil and natural gas prices have been and are expected to remain volatile due to market uncertainties over the supply and demand of these commodities due to various factors including Organization of the Petroleum Exporting Countries ("OPEC") actions, the current state of world economies and ongoing credit and liquidity concerns. Volatile commodity prices have had and will continue to have a significant impact on the Company's ability to raise future capital to fund operations. Therefore, management regularly monitors natural resource commodity prices to determine the appropriate course of action to mitigate this risk.

5. BUSINESS COMBINATION

On July 27, 2021, the Company completed the acquisition of 100% of the common shares of Renaissance (the "Renaissance Shares") pursuant to a plan of arrangement under the Business Corporations Act (British Columbia) (the "Arrangement"). Renaissance had the right to acquire a 50% working interest in the Botswana Licence which ReconAfrica felt was potentially valuable to the Company. By completing the Arrangement, ReconAfrica retained full operational control over exploration and development as permitted by the Botswana licence and continues to hold its rights over the full 2.22 million acres.

Pursuant to the Arrangement, the holders of Renaissance Shares received 0.046 of a common share of ReconAfrica (each whole common share, a "ReconAfrica Share") for each Renaissance Share held at the effective time of the Arrangement. All outstanding options and warrants of Renaissance which were not exercised prior to the effective time of the Arrangement were exchanged for economically equivalent options and warrants to purchase ReconAfrica Shares. The value of the consideration represented a 1.45% premium over the closing price of the Renaissance Shares on the TSX Venture Exchange (the “TSXV”) on April 16, 2021, the last day of trading prior to the announcement of the transaction and based on the closing price of the ReconAfrica Shares on the TSXV on April 16, 2021.

Upon closing of the Arrangement on July 27, 2021, ReconAfrica issued an aggregate of 17,533,264 ReconAfrica Shares to former holders of Renaissance Shares valued at $189,534,584 based on the closing price of the ReconAfrica Shares on the TSXV of $10.81 on July 26, 2021. ReconAfrica also issued 1,124,835 replacement options valued at $6,802,735 ($6.05 per option) and 1,655,733 replacement warrants valued at $6,795,573 ($4.10 per warrant). The options and warrants of Renaissance assumed by ReconAfrica were valued using a Black-Scholes pricing model using the following assumptions:

Options		Warrants	
Risk-free interest rate	0.37%	Risk-free interest rate	0.37%
Expected life	1 year	Expected life	1.60 years
Expected volatility	70.00%	Expected volatility	70.00%
Expected dividend yield	n/a	Expected dividend yield	n/a

In June 2020, the Company, through its wholly owned Botswana subsidiary, entered into a farm-out option agreement (the “Option Agreement”) with a private company which subsequently assigned its interest in the Option Agreement to Renaissance. The Option Agreement provided Renaissance with the right to acquire a 50% working interest in the Botswana licence (the “Option”), exercisable at any time for up to a period of 36 months upon: (i) payment of $1.0 million, if the Option was exercised within 18 months of the date the Botswana licence was awarded to the Company, or $1.5 million if the Option was exercised between 18 months and 36 months from the date the Botswana licence was awarded to the Company; and (ii) the approval of the Botswana Department of Mines and Ministry of Mineral Resources, Green Technology and Energy Security to transfer the Botswana licence upon the exercise of the Option.

The Option Agreement represents a pre-existing contractual relationship between the Company and Renaissance. The completion of the Arrangement resulted in the effective settlement of the Option Agreement as the contract between the Company and Renaissance became an intragroup arrangement. In accordance with IFRS 3, a loss is recognized on the settlement of a pre-existing arrangement when the consideration for the acquisition is greater than the value of the net assets acquired. Any such loss is required to be recognized in the consolidated statements of loss and comprehensive loss. Consequently, the consideration for the acquisition is $92,790,892 when excluding the portion of the consideration relating to the settlement of this arrangement. A value of $105,299,108 was attributed to goodwill representing the difference between the consideration for the acquisition and the net liabilities assumed, ($12,508,216), which was allocated to the Mexican CGU. Immediately following the closing of the Arrangement, the Company identified an impairment indicator, which was the net liability position of the Mexican CGU. Therefore, management calculated the recoverable amount of the Mexican CGU, which was based on its fair value less costs of disposal, resulting in recognizing an impairment on the full balance of goodwill in the consolidated statements of loss and comprehensive loss. The goodwill recognized is not deductible for income tax purposes.

Management obtained estimates from two third-party advisors of the fair value of the Botswana licence; using both an income and market approach. In addition, management compared these estimates to the terms of the Option, to determine the amount to which the consideration exceeds the net asset value. Therefore, the following purchase price allocation is based on Management's best estimate of the consideration paid, assets acquired, and liabilities assumed following the closing date of this arrangement:

Purchase price allocation

		July 27, 2021
Consideration		
Common shares		
ReconAfrica common shares issued to Renaissance' shareholders		17,533,264
Price of ReconAfrica common shares ($ per share)		10.81
Value of common shares	$	189,534,584
Outstanding share options and warrants		13,598,308
Settlement of option agreement		(110,342,000)
Total consideration	**$**	**92,790,892**
Identifiable net assets		
Cash and cash equivalents	$	14,243,206
Trade receivable		5,307,551
Other receivables		399,648
Prepaid expense		122,573
Equipment		25,284
Lease assets		61,565
Goodwill		105,299,108
Accounts payable		(3,017,150)
Royalties payable		(28,855,659)
Lease obligations		(18,626)
Decommissioning liabilities		(776,608)
Total identifiable net assets	**$**	**92,790,892**

For the year ended December 31, 2021, ReconAfrica recognized transaction costs of $338,167 in the consolidated statements of loss and comprehensive loss under management and consulting and professional fees expenses.

From July 27 to December 31, 2021, Renaissance recorded revenue of $10,409,713 and royalty expenses of $8,217,849. If the Arrangement had closed on January 1, 2021, the Company would have recorded revenue of $21,109,006 and royalty expenses of $16,703,311 for the year ended December 31, 2021.

Commitments and contingencies resulting from the acquisition

As a result of the Arrangement, ReconAfrica has become a party to certain commitments related to the Chiapas properties in Mexico (Note 8). According to the terms of the associated licence agreements and extensions received, the Company is committed to the completion of certain work programs. This includes approximately US$31.0 million ($41.9 million) due February 27, 2024, for capital development including the drilling of four wells and four workovers.

Renaissance entered into four surety bond agreements with a global financial company in aggregate of approximately US$15.3 million ($20.7 million), as required by the CNH, towards the guarantee of performance of the minimum work programs. A deposit of US$12.6 million ($17.1 million) has been made to the surety bond provider as collateral for the value of the bonds. This amount is recorded as restricted cash on the statements of financial position. The Company engaged an arm’s length third party to assist in obtaining an extension for its work programs to February 27, 2024, and to assist in discussions with the CNH. Renaissance incurred costs of US$2.3 million ($3.1 million) to this third party. Failure to complete the work programs may result in the CNH seeking remedy through direct payment of the obligations or by acting on the surety bonds and/or seeking further action against the Company.

6. EXPLORATION AND EVALUATION ASSETS

The following table reconciles the changes in the Company's exploration and evaluation assets:

	Botswana Property	Namibia Property	Total
Balance at December 31, 2020	**-**	**17,187,272**	**17,187,272**
Additions	69,481	37,160,987	37,230,468
Effect of exchange rate changes	6,810	(36,349)	(29,539)
Balance at December 31, 2021	**76,291**	**54,311,910**	**54,388,201**
Additions	84,749	54,400,701	54,485,450
Effect of exchange rate changes	4,245	4,875,127	4,879,372
Balance at March 31, 2023	**165,285**	**113,587,738**	**113,753,023**

The Company's exploration and evaluation assets relate entirely to properties located in Namibia and Botswana. At March 31, 2023, no indicators of impairment have been identified for the exploration and evaluation assets.

Namibia Property

On January 26, 2019, the Company, through Reconnaissance Energy Namibia Pty Ltd. ("ReconNamibia"), a wholly-owned subsidiary of ReconAfrica, entered into a petroleum agreement among the Government of the Republic of Namibia, the National Petroleum Corporation of Namibia ("NAMCOR"). Under this agreement, on January 29, 2015, the Company was issued and holds a 90% interest in the petroleum exploration licence no. 0073 ("PEL 73"). The PEL 73 is comprised of blocks 1719, 1720, 1721, 1819, 1820 and 1821 situated in the Kavango Basin of northeast Namibia (the "Namibia Licensed Property").

During the 15 month period ended March 31, 2023, the Company entered into a purchase and sale agreement with NAMCOR to acquire an additional 5% participating interest in PEL 73. As consideration, the Company shall pay to NAMCOR USD $2,000,000 in cash and issue 5,000,000 common shares of the Company. The transaction has not yet closed and the parties are in ongoing discussions.

The Company has commitments related to its petroleum exploration licence in Northeast Namibia. In December 2019, the Company received approval for its application to extend the Namibia Licence into the First Renewal Period. During the first renewal exploration period, the Company is obliged to expend US$10,000,000 in exploration and evaluation activities plus an additional US$50,000 per year (benchmarked to inflation) for the purposes of funding the education and training of Namibians. The First Renewal Period continues until January 29, 2024, following receipt of the extension to the First Renewal Period from the Republic of Namibia, Ministry of Mines and Energy, in September 2022. The work requirements for both 2D seismic and aggregate expenditure of US$10,000,000 have been completed.

Botswana Property

On June 9, 2020, the Company, through its wholly-owned subsidiary, Reconnaissance Energy Botswana (Pty) Ltd. ("ReconBotswana"), was granted a petroleum licence in northwestern Botswana (the "Botswana Licence"). The lands subject to the Botswana Licence are contiguous to the Namibia Licensed Property.

Pursuant to the terms of the Botswana Licence, ReconAfrica is committed to a minimum work program of BWP5,000,000 (approximately $375,000) over the first 4-year exploration period from June 1, 2020.

7. PROPERTY, PLANT AND EQUIPMENT

Equipment is recorded at cost, including costs attributable to bring the asset to intended use, less accumulated depreciation. Depreciation begins when the asset is put into service and is calculated using the straight-line method. The cost of maintenance and repairs is charged to expense as incurred. The cost of significant renewals and improvements is added to the carrying amount of the respective asset. When assets are retired, or otherwise disposed of, the cost and related accumulated depreciation are removed from the balance, and any resulting gain or loss is reflected in the consolidated statements of loss and comprehensive loss.

	Drilling Rig Equipment	Vehicles	Computer Equipment	Lease Assets	Office Equipment	Total
Cost:						
Balance, December 31, 2020	**$ 6,357,771**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 6,357,771**
Addition	-	299,348	89,023	353,863	40,430	782,664
Disposition	-	(67,667)	(393)	-	(200)	(68,260)
Effect of exchange rate changes	-	1,152	-	(1,749)	-	(597)
Balance, December 31, 2021	**6,357,771**	**232,833**	**88,630**	**352,114**	**40,230**	**7,071,578**
Addition	225,505	82,758	-	-	$ 67,229	375,492
Effect of exchange rate changes	141,168	12,117	7,586	23,746	16,726	201,343
Balance, March 31, 2023	**$ 6,724,444**	**$ 327,708**	**$ 96,216**	**$ 375,860**	**$ 124,185**	**$ 7,648,413**
Accumulated depreciation:						
Balance, December 31, 2020	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Addition	-	-	(84,929)	(284,549)	(16,614)	(386,092)
Depreciation	(635,777)	(98,630)	(1,860)	(30,871)	(1,652)	(768,790)
Disposition	-	5,375	-	-	-	5,375
Effect of exchange rate changes	28,005	(172)	(772)	(5,360)	(311)	21,390
Balance, December 31, 2021	**(607,772)**	**(93,427)**	**(87,561)**	**(320,780)**	**(18,577)**	**(1,128,117)**
Depreciation	(653,798)	(37,975)	(2,441)	(32,417)	(3,698)	(730,329)
Effect of exchange rate changes	(126,835)	(11,518)	(6,088)	(22,663)	(19,144)	(186,248)
Balance, March 31, 2023	**$ (1,388,405)**	**$ (142,920)**	**$ (96,090)**	**$ (375,860)**	**$ (41,419)**	**$ (2,044,694)**
Net book value:						
As of December 31, 2021	**$ 5,749,999**	**$ 139,406**	**$ 1,069**	**$ 31,334**	**$ 21,653**	**$ 5,943,461**
As of March 31, 2023	**$ 5,336,039**	**$ 184,788**	**$ 126**	**$ -**	**$ 82,766**	**$ 5,603,719**

Depreciation on property, plant and equipment for the 15-month period ended March 31, 2023 is $730,329 (December 31, 2021 - $768,790) of which $691,773 (December 31, 2021 - $734,407) was recorded in exploration and evaluation assets.

Depreciation is recognized to allocate the cost of capital assets over the useful life of the respective assets. The cost of replacing a part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment (repair and maintenance) are recognized in profit or loss as incurred. Property, plant, and equipment are depreciated as follows:

	Expected Life	Salvage Value	Basis of Depreciation
Drilling rig equipment	10 years	10%	straight-line
Vehicles	5 years	20%	straight-line
Lease assets	2 years	0%	straight-line
Computer equipment	3 years	33%	straight-line
Office equipment	3 years	33%	straight-line

At March 31, 2023, no indicators of impairment have been identified for the property, plant and equipment.

8. ROYALTIES PAYABLE

The following table reconciles the changes in the Company's royalty liabilities:

Balance at December 31, 2020	**$**	**-**
Business combination (Note 5)		28,855,659
Addition		8,217,849
Finance expense		3,580,930
Effect of exchange rate changes		358,910
Balance at December 31, 2021	**$**	**41,013,348**
Addition		26,429,369
Repayments		(262,340)
Finance expense		23,405,096
Effect of exchange rate changes		4,362,980
Balance at March 31, 2023	**$**	**94,948,453**

The Company's royalty balance is in relation to the Chiapas properties and royalty amounts have been due since October 2019. The continued delay in making royalty payments may result in significant penalties and action against the Company (Note 14). Of the $94.9 million (December 31, 2021 - $41.0 million) balance, the principal royalties payable balance is $60.9 million (December 31, 2021 - $31.8 million), while the remaining balance of $34.0 million (December 31, 2021 - $9.2 million) is associated with estimated interest fees that have not yet been charged to the Company.

The royalties may also be subject to further fines from the Tax Administration Service of Mexico, though there is no indication any such charges will be received. Renaissance has commenced repaying its outstanding royalty balance and proposed payment terms to the CNH, an agency of the Mexican Federal government, by way of discussions between the CNH's representatives and agents of Renaissance. While these terms were not rejected, no formal agreement was entered into regarding repayment of amounts past due. To date, there has been no indication that Renaissance will be charged any additional penalties or interest on the outstanding balance, however, the Mexican State through the Mexican Petroleum Fund and the Secretary of Finance (SHCP) does retain the right to do so. Further strategic alternatives are being evaluated for the Chiapas properties and outstanding royalties, including efforts in obtaining exemption from all potential penalties and interest amounts resulting from non-payment of royalties.

9. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Transactions with related parties are summarized in the table below:

	15-Month Period Ended March 31, 2023	Year Ended December 31, 2021
Directors' fees	$ 1,307,302	$ 57,000
Management salaries and benefits	2,146,074	3,559,733
Share-based payments	11,670,978	11,497,989
	$ 15,124,354	**$ 15,114,722**

At March 31, 2023, a balance of $120,055 (December 1, 2021 - $95,737) was payable to related parties. Amounts due to or from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

10. DECOMMISSIONING LIABILITIES

The following table reconciles the changes in the Company's decommissioning liabilities:

Balance at December 31, 2020	**$ -**
Additions through business combination (Note 5)	776,608
Accretion	21,896
Changes in estimate	(53,416)
Effect of exchange rate changes	13,096
Balance at December 31, 2021	**$ 758,184**
Accretion	84,586
Additions - African assets	1,293,673
Change in estimate - African assets	129,291
Change in estimate - Mexican assets	156,417
Effect of exchange rate changes	107,621
Balance at March 31, 2023	**$ 2,529,772**
Less: Current portion	**730,443**
Decommissioning liabilities, Non-Current	**$ 1,799,329**

The Company's decommissioning liabilities were previously only related to its Mexican assets. In the current period, the Company also recognized decommissioning liabilities on its African assets. The decommissioning liabilities were based on total undiscounted future liability, after inflation adjustment, of $3.7 million. The Company calculated the present value of the obligations using discount rates between 4.56% - 8.89% (December 31, 2021 – 7.3%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rates used in determining the cash flow estimates were between 4.50% - 6.85% (December 31, 2021 – 3.0%). These payments are expected to be made between 2023 – 2033.

11. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Common shares

At March 31, 2023, there were 202,078,806 (December 31, 2021 – 189,219,493) common shares issued and outstanding.

On March 1, 2022, the Company completed a bought deal financing (the "Offering") of 7,475,000 units (the "Units") for aggregate gross proceeds of $47,466,250. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $9.00 until October 31, 2022, subject to acceleration of the expiry date to a date 30 calendar days following notice to be provided to the holders of the warrants by the Company in the event that the moving daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange (the "Exchange") over any period of 20 consecutive trading days equals or exceeds $14.00. The Company incurred share issuance costs of $3,395,277 in the form of finders' fees and professional fees and 19,685 Units associated with the Offering.

During the 15 month period ended March 31, 2023, the Company issued 2,477,757 (2021 – 53,026,794) common shares pursuant to the exercise of 2,474,382 (2021 – 53,026,794) warrants for cash proceeds of $1,303,779 (2021 - $45,621,652), nil (2021 – 223,500) broker warrants for cash proceeds of $Nil (2021 - $44,700) and 3,375 (2021 – 780,215) compensation options for cash proceeds $2,362 (2021 – $547,946).

During the 15 month period ended March 31, 2023, the Company issued common shares pursuant to the exercise of 2,886,871 (2021 – 3,549,523) stock options for cash proceeds of $1,877,421 (2021 - $2,733,590).

On May 27, 2021, the Company completed a bought deal financing (the "Offering") of 4,358,040 units (the "Units") for aggregate gross proceeds of $41,401,380. Each Unit consists of one common share in the capital of the Company and one-half common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of $14.00 until May 27, 2024, subject to acceleration in the event the moving volume weighted average trading price of the common shares on the TSXV over any period of 20 consecutive trading days equals or exceeds $20.00. The Company incurred share issuance costs of $2,949,349 in the form of finders' fees and professional fees associated with the Offering.

On July 27, 2021, the Company completed the acquisition of Renaissance. Pursuant to the Arrangement, the Company issued 17,533,264 common shares, 1,124,835 replacement options and 1,655,733 replacement warrants. Refer to Note 5 for details.

Compensation options and warrants

A summary of changes in compensation options and share purchase warrants is presented below:

	Number of Compensation options	Number of Warrants		Weighted Average Exercise Price ($)
Balance, December 31, 2020	812,036	57,363,082	$	0.83
Issued	127,283	6,401,921		10.72
Broker warrants exercised	-	(223,500)		0.20
Exercised	(780,215)	(53,026,794)		0.86
Expired	-	(32,213)		1.00
Balance, December 31, 2021	159,104	10,482,496	$	6.78
Issued	446,610	7,494,685		8.85
Exercised	(3,375)	(2,474,382)		0.53
Expired	(446,610)	(8,518,685)		9.08
Balance, March 31, 2023	**155,729**	**6,984,114**	**$**	**8.36**

On March 1, 2022, pursuant to the Offering, the Company issued 446,610 compensation options to the underwriter, with each compensation option entitling the holder to acquire one unit at a price of $6.35. The compensation options, valued at $538,850 using Black-Scholes, expired on October 31, 2022.

The warrants have been valued using residual fair value and compensation options issued have been valued using the Black-Scholes pricing model, with a gross amount of $5,069,826 (2021 - $19,330,383) included in reserves. The following assumptions were used for the Black-Scholes valuation of the warrants granted:

Warrants	**15-Month Period Ended March 31, 2023**	**Year Ended December 31, 2021**
Risk-free interest rate	1.25%	0.37%-0.51%
Expected life	0.67 years	2.26 years
Annualized volatility	70.00%	70.00%
Dividend rate	n/a	n/a

Compensation Options	**15-Month Period Ended March 31, 2023**	**Year Ended December 31, 2021**
Risk-free interest rate	1.25%	0.51%
Expected life	0.67 years	2 years
Annualized volatility	70.00%	70.00%
Dividend rate	n/a	n/a

Warrants outstanding at March 31, 2023 are as follows:

Number of Warrants	**Number of Compensation Options**	**Exercise Price ($)**	**Expiry Date**
-	127,079	9.50	May 27, 2023
1,800,000 (i)	-	12.00	July 27, 2023
631,733	-	7.61	September 25, 2023
2,179,122	-	14.00	May 27, 2024
1,519,730	-	0.50	August 30, 2024
29,412	-	0.50	December 6, 2024
77,940	-	0.50	December 18, 2024
746,177	-	1.00	February 4, 2025
-	28,650	0.70	August 25, 2025
6,984,114	**155,729**		

(i) In connection with the completion of the Arrangement, the Company entered into a settlement agreement with a former director of Renaissance by granting 1,800,000 non-transferable common share purchase warrants of the Company exercisable at a price of $12.00 per share for a period of two years following the closing of the acquisition.

Stock options

The Company amended its existing stock option plan on April 22, 2022. Pursuant to the stock option plan, options are awarded to eligible people as determined by the Board of Directors' discretion. The Board of Directors also establishes exercise price at each option grant, which shall not be less than the discounted market price of the common shares on the day preceding the grant date. Options granted must be exercised no later than five years after the grant date. Subject to the stock option plan, the maximum number of common shares which may be reserved for issuance under the plan shall not exceed 10% of the number of common shares issued and outstanding at the time of option grant.

On May 13, 2022, the Company granted 5,715,000 stock options to directors, officers and consultants of the Company, exercisable at price of $6.35 per share for a period of up to five years.

On January 5, 2021, the Company granted 475,000 stock options to directors, officers and consultants of the Company, exercisable at price of $2.19 per share for a period of up to five years.

On January 5, 2021, the Company granted 350,000 stock options to an eligible party, exercisable at price of $2.19 per share for a period of up to three years.

On April 25, 2021, the Company granted to directors, officers and consultants of the Company options to purchase an aggregate of 4,750,000 common shares of the Company at a price of $6.88 per share for a period of up to five years.

On July 14, 2021, the Company granted to directors, officers and consultants of the Company options to purchase an aggregate of 800,000 common shares of the Company at a price of $11.39 per share for a period of up to five years.

On July 14, 2021, in connection with the completion of the Arrangement, the Company entered into a settlement agreement with a former director of Renaissance by granting 1,200,000 fully vested options to purchase 1,200,000 common shares of the Company at a price of $12 per share, which expires on July 27, 2023.

On September 8, 2021, the Company granted 360,000 stock options to consultants, exercisable at price of $6.23 per share for a period of up to five years.

On December 3, 2021, the Company granted 500,000 stock options to a contractor, exercisable at price of $6.00 per share for a period of up to five years.

During the 15-month period ended March 31, 2023, the Company recorded share-based payments of $21,268,745 (2021 - $17,873,077). The following table highlights the assumptions to determine the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	15-Month Period Ended March 31, 2023	Year Ended December 31, 2021
Risk-free interest rate	2.75%	0.24-1.34%
Expected life	5 years	4.08 years
Expected volatility	70.00%	69.57%
Expected dividend yield	n/a	n/a

Options granted under the stock option plan are subject to a vesting schedule, whereby 25% of each option will vest on the grant date and 25% will vest on each of the nine months anniversaries following the date of grant. The Company may choose to offer a more restrictive and accelerated vesting period upon its discretion.

A summary of changes in stock options is presented below:

	Number of Options		Weighted Average Exercise Price ($)
Balance, December 31, 2020	9,250,000	$	0.54
Stock options issued	9,559,835		7.24
Stock options exercised	(3,549,523)		0.77
Stock options forfeited	(25,000)		1.72
Balance, December 31, 2021	15,235,312	$	4.69
Stock options issued	5,715,000		6.35
Stock options exercised	(2,886,871)		0.65
Stock options forfeited	(150,000)		0.95
Stock options expired	(918,441)		6.01
Balance, March 31, 2023	**16,995,000**	**$**	**5.89**

Stock options outstanding at March 31, 2023 are as follows:

Number of Options Outstanding	Number of Options Exercisable		Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
-	-		6.74	July 27, 2022	-
1,200,000	1,200,000		12.00	July 27, 2023	0.3
250,000	250,000		0.25	October 7, 2024	1.5
225,000	225,000		0.51	December 9, 2024	1.7
320,000	320,000		0.76	February 18, 2025	1.9
175,000	175,000		0.31	April 29, 2025	2.1
2,287,500	2,287,500		0.70	August 26, 2025	2.4
100,000	100,000		0.76	August 26, 2025	2.4
393,750	287,500		2.19	January 5, 2026	2.8
4,668,750	3,481,250		6.88	April 25, 2026	3.1
800,000	600,000		11.39	July 14, 2026	3.3
360,000	272,500		6.23	September 8, 2026	3.4
500,000	500,000		6.00	December 3, 2026	3.7
5,715,000	2,857,500		6.35	May 13, 2027	4.1
16,995,000	**12,556,250**	**$**	**5.89**		**3.1**

12. GENERAL AND ADMINISTRATION

The following table provides a breakdown of general and administration expenses:

		15-Month Period Ended		Year Ended
		March 31, 2023		**December 31, 2021**
Staff, consulting, and management (Note 9)	$	10,668,175	$	6,723,447
Marketing and stakeholder relations		2,076,780		1,843,853
Corporate development		2,156,974		-
Office and general		3,059,627		1,307,946
Transportation and accomodation		1,178,657		944,940
Insurance		1,789,026		250,658
Professional fees (Note 5)		9,239,207		3,686,836
	$	**30,168,446**	**$**	**14,757,680**

13. SEGMENTED INFORMATION

The following tables highlight the Company's operating segments:

15-Month Period Ended March 31, 2023	Corporate	Mexico	Africa	Total
Total non-current assets	$ 8,140,537	$ 19,998	$ 111,196,207	$ 119,356,742
Total assets	18,957,451	53,793,098	116,177,858	188,928,407
Total liabilities	(1,336,225)	(99,813,417)	(4,452,355)	(105,601,997)
Crude oil revenue	-	14,736,802	-	14,736,802
Natural gas revenue	-	17,900,416	-	17,900,416
Total revenue	-	32,637,218	-	32,637,218
Loss before taxes	36,401,160	27,283,809	9,260,951	72,945,920

Year Ended December 31, 2021	Corporate	Mexico	Africa	Total
Total non-current assets	$ 6,679,209	$ 54,055	$ 53,598,397	$ 60,331,661
Total assets	49,449,779	28,974,126	55,504,673	133,928,578
Total liabilities	(2,013,054)	(45,209,455)	(1,481,348)	(48,703,857)
Crude oil revenue	-	4,288,175	-	4,288,175
Natural gas revenue	-	6,121,538	-	6,121,538
Total revenue	-	10,409,713	-	10,409,713
Loss before taxes	145,551,353	113,907,934	3,653,577	263,112,864

14. COMMITMENTS AND CONTINGENCIES

The Company is committed to the completion of certain work programs in relation to its Chiapas properties in Mexico. Please refer to Note 5 for more details on these commitments. There is a $94.9 million balance in royalty payables with a principal amount owing of $60.9 million and $34.0 million recorded as estimated interest fees (Note 8). The royalties may also be subject to further fines from the Tax Administration Service of Mexico, though any such charges have not been received. The Company is currently in discussions regarding a potential repayment plan on the principal outstanding balance and the forgiveness of the accumulated interest including these potential penalties (Note 17).

The nature of the Company's petroleum exploration business sometimes results in individuals, groups or regulatory bodies, including parties that are opposed to the Company's business, making allegations that could lead to future legal proceedings that might ultimately be resolved in a way that could materially adversely impact the Company's financial position, stock price, cash flow and results of operations.

The Company and certain of its current and former officers and directors have been named as defendants in three substantially identical purported class action lawsuits filed by shareholders of the Company in the United States District Court in Brooklyn, New York. The Company identified the first of these lawsuits in an October 28, 2021 news release. The first lawsuit was voluntarily dismissed by that plaintiff on November 9, 2021, and the other two were consolidated by the court, which appointed a lead plaintiff and lead counsel to represent the purported class members. On April 11, 2022, the lead plaintiff filed a consolidated amended complaint that alleges that the Company and the individual defendants made untrue statements of material fact or omitted to state material facts or engaged in acts that operated as a fraud upon the purchasers of the Company's stock in violation of Section 10(b) and Section 20(a) of the U.S. Securities Exchange Act of 1934, as amended, and Rule 10b-5, thereunder. The claims are alleged on behalf of a class of shareholders who purchased or otherwise acquired shares of the Company between February 28, 2019 and September 7, 2021. The lead plaintiff generally alleges that the defendants made misleading statements about the Company's oil exploration projects in Namibia and Botswana that rely in part on allegations by a short-seller of the Company's stock and free-lance writers for National Geographic magazine. The lead plaintiff seeks unspecified monetary damages. The parties are in the process of conducting discovery. No trial date has been set by the court. The Company disputes the allegations and intends to vigorously defend the lawsuits, although no assurance can be given with respect to the ultimate outcome of this action.

Renaissance's operations are subject to a variety of local regulations. Failure to comply with one or more of those regulations could result in fines, restrictions on operations, suspension or revocation of permits or licenses, or other disciplinary actions (collectively, "Disciplinary Actions") that could adversely affect Renaissance's financial position and results of operations. While management believes that Renaissance is in substantial compliance with local regulations as of March 31, 2023 and through the date of filing of these financial statements, these regulations continue to evolve and are subject to differing interpretations and enforcement. As a result, Renaissance may be subject to Disciplinary Actions in the future.

15. INCOME TAXES

Income tax expense differs from the amount that would result from applying the federal and provincial income tax rates to loss before income taxes. These differences result from the following items:

	15-Month Period Ended March 31, 2023	Year Ended December 31, 2021
Loss before taxes	$ (72,945,920)	$ (263,112,864)
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery based on the above rates	(19,695,398)	(71,040,473)
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	12,146,368	38,193,847
Losses and temporary differences for which no tax benefit has previously been recorded	9,068,748	2,667,695
Foreign exchange	228,820	1,325,730
Settlement of option agreement	-	29,792,340
Difference in foreign tax rates	(1,746,317)	(645,027)
Income tax expense	**$ 2,221**	**$ 294,112**
Current tax expense	-	-
Deferred tax expense	2,221	294,112
Income tax expense	**$ 2,221**	**$ 294,112**
Deferred tax assets (liabilities)		
Tax losses	1,415,641	450,375
Property, plant and equipment	(1,731,809)	(744,487)
	$ (316,168)	**$ (294,112)**

At March 31, 2023, the significant components of the Company's temporary differences that have not been recognized on the statement of financial position are as follows:

	15-Month Period Ended March 31, 2023	Year Ended December 31, 2021
Share issue costs	$ 5,303,214	$ 3,053,695
Property, plant and equipment	183,112	202,593
Exploration and evaluation assets	14,300,726	7,123,133
Decommissioning liabilities	2,549,374	758,184
Accruals	41,172,036	10,836,776
	$ 63,508,462	**$ 21,974,381**

At March 31, 2023, the Company had tax losses which are not recognized as deferred tax assets. The Company recognizes the benefit of tax losses only to the extent of anticipated future taxable income that can be reduced by the tax losses. The gross amount of the tax losses expire are as follows:

	March 31, 2023	December 31, 2021	Expiry
Canada	$ 11,796,800	$ 8,415,317	2039 to 2043
Mexico	$ 10,189,469	$ 6,284,872	2025 to 2033
Namibia	$ 7,038,596	$ -	No expiry

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the acquisition, exploration and development of exploration and evaluation assets, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of equity which, at March 31, 2023, totaled $83,326,410 (December 31, 2021 – $85,224,721).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets. The Company is not exposed to any externally imposed capital requirements. No changes were made to the Company's capital management practices during the 15-month period ended March 31, 2023.

17. SUBSEQUENT EVENTS

On May 26, 2023, the Company announced it will review the claim filed on May 24, 2023 by a shareholder of the Company pursuant to the Class Proceedings Act against the Company in the Supreme Court of British Columbia, however the Company currently has no reason to believe that there is any merit to the claim. The claim alleges various misrepresentations published in core and non-core documents. (Note 14)

On May 27, 2023, 127,079 compensation options expired.

On June 28, 2023, the Company received $125,000 from the exercise of 250,000 warrants.

On July 18, 2023, the Company completed an overnight marketed offering of units of the Company. Pursuant to the offering, 6,795,454 units were sold at $1.10 per unit for gross proceeds of $7,475,000. Each unit consists of one common share in the capital of the Company and one common share purchase warrant of the Company. Each warrant entitles the holder to acquire one common share at a price of $1.35 until July 18, 2025. The underwriters received a cash commission of 6% of the gross proceeds, were issued 295,227 compensation options entitling the holder to acquire one unit for $1.10 until July 18, 2025, and received additional cash compensation of 1% of gross proceeds as a corporate finance fee.

On July 27, 2023, 1,200,000 options and 1,800,000 warrants in connection with the Arrangement expired.

On July 27, 2023, Renaissance received a legal claim from the Agency of Security, Energy and Environment in Mexico ("ASEA") in relation to the methane inspections originated in September 2022, the claim could result in various potential actions such as total temporary shutdown of the Mundo Nuevo 2-A and Malva 85 wells, as well as the imposition of a fine that could be significant and/or material to the Company. We are not aware of any precedent cases that would support the potential actions; the Company is currently in the process of reviewing, assessing the claim; and seeking legal counsel advice on this. Until the review is complete, the Company is unable to assess the claim's materiality or probability.