



Condensed Consolidated Interim Financial Statements

June 30, 2024 and 2023

RECONNAISSANCE ENERGY AFRICA LTD.Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian Dollars, unless otherwise stated)

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 |
|---|---|-------------------------------------|
| EXPENSES | | |
| Resource property costs | \$ 15,213 | \$ 56,437 |
| General and administration (Note 11) | 3,156,349 | 4,235,455 |
| Repairs and maintenance | 23,414 | - |
| Accretion (Note 9) | 14,392 | 14,766 |
| Share-based payments (Notes 8, 10) | 3,521,975 | 1,736,942 |
| | 6,731,343 | 6,043,600 |
| Other Items | | |
| Other income | (116,409) | (36,513) |
| Exchange loss (gain) | 79,378 | (148,776) |
| | (37,031) | (185,289) |
| Loss from continued operations | 6,694,312 | 5,858,311 |
| Loss from discontinued operations (Note 5) | - | 7,988,254 |
| Loss | 6,694,312 | 13,846,565 |
| Other Comprehensive Income | | |
| Items that may be reclassified subsequently to net loss | | |
| Translation adjustment | (1,379,885) | (873,367) |
| Loss and comprehensive loss | \$ 5,314,427 | \$ 12,973,198 |
| Basic & diluted loss per common share - continued operations | \$ 0.03 | \$ 0.03 |
| Basic & diluted loss per common share - discontinued operations | \$ - | \$ 0.04 |
| Weighted average number of common shares outstanding - basic and diluted | 229,936,783 | 202,087,048 |

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

RECONNAISSANCE ENERGY AFRICA LTD.

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

(Unaudited - Expressed in Canadian Dollars, unless otherwise stated)

| | Share Capital | | Reserves | Deficit | AOCI | Equity |
|------------------------------------|--------------------|----------------------|----------------------|-------------------------|---------------------|-----------------------|
| | Number | Amount | | | | |
| Balance at March 31, 2023 | 202,078,806 | 355,031,053 | 73,080,671 | (347,110,310) | 2,324,996 | 83,326,410 |
| Warrants exercise | 250,000 | 137,488 | (12,488) | - | - | 125,000 |
| Share-based payments | - | - | 1,736,942 | - | - | 1,736,942 |
| Loss | - | - | - | (13,846,565) | - | (13,846,565) |
| Translation adjustment | - | - | - | - | (1,653,183) | (1,653,183) |
| Balance at June 30, 2023 | 202,328,806 | 355,168,541 | 74,805,125 | (360,956,875) | 671,813 | 69,688,604 |
| Shares issued: | | | | | | |
| Private offering | 1,071,500 | 823,377 | 376,703 | - | - | 1,200,080 |
| Public offering | 6,795,454 | 5,196,704 | 2,278,296 | - | - | 7,475,000 |
| Issue costs - cash | - | (1,369,801) | - | - | - | (1,369,801) |
| Issue costs - compensation options | - | (125,135) | 125,135 | - | - | - |
| Warrants exercise | 545,450 | 759,772 | (142,798) | - | - | 616,974 |
| Options exercise | 175,000 | 83,406 | (29,156) | - | - | 54,250 |
| Share-based payments | - | - | 4,129,204 | - | - | 4,129,204 |
| Income | - | - | - | 54,958,356 | - | 54,958,356 |
| Translation adjustment | - | - | - | - | 102,217 | 102,217 |
| Balance at March 31, 2024 | 210,916,210 | 360,536,864 | 81,542,509 | (305,998,519) | 774,030 | 136,854,884 |
| Shares issued: | | | | | | |
| Public offering | 19,166,705 | 12,716,760 | 4,533,275 | - | - | 17,250,035 |
| Issue costs - cash | - | (1,769,568) | - | - | - | (1,769,568) |
| Issue costs - broker warrants | - | (488,078) | 488,078 | - | - | - |
| Warrants exercise | 1,447,100 | 1,702,457 | (274,621) | - | - | 1,427,836 |
| Compensation option exercise | 25,303 | 31,515 | (3,682) | - | - | 27,833 |
| Options exercise | 100,000 | 79,114 | (28,114) | - | - | 51,000 |
| Share-based payments | - | - | 3,521,975 | - | - | 3,521,975 |
| Loss | - | - | - | (6,694,312) | - | (6,694,312) |
| Translation adjustment | - | - | - | - | 1,379,885 | 1,379,885 |
| Balance at June 30, 2024 | 231,655,318 | \$372,809,064 | \$ 89,779,420 | \$ (312,692,831) | \$ 2,153,915 | \$ 152,049,568 |

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

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

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 |
|---|---|-------------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss | \$ (6,694,312) | \$ (5,858,311) |
| Items not involving cash: | | |
| Accretion on decommissioning liabilities | 14,392 | 14,766 |
| Share-based payments | 3,521,975 | 1,736,942 |
| Unrealized foreign exchange | 46,456 | (81,859) |
| Changes in non-cash working capital items: | | |
| Receivables | (390,103) | (572,276) |
| Prepaid expenses | (731,161) | (1,012,783) |
| Accounts payable and accrued liabilities | (696,462) | 1,662,087 |
| Net cash used in operating activities | (4,929,215) | (4,111,434) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Disposal of equipment | 69,393 | - |
| Investment in exploration and evaluation assets | (4,488,258) | (7,345,464) |
| Settlement of decommissioning liabilities | (110,646) | - |
| Net cash used in investing activities | (4,529,511) | (7,345,464) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from the issuance of shares | 18,284,514 | 125,000 |
| Share issue costs | (1,769,568) | - |
| Net cash provided by financing activities | 16,514,946 | 125,000 |
| Impact of exchange rate changes on cash | 23,463 | (53,825) |
| Net change in cash - continuing operations | 7,079,683 | (11,385,723) |
| Net change in cash - discontinued operations (Note 5) | - | (4,940,876) |
| Cash - discontinued operations | - | (19,101,503) |
| Cash, beginning of period | 2,076,749 | 38,814,806 |
| Cash, end of period | \$ 9,156,432 | \$ 3,386,704 |

For the three months ended June 30, 2024 and June 30, 2023, there were no non-cash financing or investing transactions that are not disclosed elsewhere in the condensed consolidated interim financial statements.

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

RECONNAISSANCE ENERGY AFRICA LTD.

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended June 30, 2024 and 2023

(Unaudited - Expressed in Canadian Dollars, unless otherwise stated)

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 635 – 8th Avenue SW, Calgary, AB, T2P 3M3, Canada.

These unaudited condensed consolidated interim 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 does not have revenues 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. 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 (see Note 15). 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

These Financial Statements of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” following acceptable accounting policies under IFRS Accounting Standards as issued by the International Accounting Standards Board (“IASB”). These Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended March 31, 2024.

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 and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated upon consolidation.

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. In preparing the Financial Statements, the judgments made by management in applying the Company’s accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements for the year ended March 31, 2024.

3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

These Financial Statements have been prepared on the basis of accounting policies and methods of computation consistent with those applied in the Company’s audited financial statements for the year ended March 31, 2024.

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, other receivables, accounts payable and accrued liabilities and subscriptions received in advance. The carrying value of cash, other receivables, accounts payable and accrued liabilities and subscriptions received in advance are a reasonable approximation of their fair value due to the short-term nature of these instruments. All of the Company’s financial assets and liabilities are measured at amortized cost. 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.

Notes to the Financial Statements (continued)

- 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 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.

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'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 future drilling activities. This may include debt or equity financing in addition to funds raised from 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 (See Note 15).

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, other receivables and accounts payable and accrued liabilities measured in foreign currencies, principally the US dollar, 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 does not have any significant interest rate risk.

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, international conflicts 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.

Notes to the Financial Statements (continued)

5. DISCONTINUED OPERATIONS

On October 25, 2023, the Company entered into a share purchase agreement with a third-party for the sale of all issued and outstanding shares of Renaissance Oil Corp. (“ROC”), a wholly owned subsidiary of the Company, for a deemed price of \$10.3 million (US\$7.5 million). In addition, under the agreement, the third-party assumed all debts and all present and future liabilities of ROC and its subsidiaries. ROC through its subsidiaries, owns all of the Company’s operations in Mexico. The Company received acceptance on the sale of ROC by the TSX Venture Exchange on November 16, 2023. Gross proceeds of approximately \$10.3 million were added to the Company’s treasury before the transaction closed.

As a result of the sale, the Company has derecognized the assets and liabilities of ROC:

| | |
|--|------------------------|
| Cash | 4,615,643 |
| Restricted cash | 21,747,216 |
| Trade receivables | 13,183,557 |
| Other receivables | 801,398 |
| Prepaid expenses | 443,379 |
| Property, plant and equipment (Note 7) | 17,385 |
| Accounts payable & accrued liabilities | (3,496,806) |
| Royalties payable | (121,941,628) |
| Decommissioning liabilities (Note 10) | (1,134,091) |
| Net liabilities of Renaissance | (85,763,947) |
| Add: Finder fees paid | 276,400 |
| Gain on sale of Renaissance | \$ (85,487,547) |

Under the terms of a finder’s fee agreement, the Company was obligated to pay to two arms-length third parties the aggregate amount of \$276,400 upon closing of the above transaction.

Notes to the Financial Statements (continued)

The revenues and expenses relating to the reclassification of ROC as discontinued operations were shown as a single line item in the Statement of Loss and Comprehensive Loss are as follows:

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 |
|--|---|-------------------------------------|
| INCOME | | |
| Revenue | \$ - | \$ 4,205,828 |
| Royalties | - | (3,383,666) |
| | - | 822,162 |
| EXPENSES | | |
| Production costs | - | 270,449 |
| Resource property costs | - | 176,874 |
| General and administration | - | 667,669 |
| Depreciation | - | 1,228 |
| Accretion | - | 19,060 |
| | - | 1,135,280 |
| Other Items | | |
| Other income | - | (452,863) |
| Finance expense | - | 8,065,469 |
| Exchange (gain) loss | - | 62,530 |
| | - | 7,675,136 |
| Loss from discontinued operations | \$ - | \$ 7,988,254 |

The breakdown of cash flows from discontinued operations is as follows:

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 |
|---|---|-------------------------------------|
| Net cash used in operating activities | \$ - | \$ (1,664,224) |
| Net cash used in investing activities | - | (3,276,652) |
| Change in cash during the period | \$ - | \$ (4,940,876) |

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 March 31, 2023 | 165,285 | 113,587,738 | 113,753,023 |
| Additions | 37,514 | 15,047,106 | 15,084,620 |
| Effect of exchange rate changes | (128) | 199,124 | 198,996 |
| Balance at March 31, 2024 | \$ 202,671 | \$ 128,833,968 | \$ 129,036,639 |
| Additions | 25,583 | 6,338,285 | 6,363,868 |
| Effect of exchange rate changes | 2,795 | 1,254,481 | 1,257,276 |
| Balance at June 30, 2024 | \$ 231,049 | \$ 136,426,734 | \$ 136,657,783 |

The Company's exploration and evaluation assets relate entirely to properties located in Namibia and Botswana. At June 30, 2024, 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"), an indirect wholly-owned subsidiary of ReconAfrica, entered into a petroleum agreement among the Government of the Republic of Namibia, and 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").

Notes to the Financial Statements (continued)

During the 15-month period ending 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 will pay to NAMCOR US\$2,000,000 in cash and issue to NAMCOR 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, which continued till January 29, 2024. In October 2023, ReconAfrica and its joint venture partner NAMCOR were granted approval for the Second Renewal Exploration Period by the Ministry of Mines and Energy in Namibia ("MME"). The Second Renewal Exploration Period covers the period from January 30, 2024 to January 29, 2026, relating to PEL 73. Under the terms of the Second Renewal Exploration Period the Company will acquire additional subsurface data including either; (i) 500 km of 2D seismic data, (ii) 1,200 km² of enhanced Full Tensor Gradiometry ("eFTG") data, or (iii) some combination of (i) or (ii) which is considered reasonable. Additionally, the Company will be required to design and drill a minimum of one exploration or stratigraphic test well. A minimum dollar commitment equivalent to the above items is also required.

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 \$500,000) over the first Four-year exploration period from June 1, 2020. In March 2024, the Company applied for a six-month extension of the Botswana Licence while it continued to negotiate a petroleum agreement with the government of Botswana. The Company has also applied for a renewal of the licence should the extension not be approved. Under the terms of the Botswana Petroleum Act the Botswana Licence is deemed to continue in force until the Minister makes a determination on the licence extension and renewal.

Notes to the Financial Statements (continued)

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 assets. 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 condensed consolidated interim statements of loss and comprehensive loss.

| | Drilling Rig Equipment | Vehicles | Computer Equipment | Office Equipment | Total |
|--|---------------------------|---------------------|-----------------------|---------------------|-----------------------|
| Cost: | | | | | |
| Balance, March 31, 2023 | 6,724,444 | 327,708 | 96,216 | 124,185 | 7,272,553 |
| Addition/Disposal | 283,362 | - | - | - | 283,362 |
| Effect of exchange rate changes | 9,771 | 412 | 1,785 | 1,036 | 13,004 |
| Less: assets associated with sale of Renaissance | - | - | (95,712) | (46,015) | (141,727) |
| Balance, March 31, 2024 | \$ 7,017,577 | \$ 328,120 | \$ 2,289 | \$ 79,206 | \$ 7,427,192 |
| Addition/Disposal | (69,393) | - | - | - | (69,393) |
| Effect of exchange rate changes | 70,952 | 3,318 | - | 674 | 74,944 |
| Balance, June 30, 2024 | \$ 7,019,136 | \$ 331,438 | \$ 2,289 | \$ 79,880 | \$ 7,432,743 |
| Accumulated depreciation: | | | | | |
| Balance, March 31, 2023 | (1,388,405) | (142,920) | (96,090) | (41,419) | (1,668,834) |
| Depreciation | (702,894) | (48,970) | (164) | (16,964) | (768,992) |
| Effect of exchange rate changes | 34,160 | 2,962 | (1,734) | (1,388) | 34,000 |
| Less: assets associated with sale of Renaissance | - | - | 95,699 | 28,643 | 124,342 |
| Balance, March 31, 2024 | \$ (2,057,139) | \$ (188,928) | \$ (2,289) | \$ (31,128) | \$ (2,279,484) |
| Depreciation | (183,730) | (12,420) | - | (3,761) | (199,911) |
| Disposition | - | - | - | - | - |
| Effect of exchange rate changes | (20,853) | (1,914) | - | (189) | (22,956) |
| Balance, June 30, 2024 | \$ (2,261,722) | \$ (203,262) | \$ (2,289) | \$ (35,078) | \$ (2,502,351) |
| Net book value: | | | | | |
| As of March 31, 2023 | \$ 4,960,438 | \$ 139,192 | \$ - | \$ 48,078 | \$ 5,147,708 |
| As of June 30, 2024 | \$ 4,757,414 | \$ 128,176 | \$ - | \$ 44,802 | \$ 4,930,392 |

Depreciation of \$199,911 (June 30, 2023 - \$59,188) is 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 |
| Computer equipment | 3 years | 33% | straight-line |
| Office equipment | 3 years | 33% | straight-line |

At June 30, 2024, no indicators of impairment have been identified for the property, plant and equipment.

Notes to the Financial Statements (continued)

8. 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:

| | Three Months Ended | |
|----------------------------------|---------------------|---------------------|
| | June 30, 2024 | June 30, 2023 |
| Directors' fees | \$ 123,775 | \$ - |
| Management salaries and benefits | 869,691 | 483,265 |
| Share-based payments | 2,107,438 | 1,002,060 |
| | \$ 3,100,904 | \$ 1,485,325 |

At June 30, 2024, a balance of \$171,029 was payable to related parties (March 31, 2024 - \$500,204). Amounts due to or from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

9. DECOMMISSIONING LIABILITIES

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

| | |
|---|---------------------|
| Balance at March 31, 2023 | \$ 2,529,772 |
| Accretion | 130,957 |
| Change in estimate - African assets | (368,052) |
| Effect of exchange rate changes | 24,189 |
| Less: liabilities associated with sale of ROC | (1,134,091) |
| Balance at March 31, 2024 | \$ 1,182,775 |
| Accretion | 14,392 |
| Liabilities settled | (110,646) |
| Effect of exchange rate changes | 11,931 |
| Balance at June 30, 2024 | \$ 1,098,452 |
| Less: Current portion | (481,647) |
| Decommissioning liabilities, non-current | \$ 616,805 |

As at June 30, 2024, the decommissioning liabilities are based on total undiscounted future liabilities, after inflation adjustment, of \$1.3 million (March 31, 2024 - \$1.3 million). The Company calculated the present value of the obligations using a discount rate of 4.82% (March 31, 2024 - 4.82% - 8.89%) 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 rate used in determining the cash flow estimates was 2.80% (March 31, 2024 - 2.80% - 6.85%). The payments relating to the above obligations are expected to be made between 2024 and 2025.

Notes to the Financial Statements (continued)

10. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Common shares

At June 30, 2024, there were 231,655,318 (March 31, 2024 – 210,916,210) common shares issued and outstanding.

On April 3, 2024, the Company completed a bought deal public offering of units of the Company for aggregate gross proceeds of \$17,250,035. Pursuant to the bought deal public offering, a total of 19,166,705 units were issued at a price of \$0.90 per unit. 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 \$1.15 until April 3, 2026. In connection with the bought deal public offering, the Company issued 1,263,878 broker warrants. Each broker warrant entitles the holder to acquire one common share of the Company at a price of \$0.90 until April 3, 2026. The Company also incurred share issuance costs of \$634,777 in the form of professional fees and paid a cash commission of \$1,134,791 to the underwriters.

During the three months ended June 30, 2024, the Company issued 1,472,403 (2023 – 250,000) common shares pursuant to the exercise of 1,447,100 (2023 – 250,000) warrants for cash proceeds of \$1,427,836 (2023 - \$125,000) and 25,303 (2023 – nil) compensation options for cash proceeds \$27,833 (2023 – \$Nil).

During the three months ended June 30, 2024, the Company issued 100,000 common shares pursuant to the exercise of 100,000 (2023 – nil) stock options for cash proceeds of \$51,000 (2023 - \$Nil).

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, March 31, 2023 | 155,729 | 6,984,114 | \$ | 8.36 |
| Issued | 295,227 | 7,866,954 | | 1.35 |
| Exercised | - | (795,450) | | 0.93 |
| Expired | (127,079) | (2,431,733) | | 10.79 |
| Balance, March 31, 2024 | 323,877 | 11,623,885 | \$ | 3.54 |
| Issued | - | 20,455,886 | | 1.13 |
| Exercised | (25,303) | (1,447,100) | | 0.99 |
| Expired | | (2,179,122) | | 14.00 |
| Balance, June 30, 2024 | 298,574 | 28,453,549 | \$ | 1.17 |

The warrants have been valued using relative fair value and compensation options issued have been valued using the Black-Scholes pricing model, with a gross amount of \$5,028,396 (2023 - \$Nil) included in reserves. The following assumptions were used for the Black-Scholes valuation of the warrants granted:

| Warrants | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 | Compensation options | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 |
|-------------------------|-------------------------------------|-------------------------------------|-------------------------|-------------------------------------|-------------------------------------|
| Risk-free interest rate | 4.22% | nil | Risk-free interest rate | nil | nil |
| Expected life | 2.0 years | nil | Expected life | nil | nil |
| Annualized volatility | 75.00% | nil | Annualized volatility | nil | nil |
| Dividend rate | nil | nil | Dividend rate | nil | nil |

Warrants and compensation options outstanding at June 30, 2024 are as follows:

Notes to the Financial Statements (continued)

| Number of Warrants | Number of Compensation Options | Exercise Price (\$) | Expiry Date |
|--------------------|-----------------------------------|---------------------|-------------------|
| 764,280 | - | 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 |
| 6,411,157 | - | 1.35 | July 18, 2025 |
| 1,071,500 | - | 1.40 | September 1, 2025 |
| 18,089,205 | - | 1.15 | April 3, 2026 |
| 1,263,878 | - | 0.90 | April 3, 2026 |
| - | 269,924 | 1.10 | July 18, 2025 |
| - | 28,650 | 0.70 | August 25, 2025 |
| 28,453,549 | 298,574 | | |

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 at the discretion of the Board of Directors. The Board of Directors also establishes the 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.

During the three months ended June 30, 2024, the Company granted incentive stock options to certain directors, officers, employees, and consultants of the Company to acquire an aggregate of 5,830,000 common shares in the capital of the Company at an exercise price of \$1.40 per share for a period of up to five years.

During the three months ended June 30, 2024, the Company recorded share-based payments of \$3,521,975 (2023 – \$1,736,942). The following table highlights the assumptions used to determine the fair value of stock options granted using the Black-Scholes Option Pricing Model:

| | Three Months Ended June 30, 2024 | Three Months Ended June 30, 2023 |
|-------------------------|-------------------------------------|-------------------------------------|
| Risk-free interest rate | 3.31%-3.64% | nil |
| Expected life | 5 years | nil |
| Expected volatility | 75.00% | nil |
| Expected dividend yield | n/a | nil |

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.

The following table summarizes information about the stock options transactions for the three months ended June 30, 2024.

Notes to the Financial Statements (continued)

| | Number of Options | | Weighted Average Exercise Price (\$) |
|-----------------------------------|-------------------|-----------|---|
| Balance, March 31, 2023 | 16,995,000 | \$ | 5.89 |
| Stock options issued | 10,860,750 | | 1.34 |
| Stock options exercised | (175,000) | | 0.31 |
| Stock options forfeited/cancelled | (7,246,250) | | 6.85 |
| Stock options expired | (1,200,000) | | 12.00 |
| Balance, March 31, 2024 | 19,234,500 | \$ | 2.63 |
| Stock options issued | 5,830,000 | | 1.40 |
| Stock options exercised | (100,000) | | 0.51 |
| Stock options forfeited/cancelled | (2,475,000) | | 1.46 |
| Stock options expired | - | | - |
| Balance, June 30, 2024 | 22,489,500 | \$ | 2.45 |

Stock options outstanding at June 30, 2024 are as follows:

| Number of Options Outstanding | Number of Options Exercisable | Exercise Price | Expiry Date | Weighted Average Remaining Contractual Life (in years) |
|----------------------------------|----------------------------------|----------------|-------------------|--|
| 250,000 | 250,000 | 0.25 | October 7, 2024 | 0.3 |
| 100,000 | 100,000 | 0.51 | December 9, 2024 | 0.4 |
| 320,000 | 320,000 | 0.76 | February 18, 2025 | 0.6 |
| 2,250,000 | 2,250,000 | 0.70 | August 26, 2025 | 1.2 |
| 100,000 | 100,000 | 0.76 | August 26, 2025 | 1.2 |
| 368,750 | 368,750 | 2.19 | January 5, 2026 | 1.5 |
| 2,275,000 | 2,275,000 | 6.88 | April 25, 2026 | 1.8 |
| 200,000 | 200,000 | 11.39 | July 14, 2026 | 2.0 |
| 10,000 | 10,000 | 6.23 | September 8, 2026 | 2.2 |
| 2,250,000 | 1,687,500 | 6.35 | May 13, 2027 | 2.9 |
| 4,580,000 | 2,440,000 | 1.40 | August 3, 2028 | 4.1 |
| 2,965,750 | 741,438 | 1.40 | March 6, 2029 | 4.7 |
| 615,000 | 153,750 | 1.40 | March 6, 2026 | 1.7 |
| 375,000 | 93,750 | 1.15 | June 6, 2025 | 0.9 |
| 30,000 | 7,500 | 1.40 | May 15, 2029 | 4.9 |
| 5,800,000 | 1,450,000 | 1.40 | June 19, 2029 | 5.0 |
| 22,489,500 | 12,447,688 | \$ | 2.45 | 3.45 |

Notes to the Financial Statements (continued)

11. GENERAL AND ADMINISTRATION

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

| | Three Months Ended | |
|--|---------------------------|----------------------|
| | June 30, 2024 | June 30, 2023 |
| Staff, consulting, and management (Note 8) | \$ 1,574,288 | \$ 1,841,206 |
| Marketing and stakeholder relations | 136,732 | 229,883 |
| Corporate development | 18,461 | 65,108 |
| Office and general | 393,430 | 292,595 |
| Transportation and accommodation | 346,801 | 148,168 |
| Insurance | 431,071 | 585,853 |
| Professional fees | 255,566 | 1,072,642 |
| | \$ 3,156,349 | \$ 4,235,455 |

12. SEGMENTED INFORMATION

The following tables highlight the Company's operating segments:

| Three Months Ended June 30, 2024 | Corporate | Mexico | Africa | Total |
|---|------------------|---------------|----------------|----------------|
| Total non-current assets | \$ 10,479,921 | \$ - | \$ 136,576,601 | \$ 147,056,522 |
| Total assets | 20,850,127 | - | 137,055,721 | 157,905,848 |
| Total liabilities | (2,113,527) | - | (3,742,753) | (5,856,280) |
| Loss before taxes | 5,810,616 | - | 883,696 | 6,694,312 |

| Three Months Ended June 30, 2023 | Corporate | Mexico | Africa | Total |
|---|------------------|---------------|----------------|----------------|
| Total non-current assets | \$ 8,918,432 | \$ 18,355 | \$ 115,566,511 | \$ 124,503,298 |
| Total assets | 14,089,940 | 48,886,410 | 120,386,747 | 183,363,097 |
| Total liabilities | (2,196,942) | (105,751,240) | (5,726,311) | (113,674,493) |
| Crude oil revenue | - | 2,258,889 | - | 2,258,889 |
| Natural gas revenue | - | 1,911,080 | - | 1,911,080 |
| Prior period adjustments | - | 35,859 | - | 35,859 |
| Total revenue (Note 5) | - | 4,205,828 | - | 4,205,828 |
| Loss before taxes | 4,575,949 | 7,988,254 | 1,282,362 | 13,846,565 |

13. COMMITMENTS AND CONTINGENCIES

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, except certain excluded shareholders, who purchased or otherwise acquired shares of the Company in the U.S. between February 28, 2019 and September 7, 2021 (the "US Action"). 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. No trial date

Notes to the Financial Statements (continued)

has been set by the court. The Company disputes the allegations and intends to vigorously defend the action, although no assurance can be given with respect to the ultimate outcome of this action.

The Company has also been named in a proposed class action filed by a shareholder of the Company in the Supreme Court of British Columbia under the Class Proceedings Act, RSBC 1996, c. 50. The claim is a proposed shareholder class action on behalf of all investors, except certain excluded investors, that purchased the Company's securities outside the U.S. between May 30, 2020 and September 7, 2021, and held all or some of those purchased securities after September 7, 2021 (the "Canadian Action"). The claim generally alleges that ReconAfrica published core and non-core documents containing misrepresentations that were publicly corrected between June 24 and September 7, 2021. The plaintiff seeks damages against the Company in connection with the alleged misrepresentations and public corrections. The Company disputes the allegations and intends to vigorously defend the claim, although no assurance can be given with respect to the ultimate outcome of this action.

On February 28, 2024, following a mediation with the plaintiffs in both the U.S. Action and the Canadian Action, the Company announced that the parties entered into a global settlement agreement to resolve both cases. The Canadian Action received final court approval on June 20, 2024. The U.S. Action received preliminary court approval on August 8, 2024.

14. 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 June 30, 2024, totaled \$152,049,568 (March 31, 2024 – \$136,854,884).

The Company manages the capital structure and adjusts 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 period ended June 30, 2024.

15. SUBSEQUENT EVENTS

On July 30, 2024, the Company entered into a definitive farm down agreement with BW Energy Limited ("BW Energy"), for the sale of a 20% working interest in PEL 73. In connection with the above agreement, BW Energy agreed to a strategic equity investment in the Company for \$22 million (US\$16 million), pursuant to the July 2024 Offering. The Company is selling a 20% working interest in PEL 73 to BW Energy in exchange for total potential consideration of US\$141 million (\$193 million), including a \$22 million (US\$16 million) equity investment. An additional US\$45 million (\$62 million) bonus will be earned at declaration of commerciality (Final Investment Decision or "FID") providing additional capital carry through to first production. These commerciality bonus payments will be paid in two installments, one at FID and the second payment one year after production. In the event of development of discoveries, production bonuses based on certain cash flow milestones achieved by BW Energy could total an additional US\$80 million (\$109 million). Three separate production bonus payments of US\$25 million (\$34 million), are made after BW Energy reaches certain free cash flow milestones. An additional first production payment of US\$5 million (\$7 million), is paid sixty days after the start of commercial production.

As a result of the above agreement, the ownership interests in PEL 73 are: ReconAfrica 70%, BW Energy 20%, and NAMCOR 10%. ReconAfrica remains the operator of PEL 73. Completion of the transaction is subject to satisfaction of customary closing conditions, including approvals from NAMCOR and the MME.

On July 31, 2024, the Company completed an underwritten public offering of securities of the Company, for aggregate gross proceeds of \$38,866,277 consisting of 30,944,000 common shares and 31,844,600 common share purchase warrants of the Company. Each warrant entitles the holder to acquire one common share at a price of \$1.75 until July 31, 2026.

On August 9, 2024, the Company granted incentive stock options to directors, officers, employees and consultants of the Company to acquire an aggregate of 4,600,000 common shares in the capital of the Company at an exercise price of \$1.04 to \$1.40 per share. These stock options are exercisable for up to a five-year term expiring August 9, 2029, and will be subject to certain vesting provisions as determined by the board of directors of the Company.

The Company received \$2,377,721 from the exercise of 2,413,453 warrants and \$68,500 from the exercise of 125,000 options.