RECONAFRICA

Consolidated Financial Statements

December 31, 2024 and March 31, 2024

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 December 31, 2024 and March 31, 2024, and the consolidated statements of (income) loss and comprehensive (income) loss, changes in shareholders' equity, and cash flows for the nine month period ended December 31, 2024 and year ended March 31, 2024, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and March 31, 2024, and its financial performance and its cash flows for the period and year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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 does not have revenue, and the Company may be required to raise new financing through the sale of shares or issuance of debt to continue with its operations 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 raining 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 auditor's report.

<u>Assessment of Impairment Indicators of Exploration and Evaluation Assets ("E&E Assets")</u>

As described in Note 6 to the consolidated financial statements, the carrying amount of the Company's E&E Assets totalled $171,313,068 as of December 31, 2024. 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 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 Accounting Standards, 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Carmen Newnham.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 29, 2025

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

		December 31, 2024		March 31, 2024
ASSETS				
Current Assets				
Cash	**$**	**11,413,181**	$	2,076,749
Other receivables		**263,079**		420,869
Prepaid expenses		**839,817**		551,059
Current portion of value-added tax receivable		**3,119,208**		-
		15,635,285		3,048,677
Value-added tax receivable		**4,154,083**		5,068,049
Exploration and evaluation assets (Note 6)		**171,313,068**		129,036,639
Property, plant and equipment (Note 7)		**4,762,818**		5,147,708
Total Assets	**$**	**195,865,254**	$	142,301,073
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**2,485,620**	$	3,350,163
Subscription received in advance		**-**		472,190
Decommissioning liabilities (Note 9)		**763,584**		586,397
		3,249,204		4,408,750
Decommissioning liabilities (Note 9)		**550,349**		596,378
Deferred tax liability (Note 14)		**1,037,411**		441,061
Total Liabilities		**4,836,964**		5,446,189
Shareholders' Equity				
Share capital (Note 10)		**408,795,731**		360,536,864
Reserves (Note 10)		**97,027,192**		81,542,509
Deficit		**(325,534,263)**		(305,998,519)
Accumulated other comprehensive income ("AOCI")		**10,739,630**		774,030
Total Shareholders' Equity		**191,028,290**		136,854,884
Total Liabilities and Shareholders' Equity	**$**	**195,865,254**	$	142,301,073

Nature of operations and going concern (Note 1)
Commitments and contingencies (Note 13)
Subsequent event (Note 16)

These consolidated financial statements were authorized for issue by the Board of Directors on April 29, 2025.
Approved by the Board of Directors:

"D. Jeffrey Harder" Director   *"Joseph Davis"* Director

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

RECONNAISSANCE ENERGY AFRICA LTD.

Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss

(Expressed in Canadian Dollars, unless otherwise stated)

		9-Month Period Ended December 31, 2024		Year Ended March 31, 2024
EXPENSES				
Resource property costs	**$**	**292,472**	$	372,535
General and administration (Note 11)		**10,257,362**		14,966,878
Repairs and maintenance		**23,560**		-
Accretion (Note 9)		**43,445**		67,394
Share-based payments (Notes 8, 10)		**7,694,161**		5,866,146
		18,311,000		21,272,953
Other Items				
Other income		**(375,557)**		(120,540)
Exchange loss (gain)		**456,244**		(69,282)
Gain on sale of Renaissance Oil Corp. (Note 5)		**-**		(85,487,547)
		80,687		(85,677,369)
Current tax expense (Note 14)		**581,085**		-
Deferred tax expense (Note 14)		**562,972**		123,918
(Income) loss from continued operations		**19,535,744**		(64,280,498)
Loss from discontinued operations (Note 5)		**-**		23,168,707
(Income) Loss		**19,535,744**		(41,111,791)
Other Comprehensive (Income) Loss				
Items that may be reclassified subsequently to net loss				
Translation adjustment		**(9,965,600)**		1,550,966
(Income) loss and comprehensive (income) loss	**$**	**9,570,144**	$	(39,560,825)
Basic & diluted (income) loss per common share - continued operations	**$**	**0.08**	$	(0.31)
Basic & diluted loss per common share - discontinued operations	**$**	**-**	$	0.11
Weighted average number of common shares outstanding - basic and diluted		**250,168,619**		208,067,450

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 March 31, 2023	202,078,806	$ 355,031,053	$ 73,080,671	$ (347,110,310)	$ 2,324,996	$ 83,326,410
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	795,450	897,260	(155,286)	-	-	741,974
Options exercise	175,000	83,406	(29,156)	-	-	54,250
Share-based payments	-	-	5,866,146	-	-	5,866,146
Income	-	-	-	41,111,791	-	41,111,791
Translation adjustment	-	-	-	-	(1,550,966)	(1,550,966)
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	50,110,705	48,218,218	7,798,094	-	-	56,016,312
Issue costs - cash	-	(4,124,518)	-	-	-	(4,124,518)
Issue costs - broker warrants	-	(872,499)	872,499	-	-	-
Warrants exercise	4,039,965	4,648,147	(752,885)	-	-	3,895,262
Compensation option exercise	25,303	31,515	(3,682)	-	-	27,833
Options exercise	550,000	358,004	(123,504)	-	-	234,500
Share-based payments	-	-	7,694,161	-	-	7,694,161
Loss	-	-	-	(19,535,744)	-	(19,535,744)
Translation adjustment	-	-	-	-	9,965,600	9,965,600
Balance at December 31, 2024	**265,642,183**	**408,795,731**	**97,027,192**	**(325,534,263)**	**$10,739,630**	**$ 191,028,290**

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)

	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss)	**$ (19,535,744)**	$ 64,280,498
Items not involving cash:		
Deferred tax expense (Note 14)	**562,972**	123,918
Gain on sale of Renaissance Oil Corp. (Note 5)	-	(85,487,547)
Accretion on decommissioning liabilities	**43,445**	67,394
Share-based payments	**7,694,161**	5,866,146
Unrealized foreign exchange	**562,102**	132,670
Changes in non-cash working capital items:		
Receivables	**(2,047,452)**	(849,397)
Prepaid expenses	**(288,758)**	(170,600)
Accounts payable and accrued liabilities	**(1,866,346)**	1,498,421
Net cash used in operating activities	**(14,875,620)**	(14,538,497)
CASH FLOWS FROM INVESTING ACTIVITIES		
Finder fees for sale of Renaissance Oil Corp. (Note 5)	-	(276,400)
Disposal of equipment	**69,393**	-
Investment in property, plant and equipment	-	(284,686)
Investment in exploration and evaluation assets	**(31,019,041)**	(16,823,677)
Settlement of decommissioning liabiltiies	**(461,128)**	-
Net cash used in investing activities	**(31,410,776)**	(17,384,763)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares	**59,701,717**	9,471,304
Share issue costs	**(4,124,518)**	(1,369,801)
Subscription received in advance	-	472,190
Net cash provided by financing activities	**55,577,199**	8,573,693
Impact of exchange rate changes on cash	**45,629**	(17,120)
Net change in cash - continuing operations	**9,336,432**	(23,366,687)
Net change in cash - discontinued operations (Note 5)	-	(8,755,727)
Cash - discontinued operations	-	(4,615,643)
Cash, beginning of period	**2,076,749**	38,814,806
Cash, end of period	**$ 11,413,181**	$ 2,076,749

For the nine months ended December 31, 2024 and year ended March 31, 2024, all non-cash financing or investing transactions are disclosed in the relevant note disclosures.

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 635 – 8th Avenue SW, Calgary, AB, T2P 3M3, Canada. The Company changed its year-end from March 31 to December 31. As a result, the Company's current year consists of a 9-month period ended December 31, 2024.

These audited 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 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. 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 Financial Statements of the Company have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 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 Corp. ("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") and Renaissance Oil Corporation ("RNC"). Transactions between ReconAfrica and its subsidiaries have been eliminated upon consolidation. During the year ended March 31, 2024, the Company completed the sale of Renaissance group of companies (Note 5), resulting in sale of ROC, ROC S.A., R2 Energy and RNC.

Use of estimates and judgments

The preparation of these Financial Statements in conformity with IFRS Accounting Standards 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 judgments

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 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 judgments 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 (income) loss and comprehensive (income) loss.

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.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The following is a summary of the material accounting policy information followed by the Company in the preparation of these 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 determined 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 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) 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 (income) loss and comprehensive (income) 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 (income) loss and comprehensive (income) 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 (income) loss and comprehensive (income) 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 the 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 the 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.

(Income) 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 will 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

The Company is considering both its African and Mexican assets as separate reportable operating segments. The Company 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 derived 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 Calgary. The Company's chief operating decision maker is the CEO. During the year ended March 31, 2024, the Company completed the sale of its Mexican assets (Note 5), thereby focusing its resources solely on its African operating segment.

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 (Income) Loss and Comprehensive (Income) 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 (Income) Loss and Comprehensive (Income) Loss.

Discontinued operations

A discontinued operation is a component of the Company's business that represents a separate major line of business or geographical area of operations that has been disposed of or classified as held for sale. The operations and cash flows can be clearly distinguished from the rest of the Company, both operationally and for financial reporting purposes. When the Company classifies an operation as a discontinued operation, it presents the comparative Consolidated Statements of (Income) Loss and Comprehensive (Income) Loss as if the operation had been discontinued from the start of the comparative year. In doing this, the Company excludes the results for the discontinued operation and any gain or loss from disposal from the Consolidated Statements of (Income) Loss from continuing operations and presents them on a separate line as profit or loss (net of tax) from the discontinued operations.

Accounting pronouncements not yet adopted

IFRS 18 Presentation and Disclosure in Financial Statements, which will replace IAS 1, Presentation of Financial Statements aims to improve how companies communicate in their financial statements, with a focus on information about financial performance in the statement of profit or loss, in particular additional defined subtotals, disclosures about management-defined performance measures and new principles for aggregation and disaggregation of information. IFRS 18 is accompanied by limited amendments to the requirements in IAS 7 Statement of Cash Flows. IFRS 18 is effective from 1 January 2027. Companies are permitted to apply IFRS 18 before that date. The Company is currently assessing the impact the standard will have on its consolidated financial statements.

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.
- 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.

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.

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 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:

		March 31, 2024
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 9)		(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.

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:

		9-Month Period Ended December 31, 2024		Year Ended March 31, 2024
INCOME				
Revenue	$	-	$	9,602,356
Royalties		-		(8,046,240)
		-		1,556,116
EXPENSES				
Production costs		-		969,123
Resource property costs		-		419,400
General and administration		-		3,792,792
Depreciation		-		2,960
Accretion		-		63,563
		-		5,247,838
Other Items				
Other income		-		(1,188,683)
Finance expense		-		20,773,931
Exchange (gain) loss		-		(108,263)
		-		19,476,985
Loss from discontinued operations	$	-	$	23,168,707

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

	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
Net cash used in operating activities	$ -	$ (5,143,830)
Net cash used in investing activities	-	(3,611,897)
Change in cash during the period	**$ -**	**$ (8,755,727)**

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	31,425	33,036,611	33,068,036
Effect of exchange rate changes	5,846	9,202,547	9,208,393
Balance at December 31, 2024	**$ 239,942**	**$ 171,073,126**	**$ 171,313,068**

The Company's exploration and evaluation assets relate entirely to properties located in Namibia and Botswana. At December 31, 2024, no indicators of impairment have been identified for the exploration and evaluation assets.

Namibia Property

Pursuant to the terms of a petroleum agreement among the Government of the Republic of Namibia, the National Petroleum Corporation of Namibia ("NAMCOR"), and Reconnaissance Energy Namibia (Pty) Ltd. ("ReconNamibia"), a wholly-owned subsidiary of ReconAfrica, dated January 26, 2015 and as adjusted on February 25, 2019 (the "Petroleum Agreement"), the Company held a 90% interest in petroleum exploration licence no. 0073 ("PEL 73") in respect of oil and/or gas exploration properties comprising Blocks 1719, 1720, 1721, 1819, 1820 and 1821 situated in the Kavango Basin of northeast Namibia (the "Namibia Licensed Property"), granted by the Government of the Republic of Namibia to ReconNamibia, NAMCOR, and BW Energy Rundu Ltd. pursuant to the Petroleum (Exploration and Production) Act, 1991 (Namibia) and governed by the Petroleum Agreement (the "Namibia Licence").

During the 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.

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 underwritten public offering of securities of the Company (see Note 10). The Company shall transfer a 20% working interest in PEL 73 to BW Energy in exchange for total potential consideration of US$141 million ($203 million), including a $22 million (US$16 million) equity investment (completed). An additional US$45 million ($65 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 ($115 million). Three separate production bonus payments of US$25 million ($36 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.

Subsequent to December 31, 2024, the Company completed the farm down agreement with BW Energy and received the necessary approvals from NAMCOR and the MME. Upon closing, the ownership interests in PEL 73 became: ReconAfrica 70%, BW Energy 20%, and NAMCOR 10%. ReconAfrica remains the operator of PEL 73.

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"), which extended over a period of four years. The lands subject to the Botswana Licence are contiguous to the Namibia Licensed Property.

Pursuant to the terms of the Botswana Licence, ReconAfrica was committed to a minimum work program of 5,000,000 Botswana Pula (BWP) over the first four-year exploration period from June 1, 2020.

On October 4, 2024, the Company was granted approval for the First Renewal of the Botswana Licence. The period covers from October 1, 2024, to September 30, 2028. Pursuant to the terms of the extension, the Company will be required to undertake various geotechnical evaluations, vegetation mapping, a water study report, methane seep detection activities, an environmental impact study and provide funding for Botswana Petroleum Exploration and Training. Total minimum required expenditures under the Licence over the term represent BWP5,000,000 (approximately $515,000).

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 consolidated statements of (income) loss and comprehensive (income) 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	430,960	20,317	-	4,130	455,407
Balance, December 31, 2024	**$ 7,379,144**	**$ 348,437**	**$ 2,289**	**$ 83,336**	**$ 7,813,206**
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	(552,049)	(37,319)	-	(11,299)	(600,667)
Disposition	-	-	-	-	-
Effect of exchange rate changes	(154,956)	(13,563)	-	(1,718)	(170,237)
Balance, December 31, 2024	**$ (2,764,144)**	**$ (239,810)**	**$ (2,289)**	**$ (44,145)**	**$ (3,050,388)**
Net book value:					
As of March 31, 2024	**$ 4,960,438**	**$ 139,192**	**$ -**	**$ 48,078**	**$ 5,147,708**
As of December 31, 2024	**$ 4,615,000**	**$ 108,627**	**$ -**	**$ 39,191**	**$ 4,762,818**

Depreciation of $600,667 (March 31, 2024 - $766,691) 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 as profit or loss 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 December 31, 2024, no indicators of impairment have been identified for the property, plant and equipment.

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:

	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
Directors' fees	$ 270,622	$ 279,769
Management salaries and benefits	2,543,777	2,748,112
Share-based payments	5,700,858	4,923,152
	$ 8,515,257	**$ 7,951,033**

At December 31, 2024, a balance of $48,847 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	43,445
Addition	526,597
Liabilities settled	(461,128)
Change in estimate	(53,492)
Effect of exchange rate changes	75,736
Balance at December 31, 2024	**$ 1,313,933**
Less: Current portion	**(763,584)**
Decommissioning liabilities, non-current	**$ 550,349**

As at December 31, 2024, the decommissioning liabilities are based on total undiscounted future liabilities, after inflation adjustment, of $1.4 million (March 31, 2024 - $1.3 million). The Company calculated the present value of the obligations using a discount rate of 4.22% (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 2.00% (March 31, 2024 – 2.80% - 6.85%). The payments relating to the above obligations are expected to be made between 2025 and 2027.

10. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Common shares

At December 31, 2024, there were 265,642,183 (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.

On July 31, 2024, the Company completed an underwritten public offering of securities of the Company, for aggregate gross proceeds of $38,766,277 consisting of 30,944,000 common shares and 31,844,600 common share purchase warrants of the Company. This public offering consisted of 30,944,000 units at a price of $1.25 per unit and 900,600 warrants at a price of $0.096 per warrant. 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 $1.75 until July 31, 2026. In connection with the public offering, the Company issued 949,544 broker warrants. Each broker warrant entitles the holder to acquire one common share at a price of $1.25 until July 31, 2026. The Company also incurred share issuance costs of $494,744 in the form of professional fees and paid a cash commission of $1,860,206 to the underwriters.

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 totaling $403,500 and 295,227 compensation options entitling the holder to acquire one unit for $1.10 until July 18, 2025. The compensation options were valued at $125,135 using the Black-Scholes pricing model. The Company also paid a corporate finance fee of $67,250. In connection with the overnight market offering, the Company incurred share issuance costs of $899,051 in the form of professional fees.

On September 1, 2023, the Company completed a non-brokered private placement with officers and directors of the Company. Pursuant to the non-brokered private placement, 1,071,500 units were sold at a price of $1.12 per unit for gross proceeds of $1,200,080. 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 $1.40 for a period of 24 months from the closing of the offering.

During the 9-month period ended December 31, 2024, the Company issued 4,065,268 (year ended March 31, 2024 – 795,450) common shares pursuant to the exercise of 4,039,965 (year ended March 31, 2024 – 795,450) warrants for cash proceeds of $3,895,262 (year ended March 31, 2024 - $741,974) and 25,303 (year ended March 31, 2024 – nil) compensation options for cash proceeds $27,833 (year ended March 31, 2024 – $Nil).

During the 9-month period ended December 31, 2024, the Company issued 550,000 common shares pursuant to the exercise of 550,000 (year ended March 31, 2024 – 175,000) stock options for cash proceeds of $234,500 (year ended March 31, 2024 - $54,250).

Notes to the Financial Statements (continued)

Compensation options and warrants

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

	Number of Compensation options	Number of Warrants & Broker 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	-	53,250,030		1.50
Exercised	(25,303)	(4,039,965)		0.97
Expired		(2,257,062)		13.53
Balance, December 31, 2024	**298,574**	**58,576,888**	**$**	**1.49**

The warrants have been valued using relative fair value or actual proceeds received and compensation options issued have been valued using the Black-Scholes pricing model, with a gross amount of $8,677,636 (2024 - $2,780,134) included in reserves. The following assumptions were used for the Black-Scholes valuation of the warrants granted:

Warrants & Broker warrants	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
Risk-free interest rate	3.46%-4.22%	4.64%
Expected life	1.06-2.0 years	2.0 years
Annualized volatility	75.00%	75.00%
Dividend rate	nil	nil

Compensation options	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
Risk-free interest rate	nil	4.64%
Expected life	nil	2 years
Annualized volatility	nil	75.00%
Dividend rate	nil	nil

Warrants, broker warrants and compensation options outstanding at December 31, 2024 are as follows:

Number of Warrants & Broker warrants	Number of Compensation Options	Exercise Price ($)	Expiry Date
746,177 (i)	-	1.00	February 4, 2025
6,361,157	-	1.35	July 18, 2025
1,071,500	-	1.40	September 1, 2025
16,373,905	-	1.15	April 3, 2026
1,230,005	-	0.90	April 3, 2026
31,844,600	-	1.75	July 31, 2026
949,544	-	1.25	July 31, 2026
-	269,924	1.10	July 18, 2025
-	28,650	0.70	August 25, 2025
58,576,888	**298,574**		

(i) Subsequent to year end, these warrants expired on February 4, 2025.

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 9-month period ended December 31, 2024, the Company granted incentive stock options to certain directors, officers, employees, and consultants of the Company to acquire an aggregate of 10,430,000 common shares in the capital of the Company at an exercise price of $1.04 to $1.40 per share for a period of up to five years.

During the 9-month period ended December 31, 2024, the Company recorded share-based payments of $7,694,161 (2024 – $5,866,146). The following table highlights the assumptions used to determine the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
Risk-free interest rate	3.02%-3.64%	4.04%
Expected life	1.25-5 years	1-5 years
Expected volatility	75.00%	75.00%
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.

Notes to the Financial Statements *(continued)*

A summary of changes in stock options is presented below:

	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	10,430,000	1.39
Stock options exercised	(550,000)	0.43
Stock options forfeited/cancelled	(3,903,125)	1.38
Balance, December 31, 2024	**25,211,375**	**$ 2.36**

Stock options outstanding at December 31, 2024 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Contractual Life (in years)
320,000 (i)	320,000	0.76	February 18, 2025	0.1
1,575,000	1,575,000	0.70	August 26, 2025	0.7
100,000	100,000	0.76	August 26, 2025	0.7
200,000	200,000	2.19	January 5, 2026	1.0
1,600,000	1,600,000	6.88	April 25, 2026	1.3
675,000	675,000	6.88	January 4, 2026	1.0
200,000	200,000	11.39	July 14, 2026	1.5
1,700,000	1,700,000	6.35	May 13, 2027	2.4
550,000	550,000	6.35	January 4, 2026	1.0
3,455,000 (ii)	1,740,000	1.40	August 3, 2028	3.6
500,000	250,000	1.40	January 4, 2026	1.0
250,000	250,000	1.40	May 21, 2025	0.4
2,946,375 (ii)	1,482,875	1.40	March 6, 2029	4.2
410,000	307,500	1.40	March 6, 2026	1.2
375,000	281,250	1.15	June 6, 2025	0.4
30,000	15,000	1.40	May 15, 2029	4.4
5,762,500 (ii)	1,450,000	1.40	June 19, 2029	4.5
4,187,500 (ii)	1,056,250	1.40	August 9, 2029	4.6
375,000	93,750	1.04	November 9, 2025	0.9
25,211,375	**13,846,625**	**$ 2.36**		**3.19**

(i) Subsequent to year end, these options expired on February 18, 2025.

(ii) Subsequent to year end, a total of 69,375 options were forfeited.

Notes to the Financial Statements *(continued)*

11. GENERAL AND ADMINISTRATION

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

		9-Month Period Ended December 31, 2024		Year Ended March 31, 2024
Staff, consulting, and management (Note 8)	$	4,826,005	$	7,590,721
Marketing and stakeholder relations		777,650		1,194,544
Corporate development		335,169		168,623
Office and general		1,039,806		1,353,252
Transportation and accommodation		1,165,105		738,409
Insurance		1,034,656		1,646,918
Professional fees		1,078,971		2,274,410
	$	**10,257,362**	**$**	**14,966,878**

12. SEGMENTED INFORMATION

The following tables highlight the Company's operating segments:

9-Month Period Ended December 31, 2024		**Corporate**		**Mexico**		**Africa**		**Total**
Total non-current assets	$	10,995,637	$	-	$	169,234,332	$	180,229,969
Total assets		22,928,234		-		172,937,020		195,865,254
Total liabilities		(1,045,271)		-		(3,791,693)		(4,836,964)
Loss before taxes		14,736,738		-		3,654,949		18,391,687

Twelve Months Ended March 31, 2024		**Corporate**		**Mexico**		**Africa**		**Total**
Total non-current assets	$	9,828,372	$	-	$	129,424,024	$	139,252,396
Total assets		12,389,550		-		129,911,523		142,301,073
Total liabilities		(2,824,063)		-		(2,622,126)		(5,446,189)
Crude oil revenue		-		4,723,958		-		4,723,958
Natural gas revenue		-		4,888,253		-		4,888,253
Prior period adjustments		-		(9,855)		-		(9,855)
Total revenue (Note 5)		-		9,602,356		-		9,602,356
Loss before taxes		(68,945,464)		23,168,707		4,541,048		(41,235,709)

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.

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 sought damages against the Company in connection with the alleged misrepresentations and public corrections.

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 final court approval on December 30, 2024.

During the year ended March 31, 2024, upon closing of the ROC sale, the associated commitments and contingencies relating to the operations of its Mexican assets are no longer applicable to the Company.

14. 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:

	9-Month Period Ended December 31, 2024	Year Ended March 31, 2024
Loss before taxes	$ (18,391,687)	$ 64,404,416
Canadian federal and provincial income tax rates	27.00%	27.00%
Expected income tax recovery based on the above rates	(4,965,755)	17,389,192
Increase (decrease) due to:		
Non-deductible expenses and other permanent differences	5,217,366	3,312,723
Losses and temporary differences for which no tax benefit has previously been recorded	1,702,089	3,146,086
Foreign exchange	54,586	28,756
Non-taxable portion of gain	-	(11,540,819)
Use of temporary differences for which no tax benefit was previously recorded	-	(11,540,819)
Difference in foreign tax rates	(864,229)	(671,202)
Income tax expense	**$ 1,144,057**	**$ 123,918**
Current tax expense	581,085	-
Deferred tax expense	562,972	123,918
Income tax expense	**$ 1,144,057**	**$ 123,918**
Deferred tax assets (liabilities)		
Tax losses	1,168,742	1,774,703
Exploration and evaluation assets	(376,974)	-
Decommissioning liabilities	376,974	-
Unrealized gains	(2,567,900)	-
Capital losses	2,567,900	-
Property, plant and equipment	(2,206,153)	(2,215,764)
	$ (1,037,411)	**$ (441,061)**

At December 31, 2024, the significant components of the Company's temporary differences that have not been recognized on the statement of financial position are as follows:

		9-Month Period Ended December 31, 2024		Year Ended March 31, 2024
Share issue costs	$	6,097,776	$	4,052,736
Property, plant and equipment		-		-
Exploration and evaluation assets		-		661
Decommissioning liabilities		236,864		1,182,775
Accruals		3,156,064		3,066,235
	$	**9,490,704**	**$**	**8,302,407**

At December 31, 2024, 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 tax losses expire are as follows:

		December 31, 2024		March 31, 2024	Expiry
Canada - Non Capital losses	$	2,126,476	$	1,193,877	2044
Canada - Capital losses		167,692,105		51,496,326	No expiry
Botswana		525,635		-	No expiry
Namibia		18,532,117		12,572,234	2034

15. 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 December 31, 2024, totaled $191,028,290 (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 December 31, 2024.

16. SUBSEQUENT EVENT

On April 17, 2025, the Company entered into a Memorandum of Understanding ("MOU") with the National Oil, Gas and Biofuels Agency of Angola ("ANPG"), for a joint exploration project in the Etosha-Okavango basin, located onshore in southeastern Angola. Under the MOU, the Company will hold an 80% working interest, with Sonangol, Angola's state-owned oil company, holding the remaining 20%. The MOU provides the Company with exclusive rights to the area for a 24-month term. The estimated minimum work commitment is approximately US$8.5 million, which includes an estimated US$8.0 million 2D seismic program scheduled for the second year of the 24-month MOU term.