



Condensed Consolidated Interim Financial Statements

March 31, 2022 and 2021

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed consolidated interim financial statements of Reconnaissance Energy Africa Ltd. have been prepared by and are the responsibility of the Company's management.

In accordance with National Instrument 51-102, the Company discloses that its independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements.

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

	March 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	\$ 102,531,646	\$ 61,153,991
Trade receivables	9,454,563	9,825,608
Other receivables	2,461,366	1,749,836
Prepaid expenses	849,558	867,482
	115,297,133	73,596,917
Exploration and evaluation assets (Note 6)	58,217,863	54,388,201
Property, plant and equipment (Note 7)	5,804,627	5,943,460
Total Assets	\$ 179,319,623	\$ 133,928,578
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 6,210,725	\$ 6,638,213
Royalties payable (Note 8)	48,324,785	41,013,348
	54,535,510	47,651,561
Decommissioning liabilities (Note 10)	761,013	758,184
Deferred tax liability	294,112	294,112
Total Liabilities	\$ 55,590,635	\$ 48,703,857
Shareholders' Equity		
Share capital (Note 11)	351,730,477	311,000,325
Reserves (Note 11)	56,786,950	48,588,119
Deficit	(284,824,471)	(274,162,169)
Accumulated other comprehensive income ("AOI")	36,032	(201,554)
Total Shareholders' Equity	123,728,988	85,224,721
Total Liabilities and Shareholders' Equity	\$ 179,319,623	\$ 133,928,578

Subsequent event (Note 16)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 30, 2022.

Approved by the Board of Directors:

 "Craig Steinke" Executive Chairman "Mark Gerlitz" Director

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

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

	Three Months Ended		Three Months Ended
	March 31, 2022		March 31, 2021
INCOME			
Revenue	\$ 6,465,125	\$	-
Royalties	(5,232,830)		-
	1,232,295		-
EXPENSES			
Production costs	244,074		-
Resource property evaluation	765,955		-
General and administration (Note 12)	3,748,371		2,127,565
Depreciation	20,404		-
Share-based payments (Note 11)	3,595,045		701,249
	8,373,849		2,828,814
Other Items			
Other income	(1,396)		(1,311)
Finance expense (Note 8)	2,743,755		-
Exchange loss	778,389		64,516
	3,520,748		63,205
Loss before income taxes	10,662,302		2,892,019
Other Comprehensive Income			
Items that may be reclassified subsequently to net loss			
Translation adjustment	(237,586)		4,053
Comprehensive loss	\$ 10,424,716	\$	2,896,072
Basic and diluted loss per common share	\$ 0.06	\$	0.02
Weighted average number of common shares outstanding			
- basic and diluted	193,290,590		133,707,248

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 December 31, 2020	109,748,157	\$ 28,375,266	\$ 10,951,307	\$ (10,755,193)	\$ 15,478	\$ 28,586,858
Shares issued:						
Issue costs - cash (Note 11)	-	(3,995)	-	-	-	(3,995)
Issue costs - compensation options (Note 11)	-	11,826	(11,826)	-	-	-
Issue costs - warrants (Note 11)	-	8,472	(8,472)	-	-	-
Warrants exercise	43,200,710	47,555,513	(7,403,087)	-	-	40,152,426
Compensation option exercise	767,561	934,727	(397,434)	-	-	537,293
Options exercise	150,000	332,583	(218,333)	-	-	114,250
Share-based payments (Note 11)	-	-	701,249	-	-	701,249
Net loss	-	-	-	(2,892,019)	-	(2,892,019)
Translation adjustment	-	-	-	-	(2,991)	(2,991)
Balance at March 31, 2021	153,866,428	77,214,392	3,613,404	(13,647,212)	12,487	\$ 67,193,071
Shares issued:						
Public offering (Note 11)	4,358,040	41,401,380	-	-	-	41,401,380
Issue costs - cash (Note 11)	-	(2,945,354)	-	-	-	(2,945,354)
Issue costs - compensation options (Note 11)	-	(541,623)	541,623	-	-	-
Issue costs - warrants (Note 11)	-	(5,183,925)	5,183,925	-	-	-
Business combination (Note 5)	17,533,264	189,534,584	13,598,308	-	-	203,132,892
Warrants exercise	10,049,584	6,470,271	(956,345)	-	-	5,513,926
Compensation option exercise	12,654	35,876	(25,223)	-	-	10,653
Options exercise	3,399,523	5,014,724	(2,395,384)	-	-	2,619,340
Share-based payments (Note 11)	-	-	17,171,828	-	-	17,171,828
Settlement of consulting agreement (Note 11)	-	-	11,855,983	-	-	11,855,983
Net loss	-	-	-	(260,514,957)	-	(260,514,957)
Translation adjustment	-	-	-	-	(214,041)	(214,041)
Balance at December 31, 2021	189,219,493	311,000,325	48,588,119	(274,162,169)	(201,554)	85,224,721
Shares issued:						
Public offering (Note 11)	7,475,000	42,946,505	4,519,745	-	-	47,466,250
Issue costs - cash (Note 11)	-	(3,393,812)	-	-	-	(3,393,812)
Issue costs - compensation options (Note 11)	-	(538,850)	538,850	-	-	-
Issue costs - units (Note 11)	19,685	(11,231)	11,231	-	-	-
Warrants exercise	1,542,000	1,021,227	(229,227)	-	-	792,000
Options exercise	1,000,000	706,313	(236,813)	-	-	469,500
Share-based payments (Note 11)	-	-	3,595,045	-	-	3,595,045
Net loss	-	-	-	(10,662,302)	-	(10,662,302)
Translation adjustment	-	-	-	-	237,586	237,586
Balance at March 31, 2022	199,256,178	351,730,477	56,786,950	(284,824,471)	36,032	123,728,988

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 March 31, 2022	Three Months Ended March 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (10,662,302)	\$ (2,892,019)
Items not involving cash:		
Depreciation	20,404	-
Finance expense (Note 8)	2,743,755	-
Other income	(1,396)	(1,311)
Share-based payments (Note 11)	3,595,045	701,249
Unrealized foreign exchange	929,685	(31,626)
Changes in non-cash working capital items:		
Receivables	(340,485)	(296,169)
Prepaid expenses	17,924	32,341
Accounts payable	3,016,962	(1,502,325)
Net cash used in operating activities	(680,408)	(3,989,860)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property, plant and equipment (Note 7)	(33,778)	-
Investment in exploration and evaluation assets (Note 6)	(3,357,834)	(7,014,450)
Net cash used in investing activities	(3,391,612)	(7,014,450)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of shares (Note 11)	48,727,750	40,803,968
Share issue costs (Note 11)	(3,253,498)	(3,994)
Net cash provided by financing activities	45,474,252	40,799,974
Impact of exchange rate changes on cash	(24,577)	(44,430)
Net change in cash	41,377,655	29,751,234
Cash, beginning of period	61,153,991	6,793,395
Cash, end of period	\$ 102,531,646	\$ 36,544,629

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 March 31, 2022 and 2021

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

1. NATURE OF OPERATIONS

Reconnaissance Energy Africa Ltd. (“ReconAfrica” or the “Company”) was incorporated on June 22, 1978, under the provisions of the Company Act of British Columbia. The Company is a junior oil and natural gas company with a focus on exploration and development in Namibia and Botswana. The address of the Company’s corporate office and principal place of business is PO Box 48326 Bentall, Vancouver, BC, V7X 1A1, Canada. On July 27, 2021, the Company completed the acquisition of 100% of the common shares of Renaissance Oil Corp. (“Renaissance”) by way of plan of arrangement under the Business Corporations Act (British Columbia). Renaissance is an oil and gas corporation engaged in the development and production of oil and natural gas in Mexico (See Note 5 and 13).

2. BASIS OF PREPARATION

These condensed consolidated interim financial statements (the “Financial Statements”) of the Company have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” following acceptable accounting policies under International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As a result, these Financial Statements should be read in conjunction with the Company’s audited financial statements for the year ended December 31, 2021.

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. All amounts are presented in Canadian dollars unless otherwise noted. These Financial Statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated upon consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 December 31, 2021.

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, trade receivables, other receivables, accounts payable and royalties payable. The carrying value of cash, trade receivables, other receivables, accounts payable and royalties payable are a reasonable approximation of their fair value due to the short-term nature of these instruments. Fair value measurements are categorized into a fair value hierarchy based on the lowest level input that is significant to the fair value measurement:

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company’s primary exposure to credit risk is keeping its trade receivables and cash in financial institutions. The Company manages that 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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

The Company's sole source of funding has been the issuance of equity securities for cash, primarily through private placements and the exercising of outstanding options and warrants. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding.

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, certain trade receivable, other accounts receivable and payable, royalties payable, accrued liabilities and property maintenance commitments measured in foreign currencies, principally the US dollar, Mexican Peso 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 and ongoing credit and liquidity concerns. Volatile commodity prices have had and will continue to have a significant impact on the Company's ability to raise future capital to fund operations. Therefore, management regularly monitors natural resource commodity prices to determine the appropriate course of action to mitigate this risk.

5. BUSINESS COMBINATION

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

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Purchase price allocation

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

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

Commitments and contingencies resulting from the acquisition

As a result of the Arrangement, ReconAfrica has become a party to certain commitments related to the Chiapas properties in Mexico. Per the terms of the associated licence agreements, the Company is committed to the completion of certain work programs with a total estimated cost of US\$37.8 million (\$47.2 million) with approximately US\$31.0 million (\$38.7 million) due April 26, 2022, and US\$6.8 million (\$8.5 million) due October 1, 2022. Renaissance entered into four surety bond agreements with a global financial company in aggregate of approximately US\$15.3 million (\$19.1 million), as required by the Comisión Nacional de Hidrocarburos (the "CNH"), towards the guarantee of performance of the minimum work programs. To date US\$10.6 million (\$13.2 million) in work program costs have been submitted to the CNH, however, the Company did not meet the April 26, 2022, deadline. Failure to complete the work programs may result in the CNH seeking remedy through direct payment of the obligations or by acting on the surety bonds and/or seeking further action against the Company.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

6. EXPLORATION AND EVALUATION ASSETS

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

Balance at December 31, 2021	\$ 54,388,201
Addition to Namibia property	4,505,670
Effect of exchange rate changes	(676,008)
Balance at March 31, 2022	\$ 58,217,863

The Company's exploration and evaluation assets relate entirely to properties located in Namibia and Botswana. At March 31, 2022 no indicators of impairment have been identified for the exploration and evaluation assets.

7. PROPERTY, PLANT AND EQUIPMENT

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

	Crown 750 drilling rig	Vehicles	Computer Equipment	Lease Assets	Office Equipment	Total
Cost:						
Balance, December 31, 2021	\$ 6,357,771	\$ 231,681	\$ 88,630	\$ 353,863	\$ 40,230	\$ 7,072,175
Addition	-	33,778	-	-	-	33,778
Disposition	-	-	(1,257)	-	(578)	(1,835)
Balance, March 31, 2022	\$ 6,357,771	\$ 265,459	\$ 87,373	\$ 353,863	\$ 39,652	\$ 7,104,118
Accumulated depreciation:						
Balance, December 31, 2021	\$ (635,777)	\$ (93,255)	\$ (87,561)	\$ (320,780)	\$ (18,577)	\$ (1,155,950)
Depreciation	(158,944)	(8,590)	-	(18,756)	(722)	(187,012)
Disposition	-	-	486	-	-	486
Balance, March 31, 2022	\$ (794,721)	\$ (101,845)	\$ (87,075)	\$ (339,536)	\$ (19,299)	\$ (1,342,476)
Net book value:						
As of December 31, 2021	\$ 5,749,999	\$ 139,406	\$ 1,069	\$ 31,333	\$ 21,653	\$ 5,943,460
Effect of exchange rate changes	45,911	(971)	-	(1,955)	-	42,985
As of March 31, 2022	\$ 5,608,961	\$ 162,643	\$ 298	\$ 12,372	\$ 20,353	\$ 5,804,627

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:

Notes to the Condensed Consolidated Interim Financial Statements (continued)

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

At March 31, 2022 no indicators of impairment have been identified for the drilling rig, vehicles and other equipments.

8. ROYALTIES PAYABLE

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

Balance at December 31, 2021	\$ 41,013,348
Addition	4,575,456
Finance expense	2,772,326
Effect of exchange rate changes	(36,346)
Balance at March 31, 2022	\$ 48,324,785

The Company's royalty balance is in relation to the Chiapas properties and royalty amounts have been due since October 2019. The continued delay in making royalty payments may result in significant penalties and action against the Company.

9. RELATED PARTY TRANSACTIONS

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

Transactions with related parties are summarized in the table below:

	Three Months Ended	
	March 31, 2022	March 31, 2021
Directors' fees	\$ 159,782	\$ 16,500
Management salaries and benefits	630,742	462,494
Share-based payments	1,977,591	384,795
	\$ 2,768,115	\$ 863,789

Amounts due to or from related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

10. DECOMMISSIONING LIABILITIES

The Company has estimated the net present value of its decommissioning liabilities to be \$761,013 as at March 31, 2022, based on the same assumptions as described in the Company's audited financial statements for the year ended December 31, 2021. The following table reconciles the changes in Company's decommissioning liabilities:

Balance at December 31, 2021	\$ 758,184
Accretion	13,895
Effect of exchange rate changes	(11,066)
Balance at March 31, 2022	\$ 761,013

Notes to the Condensed Consolidated Interim Financial Statements (continued)

11. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued common shares

At March 31, 2022, there were 199,256,178 (December 31, 2021 – 189,219,493) common shares issued and outstanding.

On March 1, 2022, the Company completed a bought deal financing (the "Offering") of 7,475,000 units (the "Units") for aggregate gross proceeds of \$47,466,250. Each Unit consists of one common share in the capital of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one common share at a price of \$9.00 until October 31, 2022, subject to acceleration of the expiry date to a date 30 calendar days following notice to be provided to the holders of the warrants by the Company in the event that the moving daily volume weighted average trading price of the Common Shares on the TSX Venture Exchange (the "Exchange") over any period of 20 consecutive trading days equals or exceeds C\$14.00. The Company incurred share issuance costs of \$3,393,812 in the form of finders' fees and professional fees and 19,685 Units associated with the Offering.

During the three months ended March 31, 2022, the Company issued 1,542,000 (2021 – 43,200,710) common shares pursuant to the exercise of 1,542,000 (2021 – 43,063,185) warrants for cash proceeds of \$792,000 (2021 - \$40,124,921), nil (2021 – 137,525) broker warrants for cash proceeds of \$Nil (2021 - \$27,505) and nil (2021 – 767,561) compensation options for cash proceeds \$Nil (2021 – \$537,293).

During the three months ended March 31, 2022, the Company issued common shares pursuant to the exercise of 1,000,000 (2021 – 150,000) stock options for cash proceeds of \$469,500 (2021 - \$114,250).

Compensation Options and Warrants

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

	Number of Compensation options	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	159,104	10,482,496	\$ 6.78
Issued	466,610	7,494,685	8.84
Exercised	-	(1,542,000)	0.51
Balance, March 31, 2022	625,714	16,435,181	\$ 8.31

The warrants and compensation options issued have been valued using the Black-Scholes pricing model, with a gross amount of \$5,069,826 (2021 - \$1,465,467) included in reserves based on the relative fair values of the shares and warrants issued. The following assumptions were used for the Black-Scholes valuation of the warrants granted:

Warrants	March 31, 2022		March 31, 2021	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
Risk-free interest rate	1.25%	0.37%	1.25%	n/a
Expected life	0.67 years	5 years	0.67 years	n/a
Annualized volatility	70.00%	65.00%	70.00%	n/a
Dividend rate	n/a	n/a	n/a	n/a

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Warrants outstanding at March 31, 2022 are as follows:

Number of Warrants	Number of Compensation Options	Exercise Price (\$)	Expiry Date
840,000	-	10.87	October 16, 2022
7,494,685	-	9.00	October 31, 2022
-	466,610	6.35	October 31, 2022
184,000	-	10.87	December 4, 2022
-	127,079	9.50	May 27, 2023
1,800,000 ⁽ⁱ⁾	-	12.00	July 27, 2023
631,733	-	7.61	September 25, 2023
2,179,122	-	14.00	May 27, 2024
2,096,230	-	0.50	August 30, 2024
29,412	-	0.50	December 6, 2024
342,646	-	0.50	December 18, 2024
837,353	-	1.00	February 4, 2025
-	32,025	0.70	August 25, 2025
16,435,181	625,714		

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

Issued stock options

During the three months ended March 31, 2022, the Company recorded share-based expenses of \$3,595,045 (2021 - \$701,249). The following table highlights the assumptions to determine the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	Three months ended March 31, 2022	Three months ended March 31, 2021
Risk-free interest rate	n/a	0.24-0.39%
Expected life	n/a	4.15 years
Expected volatility	n/a	65.00%
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.

The following table summarizes information about the stock options transactions for the three months ended March 31, 2022. Stock options outstanding at March 31, 2022 are as follows:

	Number of Options	Weighted Average Exercise Price (\$)
Balance, December 31, 2021	15,235,312	\$ 4.69
Stock options exercised	(1,000,000)	0.47
Stock options forfeited	(150,000)	0.95
Balance, March 31, 2022	14,085,312	\$ 5.03

Notes to the Condensed Consolidated Interim Financial Statements (continued)

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Intrinsic Value (exercisable options)	Expiry Date	Weighted Average Remaining Contractual Life (in years)
413,456	413,456	\$ 5.87	\$ -	July 27, 2022	0.3
243,106	243,106	5.43	60,776.50	July 27, 2022	0.3
266,579	266,579	6.74	-	July 27, 2022	0.3
44,671	44,671	1.52	185,831.36	July 27, 2022	0.3
1,200,000	1,200,000	12.00	-	July 27, 2023	1.3
350,000	350,000	2.19	1,221,500	January 5, 2024	1.8
1,362,500	1,362,500	0.25	7,398,375	October 7, 2024	2.5
300,000	275,000	0.51	1,421,750	December 9, 2024	2.7
370,000	370,000	0.76	1,820,400	February 18, 2025	2.9
175,000	100,000	0.31	537,000	April 29, 2025	3.1
2,525,000	1,662,500	0.70	8,279,250	August 26, 2025	3.4
100,000	50,000	0.76	246,000	August 26, 2025	3.4
406,250	193,750	2.19	676,188	January 5, 2026	3.8
4,668,750	2,293,750	6.88	-	April 25, 2026	4.1
800,000	400,000	11.39	-	July 14, 2026	4.3
360,000	97,500	6.23	-	September 8, 2026	4.4
500,000	125,000	6.00	-	December 3, 2026	4.7
14,085,312	9,447,812	\$ 5.03	\$ 2,705,037		3.2

12. GENERAL AND ADMINISTRATION

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

	Three Months Ended	
	March 31, 2022	March 31, 2021
Management and consulting	\$ 1,791,331	\$ 688,792
Marketing and stakeholder relations	401,559	497,411
Office	666,073	631,863
Professional fees	889,408	309,498
General and administration	\$ 3,748,371	\$ 2,127,564

Notes to the Condensed Consolidated Interim Financial Statements (continued)

13. SEGMENTED INFORMATION

The following tables highlight the Company's operating segments:

March 31, 2022	Corporate	Mexico	Africa	Total
Total non-current assets	7,410,104	33,023	56,579,363	64,022,490
Total assets	86,760,984	33,677,125	58,881,514	179,319,623
Total liabilities	(1,766,899)	(52,443,545)	(1,380,191)	(55,590,635)
Crude oil revenue	-	3,062,655	-	3,062,655
Natural gas revenue	-	3,402,470	-	3,402,470
Total revenue	-	6,465,125	-	6,465,125
Royalties	-	(5,232,830)	-	(5,232,830)
Production costs	-	(244,074)	-	(244,074)
Resource property evaluation	(474,756)	-	(291,199)	(765,955)
General and administration	(2,120,398)	(566,876)	(1,061,097)	(3,748,371)
Other income (expense)	-	1,396	-	1,396
Finance expense	-	(2,743,755)	-	(2,743,755)
Realized exchange gain (loss)	(123,232)	80,895	(68,530)	(110,867)
Fund flows from operations	(2,718,386)	(2,240,119)	(1,420,826)	(6,379,331)

March 31, 2021	Corporate	Mexico	Africa	Total
Total non-current assets	11,985,136	-	19,955,276	31,940,412
Total assets	48,322,855	-	20,606,934	68,929,789
Total liabilities	(735,342)	-	(1,001,376)	(1,736,718)
General and administration	(1,740,976)	-	(386,589)	(2,127,565)
Other income (expense)	1,311	-	-	1,311
Realized exchange gain (loss)	(138,854)	-	1,272	(137,582)
Fund flows from operations	(1,878,519)	-	(385,317)	(2,263,836)

Reconciliation of funds flows from operations to net loss:

	Three Months Ended	
	March 31, 2022	March 31, 2021
Fund flows from operations	\$ (6,379,331)	\$ (2,263,836)
Depreciation	(20,404)	-
Share based payments	(3,595,045)	(701,249)
Unrealized foreign exchange loss	(667,522)	73,066
Net loss	\$ (10,662,302)	\$ (2,892,019)

14. COMMITMENTS AND CONTINGENCIES

The Company has certain commitments in relation to its Namibia and Botswana licenses. The Namibia license calls for a minimum work program during the First Renewal Period comprised of the drilling and exploration of stratigraphic wells and 250km of 2D seismic, with an aggregate expenditure for exploration activities of US\$10 million. The work requirements for both 2D seismic and aggregate expenditure have been satisfied. Further, the Botswana license requires the Company to complete minimum work program in the amount of US\$0.4 million over the first 4-year exploration period, ending June 2024.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

The Company is committed to the completion of certain work programs in relation to its Chiapas properties in Mexico. Please refer to Note 5 for more details on this commitment.

On October 28, 2021, the Company, along with certain of its current and former officers and directors, were named as defendants in the first of three almost identical purported class action lawsuits filed by Company shareholders in the United States District Court in Brooklyn, New York. One of the lawsuits was voluntarily dismissed 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 defendants made misleading statements about the Company's business, operations and prospects. In support of those allegations, the lead plaintiff repeats claims about the Company's oil exploration projects in Namibia and Botswana made by a short-seller of the Company's stock and free-lance writers for National Geographic magazine. The lead plaintiff claims that the alleged misleading statements caused investors who purchased the Company's stock between February 28, 2019, and September 7, 2021 to suffer unspecified monetary damages. The Company disputes the lead plaintiff's allegations and intends to vigorously defend the lawsuits.

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.

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 March 31, 2022, totaled \$123,728,987 (December 31, 2021: \$85,224,721).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt or acquire or dispose of assets.

16. SUBSEQUENT EVENTS

- a) Subsequent to March 31, 2022, the Company received \$102,500 from the exercise of 205,000 warrants, \$2,363 from the exercise of 3,375 compensation options and \$562,171 from the exercise of 1,411,871 options.
- b) The Company previously announced that it has entered into a letter of intent with its partner, the National Petroleum Company of Namibia ("NAMCOR") to acquire half of NAMCOR's 10% carried participating interest in the approximate 6.3 million acres petroleum exploration license in the Kavango basin. The consideration for the 5% interest comprises of (a) 5,000,000 common shares of the Company having an aggregate value of \$31,750,000 with a deemed price per share of \$6.35 and (b) US\$ 2,000,000 in cash. On April 28, 2022, the Company announced an extension to the letter of intent, such that the parties will now work towards entering into a mutually acceptable agreement and other related documents containing the terms and conditions of the transaction, including those that are customary in international oil and gas transactions, by June 6, 2022.
- c) Subsequent to March 31, 2022, pursuant to the Company's stock option plan, the Company granted to directors, officers and consultants stock options to purchase an aggregate of 5,715,000 common shares of the Company at a price of \$6.35 per share for a period of five years, expiring on May 15, 2027.