

Exploration: The emergence of Namibia

⇒ For the African oil and gas community to rebound from the economic devastation caused by Covid-19, exploration success will be key. Since the oil crash in 2014, a dearth of financing, high data costs, and excessive bureaucracy have created unfavorable conditions for all but the major E&P players already invested in the region. African governments would be wise to follow the lead of Guyana and Suriname in South America, which fast-tracked legislation to encourage an exploration boom headlined by an ExxonMobil-led consortium at the deepwater Stabroek Block. Despite challenging market conditions, exploration activity has restarted in Africa, with the Southern Africa region holding potential in previously unexplored territories. In August 2020, Total's rig arrived in Cape Town to drill the Luiperd prospect in Block 11B/12B, on the back of South Africa's first deepwater discovery in 2019 – the Brulpada gas condensate find off Mossel Bay.

Namibia has also received attention from an exploration standpoint, with Total's Venus delayed due to Covid-19 but due to start in 2020, and Exxon increasing its offshore acreage. One of the junior players active in Namibia is ReconAfrica, which formed in 2015 as a result of a search conducted by a group of investors and geoscientists who had been looking at source rock opportunities around the world. The search led them to Namibia, where they found a high-resolution aeromagnetic survey over lands of interest within the government data bank that had not yet been interpreted. Upon interpretation of the data, they realized they had discovered a large, deep (up to 30,000 feet) sedimentary basin. ReconAfrica's founding shareholder, Craig Steinke, immediately licensed 6,300,000 acres (25,000 sq km) over the entire new Kavango Basin within the Namibian border, and proceeded to bring in a group of investors with expertise in finance, geoscience and petroleum regimes.

ReconAfrica went public on the TSXV (RECO.V) in September 2019, trading at C\$0.20 initially – a figure that more than quadrupled a year later. Jay Park, chairman at ReconAfrica, provided details of the recent financing completed by the company, which has it fully funded to drill Namibia's first onshore wells since the 1980s: "On August 20th, 2020, we completed an oversubscribed C\$23 million unit financing at C\$0.70, that will provide the funds we need to drill three wells in the Kavango Basin. We intend to start in the drilling campaign in late Q4 2020."

Discussing the technical team behind the junior and potential they see in the Kavango project, Park revealed: "Upon conclusion of his aero-magnetic analysis of our Kavango Basin, Bill Cathey, president of Earthfield Technology, who has spent 30+ years evaluating sedimentary basins globally, stunningly concluded that "nowhere in the world is there a sedimentary basin this deep (30,000 feet) that does not produce commercial hydrocarbons."

Although Namibia does not have commercial discoveries producing oil and gas yet, Park cited the country's mining experience as giving it a solid understanding and regulatory framework for the extractive industries, and praised the governments swift actions during the pandemic, as the Namibian Ministry of Mines and Energy (MME) declared drilling an essential service. ■

ReconAFRICA

RECO: TSX-V RECAF: OTC OXD: FRANKFURT

"Nowhere in the world is there a sedimentary basin this deep that does not produce commercial hydrocarbons."

– Bill Cathey
President, Earthfield Technology (Houston)

- Opening the newly discovered deep Kavango Basin
- 8.75 million acres under petroleum licence in Namibia + Botswana
- 3-well drilling program completes 1Q 2021

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Jay Park



Chairman
RECONAFRICA



Can you introduce ReconAfrica and explain the circumstances surrounding the company's creation?

Dating back to 2013, ReconAfrica's founding shareholder, Craig Steinke, armed with an international data set, hired a group of international geoscientists who collectively completed an exhaustive worldwide search for prolific source rocks. Ultimately, this search led them to Namibia. More serendipitously, they found a high-resolution aeromagnetic survey over their lands of interest within the government data bank that had not yet been interpreted. Once they had the data interpreted in Houston Texas, by an expert in this field, they realized they had discovered a large, deep (up to 30,000 feet) sedimentary basin. Mr. Steinke immediately licensed 6,300,000 acres (25,000 sq km) over the entire new Kavango Basin within the Namibian border. There after Mr. Steinke brought in a group of investors with expertise in finance, geoscience and petroleum regimes (myself). The group then collectively, as part of the plan to open up the Kavango Basin,



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took ReconAfrica public on the Toronto Venture Exchange in September 2019 (TSXV:RECO).

ReconAfrica's asset is described as an organic-rich Whitehill Permian source rock. Can you elaborate on this type of geology and how it differs to other deposits found in Southern Africa?

In the Kavango Basin, we anticipate organically-rich marine source rocks comparable to the Permian age Whitehill. Unlike the analog in South Africa, which is mostly gas, we believe that our source rock include content in the oil window and therefore we expect to establish a hydrocarbon kitchen that will generate oil. The presence of rift basin tectonics, unlike in South Africa, creates the potential for conventional resources. In Namibia, the government owns the surface rights, and importantly these lands are endowed with a natural deep productive aquifer. Additionally, other excellent infrastructure includes good asphalt and gravel roads throughout the block. Consequently, we believe that operations in this area are going to be smooth.

How has the company financed operations, and where will the recently raised money be put to use?

In September 2019, ReconAfrica went public on the TSXV, (RECO) at C\$0.20 per share, a figure that has more than quadrupled by September 2020, despite the challenging market conditions. On August 20th, 2020, we completed a twice upsized C\$23 million unit financing at C\$0.70, that will provide the funds we need to drill three wells in the Kavango Basin. We intend to start in the drilling campaign in late Q4 2020.

In an earlier financing in 2020, we raised funds to purchase a drill rig in Houston. It is currently being refurbished before being transported to Namibia. The rig will allow ReconAfrica to drill up to 12,000 feet (3,500 m) in depth, in order to test the presence of the working hydrocarbon system which we believe exists in the Kavango Basin. As a result, we are fully funded to drill Namibia's first onshore wells since the 1980s.

What would you like to achieve with ReconAfrica in the next two years, and do you have a final message for our audience regarding the Kavango Basin project?

In the first half of 2021, we will have the results of our first three tests as well as additional seismic information, and will be undertaking further drilling activities to evaluate the resource opportunities across the length and breadth of the Kavango Basin. Our initial goal is to prove an active petroleum system in the Kavango Basin. We also expect to meaningfully advance partnering (farm-out) negotiations during 2021. By sometime in 2022, assuming drilling success, we believe it is distinctly possible that we could have initial production in the Kavango Basin. This would be a wonderful achievement for Namibia and for our investors. I would describe ReconAfrica's Kavango Basin asset as unique kind of exploration opportunity – a big company play held by a small company. We have the team, experience, proprietary data and the funding to find out what's here. Since we have been demonstrating the execution of our plan, people are coming to have faith that this will happen, and I assure you it will. These are going to be some wells to watch! ■