Condensed Consolidated Interim Financial Statements

December 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)

		December 31, 2022		December 31, 2021
ASSETS				
Current Assets				
Cash	**$**	**47,016,517**	$	61,153,991
Restricted cash (Note 5)		**17,113,585**		-
Trade receivables		**12,336,070**		9,825,608
Other receivables		**5,341,287**		1,749,836
Prepaid expenses		**1,278,983**		867,482
		83,086,442		73,596,917
Exploration and evaluation assets (Note 6)		**102,704,060**		54,388,201
Property, plant and equipment (Note 7)		**5,536,993**		5,943,460
Total Assets	**$**	**191,327,495**	$	133,928,578
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**7,271,546**	$	6,638,213
Royalties payable (Note 8)		**85,471,988**		41,013,348
		92,743,534		47,651,561
Decommissioning liabilities (Note 10)		**2,257,866**		758,184
Deferred tax liability		**316,847**		294,112
Total Liabilities	**$**	**95,318,247**	$	48,703,857
Shareholders' Equity				
Share capital (Note 11)		**354,475,147**		311,000,325
Reserves (Note 11)		**71,001,213**		48,588,119
Deficit		**(326,704,162)**		(274,162,169)
Accumulated other comprehensive income ("AOCI")		**(2,762,950)**		(201,554)
Total Shareholders' Equity		**96,009,248**		85,224,721
Total Liabilities and Shareholders' Equity	**$**	**191,327,495**	$	133,928,578

Nature of operations and going concern (Note 1)
Subsequent event (Note 17)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 1, 2023.

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 December 31, 2022	Three Months Ended December 31, 2021	**Twelve Months Ended December 31, 2022**	Year Ended December 31, 2021
INCOME				
Revenue	**$ 5,515,527**	$ 6,558,724	**$ 27,746,943**	$ 10,409,713
Royalties	**(4,731,727)**	(5,128,074)	**(22,531,096)**	(8,217,849)
	783,800	1,430,650	**5,215,847**	2,191,864
EXPENSES				
Production costs	**438,136**	484,534	**1,377,053**	669,983
Resource property evaluation	**335,098**	1,110,142	**3,143,852**	1,325,888
General and administration (Note 11)	**5,245,800**	4,477,976	**23,437,985**	14,757,680
Depreciation	**1,105**	20,372	**37,056**	34,383
Share-based payments (Note 11)	**3,608,092**	4,787,824	**18,868,381**	17,873,077
Settlement of consulting agreement (Note 11)	**-**	-	**-**	11,855,983
Settlement of option agreement (Notes 5, 11)	**-**	-	**-**	110,342,000
Impairment (Note 5)	**-**	-	**-**	105,299,108
	9,628,231	10,880,848	**46,864,327**	262,158,102
Other Items				
Other (income) expense	**(324,740)**	(3,411)	**(399,448)**	(8,314)
Finance expense (Note 8)	**6,288,584**	2,206,065	**16,858,265**	3,549,410
Exchange (gain) loss	**(183,873)**	26,010	**(5,565,304)**	(394,470)
	5,779,971	2,228,664	**10,893,513**	3,146,626
	14,624,402	11,678,862	**52,541,993**	263,112,864
Deferred tax expense	**-**	294,112	**-**	294,112
Net loss	**14,624,402**	11,972,974	**52,541,993**	263,406,976
Other Comprehensive Income				
Items that may be reclassified subsequently to net loss				
Translation adjustment	**(59,494)**	(32,626)	**2,561,396**	217,032
Comprehensive loss	**$ 14,564,908**	$ 11,940,348	**$ 55,103,389**	$ 263,624,008
Basic and diluted loss per common share	**$ 0.07**	$ 0.06	**$ 0.26**	$ 1.60
Weighted average number of common shares outstanding - basic and diluted	**201,740,861**	187,872,102	**199,195,023**	164,643,046

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					
	Number	Amount	Reserves	Deficit	AOCI	Equity
Balance at December 31, 2020	109,748,157	$ 28,375,266	$ 10,951,307	$ (10,755,193)	$ 15,478	$ 28,586,858
Shares issued:						
Public offering (Note 11)	4,358,040	41,401,380	-	-	-	41,401,380
Issue costs - cash (Note 11)	-	(2,949,349)	-	-	-	(2,949,349)
Issue costs - compensation options (Note 11)	-	(529,797)	529,797	-	-	-
Issue costs - warrants (Note 11)	-	(5,175,453)	5,175,453	-	-	-
Business combination (Note 5)	17,533,264	189,534,584	13,598,308	-	-	203,132,892
Warrants exercise	53,250,294	54,025,784	(8,359,432)	-	-	45,666,352
Compensation option exercise	780,215	970,603	(422,657)	-	-	547,946
Options exercise	3,549,523	5,347,307	(2,613,717)	-	-	2,733,590
Share-based payments (Note 11)	-	-	17,873,077	-	-	17,873,077
Settlement of consulting agreement (Note 11)	-	-	11,855,983	-	-	11,855,983
Net loss	-	-		(263,406,976)	-	(263,406,976)
Translation adjustment	-	-	-	-	(217,032)	(217,032)
Balance at December 31, 2021	189,219,493	311,000,325	48,588,119	(274,162,169)	(201,554)	$ 85,224,721
Shares issued:						
Public offering (Note 11)	7,475,000	42,946,505	4,519,745	-	-	47,466,250
Issue costs - cash (Note 11)	-	(3,395,277)	-	-	-	(3,395,277)
Issue costs - compensation options (Note 11)	-	(538,850)	538,850	-	-	-
Issue costs - units (Note 11)	19,685	(11,231)	11,231	-	-	-
Warrants exercise	2,092,029	1,374,577	(270,798)	-	-	1,103,779
Compensation option exercise	3,375	3,426	(1,064)	-	-	2,362
Options exercise	2,836,871	3,095,672	(1,253,251)	-	-	1,842,421
Share-based payments (Note 11)	-	-	18,868,381	-	-	18,868,381
Net loss	-	-	-	(52,541,993)	-	(52,541,993)
Translation adjustment	-	-	-	-	(2,561,396)	(2,561,396)
Balance at December 31, 2022	201,646,453	354,475,147	71,001,213	(326,704,162)	(2,762,950)	96,009,248

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)

		Twelve Months Ended December 31, 2022		Year Ended December 31, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$**	**(52,541,993)**	$	(263,406,976)
Items not involving cash:				
Deferred tax expense		**-**		294,112
Depreciation		**37,056**		34,383
Gain on property, plant and equipment disposition		**-**		(41,910)
Finance expense		**16,858,265**		3,549,410
Other income		**(399,448)**		(1,311)
Settlement of option agreement (Notes 5, 11)		**-**		110,342,000
Settlement of consulting agreement (Notes 5, 11)		**-**		11,855,983
Impairment (Note 5)		**-**		105,299,108
Share-based payments (Note 11)		**18,868,381**		17,873,077
Unrealized foreign exchange		**(4,525,221)**		(168,426)
Changes in non-cash working capital items:				
Receivables		**(6,101,913)**		(5,782,828)
Prepaid expenses		**(411,501)**		(649,406)
Accounts payable		**27,551,923**		9,093,560
Net cash used in operating activities		**(664,451)**		(11,709,224)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired in business combination (Note 5)		**-**		14,243,206
Investment in property, plant and equipment (Note 7)		**(481,494)**		(299,348)
Proceeds from property, plant and equipment disposition		**-**		70,412
Investment in exploration and evaluation assets (Note 6)		**(42,961,380)**		(35,339,088)
Net cash used in investing activities		**(43,442,874)**		(21,324,818)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of shares (Note 11)		**50,414,813**		90,349,268
Share issue costs (Note 11)		**(3,395,277)**		(2,949,349)
Net cash provided by financing activities		**47,019,536**		87,399,919
Impact of exchange rate changes on cash		**63,900**		(5,281)
Net change in cash		**2,976,111**		54,360,596
Cash, beginning of period		**61,153,991**		6,793,395
Cash and restricted cash, end of period	**$**	**64,130,102**	$	61,153,991

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

2. BASIS OF PREPARATION

These condensed consolidated interim 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.

Estimates and judgements 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. However, actual outcomes can differ from these estimates. In preparing the Financial Statements, the judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the audited consolidated financial statements as at and for the year ended December 31, 2021.

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

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

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is 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 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	
Risk-free interest rate	0.37%
Expected life	1 year
Expected volatility	70.00%
Expected dividend yield	n/a

Warrants	
Risk-free interest rate	0.37%
Expected life	1.60 years
Expected volatility	70.00%
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:

Purchase price allocation

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

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 (see Note 8). According to the terms of the associated licence agreements and extensions received, the Company is committed to the completion of certain work programs with a total estimated cost of approximately US$37.8 million ($51.6 million) with approximately US$31.0 million ($42.3 million) due February 27, 2024, and approximately US$6.8 million ($9.3 million) due August 1, 2024. Renaissance entered into four surety bond agreements with a global financial company in aggregate of approximately US$15.3 million ($20.9 million), as required by the CNH, towards the guarantee of performance of the minimum work programs. In the fourth quarter of 2022, a deposit of US$12.6 million ($17.1 million) was made to the surety bond provider as collateral for the value of the bonds. This amount was recorded as restricted funds on the balance sheet. To date, US$10.8 million ($14.8 million) has been expended in operations at the blocks of which US$1.1 million ($1.5 million) relate to work program costs submitted to the CNH. The Company engaged an arm’s length third party to assist in obtaining the February 27, 2024 extension and to provide support during the extension. With receipt of the latest extension, Renaissance incurred costs of US$1.5 million ($2.1 million) to this third party and also committed to pay a monthly fee of US$56,250 ($76,826) for the duration of the 20-month extension, aggregating a further US$1.125 million ($1.5 million). Further, the Company incurred additional consulting costs to support the extension process in the current year. Failure to complete the work programs may result in the CNH seeking remedy through direct payment of the obligations or by acting on the surety bonds and/or seeking further action against the Company.

6. EXPLORATION AND EVALUATION ASSETS

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

Balance at December 31, 2021	**$**	**54,388,201**
Addition to Namibia property		44,675,496
Effect of exchange rate changes		3,640,363
Balance at December 31, 2022	**$**	**102,704,060**

The Company's exploration and evaluation assets relate entirely to properties located in Namibia and Botswana. At December 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	570,522	82,758	6,383	$ -	$ 70,570	730,233
Balance, December 31, 2022	**$ 6,928,293**	**$ 314,439**	**$ 95,013**	**$ 353,863**	**$ 110,800**	**$ 7,802,408**
Accumulated depreciation:						
Balance, December 31, 2021	**$ (635,777)**	**$ (93,255)**	**$ (87,561)**	**$ (320,780)**	**$ (18,577)**	**$ (1,155,950)**
Depreciation	(681,747)	(29,624)	(2,035)	(33,754)	(1,916)	(749,077)
Balance, December 31, 2022	**$ (1,317,524)**	**$ (122,879)**	**$ (89,596)**	**$ (354,534)**	**$ (20,493)**	**$ (1,905,027)**
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	(359,206)	(2,287)	(265)	672	699	(360,387)
As of December 31, 2022	**$ 5,251,563**	**$ 189,272**	**$ 5,152**	**-**	**$ 91,006**	**$ 5,536,993**

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

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

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

8. ROYALTIES PAYABLE

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

Balance at December 31, 2021	$	41,013,348
Addition		23,647,868
Finance expense		16,807,398
Effect of exchange rate changes		4,003,374
Balance at December 31, 2022	**$**	**85,471,988**

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 (see Note 14). Of the $85.5 million balance above, the principal royalties payable balance is $57.9 million, while the remaining balance of $27.6 million is associated with estimated interest fees.

The Company engaged an arm's length third party to assist in obtaining exemption from all potential penalty and interest amounts resulting from non-payment of royalties. If successful, the Company will be required to pay US$1.5 million ($2.0 million) to the arm's length third party. Further strategic alternatives are being evaluated for the Chiapas properties and outstanding royalties.

9. RELATED PARTY TRANSACTIONS

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

Transactions with related parties are summarized in the table below:

		Twelve Months Ended December 31, 2022		Year Ended December 31, 2021
Directors' fees	$	1,113,412	$	57,000
Management salaries and benefits		1,685,175		3,559,733
Share-based payments		10,323,239		11,497,989
	$	13,121,826	$	15,114,722

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

10. DECOMMISSIONING LIABILITIES

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

Balance at December 31, 2021	$ 758,184
Accretion	56,514
Additions	1,347,030
Change in estimate	41,758
Effect of exchange rate changes	54,380
Balance at December 31, 2022	**$ 2,257,866**

The Company's decommissioning liabilities were previously only related to its Mexican assets. In the current quarter, the Company also recognized decommissioning liabilities on its African assets. The decommissioning liabilities were based on total undiscounted future liability, after inflation adjustment, of $2.5 million. The Company calculated the present value of the obligations using discount rates between 4.46% - 9.39% (December 31, 2021 – 7.3%) to reflect the market assessment of the time value of money as well as risks specific to the liabilities that have not been included in the cash flow estimates. The inflation rates used in determining the cash flow estimates were between 3.50% - 7.82% (December 31, 2021 – 3.0%). These payments are expected to be made between 2023 – 2027.

11. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued common shares

At December 31, 2022, there were 201,646,453 (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 $3,395,277 in the form of finders' fees and professional fees and 19,685 Units associated with the Offering.

During the twelve months ended December 31, 2022, the Company issued 2,092,029 (2021 – 53,026,794) common shares pursuant to the exercise of 2,092,029 (2021 – 53,026,794) warrants for cash proceeds of $1,103,779 (2021 - $45,621,652), nil (2021 – 223,500) broker warrants for cash proceeds of $Nil (2021 - $44,700) and 3,375 (2021 – 780,215) compensation options for cash proceeds $2,362 (2021 – $547,946).

During the twelve months ended December 31, 2022, the Company issued common shares pursuant to the exercise of 2,836,871 (2021 – 3,549,523) stock options for cash proceeds of $1,842,421 (2021 - $2,733,590).

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	(3,375)	(2,092,029)	0.53
Expired	(466,610)	(1,024,000)	9.46
Balance, December 31, 2022	155,729	14,861,152	$ 8.48

The warrants and compensation options issued have been valued using the Black-Scholes pricing model, with a gross amount of $5,069,826 (2021 - $19,330,383) included in reserves 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	December 31, 2022	December 31, 2021	**Compensation Options**	December 31, 2022	December 31, 2021
Risk-free interest rate	1.25%	0.37%-0.51%	Risk-free interest rate	1.25%	0.51%
Expected life	0.67 years	2.26 years	Expected life	0.67 years	2 years
Annualized volatility	70.00%	70.00%	Annualized volatility	70.00%	70.00%
Dividend rate	n/a	n/a	Dividend rate	n/a	n/a

Warrants outstanding at December 31, 2022 are as follows:

Number of Warrants	Number of Compensation Options	Exercise Price ($)	Expiry Date
19,685 (i)	-	9.00	March 31, 2023
7,475,000 (i)	-	9.00	March 31, 2023
-	127,079	9.50	May 27, 2023
1,800,000 (ii)	-	12.00	July 27, 2023
631,733	-	7.61	September 25, 2023
2,179,122	-	14.00	May 27, 2024
1,619,730	-	0.50	August 30, 2024
29,412	-	0.50	December 6, 2024
342,646	-	0.50	December 18, 2024
763,824	-	1.00	February 4, 2025
-	28,650	0.70	August 25, 2025
14,861,152	155,729		

(i) The warrants were issued pursuant to public offering which closed on March 1, 2022. The terms of the warrants were amended to extend the expiry date by five months from October 31, 2022 to March 31, 2023.

(ii) 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

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

During the twelve months ended December 31, 2022, the Company recorded share-based expenses of $18,868,381 (2021 - $29,729,060). The following table highlights the assumptions to determine the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	Period ended December 31, 2022	Year ended December 31, 2021
Risk-free interest rate	2.75%	0.24-1.34%
Expected life	5 years	4.08 years
Expected volatility	70.00%	69.57%
Expected dividend yield	n/a	n/a

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

The following table summarizes information about the stock option transactions for the twelve months ended December 31, 2022.

	Number of Options		Weighted Average Exercise Price ($)
Balance, December 31, 2021	15,235,312	$	4.69
Stock options issued	5,715,000		6.35
Stock options exercised	(2,836,871)		0.65
Stock options forfeited	(150,000)		0.95
Stock options expired	(918,441)		6.01
Balance, December 31, 2022	17,045,000	$	5.88

Stock options outstanding at December 31, 2022 are as follows:

Number of Options Outstanding	Number of Options Exercisable		Exercise Price		Intrinsic Value (exercisable options)	Expiry Date (i)	Weighted Average Remaining Contractual Life (in years)
1,200,000	1,200,000		12.00		-	July 27, 2023	0.6
250,000	250,000		0.25		242,500	October 7, 2024	1.8
225,000	225,000		0.51		159,750	December 9, 2024	1.9
320,000	320,000		0.76		147,200	February 18, 2025	2.1
175,000	175,000		0.31		159,250	April 29, 2025	2.3
2,337,500	2,337,500		0.70		1,215,500	August 26, 2025	2.7
100,000	100,000		0.76		46,000	August 26, 2025	2.7
393,750	287,500		2.19		(278,875)	January 5, 2026	3.0
4,668,750	3,481,250		6.88		-	April 25, 2026	3.3
800,000	400,000		11.39		-	July 14, 2026	3.5
360,000	185,000		6.23		-	September 8, 2026	3.7
500,000	500,000		6.00		-	December 3, 2026	3.9
5,715,000	1,428,750		6.35		-	May 15, 2027	4.4
17,045,000	10,890,000	$	5.88	$	269,715		3.3

12. GENERAL AND ADMINISTRATION

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

		Three Months Ended				Twelve Months Ended		Year Ended
		December 31, 2022		**December 31, 2021**		**December 31, 2022**		**December 31, 2021**
Management and consulting	$	2,041,887	$	2,069,511	$	8,435,809	$	6,723,447
Marketing and stakeholder relations		1,164,359		404,828		3,822,491		1,843,853
Office		561,713		732,693		3,446,692		2,503,524
Professional fees (Note 5)		1,477,841		1,270,924		7,732,993		3,686,836
General and administration	$	5,245,800	$	4,477,956	$	23,437,985	$	14,757,660

13. SEGMENTED INFORMATION

The following tables highlight the Company's operating segments:

Three Months Ended December 31, 2022	Corporate	Mexico	Africa	Total
Crude oil revenue	-	2,440,366	-	2,440,366
Natural gas revenue	-	3,075,161	-	3,075,161
Total revenue	-	5,515,527	-	5,515,527
Royalties	-	(4,731,727)	-	(4,731,727)
Production costs	-	(438,136)	-	(438,136)
Resource property evaluation	-	350,990	(686,088)	(335,098)
General and administration	(3,056,784)	(986,246)	(1,202,770)	(5,245,800)
Other income (expense)	-	324,708	32	324,740
Finance expense	-	(6,288,584)	-	(6,288,584)
Realized exchange gain (loss)	135,552	1,356,742	133,767	1,626,061
Fund flows from operations	(2,921,232)	(4,896,726)	(1,755,059)	(9,573,017)

Three Months Ended December 31, 2021	Corporate	Mexico	Africa	Total
Crude oil revenue	-	2,626,048	-	2,626,048
Natural gas revenue	-	3,932,676	-	3,932,676
Total revenue	-	6,558,724	-	6,558,724
Royalties	-	(5,128,074)	-	(5,128,074)
Operating	-	(484,534)	-	(484,534)
Resource property evaluation	(12,918)	215,746	(1,312,970)	(1,110,142)
General and administration	(2,809,193)	(626,355)	(1,042,428)	(4,477,976)
Other income (expense)	-	362	3,049	3,411
Finance expense	-	(2,206,065)	-	(2,206,065)
Realized exchange gain (loss)	265,840	(27,909)	18,677	256,608
Fund flows from operations	(2,556,271)	(1,698,105)	(2,333,672)	(6,588,048)

Twelve Months Ended December 31, 2022	Corporate	Mexico	Africa	Total
Total non-current assets	11,211,778	28,929	97,000,346	108,241,053
Total assets	36,712,829	52,808,431	101,806,235	191,327,495
Total liabilities	(2,242,210)	(90,411,148)	(2,664,889)	(95,318,247)
Crude oil revenue	-	12,451,202	-	12,451,202
Natural gas revenue	-	15,295,741	-	15,295,741
Total revenue	-	27,746,943	-	27,746,943
Royalties	-	(22,531,096)	-	(22,531,096)
Production costs	-	(1,377,053)	-	(1,377,053)
Resource property evaluation	(5,661)	(987,431)	(2,150,760)	(3,143,852)
General and administration	(12,475,701)	(5,585,984)	(5,376,300)	(23,437,985)
Other income (expense)	-	399,416	32	399,448
Finance expense	-	(16,858,265)	-	(16,858,265)
Realized exchange gain (loss)	3,208,923	1,066,133	(3,234,973)	1,040,083
Fund flows from operations	(9,272,439)	(18,127,337)	(10,762,001)	(38,161,777)

Year Ended December 31, 2021	**Corporate**	**Mexico**	**Africa**	**Total**
Total non-current assets	6,679,209	54,055	53,598,397	60,331,661
Total assets	49,449,779	28,974,126	55,504,673	133,928,578
Total liabilities	(2,013,054)	(45,209,455)	(1,481,348)	(48,703,857)
Crude oil revenue	-	4,288,175	-	4,288,175
Natural gas revenue	-	6,121,538	-	6,121,538
Total revenue	-	10,409,713	-	10,409,713
Royalties	-	(8,217,849)	-	(8,217,849)
Operating	-	(669,983)	-	(669,983)
Resource property evaluation	(12,918)	-	(1,312,970)	(1,325,888)
General and administration	(10,984,869)	(1,403,946)	(2,368,865)	(14,757,680)
Other income (expense)	1,128	740	6,446	8,314
Finance expense	-	(3,549,410)	-	(3,549,410)
Realized exchange gain (loss)	503,613	(87,631)	21,812	437,794
Fund flows from operations	(10,493,046)	(3,518,366)	(3,653,577)	(17,664,989)

Reconciliation of funds flows from operations to net loss:

	Three Months Ended		Twelve Months Ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Fund flows from operations	$ (9,573,017)	$ (6,588,048)	$ (38,161,777)	$ (17,664,989)
Depreciation	(1,105)	(20,372)	(37,056)	(34,383)
Share based payments	(3,608,092)	(4,787,824)	(18,868,381)	(17,873,077)
Settlement of consulting agreement	-	-	-	(11,855,983)
Settlement of option agreement	-	-	-	(110,342,000)
Impairment	-	-	-	(105,299,108)
Deferred tax expense	-	(294,112)	-	(294,112)
Unrealized foreign exchange gain (loss)	(1,442,188)	(282,618)	4,525,221	(43,324)
Net loss	$ (14,624,402)	$ (11,972,974)	$ (52,541,993)	$ (263,406,976)

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.

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. There is an $85.5 million balance in royalty payables with a principal amount owing of $57.9 million and $27.6 million recorded as estimated interest fees. The royalties may also be subject to further fines from the Tax Administration Service of Mexico for up to 45% of the principal amount outstanding, though any such charges have not been received. The Company is currently in discussions regarding a potential repayment plan on the principal outstanding balance and the forgiveness of the accumulated interest including these potential penalties.

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 filed a motion to dismiss the consolidated amended complaint that is briefed and awaiting a ruling from the court. 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 December 31, 2022, totaled $96,009,248 (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. CHANGE IN YEAR-END

On December 28, 2022, the Company changed its year-end from December 31 to March 31 to better facilitate the audit process. The Company's transition financial year will consist of a 15-month period ending March 31, 2023.

17. SUBSEQUENT EVENT

Subsequent to December 31, 2022, the Company received $35,000 from the exercise of 50,000 stock options and $150,000 from the exercise of 282,353 warrants.