Condensed Consolidated Interim Financial Statements

September 30, 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)

		September 30, 2022		December 31, 2021
ASSETS				
Current Assets				
Cash	**$**	**77,082,572**	$	61,153,991
Trade receivables		**12,309,210**		9,825,608
Other receivables		**5,065,255**		1,749,836
Prepaid expenses		**1,492,403**		867,482
		95,949,440		73,596,917
Exploration and evaluation assets (Note 6)		**88,787,165**		54,388,201
Property, plant and equipment (Note 7)		**5,615,655**		5,943,460
Total Assets	**$**	**190,352,260**	$	133,928,578
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable	**$**	**8,325,047**	$	6,638,213
Royalties payable (Note 8)		**73,885,612**		41,013,348
		82,210,659		47,651,561
Decommissioning liabilities (Note 10)		**864,848**		758,184
Deferred tax liability		**316,939**		294,112
Total Liabilities	**$**	**83,392,446**	$	48,703,857
Shareholders' Equity				
Share capital (Note 11)		**354,465,474**		311,000,325
Reserves (Note 11)		**67,396,544**		48,588,119
Deficit		**(312,079,760)**		(274,162,169)
Accumulated other comprehensive income ("AOCI")		**(2,822,444)**		(201,554)
Total Shareholders' Equity		**106,959,814**		85,224,721
Total Liabilities and Shareholders' Equity	**$**	**190,352,260**	$	133,928,578

Nature of operations and going concern (Note 1)
Subsequent event (Note 5)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on November 23, 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 September 30, 2022	Three Months Ended September 30, 2021	**Nine Months Ended September 30, 2022**	Nine Months Ended September 30, 2021
INCOME				
Revenue	**$ 7,737,129**	$ 3,850,989	**$ 22,231,416**	$ 3,850,989
Royalties	**(6,224,507)**	(3,089,775)	**(17,799,369)**	(3,089,775)
	1,512,622	761,214	**4,432,047**	761,214
EXPENSES				
Production costs	**410,281**	185,449	**938,917**	185,449
Resource property evaluation	**1,223,127**	215,746	**2,808,754**	215,746
General and administration (Note 12)	**8,738,220**	3,967,083	**18,192,185**	10,279,704
Depreciation	**1,073**	14,011	**35,951**	14,011
Share-based payments (Note 11)	**4,336,031**	17,031,584	**15,260,289**	24,941,236
	14,708,732	21,413,873	**37,236,096**	35,636,146
Other Items				
Other (income) expense	**(32,682)**	(3,775)	**(74,708)**	(4,903)
Finance expense (Note 8)	**4,274,709**	1,343,345	**10,569,681**	1,343,345
Settlement of option agreement (Notes 5, 11)	**-**	110,342,000	**-**	110,342,000
Impairment (Note 5)	**-**	105,299,108	**-**	105,299,108
Exchange (gain) loss	**(4,506,278)**	(865,689)	**(5,381,431)**	(420,480)
	(264,251)	216,114,989	**5,113,542**	216,559,070
Net Loss	**12,931,859**	236,767,648	**37,917,591**	251,434,002
Other Comprehensive Income				
Items that may be reclassified subsequently to net loss				
Translation adjustment	**2,219,098**	242,809	**2,620,890**	249,658
Comprehensive loss	**$ 15,150,957**	$ 237,010,457	**$ 40,538,481**	$ 251,683,660
Basic and diluted loss per common share	**$ 0.06**	$ 1.33	**$ 0.19**	$ 1.60
Weighted average number of common shares outstanding - basic and diluted	**201,467,839**	177,749,221	**198,375,127**	156,814,939

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	52,575,294	53,470,081	(8,173,729)	-	-	45,296,352
Compensation option exercise	780,215	955,694	(407,748)	-	-	547,946
Options exercise	2,174,523	4,531,783	(2,438,193)	-	-	2,093,590
Share-based payments (Note 11)	-	-	24,941,236	-	-	24,941,236
Net loss	-	-		(251,434,002)	-	(251,434,002)
Translation adjustment	-	-	-	-	$ (249,658)	(249,658)
Balance at September 30, 2021	187,169,493	309,614,189	44,176,431	(262,189,195)	(234,180)	$ 91,367,245
Shares issued:						
Issue costs - cash (Note 11)	-	-	-	-	-	-
Business combination (Note 5)	-	-	-	-	-	-
Warrants exercise	675,000	555,703	(185,703)	-	-	370,000
Compensation option exercise	-	14,909	(14,909)	-	-	-
Options exercise	1,375,000	815,524	(175,524)	-	-	640,000
Share-based payments (Note 11)	-	-	(7,068,159)	-	-	(7,068,159)
Settlement of consulting agreement (Note 11)	-	-	11,855,983	-	-	11,855,983
Net loss	-	-	-	(11,972,974)	-	(11,972,974)
Translation adjustment	-	-	-	-	32,626	32,626
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	2,811,871	3,085,999	(1,249,828)	-	-	1,836,171
Share-based payments (Note 11)	-	-	15,260,289	-	-	15,260,289
Net loss	-	-	-	(37,917,591)	-	(37,917,591)
Translation adjustment	-	-	-	-	(2,620,890)	(2,620,890)
Balance at September 30, 2022	201,621,453	354,465,474	67,396,544	(312,079,760)	(2,822,444)	106,959,814

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)

		Nine Months Ended September 30, 2022		Nine Months Ended September 30, 2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**$**	**(37,917,591)**	$	(251,434,002)
Items not involving cash:				
Depreciation		**35,951**		14,011
Finance expense		**10,569,681**		1,343,345
Other income		**(74,708)**		11,757
Settlement of option agreement (Notes 5, 11)		**-**		110,342,000
Impairment (Note 5)		**-**		105,299,108
Share-based payments (Note 11)		**15,260,289**		24,941,236
Unrealized foreign exchange		**(5,967,408)**		(239,294)
Changes in non-cash working capital items:				
Receivables		**(5,799,021)**		(1,968,570)
Prepaid expenses		**(624,921)**		49,104
Accounts payable		**22,441,799**		1,812,517
Net cash used in operating activities		**(2,075,929)**		(9,828,788)
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash acquired in business combination (Note 5)		**-**		14,243,206
Investment in property, plant and equipment (Note 7)		**(365,383)**		(82,782)
Investment in exploration and evaluation assets (Note 6)		**(28,723,729)**		(27,611,659)
Net cash used in investing activities		**(29,089,112)**		(13,451,235)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of shares (Note 11)		**50,408,563**		89,339,268
Share issue costs (Note 11)		**(3,395,277)**		(2,949,348)
Net cash provided by financing activities		**47,013,286**		86,389,920
Impact of exchange rate changes on cash		**80,336**		1,210
Net change in cash		**15,928,581**		63,111,107
Cash, beginning of period		**61,153,991**		6,793,395
Cash, end of period	**$**	**77,082,572**	$	69,904,502

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, 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 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. Subsequent to the quarter end, a deposit of US$12.6 million ($17.2 million) was made to the surety bond provider as collateral for the value of the bonds. This amount will be recorded as restricted funds on the balance sheet for subsequent periods. 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 ($76,849) 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 quarter. 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	**$**	**54,388,201**
Addition to Namibia property		30,744,001
Effect of exchange rate changes		3,654,963
Balance at September 30, 2022	**$**	**88,787,165**

The Company's exploration and evaluation assets relate entirely to properties located in Namibia and Botswana. At September 30, 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	570,689	33,778	6,383	$ -	$ 3,341	614,192
Balance, September 30, 2022	**$ 6,928,460**	**$ 265,459**	**$ 95,013**	**$ 353,863**	**$ 43,571**	**$ 7,686,367**
Accumulated depreciation:						
Balance, December 31, 2021	**$ (635,777)**	**$ (93,255)**	**$ (87,561)**	**$ (320,780)**	**$ (18,577)**	**$ (1,155,950)**
Depreciation	(508,540)	(26,303)	(2,035)	(33,764)	(1,916)	(572,558)
Balance, September 30, 2022	**$ (1,144,317)**	**$ (119,558)**	**$ (89,596)**	**$ (354,544)**	**$ (20,493)**	**$ (1,728,508)**
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	(354,903)	12,017	-	682	-	(342,204)
As of September 30, 2022	**$ 5,429,241**	**$ 157,918**	**$ 5,417**	**-**	**$ 23,078**	**$ 5,615,655**

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 September 30, 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		18,625,535
Finance expense		10,572,749
Effect of exchange rate changes		3,673,981
Balance at September 30, 2022	**$**	**73,885,612**

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. Of the $73.9 million balance above, the principal royalties payable balance is $52.9 million, while the remaining balance of $21.0 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:

	Nine Months Ended			
		September 30, 2022		September 30, 2021
Directors' fees	$	919,503	$	43,500
Management salaries and benefits		1,269,183		2,719,360
Share-based payments		8,315,781		8,769,475
	$	10,504,467	$	11,532,335

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 $864,848 as at September 30, 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		42,234
Effect of exchange rate changes		64,430
Balance at September 30, 2022	**$**	**864,848**

11. SHARE CAPITAL

Authorized: Unlimited common shares without par value

Issued common shares

At September 30, 2022, there were 201,621,453 (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 nine months ended September 30, 2022, the Company issued 2,095,404 (2021 – 53,355,509) common shares pursuant to the exercise of 2,092,029 (2021 – 52,351,794) warrants for cash proceeds of $1,103,779 (2021 - $45,251,652), 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 nine months ended September 30, 2022, the Company issued common shares pursuant to the exercise of 2,811,871 (2021 – 2,174,523) stock options for cash proceeds of $1,836,171 (2021 - $2,093,590).

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
Balance, September 30, 2022	622,339	15,885,152	$	8.57

The warrants and compensation options issued have been valued using the Black-Scholes pricing model, with a gross amount of $5,069,826 (2021 - $20,014,894) 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	September 30, 2022	September 30, 2021
Risk-free interest rate	1.25%	0.37%-0.51%
Expected life	0.67 years	2.26 years
Annualized volatility	70.00%	70.00%
Dividend rate	n/a	n/a

Compensation Options	September 30, 2022	September 30, 2021
Risk-free interest rate	1.25%	0.51%
Expected life	0.67 years	2 years
Annualized volatility	70.00%	70.00%
Dividend rate	n/a	n/a

Warrants outstanding at September 30, 2022 are as follows:

Number of Warrants	Number of Compensation Options	Exercise Price ($)	Expiry Date
840,000	-	10.87	October 16, 2022
19,685	-	9.00	October 31, 2022
-	466,610	6.35	October 31, 2022
184,000	-	10.87	December 4, 2022
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
15,885,152	622,339		

(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 nine months ended September 30, 2022, the Company recorded share-based expenses of $15,260,289 (2021 - $24,941,236). The following table highlights the assumptions to determine the fair value of stock options granted using the Black-Scholes Option Pricing Model:

	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Risk-free interest rate	2.75%	0.24-0.93%
Expected life	5 years	4.87 years
Expected volatility	70.00%	69.26%
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 nine months ended September 30, 2022. Stock options outstanding at September 30, 2022 are as follows:

	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	(2,811,871)	0.65
Stock options forfeited	(150,000)	0.95
Balance, September 30, 2022	17,988,441	$ 5.88

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Intrinsic Value (exercisable options)	Expiry Date (i)	Weighted Average Remaining Contractual Life (in years)
413,456	413,456	$ 5.87	$ -	July 27, 2022	-
238,406	238,406	5.43	-	July 27, 2022	-
266,579	266,579	6.74	-	July 27, 2022	-
1,200,000	1,200,000	12.00	-	July 27, 2023	0.8
275,000	275,000	0.25	1,232,000	October 7, 2024	2.0
225,000	225,000	0.51	949,500	December 9, 2024	2.2
320,000	320,000	0.76	1,270,400	February 18, 2025	2.4
175,000	100,000	0.31	442,000	April 29, 2025	2.6
2,337,500	1,512,500	0.70	6,095,375	August 26, 2025	2.9
100,000	50,000	0.76	198,500	August 26, 2025	2.9
393,750	287,500	2.19	730,250	January 5, 2026	3.3
4,668,750	2,293,750	6.88	-	April 25, 2026	3.6
800,000	400,000	11.39	-	July 14, 2026	3.8
360,000	185,000	6.23	-	September 8, 2026	3.9
500,000	250,000	6.00	-	December 3, 2026	4.2
5,715,000	1,428,750	6.35	-	May 15, 2027	4.6
17,988,441	9,445,941	$ 5.88	$ 1,105,479		3.4

(i) As of September 30, 2022, the Company had a total of 918,441 stock options outstanding with an expiry date of July 27, 2022. The expiry date of these stock options were automatically extended pursuant to the Company's stock option plan as a result of the trading blackout imposed on the insiders of the Company, pending the release of all news relating to the Company's current operations. These stock options will be exercisable for 10 business days following the lifting of the blackout trading period. The date in which the trading blackout will be lifted is estimated to be November 28, 2022. Any stock options not exercised during the following 10 business day window will expire.

12. GENERAL AND ADMINISTRATION

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

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Management and consulting	$ 2,001,683	$ 1,480,948	$ 6,393,922	$ 4,653,936
Marketing and stakeholder relations	1,349,570	407,858	2,658,132	1,439,025
Office	886,789	723,579	2,884,979	1,770,831
Professional fees (Note 5)	4,500,178	1,354,698	6,255,152	2,415,912
General and administration	$ 8,738,220	$ 3,967,083	$ 18,192,185	$ 10,279,704

13. SEGMENTED INFORMATION

The following tables highlight the Company's operating segments:

Three Months Ended September 30, 2022	**Corporate**	**Mexico**	**Africa**	**Total**
Crude oil revenue	-	3,673,342	-	3,673,342
Natural gas revenue	-	4,063,787	-	4,063,787
Total revenue	-	7,737,129	-	7,737,129
Royalties	-	(6,224,507)	-	(6,224,507)
Production costs	-	(410,281)	-	(410,281)
Resource property evaluation	(2,331)	(679,431)	(541,365)	(1,223,127)
General and administration	(3,274,028)	(3,762,431)	(1,701,761)	(8,738,220)
Other income (expense)	-	32,682	-	32,682
Finance expense	-	(4,274,709)	-	(4,274,709)
Realized exchange gain (loss)	2,530,671	(280,929)	(2,501,325)	(251,582)
Fund flows from operations	(745,688)	(7,862,477)	(4,744,451)	(13,352,615)

Three Months Ended September 30, 2021	**Corporate**	**Mexico**	**Africa**	**Total**
Crude oil revenue	-	1,662,127	-	1,662,127
Natural gas revenue	-	2,188,862	-	2,188,862
Total revenue	-	3,850,989	-	3,850,989
Royalties	-	(3,089,775)	-	(3,089,775)
Operating	-	(185,449)	-	(185,449)
Resource property evaluation	-	(215,746)	-	(215,746)
General and administration	(2,679,973)	(777,591)	(509,519)	(3,967,083)
Other income (expense)	-	378	3,397	3,775
Finance expense	-	(1,343,345)	-	(1,343,345)
Realized exchange gain (loss)	457,522	(59,722)	32,944	430,744
Fund flows from operations	(2,222,451)	(1,820,261)	(473,178)	(4,515,890)

Nine Months Ended September 30, 2022	Corporate	Mexico	Africa	Total
Total non-current assets	9,555,020	28,495	84,819,305	94,402,820
Total assets	53,410,836	47,286,308	89,655,116	190,352,260
Total liabilities	(2,348,063)	(78,691,420)	(2,352,963)	(83,392,446)
Crude oil revenue	-	10,010,836	-	10,010,836
Natural gas revenue	-	12,220,580	-	12,220,580
Total revenue	-	22,231,416	-	22,231,416
Royalties	-	(17,799,369)	-	(17,799,369)
Production costs	-	(938,917)	-	(938,917)
Resource property evaluation	(5,661)	(1,338,421)	(1,464,672)	(2,808,754)
General and administration	(9,418,917)	(4,599,738)	(4,173,530)	(18,192,185)
Other income (expense)	-	74,708	-	74,708
Finance expense	-	(10,569,681)	-	(10,569,681)
Realized exchange gain (loss)	3,073,371	(290,609)	(3,368,740)	(585,977)
Fund flows from operations	(6,351,207)	(13,230,611)	(9,006,942)	(28,588,759)

Nine Months Ended September 30, 2021	Corporate	Mexico	Africa	Total
Total non-current assets	11,600,277	74,903	42,479,344	54,154,524
Total assets	65,321,976	22,747,284	43,919,924	131,989,184
Total liabilities	(790,306)	(37,299,828)	(2,531,805)	(40,621,939)
Crude oil revenue	-	1,662,127	-	1,662,127
Natural gas revenue	-	2,188,862	-	2,188,862
Total revenue	-	3,850,989	-	3,850,989
Royalties	-	(3,089,775)	-	(3,089,775)
Operating	-	(185,449)	-	(185,449)
Resource property evaluation	-	(215,746)	-	(215,746)
General and administration	(8,175,676)	(777,591)	(1,326,437)	(10,279,704)
Other income (expense)	1,128	378	3,397	4,903
Finance expense	-	(1,343,345)	-	(1,343,345)
Realized exchange gain (loss)	237,773	(59,722)	3,135	181,186
Fund flows from operations	(7,936,775)	(1,820,261)	(1,319,905)	(11,076,941)

Reconciliation of funds flows from operations to net loss:

	Three Months Ended		Nine Months Ended	
	September 30, 2022	September 30, 2021	September 30, 2022	September 30, 2021
Fund flows from operations	$ (13,352,615)	$ (4,515,890)	$ (28,588,759)	$ (11,076,941)
Depreciation	(1,073)	(14,011)	(35,951)	(14,011)
Share based payments	(4,336,031)	(17,031,584)	(15,260,289)	(24,941,236)
Settlement of option agreement	-	(110,342,000)	-	(110,342,000)
Impairment	-	(105,299,108)	-	(105,299,108)
Unrealized foreign exchange gain (loss)	4,757,860	434,945	5,967,408	239,294
Net loss	$ (12,931,859)	$ (236,767,648)	$ (37,917,591)	$ (251,434,002)

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.

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 September 30, 2022, totaled $106,959,814 (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.