ReconAfrica

Condensed Consolidated Interim Financial Statements

March 31, 2020 and 2019

RECONNAISSANCE ENERGY AFRICA LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited - Expressed in Canadian Dollars, unless otherwise stated)

		March 31, 2020		December 31, 2019
ASSETS				
Current Assets				
Cash	**$**	**1,732,842**	$	2,547,025
Receivables		**45,270**		41,825
Prepaid expenses		**89,990**		109,949
		1,868,102		2,698,799
Exploration and evaluation assets (Note 4)		**6,056,286**		5,649,599
Equipment (Note 5)		**3,552,868**		-
Total Assets	**$**	**11,477,256**	$	8,348,398
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current Liabilities				
Accounts payable	**$**	**1,188,003**	$	234,318
Promissory note payable (Note 7)		**294,578**		287,354
		1,482,581		521,672
Shareholders' Equity				
Share capital (Note 8)		**11,181,187**		9,159,101
Reserves (Note 8)		**3,387,110**		1,926,603
Deficit		**(4,652,075)**		(3,275,518)
Accumulated other comprehensive income ("AOCI")		**78,453**		16,540
Total Shareholders' Equity		**9,994,675**		7,826,726
Total Liabilities and Shareholders' Equity	**$**	**11,477,256**	$	8,348,398

Nature of operations and going concern (Note 1)
Subsequent event (Note 10)

These condensed consolidated financial statements are authorized for issue by the Board of Directors on May 29, 2020.

Approved by the Board of Directors:

"J. Jay Park" Director

"James Granath" 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 March 31, 2020	Three Months Ended March 31, 2019
EXPENSES		
Management and consulting	**$ 398,972**	$ -
Marketing	**572,213**	-
Office and general	**58,596**	-
Professional fees	**78,871**	83,776
Share-based payments (Note 8)	**271,287**	-
	1,379,939	83,776
Other Items		
Interest expense	**7,224**	2,121
Exchange loss (gain)	**(10,606)**	9,263
	(3,382)	11,384
Net Loss	**1,376,557**	95,160
Other Comprehensive Income		
Items that may be reclassified subsequently to net loss		
Translation adjustment	**(61,913)**	-
Comprehensive loss	**$ 1,314,644**	$ 95,160
Basic and diluted loss per common share	**$ 0.02**	$ 0.01
Weighted average number of common shares outstanding - basic and diluted	**69,153,255**	12,600,001

*Basic and diluted loss per share and shares outstanding have been retrospectively restated to reflect the share consolidation

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 EQUITY

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

	Share Capital					
	Number	Amount	Reserves	Deficit	AOCI	Equity
Balance at December 31, 2018	6,299,997	$ 620,185	$ -	$ (153,940)	$ -	$ 466,245
Net loss	-	-	-	(95,160)	-	(95,160)
Balance at March 31, 2019	6,299,997	$ 620,185	$ -	$ (249,100)	$ -	$ 371,085
Balance at December 31, 2019	65,940,145	$ 9,159,101	$ 1,926,603	$ (3,275,518)	$ 16,540	$ 7,826,726
Shares issued:						
Private placements (Note 8)	5,000,000	2,191,625	1,208,375	-	-	3,400,000
Issue costs - cash (Note 8)	-	(230,044)	-	-	-	(230,044)
Warrants exercise	35,500	12,139	(2,039)	-	-	10,100
Options exercise	125,000	48,366	(17,116)	-	-	31,250
Share-based payments (Note 8)	-	-	271,287	-	-	271,287
Net loss	-	-	-	(1,376,557)	-	(1,376,557)
Translation adjustment	-	-	-	-	61,913	61,913
Balance at March 31, 2020	71,100,645	$11,181,187	$ 3,387,110	$ (4,652,075)	$ 78,453	$ 9,994,675

*Share capital outstanding has been retrospectively restated to reflect the share consolidation

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

RECONNAISSANCE ENERGY AFRICA LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited - Expressed in Canadian Dollars, unless otherwise stated)

	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (1,376,557)	$ (95,160)
Items not involving cash:		
Interest expense (Note 7)	7,224	-
Deferred transaction costs	-	(87,644)
Share-based payments (Note 8)	271,287	-
Unrealized foreign exchange	(84,012)	-
Changes in non-cash working capital items:		
Receivables	(3,445)	-
Prepaid expenses	19,959	-
Accounts payable	145,194	(95,372)
Net cash used in operating activities	(1,020,350)	(278,176)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in equipment (Note 5)	(2,918,454)	-
Investment in exploration and evaluation assets (Note 4)	(143,159)	-
Net cash used in investing activities	(3,061,613)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from private placement (Note 8)	3,400,000	-
Share issue costs (Note 8)	(205,092)	-
Proceeds from the exercise of options (Note 8)	31,250	-
Proceeds from the exercies of warrants (Note 8)	10,100	-
Promissory note (Note 7)	-	268,817
Loan to related party	-	9,359
Net cash provided by financing activities	3,236,258	278,176
Impact of exchange rate changes on cash	31,522	-
Net change in cash	(814,183)	-
Cash, beginning of period	2,547,025	-
Cash, end of period	$ 1,732,842	$ -

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. (formerly Lund Enterprises Corp.) (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. The address of the Company's corporate office and principal place of business is Suite 1500, 999 West Hastings Street, Vancouver, British Columbia, Canada, V6C 2W2.

These unaudited condensed consolidated interim financial statements ("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. The Company has not yet generated any revenues from its operations and is required to raise new financing through the sale of shares or issuance of debt to continue with its operations and to develop its property. 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.

Since March 2020, several measures have been implemented in Canada and the rest of the world in response to the increased impact from coronavirus ("COVID-19"). While the impact of COVID-19 is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on business operations cannot be reasonably estimated at this time. The Company anticipates this could have an adverse impact on its business, financial performance, financial position and cash flows in 2020.

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 PRESENTATION

These 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 a result, these Financial Statements should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2019 and note 5 with respect to equipment.

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, 2019.

3. 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, receivables, accounts payable and promissory note payable. As none of the Company's financial instruments are held at fair value, categorization into the fair value hierarchy has not been provided. Cash, receivables, accounts payable and promissory note payable are held at amortized cost which approximates fair value due to the short-term nature of these instruments.

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 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. The Company's access to financing is always uncertain. In light of the current volatility in commodity prices including uncertainty regarding the timing for recovery in such prices, along with the effect of COVID-19 on commodity demand 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 certain accounts payable, accrued liabilities and property maintenance commitments (Note 4) measured in foreign currencies, principally the US dollar.

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 OPEC actions, the current state of world economies and ongoing credit and liquidity concerns. Depressed 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 be taken by the Company.

4. EXPLORATION AND EVALUATION ASSETS

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

Balance at December 31, 2019	$	**5,649,599**
Additions		292,284
Effect of exchange rate changes		114,403
Balance at March 31, 2020	**$**	**6,056,286**

5. 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.

On February 10, 2020, the Company completed the acquisition of a Crown 750 drilling rig for US$1,800,000 ($2,379,060). The Crown 750 is being upgraded with a top drive system and ancillary equipment to acclimate the rig for drilling in the Kalahari Desert.

Balance at December 31, 2019	$	-
Acquition of Crown 750 drilling rig		2,379,060
Upgrades and improvements		1,173,808
Balance at March 31, 2020	**$**	**3,552,868**

No depreciation has been recognized on the drilling rig as it has not yet been put into service. As at March 31, 2020 no indicators of impairment have been identified for the drilling rig.

6. RELATED PARTY TRANSACTIONS

Transactions with related parties are summarized in the table below:

		Three monthes ended March 31, 2020		Three monthes ended March 31, 2019
Management salaries and benefits	$	82,650	$	-
Share-based payments		118,470		-
	$	201,120	$	-

7. PROMISSORY NOTE PAYABLE

The Company was a party to a promissory note entered into with a professional services provider, each bearing interest at 10% and payable at maturity or earlier with no penalty for prepayment.

As at March 31, 2020, the balance owing on the promissory note, including accrued interest of $30,168 (December 31, 2019 - $22,944), was $294,578 (December 31, 2019 - $287,354). Subsequent to the period ended March 31, 2020, the Company repaid $100,000 of the outstanding balance for the promissory note.

8. SHARE CAPITAL

On August 30, 2019, the Company completed the acquisition of Reconnaissance by way of an RTO transaction. Prior to closing the transaction, the Company consolidated its issued and outstanding common shares on the basis of one new post-consolidated common share for every two pre-consolidated common shares. The share consolidation affected all issued and outstanding common shares, stock options, warrants, and other convertible securities. All information relating to issued and outstanding common shares, stock options, warrants, and other convertible securities have been adjusted retrospectively to reflect the share consolidation.

Authorized: Unlimited common shares without par value

Issued common shares

At March 31, 2020, there were 71,100,645 (December 31, 2019 – 65,940,145) shares issued and outstanding.

On February 4, 2020, the Company issued 5,000,000 units for $3,400,000 pursuant to a non-brokered private placement. Each unit is comprised of one common share of the Company and on common share purchase warrant which its holder may exercise for one common share at an exercise price of $1.00 per share until February 4, 2025. The Company incurred share issuance costs of $230,044 in the form of finders' fees and professional fees associated with this non-brokered private placement.

During the period ended March 31, 2020, the Company issued common shares pursuant to the exercise of 25,500 broker warrants for cash proceeds of $5,100 and 10,000 warrants for cash proceeds of $5,000.

During the period ended March 31, 2020, the Company issued common shares pursuant to the exercise of 125,000 options for cash proceeds of $31,250.

Warrants

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

	Number of Warrants	Weighted Average Exercise Price ($)
Balance, December 31, 2019	22,059,276	0.49
Issued	5,000,000	1.00
Broker warrants exercised	(25,500)	0.20
Exercised	(10,000)	0.50
Balance, March 31, 2020	27,023,776	0.59

The warrants have been valued using the Black-Scholes pricing model, with a gross amount of $1,208,375 included in reserves based on the relative fair values of the shares and warrants issued. The following assumptions were used for the Black-Scholes valuation of the warrants granted:

Warrants	March 31, 2020	December 31, 2019
Risk-free interest rate	1.35%	1.18-1.63%
Expected life	5 years	5 years
Annualized volatility	65.00%	65.00%
Dividend rate	n/a	n/a

Broker Warrants	March 31, 2020	December 31, 2019
Risk-free interest rate	n/a	1.18%
Expected life	n/a	2 years
Annualized volatility	n/a	61.50%
Dividend rate	n/a	n/a

Warrants outstanding at March 31, 2020 are as follows:

Number of Warrants	Number of Broker Warrants	Exercise Price ($)	Expiry Date
	377,850	0.20	August 30, 2021
17,043,280		0.50	August 30, 2024
2,600,000		0.50	December 6, 2024
2,002,646		0.50	December 18, 2024
5,000,000		1.00	February 4, 2025
26,645,926	377,850		

Issued stock options

On February 18, 2020, the Company granted 850,000 stock options to directors, officers, and consultants, exercisable at a price of $0.76 per share for a period of five years.

On February 18, 2020, the Company granted 200,000 stock options to consultants, exercisable at a price of $0.76 per share for a period of three years.

During the three months ended March 31, 2020, the Company recorded share-based payments of $271,287 (2019 - $Nil). The fair value of stock options granted was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Three months ended March 31, 2020	Year ended December 31, 2019
Risk-free interest rate	1.34-1.42%	1.30-1.61%
Expected life	4.62 years	5 years
Expected volatility	65.00%	65.00%
Expected dividend yield	n/a	n/a

The following table summarizes information about the stock options transactions for the three months ended March 31, 2020:

	Number of Options	Weighted Average Exercise Price ($)
Balance, December 31, 2019	6,050,000	0.28
Stock options issued	1,050,000	0.76
Stock options exercised	(125,000)	0.25
Balance, March 31, 2020	6,975,000	0.35

Stock options outstanding at March 31, 2020 are as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Intrinsic Value (exercisable options)	Expiry Date	Weighted Average Remaining Contractual Life (in years)
200,000	-	$0.76	$0	February 15, 2023	2.9
5,225,000	1,212,500	$0.25	$90,938	October 7, 2024	4.5
700,000	175,000	$0.51	$0	December 9, 2024	4.7
850,000	212,500	$0.76	$0	February 18, 2025	4.9
6,975,000	1,600,000	$0.35			4.5

9. 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 all the components of equity which, at March 31, 2020, totaled $9,994,675 (December 31, 2019: $7,826,726).

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. Refer to Note 1 for additional details of the Company's ability to continue as a going concern.

10. SUBSEQUENT EVENTS

On April 29, 2020, the Company granted to an officer of the Company options to purchase an aggregate of 300,000 common shares of the Company at a price of $0.31 per share for a period of up to five years. Concurrently with the option grant, 200,000 options previously granted to a consultant on February 18, 2020, were cancelled.