

Naingopo Exploration Well: Slightly Delayed but Making Steady Progress

ACTION - Maintain SPECULATIVE BUY and Target Price

This morning, ReconAfrica provided an update on its exploration activities in Namibia. The Naingopo exploration well on PEL 73 is progressing, though delays have been experienced due to slower drilling rates in the deeper section of the Mulden formation and issues while setting casing. Drilling is expected to continue through October 2024, with results to be announced after thorough analysis of the logs and any fluids obtained. ReconAfrica is also preparing to spud its second Damara Fold Belt exploration well, Kambundu (Prospect P), in late November or early December. Additionally, the company received environmental clearance for a 3D seismic survey, scheduled for the first quarter of 2025, to explore the Kavango Rift Basin. While drilling at Naingopo is behind schedule, initial results are anticipated soon, and a successful outcome could act as a significant catalyst for the stock. We maintain our **SPECULATIVE BUY** recommendation and our \$2.30 target price, based on a risked valuation of the current exploration drilling program.

Naingopo Well Update: The Naingopo exploration prospect has estimated unrisks best-case prospective resources of 181 million barrels (gross) or 127 MMbbl net to ReconAfrica's 70% interest. In the event of a natural gas discovery, the unrisks prospective resources are estimated at 937 Bcf or 656 Bcf net. ReconAfrica has set casing to the top of the Otavi reservoir section (Figure 1). The well has a target depth of approximately 3,800 metres and is expected to encounter five primary Otavi reservoir intervals.

Kambundu (Prospect P) Well Update: The Kambundu exploration prospect has unrisks oil resources of 309 MMbbls (216 MMbbl net) or in the natural gas case, prospective resources of 1.6 Tcf (1.1 Tcf net unrisks). Construction on the access road and the well pad are progressing. Drilling is expected to commence in late November or early December. If successful, this well could open up additional opportunities in the Damara Fold Belt play.

ESG Leadership Appointment: ReconAfrica has appointed Gitane De Silva as Senior Vice President, ESG, Communications & Stakeholder Relations. Gitane brings extensive experience in public policy, energy, and regulatory sectors, having served as CEO of the Canada Energy Regulator, as well as a diplomat and Deputy Minister of International and Intergovernmental Relations for Alberta. Her diverse background and leadership experience make her a valuable addition to the executive team, enhancing the company's focus on ESG initiatives.

IMPACT: Neutral. Initial Well Results Expected Shortly

Although drilling of the high-impact Naingopo well is taking longer than expected, results are anticipated soon. This well presents a high-risk, high-reward opportunity, targeting multiple reservoirs that could enhance the chances of discovering commercial hydrocarbons. This investment is best suited for those with a higher risk tolerance who are seeking substantial potential returns. However, ReconAfrica has built a robust prospect inventory, and the upcoming drilling program offers multiple opportunities for significant discoveries. We maintain our **SPECULATIVE BUY** recommendation.

RATING & TARGET PRICE

Rating	SPECULATIVE BUY
Price	1.02
Price Target	2.30
Market Cap (\$M)	270.10
Projected Return	125.5%

MARKET DATA

RECO.V-TSXV	1.02
52 Week Range	C\$1.87 - C\$0.76
Basic Shares O/S (mm)	262.7
Fully Diluted O/S (mm)	268.0
Enterprise Value (\$M)	228.0
Net Debt (\$M)	C\$(42.1)

UPCOMING EVENTS/CATALYSTS

- Completion of the drilling, coring and logging of the Naingopo well (November 2024).

- Spud of the Kambundu Well - (November/December 2024)

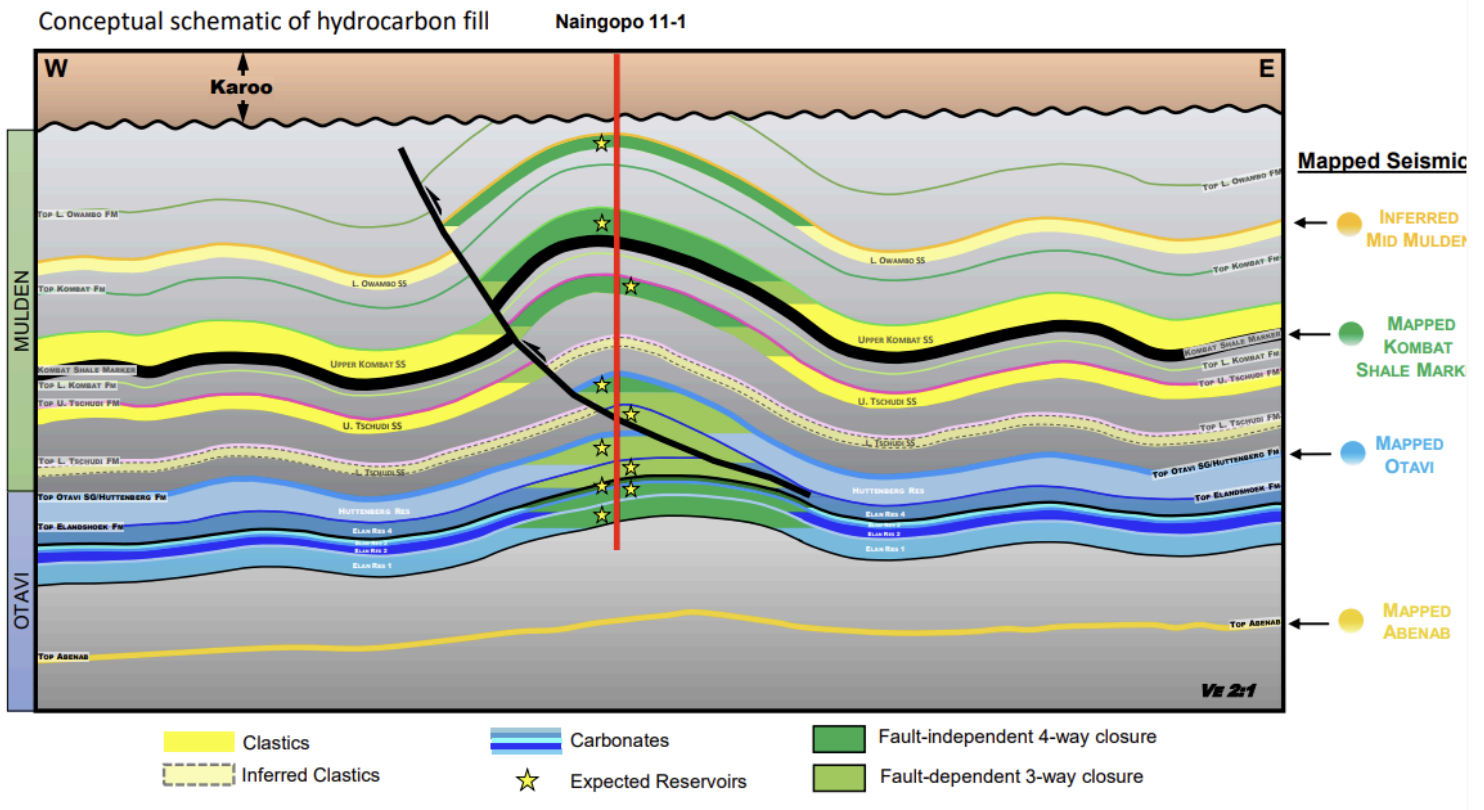
ANALYST INFORMATION

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First Damara Fold Belt Exploration Well - Naingopo Prospect

The Naingopo structure is large (~15km long and ~5km wide), with an aerial closure of approximately 4,900 acres, and is clearly identified on seismic (Figure 1). ReconAfrica has set the last casing point prior to drilling into the Otavi carbonate reservoir section, which is the primary objective of the Damara Fold Belt play. The Company expects to drill through October to reach total depth of 3,800 metres.

Figure 1: Naingopo Well



Source: Company Presentation, NSAI Damara Report, Research Capital Corp.

Company Description:

ReconAfrica is an oil and gas company engaged in the exploration and development of the newly discovered sedimentary basin in northeastern Namibia and northwestern Botswana, where the Company holds petroleum licenses comprising ~8 million contiguous acres. The company is targeting prospects within a rift basin and fold belt play, both of which could hold substantial resources.

Risks:

While this is not an exhaustive list, we view the following risks as being noteworthy to investors in ReconAfrica.

EXPLORATION RISK | The exploration for, and production of, hydrocarbons is a highly speculative activity which involves a high degree of risk especially in a new sedimentary basin. Exploration failure would have a material impact on our valuation. Exploration and development drilling is capital intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance that ReconAfrica's exploration activities will result in an economic discovery.

PROSPECTIVE RESOURCES | Our valuation is primarily based upon prospective resources estimated by independent engineering firm Netherland, Sewell & Associates. The prospective resources are undiscovered, highly speculative resources estimates. The prospective resources have been estimated using probabilistic methods and are dependent on a petroleum discovery being made. The unrisks prospective resources are volumes that could reasonably be expected to be recovered in the event of a discovery.

FINANCIAL RISK | ReconAfrica is an exploration company with no current production or cash flow and must rely on its cash reserves to fund operations. There are no assurances that funds will be available to the Company when required, which could have a significant impact on our valuation and target price. ReconAfrica is currently evaluating joint venture proposals from third parties which could help to share in the capital risk.

ACTIVIST RISK | The crude oil and natural gas industry may, at times, be subject to public opposition. Such public opposition could expose ReconAfrica to the risk of higher costs, delays or even project cancellations due to increased pressure on governments and regulators by special interest groups including Aboriginal groups, landowners, environmental interest groups (including those opposed to oil and/or gas production operations) and other non-governmental organizations, blockades, legal or regulatory actions or challenges, increased regulatory oversight, reduced support of governments, and delays in, challenges to, or the revocation of regulatory approvals, permits and/or licences. There is no guarantee that the Company will be able to satisfy the concerns of the special interest groups and nongovernmental organizations and, attempting to address such concerns may require significant and unanticipated capital and operating expenditures, which may negatively impact the Company's business, financial condition, financial performance, and prospects is an exploration company with no current production or cash flow and must rely on its cash reserves to fund operations.

COMMODITY PRICE RISK | Although ReconAfrica does not have current production, a large, sustained drop in the price of oil could impact the financial market, and cause difficulty in raising additional capital.

EXCHANGE RATE RISK | ReconAfrica's operations are exposed to several different currencies, including, the U.S. dollar and the Namibian Dollar. A significant change in the relative value of any of these currencies could impact both accounting and real results.

REGULATORY RISK AND POLITICAL RISK | ReconAfrica is an international oil and natural gas exploration and production company with primary activities in Namibia, and as a result is subject to political risks. New regulations or modifications to existing regulations could adversely impact the company's profitability.

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