



ReconAfrica – Drilling Update Response

Disappointing drill results confirm ReconAfrica’s “Kavango deep” basin is geofantasy as their promotional claims unravel.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 6

August 16, 2021 – On August 5, 2021, ReconAfrica released a press release containing further results on their 6-2 and 6-1 wells¹. Far from a success, results have failed to live up to RECO’s exaggerated claims of a world-class reservoir and instead showed an area of limited to negligible production potential.

Announcement Let-Down

- All significant data presented in the press release was from RECO’s first well (**6-2**), which ceased drilling on April 7, 2021, almost 4 months ago. There is no reason to delay findings this long unless, as we believe, RECO have run these results through every process known to man to report indicators of oil. **The indicators are not good, and RECO appear to have withheld the most significant Wireline results.**
- On July 14, 2021, RECO announced that they were commencing “full suite logging” of the 6-1 well. Wireline log data are the key data used by the industry to determine success or failure for all wells. Every oil and gas company bases their press releases around this data which can be acquired in a few days and interpreted in a couple of hours. **The fact that RECO are withholding this data from the 6-2 well, completed 4 months ago, and the 6-1 well, completed 1 month ago, is a clear indication of failure.**
- Neither their 6-2 or 6-1 wells reached their planned target depths of 12,500ft instead finishing at 7,526ft and 9,121 ft. The company stated that this was due to safety concerns which would likely have been mitigated by conducting 2D seismic analysis prior to drilling. We suspect the real reason was their drill bits penetrating basement rock at TD, **debunking their deep basin theory.**

January 11,
2021

Drilling Operations

With the Company owned and operated 1,000 HP rig (Jarvie-1), we are now drilling ahead to a planned 12,500 feet total depth (TD) to evaluate potential hydrocarbon systems in one of five major sub-basins of the larger, more laterally extensive, Permian aged Kavango basin.

May 5, 2021

Operations

With the first string of casing set and cemented in the 6-1 well, the Company owned and operated 1000 HP rig (Jarvie-1) is drilling ahead to a target depth of 3,800 meters (12,500 feet). The 6-1 well is designed to evaluate the petroleum systems discovered in the first well (6-2) in an area of maximum thickness. These first two wells are within one of five major sub-basins of the larger, more laterally extensive, Permian aged deep Kavango basin.

August 5, 2021

HIGHLIGHTS:

- The 6-2 well and 6-1 well reached total depths of 2,294 meters (7,526 feet) and 2,780 meters (9,121 feet) respectively.

Figures 1, 2 & 3 ReconAfrica press releases dated January 11, May 5 & August 5, 2021^{2,3}

¹ <https://reconafrika.com/wp-content/uploads/ReconAfrica-Press-Release-080521.pdf>

² <https://reconafrika.com/wp-content/uploads/ReconAfrica-Press-Release-011021.pdf>

³ <https://reconafrika.com/wp-content/uploads/ReconAfrica-Press-Release-050521.pdf>



Where is Schlumberger?

- RECO previously claimed that their well logging would be conducted by respected industry giant Schlumberger⁴ (NYSE:SLB) but was in fact done by Horizon Well Logging⁵, an unknown minor player based in the US⁶. **Investors should press the company for more details on when and why this change was made.**
- According to Horizon Well Logging's show report, the majority of the oil and gas shows are at extremely shallow depths with lower depths showing no real production potential. Not only does this disprove ReconAfrica's claim of "6,000ft of Permian aged source rock", it casts incredible doubt on their 120bbl OOIP (Original Oil in Place) promotion."

"Interpretation"

- The following is more geo-fantasy courtesy of RECO's Dan Jarvie: once again moonlighting as part of Worldwide Geochemistry for a façade of impartiality.

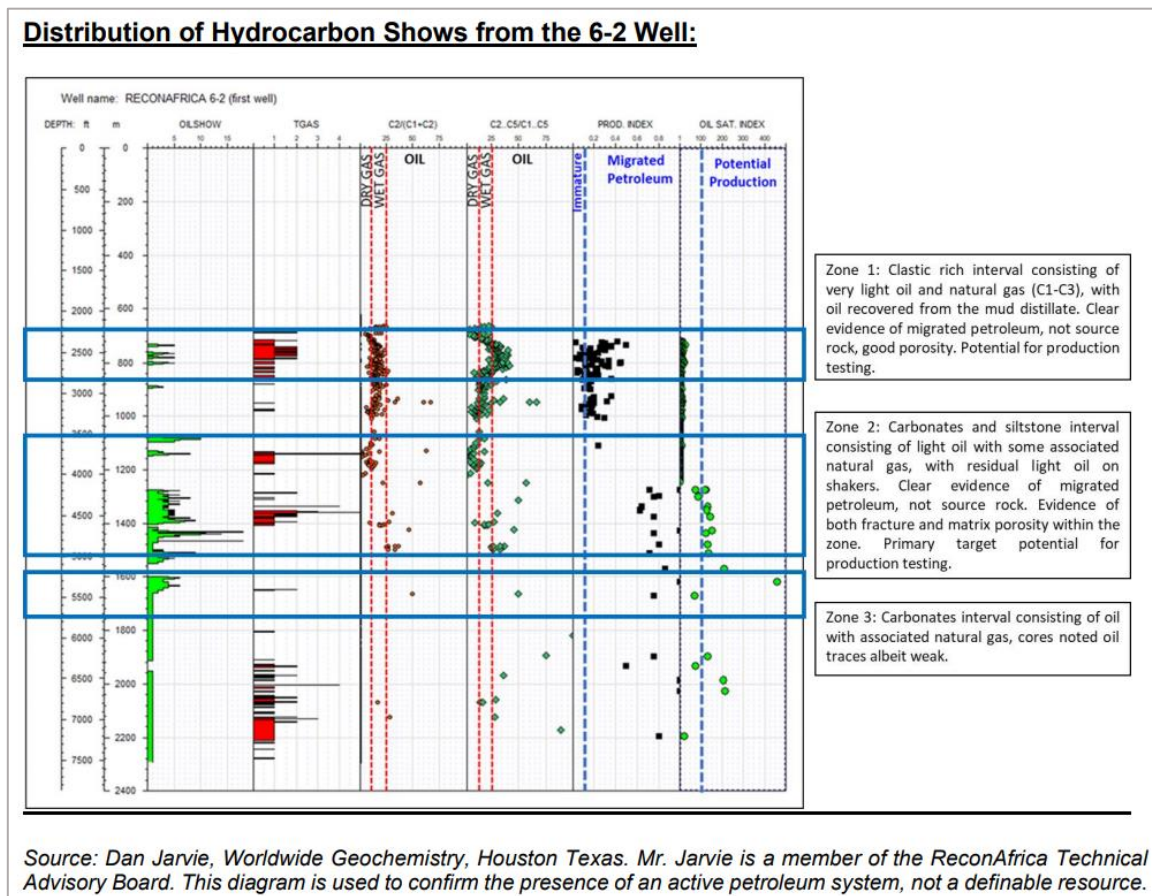


Figure 4 Distribution of Hydrocarbon Shows from the 6-2 Well

- Zone 1** contains ~100m of oil and wet gas potential with extremely low oil saturation and production potential.
- Zone 2** contains ~200m of even fewer and more sporadic mud gas shows where Total Gas measurements never exceed more than 5 units (equivalent to 0.05% mud gas concentration — likely within the mud gas detector's zero calibration margin of error). Geologists consulted by Viceroy believe this zone is, at best, fractured carbonate stringers.
- Zone 3** and below is unremarkable correlating with Viceroy Research's previous view that drilling in a gravity high was likely to result in a shallower basin than expected.

⁴ <https://reconfrica.com/wp-content/uploads/ReconAfrica-Press-Release-011021.pdf>

⁵ <https://horizon-well-logging.com/>

⁶ <https://reconfrica.com/wp-content/uploads/ReconAfrica-Press-Release-062821.pdf>



- Geologists consulted by Viceroy believe that the Zone 2 and Zone 3 carbonates are far older than Permian, a fact that would unravel the company's overhyped 30,000ft deep Permian basin model. In their view, Zones 2 and 3 are far more likely to be Cambrian to Precambrian aged Otavi Group carbonates consistent with Owambo Basin stratigraphy. We expect the company to pivot to promoting these inferior, older, dolomitized deposits as "self-sourcing" after failing to find any Permian aged source rocks: the primary target of RECO's initial stratigraphic test wells.
- RECO structural geologist James Granath stated in an inversion tectonics webinar⁷ on April 30, 2021: "It [the 6-2 well] encountered about 800 meters of carbonates sitting underneath 300 to 400 meters of Upper Karoo."

This statement is consistent with expected Owambo Basin stratigraphy where thin, Permian-aged Upper Karoo clastics exist above thicker, Cambrian to Precambrian aged carbonates. The stated thicknesses also support Viceroy's belief that the 6-2 well drilled through thin Eccca group clastics (Zone 1, from ~700m to ~1,100m in the 6-2 well) and thicker Otavi group carbonates (Zones 2 and 3, from ~1,100m to ~1,900m in the 6-2 well).

Same Old Games

- In an interview with Viceroy Research, Namibia's Petrol Commissioner Maggy Shino confirmed that the Ministry of Mines and Energy had access to the mud logs from the 6-2 well far in advance of their release. We question why Namibia continues to support RECO considering their own access these extremely disappointing drill results.
- Horizon Well Logging's website states its specialties are geothermal energy and oil and gas shales⁸. RECO continues to rule out fracking, which we believe to be the ongoing play.

In an OilPrice.com interview published August 9, 2021, titled "Update On The World's Most Exciting Oil Play: Interview With Scot Evans"⁹ RECO CEO Scot Evans presented a "sample of the light oil found in well [6-2]" The same day the Namibian President's office issued a media advisory inviting journalists to a conference call with RECO "CEO" Craig Steinke.



Figure 5 Update On The World's Most Exciting Oil Play: Interview With Scot Evans – OilPrice.com

Steinke has no official position inside RECO, RECO's CEO is Scot Evans.

RECO continue to ignore the related party nature of the Renaissance transaction, despite its CFO, Head of Compliance, several directors, and Craig Steinke playing both sides of the deal.

⁷ <https://youtu.be/-ENVwKwuB9g?t=2510>

⁸ <https://horizon-well-logging.com/specialties/>

⁹ <https://oilprice.com/Energy/Crude-Oil/Update-On-The-Worlds-Most-Exciting-Oil-Play-Interview-With-Scot-Evans.html>



Courtesy Call by ReconAfrica Chief Executive Officer, Mr. Craig Steinke on President Hage G. Geingob

Date: Tuesday, 10 August 2021

Time: 11h00

Venue: State House

Please confirm attendance with Dennis Shikwambi or Yvonne Amukwaya at Email: Dennis.Shikwambi@op.gov.na Mobile number +246812563526 or Yvonne.Amukwaya@op.gov.na Mobile number +264811567801, before 09h00, Tuesday, 10 August 2021.

Journalists are advised to dress formal and arrive 40 Minutes before the event.

Figure 6 Presidency of the Republic of Namibia Media Advisory

- According to attendees at the conference, the event was highly promotional with President Hage Geingob effectively acting as RECO's spokesperson and incorrectly referred to Steinke as CEO during the conference. Geingob went on to belittle journalists by questioning whether their enquiries were made by Namibians. Regarding commerciality, Steinke claimed that RECO would have more promising data on commerciality in the next 6 months to a year.

HRT – If we do not learn from history...

The whole setup is reminiscent of HRT Participações em Petróleo who made history in 2013 by announcing the discovery of oil at Namibia's State House with a similar sample. This led to the now-infamous photo below of (left to right) Knowledge Katti, HRT President of Exploration Joe Paul, then-Prime Minister Hage Geingob and Mines and Energy Minister Isak Katali with a vial of oil from their test drills.

2013



2021



Figures 7 & 8 ReconAfrica Twitter post¹⁰ & HRT report oil off Namibia¹¹

HRT would later collapse after failing to find commercial oil in all 3 of its wells after claiming its prospects may hold 10 billion barrels of oil. We believe RECO are ultimately following in HRT's highly promotional and ultimately unsuccessful footsteps.

Katti has been at the center of several bribery and corruption allegations in the oil and gas sector in Namibia and was engaged by RECO from October 1, 2020 to May 28, 2021. RECO cut ties after the revelation of his employment by The Globe and Mail¹².

Accompanying RECO's press release came another OilPrice.com fluff piece titled "Recon Africa De-Risks The World's Most Exciting Oil Find", which we assume refers to the company's risk of success¹³. The piece is by editor James Stafford who has written 14 of his past 16 articles promoting RECO, the other 2 articles were railing against naked short selling¹⁴.

¹⁰ https://twitter.com/Recon_Africa/status/1425054282949214208

¹¹ <https://www.namibian.com.na/print.php?id=108281&type=2>

¹² <https://www.theglobeandmail.com/business/article-as-calgarys-reconafrika-drills-for-namibian-oil-a-global-outcry-over/>

¹³ <https://oilprice.com/Energy/Crude-Oil/Recon-Africa-De-Risks-The-Worlds-Most-Exciting-Oil-Find.html>

¹⁴ <https://oilprice.com/contributors/James-Stafford>



Conclusion

In conclusion we fail to see how these results are indicative of a basin that was compared to some of the largest producers in the world. The company's pivot to a measured tone is a far cry from their previous rhetoric of "30,000ft Permian Age" basin and "6,000ft petroleum systems". Investors should demand full mud log and wireline data instead of overly positive interpretations.

We expect the company to pivot promoting these inferior dolomitized deposits as "self-sourcing" after failing to find any Permian aged source rocks, the primary target of RECO's initial stratigraphic test wells.

Viceroy Research have reiterate our belief that RECO is at its core a pump-and-dump scheme to dupe investors, and a very predictable one at that.



Attention: Whistleblowers

Viceroy encourage any parties with information pertaining to misconduct within Reconnaissance Energy Africa, its affiliates, or any other entity to file a report with the appropriate regulatory body.

We also understand first-hand the retaliation whistleblowers sometimes face for championing these issues. Where possible, Viceroy is happy act as intermediaries in providing information to regulators and reporting information in the public interest in order to protect the identities of whistleblowers.

You can contact the Viceroy team via email on viceroy@viceroyresearch.com.

About Viceroy

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