



ReconAfrica – Another swing, another miss

Despite significant polish, Netherland Sewell's presentation on ReconAfrica's 6-2 well is another set of disappointing results.

PLEASE READ IMPORTANT DISCLAIMER – PAGE 6

September 7, 2021 – On September 2, 2021, ReconAfrica released a press statement and presentation of data on their first 6-2 well by Netherland, Sewell & Associates, Inc. The presentation is a clear attempt to put a positive spin on disappointing drill results but fails to do so under further scrutiny.

The press release and presentation can be found at the link below:

<https://recon africa.com/wp-content/uploads/ReconAfrica-Press-Release-090221.pdf>


Viceroy's analysis of the presentation confirms our dim view of RECO's chances of commerciality in a conventional oil play. The 6-2 well is effectively a failure with the porous 950 zone completely saturated with water and the 1350 zone too tight for a conventional commercial play or even reliable readings of water saturation.

We would have liked to analyze the logs further, but some parts have been compressed so heavily they are unreadable, we believe intentionally.

Nonetheless, RECO's team of hype-men leapt into action all but promising that these results meant a commercial find. In this report we analyze the substance of the Netherland Sewell presentation and lay out our analysis in layman's terms.

Shallow zones

The 950 zone would have potential to be a developable reservoir with decent porosity of 19-20%, if only there were any hydrocarbons in the zone. Instead, the zone it appears to be almost completely saturated with water.

 Summary of Potential Reservoir Zones					
Zone	Net Thickness (m)	Avg. Porosity	Avg. Water Saturation*	Oil/Gas Shows	Comments
Clastic 700	54	20%	98%	oil and gas	Mudlog oil and gas (c2+) shows
Clastic 800	14.9	19%	100%	oil and gas	Live oil in drilling fluid
Clastic 1000	94	20%	98%	Trace	Core porosity up to 23%, high net/gross ratio
Carb 1350	5.3	9%	56%	Oil	Core porosity up to 17%, oil observed in drilling fluid
Carb 1900	29.2	8%	61%	Weak gas	Core porosity up to 14%, fractures present

*Estimates of water saturation (Sw) are based on log data.
Hydrocarbon saturation estimates are 1-Sw.

Figure 1 Summary of Potential Reservoir Zones

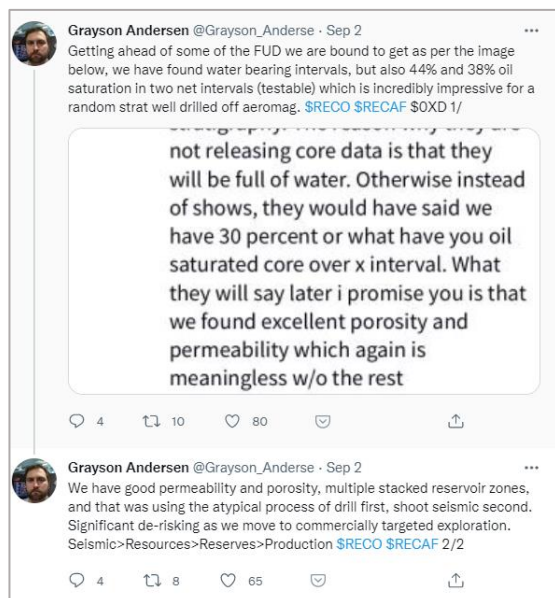
Also of interest in this zone is the porosity, while sufficient to get a good accurate reading of water saturation, is disappointing for this depth and suggests significant uplift in the area. Even Haywood, RECO's perpetual cheerleader, acknowledges that this zone is a disappointment in their note regarding the Netherland Sewell presentation.



Deeper zones

The deeper zones from 1350 below, which RECO are focused on promoting as validation of the geologic model, are even more disappointing. It appears to be a thin, slightly porous zone within an extremely tight section. Viceroy's expert consultants view it as a real stretch to consider this zone as reservoir rock considering the lack of top seal and porous carbonate underneath.

RECO and Haywood interpret the 56% and 61% water saturation values as indicative of 44% and 38% oil saturation. **This is a major misrepresentation of the drill results.**



Key Highlights

- Five potential reservoir zones identified. As previously disclosed, integrated reservoir analysis confirmed the identification of presence of 198 m (650 ft) of reservoir rock over five separate intervals, including 3 clastics and 2 carbonate zones. No tight shales were uncovered and core data from the clastic zones showed good porosity up to 23% with an average of ~20%, while the carbonate zones contained cores with average porosity of ~8.5%. A typical porosity cutoff point is around 5% in a conventional oil reservoir. Therefore, formations showing greater porosity are considered reservoir quality. While the shallower zones (clastics 700, 800, and 1000) showed elevated levels of water (water-saturation of ~99%) **the deeper carbonate zones (Carb 1350, 1900) showed oil cuts of 39-44%** and look interesting from a production testing viewpoint. Considering the stage of exploration RECO is at, which is early on, we are not concerned about the high water levels in the shallower zones and expect oil-to-water ratios to increase on future well locations that will be targeted based on seismic.

Figure 2 @Grayson_Anderse tweet and Haywood Securities report dated September 2, 2021

The green dots in the figure below are hydrocarbon saturations reading at near zero (the CORE So scale is the reverse of the CORE Sw scale).

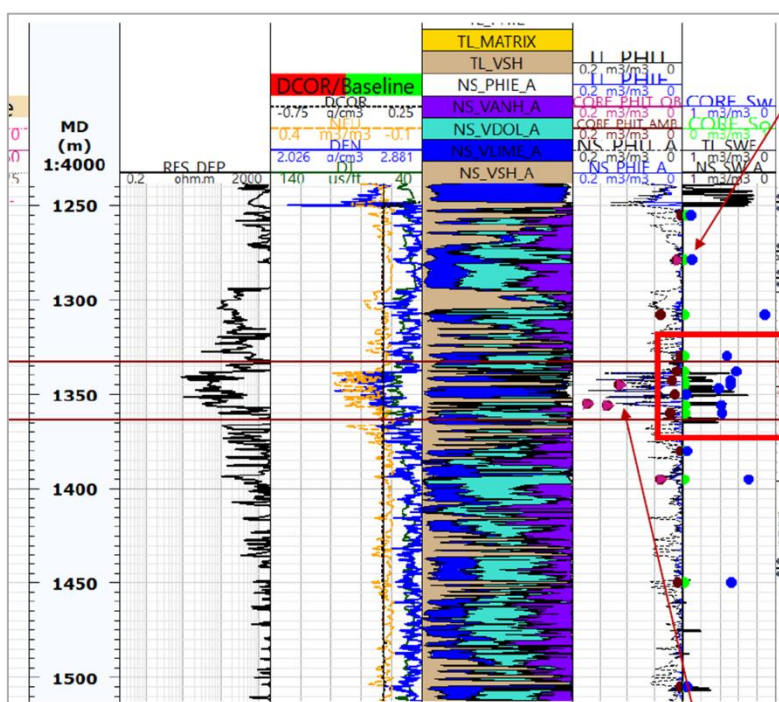


Figure 3 Figure XX Zone Of Interest Carb 1350 (red rectangle added)



Further, the zones of lower resistivity have been interpreted as hydrocarbon bearing, a break from conventional wisdom. Hydrocarbon bearing zones or zones of very high porosity have a higher resistivity than surrounding formation waters containing dissolved salts. No explanation was given for this apparent contradiction.

The presentation lacks any data on formation water resistivity which can be obtained from formation water salinity through the Archie and Simandoux equations. Proper analysis would require a water sample which Netherland Sewell do not allude to, only stating that water saturation estimates based on log data. An error in their water resistivity values could easily move the water saturation values, especially in the low porosity 1350 level.

It is worth pointing out that even Netherland Sewell, who have put the best possible gloss on this miserable set of results, felt compelled to note that “these intervals do not necessarily meet net pay criteria and could contain residual hydrocarbons only.”.

Cutoffs	Zones	Top	Bottom	Gross	Net Res	VSH	PHIE	SWE	Fracture Porosity
		m	m	m	m	dec	dec	dec	
40% > Vsh, 10% < Phie (Badhole removed)	Clastic_700	692.4	773.0	80.6	54.0	0.21	0.20	0.984	
40% > Vsh, 10% < Phie (Badhole removed)	Clastic_800	881.3	913.4	32.1	14.9	0.21	0.19	0.997	
40% > Vsh, 10% < Phie (Badhole removed)	Clastic_1000	953.3	1,071.2	117.9	94.6	0.16	0.19	0.980	
20% > Vsh, 5% < Phie	Carb_1350	1,338.0	1,356.8	18.8	5.3	0.08	0.09	0.557 ¹	
20% > Vsh, 5% < Phie	Carb_1900	1,880.9	1,978.9	98.1	29.2	0.06	0.08	0.614 ¹	Present
The Carb_1100 estimates below are based on cased hole density log of questionable quality.									
20% > Vsh, 5% < Phie	Carb_1100	1,077.4	1,249.9	172.6	46.4	0.11	0.12	0.548 ¹	

¹⁾ These intervals do not necessarily meet net pay criteria and could contain residual hydrocarbons only.

The SWE estimates may change as additional electrical property core measurements are acquired.

Figure 4 Strat 6-2 Potential Net Reservoir Intervals

Another phrase for residual hydrocarbons is oil that can't be produced.

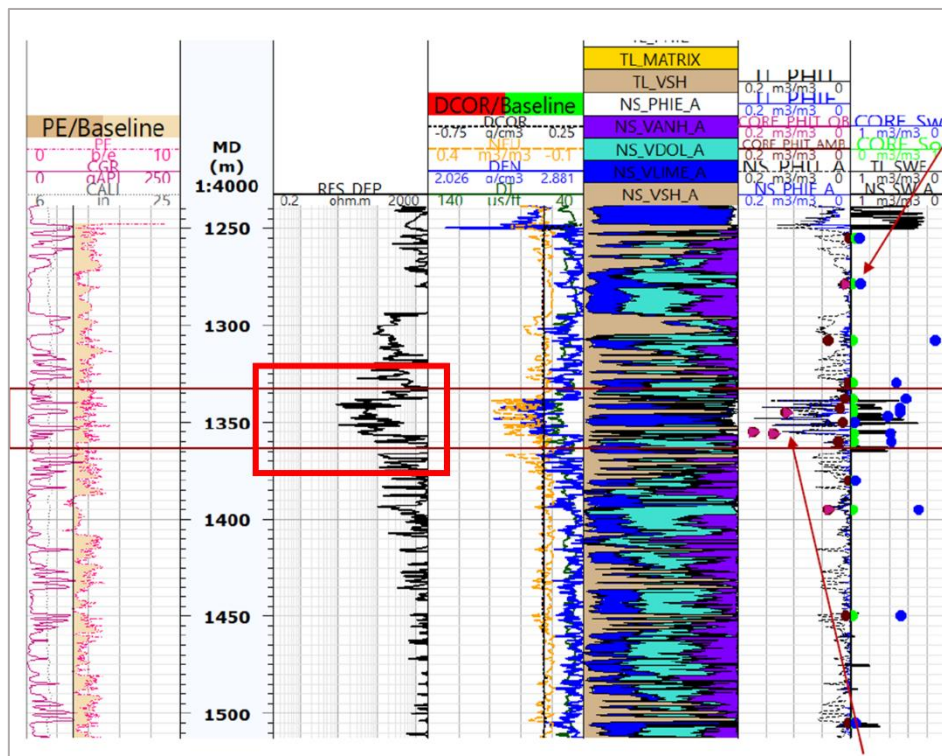


Figure 5 Zone Of Interest Carb 1350 (red rectangle added)

Even if the zone were to be hydrocarbon-bearing, it would require fracking to exploit. Fracking is illegal in Namibia and Namibia's petroleum commissioner Maggy Shino confirmed to Viceroy that no company would obtain permission to frack on Namibian soil. Despite this, RECO has refused to categorically rule out fracking as an option.



Hype men

It wouldn't be a RECO press release without the chorus of hype-men calling it the greatest oil find of the decade based on spurious information.

RECO's IR manager Grayson Andersen took to twitter to announce 44% and 38% oil saturations which are evidently misleading before acknowledging that the 6-2 well was "a random strat well drilled off aeromag". We want to thank Andersen for his honesty in confirming Viceroy's assertions as such in our first report.

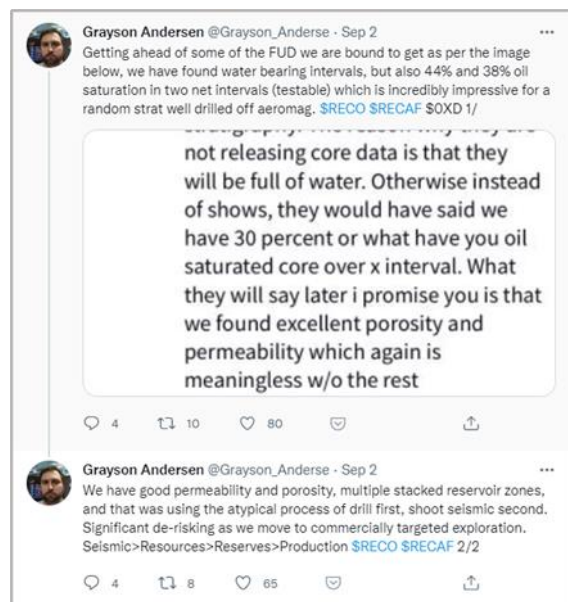


Figure 6 @Grayson_Anderse tweet dated September 2, 2021¹

Andersen went on to tweet that these results "confirms multiple reservoirs" and suggested potential pay despite Netherland Sewell disclaimers to the contrary as shown in figure 4 above. Andersen's assertion of multiple reservoirs is also misleading although we have come to expect this.

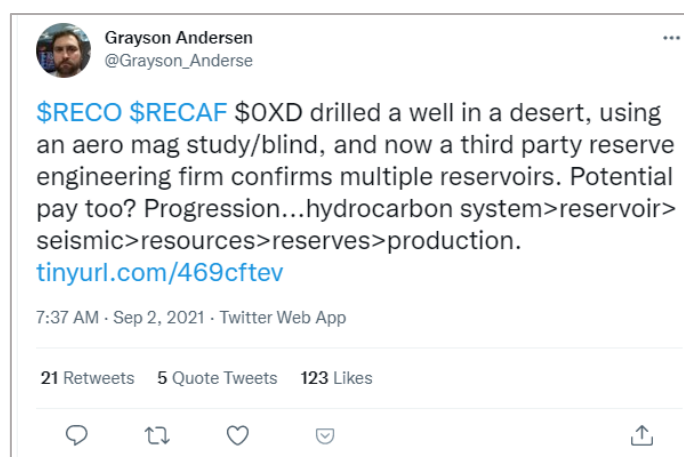


Figure 7 @Grayson_Anderse tweet dated September 2, 2021²

Haywood securities, whose promotional reports have been removed from RECO's website, also put out a note claiming 39-44% carbonate saturation at the 1350 level despite the log clearly contradicting them. Apropos of nothing they also bumped RECO's chance of commerciality to 36%.

¹ https://twitter.com/Grayson_Anderse/status/1433346843912687616

² https://twitter.com/Grayson_Anderse/status/1433303070511935491



Key Highlights

- Five potential reservoir zones identified. As previously disclosed, integrated reservoir analysis confirmed the identification of presence of 198 m (650 ft) of reservoir rock over five separate intervals, including 3 clastics and 2 carbonate zones. No tight shales were uncovered and core data from the clastic zones showed good porosity up to 23% with an average of ~20%, while the carbonate zones contained cores with average porosity of ~8.5%. A typical porosity cutoff point is around 5% in a conventional oil reservoir. Therefore, formations showing greater porosity are considered reservoir quality. While the shallower zones (clastics 700, 800, and 1000) showed elevated levels of water (water-saturation of ~99%) the deeper carbonate zones (Carb 1350, 1900) showed oil cuts of 39-44% and look interesting from a production testing viewpoint. Considering the stage of exploration RECO is at, which is early on, we are not concerned about the high water levels in the shallower zones and expect oil-to-water ratios to increase on future well locations that will be targeted based on seismic.

Figure 2: RECO Net Asset Value

Prospective Recoverable Resource (P50)								
	Field Interest	Oil mmbbl ¹	Unrisked US\$/boe	Unrisked US\$MM ²	Risk Factor CoC % ³	Risk US\$MM	Risk C\$/share ⁴	
Exploration Assets								
Kavango Basin								
Namibia - aggregate working interest	90%	831						
Botswana - aggregate working interest	100%	425						
Total net mmbbl		1,256	\$6.29	\$7,901	36%	\$2,824	\$16.00	

Figure 8 Additional Reservoir Data Disclosed; First Exploration Spud Expected in December - Haywood Securities

We also like to point out Haywood's "Chance of Commerciality Sensitivity" table which appears to exist solely to justify their laughable CAD16/share target price.

Figure 3: Chance of Commerciality Sensitivity

		Chance of Commerciality																			
		5%	10%	15%	20%	25%	30%	35%	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%	95%	100%
Recoverable Resources (mmbbls)	10	\$0.02	\$0.04	\$0.06	\$0.08	\$0.11	\$0.13	\$0.15	\$0.17	\$0.19	\$0.21	\$0.23	\$0.25	\$0.28	\$0.30	\$0.32	\$0.34	\$0.36	\$0.38	\$0.40	\$0.42
	50	\$0.10	\$0.19	\$0.29	\$0.38	\$0.48	\$0.58	\$0.67	\$0.77	\$0.86	\$0.96	\$1.06	\$1.15	\$1.25	\$1.35	\$1.44	\$1.54	\$1.63	\$1.73	\$1.83	\$1.92
	100	\$0.24	\$0.49	\$0.73	\$0.98	\$1.22	\$1.46	\$1.71	\$1.95	\$2.20	\$2.44	\$2.69	\$2.93	\$3.17	\$3.42	\$3.66	\$3.91	\$4.15	\$4.39	\$4.64	\$4.88
	250	\$0.42	\$0.84	\$1.26	\$1.67	\$2.09	\$2.51	\$2.93	\$3.35	\$3.77	\$4.19	\$4.61	\$5.02	\$5.44	\$5.86	\$6.28	\$6.70	\$7.12	\$7.54	\$7.95	\$8.37
	500	\$1.20	\$2.39	\$3.59	\$4.78	\$5.98	\$7.18	\$8.37	\$9.57	\$10.76	\$11.96	\$13.16	\$14.35	\$15.55	\$16.74	\$17.94	\$19.14	\$20.33	\$21.53	\$22.72	\$23.92
	700	\$1.70	\$3.40	\$5.09	\$6.79	\$8.49	\$10.19	\$11.89	\$13.58	\$15.28	\$16.98	\$18.68	\$20.38	\$22.08	\$23.77	\$25.47	\$27.17	\$28.87	\$30.57	\$32.26	\$33.96
	925	\$1.92	\$3.84	\$5.76	\$7.69	\$9.61	\$11.53	\$13.45	\$15.37	\$17.29	\$19.21	\$21.14	\$23.06	\$24.98	\$26.90	\$28.82	\$30.74	\$32.66	\$34.59	\$36.51	\$38.43
	1,200	\$2.39	\$4.78	\$7.17	\$9.56	\$11.96	\$14.35	\$16.74	\$19.13	\$21.52	\$23.91	\$26.30	\$28.69	\$31.09	\$33.48	\$35.87	\$38.26	\$40.65	\$43.04	\$45.43	\$47.82

Note: \$/sh figures based on fully diluted share count of ~206 MM

Figure 9 Haywood Securities Chance of Commerciality Sensitivity

Conclusion

Note that log interpretation was released almost 5 months after the completion of drilling on the 6-2 well even though this log interpretation data would have been available days after they logged the well. Netherland Sewell note that "Core Labs data is forthcoming" and we expect their results to have the same overly positive spin.

RECO are committed to drip-feeding overly positive press releases in the hope of boosting their share price. This release, including its rosy interpretation and (we believe intentionally) unreadable logs is no different. We have challenged the company several times to provide clear empirical data on their wells which they have manifestly failed to do.

Our belief is that RECO is angling for a joint venture announcement with a major to a miniscule stake to justify raising more capital. We doubt their chances of success in this as any serious oil and gas venture would see through these results instantly.



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

Viceroy Research are an investigative financial research group. As global markets become increasingly opaque and complex – and traditional gatekeepers and safeguards often compromised – investors and shareholders are at greater risk than ever of being misled or uninformed by public companies and their promoters and sponsors. Our mission is to sift fact from fiction and encourage greater management accountability through transparency in reporting and disclosure by public companies and overall improve the quality of global capital markets.

Important Disclaimer – Please read before continuing

This report has been prepared for educational purposes only and expresses our opinions. This report and any statements made in connection with it are the authors' opinions, which have been based upon publicly available facts, field research, information, and analysis through our due diligence process, and are not statements of fact. All expressions of opinion are subject to change without notice, and we do not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them. We believe that the publication of our opinions about public companies that we research is in the public interest. We are entitled to our opinions and to the right to express such opinions in a public forum. You can access any information or evidence cited in this report or that we relied on to write this report from information in the public domain.

To the best of our ability and belief, all information contained herein is accurate and reliable, and has been obtained from public sources we believe to be accurate and reliable, and who are not insiders or connected persons of the stock covered herein or who may otherwise owe any fiduciary duty or duty of confidentiality to the issuer. We have a good-faith belief in everything we write; however, all such information is presented "as is," without warranty of any kind – whether express or implied.

In no event will we be liable for any direct or indirect trading losses caused by any information available on this report. Think critically about our opinions and do your own research and analysis before making any investment decisions. We are not registered as an investment advisor in any jurisdiction. By downloading, reading or otherwise using this report, you agree to do your own research and due diligence before making any investment decision with respect to securities discussed herein, and by doing so, you represent to us that you have sufficient investment sophistication to critically assess the information, analysis and opinions in this report. You should seek the advice of a security professional regarding your stock transactions.

This document or any information herein should not be interpreted as an offer, a solicitation of an offer, invitation, marketing of services or products, advertisement, inducement, or representation of any kind, nor as investment advice or a recommendation to buy or sell any investment products or to make any type of investment, or as an opinion on the merits or otherwise of any particular investment or investment strategy.

Any examples or interpretations of investments and investment strategies or trade ideas are intended for illustrative and educational purposes only and are not indicative of the historical or future performance or the chances of success of any particular investment and/or strategy. As of the publication date of this report, you should assume that the authors have a direct or indirect interest/position in all stocks (and/or options, swaps, and other derivative securities related to the stock) and bonds covered herein, and therefore stand to realize monetary gains in the event that the price of either declines.

The authors may continue transacting directly and/or indirectly in the securities of issuers covered on this report for an indefinite period and may be long, short, or neutral at any time hereafter regardless of their initial recommendation.