



INVESTMENT RESEARCH ◇ VALUATIONS ◇ HUMAN CAPITAL ◇ CONSULTING

DEWOLF RESEARCH CORPORATION INC.

5163 5E AVENUE
MONTREAL,
PROVINCE OF QUEBEC,
H1Y 2S6
CANADA

www.dewolfresearch.com

MAY 21, 2021

RECON AFRICA RECO (TSX -V \$C 8.30)

**HISTORY SHOWS THAT THE FIRST FEW WELLS IN A NEW EXPLORATION PLAY
ESTABLISH THE MULTI-BILLION-BARREL FIELDS VERY QUICKLY**

**NORTH SLOPE - 3 WELLS = 9 BILLION BARRELS D & M RESERVE REPORT
SIMILAR EXAMPLES IN DOZENS OF OTHER GIANTS**

**RECO CAN DE-RISK ITS 6-2 DISCOVERY WITH 3 MORE WELLS THIS YEAR,
WILL BE DRILLING 6 MORE TESTS IN ALL WITHIN LESS THAN A YEAR**

**EVERY 1 BILLION BARRELS RECOVERABLE AT A PV 10% OF \$C 10 PER
BARREL, WHICH IS VERY CONSERVATIVE, ADDS \$C 10 BILLION TO RECO'S
ENTERPRISE VALUE OR 9 X THE CURRENT MARKET CAPITALIZATION OR BY
\$C 72 PER SHARE**

EXTRAORDINARY TICKING OFF OF ALL THE BOXES

ON AUGUST 19, 2020 WE WROTE OUR COMMENT *RECO WILL IT BE A BARN BURNER?*
LAYING OUT THE TIMELINE TO YEAR END 2020 AND TO MID 2021 AND OPINING THAT THE
HIGHLY AMBITIOUS MILESTONES WOULD CREATE BARNBURNER RESULTS FOR
SHAREHOLDERS:

1. CLOSING A TWICE UPSIZED UNIT 70 CENT PER UNIT **EQUITY FINANCING FROM \$6
MILLION TO \$23 MILLION**

2. **DETACHING AND LISTING 5-YEAR LONG YEAR FULL WARRANTS** WITH A \$3.00 FORCED EXERCISE PRICE AT \$3.00 THAT COULD ADD \$33 MILLION IN NEW EQUITY
3. **SUCCESSFUL TRANSPORT** OF STATE-OF-THE-ART CROWN 750 1000 HP RIG TO NAMIBIA
4. COMMENCE DRILLING OF 2 OF THE 3 WELLS
5. ON JANUARY 11, 2021, **THE FIRST WELL NUMBERED 6-2 WAS SPURRED**
6. ON MARCH 25, 2021, WARRANTS EXERCISED **CREATED AN ADDITIONAL \$33 MILLION IN NEW EQUITY**
7. ON APRIL 15, 2021, THE MINISTRY OF MINES OF NAMIBIA AND RECO ANNOUNCED THAT WELL 6-2 **“PROVIDES CLEAR EVIDENCE OF A WORKING CONVENTIONAL PETROLEUM SYSTEM IN THE KAVANGO BASIN”**
8. ON MAY 5, 2021, **THE SECOND WELL NUMBER 6-1 SPURRED**
9. ON MAY 6, 2021 RECO ANNOUNCES A BOT DEAL FOR \$36 MILLION EQUITY VIA UNIT PRICED AT \$9.50 WITH A 1/2 WARRANT – ONE FULL WT. IS EXERCISABLE AT \$14.00, FORCED IF STOCK TRADES AT @ \$20 FOR 15 DAYS, **FOR FUNDING THE 4TH 5TH AND 6TH WELLS THROUGH TO JUNE 2022.**

And the company achieved all this safely during the worst Global pandemic in 100 years

GIVEN THERE IS A HYDROCARBON STRUCTURE AT THE FIRST WELL 6-2, WHAT IS NEXT? MORE DATA FROM EACH WELL DE-RISKS THE PLAY INCREMENTALLY

WE EXPECT 6-1 TO BE COMPLETED IN LATE JUNE 2021, THEN THE RIG WILL TO A THIRD LOCATION. BY THAT TIME, 150 CORES CURRENTLY BEING ASSESSED BY CORE LABS AND GEOMARK AND NETHERLAND SEWELL ASSESSING THE LOGS, CREATES A DATA BASE THAT GREATLY REDUCES RISK FOR CHOOSING THE LOCATIONS OF THE NEXT WELLS. NEW SEISMIC DATA WILL ALSO GREATLY DE-RISK THE PLAY.

THE SAME INCREMENTAL GROWTH IN DATA WILL OCCUR OVER AND OVER IN ORDER TO ESTABLISH THE LOCATIONS OF THE 3RD 4TH 5TH AND 6TH WELLS, THE COSTS OF DRILLING ARE BEING FINANCED BY \$33 MILLION OF THE FINANCING THAT CLOSES ON MAY 26, 2021.

EXPERIENCE FROM THIS ANALYST AS QUIET PERIOD BEFORE NEW EXPLORATION NEWS IS AWAITED

BACK IN HIS SALAD DAYS, THIS ANALYST ATTENDED AND PASSED THE OIL LOAN COURSE™ THAT DEGOLYER & MCNAUGHTON PROVIDED TO A DOZEN SECURITIES ANALYSTS, INVESTMENT BANKERS, SO THAT THOSE OF US WHO WERE NOT GEOLOGISTS WOULD HAVE A BETTER UNDERSTANDING OF THE BUZZ WORDS IN A RESERVOIR ENGINEERING REPORT. IT WAS MAY 1973, A FEW MONTHS BEFORE THE YOM KIPPUR WAR AND IN THE MIDDLE OF THE UK AND NORWEGIAN NORTH SEA OIL BOOM AND IN

CANADA, THE MACKENZIE DELTA, THE ARCTIC ISLANDS AND NOT LONG BEFORE THE BEAUFORT SEA IN 1976 AND HIBERNIA IN 1978.

SEVERAL TAKEAWAYS ARE USEFUL FOR RECO INVESTORS AS INVESTORS WAIT FOR WHAT THE RESULTS OF 6 WELLS WILL BRING. SOME OF THESE TAKEAWAYS MAY ASTONISH YOU.

THE MYTH THAT DISCOVERING OIL ON THE FIRST WELL IN A NEW PLAY IS ALMOST UNHEARD OF

IN FACT, DURING THE MODERN ERA OF THE GREAT OIL DISCOVERIES, A GEOLOGICAL SUCCESS ON THE FIRST WELL OR A GEOLOGICAL FAILURE, WAS RARELY REVERSED. FIRST WELLS WITH SUCCESSES LIKE 6-2 MEAN PROGRESSIVELY LESS RISK FOR NEXT 4 WELLS BECAUSE OF AN EXPONENTIAL INCREASE IN NEW DATA.

DEGOLYER AND MACNAUGHTON WAS FAMOUS FOR ITS 3 WELL ANALYSIS OF NORTH SLOPE/PRUDHOE BAY WITH ITS 2-PAGE REPORT CERTIFYING THAT 9 BILLION BARRELS WERE RECOVERABLE. AFTER SEVERAL MORE WELLS WERE DRILLED AND THE DATA WAS PROCESSED, THE UPDATED D & M REPORT UPDATE SAID 9 BILLION BARRELS RECOVERABLE. SINCE 1976 THE NORTH SLOPE HAS PRODUCED 13 BILLION BARRELS OF OIL.

IT WAS A SIMILAR PICTURE IN THE CASE DURING THE 1970S WITH FIRST WELLS' DATA FOR EKOFISK, FORTIES, PIPER, NINIAN AND THISTLE FIELDS IN THE NORTH SEA – 2 OR 3 WELLS FOR EACH STRUCTURE, GAVE ENOUGH PROOF TO THE RESERVOIR ENGINEERS TO CERTIFY PROVEN RECOVERABLE RESERVES. DOME PETROLEUM'S FIRST TWO OFFSHORE BEAUFORT SEA WELLS EACH TESTED OVER 10,000 PER DAY IN 1976.

AND THIS WAS FROM TECHNOLOGY FROM OVER 45 YEARS AGO.

AND IN THE CASE OF A FIRST WELL THAT IS DRY OR UNCOMMERCIAL IN THE EXPECTED NEW BASIN, HISTORY SHOWS THE 2ND 3RD AND 4TH WELLS ARE WORSE. THE SOUTH CHINA SEA IN 1984 WAS SUPPOSED TO BE BP/PETROCAN /RANGER'S NEXT MIDDLE EAST, THERE WAS OIL, BUT SADLY NO SEAL, THE OIL HAD MIGRATED.

CONCLUSION

THE DISCOVERY OF A SERIES OF POTENTIALLY GIANT OIL DISCOVERIES FOR RECO IN NAMIBIA AND BOTSWANA IS COMMENCING.

THE UPSIDE IS SO ENORMOUS AND THE RESULTS TO DATE ARE SO EXTRAORDINARY THAT THE RISK TO AN ACTIVE OIL AND GAS PORTFOLIO MANAGER IS HOW MUCH OF AN OVERWEIGHTING IS APPROPRIATE.

G. DEWOLF SHAW CFA

MAY 21, 2021

ABOUT DEWOLF RESEARCH

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THIS ANALYST'S UNIVERSITY AND PROFESSIONAL EDUCATION AND PROFESSIONAL VOLUNTARY SERVICE:

B. A. (HONS. ECONOMICS) FIRST CLASS, MCGILL UNIVERSITY, MONTREAL, CANADA
M. B. A. (FINANCE) IVEY SCHOOL OF BUSINESS, WESTERN UNIVERSITY, LONDON, CANADA.
CHARTERED FINANCIAL ANALYST (CFA) – CHARTER NO. 4944 (1977). CFA INSTITUTE, CHARLOTTESVILLE, VIRGINIA
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