

Reconnaissance Energy Africa Ltd. (formerly Lund Enterprises Corp.)

Financial Statements

June 30, 2019

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Reconnaissance Energy Africa Ltd. (formerly Lund Enterprises Corp.)

Opinion

We have audited the accompanying financial statements of Reconnaissance Energy Africa Ltd. (formerly Lund Enterprises Corp.) (the "Company"), which comprise the statements of financial position as at June 30, 2019 and 2018, and the statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Harris.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

October 28, 2019

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars, unless otherwise stated)

	June 30, 2019	June 30, 2018
ASSETS		
Current Assets		
Cash	\$ 553,713	\$ 203,642
Receivables	7,037	1,507
Prepaid expenses	<u>98</u>	<u>2,704</u>
Total current assets	<u>560,848</u>	<u>207,853</u>
Total Assets	<u>\$ 560,848</u>	<u>\$ 207,853</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 4 and 6)	\$ <u>328,341</u>	\$ <u>116,446</u>
Shareholders' Equity		
Share capital (Note 5)	17,572,941	17,522,941
Share subscriptions (Note 5)	553,335	-
Reserves	1,378,246	1,378,246
Deficit	<u>(19,272,015)</u>	<u>(18,809,780)</u>
Total Shareholders' Equity	<u>232,507</u>	<u>91,407</u>
Total Liabilities and Shareholders' Equity	<u>\$ 560,848</u>	<u>\$ 207,853</u>

Nature and continuance of operations (Note 1)
Subsequent events (Note 10)

These financial statements are authorized for issue by the Board of Directors on October 28, 2019.

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

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended June 30, 2019 and 2018
(Expressed in Canadian Dollars, unless otherwise stated)

	June 30, 2019	June 30, 2018
EXPENSES		
Audit and accounting	\$ 29,215	\$ 23,834
Consulting	67,660	-
Exploration expenses (Note 3)	10,000	10,000
Filing and transfer agent fees	28,023	15,220
Legal	31,993	3,121
Office and general	26,619	24,617
Rent	21,680	10,960
Salaries and benefits (Note 6)	233,960	76,928
Travel and public relations	13,085	6,662
	<u>(462,235)</u>	<u>(171,342)</u>
Loss and comprehensive loss for the year	<u>\$ (462,235)</u>	<u>\$ (171,342)</u>
Basic and diluted loss per common share (Note 1)	<u>\$ (0.08)</u>	<u>\$ (0.04)</u>
Weighted average number of common shares outstanding (Note 1)	<u>5,550,704</u>	<u>4,759,163</u>

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

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

	<u>Share capital</u>						
	<u>Number of shares (Note 1)</u>	<u>Amount</u>	<u>Share subscriptions</u>	<u>Share-based payments reserve</u>	<u>Deficit</u>	<u>Total share- holders' equity</u>	
Balance at June 30, 2017	4,667,638	\$ 17,355,941	\$ -	\$ 1,378,246	\$ (18,638,438)	\$ 95,749	
Private placement	695,833	167,000	-	-	-	167,000	
Loss for the year	-	-	-	-	(171,342)	(171,342)	
Balance at June 30, 2018	5,363,471	17,522,941	-	1,378,246	(18,809,780)	91,407	
Private placement	208,333	50,000	-	-	-	50,000	
Deposit on shares	-	-	553,335	-	-	553,335	
Loss for the year	-	-	-	-	(462,235)	(462,235)	
Balance at June 30, 2019	5,571,804	\$ 17,572,941	\$ 553,335	\$ 1,378,246	\$ (19,272,015)	\$ 232,507	

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

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)**STATEMENTS OF CASH FLOWS**

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	\$ (462,235)	\$ (171,342)
Changes in non-cash working capital items:		
Receivables	(5,530)	(1,032)
Prepaid expenses	2,606	298
Accounts payable and accrued liabilities	211,895	50,031
Net cash used in operating activities	<u>(253,264)</u>	<u>(122,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received from private placement	50,000	167,000
Funds received in advance of share issuance	553,335	-
	<u>603,335</u>	<u>167,000</u>
Change in cash	350,071	44,955
Cash, beginning of year	<u>203,642</u>	<u>158,687</u>
Cash, end of year	<u>\$ 553,713</u>	<u>\$ 203,642</u>

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

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

1. NATURE AND CONTINUANCE OF OPERATIONS

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 in the business of exploring mineral properties. The address of the Company’s corporate office and principal place of business is Suite 300, Guinness Tower, 1055 West Hastings Street, Vancouver, British Columbia, Canada, V6E 2E9.

As set out in Note 10 *Subsequent events* on August 30, 2019 the Company completed a reverse takeover transaction (the “RTO”) with 1163631 BC Ltd. (“116”) which included a change of name from Lund Enterprises Corp. to Reconnaissance Energy Africa Ltd.; the termination of the Company’s tenure of a hard-rock mining exploration project in Ontario; the acquisition of an interest in an oil & gas exploration project in the Republic of Namibia; the consolidation of the Company’s previously issued shares on a one new for two old basis; the issue of 38,712,415 post-consolidation shares to the shareholders of 116; and the issue of 17,053,280 units of post-consolidation share capital for gross cash proceeds of \$3,410,656. These transactions comprise a fundamental change in the Company’s corporate structure and capitalization, and a transition into the oil & gas exploration business. All references to share and per share amounts in these financial statements have been retroactively adjusted to reflect the share consolidation on August 30, 2019.

The business of exploring exploration and evaluation assets involves a high degree of risk and there can be no assurance that planned exploration programs will result in profitable operations. The recoverability of amounts expended on exploration and evaluation assets is dependent upon several factors. These include the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of these properties, and future profitable production or proceeds from the disposition of exploration and evaluation assets. Because of the net financing proceeds set out in Note 10, management believes it has sufficient cash resources to fund its 2019 fiscal year.

These financial statements have been prepared on a going concern basis which assumes the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The financial statements have been prepared in accordance with International Accounting Standard 1, *Presentation of Financial Statements* (“IAS 1”) using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

The policies applied in these financial statements are based on IFRS issued and outstanding as of the date the statements were issued.

B. Basis of measurement

These financial statements have been prepared on a historical cost basis except for financial instruments measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information. The comparative figures presented in the financial statements are in accordance with IFRS.

C. Functional currency

Items included in the financial statements of each of the entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional and presentation currency of the Company in 2018 and 2019 was the Canadian dollar.

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial assets and liabilities

The Company adopted all of the requirements of IFRS 9 – *Financial Instruments* (“IFRS 9”) as of July 1, 2018. IFRS 9 replaces IAS 39 – *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking “expected loss” impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company’s accounting policy with respect to financial liabilities is unchanged. As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date.

The following is the Company’s new accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss (“FVTPL”), at fair value through other comprehensive income (loss) (“FVTOCI”) or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company’s business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

(ii) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and are subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in profit or loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss in the period in which they arise.

Debt investments at FVTOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income (“OCI”). On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

Equity investments at FVTOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If, at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve-month expected credit

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Financial assets and liabilities (continued)

losses. The Company shall recognize in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and/or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

E. Exploration and evaluation assets

Exploration and evaluation expenditures in relation to each separate area of interest are recognized as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:
- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and are capitalized by property. If economically recoverable ore reserves are developed, capitalized costs of the related property are reclassified as mine development and amortized using the unit of production method. When a property is abandoned, all related costs are written off to operations.

The amounts shown for exploration and evaluation assets, if any, do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

F. Restoration and rehabilitation provision

A provision for restoration and rehabilitation is recognized when there is a present legal or constructive obligation; as a result of exploration, development, or production activities undertaken; it is probable that an outflow of economic benefits will be required to settle the obligation; and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites and restoring the affected areas. The restoration and rehabilitation provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements. Future restoration costs are reviewed at least annually and any changes in the estimate are reflected in the present value of the restoration and rehabilitation provision at each reporting date. To date the Company does not have any significant restoration obligations.

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Impairment of non-financial assets

At each financial position reporting date, the carrying amounts of the Company's non-financial assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period. For the purposes of impairment testing, each resource property is considered a cash-generating unit and assets are allocated to each cash-generating unit to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

H. Share-based payment transactions

Share-based payments to employees are measured at the fair value of the instruments issued and each tranche is recognized on a straight-line basis over the vesting period. An individual is classified as an employee when the individual is an employee for legal or tax purposes ("direct employee") or provides services similar to those performed by a direct employee. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured and are recorded at the date the goods or services are received. Fair value of the equity instruments issued is determined using the Black-Scholes option pricing model. The offset to the recorded cost is to share-based payments reserve. Consideration received on the exercise of stock options is recorded as share capital and the related share-based payments reserve is transferred to share capital. The Company estimates the number of equity instruments that are expected to vest and then, at each reporting date, makes adjustments to the actual number that vest unless forfeitures are due to market-based conditions.

I. Income taxes

Income tax expenses comprises current and deferred tax. Current and deferred tax are recognized in net income or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax is provided for based on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred taxes are not recognized for temporary differences related to the initial recognition of assets or liabilities that affect neither accounting nor taxable profit nor investments in subsidiaries, associates and interests in joint ventures to the extent it is probable that they will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner and expected date of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. A deferred tax asset is recognized only to the extent that it is probable that future taxable amounts will be available against which the asset can be utilized.

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Loss per common share

The Company computes the dilutive effect of options, warrants and similar instruments whereby the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. The Company assumes that the proceeds would be used to purchase common shares at the average market price during the period. For the periods presented, this calculation proved to be anti-dilutive.

Basic and diluted loss per share is calculated using the weighted average number of common shares outstanding during the year.

K. Segment reporting

The Company operates in a single reportable operating segment – the acquisition, and exploration and evaluation of exploration and evaluation assets.

L. Flow-through shares

The Company can issue flow-through shares to finance exploration programs undertaken in Canada. Proceeds from the issuance of flow-through shares are used to fund qualified exploration and evaluation expenditures and the related income tax deductions are renounced to the investors of the flow-through shares. The premium, if any, paid for flow-through shares in excess of the market value of the shares without flow-through features, at the time of issue, is credited to other liabilities and recognized in income at the time qualifying expenditures are incurred. The Company recognizes a deferred tax liability with a corresponding charge in the statement of comprehensive loss when the qualifying exploration and evaluation expenditures are incurred. To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

M. Use of judgments and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and further periods if the review affects both current and future periods.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Determination of share-based payments:

The assumptions used in determining the fair value of share options granted include judgments in respect of length of service together with share price volatility, dividend, interest yields and exercise patterns. Also, the Company estimates the fair value using the Black-Scholes option pricing model but recognizes that other valuation models could provide differing results. Management believes that the current model provides a fair valuation measure.

Assessment of impairment:

The Company reviews each asset (or cash generating unit) at each reporting date to determine whether there are any indicators of impairment. If any such indication exists, a formal estimate of recoverable amount is performed and an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of an asset (or cash generating unit) is measured at the higher of fair value less costs to sell and value in use.

RECONNAISSANCE ENERGY AFRICA LTD. (FORMERLY LUND ENTERPRISES CORP.)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended June 30, 2019 and 2018

(Expressed in Canadian Dollars, unless otherwise stated)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Use of judgments and estimates (continued)

Income taxes:

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome for these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there is sufficient taxable temporary difference relating to the same taxation authority and the same taxable entity which are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

N. New Standards Not Yet Adopted

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards.

IFRS 16 Leases IFRS 16 is a new standard which sets out the principles for the recognition, measurement, presentation and disclosure of leases for both the lessee and the lessor. It introduces a single lessee accounting model that requires the recognition of all assets and liabilities arising from a lease. This standard will have an effective date of July 1, 2019. The Company is a lessee in respect of its office lease and this new standard will apply. However, the Company's leasing activity is incidental to its operations and the associated costs, and differences in their treatment arising under the new standard, are immaterial. Accordingly, the Company has determined that the adoption of this new standard will have an immaterial effect on its financial statements.

3. EXPLORATION AND EVALUATION ASSETS

Black Fox Project, Ontario

Since fiscal 2009, the Company has held an option to acquire a 100% interest in nine claim blocks located in the Thunder Bay Mining Division of northern Ontario. To date, by way of option payments, the Company has issued a total of 10,000 common shares, as adjusted to reflect the share consolidations in December 2013 and August 2019, and made a series of cash payments totalling \$85,000. A final 5,000 common shares will become issuable to the optionors upon the completion of a positive feasibility study. The optionors retain a 2.5% net smelter royalty interest, of which 40% can be purchased by the Company at any time for \$1,000,000. At June 30, 2012, the Company wrote off \$1,153,270 in relation to the Black Fox Project, being the entire investment to that date in the project. Effective July 1, 2012 further incidental exploration and evaluation costs, if any, are being charged to the statement of loss and comprehensive loss as an operating expense. During the year ended June 30, 2019, the amount of \$10,000 (2018 - \$10,000) of such incidental costs was incurred.

See also Note 10, which sets out that subsequent to the year end the Company's option on this project has been terminated and the property returned to the optionors.

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NOTES TO THE FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018
(Expressed in Canadian Dollars, unless otherwise stated)

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2019	June 30, 2018
Accounts payable	\$ 65,180	\$ 15,252
Accrued liabilities	263,161	101,194
Total accounts payable and accrued liabilities	\$ 328,341	\$ 116,446

5. SHARE CAPITAL

(a) Authorized:

As at June 30, 2019, the authorized share capital of the Company was an unlimited number of common shares without par value.

(b) Issued:

Common shares: 5,571,804 (June 30, 2018 – 5,363,471).

Common shares issued during the year ended June 30, 2019:

On August 7, 2018, 208,333 common shares were issued at \$0.24 per share for cash proceeds of \$50,000.

Common shares issued during the year ended June 30, 2018:

On May 14, 2018, the Company closed a non-brokered private placement for cash proceeds of \$167,000 from the issuance of 695,833 common shares of the Company at a price of \$0.24 per share.

Warrants:

The following table summarizes information about the issued and outstanding warrants during the year ended June 30, 2019 and June 30, 2018:

	June 30, 2019		June 30, 2018	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Warrants outstanding, beginning of year	-	\$ -	1,500,000	\$ 0.40
Expired in the year	-	-	(1,500,000)	0.40
Warrants outstanding, end of year	-	\$ -	-	\$ -

Stock options:

The Company has an incentive stock option plan (the “Plan”) to grant options to employees, officers, directors and consultants. The maximum number of shares reserved for issuance under the Plan shall not exceed 10% of the issued share capital of the Company. The exercise price of each option may not be less than the market price of the Company’s shares at the date of grant. Options granted under the Plan will have a term not to exceed five years and be subject to vesting provisions as determined by the board of directors of the Company.

The Company has no stock options outstanding for the years presented.

Share subscriptions:

During the year ended June 30, 2019, the Company received \$553,335 in advance of share issuances. See Note 10.

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6. RELATED PARTY TRANSACTIONS

Key management personnel are the persons responsible for planning, directing and controlling the activities of the Company and include both executive and non-executive directors and other senior officers. The Company considers all directors and officers of the Company to be key management personnel.

The Company incurred the following costs with directors and officers:

	Year ended June 30, 2019	Year ended June 30, 2018
Directors' fees (included in salaries and benefits)	\$ 18,000	\$ 18,000
Management salaries and benefits	179,800	30,600
	<u>\$ 197,800</u>	<u>\$ 48,600</u>

Included in accounts payable and accrued liabilities at June 30, 2019 is \$239,658 (June 30, 2018 - \$98,568) due to directors, senior officers and a company related by having key management personnel in common. Note 10 sets out that subsequent to the year-end certain material amounts have been waived by two related parties.

7. FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, receivables, and accounts payable and accrued liabilities.

(a) Financial assets and liabilities by category

At June 30, 2019	FVTPL	Amortized cost	Amortized cost	Total
Financial assets				
Cash	\$ 553,713	\$ -	\$ -	\$ 553,713
Receivables	-	7,037	-	7,037
Total financial assets	553,713	7,037	-	560,750
Financial liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 315,459	\$ 315,459

At June 30, 2018	FVTPL	Loans and receivables	Other financial liabilities	Total
Financial assets				
Cash	\$ 203,642	\$ -	\$ -	\$ 203,642
Receivables	-	1,507	-	1,507
Total financial assets	203,642	1,507	-	205,149
Financial liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ 116,446	\$ 116,446

(b) Fair value of financial instruments

The carrying values of receivables and accounts payable and accrued liabilities approximate their fair values due to their relatively short maturity.

7. FINANCIAL INSTRUMENTS (continued)

(c) Fair value hierarchy

IFRS requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 – Inputs that are not based on observable market data.

The fair value of cash is measured based on level 1 of the fair value hierarchy.

8. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities, including foreign currency risk, liquidity risk, interest rate risk and credit risk. The Company's objective with respect to financial risk management is to minimize potential adverse effects on the Company's financial position and performance. Management is responsible to the Board of Directors for establishing controls and procedures with the objective that financial risks are mitigated to acceptable levels.

(a) *Foreign currency risk*

Foreign currency risk is the risk that the fair values of financial assets and liabilities denominated and for settlement in currencies other than the Canadian dollar (CAD) may fluctuate because of changes in foreign exchange rates. During 2018 and 2019 the Company's activities were located in Canada, the line items in its statement of comprehensive loss were incurred predominantly in Canadian dollars, and any future equity raised is expected to be predominantly in Canadian dollars. Accordingly, the Company was not exposed to foreign exchange risk.

(b) *Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. At June 30, 2019, the Company held cash resources of \$553,713 and had accounts payable and accrued liabilities of \$328,341. The Company has no regular cash flow from its operating activities. To continue to be able to meet its obligations as they become due, the Company will depend on management's ability to raise the funds required through future equity financings. If such funds cannot be raised, the Company would be required to postpone or curtail its operating and investing activities. The Company manages its liquidity risk by forecasting cash flow requirements for its planned exploration and corporate activities and anticipating investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of annual budgets and of significant expenditures and commitments, and in monitoring the climate and opportunity for equity financings.

(c) *Interest rate risk*

The Company's exposure to interest rate risk is not material. The nature of its financial instruments does not lead to any material risk that their fair values or future cash flows will fluctuate because of changes in market interest rates.

(d) *Credit risk*

Credit risk is the risk of financial loss to the Company if a counter-party to a financial instrument fails to meet its contractual obligations. The Company has no material counter-parties to its financial instruments with the exception of the financial institutions which hold its cash deposits. The Company manages this credit risk by investing its cash in interest-bearing accounts at a major Canadian chartered bank. The Company's receivables consist primarily of sales tax receivables due from the federal government of Canada. Because of these circumstances, the Company does not believe it has a material exposure to credit risk.

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8. FINANCIAL RISK MANAGEMENT (continued)*(e) Capital Management*

The capital of the Company consists of the items included in shareholders' equity. The Company manages its capital structure and makes adjustments to it based on the funds required by and available to the Company. The Company's objective for capital management is to plan for the capital required to support the Company's ongoing acquisition and exploration of its exploration and evaluation assets and to provide sufficient funds for its corporate activities.

As an exploration stage company, the Company is currently unable to self-finance its operations. The Company has historically relied on equity financings to finance operations. In order to carry out the Company's planned exploration programs and to pay for administrative costs, the Company will spend its existing working capital and raise additional funds as required. The Company uses a planning and budgeting process to manage its capital requirements. There are no regulatory or contractual restrictions on the Company's ability to manage its capital, and the Company's policies on capital management did not change during the year ended June 30, 2019.

9. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	Year ended June 30, 2019	Year ended June 30, 2018
Loss for the year before income taxes	\$ (462,235)	\$ (171,342)
Expected income tax (recovery)	\$ (125,000)	\$ (45,000)
Impact of change of future tax rates and other	32,000	(112,000)
Adjustments and expiry of non-capital losses	3,000	(95,000)
Changes in unrecognized deductible temporary differences	90,000	252,000
Total income tax expense (recovery)	\$ -	\$ -
Current income taxes	\$ -	\$ -
Deferred tax recovery	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the statement of financial position are as follows:

	Year ended June 30, 2019	Expiry date range	Year ended June 30, 2018
Exploration and evaluation assets	\$ 3,656,000	No expiry date	\$ 4,037,000
Investment tax credits	29,000	2031 to 2032	29,000
Property and equipment	69,000	No expiry date	197,000
Share issue costs	-	No expiry date	2,000
Non-capital losses available for future periods	8,316,000	2026 to 2039	7,471,000

Tax attributes are subject to review, and potential adjustments, by tax authorities.

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10. SUBSEQUENT EVENTS

(a) Transaction

On November 7, 2018 the Company and 1163631 BC Ltd. (“116”) announced entering into an arm’s length non-binding letter of intent (the “LOI”) pursuant to which the Company was to acquire all of the issued and outstanding shares in the capital of 116 pursuant to a reverse takeover transaction (the “RTO”).

On February 28, 2019 the LOI was replaced by a binding share exchange agreement (the “SEA”) incorporating substantially the same terms and conditions. The SEA was approved by the shareholders of the Company at a special shareholder meeting held on March 29, 2019 and the RTO completed on August 30, 2019. Further on February 28, 2019 two senior officers of the Company, one of whom is also a director, agreed, subject to the completion of the RTO, to waive an aggregate \$149,750 of certain compensation amounts otherwise payable to them. These financial statements do not reflect the potential waiver of such compensation amounts, which were in fact waived effective August 30, 2019. In connection with, and as a condition of, completing the RTO, 116, a non-reporting British Columbia company, on August 22, 2019 completed a restructuring with a group of related companies (“Reconnaissance”), the effect of which includes that 116 became the indirect owner of the equity of Reconnaissance Energy Namibia Pty Ltd (“REN”). REN currently holds a 90% interest in an exploration licence (the “Licence”) granted by the Government of the Republic of Namibia and the National Petroleum Corporation of Namibia (“NAMCOR”) in the Owambo Basin of northern Namibia, subject to a 10% carried interest in favour of NAMCOR.

Further in connection with, and as a condition of, completing the RTO the Company carried out a consolidation of its issued and outstanding share capital as currently constituted on the basis of one new share for every two shares previously held, such that the 11,143,645 shares previously issued became 5,571,822 post-consolidation shares. This number was further reduced by 18 shares to 5,571,804 shares upon the cancellation of certain fractional shares.

The Company then issued 38,712,415 post-consolidation shares to the shareholders of 116 following the restructuring of 116 set out above.

Further in connection with, and as a condition of, completing the RTO the Company completed a financing by way of private placement (the “Concurrent Financing”) of 17,053,280 units of its post-consolidated share capital at the price of \$0.20 per unit for total gross proceeds of \$3,410,656, each unit consisting of one share and one share purchase warrant, each warrant entitling the holder to acquire one additional share at the price of \$0.50 for a five-year term. The Company paid cash finders’ fees totalling \$80,670 and issued a total of 403,350 finders’ warrants (each a “Finder Warrant”) which each Finder Warrant being exercisable into one common share of the Company at an exercise price of \$0.20 per share until August 30, 2021. As set out in Note 5(b) prior to June 30, 2019 the Company had received \$553,335 in cash subscription funds in respect of the Concurrent Financing.

(b) Divestment of Black Fox project

Associated with the RTO transaction set out above, the Company terminated the option agreement described in Note 3 by way of a quitclaim agreement providing for no consideration to the Company.

(c) Grant of stock options

On October 7, 2019 the Company granted incentive stock options in respect of a total of 5,350,000 shares exercisable at the price of \$0.25 per share for a five year term from the date of grant.