Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)

Annual Consolidated Financial Statements

March 31, 2012 and 2011

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Independent Auditors' Report

To the Shareholders of
Eco (Atlantic) Oil & Gas Ltd.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eco (Atlantic) Oil & Gas Ltd., which comprise the consolidated statements of financial position as at March 31, 2012 and 2011 and the consolidated statements of operations and comprehensive loss, consolidated statements of equity and consolidated statements of cash flows for the year ended March 31, 2012 and for the period from January 4, 2011 (inception) to March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eco (Atlantic) Oil & Gas Ltd. as at March 31, 2012 and 2011 and its financial performance and its cash flows for the year ended March 31, 2012 and for the period from January 4, 2011 (inception) to March 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements which describes material uncertainty and raises substantial doubt about the Company's ability to continue as a going concern.

Signed: ***"MSCM LLP"***

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
July 20, 2012

Eco (Atlantic) Oil & Gas Ltd.

(A Development Stage Company)

Consolidated Statements of Financial Position

	March 31, 2012	March 31, 2011 *(Note 1)*
Assets		
Current assets		
Cash and cash equivalents	**$ 6,175,167**	$ 111,643
Cash in trust	**252,512**	-
Short-term investments	**100,000**	-
Accounts receivable and prepaid expenses	**75,116**	-
Subscriptions receivable	-	125,924
	6,602,795	237,567
Petroleum and natural gas licenses *(Note 5)*	**3,270,998**	3,270,998
Equipment *(Note 6)*	**3,931**	-
	$ 9,877,724	$ 3,508,565
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities *(Note 7)*	$ **474,914**	$ $120,687
Due to shareholders	-	21,347
	474,914	142,034
Equity		
Share Capital *(Note 8)*	**13,126,284**	3,823,104
Warrants *(Note 15)*	**1,608,560**	-
Stock options *(Note 1 and 14)*	**809,600**	-
Accumulated deficit	**(6,141,634)**	(456,573)
	9,402,810	3,366,531
	$ 9,877,724	$ 3,508,565

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

Basis of Preparation and Going Concern *(Note 2)*

Commitments and Contingencies *(Notes 5 and 13)*

Subsequent events *(Note 16)*

Approved by the Board of Directors of the Company

Signed: *"Gil Holzman"*
Director

Signed: *"Moshe Peterburg"*
Director

Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)

Consolidated Statements of Operations and Comprehensive Loss

	Year ended March 31, 2012	Period from January 4, 2011 to March 31, 2011
Revenue		
Interest income	**$ 12,473**	$ -
Operating expenses		
Transaction costs *(Note 1)*	**1,546,919**	-
Operating costs *(Note 7)*	**1,359,577**	-
General and administrative costs	**848,860**	118,703
Share-based compensation *(Note 14)*	**809,600**	-
Consulting and professional fees *(Note 7)*	**584,433**	331,386
Compensation *(Note 7)*	**515,276**	-
Foreign exchange loss	**32,472**	6,484
Depreciation	**397**	-
	$ 5,697,534	$ 456,573
Net loss and comprehensive loss for the period	**$ 5,685,061**	$ 456,573
Loss per share - basic and diluted	**$ (0.10)**	**$** (0.01)
Weighted average number of shares - basic and diluted	**58,445,494**	45,359,971

The accompanying notes are an integral part of these annual consolidated financial statements

Eco (Atlantic) Oil & Gas Ltd.

(A Development Stage Company)

Consolidated Statements of Equity

	Number	**Capital**	**Warrants**	**Stock Options**	**Deficit**	**Equity**
Balance, January 4, 2011						
Issued	30,000,000	$ 3,823,104	$ -	$ -	$ -	$ 3,823,104
Loss for the period	-	-	-	-	(456,573)	(456,573)
Balance, March 31, 2011	30,000,000	3,823,104	-	-	(456,573)	3,366,531
Shares issued April and May, 2011, net of issue costs	6,200,000	2,972,176	-	-	-	2,972,176
Fair value of warrants issued – April and May 2011 share issue	-	(573,560)	573,560	-	-	
Shares issued on Conversion of EOG to EAOG shares	9,159,971	-	-	-	-	-
Equity accounts of Goldbard Capital Corporation	12,600,000	1,624,147	-	-	-	1,624,147
Goldbard Capital Corporation consolidation at 2.5 to1	(7,560,000)	-	-	-	-	-
Elimination of Goldbard Capital Corporation equity accounts	(5,040,000)	(1,624,147)	-	-	-	(1,624,147)
Equity accounts on reverse takeover	5,040,000	2,011,111	-	26,208	-	2,037,319
Shares issued January 2012 net of issue costs	9,874,682	5,662,245	-	-	-	5,662,245
Fair value of warrants issued in connection with January 2012 share issue	-	(965,000)	965,000	-	-	-
Fair value of compensation warrants issued - January 2012 share issue	-	(70,000)	70,000	-	-	-
Stock options issued	-	-	-	809,600	-	809,600
Stock options exercised	480,000	240,000	-	-	-	240,000
Transfer on exercise of options	-	26,208	-	(26,208)	-	-
Loss for the year	-	-	-	-	(5,685,061)	(5,685,061)
Balance, March 31, 2012	**60,754,653**	**$ 13,126,284**	**$ 1,608,560**	**$ 809,600**	**$(6,141,634)**	**$ 9,402,810**

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

Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)

Consolidated Statements of Cash Flows

	Year ended March 31, 2012	Period from January 4, 2011 to March 31, 2011
Cash flow from operating activities		
Net loss for the period	**$ (5,685,061)**	$ (456,573)
Items not affecting cash:		
Transaction costs	**1,274,081**	-
Share-based compensation	**809,599**	-
Depreciation	**397**	-
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	**332,880**	142,034
Cash in trust	**(252,512)**	-
Subscriptions receivable	**125,924**	-
Accounts receivable and prepaid expenses	**(75,116)**	-
	(3,469,808)	(314,539)
Cash flow from investing activities		
Short-term investments	**(100,000)**	-
Cash acquired on reverse takeover	**763,177**	-
Equipment acquired	**(4,266)**	-
Acquisition of petroleum and natural gas licenses	**-**	(770,999)
	658,911	(770,999)
Cash flow from financing activities		
Net proceeds from issuance of share capital	**8,634,421**	1,197,181
Proceeds from exercise of options	**240,000**	-
	8,874,421	1,197,181
Increase in cash and cash equivalents	**6,063,524**	111,643
Cash and cash equivalents, beginning of period	**111,643**	-
Cash and cash equivalents, end of period	**$ 6,175,167**	$ 111,643
Supplementary information		
Cash and cash equivalents, end of period		
Cash at banks	**$ 764,815**	$ 111,643
Cash on deposit	**$ 5,410,352**	$ -
Non-cash investing and financing activities		
Acquisition of petroleum and natural gas licenses	**$ -**	$ 2,521,347
Share capital, including subscriptions receivable	**$ -**	$ 2,625,924
Non-cash consideration paid for the acquisition of		
Goldbard issuance of shares	**$ 2,011,111**	$ -

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

1. Nature of Operations

Eco (Atlantic) Oil & Gas Ltd (the "Company"), formerly Goldbard Capital Corporation ("Goldbard"), was incorporated under the Business Corporations Act (Ontario) on June 11, 2007 and was classified as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange ("Exchange"). The head office of the Company is located at 120 Adelaide Street West, Suite 1204, Toronto, Ontario.

Its activities are directed towards the identification, acquisition, exploration and development of petroleum, natural gas and coal bed methane ("CBM") licenses in the Republic of Namibia.

On November 25, 2011, Goldbard completed its business combination when its wholly-owned subsidiary, Goldbard Resources Inc. ("GRI") amalgamated with Eco Oil and Gas (Pty) Ltd ("EOG"), a private oil and gas exploration company.

The amalgamation was accomplished through an exchange of shares which resulted in the reverse takeover of the Company by the shareholders of EOG (the "Business Combination"). Concurrent with the Qualifying Transaction, Goldbard changed its name to Eco (Atlantic) Oil & Gas Ltd., and was continued into British Columbia under the Business Corporations Act (British Columbia).

These annual consolidated financial statements were approved by the Board of Directors of the Company on July 20, 2012.

Reverse Takeover

The Business Combination has been accounted for in accordance with IFRS 3, Business Combinations. EOG is considered to be the acquirer for accounting purposes as the former shareholders of EOG control the consolidated group subsequent to the transaction and these annual consolidated financial statements are a continuation of the financial statements of EOG, with a deemed issuance of shares, equivalent to the shares held by the former shareholders of Goldbard, and a re-capitalization of the equity of EOG.

In connection with the Qualifying Transaction, the shareholders of Goldbard approved a consolidation (the "Share Consolidation") of the common shares of Goldbard on the basis of 2.5 shares for one new share (a "Consolidated Share").

Under the terms of the Business Combination, the shareholders of EOG received 1.253 Consolidated Shares for each EOG share held, with a total of 45,359,971 Consolidated Shares issued to the shareholders of EOG. Holders of EOG share purchase warrants received replacement warrants entitling them to acquire 3,759,116 Consolidated Shares.

The fair value of the shares issued to the Goldbard shareholders was based on EOG's April 25, 2011 private placement of Units *(see Note 8)*, adjusted for the exchange ratio of 1.253 Consolidated Shares for each EOG share. Based on this ratio, the deemed price of the Units was $0.40.

As the Goldbard shareholders received 5,040,000 shares at a deemed price of $0.40 per share, the value attributed to the Goldbard assets at November 25, 2011 was $2,011,111, which has been allocated as follows:

Cash	$	763,177
Accounts receivable		20,627
Property and equipment		4,417
Accounts payable and accrued liabilities		(24,983)
Transaction costs		1,247,873
Value attributed to Eco (Atlantic) shares issued	$	2,011,111

1. Nature of Operations (continued)

Reverse Takeover (continued)

In addition, under the terms of the Business Combination, 480,000 stock options were issued to the former directors of Goldbard. The fair value of the stock options was determined to be $26,208 using the Black-Scholes option pricing model, with the following assumptions; dividend yield of 0%, expected volatility of 110%, a risk free interest rate of 1.26% and expected life of 0.25 years. As a result, the transaction costs were determined to be $1,274,081 plus subsequent legal costs related to the transaction of $272,838.

2. Basis of Preparation and Going Concern

These annual consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results in accordance with IFRS have been included.

The ability of the Company to continue as a going concern depends upon the discovery of economically recoverable petroleum, natural gas and CBM reserves on its licenses, the ability of the Company to obtain financing to complete development, and upon future profitable operations from the licenses or profitable proceeds from their disposition. The Company is a development stage company and has not earned any revenues to date. These annual consolidated financial statements do not reflect any adjustments to the carrying value of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or obtain adequate financing.

There can be no assurance that the Company will be able to raise funds in the future, in which case the Company may be unable to meet its future obligations. These matters raise substantial doubt about the Company's ability to continue as a going concern. In the event the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts recorded on its consolidated statements of financial position. These annual consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

The Company has accumulated losses of $6,141,634 since its inception and expects to incur further losses in the development of its business.

3. Summary of Significant Accounting Policies

Statement of compliance

These consolidated financial statements have been prepared in accordance with IFRS as issued by the International accounting Standards Board.

The significant accounting policies followed by the Company are summarized as follows:

Basis of consolidation

The annual consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Eco Oil & Gas Ltd., Eco Oil and Gas (Namibia) (Pty) Ltd., and Eco Oil and Gas Services (Pty) Ltd.

All intercompany transactions, balances, income and expenses have been eliminated.

3. Summary of Significant Accounting Policies (continued)

Foreign currencies

The functional and presentation currency of the Company and its subsidiaries is the Canadian dollar.

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that time. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange gains and losses are recognized in profit or loss.

During the quarter ended March 31, 2012, the Company determined that its functional currency should be the Canadian dollar, the currency of the primary economic environment in which the entity currently operates, rather than the United States dollar as previously applied in its condensed consolidated interim financial statements for the three and nine months ending December 31, 2011. The Company is at an early stage of development, and as is common with many exploration companies, it requires financing for its exploration and property acquisition activities, currently from the issue of share capital in Canadian dollars. The Company has, accordingly, re-issued its December 31, 2011 condensed consolidated interim financial statements to reflect this change.

In those condensed consolidated interim financial statements, the Company's warrants issued to investors and denominated in Canadian dollars were classified as derivative financial liabilities and measured at fair value until their extinguishment or exercise. Because the Company has now identified the Canadian dollar as its functional currency, those Canadian dollar warrants are classified on issuance as equity and are not subsequently re-measured. The effect of this change on the condensed consolidated interim financial statements was to reduce the derivative warrant liability at December 31, 2011 by $518,829; to reduce the loss for the three month period ended December 31, 2011 by $74,535 and to increase the loss for the nine month period ended December 31, 2011 by $57,731; and to increase the amount assigned to warrants in equity at December 31, 2011 by $573,560.

Financial instruments

The carrying amount of cash and cash equivalents, short-term investments, cash in trust, accounts receivable, accounts payable and accrued liabilities represent their fair value, due to their short-term nature.

Exploration and evaluation assets and expenditures

i) Expenditures

For oil and gas prospects not commercially viable and financially feasible, the Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of oil and gas prospects, property option payments and evaluation activities. Exploration and evaluation expenditures associated with a business combination or asset acquisition are capitalized.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for production operations. Capitalization ceases when the oil and natural gas reserves are capable of commercial production, with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset.

3. Summary of Significant Accounting Policies (continued)

Exploration and evaluation assets and expenditures (continued)

ii) Depletion and depreciation

Capitalized costs related to each cost center from which there is production will be depleted using the unit-of-production method based on proven petroleum and natural gas reserves, as determined by independent consulting engineers.

iii) Impairment

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives, to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value, less cost to sell or its value in use. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

iv) Asset retirement obligations

Asset retirement obligations are measured at the present value of the expenditure expected to be incurred using a risk-free discount rate. The associated asset retirement cost is capitalized as part of the cost of the related long-lived asset. Changes in the estimated obligation resulting from revisions to estimated timing, amount of cash flows, or changes in the discount rate are recognized as a change in the asset retirement obligation and the related asset retirement cost. Increases in asset retirement obligations resulting from the passage of time are recorded as accretion of asset retirement obligation in the consolidated statement of operations as a financial cost. Actual expenditures incurred are charged against the accumulated asset retirement obligation as incurred.

The Company currently does not have any asset retirement obligations.

Income taxes

Deferred tax is recognized using the asset and liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but the Company intends to settle current tax liabilities and assets on a net basis.

Revenue recognition

Revenue from the sale of petroleum and natural gas is recognized when the risks and rewards of ownership pass to the purchaser, including delivery of the product, the selling price is fixed or determinable and collection is reasonably assured. Oil and natural gas royalty revenue is recognized when received.

3. Summary of Significant Accounting Policies (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is the consideration transferred, measured at its fair value at the acquisition date. The net assets acquired are measured at their fair values. Transaction costs related to business combinations are expensed when incurred.

If the fair value of the consideration exceeds the net identifiable assets acquired, the surplus is recorded as goodwill. If the consideration is less than the fair value of the net identifiable assets acquired, the difference is recognized as a gain in the statement of operations.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Loss per share

Basic loss per share is computed based on the weighted average number of common shares outstanding during the period. Share purchase warrants and stock options outstanding have not been included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

Segment reporting

The Company operates in one segment, the oil and gas business and conducts its operations in Namibia with its head office in Canada. Substantially all the Company's oil and gas assets are located in Namibia.

Significant accounting judgments and estimates

The preparation of the annual consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, the reported amounts of revenues and expenses and to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties, considered by management.

i) Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. No impairments of non-financial assets have been recorded for the year ended March 31, 2012.

3. Summary of Significant Accounting Policies (continued)

Critical judgments used in applying accounting policies

In the preparation of these consolidated financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

i) Exploration and evaluation costs

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the Company's oil and gas properties. Once technical feasibility and commercial viability of a property can be demonstrated, related development expenditures are capitalized. As at March 31, 2012, management has determined that no oil and gas properties should be capitalized.

4. Future Accounting and Reporting Changes

IFRS 9, *Financial Instruments: Classification and Measurement*, was issued in December 2009, effective for annual periods on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, 11, 12 and 13 were all issued in May 2011 and are effective for annual periods beginning January 1, 2013, with early adoption allowed. The Company has not yet assessed the impact of these standards or determined whether it will adopt these standards early.

IFRS 10, *Consolidated Financial Statements*, replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation — Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11, *Joint Arrangements*, introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, *Disclosure of Interests in Other Entities*, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, *Fair Value Measurement*, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

In June 2011, the IASB issued amendments to IAS 1, *Presentation of items of Other Comprehensive Income*, to split items of other comprehensive income (OCI) between those that are reclassified to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The Company is evaluating the impact this standard this will have on the statement of operations and financial position.

5. Petroleum and Natural Gas Licenses

	Balance April 1, 2011	Additions (Business Acquisition)	Additions (License Fees)	Impairment and Abandonment	Balance March 31, 2012
Licenses	**$ 3,270,998**	**$ -**	**$ -**	**$ -**	**$ 3,270,998**

	Balance January 4, 2011	Additions (Business Acquisition)	Additions (License Fees)	Impairment and Abandonment	Balance March 31, 2011
Licenses (i)(ii)	$ -	$ 2,602,249	$ 668,749	$ -	$ 3,270,998

(i) During the period ended March 31, 2011, EOG acquired certain petroleum and natural gas application rights (the "License Rights") from UGAB Diamonds, an unrelated company ("UGAB"). The acquisition was completed in two tranches. The first tranche on February 2, 2011 was by way of the acquisition of 80% of the outstanding shares of Eco Oil and Gas (Namibia) Pty ("EOGN") from UGAB in the amount of $102,249 and on March 25, 2011, EOG entered into a share swap agreement with the shareholders of UGAB, whereby EOG issued 5,000,000 common shares of EOG, valued at $2,500,000, to the UGAB shareholders in exchange for the remaining 20% of EOGN. Following the acquisition, EOG owned all the outstanding shares of EOGN.

(ii) On March 14, 2011, the Ministry of Mines and Energy of the Republic of Namibia (the "Ministry"), granted two onshore and three offshore petroleum and natural gas exploration licenses (the "Licenses") to EOGN, pursuant to the License Rights. The National Petroleum Corporation of Namibia ("NAMCOR"), a legal entity enacted under the Namibian Companies Act of 1973, has a 10% interest in all the Licenses. The onshore licenses are comprised of Blocks 2013B, 2014B and 2114 and the other Block 2418 (jointly, the "Onshore Licenses"). The offshore licenses are comprised of the Cooper License (Block 2012A), the Sharon License (Blocks 2213A and 2213B) and the Guy License (Blocks 2111B and 2211A) (jointly, the "Offshore Licenses").

(iii) All Licenses are issued for four years with two renewal options of two years each, after which time the licenses revert back to the government, unless a production license is granted at any time within the eight year period. Production licenses are generally granted for a 25 year term. The Licenses are subject to license agreements entered into between the Company and the Ministry.

5. Petroleum and Natural Gas Licenses (continued)

(iv) The Company's initial commitments under the license agreements are as follows:

Year 1	
Desktop study	$ 2,150,000
Core hole drilling	2,400,000
	4,550,000
Year 2 and 3	
Complete and interpret a 2,500 sq Km 3D seismic survey	26,000,000
Pilot well program	5,500,000
Evaluation report	500,000
	32,000,000
Year 3 and 4	
Drill exploratory well through all targets identified by 3D seismic	368,250,000
Field production assessment and second target selection	500,000
	368,750,000
Year 5	
Resource assessment and production assessment first renewal	750,000
Additional core hole drilling	2,400,000
	3,150,000
Year 6	
First renewal period	1,500,000
Off take/production engineering assessment of second core hole	500,000
	2,000,000
Year 7 and 8	
Second renewal period	
Additional 500 sq Km 3D seismic	15,500,000
	$ 425,950,000

The entire amount of petroleum and natural gas licenses relates to license acquisition costs. As the Company has not commenced principal operations as at March 31, 2012, no depletion has been recorded.

FARM-OUT OF LICENSES

On December 22, 2011, the Company entered into an agreement with Azimuth Ltd. (“Azimuth”) an oil and gas exploration company, pursuant to which Azimuth acquired a 20% working interest in each of the Company’s Offshore Licenses in return for funding 40% of the cost of 3D seismic surveys covering 2,500 square kilometers across all Offshore Licenses.

Following approval of the agreement by the Ministry on May 31, 2012, the Company owns a 70% interest, Azimuth a 20% interest and NAMCOR its 10% interest in the Offshore Licenses. The Company and Azimuth will be responsible for designing, sourcing and operating all aspects of 3D seismic surveys of the Offshore Licenses.

6. Equipment

			March 31, 2012	March 31, 2011
	Cost	**Accumulated Depreciation**	**Net Book Value**	Net Book Value
Equipment	**$ 6,094**	**$ 2,163**	**$ 3,931**	$ -

7. Related Party Transactions and Balances

The aggregate value of transactions with shareholders and directors and entities over which they have control or significant influence was as follows:

	March 31, 2012 $	March 31, 2011 $
Amount paid for exploration services to a company of of which a director of the Company is the President and CEO	**467,427**	98,319
Amount outstanding at the end of the period	**52,861**	21, 347
Fees for management services paid to a company controlled by the President and CEO of the Company	**190,803**	70,852
Amount outstanding at the end of the period	**20,000**	-
Fees paid to companies controlled by the CFO of the Company	**45,580**	-
Amount outstanding at the end of the period	**2,000**	-
Fees for management services paid to a company controlled by the Executive Vice President of the Company	**84,000**	63,000
Amount outstanding at the end of the period	**10,000**	63,000
Fees paid to a company controlled by the chairman of the Company	**57,079**	-
Amount outstanding at the end of the period	**20,114**	-

Remuneration of the Company's directors and its Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and its Executive Vice President was as follows:

	Year ended March 31, 2012	**Period ended March 31, 2011**
Salaries, fees and benefits	**$ 543,382**	$ 130,810
Stock-based compensation	**768,950**	-
Total	**$ 1,312,332**	$ 130,810

8. Share Capital

Authorized: Unlimited Common shares

Issued:	Common Shares (Note 1)		Amount (Note 1)
Shares issued on formation of EOG (i)	25,000,000	$	1,323,104
Shares issued in connection with acquisition of exploration licenses (ii)	5,000,000		2,500,000
Balance March 31, 2011	30,000,000		3,823,104
Shares issued in connection with private placement (iii)(iv)	6,200,000		3,100,000
Share issue costs (vi)	-		(127,824)
Fair value of warrants issued – April and May 2011 share issue (viii)(ix)	-		(573,560)
Conversion of EOG shares	9,159,971		-
Equity accounts of Goldbard	12,600,000		1,624,147
Goldbard equity consolidation	(7,560,000)		-
Elimination of Goldbard equity	(5,040,000)		(1,624,147)
Shares issued to Goldbard shareholders	5,040,000		2,011,111
Shares issued in connection with private placement (vii)	9,874,682		5,924,810
Share issue costs	-		(262,565)
Fair value of warrants issued (ix)	-		(965,000)
Fair value of compensation warrants issued - January 2012 share issue (vii)	-		(70,000)
Stock options exercised	480,000		240,000
Fair value of stock options exercised			26,208
Balance, March 31, 2012	**60,754,653**	**$**	**13,126,284**

(i) On March 17 and 18, 2011, EOG issued 25,000,000 common shares to its founders and other parties at a price of $0.053 per share.

(ii) On March 25, 2011, in connection with the acquisition of the Eco Namibia licenses *(Note 5)*, EOG issued 5,000,000 common shares at a fair value of $0.50 per common share.

(iii) On April 25, 2011, EOG completed a private placement financing (the “April Financing”) of 5,920,000 units of EOG (the “April Units”) at $0.50 per Unit for gross proceeds of $2,960,000. Each April Unit consisted of one ordinary share of EOG and one half of one EOG Warrant. Each EOG Warrant gave the holder the right to purchase one ordinary share from EOG at an exercise price of $1.00 per share, at any time up to a date that is one year from a Liquidity Event, as defined in the warrant certificate.

(iv) On May 5, 2011, EOG completed a private placement financing (the “May Financing”) of 80,000 units of EOG (the “May Units”) at $0.50 per Unit for gross proceeds of $40,000. Each May Unit consisted of one ordinary share of EOG and one half of one EOG Warrant. Each EOG Warrant gave the holder the right to purchase one ordinary share from EOG at an exercise price of $1.00 per share, at any time up to a date that is one year from a Liquidity Event, as defined in the warrant certificate.

8. Share Capital (continued)

(v) Following the Business Combination, the EOG Warrants issued in the April Financing and the May Financing were replaced with 3,759,116 EAOG warrants with an exercise price of $0.80 per share.

(vi) On May 5, 2011, EOG issued 200,000 shares of EOG valued at $0.50 per share as consideration for consulting services in connection with the April Financing and incurred cash costs of $27,825 in connection with the financing.

(vii) On January 6, 2012, EAOG completed a private placement financing (the "January Financing") of 9,874,682 units of EAOG (the "January Units") at $0.60 per Unit for gross proceeds of $5,924,810. Each Unit consisted of one ordinary share of EAOG and one half of one EAOG Warrant. Each EAOG Warrant gives the holder the right to purchase one ordinary share from EAOG at a price per ordinary share equal to $1.00. The Company incurred costs of $262,564 in connection with the financing and issued 353,415 EAOG compensation warrants, fair valued at $70,000, in connection with the financing.

(viii) The fair value of the warrants issued in the April Financing and May Financing was determined using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%, expected volatility of 120%, a risk free interest rate of 1.45% and initial expected life of 12 months.

(ix) The fair value of the warrants issued in the January Financing was determined using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%, expected volatility of 110%, a risk free interest rate of 1.20% and initial expected life of 18 months.

9. Income Taxes

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 27.75% (2011 - 30%) to the amount recognized in the consolidated statements of operations:

	March 31, 2012 $	**March 31, 2011 $**
Net loss before recovery of income taxes	**(5,685,058)**	(456,573)
Expected income tax recovery	**(1,577,600)**	(136,972)
Tax attributes (recognized) reversed in current year	**(45,500)**	-
Difference in tax rates of foreign jurisdictions	**342,500**	-
Share issue costs recognized in the current year	**(127,800)**	-
Unrecognized deductible temporary differences	**1,408,400**	136,972
Total income tax expense	**-**	-

The 2012 statutory tax rate differs from the 2011 statutory tax rate because of the reduction in both federal and provincial substantively enacted tax rates.

9. Income Taxes (continued)

Unrecognized deferred tax assets

Deferred income taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred income tax assets have not been recognized in respect of the following deductible temporary differences:

	March 31, 2012 $	March 31, 2011 $
Deferred Income Tax Assets		
Non-capital losses – Canada	1,384,000	343,078
Non-capital losses – Foreign	2,096,700	115,674
Share issue and financing costs	368,300	-
Deductible temporary differences	184,700	188,186

Foreign non-capital losses may be carried forward indefinitely. Canadian non-capital losses expire between 2027 and 2032. The deductible temporary differences do not expire under current tax legislation. Share issue and financing costs expire between 2013 and 2016. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

10. Asset Retirement Obligations (“ARO”)

The Company is legally required to restore its properties to their original condition. Estimated future site restoration costs will be based upon engineering estimates of the anticipated method and the extent of site restoration required in accordance with current legislation and industry practices in the various locations in which the Company has properties.

As of March 31, 2012, the Company did not operate any properties, accordingly, no ARO was required.

11. Capital Management

The Company considers its capital structure to consist of share capital and reserves. The Company manages its capital structure and makes adjustments to it, in order to have the funds available to support the acquisition, exploration and development of its licenses. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company is a development stage entity; as such the Company is dependent on external equity financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company's ability to raise future capital is subject to uncertainty and the inability to raise such capital may have an adverse impact over the Company's ability to continue as a going concern *(Note 2)*.

12. Risk Management

a) Credit risk

The Company's credit risk is primarily attributable to short-term investments and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of deposits with Schedule 1 banks, from which management believes the risk of loss to be remote. Amounts receivable consist of advances to suppliers and goods and services tax due from the Federal Government of Canada. Management believes that the credit risk concentration with respect to amounts receivable is remote. The Company does not hold any non-bank asset backed commercial paper.

b) Interest rate risk

The Company has cash balances and no interest bearing debt. It accordingly does not have a material exposure to this risk.

d) Liquidity risk

The Company ensures, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or harm to the Company's reputation.

As at March 31, 2012, the Company had cash on hand and on deposit of $6,275,167 (March 31, 2011 - $111,643) to settle current liabilities of $474,914 (March 31, 2011 - $142,034).

The Company utilizes authorization for expenditures to further manage capital expenditures and attempts to match its payment cycle with available cash resources. Accounts payable and accrued liabilities at March 31, 2012 all have contractual maturities of less than 90 days and are subject to normal trade terms.

e) Foreign currency risk

The Company is exposed to foreign currency fluctuations on its operations in Namibia, which are denominated in Namibian dollars.

13. Commitments and Contingencies

Licenses

The Company is committed to meeting all of the conditions of its licenses including annual lease renewal or extension fees as needed.

The Company submitted work plans for the development of the Namibian licenses, see *Note 5* for details.

Commitments

The Company has office lease commitments as follows:

2013	$ 24,075
2014	26,393
2015	16,228
Total	$ 66,696

14. Stock Options

The Company maintains a stock option plan (the "Plan") for the directors, officers, consultants and employees of the Company and its subsidiary companies. The maximum number of options issuable under the Plan shall be equal to ten percent (10%) of the Outstanding Shares of the Company less the aggregate number of shares reserved for issuance or issuable under any other security based compensation arrangement of the Company.

A summary of the status of the Plan as at March 31, 2012 and changes during the year was as follows:

	Number of stock options	Weighted average exercise price ($)	Remaining contractual life - years
Balance, March 31, 2011	-	-	
Granted November 2011	480,000	0.50	
Exercised February 2012	(480,000)	0.50	
Granted January 2012	4,780,000	0.60	4.79
Balance, March 31, 2012	4,780,000	0.60	

During the year ended March 31, 2012, 4,780,000 stock options ("Options") were issued to directors, officers, consultants and employees of the Company. These Options are exercisable for a maximum period of five years from the date of the grant and vest as to one third on grant date and one third on each anniversary date of the grant, for the next two years. The fair value of the Options granted was estimated at $1,834,552 using the Black-Scholes option pricing model, using the following assumptions.

Expected option life 5 years
Volatility 110%
Risk-free interest rate 1.20%
Dividend yield 0%

The fair value of the options that vested during the year was $809,600.

15. Warrants

A summary of warrants outstanding at March 31, 2012 was as follows:

	Number of Warrants	Weighted average exercise price ($)	Remaining contractual life - years
Balance, March 31, 2011	-	-	-
Granted in connection with Business Combination (Note 1)	3,759,116	0.80	0.07
Compensation warrants (Note 8(vii))	353,415	1.00	1.77
Granted in connection with January financing (Note 8(vii))	4,937,341	1.00	1.27
Balance, March 31, 2012	9,049,872	0.92	

16. Subsequent Events

(a) Subsequent to March 31, 2012, the Company granted 350,000 options to its incoming director. The terms of the options include an exercise price of $0.68 per common share, and a vesting schedule allowing for the vesting of the options granted in three equal installments, with one third vesting May 16, 2012; one third vesting May 16, 2013 and one third vesting May 16, 2014.

(b) On April 24, 2012, the Company announced that through its wholly-owned subsidiary, Eco Oil & Gas (Namibia) (Pty) Ltd., it entered into five separate Joint Operating Agreements with NAMCOR.

(c) On April 10, 2012, 106,508 warrants were exercised for proceeds of $85,206.