

Eco (Atlantic) Oil & Gas Ltd.
Consolidated Financial Statements

March 31, 2018 and 2017

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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, 2018 and 2017, and the consolidated statements of operations and comprehensive loss, equity, and cash flows for the years then ended, 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 consolidated 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 audits 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 controls 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

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, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 25, 2018

MNP

Eco (Atlantic) Oil & Gas Ltd.

Consolidated Statements of Financial Position

	March 31, 2018	March 31, 2017
Assets		
Current assets		
Cash and cash equivalents	\$ 14,316,042	\$ 6,088,567
Short-term investments (Note 5)	74,818	49,818
Government receivable	23,626	26,609
Accounts receivable and prepaid expenses (Note 6)	832,322	1,100,491
	15,246,808	7,265,485
Petroleum and natural gas licenses (Note 7)	1,489,971	1,489,971
Total Assets	\$ 16,736,779	\$ 8,755,456
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	\$ 521,537	\$ 630,761
Advances from and amounts owing to license partners, net (Note 7)	209,487	169,868
	731,024	800,629
Equity		
Share capital (Note 9)	43,813,254	26,961,675
Shares to be issued (Note 9)	1,139,257	-
Restricted Share Units reserve (Note 9)	70,393	184,029
Warrants (Note 10)	167,931	237,267
Stock options (Note 11)	2,979,367	2,985,732
Non-controlling interest	(55,065)	(76,288)
Accumulated deficit	(32,109,382)	(22,337,588)
Total Equity	16,005,755	7,954,827
Total Liabilities and Equity	\$ 16,736,779	\$ 8,755,456

Basis of Preparation (Note 2)

Commitments (Notes 7 and 16)

Subsequent events (Note 21)

Approved by the Board of Directors of the Company

Signed: **“Gil Holzman”**

Director

Signed: **“Gadi Levin”**

Director

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

Eco (Atlantic) Oil & Gas Ltd.

Consolidated Statements of Operations and Comprehensive Loss

	Year ended March 31	
	2018	2017
Revenue		
Income from option agreement <i>(Note 7(ii)(v))</i>	\$ 1,248,000	\$ -
Interest income	85,620	15,820
	1,333,620	15,820
Operating expenses:		
Compensation costs <i>(Note 8)</i>	672,410	483,458
Professional fees	402,135	286,717
Operating costs <i>(Notes 17)</i>	5,249,425	2,169,940
General and administrative costs <i>(Note 18)</i>	887,146	385,568
Share-based compensation <i>(Notes 8, 9 and 11)</i>	2,512,244	730,171
Foreign exchange (income) loss	(33,226)	5,025
Total expenses	9,690,134	4,060,879
Net loss and comprehensive loss from continuing operations	(8,356,514)	(4,045,059)
Discontinued operations income <i>(Note 19)</i>	-	488,473
Net loss and comprehensive loss	\$(8,356,514)	\$ (3,556,586)
Net comprehensive loss attributed to:		
Equity holders of the parent	\$(8,182,233)	(3,548,621)
Non-controlling interests	(174,281)	(7,965)
	\$(8,356,514)	\$ (3,556,586)
Basic and diluted net income (loss) per share from continuing operations <i>(Note 20)</i>	\$ (0.06)	\$ (0.05)
Basic and diluted net income (loss) per share from discontinuing operations <i>(Note 20)</i>	-	0.01
Basic and diluted net loss per share attributable to equity holders of the parent <i>(Note 20)</i>	\$ (0.06)	\$ (0.04)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	132,545,535	87,906,110

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

Eco (Atlantic) Oil & Gas Ltd.

Consolidated Statements of Equity

	Number of Shares	Capital	Shares to be issued	Restricted Share Units	Warrants	Stock Options	Deficit	Non- controlling Interest	Total Equity
Balance, March 31, 2016	85,044,025	\$ 20,838,056	\$ 176,580	\$ 216,114	\$ -	\$ 2,400,735	\$ (18,788,967)	\$ (68,323)	\$ 4,774,195
Cancellation of shares	(1,823,500)	-	-	-	-	-	-	-	-
Shares repurchase	-	(338,257)	-	-	-	-	-	-	(338,257)
Shares issued on vesting of Restricted Share Units	708,700	136,079	-	(136,079)	-	-	-	-	-
Shares issued on vesting of Restricted Share Units	216,736	41,180	-	3,420	-	-	-	-	44,600
Non-vested Restricted Share Units	-	-	-	100,574	-	-	-	-	100,574
Proceeds from shares issued on listing on AIM, net	32,900,498	6,108,037	-	-	237,267	-	-	-	6,345,304
Extension of Stock options	-	-	-	-	-	416,324	-	-	416,324
Stock options expensed	-	-	-	-	-	168,673	-	-	168,673
Shares issued from Pan African Oil Amalgamation	1,203,374	176,580	(176,580)	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(3,548,621)	(7,965)	(3,556,586)
Balance, March 31, 2017	118,249,833	26,961,675	-	184,029	237,267	2,985,732	(22,337,588)	(76,288)	7,954,827
Shares issued on vesting of Restricted Share Units (Note 9(v))	7,482,500	2,584,954	-	(113,636)	-	-	-	-	2,471,318
Shares issued for Services (Note 9(vii))	62,500	17,500	-	-	-	-	-	-	17,500
Cancellation of shares (Note 9(viii))	(262,500)	-	-	-	-	-	-	-	-
Shares issued in private placement (Note 9(ix))	29,200,000	13,286,682	-	-	-	-	-	-	13,286,682
Issuance of warrants (Note 10(i))	-	(969)	-	-	969	-	-	-	-
Purchase of minority interest (Note 9(xii))	-	-	1,139,257	-	-	-	(1,589,561)	195,504	(254,800)
Exercise of stock options (Note 9(xi))	1,200,000	407,291	-	-	-	(47,291)	-	-	360,000
Exercise of warrants (Note 9(x))	1,562,500	556,121	-	-	(70,305)	-	-	-	485,816
Stock options expensed (Note 11)	-	-	-	-	-	40,926	-	-	40,926
Net loss for the year	-	-	-	-	-	-	(8,182,233)	(174,281)	(8,356,514)
Balance, March 31, 2018	157,494,833	\$ 43,813,254	\$ 1,139,257	\$ 70,393	\$ 167,931	\$ 2,979,367	\$ (32,109,382)	\$ (55,065)	\$ 16,005,755

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

Eco (Atlantic) Oil & Gas Ltd.

Consolidated Statements of Cash Flows

	Year ended March 31	
	2018	2017
Cash flow from operating activities		
Net loss from continued operations	\$ (8,356,514)	\$ (4,045,059)
Net loss from discontinued operations	-	488,473
Items not affecting cash:		
Share-based compensation	2,512,244	730,171
Shares issued for services	17,500	-
Depreciation	-	1,101
Changes in non-cash working capital:		
Government receivable	2,983	(3,325)
Accounts payable and accrued liabilities	(109,224)	(2,730,542)
Accounts receivable and prepaid expenses	268,169	(477,633)
Advance from and amounts owing to license partners	39,619	(340,835)
	(5,625,223)	(6,377,649)
Net change in non-cash working capital items relating to discontinued operations	-	1,333,427
Cash flow from investing activities		
Purchase of minority interest in subsidiary	(254,800)	-
Short-term investments	(25,000)	50,182
	(279,800)	50,182
Net change in investment activities relating to discontinued operations	-	1,612,382
Cash flow from financing activities		
Net proceeds from Brokered Private Placement	13,286,682	-
Proceeds from the exercise of stock options	360,000	-
Proceeds from the exercise of warrants	485,816	-
Net proceeds from AIM listing	-	6,345,304
Share repurchases	-	(338,257)
	14,132,498	6,007,047
Increase in cash and cash equivalents	8,227,475	2,625,389
Cash and cash equivalents, beginning of year	6,088,567	3,463,178
Cash and cash equivalents, end of year	\$14,316,042	\$ 6,088,567

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

1. Nature of Operations

The Company's business is to identify, acquire, explore and develop petroleum, natural gas, and shale gas properties. The Company primarily operates in the Co-Operative Republic of Guyana ("Guyana") and the Republic of Namibia ("Namibia"). The head office of the Company is located at 181 Bay Street, Suite 320, Toronto, ON, Canada, M5J 2T3.

As used herein, the term "Company" means individually and collectively, as the context may require, Eco (Atlantic) Oil and Gas Ltd. and its subsidiaries.

These consolidated financial statements were approved by the Board of Directors of the Company on July 25, 2018.

2. Basis of Preparation

The consolidated financial statements of the Company have been prepared on a historical cost basis with the exception of certain financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

3. Summary of Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2018.

3. Summary of Significant Accounting Policies (continued)**Statement of compliance (continued)**

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

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its directly and indirectly owned subsidiaries, as follows:

Subsidiary	Ownership
Eco (BVI) Oil & Gas Ltd. ("EBVI")	100%
Eco (Barbados) Oil & Gas Holdings Ltd. ("EBARB")	100%
Eco Namibia Oil & Gas (Barbados) Ltd. ("ENBARB")	100%
Eco Oil and Gas (Namibia) (Pty) Ltd. ("EOGN")	100%
Eco Oil and Gas Services (Pty) Ltd. ("EOGS")	100%
Eco Atlantic Holdings Ltd.	100%
Pan African Oil Namibia Holdings (Pty) Ltd. ("PAO Holdings")	100%
Pan African Oil Namibia (Pty) Ltd. ("PAO Namibia")	90%
Eco Atlantic Guyana Offshore Inc.	100%
Eco (Atlantic) Guyana Inc. (*) ("Eco Guyana")	100%

On October 21, 2016, the Company sold its wholly owned subsidiary, Eco Atlantic (Ghana) Ltd. (Note 19).

(*) See Subsequent Events note 21.

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.

Financial instruments

Financial instruments are required to be classified as one of the following: held-to-maturity; loans and receivables; fair value through profit or loss; available-for-sale or other financial liabilities.

The Company's financial instruments include cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities and advances from and amounts owing to license partners. The Company designated its cash and cash equivalents and short-term investments as fair value through profit or loss. The Company designated its accounts receivable as loans and receivables, accounts payable and accrued liabilities and advances from and amounts owing to license partners as other financial liabilities, all of which are measured at amortized cost.

Fair value through profit or loss financial assets are measured at fair value, with gains and losses recognized in operations. Financial assets held-to-maturity, loans and receivables and other financial liabilities are measured at amortized cost. Available-for-sale financial assets are measured at fair value with unrealized gains and losses recognized in other comprehensive loss.

3. Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair value of a financial instrument on initial recognition is the transaction price, which is the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of a financial instrument that is quoted in active markets is based on the bid price for a financial asset held and the offer price for a financial liability. When an independent price is not available, fair value is determined by using a valuation which refers to observable market data. Such a valuation technique includes comparisons with a similar financial instrument where an observable market price, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants exist.

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 are capitalized only when associated with a business combination or asset acquisition or the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset.

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.

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.

3. Summary of Significant Accounting Policies (continued)

Exploration and evaluation assets and expenditures (continued)

iii) Farm-out arrangements

The Company, as farmor, accounts for the farm-out arrangements as follows; the farmor does not record any expenditure made by the farmee on its behalf, and recognizes its expenditures under farm-out arrangements in respect of its own interest when the costs are incurred. Any cash consideration received as reimbursements of expenditures incurred in prior years and is recorded as income from farm-out agreements in profit or loss. Any cash consideration received as reimbursements of expenditures incurred in the current year is offset against related expenditures in operating costs and general and administrative costs in profit or loss. Any cash consideration received in advance of underlying expenditures is capitalized to advance from license partners until the applicable expenditures have been incurred, at which point the recovery is transferred to income from farm-out agreements in profit or loss. Any cash received without an underlying commitment to incur expenditures is recorded as income from farm-out agreements in profit or loss.

iv) 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 are facts and circumstances suggest that the carrying amount exceeds the recoverable amount. 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.

v) 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.

3. Summary of Significant Accounting Policies (continued)

Income taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent that they related to items recognized in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in net earnings and comprehensive income or in equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

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.

Loss per share

Basic loss per share is computed based on the weighted average number of common shares outstanding during the year. In calculating the diluted loss per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive share options and warrants are used to repurchase common shares at the average market price during the year.

Segment reporting

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

3. Summary of Significant Accounting Policies (continued)

Significant accounting judgments and estimates

The preparation of the 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.

4. Future Accounting and Reporting Changes

The IASB issued new standards and amendments which are not yet effective.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt IFRS 9 on its effective date.

IFRS 15, Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014 and clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Company's assessment of IFRS 15 has determined that there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

Notes to the Consolidated Financial Statements
March 31, 2018 and 2017

4. Future Accounting and Reporting Changes (continued)

IFRS 16, Leases (“IFRS 16”) was issued by the IASB in January 2016 and specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16’s approach to lessor accounting substantially unchanged from its predecessor, IAS 17. An entity applies IFRS 16 for annual periods beginning on or after January 1, 2019. Earlier application is permitted if IFRS 15 Revenue from Contracts with Customers has also been applied. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognize the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. The Company is currently assessing the effects of IFRS 16 and intends to adopt IFRS 16 on its effective date.

5. Short-term Investments

The Company’s short-term investments comprise interest bearing deposits with its primary bank of \$74,818 (March 31, 2016 - \$49,818), which are held as collateral for credit-card lines of credit.

6. Accounts receivable and prepaid expenses

Included in account receivable and prepaid expenses is a receivable amounting to \$767,428 (US\$576,580) in respect of the sale of the Company’s Ghana operations, which took place during the year ended March 31, 2017.

7. Petroleum and Natural Gas Licenses

	Balance April 1, 2017	Additions	Impairment, Sale and Abandonment	Balance March 31, 2018
Licenses	\$ 1,489,971	\$ -	\$ -	\$ 1,489,971

	Balance April 1, 2016	Additions	Impairment, Sale and Abandonment	Balance March 31, 2017
Licenses	\$ 3,102,353	\$ -	\$ (1,612,382)	\$ 1,489,971

- (i) The oil and gas interests of the Company are located both offshore in Guyana and offshore in Namibia.

Eco (Atlantic) Oil & Gas Ltd.

(An Exploration Stage Company)

Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

7. Petroleum and Natural Gas Licenses (continued)

(ii) Guyana

- i. The Guyana License is located in the Orinduik block, offshore Guyana. The Orinduik block is situated in shallow water, 170 kilometers offshore Guyana in the Suriname Guyana basin and is located in close proximity to the recent Exxon “Lisa” and “Payara” discoveries.
- ii. In accordance with the Guyana Petroleum Agreement, Eco Guyana holds a 40% working interest in the Guyana Licenses and Tullow Oil plc (“Tullow”) holds the remaining 60% interest. Under the Guyana Petroleum Agreement, Tullow will act as operator.
- iii. On June 8, 2017, in light of recent discoveries in the region by other petroleum explorers and the advancement of the interpretation of the Orinduik Block the results of which were encouraging to the Company, Tullow and the Company approved a circa 2,550 km² seismic survey on the Company’s Orinduik Block. Tullow carried US\$1,250,000 of the Company’s share of costs of the 3D survey.
- iv. On June 18, 2017, the Company and Tullow elected to enter into Phase Two of the Initial Exploration Period, which runs for four years from January 2016, pursuant to the terms of the Guyana Petroleum Agreement. The work commitment under Phase Two requires the acquisition of at least a minimum of 1,000 square kilometers of 3D seismic on the Orinduik Block. This has already been completed and exceeded during Phase One when the Block partners completed a 2,550 square kilometers survey in September 2017. As such, there is no further 3D seismic in Phase Two of the Initial Period.
- v. On September 26, 2017, the Company’s subsidiary, Eco Guyana, entered into an option agreement that provides Total E&P Activités Pétrolières, (a wholly owned subsidiary of Total SA) (“Total”) with an option to acquire a 25% Working Interest in the Orinduik Block from Eco Guyana (the “Option”). Pursuant to the Option Agreement, Total made an immediate payment of US\$1 million for the Option (the “Option Fee”) to Farm-in to the Orinduik Block for an additional payment in cash of US\$12.5 million to earn the 25% Working Interest. The Option is exercisable within 120 days from delivery to Total of the processed 3D seismic and final report thereto. The survey acquisition was completed on September 5, 2017 and processing is expected to be fully completed in August 2018.
- vi. On February 20, 2018, the Company entered into two share purchase agreements (collectively, the “Purchase Agreements”) to purchase the minority interests in Eco Guyana, consisting of 6% of the outstanding shares of Eco Guyana (the “Minority Shares”). As consideration for the acquisition of the Minority Shares the Company agreed to pay a cash consideration in the amount of US\$200,000 payable in two equal tranches (the first upon closing of the Purchase Agreements (the “Closing”) and the second 60 days after Closing); and issue a total of 1,700,384 common shares (the “Consideration Shares”). The Consideration Shares are subject to a lock up arrangement, with 1/3 being released on Closing; 1/3 being released 91 days after Closing; and the remaining balance being released 181 days after Closing. Upon Closing, the Company will own 100% of Eco Guyana. As of March 31, 2018, the Company paid the first instalment of US\$100,000. See also Subsequent Events note 21(i).

7. Petroleum and Natural Gas Licenses (continued)

(ii) Guyana (continued)

As at March 31, 2018, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Guyana License for is as follows:

Exploration Activities ⁽¹⁾	Expenditure (US\$)	Company's current share of Expenditure ⁽²⁾ (US\$)	Company's share of Expenditure should Total exercise their Option (US\$)
By January 2023			
• 1 st renewal period – Drill one exploration well (contingent)	35,000,000	14,000,000	5,250,000
By January 2026			
• 2 nd renewal period – Drill one exploration well (contingent)	35,000,000	14,000,000	5,250,000
Total	70,000,000	28,000,000	10,500,000

Notes:

- (1) Exploration Activities are not currently committed and cost estimates are based on management estimates for the costs if the relevant Exploration Activity was to be undertaken as at the date of this document.
- (2) Assuming Company's working interest remains at 40%.

(iii) Namibia

- i. The Company holds four offshore petroleum licenses in the Republic of Namibia being petroleum exploration license number 0030 (the "Cooper License"), petroleum exploration license number 0033 (the "Sharon License"), petroleum exploration license number 0034 (the "Guy Licenses", together with the Sharon License and the Cooper License, the "ECO Offshore Licenses"), and petroleum exploration license number 0050 (the "Tamar License").

(iv) The Cooper License

- i. The Cooper License covers approximately 5,000 square kilometers and is located in license area 2012A offshore in the economical waters of Namibia (the "Cooper Block"). The Company holds a 32.5% working interest in the Cooper License, NAMCOR holds a 10% working interest (carried by the Company and Tullow collectively), AziNam Ltd. ("AziNam"), holds a 32.5% working interest, and Tullow Namibia Limited, a wholly owned subsidiary of Tullow Oil plc ("Tullow"), holds a 25% working interest. AziNam and Tullow proportionally carry NAMCOR's working interest during the exploration period.

Pursuant to the Company's original farmout agreement with Tullow (the "Tullow Farmout Agreement"), if Tullow elects to participate in the drilling of an exploration well on the Cooper Block, Tullow will acquire an additional 15% working interest in the Cooper License from Eco and Azinam, will carry (capped at \$18.17 million) the Company's share of costs to drill the exploration well and will reimburse the Company for 17.14% of its past costs (the "Second Transfer"); such terms were subsequently updated in January 2017 as set out below. There is no guarantee that the Second Transfer will be completed.

- ii. On November 27, 2017, India's ONGC Videsh, announced that it is acquiring a 15% working interest in the Cooper license from Tullow. The transaction is subject to the approval of the Ministry.

7. Petroleum and Natural Gas Licenses (continued)

(iv) The Cooper License (continued)

- iii. On April 15, 2016, the Ministry approved the entering the next phase of the Cooper License which has been extended into the first Renewal Phase, which on October 16, 2017, was extended by the Ministry to March 2019. The Second Renewal phase is until March 2021. The Ministry also waived the relinquishment requirement (as stipulated in the Petroleum Agreement), and the partners will continue the exploration work on the entire block area.
- iv. On November 2, 2017, the Company released its Public Notice for Environmental Clearance Certificate (ECC) for drilling of an exploration well within its Osprey Lead on the Block.
- v. As of March 31, 2018, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Cooper License is as follows:

Exploration Activities ⁽¹⁾	Expenditure (US\$)	Company's share of Expenditure (US\$) ⁽²⁾
By March 31, 2020		
• After interpretation of 3D survey, drill exploratory well	35,000,000	2,250,000
• Offtake/production engineering	500,000	125,000
By March 31, 2021		
• Complete and interpret a 500 square kilometers 3D seismic survey	1,400,000	350,000
Total	36,900,000	2,725,000

Notes:

- (1) Exploration Activities are not currently committed and cost estimates are based on management estimates for the costs if the relevant Exploration Activity was to be undertaken as at the date of this document.
- (2) These numbers assume that the Second Transfer will be completed and the Company's working interest will be 25%. There is no guarantee that the Second Transfer will be completed. If the Second Transfer is not completed, the Company's share of the Expenditure will be 63.9%.

(v) The Sharon License

- i. The Sharon License covers 5,000 square kilometers and is located in license area 2213A and 2213B offshore in the economical waters of Namibia (the "Sharon Blocks"). The Company holds a 60% working interest in the Sharon License, NAMCOR holds a 10% carried interest (by the Company), and AziNam holds a 30% interest. The Company and AziNam proportionally carry NAMCOR's working interest during the exploration period.
- ii. On April 15, 2016, the Ministry approved the entering the next phase of the Sharon License, which has been extended into the first Renewal Phase, which on October 16, 2017, was extended by the Ministry to March 2019. The Second Renewal phase is until March 2020. The Ministry further approved the Company's request to terminate 50% of its licensing obligation corresponding with the relinquishment of 50% of the acreage in the license which was a requirement of the Petroleum Agreement. This relinquishment pertains to the eastern half of the Sharon Block. The Company considers this shallow section non-prospective.

Notes to the Consolidated Financial Statements
March 31, 2018 and 2017

7. Petroleum and Natural Gas Licenses (continued)

(v) The Sharon License (continued)

- iii. As of March 31, 2018, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Sharon License is as follows:

Exploration Activities ⁽¹⁾	Expenditure (US\$)	Company's share of Expenditure (US\$)
By March 31, 2020 <ul style="list-style-type: none"> • Complete and interpret a 1,00 square kilometers 3D seismic survey • Resource assessment and production assessment has been completed 	8,000,000	5,280,000 Completed
By March 31, 2021 <ul style="list-style-type: none"> • Assuming a target has been defined after interpretation of 3D survey, drill exploratory well • Offtake/production engineering 	35,000,000 500,000	23,100,000 333,500
By March 31, 2021 <ul style="list-style-type: none"> • Complete and interpret a 500 square kilometers 3D seismic survey 	1,400,000	933,800
Total	44,900,000	29,647,300

Notes:

(1) Exploration Activities are not currently committed and cost estimates are based on management estimates for the costs if the relevant Exploration Activity was to be undertaken as at the date of this document.

(vi) The Guy License

- i. The Guy License covers 5,000 square kilometers and is located in license area 2111B and 2211A offshore in the economical waters of Namibia (the "Guy Block"). The Company holds a 50% working interest in the Guy License, NAMCOR holds a 10% carried interest (by the Company) and AziNam holds a 40% interest. The Company and AziNam proportionally carries NAMCOR's working interest during the exploration period. As of July 1, 2015, AziNam assumed the role of operator with respect to the Guy License. The Company and AziNam proportionally carry NAMCOR's working interest during the exploration period.
- ii. On May 12, 2016, the Ministry approved the entering the next phase of the Guy License, which has been extended into the first Renewal Phase, which on October 16, 2017, was extended by the Ministry to March 2019. The Second Renewal phase is until March 2020. The Ministry further approved the Company's request to terminate 50% of its licensing obligation corresponding with the relinquishment of 50% of the acreage in the license which was a requirement of the Petroleum Act. This relinquishment pertains to the western portion of the Guy block in the ultra-deep section that the Company and its operating partner, AziNam, consider non-prospective.

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Notes to the Consolidated Financial Statements

March 31, 2018 and 2017

7. Petroleum and Natural Gas Licenses (continued)

(vi) The Guy License (continued)

- iii. As of March 31, 2018, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Guy License is as follows:

Exploration Activities ⁽¹⁾	Expenditure (US\$)	Company's share of Expenditure (US\$)
By March 31, 2021		
• Assuming a target has been defined after interpretation of 3D survey, drill exploratory well	35,000,000	19,460,000
• Offtake/production engineering	500,000	278,000
By March 31, 2021		
• Complete and interpret a 500 square kilometers 3D seismic survey	1,400,000	778,400
Total	36,900,000	20,516,400

Notes:

- (1) Exploration Activities are not currently committed and cost estimates are based on management estimates for the costs if the relevant Exploration Activity was to be undertaken as at the date of this document.

(vii) The Tamar License

- i. The Tamar License covers approximately 7,500 square kilometres and is located in license areas 2211B and 2311A offshore in the economical waters of the Republic of Namibia. PAO Namibia holds an 80% working interest in the Tamar License (the Company's net interest is 72% due to its 90% ownership of PAO Namibia), Spectrum Geo Ltd. holds a 10% working interest, and NAMCOR holds a 10% working interest.
- ii. On June 25, 2018, the Company received a one-year extension to March 20, 2019 for the First Renewal Period from the Petroleum Commissioner of the Republic of Namibia.
- iii. As of March 31, 2018, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Tamar License is as follows:

Exploration Activities ⁽¹⁾⁽²⁾	Expenditure (US\$)	Company's share of Expenditure (US\$)
By October 28, 2020		
• Complete and interpret 250 kilometers ² 3D seismic survey	1,040,000	1,040,000
• Evaluation of farm-out and relinquishment of part (original 25%) or all of the Tamar Block		
By October 28, 2021		
• Drill exploratory well (subject to identifying a target and the availability of adequate drilling rigs)	35,000,000	35,000,000
Total	36,040,000	36,040,000

Notes:

- (1) Exploration Activities are not currently committed and cost estimates are based on management estimates for the costs if the relevant Exploration Activity was to be undertaken as at the date of this document.

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8. Related Party Transactions and Balances and Director Remuneration

The following are the expenses incurred with related parties for the years ended March 31, 2018 and 2017 and the balances owing as of March 31, 2018 and 2017:

(i) As of March 31, 2018:

	Directors Fees	Consluting Fees	Share based awards	Option based awards	Total	Amounts owing at March 31, 2018
Executive Directors						
Gil Holzman - CEO	\$ -	\$ 406,340	\$ 621,100	\$ -	\$ 1,027,440	\$ 36,103
Colin Kinley - COO (*)	-	483,268	621,100	-	1,104,368	41,261
Alan Friedman - Exectuive Vice President	-	120,000	133,700	-	253,700	10,000
Gadi Levin - Finanial Director	-	109,072	177,700	-	286,772	10,000
Non Executvie Directors						
Moshe Peterberg - Chairman of the board	91,702	-	339,600	-	431,302	27,077
Derek Linfield (**)	47,556	-	-	29,730	77,286	-
Keith Hill (***)	18,000	-	-	-	18,000	9,000
Peter Nicol	47,556	-	199,700	-	247,256	14,485
Helmut Angula	24,000	-	-	-	24,000	24,000
Officers						
Alan Rootenberg - CFO	-	18,000	-	-	18,000	1,500
Total	\$ 228,814	\$ 1,136,680	\$ 2,092,900	\$ 29,730	\$ 3,488,124	\$ 173,426

(*) Included in Consulting fees are to Mr. Kinley is \$231,066 of fees paid for technical services provided by a Company controlled by Mr. Kinley.

(**) Mr. Linfield resigned as a director on December 29, 2017.

(***) Mr. Hill was appointed as a director on December 29, 2017.

(ii) As of March 31, 2017:

	Directors Fees	Consluting Fees	Share based awards	Option based awards	Total	Amounts owing at March 31, 2017
Executive Directors						
Gil Holzman - CEO	\$ -	\$ 320,948	\$ 11,521	\$ 140,040	\$ 472,509	\$ 24,840
Colin Kinley - COO	-	237,769	95,485	66,421	399,675	32,000
Alan Friedman - Exectuive Vice President	-	120,000	3,420	75,187	198,607	10,000
Gadi Levin - Finanial Director	-	25,920	2,660	-	28,580	8,640
Non Executvie Directors						
Moshe Peterberg - Chairman of the board	90,665	-	11,210	54,804	156,679	21,981
Derek Linfield	13,360	-	-	-	13,360	-
Peter Nicol	24,779	-	7,600	30,271	62,650	-
Helmut Angula	18,000	-	3,420	24,801	46,221	-
Officers						
Alan Rootenberg - CFO	-	18,000	-	24,801	42,801	1,500
Total	\$ 146,804	\$ 722,637	\$ 135,316	\$ 416,324	\$ 1,421,081	\$ 98,961

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9. Share Capital

Authorized: Unlimited Common Shares

Issued		Common Shares	Amount \$	Shares to be issued \$	Restricted Share Units Reserve \$
Balance, March 31, 2016		85,044,025	20,838,056	176,580	216,114
Repurchase and cancellation of Shares	(i)	(1,823,500)	(338,257)	-	-
Shares issued on vesting of Restricted Share Units					
From March 23, 2016	(ii)(a)	708,700	136,079	-	(136,079)
From August 5, 2016	(ii)(b)	216,736	41,180	-	3,420
From November 28, 2016	(ii)(c)	-	-	-	100,574
Shares issued in AIM listing	(iii)	32,900,498	6,108,037	-	-
Pan African Oil Amalgamation shares issued	(iv)	1,203,374	176,580	(176,580)	-
Balance, March 31, 2017		118,249,833	26,961,675	-	184,029
Shares issued on vesting of Restricted Share Units					
From March 23, 2016	(v)(a)1	433,600	95,392	-	(95,392)
From November 24, 2017	(v)(a)2	400,000	88,000	-	(5,182)
From June 8, 2017	(vi)	3,400,000	1,016,600	-	29,900
From November 24, 2017	(vi)(a)	3,050,000	1,342,000	-	-
From November 24, 2017	(vi)(b)	198,900	42,962	-	(42,962)
Shares issued for services	(vii)	62,500	17,500	-	-
Cancellation of shares	(viii)	(262,500)	-	-	-
Shares issued in a brokered private placement	(ix)	29,200,000	13,286,682	-	-
Exercise of warrants	(x)	1,562,500	556,121	-	-
Exercise of stock options	(xi)	1,200,000	407,291	-	-
Purchase of minority interest in subsidiary	(xii)	-	-	1,139,257	-
Issuance of warrants	10(i)	-	(969)	-	-
Balance, March 31, 2018		157,494,833	43,813,254	1,139,257	70,393

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9. Share Capital (continued)

- (i) On February 20, 2015, the Company's Board of Directors authorized a share repurchase program (the "2015 Issuer Bid") of up to 10 percent of the Company's outstanding common shares through a normal course issuer bid (up to 6,171,724 common shares) ("ECO Share Repurchase Program"). Shares could be repurchased from time to time on the open market commencing March 2, 2015 through March 1, 2016, or such earlier time as the Issuer Bid is completed or terminated at the option of the Company, at prevailing market prices. The timing and amount of purchases under the program are dependent upon the availability and alternative uses of capital, market conditions, and applicable Canadian regulations and other factors. On March 10, 2016, the Company announced that it had received an additional Exchange approval for its intended normal course issuer bid (the "2016 Issuer Bid"). Under the terms of the 2016 Issuer Bid, the Company may acquire up to 6,491,870 Common Shares from time to time in accordance with Exchange procedures, representing approximately 10% of the total number of the Common Shares held by public shareholders as at the date of the Exchange approval.

As at March 31, 2017, the Company repurchased a total of 8,454,000, of which 8,191,500 have been cancelled. The Company held shares, as of March 31, 2017, valued at \$52,805 (March 31, 2016 - \$29,937) in treasury.

- (ii) During the year ended March 31, 2017, the Company issued the following RSU's:
- a. 708,700 of the 1,002,600 RSU's, granted on March 23, 2016 were issued, and the fair value of those RSU's (\$136,079) were released from Shares to be Issued in the Statement of Equity to Contributed Surplus.
 - b. On August 5, 2016, 234,736 RSU's were granted to certain directors, officers and consultants of the Company. The RSU's vested immediately on the grant date. These RSU's had a fair value of \$0.19 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. The total fair value of the RSU's amounted to \$44,600. As 18,000 underlying shares, have not yet been issued, \$41,180 was recognized as share-based compensation expense for the year ended March 31, 2017 and \$3,420 has been recorded as shares to be issued the Statement of Equity as at March 31, 2017.
 - c. On November 28, 2016, 833,600 RSU's were granted to certain officers and consultants of the Company. These RSU's had a fair value of \$0.22 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. The total fair value of the RSU's amounted to \$183,392.
 1. 433,600 RSU's vested immediately on the grant date, however, as of March 31, 2017, these shares have not been issued. As such, \$95,392 was recognized as share-based compensation expense for the year ended March 31, 2017 with a corresponding credit to Shares to be issued in the Statement of Equity.
 2. 400,000 RSU's will vest upon the achievement of certain milestones and expire on November 27, 2026. Management estimates that there is currently a 100% probability that the milestone will be achieved, and as such, the fair value of the RSU's was charged to share-based compensation over the vesting period of the RSU. \$5,182 was recognized as share-based compensation expense for the year ended March 31, 2017 with a corresponding credit to Shares to be issued in the Statement of Equity.

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March 31, 2018 and 2017

9. Share Capital (continued)

- (iii) On February 8, 2017, the Company completed an admission and listing on the AIM market of the London Stock Exchange (“AIM”). The Company raised \$8,390,250 (£5,085,000) before expenses by placing 31,781,250 new Common Shares (the “UK Placing”) with investors at a placing price of £0.16 per share (\$0.265 per share (the “Placing Price”) (the “Placing”). AIM listing expenses including, cash expenses, comprising primarily commissions and professional fees in the amount of \$2,044,946 and the fair value of warrants issued to brokers’ (see Note 11) in the amount of \$237,267.

In addition to securities issued pursuant to the UK Placing, common shares and warrants were issued to the UK advisors in relation to the Company’s Admission to AIM in the aggregate amount of 812,500 common shares and 3,702,935 warrants and one Canadian service provider subscribed for 306,748 common shares at CDN\$0.26 per share for total cash consideration of \$79,754. The exercise period for the warrants includes 12, 24, and 30 months and the related exercise prices are 17.6, 19.2 and 16 pence per share, respectively (\$0.29, \$0.32 and \$0.27 per share, respectively) (“Broker Warrants”).

The fair value of the warrants was \$237,267 (Note 10).

Gross proceeds, less issuance costs paid in cash (including payments to the UK Advisors of £215,000 (\$356,126) and cash commissions of £256,950 (\$425,612)) and less the total fair value of the Broker Warrants were charged against share capital in the statement of equity.

All common shares being issued by the Company pursuant to this offering will be freely transferable outside of Canada, however these shares are subject to a four-month restricted hold period in Canada which will prevent such common shares from being resold in Canada, through a Canadian exchange or otherwise, during the restricted period without an exemption from the Canadian prospectus requirement.

- (iv) In connection with the Amalgamation completed on January 28, 2015, the Company authorized for issuance 18,830,738 Common Shares. In order to obtain their Common Shares in the Company, former shareholders of Pan African Oil (“PAO”) were required to surrender for cancellation the certificates representing their PAO shares (the “Certificates”). As at March 31, 2017, 17,972,764 shares were issued to former PAO shareholders.
- (v) During the year ended March 31, 2018, the following shares were issued as a result of vested Restricted Share Units:
- a. On November 28, 2016, the Company issued 833,660 RSU’s. 433,600 RSU’s vested immediately, and 400,000 were to vest upon the achievement of certain milestones:
 1. On May 4, 2017, shares in respect of 433,600 of the 833,600 RSU’s, which had vested immediately, were issued, and the fair value of those RSU’s (\$95,932) were released from Restricted Share Unit Reserve in the Statement of Equity to Contributed Surplus.
 2. On November 24, 2017, the milestones in respect of the 400,000 RSU’s were achieved and shares in respect of these 400,000 RSU’s were issued. The total fair value of these RSU’s amounted to \$88,000 which was charged to share-based compensation with a corresponding credit to Share Capital in the Statement of Equity.

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9. Share Capital (continued)

- (vi) On June 8, 2017, 3,500,000 RSU's were granted to certain directors, officers and consultants of the Company as compensation and success fees in relation with the AIM admission and Company's portfolio and operational developments. The RSU's vested immediately on the grant date. These RSU's had a fair value \$1,046,500 (\$0.299 per unit) based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date and was charged to Share based Compensation in the Statements of Operations and Comprehensive Loss. On November 24, 2017, 3,400,000 were issued and 100,000 remain outstanding. \$1,016,600 was charged to Share Capital and \$29,900 (representing the fair value of the remaining 100,000 shares) was charged to Restricted Share Units in the Statement of Equity.
 - a. On November 24, 2017, 3,050,000 RSU's were granted to certain directors, officers and consultants of the Company as compensation and success fees in relation with the Brokered Private Placement. The RSU's vested immediately on the grant date and 3,050,000 shares of the Company were issued immediately. These RSU's had a fair value \$1,342,000 (\$0.44 per unit) based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date and was charged to Share based Compensation in the Statements of Operations and Comprehensive Loss with a credit to Share Capital in the Statement of Equity.
 - d. In addition, on November 24, 2017, the Company issued 198,000 shares in respect of RSU's that were granted on March 30, 2016. The total fair value of the RSU' amounted to \$42,962.
- (vii) On June 28, 2017, the Company granted 62,500 shares to a UK consultant for services provided. The fair value of the shares on the grant date was \$17,500.
- (viii) On August 4, 2017, the Company cancelled 262,500 shares that had been repurchased during the year ended March 31, 2107 under the terms of the its intended normal course issuer bid (the "2016 Issuer Bid"), in which the Company was allowed to acquire up to 6,491,870 Common Shares from time to time in accordance with Exchange procedures, representing approximately 10% of the total number of the Common Shares held by public shareholders as at the date of the Exchange approval. As of August 4, 2017, all the shares purchased under the 2016 Issuer Bid have now been cancelled.
- (ix) On November 16, 2017 the Company completed a brokered private placement with Africa Oil Corp ("AOC") resulting in gross proceeds of \$14 million (the "AOC Brokered Private Placement"). The AOC Brokered Private Placement involved the sale of 29,200,000 shares in the Company at a price of \$0.48 per share. Net proceeds were \$13,286,682 after deducting a cash commission in the amount of \$588,096 to the brokers and other expenses of \$52,801.
- (x) In February 2018, 1,562,500 warrants were exercised at £0.176 (\$0.31) per warrant into 1,562,500 shares of the Company for a gross consideration of \$485,815 (£274,912).
- (xi) On January 19, 2018, 1,200,000 options were exercise at \$0.30 per option into 1,200,000 shares of the Company for gross consideration of \$360,000.
- (xii) As disclosed in note 7(ii), on February 20, 2018, the Company entered into Purchase Agreements to purchase the Minority Shares in Eco Guyana. As part of the consideration for the acquisition of the Minority Shares the Company agreed issue a total of 1,700,384 common shares. As the shares were not issued by March 31, 2018, the Company recorded a credit to Shares to be Issued in the Statement of Changes in Equity in the amount of \$1,139,257 being that fair value of the shares at the date of the Purchase Agreements, and a corresponding charge to accumulated deficit.

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10. Warrants

A summary of warrants outstanding at March 31, 2018 was as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, April 1, 2015	4,937,341	1.00
Expiry of warrants	(4,937,341)	1.00
Balance, March 31, 2016	-	-
Granted during the AIM listing (i)	3,702,935	0.29
Balance, March 31, 2017	3,702,935	0.29
Granted (ii)	17,813	0.29
Exercised (see Note 9(ix))	(1,562,500)	0.29
Balance, March 31, 2018	2,158,248	0.29

- (i) On February 8, 2017, the Company issued 3,702,935 warrants to three brokers as part of the Placing (Note 9 (iv)). The warrants were valued at \$237,267 at the time of issuance. The Black-Scholes option pricing model was used to measure the warrant with the following assumptions:

	Brandon Hill	Strand Hanson	Peterhouse
Number of Warrants	975,750	1,164,685	1,562,500
Exercise price (£)(*)	£ 0.192	£ 0.160	£ 0.176
Exercise price CDN	\$ 0.32	\$ 0.27	\$ 0.29
Expected life	2 years	2.5 years	1 years
Risk-free interest rate	0.75%	0.75%	0.75%
Dividend yield	0.00%	0.00%	0.00%
Foreign exchange rate (GBP/CAD)	1.649	1.649	1.649
Expected volatility	54.50%	54.61%	51.83%

- (ii) On June 1, 2017, as a result of the increase to the proceeds of the UK placing associated with the Company's admission to AIM, and in accordance with the Company's contractual obligations to Strand Hanson Limited, an additional 17,813 warrants were issued to Strand Hanson Limited. These warrants are issued on the same terms as those set out in the Admission Document dated February 2, 2017. These warrants were valued at \$969, on the same assumptions as (i) above.

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10. Warrants (continued)

(iii) As of March 31, 2018, outstanding warrants were as follows:

Number of Warrants	Exercise Price (*)	Exercisable At March 31, 2018	Expiry Date
975,750	\$ 0.35	975,750	February 8, 2019
1,182,498	\$ 0.29	1,182,498	August 7, 2019
<u>2,158,248</u>		<u>2,158,248</u>	

(*) The exercise price of these warrants is denominated in British Pounds and was translated to Canadian Dollars in the table above using the exchange rate as of March 31, 2018.

11. 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, 2018 and changes during the year is as follows:

	Number of stock options	Weighted average exercise price \$	Remaining contractual life - years
Balance, March 31, 2016	9,123,400	0.53	1.76
Cancelled	(1,098,000)	1.21	-
Expired	(155,400)	0.59	-
Balance, March 31, 2017	7,870,000	0.30	4.15
Granted (i)	250,000	0.36	
Exercised (see Note 9 (xi))	(1,200,000)	0.30	
Balance, March 31, 2018	6,920,000	0.302	4.15

(i) On June 8, 2017, 250,000 options were issued to a director. 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 following two years. The fair value of the options granted was estimated at \$35,677 using the Black-Scholes option pricing model, using the following assumptions: Expected option life 5 years; Volatility 62.67%; Risk-free interest rate 1.28%; Dividend yield 0%.

(ii) Share-based compensation expense is recognized over the vesting period of options. During the year ended March 31, 2018, share-based compensation of \$35,744 (March 31, 2017 – \$168,673) was recognized based on options vesting during the year.

(iii) As at March 31, 2018, 6,753,333 options were exercisable (March 31, 2017 – 7,653,333).

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12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2017 – 26.5%) to the effective rate is as follows:

	March 31, 2018 \$	March 31, 2017 \$
Net loss before recovery of income taxes	(8,182,233)	(3,556,586)
Expected income tax recovery	(2,168,292)	(942,495)
Difference in foreign tax rates	170,465	(177,188)
Tax rate changes and other adjustments	(236,979)	(828,782)
Non-deductible expenses	689,090	(331,862)
Discontinued operations	-	653,122
Change in tax benefits not recognized	1,545,716	1,627,205
Income tax recovery reflected in the statements of operations and comprehensive loss	-	-

Unrecognized Deferred Tax Assets

Deferred 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 tax assets have not been recognized in respect of the following deductible temporary differences:

	March 31, 2018 \$	March 31, 2017 \$
Deferred Tax Assets		
Non-capital losses - Canada	7,520,067	4,507,823
Non-capital losses - Namibia	8,222,267	7,682,221
Non-capital losses – Guyana	-	199,621
Share issue and financing costs	1,739,685	1,635,957
Resource pools – Petroleum, natural gas and shale gas property	4,510,985	848,464
Other deductible temporary difference	41,221	257,518

The Canadian non-capital loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. 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 benefit therefrom.

The Company's Canadian non-capital loss carry forwards expire as follows:

2031	\$ 96,680
2032	845,268
2033	1,471,522
2034	1,265,598
2037	1,750,118
2038	2,090,881
\$	7,520,067

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13. 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, 2018 and 2017, the Company did not operate any properties, accordingly, no ARO was required.

14. Capital Management

The Company considers its capital structure to consist of share capital, deficit 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 exploration 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, 2018. 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*).

15. 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 harmonized sales tax due from the Federal Government of Canada. Government receivable consists of value added tax due from the Namibian government which has been collected subsequent to year end. 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, cash on deposit and no interest bearing debt. It does not have a material exposure to this risk.

c) 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, 2018, the Company had cash and cash equivalents and on deposit of \$14,316,042. (March 31, 2017 - \$6,088,567), short-term investments of \$74,818 (March 31, 2017 - \$49,818) and other receivables of \$832,322 (March 31, 2017 - \$1,100,491) to settle current liabilities of \$731,024 (March 31, 2017 - \$800,629).

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, 2018 all have contractual maturities of less than 90 days and are subject to normal trade terms.

The Company is dependent on obtaining financing to complete development, and upon future profitable operations from the licenses or profitable proceeds from their disposition.

The Company has commitments related to its petroleum and natural gas licenses as described in Note 7.

d) Foreign currency risk

The Company is exposed to foreign currency fluctuations on its operations in Namibia, which are denominated in Namibian dollars. Sensitivity to a plus or minus 10% change in rates would not have a significant effect on the net income (loss) of the Company, given the Company's minimal assets and liabilities designated in Namibian dollars as at March 31, 2018.

16. Commitments

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 7* for details.

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17. Operating Costs

Operating costs consist of the following:

	Year ended	
	March 31	
	2018	2017
Exploration data acquisition and interpretation and technical consulting	\$ 4,564,015	\$ 2,281,364
Exploration license fees	402,992	173,817
Travel	314,666	232,615
Recovered under JOAs	(32,248)	(517,856)
	<u>\$ 5,249,425</u>	<u>\$ 2,169,940</u>

18. General and Administrative Costs

General and administrative costs consist of the following:

	Year ended	
	March 31	
	2018	2017
Occupancy and office expenses	\$ 52,133	\$ 82,332
Travel expenses	125,438	132,348
Public company costs	645,387	113,103
Insurance	57,734	59,566
Financial services	22,964	10,875
Advertising and communication	1,562	8,515
Depreciation	-	1,101
Recovered under JOAs	(18,072)	(22,272)
	<u>\$ 887,146</u>	<u>\$ 385,568</u>

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19. Discontinued Operations

- a) On July 29, 2014, the Company, through its wholly-owned subsidiary, Eco Atlantic (Ghana) Ltd. (“Eco Ghana”), acquired a 50.51% interest in the Deepwater Cape Three Points West Block, located in the Tano Cape Three Points Basin, offshore Ghana (the “Ghana Block”). The parties to the GPA include the Company, the Ghana National Petroleum Company (“GNPC”), GNPC Exploration and Production Company Limited (“GNPCEPCL”), A-Z Petroleum Products Ghana Limited (“A-Z”), and PetroGulf Limited (“PetroGulf”).
- b) On November 21, 2016, the Company received the necessary approvals from GNPC and GNPC Exploration and Production Company to execute a Share Purchase and Sale Agreement (the “Ghana Agreement”) to which the Company sold its total interest in Eco Ghana to PetroGulf for proceeds of \$1 USD. Pursuant to the Ghana Agreement, the Company is entitled to receive US\$576,580 as reimbursement for past operating expenditures owed to the company on the Ghana Block (“Ghana Reimbursement”). As a result of the Ghana Agreement, the Company will have no remaining obligations in Ghana, and in the Ghana Block, specifically, as PetroGulf has fully assumed all obligations of Eco Ghana. As of the date hereof, the Ghana Reimbursement has not been received.
- c) The carrying value of Eco Ghana was (\$853,362) at the date of sale. Proceeds on the sale were \$1 USD (\$1 CDN) resulting in a gain on disposition of \$853,361.
- d) The Company’s operating results from discontinued operations in Eco Atlantic (Ghana) Ltd. are summarized as follows:

	Year Ended
	March 31
	2017
Revenues	
Operator Fees	\$ 11,804
Expenses	
Professional Fees	131,517
Operating costs	225,781
General and administrative costs	19,708
Foreign exchange	(314)
Pre-tax operating loss from discontinued operations	\$ (364,888)
Income tax on operations	-
Operating loss from discontinued operations	\$ (364,888)
Gain of sale of operations	853,361
Profit (loss) on sale of discontinued operations	\$ 488,473

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20. Earnings per Share

The Company's 6,920,000 (March 31, 2017 – 7,870,000) options and 2,158,248 (March 31, 2017 - 3,702,935) warrants have been excluded from the calculation of dilutive earnings per share as their inclusion would be antidilutive.

21. Subsequent Events

- (i) On June 1, 2018, the Company issued the all of the tranches of the Consideration Shares in respect of the Purchase Agreements to acquire the Minority Shares of Eco Guyana. See Note 7(ii).