



# **Eco (Atlantic) Oil & Gas Ltd.**

**Consolidated Financial Statements**

**March 31, 2019 and 2018**

## **Table of Contents**

*March 31, 2019 and 2018*

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<b>Contents</b>	<b>Page</b>
<b>Independent Auditor's Report</b>	
<b>Consolidated Financial Statements</b>	
Consolidated Statements of Financial Position	1
Consolidated Statements of Operations and Comprehensive Profit and Loss	2
Consolidated Statements of Equity	3
Consolidated Statements of Cash Flows	4
Notes to Consolidated Financial Statements	5 - 29

## Independent Auditor's Report

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

### Opinion

We have audited the consolidated financial statements of Eco (Atlantic) Oil & Gas Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and March 31, 2018, and the consolidated statements of operations and comprehensive profit and loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2019 and March 31, 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Andrew Kevin Spidle.

Mississauga, Ontario

July 29, 2019

*MNP LLP*

**Chartered Professional Accountants**

**Licensed Public Accountants**

**MNP**

Eco (Atlantic) Oil & Gas Ltd.

**Consolidated Statements of Financial Position**

	March 31, 2019	March 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 25,007,479	\$ 14,316,042
Short-term investments (Note 5)	74,818	74,818
Government receivable	33,104	23,626
Accounts receivable and prepaid expenses (Note 6)	80,926	832,322
	<b>25,196,327</b>	15,246,808
Petroleum and natural gas licenses (Note 7)	1,489,971	1,489,971
<b>Total Assets</b>	<b>\$ 26,686,298</b>	<b>\$ 16,736,779</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	\$ 423,513	\$ 521,537
Advances from and amounts owing to license partners, net	1,127,675	209,487
<b>Total Liabilities</b>	<b>1,551,188</b>	731,024
<b>Equity</b>		
Share capital (Note 9)	50,025,998	43,813,254
Shares to be issued (Note 9)	-	1,139,257
Restricted Share Units reserve (Note 9)	111,493	70,393
Warrants (Note 10)	52,775	167,931
Stock options (Note 11)	3,184,658	2,979,367
Non-controlling interest	-	(55,065)
Accumulated deficit	(28,239,814)	(32,109,382)
<b>Total Equity</b>	<b>25,135,110</b>	16,005,755
<b>Total Liabilities and Equity</b>	<b>\$ 26,686,298</b>	<b>\$ 16,736,779</b>

**Basis of Preparation** (Note 2)

**Commitments** (Notes 7 and 16)

**Subsequent events** (Note 20)

Approved by the Board of Directors of the Company

“Gil Holzman”

Director

“Gadi Levin”

Director

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

**Consolidated Statements of Operations and Comprehensive Profit and Loss**

	Year ended March 31,	
	2019	2018
<b>Revenue</b>		
Income from option agreement <i>(Note 7(ii))</i>	\$ 16,659,307	\$ 1,248,000
Interest income	289,110	85,620
	<b>16,948,417</b>	1,333,620
<b>Operating expenses:</b>		
Compensation costs	706,318	672,410
Professional fees	416,204	402,135
Operating costs <i>(Notes 17)</i>	5,385,306	5,249,425
General and administrative costs <i>(Note 18)</i>	1,448,308	887,146
Write off of receivable <i>(Note 6)</i>	767,428	-
Share-based compensation <i>(Notes 9(ix) and 11(iii))</i>	4,377,060	2,512,244
Foreign exchange (gain) loss	(325,840)	(33,226)
Total expenses	<b>12,774,784</b>	9,690,134
<b>Net profit (loss) and comprehensive profit (loss)</b>	<b>\$ 4,173,633</b>	<b>\$ (8,356,514)</b>
Net comprehensive loss attributed to:		
Equity holders of the parent	\$ 4,173,633	(8,182,233)
Non-controlling interests	-	(174,281)
	<b>\$ 4,173,633</b>	<b>\$ (8,356,514)</b>
Basic and diluted net profit (loss) per share attributable to equity holders of the parent	<b>\$ 0.03</b>	<b>\$ (0.06)</b>
Weighted average number of ordinary shares used in computing basic and diluted net profit (loss) per share	<b>159,887,208</b>	132,545,535

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

Eco (Atlantic) Oil & Gas Ltd.

**Consolidated Statements of Changes in Equity**

	Number of Shares	Capital \$	Shares to be issued \$	Restricted Share Units \$	Warrant Reserve \$	Stock Options \$	Deficit \$	Non- controlling Interest \$	Total Equity \$
<b>Balance, March 31, 2017</b>	<b>118,249,833</b>	<b>26,961,675</b>	-	<b>184,029</b>	<b>237,267</b>	<b>2,985,732</b>	<b>(22,337,588)</b>	<b>(76,288)</b>	<b>7,954,827</b>
Shares issued on vesting of Restricted Share Units (Note 9(i)-(iii))	7,482,500	2,584,954	-	(113,636)	-	-	-	-	2,471,318
Shares issued for Services (Note 9(iv))	62,500	17,500	-	-	-	-	-	-	17,500
Cancellation of shares (Note 9(v))	(262,500)	-	-	-	-	-	-	-	-
Shares issued in private placement (Note 9(vi))	29,200,000	13,286,682	-	-	-	-	-	-	13,286,682
Issuance of warrants (Note 10(i))	-	(969)	-	-	969	-	-	-	-
Purchase of minority interest (Note 9(ix))	-	-	1,139,257	-	-	-	(1,589,561)	195,504	(254,800)
Exercise of stock options (Note 9(viii))	1,200,000	407,291	-	-	-	(47,291)	-	-	360,000
Exercise of warrants (Notes 9(vii))	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)
<b>Balance, March 31, 2018</b>	<b>157,494,833</b>	<b>43,813,254</b>	<b>1,139,257</b>	<b>70,393</b>	<b>167,931</b>	<b>2,979,367</b>	<b>(32,109,382)</b>	<b>(55,065)</b>	<b>16,005,755</b>
Issuance of shares (Note 9(ix))	1,700,384	1,139,257	(1,139,257)	-	-	-	-	-	-
Purchase of non-controlling interest in PAO (Note 7(vii)(c))	300,000	249,000	-	-	-	-	(304,065)	55,065	-
Issuance of shares from RSU's	3,000,000	4,110,000	-	41,100	-	-	-	-	4,151,100
Exercise of warrants (Note 9(x))	1,680,313	633,818	-	-	(115,156)	-	-	-	518,662
Exercise of stock options (Note 9(xii))	200,000	80,669	-	-	-	(20,669)	-	-	60,000
Stock options expensed (Note 11)	-	-	-	-	-	225,960	-	-	225,960
Net profit for the year	-	-	-	-	-	-	4,173,633	-	4,173,633
<b>Balance, March 31, 2019</b>	<b>164,375,530</b>	<b>\$ 50,025,998</b>	<b>\$ -</b>	<b>\$ 111,493</b>	<b>\$ 52,775</b>	<b>\$ 3,184,658</b>	<b>\$(28,239,814)</b>	<b>\$ -</b>	<b>\$ 25,135,110</b>

*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,	
	2019	2018
<b>Cash flow from operating activities</b>		
Net profit (loss) from continued operations	\$ 4,173,633	\$ (8,356,514)
Items not affecting cash:		
Share-based compensation	4,377,060	2,512,244
Shares issued for services	-	17,500
Changes in non-cash working capital:		
Government receivable	(9,478)	2,983
Accounts payable and accrued liabilities	(98,024)	(109,224)
Accounts receivable and prepaid expenses	751,396	268,169
Advance from and amounts owing to license partners	918,188	39,619
	<b>10,112,775</b>	<b>(5,625,223)</b>
<b>Cash flow from investing activities</b>		
Purchase of minority interest in subsidiary	-	(254,800)
Short-term investments	-	(25,000)
	-	(279,800)
<b>Cash flow from financing activities</b>		
Net proceeds from Brokered Private Placement	-	13,286,682
Proceeds from the exercise of stock options	60,000	360,000
Proceeds from the exercise of warrants	518,662	485,816
	<b>578,662</b>	<b>14,132,498</b>
<b>Increase in cash and cash equivalents</b>	<b>10,691,437</b>	<b>8,227,475</b>
Cash and cash equivalents, beginning of year	<b>14,316,042</b>	<b>6,088,567</b>
Cash and cash equivalents, end of year	<b>\$ 25,007,479</b>	<b>\$ 14,316,042</b>
<b>Supplementary information</b>		
Shares issued to acquire remaining Non-controlling interest in PAO	\$ 249,000	\$ -
Impairment of receivable	767,428	-

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

## 1. Nature of Operations

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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 7 Coulson Avenue, Toronto, ON, Canada, M4V 143.

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 26, 2019.

## 2. Basis of Preparation

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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

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### 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, 2019.

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:

<b>Subsidiary</b>	<b>Ownership</b>
Eco (BVI) Oil & Gas Ltd. ("EBVI")	100%
Eco (Barbados) Oil & Gas Holdings Ltd. ("EBARB")	100%
Eco Guyana Oil & Gas (Barbados) Ltd	100%
Eco (Atlantic) Guyana Inc. ("Eco Guyana")	100%
Eco (Atlantic) Guyana Offshore Inc.	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")	100%

### 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.

#### Financial instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially reformed approach to hedge accounting. IFRS 9 was effective for annual reporting periods beginning on or after January 1, 2018.

The Company has adopted IFRS 9 and has elected not to restate the comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Therefore, comparative periods have not been restated. There were no differences in the carrying amounts of financial assets and financial liabilities from adoption of IFRS 9. Accordingly, the information presented for March 31, 2018 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39. The adoption of IFRS 9 resulted in changes in classification which are described below.

##### a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

<b>Financial asset/liability</b>	<b>Classification under IAS 39</b>	<b>Classification under IFRS 9</b>
Cash and cash equivalents	Loans and receivables	Amortized cost
Short-term investments	Loans and receivables	Amortized cost
Accounts receivable and prepaid expenses	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Advances from and amounts owing to license partners	Other financial liabilities	Amortized cost

### 3. Summary of Significant Accounting Policies (continued)

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#### Financial instruments (continued)

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

#### b) Measurement

Financial assets and liabilities:

- i) Financial instruments carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).
- ii) Financial instruments carried at FVTOCI for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income.
- iii) Financial instruments carried at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

**3. Summary of Significant Accounting Policies (continued)****Financial instruments (continued)**

## c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

	Fair Value Input Level	As at March 31, 2019		As at March 31, 2018	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Financial Assets:					
Cash and cash equivalents	1	\$ 25,007,479	\$ 25,007,479	\$ 14,316,042	\$ 14,316,042
Short-term investments	1	\$ 74,818	\$ 74,818	\$ 74,818	\$ 74,818

**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)

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#### 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 farmor 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)**

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#### **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**

IFRS 15, Revenue from Contracts with Customers (“IFRS 15”), which replaced IAS 18, Revenue, results in enhanced disclosures about revenue, provides guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improves guidance for multiple-element arrangements. IFRS 15 became effective for year ends commencing after January 1, 2018. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Income from farmout agreements is described above.

#### **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)**

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#### **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**

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

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 expects the adoption of this standard to have no material impact on the financial statements.

### **5. Short-term Investments**

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The Company's short-term investments comprise interest bearing deposits with its primary bank of \$74,818 (March 31, 2018 - \$74,818), which are held as collateral for the Company's credit-cards.

## Eco (Atlantic) Oil & Gas Ltd.

### Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

#### 6. Accounts receivable and prepaid expenses

Accounts receivable balances are reviewed for impairment on a case by case basis and are provided for based on the deterioration of credit risk since initial recognition, at which time a provision is recognized in the consolidated statements of operations and comprehensive profit and loss. If the credit risk has not increased significantly, allowances are based on 12 month expected losses. If the credit risk has increased significantly and if the loan receivable is impaired, the allowance is based on lifetime expected losses.

For the year ended March 31, 2019, a receivable amounting to \$767,428 (US\$576,580) in respect of the sale of the Company's Ghana operation, which took place in November 2016, was fully impaired and expensed in the consolidated statements of operations and comprehensive profit and loss.

#### 7. Petroleum and Natural Gas Licenses

	Balance April 1, 2018	Additions	Impairment, Sale and Abandonment	Balance March 31, 2019
Licenses	\$ 1,489,971	\$ -	\$ -	\$ 1,489,971

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

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

## 7. Petroleum and Natural Gas Licenses (continued)

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### (ii) Guyana

- a. The Guyana license is located in the Orinduik block, offshore Guyana. The Orinduik block is situated in shallow to deep water (70m – 1,400m), 170 kilometers offshore Guyana in the Suriname Guyana basin (“Guyana License”) and is located in close proximity to the Exxon’s 13 recent oil discoveries which is estimated by Exxon to contain an estimated 5.5bn recoverable barrels of oil (BOE).
- b. In accordance with the Guyana Petroleum Agreement and following Total’s farm in (as defined below), Eco Guyana holds a 15% working interest in the Guyana License, Total holds a 25% working interest and Tullow Guyana holds a 60% interest (Operator).
- c. 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 km<sup>2</sup> 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.
- d. 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.
- e. 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 “Total 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 was exercisable within 120 days from delivery to Total of the processed 3D seismic and final report thereto. On September 13, 2018, Total exercised the Total Option and on October 31, 2018, the Company received approval for the transfer of 25% working interest to Total from the President of Guyana. On November 27, 2018, Total transferred \$16.7 million (US\$12.5 million) to the Company and completed the transfer. The \$16.7 million was recorded as Income from option agreement in the Company’s Consolidated Statement of Comprehensive Profit and Loss.
- f. On February 20, 2018, the Company entered into two share purchase agreements (collectively, the “Purchase Agreements”) to purchase the non-controlling interest 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. Accordingly, the Company now owns 100% of Eco Guyana and the shares were issued on June 1, 2018.

## 7. Petroleum and Natural Gas Licenses (continued)

### (ii) Guyana (continued)

- h. On September 11, 2018, the Company announced the filing of a National Instrument 51-101 compliant resource report on the Orinduik Block, offshore Guyana with 2.9 BBOE prospective resource P50 Best Estimate (the “Report”) and On March 18, 2019, the Company announced an update to the Report pursuant to which the resource was increased to 3.981 BBOE prospective resource P50 Best Estimate.
- i. On December 5, 2018 the Company announced its 2019 drilling program for the Orinduik block, offshore Guyana and on July 5, 2019, the Company announced the spudding of the first well.
- j. On March 29, 2019, the Company announced that together with the Partners it has approved the drilling budget for the second well on the Orinduik Block. The net cost, to the Company, of the second well, named the Joe prospect, is expected to be USD3 million. The prospect is estimated to hold 150mmbbl of gross prospective resources with the ‘Chance of Success’ estimated to be 43.2%.
- k. As of March 31, 2019, 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 <sup>(1)</sup>	Expenditure (US\$)	Company’s current share of Expenditure <sup>(2)</sup> (US\$)
By January 2023		
• 1 <sup>st</sup> renewal period – Drill one exploration well (contingent)	46,666,667	7,000,000
By January 2026		
• 2 <sup>nd</sup> renewal period – Drill one exploration well (contingent)	20,000,000	3,000,000
<b>Total</b>	<b>66,666,667</b>	<b>10,000,000</b>

**Notes:**

- (1) Exploration Activities are 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) Company's working interest at 15%.

### (iii) Namibia

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 License”) and petroleum exploration license number 0050 (the “Tamar License”).

## 7. Petroleum and Natural Gas Licenses (continued)

### (iv) The Cooper License

- a. 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”). At the time of the Tullow Farmout Agreement (as defined below), the Company held 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”), held a 25% working interest. AziNam and Tullow proportionally carry NAMCOR’s working interest during the exploration period. (see note c below)
- b. 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.
- c. On October 26, 2018 the Company received a formal notice from Tullow Namibia confirming that it has elected not to either enter into the Second Renewal Period for the Cooper License or to make a financial commitment to drilling. As a result, the Company has received back Tullow Namibia's Working interest and the Company now holds a 57.5% working interest in the Cooper License.
- d. As of March 31, 2019, 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 <sup>(1)</sup>	Expenditure (US\$)	Company’s share of Expenditure (US\$) <sup>(2)</sup>
By March 31, 2021		
• After interpretation of 3D survey, drill exploratory well	35,000,000	23,365,000
• Offtake/production engineering	500,000	319,500
• Complete and interpret a 500 square kilometers 3D seismic survey	1,400,000	894,600
<b>Total</b>	<b>36,900,000</b>	<b>23,579,100</b>

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 amounts reflect Tullow Namibia’s decision not to enter into the Second Renewal Period, which increased the Company’s working interest to 57.5%, (63.8%, including the carried portion).

## 7. Petroleum and Natural Gas Licenses (continued)

### (v) The Sharon License

- a. 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.
- b. 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.
- c. As of March 31, 2019, 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 <sup>(1)</sup>	Expenditure (US\$)	Company’s share of Expenditure (US\$)
By March 31, 2021		
<ul style="list-style-type: none"> <li>• Complete and interpret a 500 square kilometers 3D seismic survey</li> </ul>	8,000,000	5,280,000
<ul style="list-style-type: none"> <li>• Resource assessment and production assessment has been completed</li> </ul>		
<ul style="list-style-type: none"> <li>• Assuming a target has been defined after interpretation of 3D survey, drill exploratory well</li> </ul>	35,000,000	23,100,000
<ul style="list-style-type: none"> <li>• Offtake/production engineering</li> </ul>	500,000	333,500
<ul style="list-style-type: none"> <li>• Complete and interpret a 500 square kilometers 3D seismic survey</li> </ul>	1,400,000	933,800
<b>Total</b>	<b>44,900,000</b>	<b>29,647,300</b>

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.

## 7. Petroleum and Natural Gas Licenses (continued)

### (vi) The Guy License

- a. 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 carry 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.
- b. As of March 31, 2019, 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 <sup>(1)</sup>	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
<b>Total</b>	<b>36,900,000</b>	<b>20,516,400</b>

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

- a. The Tamar License covers approximately 7,500 square kilometers 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, Spectrum Geo Ltd. holds a 10% working interest, and NAMCOR holds a 10% working interest.
- b. 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. On February 18, 2019, the Second Renewal Exploration period was extended to March 2021.
- c. On September 20, 2018, the Company, through its wholly owned subsidiary Pan Africa Holdings, acquired the remaining 10% of the shares of Pan Africa Namibia (“PAO Non-Controlling Interest”). Following completion of the acquisition, PAO Namibia became a wholly owned subsidiary of the Company. As consideration for the acquisition of the POA Minority Share, the Company issued the sellers 300,000 shares of the Company.

**7. Petroleum and Natural Gas Licenses (continued)****(vii) The Tamar License (continued)**

- d. As of March 31, 2019, 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 <sup>(1)</sup>	Expenditure (US\$)	Company's share of Expenditure (US\$)
By October 28, 2020 <ul style="list-style-type: none"> <li>• Complete and interpret 250 kilometers<sup>2</sup> 3D seismic survey</li> <li>• Evaluation of farm-out and relinquishment of part (original 25%) or all of the Tamar Block</li> </ul>	1,040,000	1,040,000
By October 28, 2021 <ul style="list-style-type: none"> <li>• Drill exploratory well (subject to identifying a target and the availability of adequate drilling rigs)</li> </ul>	35,000,000	35,000,000
<b>Total</b>	<b>36,040,000</b>	<b>36,040,000</b>

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.

# Eco (Atlantic) Oil & Gas Ltd.

## Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

### 8. Related Party Transactions and Balances and Director Remuneration

The following are the expenses incurred with related parties for the years ended March 31, 2019 and 2018 and the balances owing as of March 31, 2019 and 2018:

(i) As of March 31, 2019:

	Directors Fees	Consulting Fees	Share based awards	Option based awards	Total	Amounts owing at March 31, 2019
<b>Executive Directors</b>						
Gil Holzman - CEO	\$ -	\$ 448,390	\$ 1,233,000	\$ 20,317	\$ 1,701,707	\$ 29,399
Colin Kinley - COO (*)	-	528,079	1,233,000	20,317	1,781,395	116,064
Alan Friedman - Executive Vice President	-	105,000	109,600	20,317	234,917	8,628
Gadi Levin - Financial Director	-	120,000	205,500	10,158	335,658	10,000
<b>Non Executive Directors</b>						
Moshe Peterberg - Chairman of the board	111,548	-	548,000	20,317	679,864	28,062
Keith Hill	27,000	-	342,500	20,317	389,817	9,000
Peter Nicol	37,904	-	342,500	20,317	400,721	10,690
Helmut Angula	17,551	-	-	-	17,551	12,675
<b>Officers</b>						
Alan Rootenberg - CFO	-	15,000	-	-	15,000	-
<b>Total</b>	<b>\$ 194,003</b>	<b>\$ 1,216,469</b>	<b>\$ 4,014,100</b>	<b>\$ 132,058</b>	<b>\$ 5,556,630</b>	<b>\$ 224,518</b>

(\*) Included in Consulting fees to Mr. Kinley is \$239,310 of fees paid for technical services provided by a Company controlled by Mr. Kinley.

(ii) As of March 31, 2018:

	Directors Fees	Consulting Fees	Share based awards	Option based awards	Total	Amounts owing at March 31, 2018
<b>Executive Directors</b>						
Gil Holzman - CEO	\$ -	\$ 406,340	\$ 621,100	\$ -	\$ 1,027,440	\$ 36,103
Colin Kinley - COO (*)	-	490,441	621,100	-	1,111,541	41,261
Alan Friedman - Executive Vice President	-	120,000	133,700	-	253,700	10,000
Gadi Levin - Financial Director	-	109,072	177,700	-	286,772	10,000
<b>Non Executive Directors</b>						
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
<b>Officers</b>						
Alan Rootenberg - CFO	-	18,000	-	-	18,000	1,500
<b>Total</b>	<b>\$ 228,814</b>	<b>\$ 1,143,853</b>	<b>\$ 2,092,900</b>	<b>\$ 29,730</b>	<b>\$ 3,495,297</b>	<b>\$ 173,426</b>

(\*) Included in Consulting fees 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.

# Eco (Atlantic) Oil & Gas Ltd.

## Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

### 9. Share Capital

Authorized: Unlimited Common Shares

Issued		Common Shares	Amount \$	Shares to be issued \$	Restricted Share Units Reserve \$
<b>Balance, March 31, 2017</b>		<b>118,249,833</b>	<b>26,961,675</b>	-	<b>184,029</b>
Shares issued on vesting of Restricted Share Units					
From March 23, 2016	(i)a	433,600	95,392	-	(95,392)
From November 24, 2017	(i)b	400,000	88,000	-	(5,182)
From June 8, 2017	(ii)	3,400,000	1,016,600	-	29,900
From November 24, 2017	(iii)	3,050,000	1,342,000	-	-
From November 24, 2017	(iii)	198,900	42,962	-	(42,962)
Shares issued for services	(iv)	62,500	17,500	-	-
Cancellation of shares	(v)	(262,500)	-	-	-
Shares issued in a brokered private placement	(vi)	29,200,000	13,286,682	-	-
Exercise of warrants	(vii)	1,562,500	556,121	-	-
Exercise of stock options	(viii)	1,200,000	407,291	-	-
Purchase of minority interest in Eco Guyana	(ix)	-	-	1,139,257	-
Issuance of warrants	10(i)	-	(969)	-	-
<b>Balance, March 31, 2018</b>		<b>157,494,833</b>	<b>43,813,254</b>	<b>1,139,257</b>	<b>70,393</b>
Shares issued in respect of purchase of minority interest in Eco Guyana	(ix)	1,700,384	1,139,257	(1,139,257)	-
Exercise of warrants	(x)	1,680,313	633,818	-	-
Purchase of non-controlling interest in subsidiary	(xi)	300,000	249,000	-	-
Issuance of shares from RSU's	(xii)	3,000,000	4,110,000	-	41,100
Exercise of stock options	(xiii)	200,000	80,669	-	-
<b>Balance, March 31, 2019</b>		<b>164,375,530</b>	<b>50,025,998</b>	-	<b>111,493</b>

## 9. Share Capital (continued)

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- (i) On November 28, 2016, 833,600 Restricted Share Units (“RSUs”) were granted to certain officers and consultants of the Company. During the year ended March 31, 2018:
  - a. The Company issued 433,600 shares of the Company in respect of 433,600 RSUs, which had been granted during the year ended March 31, 2017. The fair value of the RSUs in the amount of \$95,392, were credit of Capital with a corresponding change to the Restricted Share Unit Reserve in the Consolidated Statement of Changes in Equity.
  - b. 400,000 RSUs vested upon the achievement of certain milestones and 400,000 shares were issued. The total fair value of these RSUs amounted to \$88,000 which was charged to share-based compensation with a corresponding credit to Capital in the Consolidated Statement of Changes in Equity.
- (ii) On June 8, 2017, 3,500,000 RSUs 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 RSUs vested immediately on the grant date. These RSUs had a fair value \$1,046,500 (\$0.299 per unit) and was charged to Share based Compensation in the Statements of Operations and Comprehensive Profit and 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 the Restricted Share Units Reserve in the Consolidated Statement of Changes in Equity.
- (iii) On November 24, 2017, 3,050,000 RSUs were granted to certain directors, officers and consultants of the Company as compensation and success fees in relation with the Brokered Private Placement. The RSUs vested immediately on the grant date and 3,050,000 shares of the Company were issued immediately. These RSUs had a fair value \$1,342,000 (\$0.44 per unit) and was charged to Share based Compensation in the Statements of Operations and Comprehensive Profit and Loss with a credit to Capital in the Consolidated Statement of Changes in Equity.

In addition, on November 24, 2017, the Company issued 198,000 shares in respect of RSUs that were granted on March 30, 2016. The total fair value of the RSUs amounted to \$42,962.
- (iv) 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.
- (v) On August 4, 2017, the Company cancelled 262,500 shares that had been repurchased during the year ended March 31, 2017 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.

## 9. Share Capital (continued)

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- (vi) 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.
- (vii) 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). The fair value of the warrants was \$70,306.
- (viii) On January 19, 2018, 1,200,000 options were exercised at \$0.30 per option into 1,200,000 shares of the Company for gross consideration of \$360,000. The fair value of the options was \$47,291.
- (ix) As disclosed in note 7(ii)(f), 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. On June 1, 2018, the Company issued 1,700,384 Shares in respect of the Purchase Agreements to acquire the Minority Shares of Eco Guyana.
- (x) On October 5, 2018 and January 25, 2019, the Company issued a total of 1,680,313 shares of the Company pursuant to the exercise of warrants, previously issued in connection with the AIM admission. 590,000 warrants had an exercise price of \$0.21 (£0.16) and 1,090,313 warrants had an exercise price of \$0.33 (£0.192). Total proceeds were \$518,662. The fair value of the warrants were \$115,156.
- (xi) As disclosed in note 7(viii)(c), on September 14, 2018, the Company issued 300,000 shares in respect of the purchase of the PAO Non-Controlling Interest. The fair value of the shares was \$249,000 and was charged to Capital in the Consolidated Statement of Changes in Shareholders Equity.
- (xii) On March 12, 2019, 3,030,000 RSUs were granted to certain directors, officers and consultants of the Company as compensation and success fees in connection with operational developments. These RSUs had a fair value \$4,151,100 (\$1.37 per unit) and was charged to Share Based Compensation in the Consolidated Statements of Operations and Comprehensive Profit and Loss. 3,000,000 RSUs had a fair value \$4,110,000 (\$1.37 per unit) were issued on February 28, 2019 and \$41,100 (representing the fair value of the remaining 100,000 RSUs) was charged to the Restricted Share Units Reserve in the Consolidated Statement of Changes in Equity.
- (xiii) During February 2019, the Company issued 200,000 shares of the Company pursuant to an exercise of share options at a price of \$0.30 per common share for total proceeds of \$60,000.

Eco (Atlantic) Oil & Gas Ltd.

Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

**10. Warrants**

A summary of warrants outstanding at March 31, 2019 was as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 31, 2017	3,817,498	0.29
Granted (i)	17,813	0.29
Exercised (see Note 9(vii))	(1,562,500)	0.29
<b>Balance, March 31, 2018</b>	<b>2,272,811</b>	<b>0.29</b>
Exercised (see Note 9(x))	(1,680,313)	0.31
<b>Balance, March 31, 2019</b>	<b>592,498</b>	<b>0.28</b>

- (i) 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.
- (ii) As of March 31, 2019, outstanding warrants were as follows:

Number of Warrants	Exercise Price (*)	Exercisable at March 31, 2019	Expiry Date
592,498	\$ 0.28	592,498	August 7, 2019
<u>592,498</u>		<u>592,498</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, 2019.

See note 20(ii) for warrant exercises subsequent to the statement of financial position date.

## 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, 2019 and changes during the year is as follows:

	Number of stock options	Weighted average exercise price \$	Remaining contractual life - years
<b>Balance, March 31, 2017</b>	<b>7,870,000</b>	<b>0.30</b>	<b>4.15</b>
Granted (i)	250,000	0.36	-
Exercised (see Note 9 (viii))	(1,200,000)	0.30	-
<b>Balance, March 31, 2018</b>	<b>6,920,000</b>	<b>0.30</b>	<b>3.76</b>
Granted (ii)	800,000	1.50	-
Exercised (see Note 9 (xii))	(200,000)	0.33	-
<b>Balance, March 31, 2019</b>	<b>7,520,000</b>	<b>0.43</b>	<b>3.01</b>

- (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) February 28, 2019, 800,000 options were issued to directors and a consultant with an exercise price of \$1.50. These options are exercisable for a maximum period of five years from the date of the grant and vest 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 \$487,600 using the Black-Scholes option pricing model, using the following assumptions: Expected option life 5 years; Volatility 54.78%; Risk-free interest rate 1.5%; Dividend yield 0%.
- (iii) Share-based compensation expense is recognized over the vesting period of options. During the year ended March 31, 2019, share-based compensation of \$225,960 (March 31, 2018 – \$35,744) was recognized based on options vesting during the year.
- (iv) As at March 31, 2019, outstanding options were as follows:

Number	Exercisable	Exercise Price (\$)	Expiry
350,000	350,000	0.30	January 11, 2020
450,000	450,000	0.33	March 23, 2021
4,450,000	4,450,000	0.30	January 12, 2022
350,000	350,000	0.30	May 16, 2022
250,000	166,667	0.36	June 7, 2022
870,000	870,000	0.30	December 24, 2022
800,000	266,667	1.50	March 1, 2024
<b>7,520,000</b>	<b>6,903,333</b>	<b>0.43</b>	

- (v) See note 20(iii) for option exercises subsequent to the statement of financial position date.

# Eco (Atlantic) Oil & Gas Ltd.

## Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

### 12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2018 – 26.5%) to the effective rate is as follows:

	March 31, 2019 \$	March 31, 2018 \$
Net loss before recovery of income taxes	4,173,633	(8,182,233)
Expected income tax recovery	1,097,800	(2,168,292)
Difference in foreign tax rates	(235,090)	170,465
Tax rate changes and other adjustments	(32,950)	(236,979)
Non-deductible expenses	(2,893,010)	689,090
Change in tax benefits not recognized	2,063,250	1,545,716
Income tax recovery reflected in the statements of operations and comprehensive Profit and 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, 2019 \$	March 31, 2018 \$
<b>Deferred Tax Assets</b>		
Non-capital losses - Canada	10,200,839	7,520,067
Non-capital losses - Namibia	8,660,627	8,222,267
Non-capital losses – Guyana	383,714	-
Property plant and equipment and intangibles	212,508	212,508
Share issue and financing costs	1,202,517	1,739,685
Resource pools – Petroleum, natural gas and shale gas property	9,251,309	4,510,985
Other deductible temporary difference	41,221	41,221

The Canadian non-capital losses 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 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
2039	2,680,772
	<u>\$ 10,200,839</u>

### **13. Asset Retirement Obligations (“ARO”)**

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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, 2019 and 2018, the Company did not operate any properties, accordingly, no ARO was required.

### **14. Capital Management**

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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 an 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, 2019. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 15. Risk Management

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### 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, 2019, the Company had cash and cash equivalents and cash on deposit of \$25,007,479 (March 31, 2018 - \$14,316,042), short-term investments of \$74,818 (March 31, 2018 - \$74,818), accounts receivable and prepaid expenses of \$80,926 (March 31, 2018 - \$832,322) and government receivable of \$33,104 (March 31, 2018 - \$23,626) to settle current liabilities of \$1,551,188 (March 31, 2018 - \$731,024).

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, 2019 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, 2019.

# Eco (Atlantic) Oil & Gas Ltd.

## Notes to the Consolidated Financial Statements

March 31, 2019 and 2018

### 6. 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 Guyana license and Namibian license, see *Note 7* for details.

### 17. Operating Costs

Operating costs consist of the following:

	Year ended March 31,	
	2019	2018
Exploration data acquisition and interpretation and technical consulting	\$ 4,946,957	\$ 4,564,015
Exploration license fees	375,955	402,992
Travel	119,860	314,666
Recovered under Joint Operating Agreements	(57,466)	(32,248)
	<u>\$ 5,385,306</u>	<u>\$ 5,249,425</u>

### 18. General and Administrative Costs

General and administrative costs consist of the following:

	Year ended March 31,	
	2019	2018
Occupancy and office expenses	\$ 112,764	\$ 52,133
Travel expenses	528,640	125,438
Public company costs	811,251	646,949
Insurance	60,271	57,734
Financial services	17,642	22,964
Recovered under Joint Operating Agreements	(82,260)	(18,072)
	<u>\$ 1,448,308</u>	<u>\$ 887,146</u>

**19. Earnings per Share**

	2019	2018
<b>Basic Earnings per share:</b>		
Net profit (loss)	\$ 4,173,633	\$ (8,356,514)
Weighted average shares outstanding	159,887,208	132,545,535
Basic earnings (loss) per share	\$ 0.03	\$ (0.06)
<b>Diluted Earnings per share:</b>		
Net profit (loss)	\$ 4,173,633	\$ (8,356,514)
Weighted average shares outstanding after effect of dilutive stock options and warrants	165,136,097	132,545,535
Diluted earnings (loss) per share	\$ 0.03	\$ (0.06)

**20. Subsequent Events****(i) Private Placement**

On April 4, 2019 the Company completed a private placement equity financing of 16,159,695 shares of the Company at a price of £0.80 (CAD \$1.45) per share of gross proceeds of \$23.3 million. The total share issue cash costs related to the financing were \$804,000.

**(ii) Exercise of warrants**

On May 21, 2019, 592,498 warrants were exercised at £0.16 per warrant (\$0.27) into 592,498 shares of the Company for gross consideration of £94,800 (\$161,833).

**(iii) Exercise of options**

On May 22, 2019, 241,250 options were exercised at \$0.30 per option into 241,250 shares of the Company for gross consideration of \$72,375.