# Eco (Atlantic) Oil & Gas Ltd.

**Condensed Consolidated Interim Financial Statements**

**For the Three Month Period ended June 30, 2019**

**(Unaudited)**

## NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of Eco (Atlantic) Oil & Gas Ltd. for the three month period ended June 30, 2019 and 2018 have been prepared by management in accordance with International Financial Reporting Standards applicable to consolidated interim financial statements (Note 3). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

Under National Instrument 51-102, part 4, sub-section 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The Company's independent auditor has not performed a review of these unaudited condensed consolidated interim financial statements in accordance with standards established by the Institute of Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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*June 30, 2019 and 2018*

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Eco (Atlantic) Oil & Gas Ltd.

## Consolidated Statements of Financial Position

| | | June 30, 2019 Unaudited | | March 31, 2019 Audited |
|---|---|---|---|---|
| **Assets** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents | **$** | **42,182,873** | $ | 25,007,479 |
| Short-term investments *(Note 4)* | | **74,818** | | 74,818 |
| Government receivable | | **21,699** | | 33,104 |
| Accounts receivable and prepaid expenses | | **50,338** | | 80,926 |
| | | **42,329,728** | | 25,196,327 |
| Petroleum and natural gas licenses *(Note 5)* | | **1,489,971** | | 1,489,971 |
| **Total Assets** | **$** | **43,819,699** | $ | 26,686,298 |
| **Liabilities** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities *(Note 6)* | **$** | **135,402** | $ | 423,513 |
| Advances from and amounts owing to license partners, net | | **5,534,921** | | 1,127,675 |
| **Total Liabilities** | | **5,670,323** | | 1,551,188 |
| **Equity** | | | | |
| Share capital *(Note 7)* | | **71,924,613** | | 50,025,998 |
| Restricted Share Units reserve *(Note 7)* | | **111,493** | | 111,493 |
| Warrants *(Note 8)* | | - | | 52,775 |
| Stock options *(Note 9)* | | **3,218,582** | | 3,184,658 |
| Accumulated deficit | | **(37,105,312)** | | (28,239,814) |
| **Total Equity** | | **38,149,376** | | 25,135,110 |
| **Total Liabilities and Equity** | **$** | **43,819,699** | $ | 26,686,298 |

**Basis of Preparation** *(Note 2)*

**Commitments** *(Notes 5 and 13)*

**Subsequent Events** *(Notes 16)*

Approved by the Board of Directors of the Company

*"Gil Holzman"* — Director

*"Gadi Levin"* — Director

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

Eco (Atlantic) Oil & Gas Ltd.

## Consolidated Statements of Operations and Comprehensive Profit and Loss

| | Three months ended June 30, 2019 | Three months ended June 30, 2018 |
|---|---|---|
| | **Unaudited** | |
| **Revenue** | | |
| Interest income | **169,795** | 8,843 |
| | **169,795** | 8,843 |
| **Operating expenses**: | | |
| Compensation costs | **216,295** | 233,366 |
| Professional fees | **24,190** | 69,416 |
| Operating costs *(Notes 14)* | **8,258,131** | 468,500 |
| General and administrative costs *(Note 15)* | **527,165** | 291,719 |
| Share-based compensation *(Notes 9(i))* | **58,857** | 1,487 |
| Foreign exchange gain | **(49,345)** | (186,819) |
| Total expenses | **9,035,293** | 877,669 |
| **Net loss and comprehensive loss** | **$ (8,865,498)** | $ (868,826) |
| Net comprehensive loss attributed to: | | |
| Equity holders of the parent | **$ (8,865,498)** | (866,815) |
| Non-controlling interests | **-** | (2,011) |
| | **$ (8,865,498)** | $ (868,826) |
| Basic and diluted net loss per share attributable to equity holders of the parent | **$ (0.05)** | $ (0.01) |
| Weighted average number of ordinary shares used in computing basic and diluted net loss per share | **180,184,880** | 157,676,832 |

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

## 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 $ |
|---|---|---|---|---|---|---|---|---|---|
| **Balance, March 31, 2018 (Audited)** | **157,494,833** | **43,813,254** | **1,139,257** | **70,393** | **167,931** | **2,979,367** | **(32,109,382)** | **(55,065)** | **16,005,755** |
| Issuance of shares | 1,700,384 | 1,139,257 | (1,139,257) | - | - | - | - | - | - |
| Stock options expensed | - | - | - | - | - | 1,487 | - | - | 1,487 |
| Net profit for the period | - | - | - | - | - | - | (866,815) | (2,011) | (868,826) |
| **Balance, June 30, 2018 (Unaudited)** | **159,195,217** | **44,952,511** | **$ -** | **$ 70,393** | **$ 167,931** | **$ 2,980,854** | **$ (32,976,197)** | **$ (57,076)** | **$ 15,138,416** |
| Purchase of non-controlling interest in PAO | 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 |
| Excerise of warrants | 1,680,313 | 633,818 | - | - | (115,156) | - | - | - | 518,662 |
| Exercise of stock options | 200,000 | 80,669 | - | - | - | (20,669) | - | - | 60,000 |
| Stock options expensed | - | - | - | - | - | 224,473 | - | - | 224,473 |
| Net profit for the period | - | - | - | - | - | - | 5,040,448 | 2,011 | 5,042,459 |
| **Balance, March 31, 2019 (Audited)** | **164,375,530** | **50,025,998** | **-** | **111,493** | **52,775** | **3,184,658** | **(28,239,814)** | **-** | **25,135,110** |
| Issuance of shares (Note 7(i)) | 16,159,695 | 21,586,756 | - | - | - | - | - | - | 21,586,756 |
| Excerise of warrants (Note 7(ii)) | 592,498 | 214,551 | - | - | (52,775) | - | - | - | 161,776 |
| Exercise of stock options (Note 7(ii)) | 241,250 | 97,308 | - | - | - | (24,933) | - | - | 72,375 |
| Stock options expensed (Note 9) | - | - | - | - | - | 58,857 | - | - | 58,857 |
| Net loss for the period | - | - | - | - | - | - | (8,865,498) | - | (8,865,498) |
| **Balance, June 30, 2019 (Unaudited)** | **181,368,973** | **$ 71,924,613** | **$ -** | **$ 111,493** | **$ -** | **$ 3,218,582** | **$ (37,105,312)** | **$ -** | **$ 38,149,376** |

*The accompanying notes are an integral part of these Condensed Consolidated Interim Financial Statements.*

Eco (Atlantic) Oil & Gas Ltd.

## Consolidated Statements of Cash Flows

| | Three months ended June 30, | |
|---|---|---|
| | **2019** | **2018** |
| | **Unaudited** | |
| **Cash flow from operating activities** | | |
| Net loss from operations | **$ (8,865,498)** | $ (868,826) |
| Items not affecting cash: | | |
| Share-based compensation | **58,857** | 1,487 |
| Changes in non-cash working capital: | | |
| Government receivable | **11,405** | 3,858 |
| Accounts payable and accrued liabilities | **(288,111)** | (352,174) |
| Accounts receivable and prepaid expenses | **30,588** | 25,362 |
| Advance from and amounts owing to license partners | **4,407,246** | (152,779) |
| | **(4,645,513)** | (1,343,072) |
| **Cash flow from financing activities** | | |
| Net proceeds from Private Placement | **21,586,756** | - |
| Proceeds from the exercise of stock options | **72,375** | - |
| Proceeds from the exercise of warrants | **161,776** | - |
| | **21,820,907** | - |
| **Increase (decrease) in cash and cash equivalents** | **17,175,394** | (1,343,072) |
| Cash and cash equivalents, beginning of year | **25,007,479** | 14,316,042 |
| Cash and cash equivalents, end of period | **$ 42,182,873** | $ 12,972,970 |

*The accompanying notes are an integral part of these Condensed Consolidated Interim 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 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 condensed consolidated interim financial statements were approved by the Board of Directors of the Company on August 22, 2019.

## 2. Basis of Preparation

The condensed consolidated interim 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 prepares its unaudited condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2019.

Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2019 could result in restatement of these condensed consolidated interim financial statements.

### Basis of consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiaries, Eco (BVI) Oil & Gas Ltd., Eco (Barbados) Oil & Gas Holdings Ltd., Eco Guyana Oil & Gas (Barbados) Ltd., Eco (Atlantic) Guyana Inc. ("Eco Guyana"), Eco (Atlantic) Guyana Offshore Inc., Eco Namibia Oil & Gas (Barbados) Ltd., Eco Oil and Gas (Namibia) (Pty) Ltd., Eco Oil and Gas Services (Pty) Ltd., Eco Atlantic Holdings Ltd., Pan African Oil Namibia Holdings (Pty) Ltd., Pan African Oil Namibia (Pty) Ltd.

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

**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. Short-term Investments

The Company's short-term investments comprise interest bearing deposits with its primary bank of $74,818 (June 30, 2018 - $74,818), which are held as collateral for the Company's credit-cards.

## 5. Petroleum and Natural Gas Licenses

| | Balance April 1, 2018 | Additions | Impairment, Sale and Abandonment | Balance June 30, 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.

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

### (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 6 billion recoverable barrels of oil (BOE).

b. In accordance with the Guyana Petroleum Agreement and following Total E&P Activitiés Pétrolières' ("Total") 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 currently holds a 60% interest (Operator).

c. On February 20, 2019, the Company announced that, along with its partners in the Orinduik Block, offshore Guyana, it has contracted a rig, the Stena Forth, a sixth-generation drillship from Stena, to drill the Jethro-Lobe prospect on the Orinduik Block offshore Guyana.

d. On March 29, 2019, the Company announced that the Company, Total, Tullow Guyana B.V. (together, the "**Partners**") had 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. Prior to the recent discovery, the prospect was estimated to hold 150mmbbl of gross prospective resources with the 'Chance of Success' estimated to be 43.2%. See note 17 for results of the well that was drilled subsequent to the balance sheet date.

e. As of June 30, 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(1)** | **Expenditure (US$)** | **Company's current share of Expenditure(2) (US$)** |
|---|---|---|
| By January 2023<br>• 1st renewal period – Drill one exploration well (contingent) (3) | 46,666,667 | 7,000,000 |
| By January 2026<br>• 2nd renewal period – Drill one exploration well (contingent) | 20,000000 | 3,000000 |
| **Total** | 66,666,667 | 10,000,000 |

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%.

(3) Subsequent to the balance sheet date, the exploration well was dilled and completed on budget.

### (iii) Namibia

Through its subsidiary, Eco Oil and Gas (Namibia) (Pty) Ltd., the Company currently holds interests in three offshore petroleum licenses in Namibia, being (i) petroleum exploration license number 0030 (the "Cooper License"), (ii) petroleum exploration license number 0033 (the "Sharon License"), and (iii) petroleum exploration license number 0034 (the "Guy License").

## 5. 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, 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. The Company and AziNam 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 June 30, 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**[(1)] | **Expenditure (US$)** | **Company's share of Expenditure (US$)**[(2)] |
|---|---|---|
| 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 an additional 500 square kilometers of 3D seismic survey | 1,400,000 | 894,600 |
| **Total** | 36,900,000 | 23,579,100 |

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).

## 5. 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. As of June 30, 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(1) | Expenditure (US$) | Company's share of Expenditure (US$) |
|---|---|---|
| By March 31, 2021 | | |
| • Complete and interpret a 500 square kilometers 3D seismic survey | 8,000,000 | 5,280,000 |
| • Resource assessment and production assessment has been completed | | |
| • Assuming a target has been defined after interpretation of 3D survey, drill exploratory well | 35,000,000 | 23,100,000 |
| • Offtake/production engineering | 500,000 | 333,500 |
| • 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

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.

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

### (vi) The Guy License (continued)

b. As of June 30, 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(1) | Expenditure (US$) | Company's share of Expenditure (US$) |
|---|---|---|
| By March 31, 2021<br>• Assuming a target has been defined after interpretation of 3D survey, drill exploratory well<br>• Offtake/production engineering | 35,000,000<br>500,000 | 19,460,000<br>278,000 |
| By March 31, 2021<br>• 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

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. As of June 30, 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(1) | Expenditure (US$) | Company's share of Expenditure (US$) |
|---|---|---|
| By October 28, 2021<br>• Complete and interpret 250 square kilometers 3D seismic survey<br>• Evaluation of farm-out and relinquishment of part (original 25%) or all of the Tamar Block | 1,040,000 | 1,040,000 |
| By October 28, 2021<br>• 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.

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

The following are the expenses incurred with related parties for the three months period ended June 30, 2019 and 2018 and the balances owing as of June 30, 2019 and 2018:

(i) As of June 30, 2019:

| | Directors Fees | Consulting Fees | Share based awards | Option based awards | Total | Amounts owing at June 30, 2019 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Gil Holzman - CEO | $ - | $ 112,367 | $ - | $ 7,357 | $ 119,724 | $ 39,908 |
| Colin Kinley - COO (*) | - | 139,576 | - | 7,357 | 146,933 | 48,978 |
| Alan Friedman - Executive Vice President | - | 15,000 | - | 7,357 | 22,357 | 7,452 |
| Gadi Levin - Financial Director | - | 30,000 | - | 3,679 | 33,679 | 10,000 |
| **Non Executive Directors** | | | | | | - |
| Moshe Peterberg - Chairman of the board | 28,092 | - | - | 7,357 | 35,449 | 35,449 |
| Keith Hill | 9,000 | - | - | 7,357 | 16,357 | 16,357 |
| Peter Nicol | 13,299 | - | - | 7,357 | 20,656 | 20,656 |
| Helmut Angula | 7,500 | - | - | 7,357 | 14,857 | 14,857 |
| **Officers** | | | | | | - |
| Alan Rootenberg - CFO | | 3,750 | - | - | 3,750 | - |
| Total | **$ 57,891** | **$ 300,693** | **$ -** | **$ 55,178** | **$ 413,762** | **$ 193,657** |

(*) Included in Consulting fees to Mr. Kinley is $60,197 of fees paid for technical services provided by a Company controlled by Mr. Kinley.

(ii) As of June 30, 2018:

| | Directors Fees | Consulting Fees | Share based awards | Option based awards | Total | Amounts owing at June 30, 2018 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Gil Holzman - CEO | $ - | $ 108,452 | $ - | $ - | $ 108,452 | $ 36,151 |
| Colin Kinley - COO (*) | - | 134,713 | - | - | 134,713 | 44,904 |
| Alan Friedman - Executive Vice President | - | 30,000 | - | - | 30,000 | 10,000 |
| Gadi Levin - Financial Director | - | 30,000 | - | - | 30,000 | 10,000 |
| **Non Executive Directors** | | | | | | |
| Moshe Peterberg - Chairman of the board | 27,113 | - | - | - | 27,113 | 27,113 |
| Keith Hill | 9,000 | - | - | - | 9,000 | 9,000 |
| Peter Nicol | 13,500 | - | - | - | 13,500 | - |
| Helmut Angula | 6,000 | - | - | - | 6,000 | 6,000 |
| **Officers** | | | | | | |
| Alan Rootenberg - CFO | | 3,750 | - | - | 3,750 | 1,250 |
| Total | **$ 55,613** | **$ 306,915** | **$ -** | **$ -** | **$ 362,528** | **$ 144,418** |

(*) Included in Consulting fees to Mr. Kinley is $58,055 of fees paid for technical services provided by a Company controlled by Mr. Kinley.

## 7. Share Capital

**Authorized:** Unlimited Common Shares

| Issued | | Common Shares | Amount $ | Shares to be issued $ | Restricted Share Units Reserve $ |
|---|---|---|---|---|---|
| **Balance, March 31, 2018** | | **157,494,833** | **43,813,254** | **1,139,257** | **70,393** |
| Shares issued in respect of purchase of minority interest in Eco Guyana | | 1,700,384 | 1,139,257 | (1,139,257) | - |
| Exercise of warrants | | 1,680,313 | 633,818 | - | - |
| Purchase of non-controlling interest in subsidiary | | 300,000 | 249,000 | - | - |
| Issuance of shares from RSU's | | 3,000,000 | 4,110,000 | - | 41,100 |
| Issuance of warrants | | 200,000 | 80,669 | - | - |
| **Balance, March 31, 2019** | | **164,375,530** | **50,025,998** | **-** | **111,493** |
| Private placement | *(i)* | 16,159,695 | 21,586,756 | - | - |
| Exercise of warrants | *(ii)* | 592,498 | 214,551 | - | - |
| Exercise of stock options | *(iii)* | 241,250 | 97,308 | - | - |
| **Balance, June 30, 2019** | | **181,368,973** | **71,924,613** | **-** | **111,493** |

### (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 raising gross proceeds of $22.6 million (net proceeds: $21.6 million).

### (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 ($161,776). The fair value of the exercised warrants was $52,775.

### (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. The fair value of the exercised options was $24,933.

## 8. Warrants

A summary of warrants outstanding at June 30, 2019 was as follows:

| | Number of Warrants | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance, March 31, 2018 | **2,272,811** | **0.29** |
| Exercised | (1,680,313) | 0.31 |
| **Balance, March 31, 2019** | **592,498** | **0.28** |
| Exercised (see Note 7(ii)) | (592,498) | 0.28 |
| **Balance, June 30, 2019** | **-** | **-** |

## 9. 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 June 30, 2019 and changes during the year is as follows:

| | Number of stock options | Weighted average exercise price $ | Remaining contractual life - years |
|---|---|---|---|
| **Balance, March 31, 2018** | **6,920,000** | **0.30** | **3.76** |
| Granted | 800,000 | 1.50 | - |
| Exercised | (200,000) | 0.33 | - |
| **Balance, March 31, 2019** | **7,520,000** | **0.43** | **3.01** |
| Exercised (see Note 7 (iii)) | (241,250) | 0.30 | - |
| **Balance, June 30, 2019** | **7,478,750** | **0.42** | **2.62** |

(i) Share-based compensation expense is recognized over the vesting period of options. During the three months period ended June 30, 2019, share-based compensation of $58,857 (June 30, 2018 – $1,487) was recognized based on options vesting during the period.

## 9. Stock Options (continued)

(ii) As at June 30, 2019, outstanding options were as follows:

| Number of Options | Exercisable | Exercise Price | Expiry Date |
|---|---|---|---|
| 350,000 | 350,000 | $ 0.30 | January 11, 2020 |
| 408,750 | 408,750 | $ 0.30 | 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 | July 6, 2022 |
| 870,000 | 870,000 | $ 0.30 | December 24, 2022 |
| 800,000 | 266,667 | $ 1.50 | March 1, 2024 |
| 7,478,750 | 6,862,083 | | |

## 10. Asset Retirement Obligations ("ARO")

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

As of June 30, 2019 and 2018, the Company did not operate any properties, accordingly, no ARO was required.

## 11. Capital Management

The Company considers its capital structure to consist of share capital, 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 three months period ended June 30, 2019. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 12. Risk Management

**a) Credit risk**

The Company's credit risk is primarily attributable to short-term investments and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of deposits with Schedule 1 banks, from which management believes the risk of loss to be remote. Amounts receivable consist of advances to suppliers and 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 June 30, 2019, the Company had cash and cash equivalents and cash on deposit of $42,182,873 (March 31, 2019 - $25,007,479), short-term investments of $74,818 (March 31, 2019 - $74,818), accounts receivable and prepaid expenses of $50,338 (March 31, 2019 - $80,926) and government receivable of $21,699 (March 31, 2019 - $33,104) to settle current liabilities of $5,670,323 (March 31, 2019 - $1,551,188).

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 June 30, 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 the development of its assets, 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 5.

**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 June 30, 2019.

## 13. 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 5 for details.

## 14. Operating Costs

Operating costs consist of the following:

| | Three months ended June 30, 2019 | 2018 |
|---|---|---|
| | Unaudited | |
| Exploration data acquisition and interpretation and technical consulting | **$ 8,007,735** | $ 440,555 |
| Exploration license fees | **310,704** | 177,085 |
| Travel | **174,301** | 26,213 |
| Recovered under Joint Operating Agreements | **(234,609)** | (175,353) |
| | **$ 8,258,131** | $ 468,500 |

## 15. General and Administrative Costs

General and administrative costs consist of the following:

| | Three months ended June 30, 2019 | 2018 |
|---|---|---|
| Occupancy and office expenses | **$ 23,700** | $ 17,141 |
| Travel expenses | **74,757** | 125,438 |
| Public company costs | **445,726** | 144,334 |
| Insurance | **3,330** | 18,972 |
| Financial services | **5,060** | 4,146 |
| Recovered under Joint Operating Agreements | **(25,408)** | (18,312) |
| | **$ 527,165** | $ 291,719 |

## 16. Subsequent Events

On August 12, 2019, the Company announced a major oil discovery on the Guyana License. The Jethro-1 exploration well was drilled by the Stena Forth drillship to a final depth of 14,331 feet (4,400 meters) in approximately 1,350 meters of water. Evaluation of logging data confirms that the Jethro-1 is the first discovery on the Guyana License and comprises high-quality oil-bearing sandstone reservoir of Lower Tertiary age. It encountered 180.5 feet (55 meters) of net high-quality oil pay in excellent lower Tertiary sandstone reservoirs which supports recoverable oil resources. The well was cased, and is awaiting further evaluation to determine the appropriate appraisal activity.