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**TSX-V: EOG**  
**AIM: ECO**

**TSXV: EOG; AIM: ECO**

**27 July 2017**

**ECO (ATLANTIC) OIL & GAS LTD.**

**("Eco Atlantic", the "Company" or, together with its subsidiaries, the "Group")**

**Final Results for the year ended 31 March 2017**

**Eco (Atlantic) Oil & Gas Ltd. (AIM: ECO, TSX-V:EOG)**, the oil and gas exploration company with licences in highly prospective regions in South America and Africa, is pleased to announce its preliminary results for the year ended 31 March 2017.

**Operational Highlights:**

- Together with its Operating Partner, Tullow Oil plc ("Tullow"), the Company is commencing a circa 2,550 km<sup>2</sup> 3D seismic survey on the 1,800 km<sup>2</sup> Orinduik Block, offshore Guyana, almost two years ahead of schedule, thereby seeking to de-risk the existing defined targets located up dip and in close proximity to Exxon Mobil Corporation's ("Exxon") recent Liza, Snoek, and Payara discoveries on the Stabroek block estimated to contain oil recoverable resources of between 2.25 and 2.75 billion oil-equivalent barrels
- Extension of the Cooper, Sharon and Guy Licenses into the first renewal period, until March 2018 - the second renewal phase under the petroleum agreement for each license is until March 2020
- Advancement of the 3D interpretation on Cooper and Guy blocks offshore Namibia and application for drilling permits and pre and post drilling EIA surveys underway
- Sale of the Company's Ghana subsidiary in order to significantly reduce potential financial liabilities
- Strengthened the Board following the appointment of Mr. Derek Linfield as Non-Executive Director and Mr. Gadi Levin as Chief Financial Officer

**Financial Highlights:**

- Successful admission to AIM in February 2017, following an oversubscribed placing and financing of £5.09 million (c.C\$8.4m)
- Healthy balance sheet end of the period with over C\$6m in cash
- Continued reduction in general and administration costs, compensation costs, and professional fees
  - General and administrative expenses down 22% to C\$385,568 (2016: C\$497,009)

- Compensation down 25% to C\$483,458 (2016: C\$642,035)
- Professional fees down 12% to C\$286,717 (2016: C\$325,338)
- Travel expenses down 26% to C\$132,348 (2016: 178,802)
- Occupancy and office expenses down 72% to C\$82,332 (2016: 295,438)
- Operating costs up 5% to C\$2,169,940 (2016: C\$2,508,497)

**Gil Holzman, President and Chief Executive Officer of Eco Atlantic, commented:**

*“We are pleased to present yet another successful and extremely busy financial year-end report. The highlights speak for themselves, where on one hand we made progress on all of our licenses, and on the other managed to significantly reduce non-operational expenses. The concurrent AIM listing and financing coupled with the significant developments on our core assets in Guyana and Namibia are compelling. Our strong balance sheet now enables us to execute on our critical short-term milestones, which we believe we will be able to achieve in the coming year, in preparation for hopefully high impact drilling campaigns in both Namibia and Guyana towards the fiscal year 2018.”*

The Company’s financial results for the year ended 31 March 2017, together with Management’s Discussion and Analysis [and Annual Information Form?] as at 31 March 2017, are available to download on the Company’s website at [www.ecoilandgas.com](http://www.ecoilandgas.com) and on Sedar at [www.sedar.com](http://www.sedar.com).

**CEO’s Statement**

2017 was a transformational year for Eco Atlantic, which saw the business successfully list on AIM in February having raised £5.09 million (C\$8.4 million) in an oversubscribed placing. Our dual TSX-V and AIM listing means that we now have access to two key capital markets, providing wider access to capital to accelerate work programmes on our licence blocks located offshore Guyana and Namibia, both of which are prospective regions where significant oil discoveries have been made.

In Guyana, we note with interest the continuous flow of discoveries in the Guyana-Suriname basin that have been announced over the last few months by oil and gas majors in the region. Following the world-class Liza oil discovery in 2015, where Exxon reported that recoverable resources could hold as much as 1.4 Billion barrels; a second significant discovery was made in January 2017. Exxon reported this second oil discovery, from the Payara-1 well, indicated 95 feet of high quality oil bearing sandstone reservoirs. Later on, in March 2017, ExxonMobil announced a further new oil discovery on its Snoek Oil Prospect, which consists of 82 feet of high quality oil-bearing sandstone reservoir on the Stabroek Block, just five miles southeast of the Liza 1 discovery and in very close proximity to our 1,800 km<sup>2</sup> Orinduik Block. Exxon and its partners recently reported over 2.5 billion barrels of recoverable oil on the Stabroek Block and announced that first production is expected at the beginning of 2020, at a rate of 100,000 BOD.

On the heels of these close-proximity discoveries, we, together with the operating partner, Tullow, completed the first phase of exploration on our Orinduik Block, which included evaluating all existing and regional 2D data. Following the results of this study and the ongoing regional success, we agreed to accelerate and significantly increase the originally proposed 1,000km<sup>2</sup> 3D survey commitment on the block to circa 2,550km<sup>2</sup>, thus covering the entire block area, fully overlapping current prospective 2D

leads and downdip trends. As part of our agreement with Tullow, Tullow will carry our share of the originally proposed 1,000 km<sup>2</sup> of the survey, at a cap of US\$1.25mm, with the balance of the programme being funded by both parties on a pro-rata basis for which the Group is already funded from its existing cash reserves.

In Namibia, we have secured the required extensions on our three licenses, Guy, Cooper and Sharon, and we are encouraged by the recent news that Tullow, our partner on our Cooper license, has farmed down a 30% Working Interest of PEL 037 to Oil and Natural Gas Corporation Limited ("ONGC") of India. It is highly probable that an exploration well will be drilled at PEL 037 in first quarter of 2018, which is located immediately south of the Cooper license (in which we currently own a 32.5% interest). This news supports our long-time belief of the oil potential in the Walvis Basin, Namibia.

We have completed the 3D seismic surveys on our Cooper and Guy license interests in Namibia. On Cooper, the interpretation will remain underway until we and the Block partners will decide on our first exploration well in the first half of 2018. We are currently in the process of filing drilling permits and conducting pre and post drilling EIA surveys. On the Guy licence, processing and interpretation is underway and is likely to be completed the end of the calendar year 2018.

## **Conclusion**

I would like to thank our Chairman, our fellow members of the board of directors, the executive management team and the partners on our licenses for the continued hard work and support, which has contributed to the success of the Company. I look forward to reporting on the developments and progress we make in Guyana and Namibia in due course.

**Gil Holzman,**  
**Chief Executive Office**  
**27 July 2017**

## **Independent Auditors' Report**

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

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Eco (Atlantic) Oil & Gas Ltd., which comprise the consolidated statements of financial position as at March 31, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Eco (Atlantic) Oil & Gas Ltd. as at March 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Emphasis of Matter

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

### Consolidated Statements of Financial Position

	March 31, 2017	March 31, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$6,088,567	\$3,463,178
Short-term investments (Note 5)	49,818	100,000
Government receivable	26,609	23,284
Accounts receivable and prepaid expenses (Note 19)	1,100,491	622,858
	<b>7,265,485</b>	<b>4,209,320</b>
Petroleum and natural gas licenses (Note 6)	1,489,971	3,102,353
Equipment (Note 7)	-	1,101
<b>Total Assets</b>	<b>\$8,755,456</b>	<b>\$7,312,774</b>

<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 8)	<b>\$630,761</b>	\$2,027,876
Advances from and amounts owing to license partners (Note 6)	<b>169,868</b>	510,703
	<b>800,629</b>	2,538,579
<b>Equity</b>		
Share capital (Note 9)	<b>26,961,675</b>	20,838,056
Shares to be issued (Note 9)	<b>184,029</b>	392,694
Warrants (Note 10)	<b>237,267</b>	-
Stock options (Note 11)	<b>2,985,732</b>	2,400,735
Non-controlling interest	<b>(76,288)</b>	(68,323)
Accumulated deficit	<b>(22,337,588)</b>	(18,788,967)
<b>Total Equity</b>	<b>7,954,827</b>	4,774,195
<b>Total Liabilities and Equity</b>	<b>\$8,755,456</b>	\$7,312,774

### Consolidated Statements of Operations and Comprehensive Loss

	Year Ended March 31,	
	2017	2016
<b>Revenue</b>		
Income from farm-out agreements	\$-	\$554,400
Interest income	<b>15,820</b>	11,801
	<b>15,820</b>	566,201
<b>Operating expenses:</b>		
Compensation costs (Note 8)	<b>483,458</b>	642,035
Professional fees	<b>286,717</b>	325,338
Operating costs (Notes 8 and 17)	<b>2,169,940</b>	2,058,497
General and administrative costs (Note 18)	<b>385,568</b>	497,009
Share-based compensation (Notes 8, 9(iii) and 11)	<b>730,171</b>	251,475
Foreign exchange loss (gain)	<b>5,025</b>	(629,687)
Total expenses	<b>4,060,879</b>	3,144,667
<b>Loss before loss on revaluation on warrant liability and write-down of license</b>	<b>(4,045,059)</b>	(2,578,466)
Write-down of license (Note 6)	-	(1,195,684)
<b>Net loss and comprehensive loss from continuing operations</b>	<b>(4,045,059)</b>	(3,774,150)
Discontinued operations income (loss) (Note 19)	<b>488,473</b>	(1,333,346)
<b>Net loss and comprehensive loss</b>	<b>\$(3,556,586)</b>	\$(5,107,496)

Net comprehensive loss attributed to:		
Equity holders of the parent	<b>\$(3,548,621)</b>	\$(5,105,810)
Non-controlling interests	<b>(7,965)</b>	(1,686)
	<b>\$(3,556,586)</b>	\$(5,107,496)
Basic and diluted net loss per share from continuing operations	<b>\$(0.05)</b>	\$(0.04)
Basic and diluted net profit (loss) per share from discontinuing operations	<b>\$0.01</b>	\$(0.02)
Basic and diluted net loss per share attributable to equity holders of the parent	<b>\$(0.04)</b>	\$(0.06)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	<b>87,906,110</b>	88,601,681

### Consolidated Statements of Equity

	Number \$	Capital \$	Shares to be issued \$	Warrants \$	Stock Options \$	Deficit \$	Non- controlling Interest \$	Equity \$
<b>Balance, March 31, 2015</b>	<b>91,162,025</b>	<b>20,636,597</b>	<b>200,183</b>	<b>965,000</b>	<b>2,343,619</b>	<b>(13,683,157)</b>	<b>(66,637)</b>	<b>10,395,605</b>
Shares issued on vesting of Restricted Share Units (Note 9(i))	250,000	23,602	192,511	-	-	-	-	216,113
Stock options expensed	-	-	-	-	57,116	-	-	57,116
Share repurchase	-	(787,143)	-	-	-	-	-	(787,143)
Expiry of options	-	965,000	-	(965,000)	-	-	-	-
Cancellation of shares	(6,368,000)	-	-	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(5,105,810)	(1,686)	(5,107,496)
<b>Balance, March 31, 2016</b>	<b>85,044,025</b>	<b>20,838,056</b>	<b>392,694</b>	<b>-</b>	<b>2,400,735</b>	<b>(18,788,967)</b>	<b>(68,323)</b>	<b>4,774,195</b>
Cancellation of shares (Note 9(ii))	(1,823,500)	-	-	-	-	-	-	-
Shares repurchase (Note 9(ii))	-	(338,257)	-	-	-	-	-	(338,257)
Shares issued on vesting of Restricted Share Units (Note 9(iii)(a))	708,700	136,079	(136,079)	-	-	-	-	-
Shares issued on vesting of Restricted Share Units (Note 9(iii)(b))	216,736	41,180	3,420	-	-	-	-	44,600
Non-vested Restricted Share Units (Note 9(iii)(c))	-	-	100,574	-	-	-	-	100,574
Proceeds from shares issued on listing on AIM, net (Note 9(iv)) <sup>(1)</sup>	32,900,498	6,108,037	-	237,267	-	-	-	6,345,304
Extension of Stock options (Note 11(i))	-	-	-	-	416,324	-	-	416,324
Stock options expensed (Note 11(ii))	-	-	-	-	168,673	-	-	168,673
Shares issued from Pan African Oil Amalgamation (Note 9)	1,203,374	176,580	(176,580)	-	-	-	-	-
Net loss for the year	-	-	-	-	-	(3,548,621)	(7,965)	(3,556,586)

Balance, March 31, 2017      118,249,833    26,961,675      184,029      237,267      2,985,732    (22,337,588)    (76,288)      7,954,827

## Consolidated Statements of Cash Flows

	Year Ended March 31,	
	2017	2016
<b>Cash flow from operating activities</b>		
Net loss from continued operations	\$(4,045,059)	\$(3,774,150)
Net loss from discontinued operations	488,473	(1,333,346)
Items not affecting cash:		
Write-down of license	-	1,195,684
Share-based compensation	730,171	247,939
Depreciation	1,101	6,471
Changes in non-cash working capital:		
Government receivable	(3,325)	1,168,560
Accounts payable and accrued liabilities	(2,730,542)	(1,526,148)
Accounts receivable and prepaid expenses	(477,633)	(509,854)
Advance from and amounts owing to license partners	(340,835)	(1,444,168)
	<b>(6,377,649)</b>	<b>(5,969,012)</b>
Net change in non-cash working capital items relating to discontinued operations	<b>1,333,427</b>	1,340,897
<b>Cash flow from investing activities</b>		
Short-term investments	50,182	-
	<b>50,182</b>	-
Net change in investment activities relating to discontinued operations	<b>1,612,382</b>	(1,612,382)
<b>Cash flow from financing activities</b>		
Proceeds from AIM Listing	8,390,250	-
Costs incurred on AIM Listing	(2,044,946)	-
Share repurchases	(338,257)	(787,143)
	<b>6,007,047</b>	<b>(787,143)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,625,389</b>	<b>(7,027,640)</b>
Cash and cash equivalents, beginning of year	<b>3,463,178</b>	10,490,818
Cash and cash equivalents, end of year	<b>\$6,088,567</b>	<b>\$3,463,178</b>

### 1. Nature of Operations

The Company's business is to identify, acquire, explore and develop petroleum, natural gas, and shale gas properties. The Company primarily operates in the Co-Operative Republic of Guyana ("Guyana") and

the Republic of Namibia (“Namibia”). The head office of the Company is located at 181 Bay Street, Suite 320, Toronto, ON, Canada, M5J 2T3.

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

These consolidated financial statements were approved by the Board of Directors of the Company on July 26, 2017.

## **2. Basis of Preparation and Going Concern**

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

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

There can be no assurance that the Company will be able to raise funds in the future, in which case the Company may be unable to meet its future obligations. These matters raise significant doubt about the Company's ability to continue as a going concern. In the event the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts recorded on its consolidated statements of financial position.

The Company has accumulated a deficit of \$22,337,588 since its inception and expects to incur further losses in the development of its business.

## **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, 2017.

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 Namibia Oil & Gas (Barbados) Ltd. ("ENBARB")	100%
Eco Oil and Gas (Namibia) (Pty) Ltd. ("EOGN")	100%
Eco Oil and Gas Services (Pty) Ltd. ("EOGS")	100%
Eco Atlantic Holdings Ltd.	100%
Pan African Oil Namibia Holdings (Pty) Ltd. ("PAO Holdings")	100%
Pan African Oil Namibia (Pty) Ltd. ("PAO Namibia")	90%
Eco Atlantic Guyana Offshore Inc.	100%
Eco (Atlantic) Guyana Inc.	94%

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

### **Foreign currencies**

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

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

### **Financial instruments**

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

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

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

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

### **Exploration and evaluation assets and expenditures**

#### **i) Expenditures**

For oil and gas prospects not commercially viable and financially feasible, the Company expenses exploration and evaluation expenditures as incurred. Exploration and evaluation expenditures include acquisition costs of oil and gas prospects, property option payments and evaluation activities. Exploration and evaluation expenditures are capitalized only when associated with a business combination or asset acquisition or the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset.

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

#### **ii) Depletion and depreciation**

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

#### **iii) Farm-out arrangements**

The Company, as farmor, accounts for the farm-out arrangements as follows; the farmor does not record any expenditure made by the farmee on its behalf, and recognizes its expenditures under farm-out arrangements in respect of its own interest when the costs are incurred. Any cash consideration received as reimbursements of expenditures incurred in prior years and is recorded as income from farm-out agreements in profit or loss. Any cash consideration received as reimbursements of expenditures incurred in the current year is offset against related expenditures in operating costs and general and administrative costs in profit or loss. Any cash consideration received in advance of underlying expenditures is capitalized to advance from license partners until the applicable expenditures have been incurred, at which point the recovery is transferred to income from farm-out agreements in profit or loss. Any

cash received without an underlying commitment to incur expenditures is recorded as income from farm-out agreements in profit or loss.

(iv) Impairment

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

(v) Asset retirement obligations

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

The Company currently does not have any asset retirement obligations.

**Income taxes**

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

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

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

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

## **Revenue recognition**

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

## **Loss per share**

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

## **Segment reporting**

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

## **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. During the year ended March 31, 2017, an impairment write-down of a petroleum and natural gas license in the amount of \$Nil (March 31, 2016 - \$1,195,684) was reflected in the consolidated statements of operations and comprehensive loss (Note 6).

## **4. Future Accounting and Reporting Changes**

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The IASB issued new standards and amendments not yet effective.

IFRS 9, Financial Instruments ("IFRS 9") was initially issued by the IASB on November 12, 2009 and issued in its completed version in July 2014, and will replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a

new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for financial years beginning on or after January 1, 2018. The Company is currently assessing the effects of IFRS 9 and intends to adopt on its effective date.

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

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

## 5. Short-term Investments

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The Company’s short-term investments comprise interest bearing deposits with its primary bank of \$49,818 (March 31, 2016 - \$100,000), which are held as collateral for credit-card lines of credit.

## 6. Petroleum and Natural Gas Licenses

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

	Balance April 1, 2015	Additions	Impairment, Sale and Abandonment	Balance March 31, 2016
Licenses	\$ 2,685,655	\$ 1,612,382	\$ (1,195,684)	\$ 3,102,353

(\*) see Note 19

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

**(ii) Guyana**

- i. The Guyana License is located in the Orinduik block, offshore Guyana. The Orinduik block is situated in shallow water, 175 kilometers offshore Guyana in the Suriname Guyana basin.
- ii. In January 2016, the Company and Tullow Oil plc (“Tullow”) signed a Petroleum Agreement (“Guyana Petroleum Agreement”) and became party to an Offshore Petroleum License with the Government of Guyana, Tullow Oil plc. and for the Orinduik Block offshore Guyana. Orinduik, is situated in shallow water, 170 kilometers offshore Guyana in the Suriname Guyana basin, and is located very close up to the recent Exxon Lisa and Payara discoveries.
- iii. In accordance with the Guyana Petroleum Agreement, the Company holds a 40% working interest in the Guyana Licenses and Tullow holds the balance 60% interest. Under the Guyana Petroleum Agreement, Tullow will act as operator. Tullow will also carry the Company’s share of costs of 1,000 square kilometers 3D survey as required under the work program for the Guyana License (and up to US\$1,250,000). Subsequent to the year end, on June 8, 2017, the Company and Tullow approved 2,550 square kilometers 3D survey.

As at March 31, 2017, 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 share of Expenditure (US\$)
By January 2020		
<ul style="list-style-type: none"> <li>• Review existing regional 2D data – completed</li> <li>• Complete 3D survey and interpret 1,000 square kilometer 3D seismic survey<sup>(2)</sup></li> </ul>	3,000,000	-
By January 2023		
<ul style="list-style-type: none"> <li>• 1<sup>st</sup> renewal period – Drill one exploration well (contingent)</li> </ul>	35,000,000	14,000,000
By January 2026		
<ul style="list-style-type: none"> <li>• 2<sup>nd</sup> renewal period – Drill one exploration well (contingent)</li> </ul>	-	-
<b>Total</b>	<b>38,000,000</b>	<b>14,000,000</b>

- (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) Subsequent to the year end, on June 8, 2017 the Company and Tullow approved a 2,550 square kilometers 3D survey and therefore, the Company's expected shares of the 3D Seismic program is expected to be \$2,000,000.

**(iii) Namibia**

- i. The Company holds four offshore petroleum licenses in the Republic of Namibia being petroleum exploration license number 0030 (the "Cooper License"), petroleum exploration license number 0033 (the "Sharon License"), petroleum exploration license number 0034 (the "Guy License", together with the Sharon License and the Cooper License, the "ECO Offshore Licenses"), and petroleum exploration license number 0050 (the "Tamar License").
- ii. The terms of the Eco Offshore Licenses are governed by a petroleum agreement for each of those licenses (each, an "Eco Petroleum Agreement"), dated March 7, 2011, as amended from time to time, between the Company and the Namibian Ministry of Mines and Energy (the "Ministry"). The terms of the Tamar License are governed by the Tamar Petroleum Agreement ("Tamar Petroleum Agreement"), dated October 28, 2011, between the Company and the Ministry. Pursuant to the Eco Petroleum Agreement and the Tamar Petroleum Agreement, the Company is required to undertake specific exploration activities on each of the Licenses during each phase of development (each, an "Exploration Activity").
- iii. In the Eco Petroleum Agreements and the Tamar Petroleum Agreement, monetary values have been allocated to each Exploration Activity based on information available at the time of their execution. In the Eco Petroleum Agreements, the Company will be relieved of quoted expenditures for a given Exploration Activity if the Company completes the Exploration Activity at a lower cost. Based on recent exploration activity in Namibia and the current oil services market, management expects the actual expenditures on the Exploration Activities to be less than that provided in the Eco Petroleum Agreements.  

All Licenses are initially issued for four years with two renewal options of two years each, after which time the licenses revert back to the government, unless a production license is granted at any time within the eight year period. Production licenses are generally granted for a 25-year term. The Licenses are subject to license agreements entered between the Company and the Ministry.
- iv. The exploration activity on the ECO Offshore Licenses is performed in the framework of joint operating agreements ("JOAs"), pursuant to which the Company is designated the operator. Under the JOAs covering the Guy License and the Sharon License (the "Guy and Sharon JOAs") entered into between Azimuth, the National Petroleum Corporation of Namibia ("NAMCOR") and the Company effective January 28, 2013 and the amended and restated joint operating agreement covering the Cooper License, (the "Cooper JOA") entered into between Tullow, Azimuth, NAMCOR and the Company effective September 24, 2014, certain operating, general and administrative expenses and compensation and professional fees incurred by the Company are recoverable from Tullow and Azimuth.

**(iv) The Cooper License**

- i. The Cooper License covers approximately 5,000 square kilometers (March 31, 2016 – 5,800 square kilometers) (gross area = 1,433,000 acres; net area = 1,003,100 acres) and is located in license area 2012A offshore in the economical waters of Namibia (the "Cooper Block").

The Company holds a 32.5% working interest in the Cooper License, NAMCOR holds a 10% working interest (carried by the Company and Tullow collectively), AziNam Ltd. (“AziNam”), holds a 32.5% working interest, and Tullow Namibia Limited, a wholly owned subsidiary of Tullow Oil plc (“Tullow”), holds a 25% working interest.

- ii. Pursuant to the AziNam Farm-out Agreement, AziNam funded 40% of the Company’s share cost for the first 500 square kilometer of a 1,000 square kilometer 3D seismic survey on the Cooper Block (capped at US\$2,080,000).
- iii. On July 17, 2014, the Company entered into a farm-out agreement with a wholly owned subsidiary of Tullow, pursuant to which Tullow acquired a 25% working interest in the Cooper License in return for a carry (capped at US\$4,103,000), of the Company’s share of costs to execute and process a 1,097 square kilometers 3D seismic survey and the reimbursement of 25% of the Company’s past costs to March 31, 2014 (the “First Tullow Transfer”).
- iv. Tullow has an option to acquire an additional 15% working interest in the Cooper License in return for a carry of the Company’s share of costs to drill an exploration well on the Cooper Block (capped at \$18.17 million) and the reimbursement of 17.14% of the Company’s past costs (the “Tullow Option”). There is no guarantee that Tullow will exercise the Tullow Option.
- v. In connection with the completion of the First Tullow Transfer, the Company’s work commitments on the Cooper License were further amended.
- vi. Pursuant to the Company’s farmout agreement with Tullow Namibia Limited (“Tullow”), as amended on February 1, 2017 (the “Tullow Amended Farmout Agreement”), if Tullow elects to proceed into the second renewal exploration period or commits to drill an exploration well on the Cooper License before such time, Tullow will acquire from the Company an additional up to 15% working interest in the Cooper License and become the Operator of the Cooper License. In addition, subject to a minimum contribution of US \$2.25 million by the Company, Tullow will carry the Company in respect of the Company’s share of any drilling costs in relation to the first exploration well (if proposed and drilled by Tullow) up to a total well cost of US \$35 million.
- vii. In addition, Tullow will reimburse the Company for 17.14% of all past costs incurred and paid for by the Company in respect of the Cooper License. If Tullow elects not to proceed into the second renewal exploration period, then it will be deemed to have transferred back to the Company its entire 25% working interest and will remain obliged to carry the Company in respect of: (i) the Company’s working interest share of the costs, which the Company has agreed to participate in and which were approved by the operating committee and the parties to the Cooper JOA (as hereinafter defined); and (ii) the seismic carry (to the same extent Tullow would have been liable for had it not elected to transfer its working interest).
- viii. On April 15, 2016, the Ministry approved the entering the next phase of the Cooper License which has been extended into the first Renewal Phase until March 14, 2018. The Second Renewal phase is until March 2020. The Ministry also waived the relinquishment requirement (as stipulated in the Petroleum Agreement), and the partners will continue the exploration work on the entire block area.
- ix. As of March 31, 2017, 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	Company’s share of
---------------------------------------	-------------	--------------------



	(US\$)	Expenditure (US\$) <sup>(2)</sup>
By March 31, 2018		
• Resource assessment and production assessment - completed	-	-
By March 31, 2020		
• After interpretation of 3D survey, drill exploratory well	35,000,000	2,250,000
• Offtake/production engineering	500,000	125,000
By March 31, 2021		
• Complete and interpret a 500 square kilometers 3D seismic survey	1,400,000	350,000
<b>Total</b>	<b>35,750,000</b>	<b>2,725,000</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.
- (2) These numbers assume that the Second Transfer will be completed and the Company's working interest will be 25%. There is no guarantee that the Second Transfer will be completed. If the Second Transfer is not completed, the Company's share of the Expenditure will be 63.9%.

**(v) The Sharon License**

- i. The Sharon License covers 5,000 square kilometers and is located in license area 2213A and 2213B offshore in the economical waters of Namibia (the "Sharon Blocks"). The Company holds a 60% working interest in the Sharon License, NAMCOR holds a 10% carried interest (by the Company), and AziNam holds a 30% interest.
- ii. On April 15, 2016, the Ministry approved the entering the next phase of the Sharon License, which has been extended into the first Renewal Phase until March 14, 2018. 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.
- iii. Pursuant to the Azimuth Farm-out Agreement, Azimuth funded 100% of the 3,000 kilometer 2D seismic survey recently acquired for the Sharon Block. Furthermore, Azimuth will fund 55% of a 1,000 kilometer square 3D seismic survey on the Sharon Block.
- iv. As of of March 31, 2017, 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, 2018		
<ul style="list-style-type: none"> <li>Complete and interpret a 500 square kilometers 3D seismic survey</li> <li>Resource assessment and production assessment - completed</li> </ul>	3,500,000	1,575,000
By March 31, 2019 and 2020		
<ul style="list-style-type: none"> <li>Assuming a target has been defined after interpretation of 3D survey, drill exploratory well</li> <li>Offtake/production engineering</li> </ul>	30,000,000	20,010,000
	500,000	333,500
By March 31, 2021		
<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>34,500,000</b>	<b>22,852,300</b>

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

#### (vi) The Guy License

- i. The Guy License covers 5,000 square kilometers and is located in license area 2111B and 2211A offshore in the economical waters of Namibia (the "Guy Block"). The Company holds a 50% working interest in the Guy License, NAMCOR holds a 10% carried interest (by the Company) and AziNam holds a 40% interest. The Company and AziNam proportionally carries NAMCOR's working interest during the exploration period. As of July 1, 2015, AziNam assumed the role of operator with respect to the Guy License.
- ii. On May 12, 2016, the Ministry approved the entering the next phase of the Guy License, which has been extended into the first Renewal Phase until March 14, 2018. The Second Renewal phase is until March 2020. The Ministry further approved the Company's request to terminate 50% of its licensing obligation corresponding with the relinquishment of 50% of the acreage in the license which was a requirement of the Petroleum Act. This relinquishment pertains to the western portion of the Guy block in the ultra-deep section that the Company and its operating partner, AziNam, consider non-prospective.
- iii. Pursuant to the Azimuth Farm-out Agreement, Azimuth funded 100% of the cost for the shooting and processing of the completed 1,000 kilometer 2D seismic survey on the Guy Block. Additionally, Azimuth funded 66.44% of the costs of an 8,700 square kilometer 3D seismic survey on the Guy Block.

The execution of the 3D seismic survey is complete and processing and interpretation of the Guy Survey is due to be completed during the fourth calendar quarter of 2017.

- iv. As of March 31, 2017, 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	Company's share of
---------------------------------------	-------------	--------------------

	(US\$)	Expenditure (US\$)
By March 31, 2018		
<ul style="list-style-type: none"> <li>Resource assessment and production assessment - completed</li> </ul>	-	-
By March 31, 2019 and 2020		
<ul style="list-style-type: none"> <li>Assuming a target has been defined after interpretation of 3D survey, drill exploratory well</li> <li>Offtake/production engineering</li> </ul>	35,000,000	19,460,000
	500,000	278,000
By March 31, 2021		
<ul style="list-style-type: none"> <li>Complete and interpret a 500 square kilometers 3D seismic survey</li> </ul>	1,400,000	778,400
<b>Total</b>	<b>36,900,000</b>	<b>20,516,400</b>

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

#### (vii) The Tamar License

- i. The Tamar License covers approximately 7,500 square kilometres and is located in license areas 2211B and 2311A offshore in the economical waters of the Republic of Namibia. PAO Namibia holds an 80% working interest in the Tamar License (the Company's net interest is 72% due to its 90% ownership of PAO Namibia), Spectrum Geo Ltd. holds a 10% working interest, and NAMCOR holds a 10% working interest.

The first exploration period for the Tamar Licence expired in March 2016 and has not yet been formally extended, however, the Directors believe that the Group still retains the Tamar Licence and it has received a letter from the Petroleum Commissioner of Namibia confirming that all work required the first exploration period on the Tamar Licence was completed.

- ii. As of March 31, 2017, 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 March 31, 2018		
<ul style="list-style-type: none"> <li>Complete and interpret 500 kilometers<sup>2</sup> 3D seismic survey</li> </ul>	1,400,000	1,400,000

• Evaluation of farm-out and relinquishment of part (original 25%) or all of the Tamar Block		
By October 31, 2019		
• Drill exploratory well (subject to the availability of adequate drilling rigs)	35,000,000	35,000,000
<b>Total</b>	<b>36,400,000</b>	<b>36,400,000</b>

(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.

**(viii) The PAO 51 License**

- i. The PAO 51 License covers approximately 4,867 square kilometers and was located in license area 2612A offshore in the economical water of the Republic of Namibia. PAO held a 90% working interest in the PAO 51 License and NAMCOR held a 10% working interest.
- ii. On September 15, 2015, the Company advised the Ministry of its intension to relinquish the PAO 51 Licenses and on March 1, 2016, the Company received approval for such relinquishment.

**(ix) Daniel License**

- i. The Daniel License covers approximately 23,000 square kilometers and was located in license area 2013B, 2014B and 2114 in Namibia. The Company held a 90% working interest in the Daniel License and NAMCOR held a 10% carried interest.
- ii. On September 15, 2015, the Company advised the Ministry of its intention to relinquish the Daniel License and on March 1, 2016, the Company received approval for such relinquishment. During the year ended March 31, 2016, an impairment write-down of the Daniel License in the amount of \$1,195,684 was reflected in the consolidated statements of operations and comprehensive loss.

- (x)** As of March 31, 2017, the Company has recorded \$169,868 (March 31, 2016 - \$510,703) as advance from license partners related to funds received in advance of the Company incurring applicable operating costs to which the advances can be applied.

**7. Equipment**

Year Ended March 31,	
2017	2016

Cost	<b>\$34,307</b>	\$34,307
Accumulated Depreciation	<b>\$34,307</b>	\$33,206
<b>Net Book Value</b>	<b>-</b>	<b>\$1,101</b>

## 8. Related Party Transactions and Balances

The following are the expenses incurred with related parties for the years ended March 31, 2017 and 2016 and the balances owing as of March 31, 2017 and 2016:

	Year Ended March 31,	
	2017	2016
Salaries, operating and consulting fees and benefits	<b>789,610</b>	\$668,811
Stock-based compensation	<b>485,548</b>	87,387
	<b>1,275,159</b>	<b>\$756,198</b>
Number of people	<b>7</b>	<b>6</b>

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

	March 31,	
	2017	2016
Amount paid for exploration services to a company controlled by the COO of the Company	<b>\$475,538</b>	\$700,489
Amount outstanding at the end of the year	<b>\$32,000</b>	\$97,286
Fees for management services paid to a company controlled by the President and CEO of the Company	<b>\$320,948</b>	\$352,606
Amount outstanding at the end of the year	<b>\$24,840</b>	\$8,020
Fees paid to a company controlled by the CFO of the Company	<b>\$18,000</b>	\$25,850

Amount outstanding at the end of the year	<b>\$1,500</b>	-
Fees for management services paid to a company controlled by the Executive Vice President of the Company	<b>\$120,000</b>	\$120,000
Amount outstanding at the end of the year	<b>\$10,000</b>	\$3,390
Fees paid to a company controlled by the Chairman of Company	<b>\$90,664</b>	\$66,980
Amount outstanding at the end of the year	<b>\$21,981</b>	-

## 9. Share Capital

### Authorized: Unlimited Common Shares

		Common Shares	Amount \$	Shares to be issued \$
<b>Issued</b>			\$	\$
<hr/>				
<b>Balance, April 1, 2015</b>		<b>91,162,025</b>	<b>20,636,597</b>	<b>200,183</b>
<hr/>				
Shares issued on vesting of Restricted Share Units	<i>(i)</i>	250,000	23,602	192,511
Expiry of Warrants	<i>Note 11</i>	-	965,000	-
Repurchase and cancellation of shares	<i>(ii)</i>	(6,368,000)	(787,143)	-
<hr/>				
<b>Balance, March 31, 2016</b>		<b>85,044,025</b>	<b>20,838,056</b>	<b>392,694</b>
<hr/>				
Repurchase and cancellation of Shares	<i>(ii)</i>	(1,823,500)	(338,257)	-
Shares issued on vesting of Restricted Share Units				
From March 23, 2016	<i>(iii)(a)</i>	708,700	136,079	(136,079)
From August 5, 2016	<i>(iii)(b)</i>	216,736	41,180	3,420
From November 28, 2016	<i>(iii)(c)</i>	-	-	100,574
Shares issued in AIM listing	<i>(iv)</i>	32,900,498	6,108,037	
Pan African Oil Amalgamation shares issued	<i>(v)</i>	1,203,374	176,580	(176,580)
<hr/>				
<b>Balance, March 31, 2017</b>		<b>118,249,833</b>	<b>26,961,675</b>	<b>184,029</b>

- (i) On January 28, 2015, 500,000 RSU's were granted to an officer of the Company. The RSU's vested immediately on the grant date. These RSU's had a fair value of \$0.09 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. As at March 31, 2015, 250,000 shares were issued with the remaining 250,000 recorded as shares to be issued. During the year ended March 31, 2016, the remaining 250,000 shares were issued and \$23,602 was reclassified from shares to be issued to share capital.
- (ii) On February 20, 2015, the Company's Board of Directors authorized a share repurchase program (the "2015 Issuer Bid") of up to 10 percent of the Company's outstanding common shares through a normal course issuer bid (up to 6,171,724 common shares) ("ECO Share Repurchase Program"). Shares could be repurchased from time to time on the open market commencing March 2, 2015 through March 1, 2016, or such earlier time as the Issuer Bid is completed or terminated at the option of the Company, at prevailing market prices. The timing and amount of purchases under the program are dependent upon the availability and alternative uses of capital, market conditions, and applicable Canadian regulations and other factors. On March 10, 2016, the Company announced that it had received an additional Exchange approval for its intended normal course issuer bid (the "2016 Issuer Bid"). Under the terms of the 2016 Issuer Bid, the Company may acquire up to 6,491,870 Common Shares from time to time in accordance with Exchange procedures, representing approximately 10% of the total number of the Common Shares held by public shareholders as at the date of the Exchange approval.
- (iii) As at March 31, 2017, the Company repurchased a total of 8,454,000, of which 8,191,500 have been cancelled. The Company held shares, as of March 31, 2017, valued at \$52,805 (March 31, 2016 - \$29,937) in treasury.
- (iv) During the year ended March 31, 2017, the Company issued the following RSU's:
  - a. 708,700 of the 1,002,600 RSU's, granted on March 23, 2016 were issued, and the fair value of those RSU's (\$136,079) were released from Shares to be Issued in the Statement of Equity to Contributed Surplus.
  - b. On August 5, 2016, 234,736 RSU's were granted to certain directors, officers and consultants of the Company. The RSU's vested immediately on the grant date. These RSU's had a fair value of \$0.19 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. The total fair value of the RSU's amounted to \$44,600. As 18,000 underlying shares, have not yet been issued, \$41,180 was recognized as share-based compensation expense for the year ended March 31, 2017 and \$3,420 has been recorded as shares to be issued the Statement of Equity as at March 31, 2017.
  - c. On November 28, 2016, 833,600 RSU's were granted to certain officers and consultants of the Company. These RSU's had a fair value of \$0.22 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. The total fair value of the RSU's amounted to \$183,392.
    - i. 433,600 RSU's vested immediately on the grant date, however, as of March 31, 2017, these shares have not been issued. As such, \$95,392 was recognized as share-based compensation expense for the year ended March 31, 2017 with a corresponding credit to Shares to be issued in the Statement of Equity.

- ii. 400,000 RSU's will vest upon the achievement of certain milestones and expire on November 27, 2026. Management estimates that there is currently a 100% probability that the milestone will be achieved, and as such, the fair value of the RSU's was charged to share-based compensation over the vesting period of the RSU. \$5,182 was recognized as share-based compensation expense for the year ended March 31, 2017 with a corresponding credit to Shares to be issued in the Statement of Equity.
- (v) On February 8, 2017, the Company completed an admission and listing on the AIM market of the London Stock Exchange ("AIM"). The Company raised \$8,390,250 (£5,085,000) before expenses by placing 31,781,250 new Common Shares (the "UK Placing") with investors at a placing price of £0.16 per share (\$0.265 per share (the "Placing Price") (the "Placing"). AIM listing expenses including, cash expenses, comprising primarily commissions and professional fees in the amount of \$2,044,946 and the fair value of warrants issued to brokers' (see Note 11) in the amount of \$237,267.

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

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

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

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

- (v) In connection with the Amalgamation completed on January 28, 2015, the Company authorized for issuance 18,830,738 Common Shares. In order to obtain their Common Shares in the Company, former shareholders of Pan African Oil ("PAO") were required to surrender for cancellation the certificates representing their PAO shares (the "Certificates"). As at March 31, 2017, 17,972,764 shares were issued to former PAO shareholders.

## 10. Warrants

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A summary of warrants outstanding at March 31, 2017 was as follows:

Number of Warrants	Weighted Average Exercise Price
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(\$)

Balance, April 1, 2015	4,937,341	1.00
Expiry of warrants (i)	(4,937,341)	1.00
Balance, March 31, 2016	-	-
Granted during the AIM listing (Note 9 (iv))	3,702,935	0.29
<b>Balance, March 31, 2017</b>	<b>3,702,935</b>	<b>0.29</b>

(i) The 4,937,341 warrants were originally due to expire on July 6, 2013. On July 5, 2015, their term was extended for 12 months and on June 24, 2014, the Company received consent from the TSX Venture Exchange to extend the expiry date of the 4,937,341 warrants for a further 12 months. The warrants expired on July 6, 2016.

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

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

(\* ) 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, 2017.

## **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, 2017 and changes during the year is as follows:

	Number of stock options	Weighted average exercise price \$	Remaining contractual life - years
<b>Balance, April 1, 2015</b>	<b>8,473,400</b>	<b>0.54</b>	<b>2.51</b>
Granted (i)	650,000	0.30	-
<b>Balance, March 31, 2016</b>	<b>9,123,400</b>	<b>0.53</b>	<b>1.76</b>
Cancelled (iv)	(1,098,000)	1.21	-
Expired (iv)	(155,400)	0.59	-
<b>Balance, March 31, 2017</b>	<b>7,870,000</b>	<b>0.30</b>	<b>4.15</b>

(i) On March 23, 2016, 650,000 options were issued to officers, directors and consultants of the Company. These options are exercisable for a maximum period of five years from the date of the grant and vest as to one third on grant date and one third on each anniversary date of the grant for the following two years. The fair value of the options granted was estimated at \$67,175 using the Black-Scholes option pricing model, using the following assumptions:

Expected option life 5 years

Volatility 65.36%

Risk-free interest rate 0.64%

Dividend yield 0%

(ii) On October 11, 2016, the Company approved amendments of the expiry date of 5,670,000 incentive stock options granted to directors and officers (the "Options"). The Options were originally set to expire on January 12, 2017, May 16, 2017 and December 24, 2017. Following the amendments, the Options are set to expire on January 12, 2022, May 16, 2022 and December 24, 2022 respectively. The fair value of the options at the amendment date was estimated at \$416,324 using the Black-Scholes option pricing model, using the following assumptions: Expected option life 5 years and 3 months, 5 years and 8 months and 5 years and 6 years and 2 months, Volatility 65.36%, Risk-free interest rate 0.64%, Dividend yield 0%. During the year ended March 31, 2017, \$416,324 was recognized in share-based compensation in the consolidated statements of operations and comprehensive loss.

(iii) Share-based compensation expense is recognized over the vesting period of options. During the year ended March 31, 2017, share-based compensation of \$168,673 (March 31, 2016 – \$57,116) was recognized based on options vesting during the year.

(iv) During the year ended March 31, 2017, 155,400 (March 31, 2016 – Nil) options expired and 1,098,000 (March 31, 2016- Nil) stock options were cancelled due to various directors, consultants and employees terminating services and/or employment.

(v) As at March 31, 2017, 7,653,333 options were exercisable (March 31, 2016 – 8,516,733).

## 12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2016 – 26.5%) to the effective rate is as follows:

	March 31, 2017 \$	March 31, 2016 \$
Net loss before recovery of income taxes	3,556,585	5,107,496
Expected income tax recovery	(942,495)	(1,353,490)
Difference in foreign tax rates	(177,188)	202,000
Tax rate changes and other adjustments	(828,782)	(57,470)
Non-deductible expenses	(331,862)	70,270
Discontinued operations	653,122	-
Unrealized foreign exchange	-	72,290
Change in tax benefits not recognized	1,627,205	1,066,400
Income tax recovery reflected in the statements of operations and comprehensive loss	-	-

### Unrecognized Deferred Tax Assets

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

	March 31, 2017	March 31, 2016
	\$	\$
<b>Deferred Tax Assets</b>		
Non-capital losses - Canada	4,507,823	3,811,317
Non-capital losses - Ghana	-	1,849,218
Non-capital losses - Namibia	7,682,221	3,642,423
Non-capital losses – Guyana	199,621	114,261
Share issue and financing costs	1,635,957	-
Resource pools – Petroleum, natural gas and shale gas property	848,464	-
Other deductible temporary difference	257,518	318,077

The Canadian non-capital loss carry forwards expire as noted in the table below. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefit therefrom.

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

2031	96,680
2032	845,268
2033	1,471,522
2034	1,265,509
2037	828,844
<hr/> \$	<hr/> 4,507,823 <hr/>

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

The Company is legally required to restore its properties to their original condition. Estimated future site restoration costs will be based upon engineering estimates of the anticipated method

and the extent of site restoration required in accordance with current legislation and industry practices in the various locations in which the Company has properties.

As of March 31, 2017 and 2016, 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 a development stage entity; as such the Company is dependent on external equity financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the year ended March 31, 2017. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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

## **15. Risk Management**

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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, 2017, the Company had cash and cash equivalents and on deposit of \$6,088,567. (March 31, 2016 - \$3,463,178) and short-term investments of \$49,818 (March 31, 2016 - \$100,000) to settle current liabilities of \$800,629 (March 31, 2016 - \$2,538,579).

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, 2017 all have contractual maturities of less than 90 days and are subject to normal trade terms.

**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, 2017.

**16. Commitments**

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**Licenses**

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

The Company submitted work plans for the development of the Namibian licenses, see *Note 6* for details.

**17. Operating Costs**

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Operating costs consist of the following:

Year Ended March 31,	
2017	2016

Exploration data acquisition and interpretation and technical consulting	<b>\$2,281,364</b>	\$4,273,189
Exploration license fees	<b>173,817</b>	364,404
Travel	<b>232,615</b>	124,219
Recovered under JOAs	<b>(517,856)</b>	(2,703,315)
	<b>\$ 2,169,940</b>	\$ 2,058,497

## 18. General and Administrative Costs

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General and administrative costs consist of the following:

	Year Ended March 31,	
	2017	2016
Occupancy and office expenses	<b>\$82,332</b>	\$295,438
Travel expenses	<b>132,348</b>	178,802
Public company costs	<b>113,103</b>	47,796
Insurance	<b>59,566</b>	52,471
Financial services	<b>10,875</b>	14,102
Advertising and communication	<b>8,515</b>	3,509
Depreciation	<b>1,101</b>	2,565
Recovered under JOAs	<b>(22,272)</b>	(97,674)
	<b>\$ 385,568</b>	\$ 497,009

## 19. Discontinued Operations

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- a) On July 29, 2014, the Company, through its wholly-owned subsidiary, Eco Atlantic (Ghana) Ltd. ("Eco Ghana"), acquired a 50.51% interest in the Deepwater Cape Three Points West Block, located in the Tano Cape Three Points Basin, offshore Ghana (the "Ghana Block"). The parties to the GPA include the Company, the Ghana National Petroleum Company ("GNPC"), GNPC Exploration and Production Company Limited ("GNPCEPCL"), A-Z Petroleum Products Ghana Limited ("A-Z"), and PetroGulf Limited ("PetroGulf").
- b) On November 21, 2016, the Company received the necessary approvals from GNPC and GNPC Exploration and Production Company to execute a Share Purchase and Sale Agreement (the "Ghana Agreement") to which the Company sold its total interest in Eco Ghana to PetroGulf for

proceeds of \$1 USD. Pursuant to the Ghana Agreement, the Company is entitled to receive US\$576,580 as reimbursement for past operating expenditures owed to the company on the Ghana Block (“Ghana Reimbursement”). As a result of the Ghana Agreement, the Company will have no remaining obligations in Ghana, and in the Ghana Block, specifically, as PetroGulf has fully assumed all obligations of Eco Ghana. As of the date hereof, the Ghana Reimbursement has not been received.

- c) The carrying value of Eco Ghana was \$853,362 at the date of sale. Proceeds on the sale were \$1 USD (\$1 CDN) resulting in a gain on disposition of \$853,361.
- d) The Company’s operating results from discontinued operations in Eco Atlantic (Ghana) Ltd. are summarized as follows:

	Year Ended March 31,	
	2017	2016
<b>Revenues</b>		
Operator Fees	\$11,804	\$7,551
<b>Expenses</b>		
Professional Fees	131,517	66,783
Operating costs	225,781	1,265,387
General and administrative costs	19,708	12,263
Foreign exchange	(314)	(3,536)
Pre-tax operating loss from discontinued operations	\$(364,888)	\$(1,333,346)
Income tax on operations	-	-
Operating loss from discontinued operations	\$(364,888)	\$(1,333,346)
Gain of sale of operations	853,361	-
Profit (loss) on sale of discontinued operations	\$488,473	\$(1,333,346)

## 20. Earnings per Share

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The Company’s 7,870,000 (March 31, 2016 – 9,123,400) options and 3,702,935 (March 31, 2016 - Nil) warrants have been excluded from the calculation of dilutive earnings per share as their inclusion would be antidilutive.

## 21. Comparative Figures

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The comparative figures have been adjusted to reflect the current year’s presentation.

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## 22. Subsequent Events

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- i. On June 8, 2017, the Company granted a total of 250,000 stock options (the "Options") to a Non-Executive Director of the Company as part of his compensation package for his services to the Company. Terms of the Options include an exercise price of \$0.36 per common share in the Company ("Common Share"), and a vesting schedule allowing for the vesting of the Options in three equal installments, with 1/3 vesting June 8, 2017; 1/3 vesting June 8, 2018 and 1/3 vesting June 8, 2019. The Options expire on June 7, 2022.
- ii. The Company has also granted 3,500,000 Restricted Shares Units (the "RSUs") pursuant to the Company's Restricted Share Units Plan of which 3,350,000 RSUs were granted to Directors of the Company as compensation and success fees in relation with the AIM admission and Company's portfolio and operational developments.
- iii. On April 4, 2017, the Company issued 433,600 shares in respect of the RSU's granted On November 28, 2016 (Note 9 (iii)(c)(i)). Following the issuance of these shares, the company has 118,683,433 shares outstanding.

**\*\*ENDS\*\***

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*The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014.*

**Notes to editors**

Eco Atlantic is a TSX-V and AIM listed Oil & Gas exploration and production Company with interests in Guyana and Namibia where significant oil discoveries have been made.

The Group aims to deliver material value for its stakeholders through oil exploration, appraisal and development activities in stable emerging markets, in partnership with major oil companies, including Tullow and AziNam.

In Guyana, Eco Guyana holds a 40% working interest alongside Tullow Oil (60%) in the 1,800 km<sup>2</sup> Orinduik Block in the shallow water of the prospective Suriname Guyana basin. The Orinduik Block is adjacent and updip to the deep-water Liza Field, recently discovered by ExxonMobil and Hess, which is estimated to contain as much as 1.4 billion barrels of oil equivalent, making it one of a handful of billion-barrel discoveries in the last half-decade.

In Namibia, the Company holds interests in four offshore petroleum licences totaling approximately 25,000 km<sup>2</sup> with over 2.3 billion barrels of prospective P50 resources in the Wallis and Lüderitz Basins. These four licences, Cooper, Guy, Sharon and Tamar are being developed alongside partners, which include Tullow Oil, AziNam and NAMCOR. Significant 3D and 2D surveys and interpretation have been completed with drilling preparations expected to begin in 2018.

