**13 July 2020**

**ECO (ATLANTIC) OIL & GAS LTD.**
("Eco," "Eco Atlantic," "Company," or together with its subsidiaries, the "Group")

**Audited Results for the year ended 31 March 2020 and Business Update**

**Eco (Atlantic) Oil & Gas Ltd. (AIM: ECO, TSX-V: EOG)**, the oil and gas exploration company with license interests in Guyana and Namibia, is pleased to announce its results for the year ended 31 March 2020, alongside a corporate and operational update.

**Results Highlights:**

**Financials**

- As at 31 March 2020, the Company had cash and cash equivalents of CAD $**26,482,896** million (US$18,782,196) with zero debt and remains fully funded for its share of further appraisal and exploration drilling at Orinduik Block offshore Guyana (the "Orinduik Block") of up to US$120M (gross).
- As at 31 March 2020, Eco had total assets of **CAD $28,205,351** million (US$ 20,003,795), total liabilities of CAD $**496,889** (US$ 333,255) million and total equity of CAD $**27,708,462** million (US$ 19,651,392).

**Operations - Guyana**

- In 2019, the Company announced two oil discoveries, Jethro-1 and Joe-1, on its Orinduik offshore petroleum license in Guyana (the "Guyana License"). Both wells were drilled within budget by the Stena Forth drillship, with MWD logging tool and conventional wireline.
- Jethro-1 discovery comprised high quality oil-bearing sandstone 55m reservoir of Lower Tertiary age and was drilled with a net cost to Eco of US$7.6M.
- Joe-1 discovery comprises high-quality oil-bearing sandstone 16m reservoir with a high porosity of Upper Tertiary age and was drilled with a net cost to Eco of US$3M.
- Fluid samples analysis results from both of the wells, sent by the Operator, confirmed that the samples recovered to date from Jethro-1 and Joe-1 are mobile heavy crudes with high sulphur content, which appears not dissimilar to the commercial heavy crudes in nearby Hammerhead discovery and to those currently in production in the North Sea, Gulf of Mexico, the Campos Basin in Brazil, Venezuela and Angola.
- The Company engaged an independent third-party consultant with heavy oil development and economics expertise to help conduct preliminary evaluations related to various production schemes and commercialisation.
- On 3 February 2020, the Company announced the filing of a National Instrument 51-101 compliant resource report on the Orinduik Block, offshore Guyana, which included:
  - Significant increase in Gross Prospective Resources to **5,141 MMBOE** (771 MMBOE net to Eco) from previous estimate of Gross Prospective Resources of 3,981 MMBOE in March 2019.
  - 22 prospects identified on Orinduik Block including 11 leads in the Upper Cretaceous horizon.

- Majority of the project leads have over a 30% or better chance of success (COS), enhanced by the recent discovery of light oil in the Carapa-1 well on the Kanuku Block to the south of Orinduik.
- Leads in the **Tertiary** aged section estimated to contain **1,204 MMBOE**.
- Leads in the **Cretaceous** section are estimated to contain approximately **3,936 MMBOE**.

**Outlook:**

**Guyana**

- In Q1 2020, the Orinduik Block operator proposed a further fine-tuning analysis of the Upper Cretaceous reservoirs, announced a plan to incorporate the Kanuku Block's Carapa-1 well data into Orinduik's existing geological models and technical analysis.
- Further, the partners approved the 2020 budget and are integrating the discoveries of Jethro-1, Joe-1 and Carapa-1 discovery with the rest of the regional data now available and incorporating this data into a reprocessing of the 3D seismic already shot on Orinduik. The intent is to provide further definition to the Cretaceous interpretation and target selection for drilling.
- Geological modeling and prospects maturation on the Orinduik Block are ongoing, which is anticipated to provide further definition to the Cretaceous interpretation and targets' selection for drilling by the end of the calendar year.
- Multiple prospects are currently being reviewed with high-graded candidates under consideration for the next drilling programme. Eco is fully funded for a further drilling programme on the Orinduik Block and plans, subject to JV Partner approval, to drill at least two exploration wells into light oil cretaceous targets in 2021. Further details will be provided to the market in due course.

The Orinduik JV partners are Eco Atlantic (15% working interest ("**WI**")), Tullow Guyana B.V. ("**Tullow**") (Operator, 60% WI) and Total E&P Guyana B.V. ("**Total**") (25% WI).

**Namibia**

- Eco's strategic position in-country remains a core part of the Company's investment case. Eco continues to progress its various work programmes offshore Namibia.
- The Company continues to monitor increasing interest in Namibia, which could potentially see up to four exploration wells drilled on behalf of ExxonMobil, Total, Maurel & Prom, and Shell in the next 12 months.

**Corporate**

- In light of the COVID-19 pandemic and a lower oil price environment, the Company implemented a strict cost cutting programme throughout the business. The decisive and early action taken yielded significant savings and has ensured the business remains well capitalised, with no debt on the balance sheet, for its 2021 drilling plans.

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

*"2019 was a milestone year in Eco's corporate history. We completed a highly successful drilling programme in Guyana, which resulted in two oil discoveries which encountered high quality reservoirs containing mobile heavy crude. The oil we found is similar to other commercial heavy crudes that are planned for production in the area and in production across the world. We remain upbeat about the considerable upside potential that the Orinduik licence possesses, particularly in the Cretaceous horizon which proved to bear light sweet oil in the neighbouring Stabroek and Kanuku Blocks. Following the 2019 drilling campaign, we are now working closely with our JV Partners to incorporate learnings from these and other nearby discoveries, to determine our next drilling targets planned for 2021. We are keen to resume drilling activity on the Orinduik licence as soon as is practically possible and we look forward to updating the market as we finalise our plans for next year.*

*"In Namibia, we continue to make progress with our workstreams and remain poised to benefit from the uptick in activity planned for the region over the coming 12 months. We have a strategic acreage position in Namibia, which we believe will be highly valuable for us and for potential future partners as near-term further drilling activity in the region takes place.*

*"At a corporate level, maintaining Eco's balance sheet strength is a key priority. As such, we took decisive action earlier in the year, implementing a strict cost cutting programme, which has yielded considerable savings that are expected to result in almost US$1M in G&A and public company costs savings. We continue to monitor our costs closely and given we have met all of our existing work commitments in Guyana and Namibia for 2020, we only expect to incur minimal costs for the remainder of the year, thus we expect to end the 2020 calendar year with approx US$17M in cash.*

*"Despite the current macro backdrop, we remain highly upbeat about the coming 12 months. While COVID-19 has had a minor impact on our operations, given Eco's resilient business model and strong cash position, the Company is well placed to navigate the downturn and create significant value for shareholders. We have some of the most attractive acreage positions in two of the most exciting global regions for oil and gas exploration activity, a very strong block partners in Guyana and on the corporate level, and we are well funded to ramp up activity in both jurisdictions as well as other regional opportunities. I look forward to keeping all of our stakeholders updated on our progress over the coming months."*

The Company's audited financial results for year ended 31 March 2020, together with Management's Discussion and Analysis as at 31 March 2020, are available to download on the Company's website at www.ecooilandgas.com and on Sedar at www.sedar.com.

The following are the Company's Balance Sheet, Income Statements, Cash Flow Statement and selected notes from the annual Financial Statements. All amounts are in Canadian Dollars, unless otherwise stated.

## Independent Auditors' Report

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

### Opinion

We have audited the consolidated financial statements of Eco (Atlantic) Oil & Gas Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2020 and March 31, 2019, and the consolidated statements of operations and comprehensive profit and loss, changes in equity, and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2020 and March 31, 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

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

### Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

Mississauga, Ontario **Chartered Professional Accountants**

July 10, 2020 **Licensed Public Accountants**

## Consolidated Statements of Financial Position

| | March 31, 2020 | March 31, 2019 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | **26,482,896** | 25,007,479 |
| Short-term investments | **74,818** | 74,818 |
| Government receivable | **27,347** | 33,104 |
| Advances from license partners, net | **64,687** | - |
| Accounts receivable and prepaid expenses | **65,632** | 80,926 |
| | **26,715,380** | 25,196,327 |
| Petroleum and natural gas licenses | **1,489,971** | 1,489,971 |
| **Total Assets** | **28,205,351** | 26,686,298 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities | **496,889** | 423,513 |
| Amounts owing to license partners, net | **-** | 1,127,675 |
| **Total Liabilities** | **496,889** | 1,551,188 |
| **Equity** | | |
| Share capital | **78,788,877** | 50,025,998 |
| Restricted Share Units reserve | **356,493** | 111,493 |
| Warrants | **70,280** | 52,775 |
| Stock options | **3,392,285** | 3,184,658 |
| Accumulated deficit | **(54,899,473)** | (28,239,814) |
| **Total Equity** | **27,708,462** | 25,135,110 |
| **Total Liabilities and Equity** | **28,205,351** | 26,686,298 |

## Consolidated Statements of Operations and Comprehensive Profit and Loss

| | Year ended March 31, | |
|---|---|---|
| | **2020** | 2019 |
| **Revenue** | | |
| Income from farm-out agreement | **-** | 16,659,307 |
| Interest income | **507,913** | 289,110 |
| | **507,913** | 16,948,417 |
| **Operating expenses**: | | |
| Compensation costs | **1,147,057** | 706,318 |
| Professional fees | **668,400** | 416,204 |
| Operating costs | **16,908,133** | 5,385,306 |
| General and administrative costs | **1,862,663** | 1,448,308 |
| Write off of receivable | **-** | 767,428 |
| Stock-based compensation | **7,640,828** | 4,377,060 |
| Foreign exchange (gain) | **(1,059,509)** | (325,840) |
| Total expenses | **27,167,572** | 12,774,784 |
| **Net profit (loss) and comprehensive profit (loss)** | **(26,659,659)** | 4,173,633 |
| Basic and diluted net profit (loss) per share attributable to equity holders of the parent | **(0.15)** | 0.03 |

| | | |
|---|---|---|
| Weighted average number of ordinary shares used in computing basic and diluted net loss per share | **182,829,288** | 159,887,208 |

**Consolidated Statements of 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** | **157,494,833** | **43,813,254** | **1,139,257** | **70,393** | **167,931** | **2,979,367** | **(32,109,382)** | **(55,065)** | **16,005,755** |
| Purchase of minority interest in Eco Guyana (Note 9(i)) | 1,700,384 | 1,139,257 | (1,139,257) | - | - | - | - | - | - |
| Exercise of warrants | 1,680,313 | 633,818 | - | - | (115,156) | - | - | - | 518,662 |
| Purchase of minority 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 |
| Exercise of stock options | 200,000 | 80,669 | - | - | - | (20,669) | - | - | 60,000 |
| Stock options expensed | - | - | - | - | - | 225,960 | - | - | 225,960 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Net profit for the year | - | - | - | - | - | - | 4,173,633 | - | 4,173,633 |
| **Balance, March 31, 2019** | **164,375,530** | **50,025,998** | **-** | **111,493** | **52,775** | **3,184,658** | **(28,239,814)** | **-** | **25,135,110** |
| Issuance of shares- private placement | 16,159,695 | 21,234,127 | - | - | - | - | - | - | 21,234,127 |
| Exercise of warrants | 592,498 | 214,551 | - | - | (52,775) | - | - | - | 161,776 |
| Exercise of stock options | 420,000 | 169,406 | - | - | - | (43,406) | - | - | 126,000 |
| Issuance of shares from RSU's | 2,900,000 | 7,105,000 | - | 245,000 | - | - | - | - | 7,350,000 |
| Exercise of stock options | 250,000 | 39,795 | - | - | - | (39,795) | - | - | - |
| Issuance of warrants | - | - | - | - | 70,280 | - | - | - | 70,280 |
| Issuance of options | - | - | - | - | - | 70,060 | - | - | 70,060 |
| Stock options expensed | - | - | - | - | - | 220,768 | - | - | 220,768 |
| Net loss for the year | - | - | - | - | - | - | (26,659,659) | - | (26,659,659) |
| **Balance, March 31, 2020** | **184,697,723** | **78,788,877** | **-** | **356,493** | **70,280** | **3,392,285** | **(54,899,473)** | **-** | **27,708,462** |
| | | | | | | | | | |

**Consolidated Statements of Cash Flows**

| | Year ended March 31, | |
|---|---|---|
| | **2020** | **2019** |
| **Cash flow from operating activities** | | |
| Net (loss) profit for the year | **(26,659,659)** | 4,173,633 |
| Items not affecting cash: | | |
| Share-based compensation | **7,640,828** | 4,377,060 |
| Changes in non-cash working capital: | | |
| Government receivable | **5,757** | (9,478) |
| Accounts payable and accrued liabilities | **143,656** | (98,024) |
| Accounts receivable and prepaid expenses | **15,294** | 751,396 |
| Advance from and amounts owing to license partners | **(1,192,362)** | 918,188 |
| | **(20,046,486)** | 10,112,775 |
| **Cash flow from financing activities** | | |
| Net proceeds from private placement | **21,234,127** | - |
| Proceeds from the exercise of stock options | **126,000** | 60,000 |
| Proceeds from the exercise of warrants | **161,776** | 518,662 |
| | **21,521,903** | 578,662 |
| **Increase in cash and cash equivalents** | **1,475,417** | 10,691,437 |
| Cash and cash equivalents, beginning of year | **25,007,479** | 14,316,042 |
| Cash and cash equivalents, end of year | **26,482,896** | 25,007,479 |

**Notes to the 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 consolidated financial statements were approved by the Board of Directors of the Company on July 10, 2020.

## 2. Basis of Preparation

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

## 3. Summary of Significant Accounting Policies

### Statement of compliance

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

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2020.

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

### Basis of consolidation

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

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

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

### Foreign currencies

The functional currency of the Company and its subsidiaries is the Canadian dollar except for Eco Guyana which has been reassessed be the United States dollar

effective March 31, 2020. See also "Functional currency assessment" in Critical accounting estimates. The Company's presentation currency 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**

a) Classification

The following table shows the classification of financial instruments under IFRS 9:

| **Financial asset/liability** | **Classification under IFRS 9** |
|---|---|
| Cash and cash equivalents | Amortized cost |
| Short-term investments | Amortized cost |
| Accounts receivable and prepaid expenses | Amortized cost |
| Accounts payable and accrued liabilities | Amortized cost |
| Advances from and amounts owing to license partners | Amortized cost |

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

b) Measurement

Financial assets and liabilities:

i) Financial instruments carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where the Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).

ii) For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument

basis) to designate them at fair value through other comprehensive income ("FVTOCI").

iii) Financial instruments carried at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

c) Impairment of financial assets at amortized cost

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

| | **FAIR VALUE** | **As at March 31,2020** | | As at March 31,2019 | |
|---|---|---|---|---|---|
| | **INPUT LEVEL** | **CARRYING AMOUNT** | **ESTIMATED FAIR VALUE** | CARRYING AMOUNT | ESTIMATED FAIR VALUE |
| Financial Assets: | | | | | |
| Cash and cash equivalents | 1 | $26,482,896 | $26,482,896 | $25,007,479 | $25,007,479 |
| Short-term investments | 1 | $ 74,818 | $ 74,818 | 74,818 | $74,818 |

**Exploration and evaluation assets and expenditures**

i) Expenditures

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

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

ii) Depletion and depreciation

Capitalized costs related to each cost center from which there is production which 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 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 which 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 is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers.

Income from farmout agreements is described above.

Revenue from the sale of petroleum and natural gas will be 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.

**Earnings (Loss) per share**

Basic earnings (loss) per share is computed based on the weighted average number of common shares outstanding during the year. In calculating the diluted earnings (loss) per share, the weighted average number of common shares outstanding assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase common shares at the average market price during the year. Stock options and warrants are excluded from the loss per share calculation if their impact is anti-dilutive.

**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.

ii) Stock Based Compensation

The Company uses the fair value method, utilizing the Black-Scholes option pricing model, for valuing stock options granted to directors, officers, consultants and employees. The estimated fair value is recognized over the applicable vesting period as stock-based compensation expense. The recognized costs are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term.

iii) Income Taxes

At the end of each reporting period, the Company assesses whether the realization of deferred tax benefits is sufficiently probable to recognize deferred tax assets. This assessment requires the exercise of judgment on the part of management with respect to, among other things, benefits that could be realized from available income tax strategies and future taxable income, as well as other positive and negative factors. The recorded amount of total deferred tax assets could be reduced if estimates of projected future taxable income and benefits from available income tax strategies are lowered, or if changes in current income tax regulations are enacted that impose restrictions on the timing or extent of the Company's ability to utilize deferred tax benefits.

The Company's effective income tax rate can vary significantly quarter-to-quarter for various reasons, including the mix and volume of business in lower income tax jurisdictions and in jurisdictions for which no deferred income tax assets have been recognized because management believed it was not probable that future taxable profit would be available against which income tax losses and deductible temporary differences could be utilized. The Company's effective income tax rate can also vary due to the impact of foreign exchange fluctuations.

iv) Functional currency assessment

Through to March 31, 2020, all entities were considered to have a functional currency of Canadian Dollars. On March 31, 2020, the Company determined the United States Dollar ("USD") to be the functional currency for Eco (Atlantic) Guyana Inc. based on the increased expenditures incurred in USD which is expected to continue in the foreseeable future. The change in estimate has been applied on a prospective basis effective March 31, 2020.

**Accounting Standards Implemented as at April 1, 2019**

*IFRS 16 - Leases ("IFRS 16")*

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the consolidated statements of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The Company has adopted IFRS 16 as of April 1, 2019, and has assessed no changes to the opening consolidated statements of financial position as a result of the adoption of this new standard.

On transition to IFRS 16, the Company has elected to apply the practical expedient to grandfather the assessment of which transactions are leases and apply IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 Leases have not been reassessed for whether a lease exists. The Company has elected to not recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and for leases of low-value assets. The Company has accounted for leases for which the lease term ends within 12 months of the date of initial application as short-term leases. The Company leases office space in Namibia on a month-by month basis. The total lease payments expensed annually approximate $5,000.

*IFRIC 23 - Uncertainty over Income Tax Treatments ("IFRIC 23")*

The Company adopted IFRIC 23 on April 1, 2019 on a modified retrospective basis without restatement of comparative information. The interpretation requires an entity to assess whether it is probable that a tax authority will accept an uncertain tax treatment

used, or proposed to be used, by an entity in its income tax filings and to exercise judgment in determining whether each tax treatment should be considered independently or whether some tax treatments should be considered together. The decision should be based on which approach provides better predictions of the resolution of the uncertainty. An entity also has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, assuming that the taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so. The adoption of the new standard had no impact on the consolidated financial statements as at March 31, 2020.

*IFRS 3 - Business Combinations ("IFRS 3")*

In October 2018, the IASB issued an amendment to IFRS 3, effective for annual periods beginning on or after January 1, 2020 with early adoption permitted. The amendment clarifies that a business must include, at minimum, an input and a substantive process that together contribute to the ability to create outputs, and assists companies in determining whether an acquisition is a business combination or an acquisition of a group of assets by providing supplemental guidance for assessing whether an acquired process is substantive. The Company has decided to early adopt the amendments to IFRS 3 effective January 1, 2019 and shall apply the amended standard in assessing business combinations on a prospective basis. For acquisitions that are determined to be acquisitions of assets as opposed to business combinations, the Company allocates the transaction price to the individual identifiable assets acquired and liabilities assumed on the basis of their relative fair values, and no goodwill is recognized. Acquisitions that continue to meet the definition of a business combination are accounted for under the acquisition method, without any changes to the Company's accounting policy. There was no impact on the Company's consolidated financial statements as at March 31, 2020.

## 4. Accounting Standards Issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable to or do not have a significant impact on the Company and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

## 5. Short-term Investments

As of March 31, 2020, the Company's short-term investments comprise interest bearing deposits with its primary bank of $74,818 (March 31, 2019 - $74,818), which are held as collateral for the Company's credit-cards.

## 6. Accounts receivable and prepaid expenses

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

## 7. Petroleum and Natural Gas Licenses

| | Balance April 1, 2019 | Additions | Impairment, Sale and Abandonment | Balance March 31, 2020 |
|---|---|---|---|---|
| Licenses | $ **1,489,971** | **$** - | **$** - | **$ 1,489,971** |

| | Balance April 1, 2018 | Additions | Impairment, Sale and Abandonment | Balance March 31, 2019 |
|---|---|---|---|---|
| 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.

**(ii) Guyana**

a. The Guyana license covers 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 16 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 B.V. ("Tullow Guyana") currently holds a 60% interest (Operator).

c. On September 26, 2017, the Company's subsidiary, Eco Guyana, entered into an option agreement that provides Total E&P Activités Pétrolières, (a wholly owned subsidiary of Total SA) ("Total") with an option to acquire a 25% Working Interest in the Orinduik Block from Eco Guyana (the "Total Option"). Pursuant to the Option Agreement, Total made an immediate payment of US$1 million for the Option (the "Option Fee") to Farm-in to the Orinduik Block for an additional payment in cash of US$12.5 million to earn the 25% Working Interest. The Option was exercisable within 120 days from delivery to Total of the processed 3D seismic and final report thereto. On September 13, 2018, Total exercised the Total Option and on October 31, 2018, the Company received approval for the transfer of 25% working interest to Total from the President of Guyana. On November 27, 2018, Total transferred $16.7 million (US$12.5 million) to the Company and completed the transfer. The $16.7 million was recorded as Income from option agreement in the Company's Consolidated Statement of Comprehensive Profit and Loss.

d. On March 29, 2019, the Company announced that the Company, Total, and Tullow Guyana (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, was approximately US$3 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%.

e. On July 5, 2019, the Company announced the spudding of the Jethro-Lobe well.

f. 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 confirmed that the Jethro-1 was 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 oil pay in lower Tertiary sandstone reservoirs, which supports recoverable oil resources. The well was cased, and is awaiting further evaluation to determine the appropriate appraisal activity.

g. On August 27, 2019, the Company announced the commencement of drilling of the Joe prospect ("Joe-1"), the Company's second exploration well on the Orinduik Block. Joe-1 was spud using the Stena Forth drillship, which previously drilled the Jethro-1 discovery.

h. On September 16, 2019, the Company announced a second oil discovery on the Orinduik Block, offshore Guyana. The Joe-1 exploration well was drilled by the Stena Forth drillship to a final depth of 7,176 feet (2,175 meters) in approximately 2,546 feet (780 meters) of water. Evaluation of MWD, wireline logging and sampling of the oil confirms that Joe-1 is the second discovery on the Orinduik license and comprises oil-bearing sandstone reservoir with a high porosity of Upper Tertiary age. The Joe-1 well encountered 52 feet (16 meters) of continuous thick sandstone, which supports the presence of recoverable oil resources. Additional thinner sands above and below the main pay are being evaluated for possible incremental pay.

h. The Partners are conducting a detailed evaluation of the Jethro and Joe oil discoveries on the Orinduik Block.

i. On November 13, 2019, the Company announced that both wells were drilled within budget, with MWD logging tool and conventional wireline, and the reservoirs were considered to be high quality sands with good permeability.

   Fluid samples were taken in both of the wells and were sent for analysis by the Operator. Initial results suggest that the samples recovered to date from Jethro-1 and Joe-1 are mobile heavy crudes, not dissimilar to the commercial heavy crudes in the North Sea, Gulf of Mexico, the Campos Basin in Brazil, Venezuela and Angola, with high sulphur content.

   The Partners have sought a third party consultant with heavy oil development expertise to answer our technical queries and provide an initial assessment of several potential development drilling and production scenarios. The Jethro-1 discovery has the advantage of 8,500 PSI reservoir (2,600 PSI Overpressure), which increases drive efficiency; high reservoir temperature of 94 degrees Celsius; and an estimated flowing well head temperature of 90 degrees, which both increases oil mobility and provides an advantage at the floating production facility. The Company remains optimistic in considering the development scenarios and as the project progresses will define further information on plans and timing.

   The Partners are currently further defining the Orinduik geological modeling, prospects maturation and target selection in an ongoing process. The Partners are also reviewing and incorporating the latest Kanuku Block Carapa-1 light oil discovery and additional regional exploration information into the models. The intent is to provide further definition to the Cretaceous interpretation and targets' selection for drilling.

j. On December 9, 2019, the Partners elected to enter the next exploration phase (the "First Renewal Period") of the Orinduik Petroleum Agreement signed on January 14, 2016 and have submitted their official notice to the Department of Energy of the Government of Guyana.

The entering into of the First Renewal Period, which will commenced on January 14, 2020, will see the Partners maintain control of the license for a further three years, through to January 13, 2023, and until the second renewal period.

k. On February 3, 2020, the Company announced the filing of a National Instrument 51-101 compliant Competent Persons Report on the resources on the Orinduik Block, offshore Guyana, which found: (i) a significant increase in Gross Prospective Resources to 5,141 MMBOE (771 MMBOE net to Eco), (ii) 22 identified prospects on Orinduik Block including 11 leads in the Upper Cretaceous horizon, (iii) that a majority of the project leads have over a 30% or better chance of success (COS), enhanced by the recent discovery of light oil on the Kanuku block to the south of Orinduik, and (iv) leads in the Tertiary aged section estimated to contain 1,204 MMBOE, and within the Cretaceous section are estimated to contain approximately 3,936 MMBOE.

l. As of March 31, 2020, the Company and its partners on the license approved a budget in the amount of US$7 million through to March 31, 2020. The Company's share of this budget is $1,057,000.

**(iii) Namibia**

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

**(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"). The Company holds a 57.5% working interest in the Cooper License, the National Petroleum Corporation of Namibia ("NAMCOR") holds a 10% working interest and AziNam Ltd ("AziNam") holds a 32.5% working interest. The Company and AziNam proportionally carry NAMCOR's working interest during the exploration period.

b. On February 18, 2019, the second renewal exploration period was extended to March 2021.

c. As of March 31, 2020, the Company and its partners on the license approved a budget in the amount of US$695,000 through to March 31, 2020. The Company's share of this budget is $443,000 (including the Company's proportional carry of NAMCOR).

**(v) The Sharon License**

a. The Sharon License covers 5,000 square kilometers and is located in license area 2213A and 2213B offshore in the economical waters of Namibia (the "Sharon Blocks"). The Company holds a 60% working interest in the Sharon License, NAMCOR holds a 10% carried interest (by the Company), and AziNam holds a 30% interest. The Company and AziNam proportionally carry NAMCOR's working interest during the exploration period.

b. On February 18, 2019, the second renewal exploration period was extended to March 2021.

c. As of March 31, 2020, the Company and its partners on the license approved a budget in the amount of US$1,375,000 through to March 31, 2020. The Company's share of this budget is $908,000 (including the Company's proportional carry of NAMCOR).

**(vi) The Guy License**

a. The Guy License covers 5,000 square kilometers and is located in license area 2111B and 2211A offshore in the economical waters of Namibia (the "Guy Block"). The Company holds a 50% working interest in the Guy License, NAMCOR holds a 10% carried interest (by the Company) and AziNam holds a 40% interest. The Company and AziNam proportionally carry NAMCOR's working interest during the exploration period. As of July 1, 2015, AziNam assumed the role of operator with respect to the Guy License.

b. On February 18, 2019, the second renewal exploration period was extended to March 2021.
c. As of March 31, 2020, the Company and its partners on the license approved a budget in the amount of US$1,490,000 through to March 31, 2020. The Company's share of this budget is $820,000 (including the Company's proportional carry of NAMCOR).

**(vii) The Tamar License**

a. The Tamar License covers approximately 7,500 square kilometers and is located in license areas 2211B and 2311A offshore in the economical waters of the Republic of Namibia. PAO Namibia holds an 80% working interest in the Tamar License, Spectrum Geo Ltd. holds a 10% working interest, and NAMCOR holds a 10% working interest.
b. On February 18, 2019, the second renewal exploration period was extended to March 2021.
c. As of March 31, 2020, the Company approved a budget for this license in the amount of US$1,398,000 through to March 31, 2020.

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

The following are the expenses incurred with related parties for the years ended March 31, 2020 and 2019 and the balances owing as of March 31, 2020 and 2019:

(i) As of March 31, 2020:

| | Directors Fees | Consulting Fees | Stock based awards(**) | Option based awards(**) | Total | Amounts owing at March 31, 2020 |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| Gil Holzman - CEO | $ - | $ 631,443 | $2,205,000 | $ 29,671 | $ 2,866,114 | $ - |
| Colin Kinley - COO (*) | - | 1,290,567 | 2,205,000 | 29,671 | 3,525,238 | 96,644 |
| Alan Friedman - Executive Vice President | - | 60,000 | 306,250 | 29,671 | 395,921 | 5,000 |
| Gadi Levin - Financial Director | - | 136,000 | 490,000 | 14,836 | 640,836 | - |
| **Non Executive Directors** | | | | | | |
| Moshe Peterberg - Chairman of the board | 161,099 | - | 857,500 | 29,671 | 1,048,270 | 51,073 |
| Keith Hill | 36,000 | - | 306,250 | 29,671 | 371,921 | 9,000 |
| Peter Nicol | 37,500 | - | 490,000 | 29,671 | 557,171 | 13,739 |
| Helmut Angula | 54,045 | - | 245,000 | 29,671 | 328,716 | 7,500 |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Officers** | | | | | | |
| Alan Rootenberg - CFO | - | 18,000 | - | - | 18,000 | 1,500 |
| Total | **$288,644** | **$2,136,010** | **$7,105,000** | **$ 222,533** | **$9,752,187** | **$ 184,456** |

(*) Included in Consulting fees to Mr. Kinley is $376,572 of fees paid for technical services provided by Kinley Exploration LLC, a Company controlled by Mr. Kinley.

(**) Share based awards and option based awards are based on the value of the Company's shares at the date of the grant of the RSU or option.

(ii) As of March 31, 2019:

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

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

## 9. Share Capital

**Authorized:** Unlimited Common Shares

| Issued | | Common Shares | Amount<br>$ | Shares to be issued<br>$ | Restricted Share Units Reserve<br>$ |
|---|---|---|---|---|---|
| **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 | *(i)* | 1,700,384 | 1,139,257 | (1,139,257) | - |
| Exercise of warrants | *(ii)* | 1,680,313 | 633,818 | - | - |
| Purchase of non-controlling interest in subsidiary | *(iii)* | 300,000 | 249,000 | - | - |
| Issuance of shares from RSU's | *(iv)* | 3,000,000 | 4,110,000 | - | 41,100 |
| Exercise of stock options | *(v)* | 200,000 | 80,669 | - | - |
| **Balance, March 31, 2019** | | **164,375,530** | **50,025,998** | **-** | **111,493** |
| Private placement | *(vi)* | 16,159,695 | 21,234,127 | - | - |
| Exercise of warrants | *(vii)* | 592,498 | 214,551 | - | - |
| Exercise of stock options | *(viii)* | 420,000 | 169,406 | - | - |
| Issuance of shares from RSU's | *(ix)* | 2,900,000 | 7,105,000 | - | 245,000 |
| Exercise of stock options | *(x)* | 250,000 | 39,795 | | |
| **Balance, March 31, 2020** | | **184,697,723** | **78,788,877** | **-** | **356,493** |

(i) On February 20, 2018, the Company entered into a purchase agreement to purchase the minority shares in Eco Guyana ("Guyana Non-controlling Interest"). As part of the consideration for the acquisition of the Guyana Non-controlling Interest, the Company agreed issue a total of 1,700,384 common shares. As the shares were not issued by March 31, 2018, the Company recorded a credit to Shares to be Issued in the Statement of Changes in Equity in the amount of

$1,139,257 being that fair value of the shares at the date of the Purchase Agreements, and a corresponding charge to accumulated deficit. On June 1, 2018, the Company issued 1,700,384 Shares in respect of the Guyana Non-controlling Interest.

(ii) On October 5, 2018 and January 25, 2019, the Company issued a total of 1,680,313 shares of the Company pursuant to the exercise of warrants, previously issued in connection with the AIM admission. 590,000 warrants had an exercise price of $0.21 (£0.16) and 1,090,313 warrants had an exercise price of $0.33 (£0.192). Total proceeds were $518,662. The fair value of the warrants was $115,156.

(iii) .On September 14, 2018, the Company issued 300,000 shares in respect of the purchase of the PAO Namibia non-controlling interest. The fair value of the shares was $249,000 and was charged to Capital in the Consolidated Statement of Changes in Shareholders Equity.

(iv) On March 12, 2019, 3,030,000 Restricted Share Units ("RSU's")were granted to certain directors, officers and consultants of the Company as compensation and success fees in connection with operational developments. These RSUs had a fair value $4,151,100 ($1.37 per unit) and was charged to Share Based Compensation in the Consolidated Statements of Operations and Comprehensive Profit and Loss. 3,000,000 RSUs had a fair value $4,110,000 ($1.37 per unit) were issued on February 28, 2019 and $41,100 (representing the fair value of the remaining 100,000 RSUs) was charged to the Restricted Share Units Reserve in the Consolidated Statement of Changes in Equity.

(v) During February 2019, the Company issued 200,000 shares of the Company pursuant to an exercise of share options at a price of $0.30 per common share for total proceeds of $60,000.

(vi) On April 10, 2019, the Company completed a private placement equity financing of 16,159,695 shares of the Company at a price of $1.41 per share raising gross proceeds of $22.5 million (net proceeds: $21.2 million).

(vii) On May 21, 2019, 592,498 warrants were exercised at £0.16 per warrant ($0.28) 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.

(viii) 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 and on October 24, 2019, 178,750 options were exercised at $0.30 per option into 178,750 shares of the Company for gross consideration of $53,625. The fair value of the exercised options was $18,473.

(ix) On August 23, 2019, 3,000,000 RSUs (1.75% on a fully diluted basis) were granted to certain directors, officers and consultants of the Company as part of the Company's long-term incentive scheme and previous period success in relation with the recent discovery in Guyana. These RSUs vest immediately and had a fair value $7,350,000 ($2.45 per unit, being the share price on the date of issuance). On September 9, 2019, the Company issued 2,900,000 shares in respect of these RSU's with a fair value $7,105,000 ($2.45 per unit). $7,350,000 was charged to Share Based Compensation in the Consolidated Statements of Operations and Comprehensive Profit and Loss, $7,105,000 was credited to Capital in the Consolidated Statement of Changes in Equity and the balance of 100,000 RSU's with a fair value of $245,000 was credited to Restricted Share Units Reserve in the Consolidated Statement of Changes in Equity.

(x) On January 9, 2020, a director of the Company exercised 350,000 options at an exercise price of $0.30. In order to affect a cashless exercise, as permitted under

the Company's Stock Option Plan, and minimize dilution to shareholders, the Board agreed to issue 250,000 common shares in lieu of the 350,000 options intended to be exercised.

## 10. Warrants

A summary of warrants outstanding at March 31, 2020 was as follows:

| | Number of Warrants | Weighted Average Exercise Price ($) |
|---|---|---|
| Balance, March 31, 2018 | 2,272,811 | 0.29 |
| Exercised (see Note 9(ii)) | (1,680,313) | 0.31 |
| **Balance, March 31, 2019** | **592,498** | **0.28** |
| Exercised (see Note 9(vii)) | (592,498) | 0.28 |
| Issuance of warrants (i) | 80,000 | 2.45 |
| **Balance, March 31, 2020** | **80,000** | **2.45** |

(i) On August 23, 2019, the Company granted, to a consultant of the Company, warrants to subscribe for up to 80,000 Common Shares at a price of $2.45 (£1.50) per Common Share (the "Warrants"). The Warrants are exercisable for a period of one year from the date of issue and have a fair value of $70,280 that was determined using the Black-Scholes option pricing model and the following assumptions: share price - $2.45; exercise price - $2.45; expected life - 1 year; annualized volatility - 91.7%; dividend yield - 0%; risk free rate - 1.6%.

(ii) As of March 31, 2020, outstanding warrants were as follows:

| Number of Warrants | Exercise Price | Exercisable at March 31, 2020 | Expiry Date |
|---|---|---|---|
| 80,000 | $ 2.45 | 80,000 | August 22, 2020 |
| 80,000 | | 80,000 | |

## 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, 2020 and changes during the year is as follows:

| | Number of stock options | Weighted average exercise price<br>$ | Remaining contractual life - years |
|---|---|---|---|
| **Balance, March 31, 2018** | **6,920,000** | **0.30** | **3.76** |
| Granted (i) | 800,000 | 1.50 | - |
| Exercised (see Note 9 (v)) | (200,000) | 0.33 | - |
| **Balance, March 31, 2019** | **7,520,000** | **0.43** | **3.01** |
| Exercised (see Note 9 (viii)) | (420,000) | 0.30 | - |
| Exercised (see Note 9 (x)) | (350,000) | 0.30 | - |
| Granted (ii) | 200,000 | 1.20 | - |
| **Balance, March 31, 2020** | **6,950,000** | **0.47** | **2.08** |

(i) February 28, 2019, 800,000 options were issued to directors and a consultant with an exercise price of $1.50 per share. These options are exercisable for a maximum period of five years from the date of the grant and vest one third on grant date and one third on each anniversary date of the grant for the following two years. The fair value of the options granted was estimated at $487,600 using the Black-Scholes option pricing model, using the following assumptions: share price - $1.35; expected life - 5 years; volatility - 54.78%; risk-free rate - 1.5%; dividend yield - 0%.

(ii) On January 10, 2020, The Company also granted to the Company's IR and Marketing manager, options to subscribe for up to 200,000 Common Shares at a price of $1.20 per share. The options vest equally over three years with the first vesting period occurring on the date of issue and expire 5 years from the date of issue. The fair value of the options granted was estimated at $140,120 using the Black-Scholes option pricing model, using the following assumptions: share price - $1.08; expected life - 5 years; volatility - 84.29%; risk-free rate - 1.5%; dividend yield - 0%.

(iii) Stock-based compensation expense is recognized over the vesting period of options. During the year ended March 31, 2020, stock-based compensation in respect of stock option and RSU grants amounted to $7,640,828 (March 31, 2019 - $4,377,060).

(iv) As at March 31, 2020, outstanding options were as follows:

| Number of Options | Exercisable | Exercise Price | Expiry Date |
|---|---|---|---|
| 30,000 | 30,000 | $ 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 | 250,000 | $ 0.36 | July 6, 2022 |
| 870,000 | 870,000 | $ 0.30 | December 24, 2022 |
| 800,000 | 533,333 | $ 1.50 | March 1, 2024 |
| 200,000 | 66,667 | $ 1.20 | January 10, 2025 |

| **6,950,000** | **6,550,000** |
|---|---|

## 12. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2019 - 26.5%) to the effective rate is as follows:

| | **March 31, 2020 $** | **March 31, 2019 $** |
|---|---|---|
| Net loss before recovery of income taxes | **(26,659,659)** | 4,173,633 |
| Expected income tax recovery | **(7,064,830)** | 1,097,800 |
| Difference in foreign tax rates | **172,450** | (235,090) |
| Tax rate changes and other adjustments | **-** | (32,950) |
| Non-deductible expenses | **2,028,530** | (2,893,010) |
| Share issuance costs booked to equity | **(354,390)** | - |
| Change in tax benefits not recognized | **5,218,240** | 2,063,250 |
| Income tax recovery reflected in the statements of operations and comprehensive Profit and Loss | **-** | - |

**Unrecognized Deferred Tax Assets**

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

| | **March 31, 2020 $** | **March 31, 2019 $** |
|---|---|---|
| **Deferred Tax Assets** | | |
| Operating tax losses carried forward - Canada | **13,415,990** | 10,200,839 |
| Tax attributes - Foreign countries | **17,911,940** | 17,911,936 |
| Property plant and equipment | **41,220** | 41,220 |
| Intangible assets | **212,510** | 212,510 |
| Share issue costs | **1,735,210** | 1,202,517 |
| Capital losses carried forward - Canada | **383,710** | 383,710 |

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

| Year | | Amount |
|---|---|---|
| 2031 | $ | 96,680 |
| 2032 | | 845,270 |
| 2033 | | 1,471,520 |
| 2034 | | 1,265,600 |
| 2037 | | 1,750,120 |
| 2038 | | 2,090,880 |
| 2039 | | 2,680,770 |
| 2040 | | 3,215,140 |
| | $ | 13,415,980 |

## 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.

During the year ended March 31, 2020 two wells were drilled, plugged and abandoned by the operator in accordance to international standards and in accordance to the Petroleum Regulations and the Government of Guyana. Thus there is no further liability after the drilling program was completed.

As of March 31, 2020 and 2019, the Company did not operate any properties, accordingly, no ARO was required.

## 14. Capital Management

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

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

There were no changes in the Company's approach to capital management during the year ended March 31, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

## 15. Risk Management

### a) Credit risk

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

### b) Interest rate risk

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

### c) Liquidity risk

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

As at March 31, 2020, the Company had cash and cash equivalents and cash on deposit of $26,482,896 (March 31, 2019 - $25,007,479), short-term investments of $74,818 (March 31, 2019 - $74,818), accounts receivable and prepaid expenses of $65,632 (March 31, 2019 - $80,926), advances from license partners of $64,687 (March 31, 2019 - nil), and government receivable of $27,347 (March 31, 2019 - $33,104) to settle current liabilities of $496,889 (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 March 31, 2020 all have contractual maturities of less than 90 days and are subject to normal trade terms.

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

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

### d) Foreign currency risk

Foreign exchange risk arises since most of the Company's costs are in currencies other than the Canadian dollar. Fluctuations in exchange rates between the Canadian dollar and the U.S. dollar could materially affect the Company's financial position. Management periodically considers reducing the effect of exchange risk through the use of forward currency contracts but has not entered into any such contracts to date.

Sensitivity to a plus or minus 10% change in rates would not have a significant effect on the net income (loss) of the Company.

### e) Environmental Risk (COVID-19)

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Canada and the United States have been taking measures designated to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders

and quarantining populated areas. Such measures present concerns that may dramatically affect the Company's ability to conduct its business effectively, including, but not limited to, adverse effect relating to negotiations and discussions with regulators, site visits, slowdown and stoppage of work, travel and other activities which are essential and critical for maintaining on-going business activities. Given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition; infections may become more widespread and the limitation on the ability to work and travel, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company's business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets, oil prices and the global economy which could result in an economic downturn that could have a material adverse effect on its operations and financial results, earnings, cash flow and financial condition.

## 16. Commitments

### Licenses

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

The Company, together with its partners on each license, submit annual work plans for the development of each license, which are approved by the relevant regulator.

## 17. Operating Costs

Operating costs consist of the following:

| | **Year ended March 31,** | |
|---|---|---|
| | **2020** | **2019** |
| Drilling costs, data acquisition and interpretation and technical consulting | **$ 16,813,967** | $ 4,946,957 |
| Exploration license fees | **310,704** | 375,955 |
| Travel | **122,320** | 119,860 |
| Recovered under Joint Operating Agreements | **(338,858)** | (57,466) |
| | **$ 16,908,133** | $5,385,306 |

## 18. General and Administrative Costs

General and administrative costs consist of the following:

| | **Year ended March 31,** | |
|---|---|---|
| | **2020** | 2019 |
| Occupancy and office expenses | **$ 93,940** | $ 112,764 |
| Travel expenses | **664,316** | 528,640 |
| Public company costs | **1,066,927** | 811,251 |
| Insurance | **75,728** | 60,271 |

| | | |
|---|---|---|
| Financial services | **17,668** | 17,642 |
| Recovered under Joint Operating Agreements | **(55,916)** | (82,260) |
| | **$ 1,862,663** | $1,448,308 |

## 19. Earnings (loss) per Share

| | **2020** | 2019 |
|---|---|---|
| **Basic Earnings (loss) per share:** | | |
| Net profit (loss) | **$ (26,659,659)** | $ 4,173,633 |
| Weighted average shares outstanding | **182,829,288** | 159,887,208 |
| Basic earnings (loss) per share | **$ (0.15)** | $ 0.03 |
| | | |
| **Diluted Earnings (loos) per share:** | | |
| Net profit (loss) | **$ (26,659,659)** | $ 4,173,633 |
| Weighted average shares outstanding after effect of dilutive stock options and warrants | **182,829,288** | 165,136,097 |
| Diluted earnings (loss) per share | **$ (0.15)** | $ 0.03 |

****ENDS****

**For more information, please visit www.ecooilandgas.com or contact the following**:


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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:**

**About Eco Atlantic:**

Eco Atlantic is a TSX-V and AIM quoted 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, Total and Azinam.

In Guyana, Eco Guyana holds a 15% working interest alongside Total (25%) and Tullow Oil (60%) in the 1,800 $km^2$ Orinduik Block in the shallow water of the prospective Suriname-Guyana basin. The Orinduik Block is adjacent and updip to ExxonMobil and Hess Corporation's Stabroek Block, on which sixteen discoveries have been announced and over 8 Billion BOE of oil equivalent recoverable resources are estimated. First oil production commenced in December 2019 from the deep-water Liza Field, less than 3 years from FID.

Jethro-1 was the first major oil discovery on Orinduik Block. The Jethro-1 encountered 180.5 feet (55 meters) of net high-quality oil pay in excellent Lower Tertiary sandstone reservoirs which further proves recoverable oil resources. Joe-1 is the second discovery on the Orinduik Block and comprises high quality oil-bearing sandstone reservoir with a high porosity of Upper Tertiary age. The Joe-1 well encountered 52 feet (16 meters) of continuous thick sandstone which further proves the presence of recoverable oil resources.

In Namibia, the Company holds interests in four offshore petroleum licenses totalling approximately 25,000$km^2$ with over 2.3bboe of prospective P50 resources in the Walvis Basin. These four licenses, Cooper, Guy, Sharon and Tamar are being developed alongside partners Azinam and NAMCOR. Eco has been granted a drilling permit on its Cooper Block (Operator).