**Eco (Atlantic) Oil & Gas Ltd.**
**(A Development Stage Company)**

**Consolidated Financial Statements**

**March 31, 2016 and 2015**

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*March 31, 2016 and 2015*

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## Independent Auditors' Report

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

### Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Eco (Atlantic) Oil & Gas Ltd., which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of operations and comprehensive (loss) income, 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### 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, 2016 and 2015, 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.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
July 28, 2016

MNP

Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)

**Consolidated Statements of Financial Position**

| | March 31, 2016 | March 31, 2015 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and cash equivalents | **$ 3,463,178** | $ 10,490,818 |
| Short-term investments *(Note 6)* | **100,000** | 100,000 |
| Government receivable | **23,284** | 1,191,844 |
| Accounts receivable and prepaid expenses | **622,858** | 113,004 |
| | **4,209,320** | 11,895,666 |
| Petroleum and natural gas licenses *(Note 7)* | **3,102,353** | 2,685,655 |
| Equipment *(Note 8)* | **1,101** | 7,572 |
| | **$ 7,312,774** | $ 14,588,893 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities *(Note 9)* | **$ 2,027,876** | $ 2,238,417 |
| Advance from license partners *(Note 7(xvi))* | **510,703** | 1,954,871 |
| | **2,538,579** | 4,193,288 |
| **Equity** | | |
| Share capital *(Note 10)* | **20,838,056** | 20,636,597 |
| Shares to be issued (*Note 10)* | **392,694** | 200,183 |
| Warrants *(Note 17)* | **-** | 965,000 |
| Stock options *(Note 16)* | **2,400,735** | 2,343,619 |
| Non-controlling interest | **(68,323)** | (66,637) |
| Accumulated deficit | **(18,788,967)** | (13,683,157) |
| | **4,774,195** | 10,395,605 |
| | **$ 7,312,774** | $ 14,588,893 |

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

**Basis of Preparation and Going Concern** *(Note 2)*

**Commitments** *(Notes 7 and 12)*

**Subsequent events** *(Note 21)*

Approved by the Board of Directors of the Company

Signed: **"Gil Holzman"** Director

Signed: **"Alan Friedman"** Director

**Consolidated Statements of Operations and Comprehensive (Loss) Income**

| | Year ended March 31, 2016 | Year ended March 31, 2015 |
|---|---|---|
| **Revenue** | | |
| Income from farm-out agreements *(Note 7(v))* | **$ 554,400** | $ 5,595,007 |
| Operator fees | **7,551** | - |
| Interest income | **11,801** | 29,625 |
| | **573,752** | 5,624,632 |
| **Operating expenses**: | | |
| Compensation costs | **642,035** | 928,258 |
| Professional fees | **392,121** | 979,675 |
| Operating costs *(Notes 18)* | **3,323,884** | 2,136,064 |
| General and administrative costs *(Note 19)* | **509,272** | 548,903 |
| Share-based compensation *(Notes 16)* | **247,939** | 1,127,862 |
| Foreign exchange gain | **(629,687)** | (275,796) |
| Total expenses | **4,485,564** | 5,444,966 |
| Net loss before write-down of license | **(3,911,812)** | 179,666 |
| Write-down of license *(Note 7)* | **(1,195,684)** | - |
| **Net (loss) income and comprehensive (loss) income** | **$ (5,107,496)** | $ 179,666 |
| Net comprehensive (loss) income attributed to: | | |
| Equity holders of the parent | **(5,105,810)** | 179,722 |
| Non-controlling interests | **(1,686)** | (56) |
| | **$ (5,107,496)** | $ 179,666 |
| Basic and diluted net (loss) income per share attributable to equity holders of the parent | **$ (0.06)** | $ 0.00 |
| Weighted average number of ordinary shares used in computing basic and diluted net loss per share | **88,601,681** | 74,154,652 |

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

Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)

## Consolidated Statements of Equity

| | Number | Capital | Shares to be issued | Warrants | Stock Options | Deficit | Non-controlling Interest | Equity |
|---|---|---|---|---|---|---|---|---|
| **Balance, March 31, 2014** | **68,959,661** | **17,031,370** | - | **965,000** | **2,176,395** | **(13,862,879)** | **-** | **6,309,886** |
| Shares issued on vesting of Restricted Share Units *(Note 10)* | 4,575,000 | 1,048,313 | 23,602 | - | - | - | - | 1,071,915 |
| Consideration for asset acquisition *(Note 10(ii))* | 17,627,364 | 2,586,614 | 176,581 | - | 111,277 | - | (66,581) | 2,807,891 |
| Stock options expensed | - | - | - | - | 55,947 | - | - | 55,947 |
| Share repurchase | - | (29,700) | - | - | - | - | - | (29,700) |
| Net income for the year | - | - | - | - | - | 179,722 | (56) | 179,666 |
| **Balance, March 31, 2015** | **91,162,025** | **$ 20,636,597** | **$ 200,183** | **$ 965,000** | **$ 2,343,619** | **$ (13,683,157)** | **$ (66,637)** | **$ 10,395,605** |
| Shares issued on vesting of Restricted Share Units *(Note 10)* | 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) |
| **Balance, March 31, 2016** | **85,044,025** | **$ 20,838,056** | **$ 392,694** | **$ -** | **$ 2,400,735** | **$ (18,788,967)** | **$ (68,323)** | **$ 4,774,195** |

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

**Consolidated Statements of Cash Flows**

| | Year Ended March 31, 2016 | Year Ended March 31, 2015 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net (loss) income for the year | **$ (5,107,496)** | $ 179,666 |
| Items not affecting cash: | | |
| Write-down of license | **1,195,684** | - |
| Share-based compensation | **247,939** | 1,127,862 |
| Depreciation | **6,471** | 3,475 |
| Changes in non-cash working capital: | | |
| Government receivable | **1,168,560** | (1,191,844) |
| Accounts payable and accrued liabilities | **(185,251)** | 1,853,792 |
| Accounts receivable and prepaid expenses | **(509,854)** | 7,958 |
| Advance from license partners | **(1,444,168)** | 1,954,871 |
| | **(4,628,115)** | 3,935,780 |
| **Cash flow from investing activities** | | |
| Acquisition of license | **(1,612,382)** | - |
| | **(1,612,382)** | - |
| **Cash flow from financing activities** | | |
| Proceeds from issuance of share capital | - | 3,012,317 |
| Transaction costs incurred on acquisition | - | (68,885) |
| Share repurchases | **(787,143)** | (29,700) |
| | **(787,143)** | 2,913,732 |
| **(Decrease) increase in cash and cash equivalents** | **(7,027,640)** | 6,849,512 |
| **Cash and cash equivalents, beginning of year** | **10,490,818** | 3,641,306 |
| **Cash and cash equivalents, end of year** | **$ 3,463,178** | $ 10,490,818 |

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

## 1. Nature of Operations

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

These consolidated financial statements were approved by the Board of Directors of the Company on July 28, 2016.

## 2. Basis of Preparation and Going Concern

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 $18,788,967 since its inception and expects to incur further losses in the development of its business.

## 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, 2016.

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

**Statement of compliance (continued)**

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

**Basis of consolidation**

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

| Subsidiary | Ownership |
|---|---|
| Eco (BVI) Oil & Gas Ltd. ("EBVI") | 100% |
| Eco Oil and Gas (Namibia) (Pty) Ltd. ("EOGN") | 100% |
| Eco Oil and Gas Services (Pty) Ltd. ("EOGS") | 100% |
| Eco Atlantic (Ghana) Ltd. | 100% |
| Eco Atlantic Holdings Ltd. | 100% |
| Pan African Oil (Mauritius) Ltd. | 100% |
| Pan African Oil Holdings Ltd. | 100% |
| Pan African Oil Namibia Holdings (Pty) Ltd. ("PAO Namibia") | 90% |
| Eco Atlantic Guyana Offshore Inc. | 100% |
| Eco (Atlantic) Guyana Inc. | 94% |

**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. 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, and its accounts payable and accrued liabilities 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) income.

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

**Financial instruments (continued)**

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

**Exploration and evaluation assets and expenditures**

i) Expenditures

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

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

ii) Depletion and depreciation

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

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.

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

**Exploration and evaluation assets and expenditures (continued)**

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 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.

iv) 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.

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

**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, Ghana and Guyana with its head office in Canada. Substantially all the Company's oil and gas assets are located in Namibia and Ghana.

**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, 2016, an impairment write-down of a petroleum and natural gas license in the amount of $1,195,684 (2015 - $Nil) was reflected in the consolidated statements of operations and comprehensive (loss) income.

## 4. Future Accounting and Reporting Changes

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements, but which may affect the consolidated financial statements are listed below.

IFRS 9, "Financial Instruments: Classification and Measurement", effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning April 1, 2018 and has not yet considered the potential impact of the adoption of IFRS 9.

IFRS 15, "Revenue from Contracts with Customers", effective for annual periods beginning on or after January 1, 2018, with early adoption permitted, replaces existing revenue standards and interpretations with a single standard and provides additional guidance on revenue recognition for contracts with customers. Management anticipates that this standard will be adopted in the Company's consolidated financial statements for the year beginning April 1, 2018 and has not yet considered the potential impact of the adoption of IFRS 15.

## 5. Amalgamation

On December 19, 2014, the Company entered into an amalgamation agreement (the "Amalgamation Agreement") with 1864361 Alberta Ltd. ("Subco"), a wholly-owned subsidiary of the Company incorporated solely for the purpose of completing the amalgamation, and Pan African Oil Ltd. ("PAO") pursuant to which Subco and PAO amalgamated and the resulting corporation, (Eco Atlantic Holdings Ltd.) became a wholly-owned subsidiary of the Company (the "Amalgamation").

On January 28, 2015, the Company completed the Amalgamation and, as a result, the former shareholders of PAO received 0.323 of a common share in the capital of the Company (a "Common Share") in exchange for each common share of PAO formerly held. Upon the closing of the amalgamation, the Company acquired cash and cash equivalents and the Namibian petroleum exploration licenses held by PAO.

In connection with the Amalgamation, the Company issued 18,830,738 Common Shares, 1,003,400 stock options and 2,587,967 Common Share purchase warrants to the former option, warrant and security holders of PAO. In addition, as part of the Amalgamation Agreement and included in the consideration for the transaction, the Company issued 1,200,000 options to certain individuals as compensation for facilitating the Amalgamation.

Details of the acquisition are as follows:

| **Purchase Price** | | |
|---|---|---|
| Fair value of 18,830,738 shares issued in exchange for 58,299,497 PAO common shares outstanding | $ | 2,832,080 |
| Fair value of 1,003,400 stock options issued in exchange for 4,325,000 PAO options | | 63,986 |
| Fair value of 1,200,000 stock options issued in connection with the consulting agreement | | 47,291 |
| Transaction costs | | 68,885 |
| Fair value of 2,587,967 warrants issued in exchange for 8,012,281 PAO warrants | | - |
| Total Purchase Price | $ | 3,012,242 |

| **Fair Value of Net Assets Acquired** | | |
|---|---|---|
| Cash and cash equivalents | $ | 3,012,317 |
| Accounts receivable | | 17,364 |
| Prepaid expenses | | 35,102 |
| Equipment | | 6,670 |
| Exploration and evaluation assets | | - |
| Non-controlling interest | | 66,581 |
| Less: Accounts payable and accrued liabilities | | (125,792) |
| Total Purchase Price | $ | 3,012,242 |

For accounting purposes PAO was not considered to be carrying on a business at the time of acquisition. Accordingly, the purchase consideration has been allocated to the net assets acquired. The options and warrants have been valued using the Black-Scholes pricing model *(Notes 16 and 17)*. The quoted price of the Company's common shares was not considered a level 1 measurement given the absence of an active market, the common share consideration was therefore measured using the fair value of the net assets acquired less transaction costs and the value of options and warrants issued as part of the consideration.

## 6. Short-term Investments

The Company's short-term investments comprise interest bearing deposits with its primary bank of $100,000 (2015 - $100,000), which are held as collateral for credit-card lines of credit.

## 7. Petroleum and Natural Gas Licenses

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

| | Balance April 1, 2014 | Additions | Impairment and Abandonment | Balance March 31, 2015 |
|---|---|---|---|---|
| Licenses | $ 2,685,655 | $ - | $ - | $ 2,685,655 |

(*) see Note 7 (xiv)
(**) see Note 7 (x)

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

(ii) 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").

(iii) 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 ("PAO 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").

(iv) In the Eco Petroleum Agreements and the PAO 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 into between the Company and the Ministry.

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

(v) On December 31, 2014, the Company entered into an amended and restated farm-out agreement (the "Azimuth Farm-out Agreement") with Azimuth Namibia Ltd. pursuant to which the Company transferred a portion of its working interest in the ECO Offshore Licenses in exchange for, among other things, an aggregate of $4,200,000 (USD$3,500,000) (the "Farm-out Transaction") which has been recorded in income from farm-out agreements on the consolidated statements of operations and comprehensive (loss) income. The Farm-out Transaction closed on February 4, 2015.

(vi) 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.

(vii) ***The Cooper License***

1. The Cooper License covers approximately 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 Kudu Limited, a wholly owned subsidiary of Tullow Oil plc ("Tullow"), holds a 25% working interest.
2. On February 12, 2014, the Ministry granted the Company a one year extension of its Cooper license and a one year deferral of the Company's obligations to drill an exploratory well and to produce a resource assessment on the Cooper license until March 14, 2016. See Subsequent Events Note 21(a) for details regarding the first Renewal Phase and relinquishments.
3. Pursuant to the Azimuth Farm-out Agreement, Azimuth 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).
4. 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 Sq Km 3D seismic survey and the reimbursement of 25% of the Company's past costs to March 31, 2014 (the "First Tullow Transfer").
5. 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.
6. In connection with the completion of the First Tullow Transfer, the Company's work commitments on the Cooper License were further amended.

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

### *(vii) The Cooper License (continued)*

7. As of the date hereof, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Cooper License for each year of exploration is as follows:

| Exploration Activities | Expenditure (estimated by management based on current costs) (US$) | Company's share of Expenditure (US$) |
|---|---|---|
| Year 7 and 8 (ending March 31, 2018 and 2019)<br>• Resource assessment and production assessment | 250,000 | 62,500(1) |
| Year 9 (ending March 31, 2020)<br>• After interpretation of 3D survey, drill exploratory well<br>• Offtake/production engineering | 55,000,000<br>500,000 | 0(1)<br>125,000(1) |
| **Total** | 55,750,000 | 187,500(1) |

Notes:

(1) These numbers assume that the Tullow Option will be exercised. There is no guarantee that the Tullow Option will be exercised. If the Tullow Option is not exercised, the 25% from Tullow will be transferred back to the Company at no cost and the Company will be responsible for 63.9% of the listed Expenditure.

### *(viii) The Sharon License*

1. As of March 31, 2016, the Sharon License covers 11,400 square kilometers (2,817,000 acres) (see Note 21b for details of a 50% relinquishment that took place post year-end) 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.

2. On July 8, 2013, the Ministry granted the Company one year extension of its Sharon License and a one year deferral of the Company's obligations to drill an exploratory well. The Company is required to produce a resource assessment on the Sharon License by March 14, 2016. See Subsequent Events Note 21(b) for details regarding the first Renewal Phase and relinquishments.

3. 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.

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

*(viii)* ***The Sharon License (continued)***

4. As of the date hereof, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Sharon License for each year of exploration is as follows:

| **Exploration Activities** | **Expenditure (estimated by management based on current costs)** (US$) | **Company's share of Expenditure** **(US$)** |
|---|---|---|
| Year 5 (ending March 31, 2017)<br>• Complete and interpret a 1,000 Sq Km 3D seismic survey | 10,000,000 | 4,500,000 |
| Year 6 (ending March 31, 2017)<br>• Resource assessment and production assessment | 250,000 | 166,750 |
| Year 7 and 8 (ending March 31, 2018 and 2019)<br>• Assuming a target has been defined after interpretation of 3D survey, drill exploratory well<br>• Offtake/production engineering | 75,000,000<br>500,000 | 50,025,000<br>333,500 |
| Year 9 (ending March 31, 2020)<br>• Complete and interpret a 500 Sq Km 3D seismic survey | 5,000,000 | 3,335,000 |
| **Total** | 90,750,000 | 58,360,250 |

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

*(ix)* ***The Guy License***

1. As of March 31, 2016, the Guy License covers 5,700 square kilometers (2,817,000 acres) (see Note 21c for details of a 50% relinquishment that took place post year-end) 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. As of July 1, 2015 AziNam assumed the role of operator with respect to the Guy License.
2. On July 8, 2013, the Ministry granted the Company one year extension of its Guy license and a one year deferral of the Company's obligations to drill an exploratory well. The operator is required to produce a resource assessment on the Guy license by March 14, 2016. See Subsequent Events Note 21(c) for details regarding the first Renewal Phase and relinquishments.
3. 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 8,000 square kilometer 3D seismic survey on the Guy Block.
4. The execution of the 3D seismic survey is complete and processing and interpretation of the Guy Survey is due to be completed during the third calendar quarter of 2016.
5. As of the date hereof, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Guy License for each year of exploration is as follows:

| Exploration Activities | Expenditure (estimated by management based on current costs) (US$) | Company's share of Expenditure (US$) |
|---|---|---|
| Year 6 (ending March 31, 2017) | | |
| • Resource assessment and production assessment | 250,000 | 139,000 |
| Year 7 and 8 (ending March 31, 2018 and 2019) | | |
| • Assuming a target has been defined after interpretation of 3D survey, drill exploratory well | 100,000,000 | 55,600,000 |
| • Offtake/production engineering | 500,000 | 278,000 |
| Year 9 (ending March 31, 2020) | | |
| • Complete and interpret a 500 Sq Km 3D seismic survey | 5,000,000 | 2,780,000 |
| **Total** | 105,750,000 | 58,797,000 |

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

*(x)* ***The Daniel License***

1. The Daniel License covers approximately 23,000 square kilometers (5,683,000 acres) 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.

2. In August 2013, the Company received Ministry approval for the inclusion of oil and gas exploration rights on its Daniel License.

3. 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) income.

*(xi)* ***The Tamar License***

1. The Tamar License covers approximately 8,070 square kilometers (1,944,140 acres) 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.

2. On March 20, 2016, the Tamar License reached the end of the initial exploration period. The Company is currently in discussions with the Namibia Petroleum Commissioner regarding the approval of an extension of the license based on a revised work program and license terms.

3. As of the date hereof, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Tamar License for each year of exploration is as follows:

| **Exploration Activities** | **Expenditure[(1)] (estimated by management based on current costs) (US$)** | **Company's share of Expenditure (US$)** |
|---|---|---|
| Year 6 (ending October 31, 2017)<br>• Complete and interpret 500 $km^2$ 3D seismic survey<br>• Evaluation of farm-out and relinquishment of part (original 25%) or all of the Tamar License | 8,000,000 | 5,760,000 |
| Year 8 (ending October 31, 2019)<br>• Drill exploratory well (subject to the availability of adequate drilling rigs) | 50,000,000 | 36,000,000 |
| **Total** | 58,000,000 | 41,760,000 |

As mentioned above, management expects the actual costs of the Exploration Activities to be less than those provided in the PAO Petroleum Agreement.

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

*(xii)* ***The PAO 51 License***

1. The PAO 51 License covers approximately 4,867 square kilometers (1,202,661 acres) and was located in license area 2612A offshore in the economical waters of the Republic of Namibia. PAO Namibia held a 90% working interest in the PAO 51 License (the Company's net interest is 81% due to its 90% ownership of PAO Namibia) and NAMCOR held a 10% working interest.

2. On September 15, 2015, the Company advised the Ministry of its intention to relinquish the PAO 51 License and on March 1, 2016, the Company received approval for such relinquishment.

(xiii) The entire amount of petroleum and natural gas licenses relates to license acquisition costs. As the Company had not commenced principal operations as at March 31, 2016, no depletion had been recorded.

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

*(xiv)* **Tano Cape Three Points Basin (Ghana)**

1. On July 29, 2014, the Company announced that the Parliament of the Ghana ratified a petroleum agreement (the "GPA"), pursuant to which the Company, through its wholly-owned subsidiary, Eco Atlantic (Ghana) Ltd., acquired an 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").

2. Pursuant to the GPA, the Company holds a 50.51% interest in the Ghana Block, A-Z holds a 27.79% interest, GNPC holds a 13% interest, and GNPCEPCL and PetroGulf each hold a 4.35% interest (together, the "Ghana Block Interest Holders"). The GPA provides for a term of a total of 25 years, subject to the discovery of oil within the first seven years. Following the payment by the Ghana Block Interest Holders of the payment of the first US$1,000,000 in respect of a one-time technology fee of US$2,000,000, an education fee of US$969,000 and a permit fee of US$75,000, all the terms of the GPA have been fulfilled. In accordance with its accounting policy, the Company's portion of direct costs associated with the acquisition of the Ghana Block in the amount of $1,612,382 have been capitalized to the "Petroleum and natural gas licenses" caption in the Consolidated Statement of Financial Position.

3. Subsequent to the year end, A-Z Petroleum Ltd. ("Defaulting Party") did not pay the last cash call within the time required under the joint operating agreement ("Ghana JOA") and on February 9, 2016 the Company issued a default letter, requiring the Defaulting Party to pay the cash call within 45 days as prescribed by the Ghana JOA. The cash call has not yet been satisfied.

**4.** As of the date hereof, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Tamar License for each year of exploration is as follows:

| **Exploration Activities** | **Expenditure (estimated by management based on current costs)** **(US$)** | **Company's share of Expenditure** **(US$)** |
|---|---|---|
| Year 3 (ending March, 2018)<br>• Purchase at least 850 km$^2$ 3D seismic survey<br>• Reprocess at least 850 km$^2$ 3D seismic survey<br>• Drill exploratory well | <br>1,275,000<br>400,000<br>40,000,000 | <br>740,000<br>232,000<br>23,200,000 |
| **Total** | 41,675,000 | 24,172,000 |

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

*(xv)* **Guyana**

i. The Guyana License is located in the Orinduik block, offshore Guyana. The Orinduik block is situated in shallow water, 170km's offshore Guyana in the Suriname Guyana basin.

ii. In January 2016 the Company signed a Petroleum Agreement ("Guyana Petroleum Agreement") and became party to an Offshore Petroleum License with the Government of Guyana and Tullow Oil plc ("Tullow") for the Orinduik Block offshore Guyana. Orinduik, is situated in shallow water, 170km's offshore Guyana in the Suriname Guyana basin, and is located very close to the recent Exxon Lisa discovery.

iii. In accordance with the Guyana Petroleum Agreement, the Company holds a 40% working interest in the Guyana Licenses and Tullow holds a 60% interest. Under the Guyana Petroleum Agreement, Tullow will act as operator. Tullow will carry the Company's share of costs of the 3D survey required under the work program for the Guyana License (up to US$1,250,000).

iv. As of the date hereof, the outstanding Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Tamar License for each year of exploration is as follows:

| **Exploration Activities** | **Expenditure (estimated by management based on current costs ) (US$)** | **Company's share of Expenditure (US$)** |
|---|---|---|
| Year 4 (ending 2020)<br>• Review existing regional 2D data and complete 3D survey Complete and interpret 500 $km^2$ 3D seismic survey<br>• Conduct and process 1,000$km^2$ 3D | 3,000,000 | - |
| Year 7 (ending 2023)<br>• 1st renewal period – Drill one exploration well (contingent) | 60,000,000 | 24,000,000 |
| Year 10 (ending 2026)<br>• 2nd renewal period – Drill one exploration well (contingent) | - | - |
| **Total** | 63,000,000 | 24,000,000 |

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

(xvi) As of March 31, 2016, the Company has recorded $510,703 (2015 - $1,954,871) 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.

## 8. Equipment

| | Cost | Accumulated Depreciation | March 31, 2016 Net Book Value |
|---|---|---|---|
| Equipment | **$ 34,307** | **$ 33,206** | **$ 1,101** |

| | Cost | Accumulated Depreciation | March 31, 2015 Net Book Value |
|---|---|---|---|
| Equipment | $ 34,307 | $ 26,735 | $ 7,572 |

## 9. Related Party Transactions and Balances

| | **March 31, 2016 $** | March 31, 2015 $ |
|---|---|---|
| Amount paid for exploration services to a company controlled by the COO of the Company | **700,489** | 735,878 |
| Amount included in accounts payable and accrued liabilities at the end of the year | **116,690** | 70,959 |
| Fees for management services paid to a company controlled by the President and CEO of the Company | **352,606** | 320,937 |
| Amount included in accounts payable and accrued liabilities at the end of the year | **-** | 27,905 |
| Fees paid to a company controlled by the CFO of the Company | **102,488** | 180,750 |
| Amount included in accounts payable and accrued liabilities at the end of the year | **-** | 5,085 |
| Fees for management services paid to a company controlled by the Executive Vice President of the Company | **120,000** | 143,160 |
| Amount included in accounts payable and accrued liabilities at the end of the year | **3,390** | 13,900 |
| Fees paid to a company controlled by the Chairman of the Company | **66,980** | 63,326 |
| Amount included in accounts payable and accrued liabilities at the end of the year | **-** | - |

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

| | **Years ended March 31,** | |
|---|---|---|
| | **2016** | **2015** |
| Salaries, consulting fees and benefits | **$ 668,811** | $ 1,359,939 |
| Stock-based compensation | **87,387** | 949,168 |
| | **$ 756,198** | $ 2,309,107 |

## 10. Share Capital

**Authorized:** Unlimited Common Shares

| Issued | | Common Shares | Amount $ | Shares to be issued $ |
|---|---|---|---|---|
| **Balance, March 31, 2014** | | **68,959,661** | **17,031,370** | **-** |
| Shares issued on vesting of Restricted Share Units | *(i)* | 4,100,000 | 1,004,500 | - |
| Shares issued as consideration in asset acquisition | *(ii)* | 17,627,364 | 2,586,614 | 176,581 |
| Shares issued on vesting of Restricted Share Units | *(iii)* | 250,000 | 23,602 | 23,602 |
| Shares issued on vesting of Restricted Share Units | *(iv)* | 225,000 | 20,211 | - |
| Repurchase of Shares | *(vii)* | - | (29,700) | - |
| **Balance, March 31, 2015** | | **91,162,025** | **20,636,597** | **200,183** |
| Shares issued on vesting of Restricted Share Units | *(iii)* | 250,000 | 23,602 | 192,511 |
| Expiry of warrants | *Note 17* | - | 965,000 | - |
| Redemption of shares | *(vii)* | (6,368,000) | (787,143) | - |
| **Balance, March 31, 2016** | | **85,044,025** | **20,838,056** | **392,694** |

(i) On August 29, 2014, 4,100,000 restricted share units ("RSUs") were granted to certain Company directors, officers and consultants. The RSUs vested immediately on the grant date. These RSUs had a fair value of $0.25 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. $1,004,500 was recognized as share-based compensation expense during year ended March 31, 2015.

(ii) In connection with the Amalgamation *(Note 5)*, the Company authorized for issuance 18,830,738 Common Shares. In order to obtain their Common Shares in the Company, former shareholders of PAO were required to surrender for cancellation the certificates representing their PAO shares (the "Certificates"). During the year ended March 31, 2015, 17,627,364 shares were issued to former PAO shareholders, with the remaining 1,203,374 shares recorded as to be issued. Former shareholders of PAO have six years to surrender their certificates, at which point the shares will be cancelled. The 17,627,364 shares issued and 1,203,374 shares to be issued were valued at $2,586,614 and $176,581 respectively, measured based on the consideration received in the transaction net of transaction costs, options and warrants granted as part of the acquisition *(Note 5)*.

(iii) 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.

## 10. Share Capital (continued)

(iv) On February 24, 2015, 225,000 restricted share units ("RSUs") were granted to certain an officer of the Company. The RSUs vested immediately on the grant date. These RSUs 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. $20,211 was recognized as share-based compensation expense during year ended March 31, 2015.

(v) On March 23, 2016, 1,002,600 restricted share units ("RSUs") were granted to certain officers, directors and consultants of the Company. The RSUs vested immediately on the grant date. These RSUs had a fair value of $0.216 per unit based on the volume weighted average market price of the Common Shares for the five preceding days before the grant date. $192,511 was recognized as share-based compensation expense during year ended March 31, 2016 reflecting a value of $162,000 and $57,116 RSU's were granted to settle outstanding accounts payable balances. As the underlying 1,002,600 common shares have not yet been issued an aggregate fair value of $216,113 has been recorded as shares to be issued as at March 31, 2016.

(vi) 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 can be repurchased from time to time on the open market commencing March 2, 2015 through March 1, 2016, or such earlier time as the 2015 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 received Exchange approval for a second 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.

(vii) During the year ended March 31, 2016, the Company repurchased 6,633,500 shares and cancelled 6,368,000 shares. As at March 31, 2016, the Company held shares valued at $14,190 (2015 - $29,700) in treasury. The shares held in treasury were repurchased as part of the share repurchase program *(Note 10 (vi))*.

(viii) As at March 31, 2016, Nil (2015 – 2,783,078) of the Company's shares were held in escrow.

## 11. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2015 – 26.5%) to the effective rate is as follows:

| | **March 31, 2016 $** | March 31 2015 $ |
|---|---|---|
| Net loss (income) before recovery of income taxes | 5,107,496 | (179,666) |
| Expected income tax recovery | (1,353,490) | 48,650 |
| Difference in foreign tax rates | 202,000 | 1,072,370 |
| Tax rate changes and other adjustments | (57,470) | 21,370 |
| Non-deductible expenses | 70,270 | 300,050 |
| Unrealized foreign exchange | 72,290 | - |
| Change in tax benefits not recognized | 1,066,400 | (1,442,440) |
| Income tax recovery reflected in the statements of operations and comprehensive loss | - | - |

## 11. Income Taxes (continued)

### 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, 2016** **$** | March 31, 2015 $ |
|---|---|---|
| **Deferred Tax Assets** | | |
| Non-capital losses - Canada | 3,811,317 | 6,673,700 |
| Non-capital losses - Ghana | 1,849,218 | 44,200 |
| Non-capital losses - Namibia | 3,642,423 | 411,821 |
| Non-capital loses – Guyana | 114,261 | - |
| Share issue and financing costs | - | 117,310 |
| Namibia exploration and operating losses | - | - |
| Other deductible temporary difference | 318,077 | 418,530 |

The Canadian non-capital loss carry forwards expire as noted in the table below. Ghana non-capital tax losses expire between 2019 and 2021. Guyanese losses may be carried forward indefinitely but may be applied against 50% of taxable income in each subsequent year. 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 benefits therefrom.

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

| | | |
|---|---|---|
| 2017 | $ | 16,900 |
| 2028 | | 141,140 |
| 2029 | | 90,610 |
| 2030 | | 225,110 |
| 2031 | | 601,080 |
| 2032 | | 774,280 |
| 2033 | | 369,710 |
| 2034 | | 1,246,047 |
| 2035 | | 68,040 |
| 2036 | | 278,400 |
| | $ | 3,811,317 |

## 12. 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, 2016 and 2015, the Company did not operate any properties, accordingly, no ARO was required.

## 13. Capital Management

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

The Company is a 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, 2016. 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).*

## 14. 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, 2016, the Company had cash and cash equivalents and on deposit of $3,463,178. (2015 - $10,490,818) and short-term investments of $100,000 (2015 - $100,000) to settle current liabilities of $2,538,579 (2015 - $4,193,288).

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, 2016 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, 2016.

## 15. Commitments

### Licenses

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

The Company submitted work plans for the development of the Namibian licenses, see *Note 7* for details.

## 16. 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, 2016 and changes during the year was as follows:

| Number of stock options | | Number of stock options | Weighted average exercise price $ | Remaining contractual life - years |
|---|---|---|---|---|
| Balance, March 31, 2014 | | 6,010,000 | 0.57 | 3.00 |
| Granted January 2015 | | 350,000 | 0.30 | 4.79 |
| Granted January 2015 | | 1,200,000 | 0.30 | 2.83 |
| Granted January 2015 | | 538,240 | 0.46 | 3.32 |
| Granted January 2015 | | 83,520 | 0.46 | 3.41 |
| Granted January 2015 | | 222,720 | 0.97 | 6.98 |
| Granted January 2015 | | 83,520 | 0.97 | 7.04 |
| Granted January 2015 | | 75,400 | 2.17 | 1.39 |
| Canceled and expired | | (90,000) | 0.60 | |
| **Balance, March 31, 2015** | | **8,473,400** | **0.54** | **2.51** |
| Granted March 2016 | (i) | 650,000 | 0.30 | 4.98 |
| **Balance, March 31, 2016** | | **9,123,400** | **0.53** | **1.76** |

(i) On March 23, 2016, 650,000 options were issued to officers and 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) During the year ended March 31, 2016, $57,116 (2015 - $28,056) was recorded in share-based payments related to the vesting of options.

(iii) As at March 31, 2016, 8,516,733 (2015 – 7,710,067) options were exercisable.

## 17. Warrants

A summary of warrants outstanding at March 31, 2016 was as follows:

| | | Number of Warrants | Weighted Average Exercise Price ($) |
|---|---|---|---|
| Balance, March 31, 2014 | (i) | 4,937,341 | 1.00 |
| Granted during the year | (ii) | 2,587,967 | 1.40 |
| Expired during the year | (ii) | (2,587,967) | 1.40 |
| **Balance, March 31, 2015** | | **4,937,341** | **1.00** |
| Expired during the year | (i) | (4,937,341) | 1.00 |
| **Balance, March 31, 2016** | | **-** | **-** |

(i) The 4,937,341 warrants were originally due to expire on July 6, 2013. On July 5, 2013, 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.

(ii) On January 28, 2015, 2,587,967 warrants were issued in connection with the Amalgamation *(Note 5)*. Due to their short term to expiry the warrants were valued at $nil.

## 18. Operating Costs

Operating costs consist of the following:

| | Years ended March 31 | |
|---|---|---|
| | **2016** | **2015** |
| Exploration data acquisition and interpretation and technical consulting | **$ 5,538,576** | $ 11,475,602 |
| Exploration license fees | **364,404** | 416,489 |
| Travel | **124,219** | 196,241 |
| Recovered under JOAs *(Note 7(viii))* | **(2,703,315)** | (9,952,268) |
| | **$ 3,323,884** | $ 2,136,064 |

## 19. General and Administrative Costs

General and administrative costs consist of the following:

| | Years ended March 31 | |
|---|---|---|
| | **2016** | **2015** |
| Occupancy and office expenses | **$ 307,701** | $ 290,804 |
| Travel expenses | **178,802** | 217,029 |
| Public company costs | **47,796** | 83,105 |
| Insurance | **52,471** | 69,381 |
| Financial services | **14,102** | 12,222 |
| Advertising and communication | **3,509** | 6,535 |
| Depreciation | **2,565** | 3,475 |
| Recovered under JOAs (Note 7(viii)) | **(97,674)** | (133,648) |
| | **$ 509,272** | $ 548,903 |

## 20. Earnings per Share

The Company's 9,123,400 (2015 – 8,473,400) options and Nil (2015 - 4,937,341) warrants have been excluded from the calculation of dilutive earnings per share as their inclusion would be antidilutive.

## 21. Subsequent Events

a) On April 15, 2016, the Ministry approved the entering into 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.

b) On April 15, 2016, the Ministry approved the entering into 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.

c) On May 12, 2016, the Ministry approved the entering into 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.