

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTH PERIOD ENDED**

**JUNE 30, 2020**

**Expressed in US Dollars**

**Prepared by:**

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

**7 Coulson Avenue**

**Toronto, ON, Canada, M4V 1Y3**

**August 19, 2020**



## Introduction

The following management's discussion and analysis (the "MD&A") of the financial condition and results of operations of Eco (Atlantic) Oil & Gas Ltd. and its subsidiary companies (individually and collectively, as the context requires, "Eco Atlantic" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three month period ended June 30, 2020. This discussion should be read in conjunction with the audited consolidated financial statements of the Company for the year ended March 31, 2020, together with the notes thereto, as well as the Company's unaudited condensed consolidated interim financial statements for three month period ended June 30, 2020 (the "Financial Statements"). These documents have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. This MD&A contains forward-looking information that is subject to risk factors including those set out under "Forward Looking Information" below and elsewhere in this MD&A, including under "Risks and Uncertainties". Further information about the Company and its operations can be obtained from the offices of the Company or at [www.ecoilandgas.com](http://www.ecoilandgas.com). **All amounts are reported in US dollars**, unless otherwise noted. This MD&A has been prepared as at August 19, 2020.

## Forward Looking Information

Statements contained in this MD&A that are not historical facts are forward-looking statements that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of petroleum and/or natural gas; capital expenditures; costs, timing and future plans concerning the development of petroleum and/or natural gas properties; permitting time lines; currency fluctuations; requirements for additional capital; government regulation of petroleum and natural gas matters; environmental risks; unanticipated reclamation expenses; title disputes or claims; and limitations on insurance coverage. In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved". Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, risks related to operations; termination or amendment of existing contracts; actual results of drilling activities; results of reclamation activities, if any; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of petroleum and natural gas; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the petroleum and natural gas industries; delays in obtaining or failure to obtain any governmental approvals, licenses or financing or in the completion of development activities; as well as those factors discussed in the section entitled "Risks and Uncertainties" in this MD&A. Although the Company has attempted to identify important factors that may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date of this MD&A and the Company assumes no obligation to update or revise them to reflect new events or circumstances, except as may be required by law.



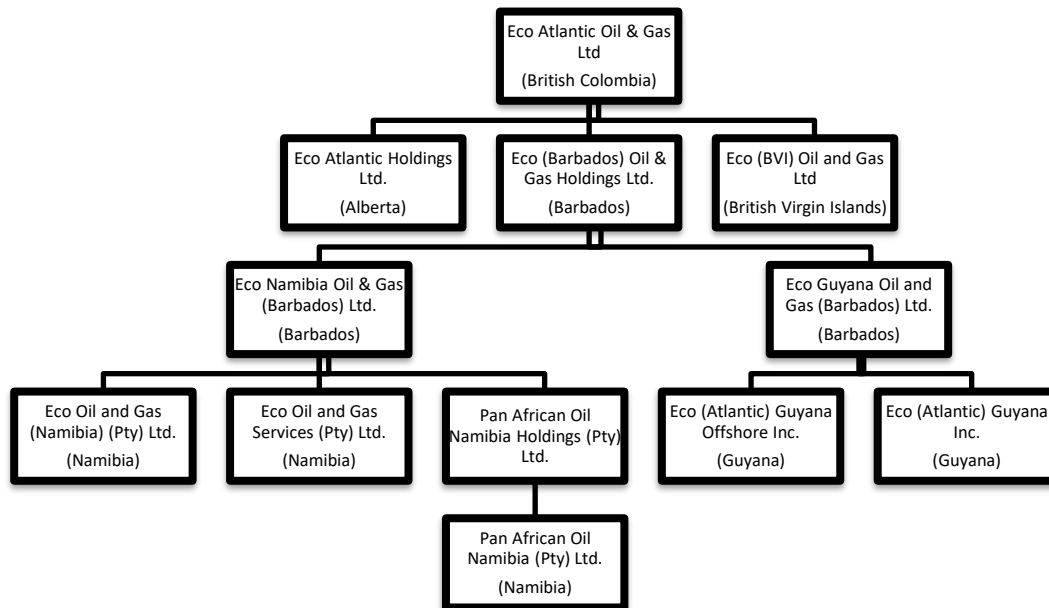
## Nature of Business and Structure of the Company

The Company's business is to identify, acquire and explore petroleum natural gas, and shale gas assets.

The Company operates in the Republic of Namibia ("Namibia") and the Co-Operative Republic of Guyana ("Guyana").

The common shares of the Company (the "Common Shares") trade on the TSX Venture Exchange (the "TSXV") under the symbol "EOG", and on the AIM Market of the London Stock Exchange (the "AIM") under the symbol "ECO".

The structure of the Company and its significant subsidiaries, all of which are wholly-owned (100%) by the Company as of June 30, 2020, is as follows:



## Significant Developments

- Effective April 1, 2020, the Company changed the functional currency of certain subsidiaries from the Canadian Dollar to the US Dollar, and the presentation currency of its consolidated financial statements to the US Dollar.
- On April 1, 2020 the Company provided a Covid-19 update pursuant to which it announced several of the steps it has taken for the safety of its workers as well as cost cutting measures which include, but are not limited to: termination of non-core services and cessation of business related travel; the voluntarily pay cuts by the directors and management of the Company in amounts of up to 40% of compensation, commencing April 2020 and which will be reviewed on a monthly basis. The Company also advised that it remains fully funded for its share of further appraisal and exploration drilling on the Orinduik Block. 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.
- The Company has decreased its total non-exploration expenses, including general and administration expense and compensation costs incurred during the three months ended June 30, 2020 (Q1 2021) when compared to the three months ended March 31, 2020 (Q4 2020), by 58%.



## Overview of Operations

Eco Guyana, the Company's wholly owned subsidiary, currently holds a 15% interest in the Guyana License. The Company's original 40% interest was reduced to 15% following the completion of the exercise of the Total Option (as defined below). The terms of the Guyana License are governed by a petroleum agreement (the "**Guyana Petroleum Agreement**") between the Company and the Government of Guyana and Tullow.

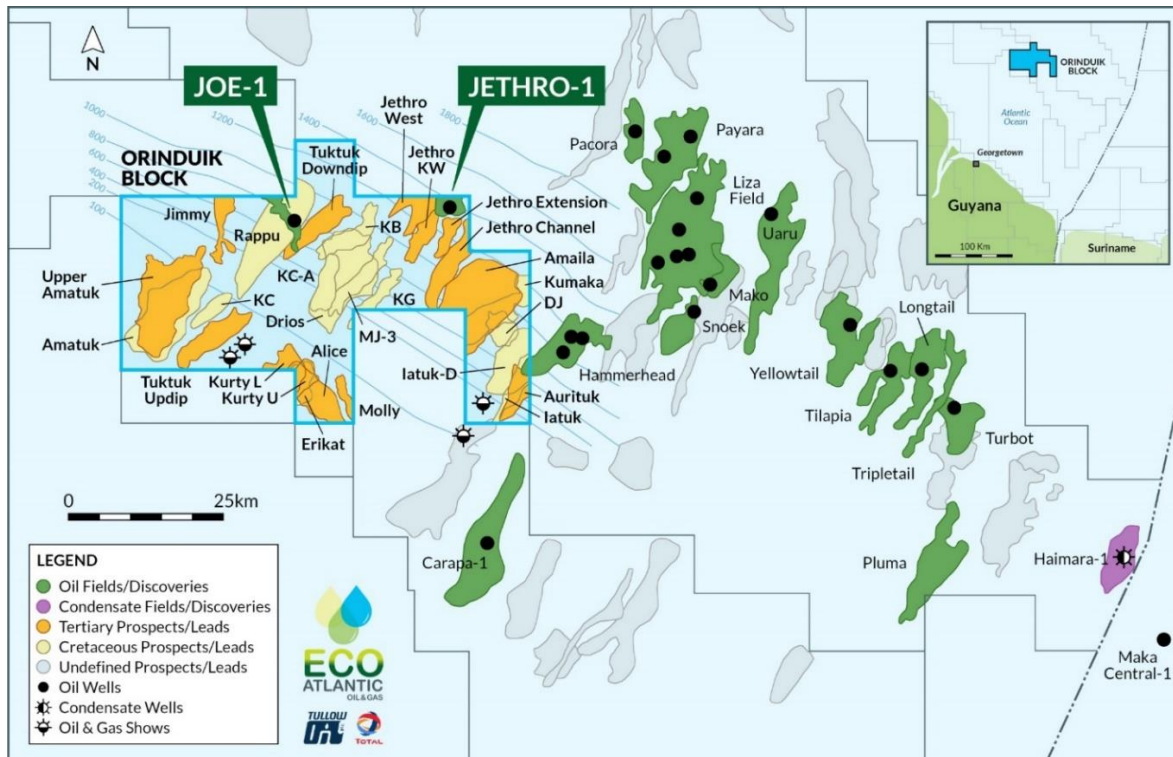
Through its subsidiary, Eco Oil and Gas (Namibia) (Pty) Ltd., the Company currently holds interests in three offshore petroleum licenses in Namibia, being (i) the Cooper License, (ii) petroleum exploration license number 0033 (the "**Sharon License**"), and (iii) petroleum exploration license number 0034 (the "**Guy License**"). The terms of the Cooper License, Sharon License and Guy License are governed by petroleum agreements (each, an "**Eco Namibia Petroleum Agreement**" and collectively, the "**Eco Namibia Petroleum Agreements**") between the Company and Namibia's Ministry of Mines and Energy (the "**Ministry**").

Through its subsidiary, PAO Namibia, the Company currently holds an interest in one offshore petroleum license in Namibia, being petroleum exploration license number 0050 (the "**Tamar License**"). The terms of the Tamar License are governed by a petroleum agreement between PAO Namibia and the Ministry (the "**Tamar Petroleum Agreement**").

The Company is in the development stage and has not yet commenced principal producing operations other than acquiring and analyzing certain pertinent geological data in Guyana and Namibia, and drilling two exploration wells in Guyana. The Company is currently engaged in the exploration and development of its properties in addition to evaluating the Jethro and Joe oil discoveries to determine the appropriate appraisal approach.

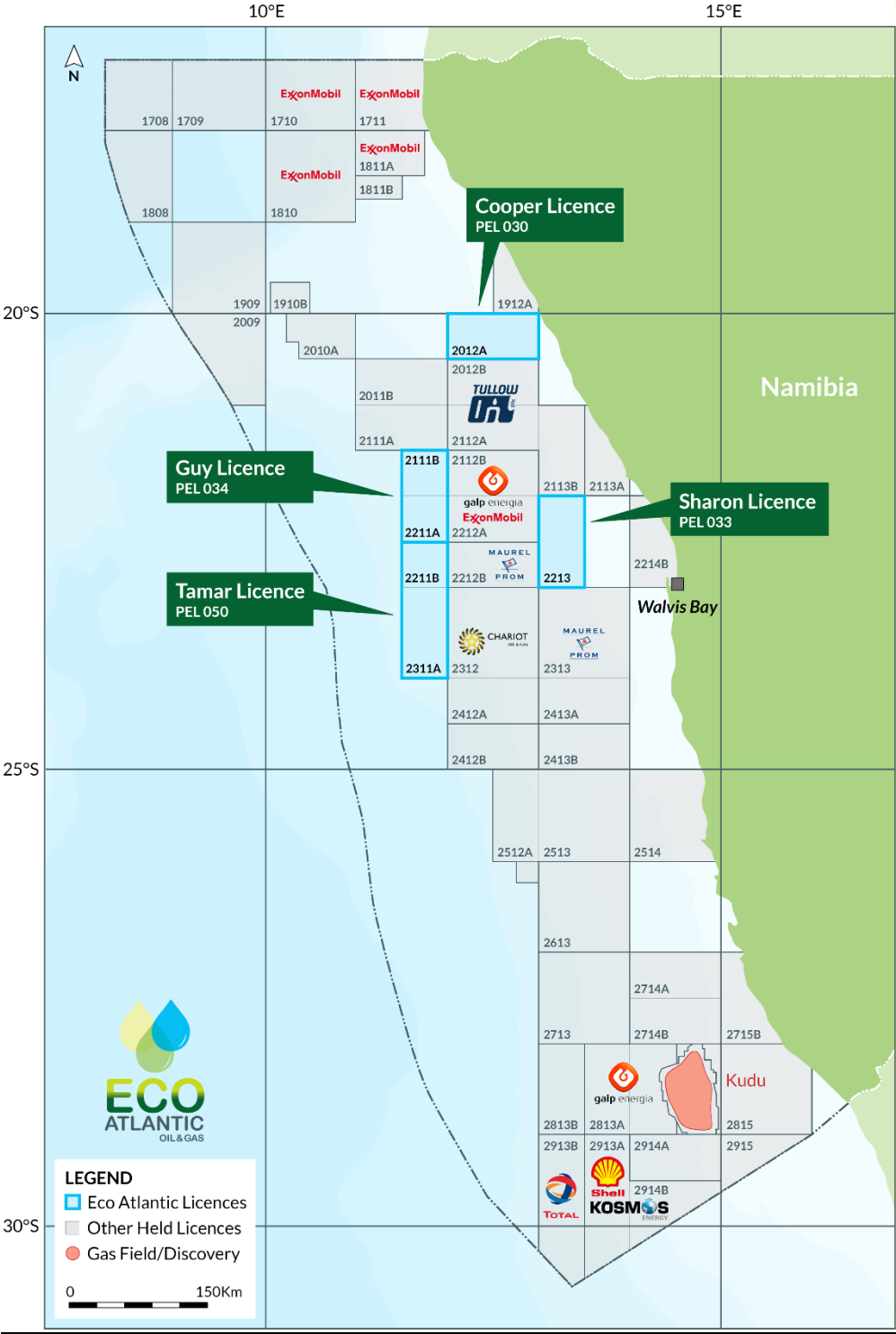
The location of the Company's exploration licenses are indicated on the maps below:

### Guyana





**Namibia**





## GUYANA

### *Guyana License*

The Guyana license is located in the Orinduik Block, offshore Guyana. The Orinduik Block is situated in shallow to deep water (70m-1,400m), 170kms offshore Guyana in the Suriname Guyana basin (“**Guyana License**”) and is located in close proximity to Exxon’s 16 oil discoveries which is estimated by Exxon to contain approximately 9 billion recoverable BOE.

In accordance with the Guyana Petroleum Agreement and following Total E&P Activitiés Pétrolières’ (“**Total**”) exercise of their Total Option (as defined below), Eco (Atlantic) Guyana Inc. (“**Eco Guyana**”) holds a 15% working interest in the Guyana license, Total currently holds a 25% working interest and Tullow Guyana holds a 60% interest (Operator) (together the “**Partners**”).

On September 11, 2018, the Company announced the filing of a Competent Persons Report (“**Report**”) with 2.9 BBOE prospective resource P50 Best Estimate. On March 18, 2019, the Company announced an update to the Report pursuant to which the potential resource on the Orinduik Block, offshore Guyana, was increased to 3.981 BBOE prospective resource P50 Best Estimate, subsequently updated in February 2020.

On December 5, 2018, the Company announced its 2019 drilling program for the Orinduik Block, offshore Guyana. The net cost of the first well, named the Jethro-Lobe prospect, which is located 170 kilometres offshore in the Suriname Guyana basin, was US\$7.6 million, the prospect, which was drilled from a conventional drill ship, is a lower tertiary stratigraphically trapped canyon turbidite in about 1,350 meters of water. The prospect, at that time, was estimated to hold 216 mmbbl of gross prospective resources with the ‘Chance of Success’ estimated to be 43.2%.

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

On March 29, 2019, the Company announced that the Company and 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%.

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

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 is the first discovery on the Guyana License and comprises 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.

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.



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.

On November 13, 2019, the Company announced that 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 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 provide 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.

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 commenced from January 14, 2020, will see the Partners maintain control of the licence for a further three years, through to January 13, 2023, and until the second renewal exploration period which will last until 2026.

On February 3, 2020, the Company announced the filing of a National Instrument 51-101 compliant resource report on the Orinduik Block, offshore Guyana:

- 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 on the Kanuku block to the south of Orinduik.
- 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.
- Two targets in the Cretaceous horizon (Amaila/Kumaka and Iatuk-D) are identified as having in excess of 725 MMBOE each.



As of June 30, 2020, the Company and its partners on the license approved a budget in the amount of \$5 million through to December 31, 2020, which includes reprocessing of 3D data and the selection of additional targets for the next exploration wells. The Company's share of this budget is \$750,000.

As of the date hereof, the remaining Exploration activities and the aggregate expenditure of such activities as estimated by management based on current costs for the Guyana License is as follows<sup>(1)</sup>:

Exploration Activities	Expenditure US\$	Company's share of Expenditure US\$
By June 2026		
• 2nd renewal period – Drill one further exploration well (contingent)	\$ 20,000,000	\$ 3,000,000
<b>Total</b>	<b>\$ 20,000,000</b>	<b>3,000,000</b>

**Note:** (1) Drilling Exploration activities are not currently committed and cost estimates are based on management estimates for the costs if the relevant drilling exploration activity was to be undertaken as at the date of this document.

## NAMIBIA

### *Cooper License*

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.

The Company completed the execution, processing and interpretation of a 1,100 square kilometers 3D seismic survey. In accordance with a previous farmout agreement, Tullow Namibia Ltd, a then partner in the license, paid US\$4.103 million towards the Company's share of costs and, pursuant to an amended and restated farmout agreement with AziNam (the “**AziNam Farmout Agreement**”), AziNam paid US\$2.08 million towards the Company's share of costs.

The exploration activity on the Cooper License is performed in the framework of a joint operating agreement among the Company, NAMCOR and AziNam, (the “**Cooper JOA**”). Under the Cooper JOA, the Company is designated the operator of the Cooper License.

On October 26, 2018 the Company announced that it had received a formal notice from Tullow Namibia, in accordance with the 2014 Farm Out Agreement, confirming that it is unable to either enter into the second renewal exploration period of the Cooper License or to make a financial commitment to drilling. As a result, the Company received back Tullow Namibia's working interest. Following completion of the transfer, the Company holds a 57.5% working interest in the Cooper License.

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

As of June 30, 2020, the Company and its partners on the license approved a contingent budget in the amount of \$695,000 through to December 31, 2020. The Company's share of this budget is \$443,000 (including the Company's proportional carry of NAMCOR's contribution).





As of the date hereof, the remaining Exploration Activities and the aggregate expenditure as provided estimated by management based on current costs for the Cooper License is as follows<sup>(1)</sup>:

Exploration Activities	Expenditure US\$	Company's share of Expenditure US\$
<b>By March 31, 2020<sup>(2)</sup></b>		
• After interpretation of 3D survey, drill exploratory well	\$ 35,000,000	\$ 23,365,000
• Offtake/production engineering	\$ 500,000	\$ 319,500
<b>By March 31, 2021<sup>(2)</sup></b>		
• Complete and interpret an additional 500 Sq Km of 3D seismic survey	\$ 1,400,000	\$ 894,600
<b>Total</b>	<b>\$ 36,900,000</b>	<b>\$ 23,579,100</b>

**Notes:**

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

*Sharon License*

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

The exploration activity on the Sharon License is performed in the framework of a joint operating agreement among the Company, NAMCOR, and AziNam (the “**Sharon JOA**”). Under the Sharon JOA, the Company is designated the operator of the Sharon License.

On April 15, 2016, the Ministry approved the entering the next phase of the Sharon License, which has been extended into the first renewal phase, which on October 16, 2017, was extended by the Ministry to March 2019. The second renewal exploration period 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.

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

As of June 30, 2020, the Company and its partners on the license approved a contingent budget in the amount of \$1,375,000 through to December 31, 2020. The Company’s share of this budget is \$908,000 (including the Company’s proportional carry of NAMCOR’s contribution).



As of the date hereof, the remaining Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Sharon License is as follows<sup>(1)</sup>:

Exploration Activities	Expenditure US\$	Company's share of Expenditure US\$
<b>By March 31, 2021<sup>(2)</sup></b>		
• Complete and interpret a 500 Sq Km 3D seismic survey	\$ 1,400,000	\$ 933,800
• Resource assessment and production assessment has been completed		
<b>By March 31, 2021<sup>(2)</sup></b>		
• Assuming a target has been defined after interpretation of 3D survey, drill exploratory well	\$ 35,000,000	\$ 23,100,000
• Offtake/production engineering	\$ 500,000	\$ 333,500
<b>By March 31, 2021<sup>(2)</sup></b>		
• Complete and interpret a 500 Sq Km 3D seismic survey	\$ 1,400,000	\$ 933,800
<b>Total</b>	<b>\$ 49,900,000</b>	<b>\$ 25,301,100</b>

**Notes**

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

*Guy License*

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% working interest and AziNam holds a 40% working interest. The Company and AziNam proportionally carry NAMCOR’s working interest during the exploration period.

The exploration activity on the Guy License is performed in the framework of a joint operating agreement among the Company, NAMCOR, and AziNam (the “**Guy JOA**”). Pursuant to the AziNam Farmout Agreement, AziNam has been designated the operator of the Guy License as of July 1, 2015.

On February 20, 2019, the second renewal exploration period was extended to March 2021.

As of June 30, 2020, the Company and its partners on the license approved a contingent budget in the amount of \$1,490,000 through to December 31, 2020. The Company’s share of this budget is \$820,000 (including the Company’s proportional carry of NAMCOR’s contribution).

As of the date hereof, the remaining Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Guy License is as follows: <sup>(1)</sup>

Exploration Activities	Expenditure US\$	Company's share of Expenditure US\$
<b>By March 31, 2021<sup>(2)</sup></b>		
• Assuming a target has been defined after interpretation of 3D survey, drill exploratory well	\$ 35,000,000	\$ 19,460,000
• Offtake/production engineering	\$ 500,000	\$ 278,000
<b>By March 31, 2021<sup>(2)</sup></b>		
• Complete and interpret a 500 Sq Km 3D seismic survey	\$ 1,400,000	\$ 778,400
<b>Total</b>	<b>\$ 36,900,000</b>	<b>\$ 20,516,400</b>

**Notes**

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



### *Tamar License*

The Tamar License covers approximately 7,500 square kilometers and is located in license areas 2211B and 2311A offshore in the economical waters of Namibia (the “**Tamar Block**”). The Company holds an 80% working interest in the Tamar Block, Spectrum Geo Ltd. (“**Spectrum**”) holds a 10% working interest, and NAMCOR holds a 10% working interest.

Pursuant to an agreement with Spectrum (the “**Spectrum Agreement**”), the Company carries Spectrum’s 10% working interest. Pursuant to the Spectrum Agreement, Spectrum’s working interest may be reduced to 5% under certain circumstances, including, without limitation, the farm-in by a third party into to the Tamar Block (a “**Farm-In**”). PAO Namibia, the Company’s 100% wholly owned subsidiary, has an option to buy back Spectrum’s working interest for US\$1,450,000 prior to a Farm-In and US\$900,000 after a Farm-In.

Pursuant to the Tamar Petroleum Agreement, the Company is required to undertake specific exploration activities on the Tamar License during each phase of development. In the Tamar Petroleum Agreement, monetary values have been allocated to each exploration activity based on information available at the time of their execution. Based on recent exploration activity in Namibia, management expects the actual expenditures on the exploration activities to be less than that provided in the Tamar Petroleum Agreements.

On June 25, 2018, the Company received a one-year extension to March 20, 2019 for the first renewal period from the Petroleum Commissioner of the Republic of Namibia. On February 18, 2019, the second renewal exploration period was extended to March 2021.

On September 20, 2018, the Company announced that it has, subject to regulatory approval, through its wholly owned subsidiary Pan Africa Oil Namibia Holdings (Pty) Ltd. acquired the remaining 10% of the shares of Pan Africa Oil Namibia Ltd (“PAO Namibia”) Following completion of the acquisition, PAO Namibia became a wholly owned subsidiary of the Company.

As of June 30, 2020, the Company approved a contingent budget for this license in the amount of \$1,398,000 through to December 31, 2020.

As of the date hereof, the remaining Exploration Activities and the aggregate expenditure as estimated by management based on current costs for the Tamar License is as follows: <sup>(1)</sup>

Exploration Activities	Expenditure US\$	Company’s share of Expenditure US\$
<b>By October 28, 2021<sup>(2)</sup></b>		
• Complete and interpret 250 km <sup>2</sup> 3D seismic survey	\$ 1,040,000	\$ 1,040,000
• Evaluation of farm out and relinquishment of part (original 25%) or all Tamar License		
<b>By October 28, 2021<sup>(2)</sup></b>		
• Drill exploratory well (subject to identifying a target and the availability of adequate drilling rigs)	\$ 35,000,000	\$ 35,000,000
<b>Total</b>	<b>\$ 36,040,000</b>	<b>\$ 36,040,000</b>

#### Notes

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



## Financial position

The Company's current operations are focused on Guyana and Namibia.

As at June 30, 2020, the Company had total assets of \$19,214,590 and a net equity position of \$18,842,452. This compares with total assets of \$19,948,058 and a net equity position of 19,597,816 as at March 31, 2020. The Company had liabilities of \$372,138 as at June 30, 2020, as compared with \$350,242 as at March 31, 2020.

As at June 30, 2020, the Company had working capital of \$17,725,281 compared to working capital of \$18,480,645 as at March 31, 2020. The Company had cash on hand of \$17,918,133 as at June 30, 2020, compared with \$18,667,016 as at March 31, 2020, and short-term investments of \$54,900 at June 30, 2020 compared with \$52,737 as at March 31, 2020.

## Environmental Regulation

The Company's activities may be subject to environmental regulations, which may cover a wide variety of matters. It is likely that environmental legislation and permitting will evolve in a manner which will require stricter standards and enforcement. This may include increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a higher degree of responsibility for companies, their directors and employees.

The Company does not believe that any provision for such costs is currently required and is unable to determine the impact on its financial position, if any, of environmental laws and regulations that may be enacted in the future due to the uncertainty surrounding the form that these laws and regulations may take.

## Summarized Financial Information (in US Dollars)

	Three months ended	
	June 30,	
	2020	2019
<b>Revenue</b>		
Interest income	28,409	126,931
	<u>28,409</u>	<u>126,931</u>
<b>Operating expenses:</b>		
Compensation costs	172,304	161,692
Professional fees	32,615	18,083
Operating costs	519,677	6,173,380
General and administrative costs	87,003	394,083
Share-based compensation	12,643	43,999
Foreign exchange (gain) loss	9,033	(36,888)
Total operating expenses	<u>833,275</u>	<u>6,754,349</u>
<b>Net loss for the period</b>	<u>\$ (804,866)</u>	<u>\$ (6,627,418)</u>



## **Exploration and evaluation assets and 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 associated with a business combination or asset acquisition are capitalized.

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. Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset.

## **Interest income**

During the three months ended June 30, 2020, the Company earned interest of \$28,409 from funds invested in interest bearing deposits with financial institutions, as compared with \$126,931 earned during the three months ended June 30, 2019. The increase in interest earned during each period reflects the increase in average cash balances during the period as the Company used its cash reserves to finance its operations and a decrease in interest rates during the period.

## **Expenses**

As Operator of the some of its petroleum exploration licenses, the Company bills certain partners for their respective share in certain compensation, operating and administrative expenses on our Namibian Licenses (“JOA Recoveries”).

## **Operating costs**

Operating costs include amounts spent on data acquisition, technical consulting and analysis, incurred in connection with the Licenses.

During the three months ended June 30, 2020, the Company incurred gross operating costs of \$444,958 and billed JOA Recoveries of \$618,812 (net expense: \$519,677) as compared to gross operating costs of \$6,348,763 for the three months ended June 30, 2019 net of JOA Recoveries of \$175,382 (net expense: \$6,173,380). For the period ended June 30, 2019, expenses included our share of costs incurred on the first exploratory well drilled on our Guyana license.

## **Compensation costs**

Compensation costs represent amounts paid by the Company for compensation to certain members of management. It further includes compensation paid to the Company's directors for their services as directors.

During the three months ended June 30, 2020, the Company incurred compensation costs of \$172,304 as compared to \$161,692 for the three months ended June 30, 2019.

## **Professional fees**

Professional fees represent amounts paid by the Company for professional fees provided to the Company by independent service providers.

During the three months ended June 30, 2020, the Company incurred professional fees of \$32,615 compared to \$18,083 for the three months ended June 30, 2019.



## General and administrative costs

During the three months ended June 30, 2020, the Company incurred gross general and administrative costs of \$97,640 and billed JOA Recoveries of \$10,637 (net expense: \$87,003). During the three months ended June 30, 2019, the Company incurred gross general and administrative costs of \$413,077 and billed JOA Recoveries of \$18,994 (net expense: \$394,083).

These expenses include public company charges, travel and entertainment, occupancy and general office expenditures for the Company's head office in Toronto and its regional office in Guyana, London and Namibia.

General and Administrative costs decreased during 2020 as compared to 2019, primarily due to the decreased travel expenses and public company costs.

## Share based compensation

The share based compensation expense reflects the fair value of stock options granted to directors, officers, employees and consultants of the Company.

During the three months ended June 30, 2020, share based compensation amounted to \$12,643 as compared to \$43,999 for the three months ended June 30, 2019.

## Foreign exchange

The foreign exchange movement during the three months ended June 30, 2020, reflects the movements of the Canadian dollar, British Pound and Namibian dollar relative to the US Dollar. The Company's cash and cash equivalents and short-term investments are held in Canadian dollars, US Dollars and British Pounds.

## Summary of Quarterly Results

Summarized quarterly results for the past eight quarters are as follows:

	Quarter Ended			
	30-Jun-20	31-Mar-20	31-Dec-19	30-Sep-19
Total income	\$ 28,409	\$ 69,008	\$ 80,153	\$ 101,830
Net profit (loss) for the period	\$ (804,866)	\$ 706,979	\$ (2,464,983)	\$ (11,760,435)
Basic profit (loss) per share	\$ (0.00)	\$ 0.00	\$ (0.01)	\$ (0.06)

	Quarter Ended			
	30-Jun-19	31-Mar-19	31-Dec-18	30-Sep-18
Total income	\$ 126,902	\$ 33,078	\$ 12,561,423	\$ 65,868
Net profit (loss) for the period	\$ (6,627,418)	\$ (5,351,997)	\$ 10,727,594	\$ (1,606,943)
Basic profit (loss) per share	\$ (0.04)	\$ (0.03)	\$ 0.07	\$ (0.01)

During the last quarter, and following the drilling of two wells in Guyana, the Company, together with its partners, commenced work on reprocessing 3D data and identifying additional targets to drill on our Guyana block. During previous quarters, the Company was focused on drilling its first two exploratory well on our Guyana License.



## Additional Disclosure for Venture Issuers Without Significant Revenue (In US Dollars)

	Three months ended June 30,	
	2020	2019
<b>Gross expenditures on exploration and evaluation</b>		
Cooper License	\$ 114,000	\$ 460,000
Guy License	23,000	44,000
Sharon License	101,000	333,000
Tamar License	43,000	109,000
Guyana License	309,000	7,312,000
Total	<u>\$ 590,000</u>	<u>\$ 8,258,000</u>
<b>General and administrative expenses</b>		
Occupancy and office expenses	\$ 2,377	\$ 17,717
Travel expenses	26,872	55,885
Public company costs	64,235	333,203
Insurance	2,316	2,489
Financial services	1,840	3,783
Recovered under JOAs	(10,637)	(18,994)
	<u>\$ 87,003</u>	<u>\$ 394,083</u>

## Liquidity and Capital Resources

The Financial Statements have been prepared on a going concern basis whereby the Company is assumed to be able to realize its assets and discharge its liabilities in the normal course of operations. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern assumption was not appropriate for the Financial Statements, then adjustments of a material nature would be necessary in the carrying value of assets such as petroleum and natural gas licenses, liabilities, the reported expenses, and the balance sheet classifications used. Management continues to pursue financing opportunities for the Company to ensure that it will have sufficient cash to carry out its planned exploration program beyond the next year.

During the three months ended June 30, 2020, the Company's overall position of cash and cash equivalents decreased by \$767,306. This decrease in cash can be attributed to the following activities:

- 1) The Company's net cash used for operating activities during the three months ended June 30, 2020 was \$767,306 as compared to \$3,472,760 for the three months ended June 30, 2019. During the prior period we incurred significant expenditure in respect of the two wells that we drilled in Guyana, which accounts for the decrease when compared to expenditure in the current period..
- 2) Cash generated from financing activities for the three months ended June 30, 2020 was Nil as compared to \$16,373,468 for the three months ended June 30, 2019 in which we completed a private placement.

As discussed above, the Company is required to undertake specific exploration activities on each of the Company's licenses during each phase of development. (See "Overview of Operations" for information on the Company's commitments.)



The Company is currently engaged in the exploration and development of the licenses in order to assess the existence of commercially exploitable quantities of oil and gas and to determine if additional resources should be allocated to these licenses as per the work program commitments set out herein. The Company has completed the minimum exploration work required to date for each of its material licenses.

The Company has no revenue producing operations and continues to manage its costs, focusing on its higher potential licenses as described above. It may seek funding in the capital markets and may seek to pursue additional joint venture and farm-in opportunities with other suitable companies having access to capital, in order to meet its exploratory commitments and development strategy. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favorable to the Company.

### Common Share Data (as at August 19, 2020)

Common Shares	<sup>(1)</sup> 184,697,723
Options issued to directors, officers and consultants	6,950,000
RSUs granted to directors, officers and consultants	343,000
Warrants	80,000
Common shares outstanding on a fully diluted basis	<u>192,070,723</u>

- (1) In connection with the Amalgamation, the former shareholders of PAO are required to surrender for cancellation the certificates representing their PAO shares (the “**Certificates**”) in order to obtain Common Shares. Former shareholders of PAO have six years from the effective date of the Amalgamation, being January 28, 2015, to surrender their Certificates, failing which their Common Shares will be cancelled. As at August 21, 2019 there remains 846,992 Common Shares to be issued to the former shareholders of PAO. Such Common Shares will be held by Equity Financial Trust Company as agent for former shareholders of PAO until cancelled.

## Off-Balance Sheet Agreements

As of the date of this MD&A, the Company does not have any off-balance sheet arrangements that have or are reasonably likely to have, a current or future effect on its results of operations or financial condition, including, and without limitation, such consolidations as liquidity, capital expenditure and capital resources that would be considered material to investors.

## Contractual 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.

## Financial Instruments

Other risks and uncertainties the Company faces at present are market risk and foreign exchange risk.

Market risk is the risk of loss that may arise from changes in interest rates, foreign exchange rates and oil and gas prices. An extended period of depressed oil and gas prices could make access to capital more difficult and the Company is dependent on capital markets to fund its exploration and ultimately, its development programs.

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.





## Risks and Uncertainties

The business of exploring for, developing and producing oil and gas reserves is inherently risky. The Company is in the development stage and has not determined whether its Licenses contain economically recoverable reserves. The Company's future viability is dependent on the existence of oil and gas reserves and on the ability of the Company to obtain financing for its exploration programs and development of such reserves and ultimately on the profitability of operations or disposition of its oil and gas interests.

The Company's actual exploration and operating results may be very different from those expected as at the date of this MD&A.

For a complete discussion on risk factors, please refer to the Company's Annual Information Form dated July 10, 2020, filed under the Company's profile at [www.sedar.com](http://www.sedar.com) and on the Company's website.

### 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.

## Transactions between Related Parties and Balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company.

Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Fees for management services and operating costs paid to directors and officers or private companies which are controlled by directors or officers of the Company were as follows:



The following are the expenses incurred with related parties for the years ended March 31, 2020 and 2019 and the balances owing as of June 30, 2020 and 2019:

(i) As of June 30, 2020:

	Directors Fees	Consulting Fees	Share based awards	Option based awards	Total	Amounts owing at June 30, 2020
<b>Executive Directors</b>						
Gil Holzman - CEO	\$ -	\$ 89,250	\$ -	\$ -	\$ 89,250	\$ 29,750
Colin Kinley - COO (*)	-	153,000	-	-	153,000	51,000
Alan Friedman - Executive Vice President	-	9,204	-	-	9,204	3,068
Gadi Levin - Financial Director	-	22,089	-	-	22,089	7,485
<b>Non Executive Directors</b>						
Moshe Peterberg - Chairman of the board	17,850	-	-	-	17,850	17,850
Keith Hill	5,522	-	-	-	5,522	5,522
Peter Nicol	6,800	-	-	-	6,800	6,800
Helmut Angula	4,602	-	-	-	4,602	4,602
<b>Officers</b>						
Alan Rootenberg - CFO	-	2,761	-	-	2,761	780
<b>Total</b>	<b>\$ 34,774</b>	<b>\$ 276,304</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 311,078</b>	<b>\$ 126,856</b>

(\*) Included in Consulting fees to Mr. Kinley is \$38,000 of fees paid for technical services provided by Kinley Exploration LLC, a Company controlled by Mr. Kinley.

(ii) As of March 31, 2019:

	Directors Fees	Consulting Fees	Share based awards	Option based awards	Total	Amounts owing at June 30, 2019
<b>Executive Directors</b>						
Gil Holzman - CEO	\$ -	\$ 84,000	\$ -	\$ 5,500	\$ 89,500	\$ 29,833
Colin Kinley - COO (*)	-	104,340	-	5,500	109,840	36,613
Alan Friedman - Executive Vice President	-	11,213	-	5,500	16,713	5,571
Gadi Levin - Financial Director	-	22,427	-	2,750	25,177	7,476
<b>Non Executive Directors</b>						
Moshe Peterberg - Chairman of the board	21,000	-	-	5,500	26,500	26,500
Keith Hill	6,728	-	-	5,500	12,228	12,228
Peter Nicol	9,942	-	-	5,500	15,442	15,442
Helmut Angula	5,607	-	-	5,500	11,106	11,106
<b>Officers</b>						
Alan Rootenberg - CFO	-	2,803	-	-	2,803	-
<b>Total</b>	<b>\$ 43,276</b>	<b>\$ 224,784</b>	<b>\$ -</b>	<b>\$ 41,248</b>	<b>\$ 309,308</b>	<b>\$ 144,769</b>

(\*) Included in Consulting fees to Mr. Kinley is \$45,000 of fees paid for technical services provided by Kinley Exploration LLC, a Company controlled by Mr. Kinley.

## Critical Accounting Estimates

The Company's critical accounting estimates are defined as those estimates that have a significant impact on the portrayal of its financial position and operations and that require management to make judgments, assumptions and estimates in the application of IFRS. Judgments, assumptions and estimates are based on historical experience and other factors that management believes to be reasonable under current conditions. As events occur and additional information is obtained, these judgments, assumptions and estimates may be subject to change. The Company believes the following are the critical accounting estimates used in the preparation of its consolidated financial statements. The Company's significant accounting policies can be found in note 3 of the Company's Financial Statements.



## Use of 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.

### 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) Change in functional currency assessment

The functional currency of the Company and its subsidiaries represent the currency of primary economic environment in which each entity operates. 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 Guyana based on the increased expenditures incurred in USD which is expected to continue in the foreseeable future. On April 1, 2020, the Company determined the USD to be the functional currency for Eco (Atlantic) Oil and Gas Ltd, based on the increase in USD denominated spending as of April 1, 2020. On April 1, 2020, the Company also determined the USD to be the functional currency of Eco Guyana Oil & Gas (Barbados) Ltd, since this entity is 100% owned by Eco Atlantic, and is the 100% owner of Eco Guyana, both of which have functional currencies denominated in USD. The change in estimate has been applied on a prospective basis effective April 1, 2020.



Effective April 1, 2020, the Company also changed its presentation currency from Canadian Dollars to USD. The change in presentation currency is to better reflect the Company's business activities and to improve investors' ability to compare the Company's results to its peers. This change has been applied retroactively as if the Company's new presentation currency has always been the Company's presentation currency.

The exchange rates used as follows

USD/CAD exchange rate	June 30, 2020	March 31, 2020	April 1, 2019
Closing at the reporting date	1.36	1.42	1.34
Average rate for the period	1.39	1.33	1.33

Refer to note 16 for further details of the effect of the translation adjustments to reflect the change in the Company's presentation currency.

## Disclosure Controls and Procedures and Internal Controls over Financial Reporting

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial position, results of operations and cash flows of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- 1) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- 2) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## Additional Information

Additional information relating to the Company, the Company's quarterly and annual consolidated financial statements, annual information form, technical reports and other disclosure documents, are available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).