

Eco (Atlantic) Oil & Gas Ltd.

Condensed Consolidated Interim Financial Statements

For the Three and Nine Month Periods Ended December 31, 2020

Expressed in US Dollars

(Unaudited)

NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of Eco (Atlantic) Oil & Gas Ltd. for the three and nine month period ended December 31, 2020 and 2019 have been prepared by management in accordance with International Financial Reporting Standards applicable to condensed consolidated interim financial statements (Note 3). Recognizing that the Company is responsible for both the integrity and objectivity of the unaudited condensed consolidated interim financial statements, management is satisfied that these unaudited condensed consolidated interim financial statements have been fairly presented.

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

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

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December 31, 2020 and 2019

(Expressed in US Dollars)

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Eco (Atlantic) Oil & Gas Ltd.
Condensed Consolidated Interim Statements of Financial Position
(Expressed in US Dollars)

	December 31, 2020	March 31, 2020	April 1, 2019
	Unaudited	Audited	Audited
Assets			
Current assets			
Cash and cash equivalents	\$ 16,350,090	\$ 18,667,016	\$ 18,750,453
Short-term investments (Note 4)	52,663	52,737	56,098
Government receivable	39,283	19,276	24,821
Amounts owing by license partners, net	89,805	45,596	-
Accounts receivable and prepaid expenses	73,215	46,262	60,678
	16,605,056	18,830,887	18,892,050
Petroleum and natural gas licenses (Note 5)	1,117,171	1,117,171	1,117,171
Total Assets	\$ 17,722,227	\$ 19,948,058	\$ 20,009,221
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities (Note 6)	\$ 158,784	\$ 350,242	\$ 317,548
Advances from and amounts owing to license partners, net	98,947	-	845,524
Total Liabilities	257,731	350,242	1,163,072
Equity			
Share capital (Note 7)	59,099,725	59,099,725	37,509,183
Restricted Share Units reserve (Note 7)	267,669	267,669	83,597
Warrants (Note 8)	53,026	53,026	39,570
Stock options (Note 9)	2,631,101	2,542,824	2,387,837
Foreign currency translation reserve	(1,200,457)	(1,117,859)	-
Accumulated deficit	(43,386,568)	(41,247,569)	(21,174,038)
Total Equity	17,464,496	19,597,816	18,846,149
Total Liabilities and Equity	\$ 17,722,227	\$ 19,948,058	\$ 20,009,221

Basis of Preparation (Note 2)

Commitments (Notes 5 and 13)

Events After the Reporting Period (Note 17)

Approved by the Board of Directors of the Company on February 24, 2021

“Gil Holzman”

Director

“Gadi Levin”

Director

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

Eco (Atlantic) Oil & Gas Ltd.
Condensed Consolidated Interim Statements of Operations and
Comprehensive Profit and Loss
(Expressed in US Dollars)

	Three months ended		Nine months ended	
	December 31,		December 31,	
	2020	2019	2020	2019
	Unaudited		Unaudited	
Revenue				
Interest income	6,123	80,302	41,779	309,186
	6,123	80,302	41,779	309,186
Operating expenses:				
Compensation costs	173,373	207,440	486,999	627,967
Professional fees	80,280	117,844	200,694	353,963
Operating costs (Notes 14)	255,477	1,097,788	1,105,892	12,466,334
General and administrative costs (Note 15)	138,472	386,275	367,742	1,139,106
Share-based compensation (Notes 9(i))	33,457	35,758	88,277	5,654,869
Foreign exchange gain	(32,561)	708,530	(68,826)	890,495
Total expenses	648,498	2,553,635	2,180,778	21,132,734
Net loss and comprehensive loss	\$ (642,375)	\$ (2,473,333)	\$ (2,138,999)	\$ (20,823,548)
Basic and diluted net loss per share attributable to equity holders of the parent	\$ (0.00)	\$ (0.01)	\$ (0.01)	\$ (0.11)
Weighted average number of ordinary shares used in computing basic and diluted net loss per share	184,697,723	184,441,830	184,697,723	182,225,982

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

Eco (Atlantic) Oil & Gas Ltd.

Condensed Consolidated Interim Statements of Changes in Equity

(Expressed in US Dollars)

	Number of Shares	Capital \$	Restricted Share Units \$	Warrant Reserve \$	Stock Options \$	Deficit \$	Foreign Currency Translation Reserve \$	Total Equity \$
Balance, March 31, 2019 (Audited)	164,375,530	37,509,183	83,597	39,570	2,387,837	(21,174,038)	-	18,846,149
Issuance of shares	16,159,695	15,935,765	-	-	-	-	-	15,935,765
Issuance of shares from RSU's	2,900,000	5,338,092	184,072	-	-	-	-	5,522,164
Issuance of warrants	-	-	-	52,802	-	-	-	52,802
Exercise of warrants	592,498	159,958	-	(39,346)	-	-	-	120,612
Exercise of stock options	420,000	126,300	-	-	(32,741)	-	-	93,559
Stock options expensed	-	-	-	-	132,705	-	-	132,705
Net loss for the period	-	-	-	-	-	(20,823,548)	-	(20,823,548)
Balance, December 31, 2019 (Unaudited)	184,447,723	59,069,298	267,669	53,026	2,487,801	(41,997,586)	-	19,880,208
Exercise of stock options	250,000	30,427	-	-	(30,427)	-	-	-
Issuance of options	-	-	-	-	52,093	-	-	52,093
Stock options expensed	-	-	-	-	33,357	-	-	33,357
Net loss for the period	-	-	-	-	-	750,017	-	750,017
FCTR Foreign currency translation	-	-	-	-	-	-	(1,117,859)	(1,117,859)
Balance, March 31, 2020 (Audited)	184,697,723	59,099,725	267,669	53,026	2,542,824	(41,247,569)	(1,117,859)	19,597,816
Stock options expensed (Note 9(i))	-	-	-	-	88,277	-	-	88,277
Net loss for the period	-	-	-	-	-	(2,138,999)	-	(2,138,999)
FCTR Foreign currency translation	-	-	-	-	-	-	(82,598)	(82,598)
Balance, December 31, 2020 (Unaudited)	184,697,723	\$ 59,099,725	\$ 267,669	\$ 53,026	\$ 2,631,101	\$ (43,386,568)	\$ (1,200,457)	\$ 17,464,496

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

Eco (Atlantic) Oil & Gas Ltd.
Condensed Consolidated Interim Statements of Cash Flows
(Expressed in US Dollars) (in table below - year or period?)

	Nine months ended December 31,	
	2020	2019
	Unaudited	
Cash flow from operating activities		
Net loss from operations	\$ (2,138,999)	\$ (20,823,548)
Items not affecting cash:		
Share-based compensation	88,277	5,654,869
Changes in non-cash working capital:		
Government receivable	(20,007)	(12,818)
Accounts payable and accrued liabilities	(130,818)	(172,484)
Accounts receivable and prepaid expenses	(26,726)	11,533
Advance from and amounts owing to license partners	(135,313)	(749,180)
	(2,363,586)	(16,091,628)
Cash flow from financing activities		
Net proceeds from Private Placement	-	15,935,765
Proceeds from the exercise of stock options	-	93,559
Proceeds from the exercise of warrants	-	120,612
	-	16,149,936
Increase (decrease) in cash and cash equivalents	(2,363,586)	58,308
Foreign exchange differences	46,660	721,021
Cash and cash equivalents, beginning of period	18,667,016	18,750,453
Cash and cash equivalents, end of period	\$ 16,350,090	\$ 19,529,782

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

Eco (Atlantic) Oil & Gas Ltd.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

1. Nature of Operations

The Company's business is to identify, acquire, explore and develop petroleum, natural gas, and shale gas properties. The Company primarily operates in the Co-Operative Republic of Guyana ("Guyana") and the Republic of Namibia ("Namibia"). The head office of the Company is located at 7 Coulson Avenue, Toronto, ON, Canada, M4V 143.

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

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on February 24, 2021.

2. Basis of Preparation

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

3. Summary of Significant Accounting Policies

Statement of compliance

The Company prepares its unaudited condensed consolidated interim financial statements in accordance with International Financial Reporting Standards ("IFRS") using the accounting policies described herein as issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 Interim Financial Reporting. The unaudited condensed consolidated interim financial statements do not include all of the information required for annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2020.

Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2021 could result in restatement of these condensed consolidated interim financial statements.

Eco (Atlantic) Oil & Gas Ltd.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

Basis of consolidation

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

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

Translation of Foreign Currencies

These consolidated financial statements are presented in US dollars. The functional currency of certain subsidiaries is the Canadian dollar. Translation gains or losses resulting from the translation of the financial statements of these subsidiaries into US dollars for presentation purposes are recorded as a foreign currency translation reserve in the statement of changes in shareholders' equity.

Within each entity, transactions in currencies other than the functional currency ("foreign currencies") are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the end of each reporting period at the period-end exchange rate. Exchange gains and losses on the settlement of transactions and the translation of monetary assets and liabilities to the functional currency are recorded in profit or loss.

Eco (Atlantic) Oil & Gas Ltd.

(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

Critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively from the period in which the estimates are revised. The following are the key estimate and assumption uncertainties considered by management.

i) Impairment of assets

When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value.

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.

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(An Exploration Stage Company)

Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

Critical accounting estimates (continued)

iv) Change in functional currency assessment

The functional currency of the Company and its subsidiaries represent the currency of the 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 are as follows:

USD/CAD exchange rate	December 31, 2020	March 31, 2020	April 1, 2019
Closing at the reporting date	1.27	1.42	1.33
Average rate for the period	1.34	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.

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

3. Summary of Significant Accounting Policies (continued)

Accounting Standards Issued but not yet effective

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

IFRS 17 – Insurance Contracts (“IFRS 17”)

IFRS 17 was issued by the IASB in May 2017, which replaces IFRS 4 Insurance Contracts. IFRS 17 requires entities to measure insurance contract liabilities at their current fulfillment values using one of three measurement models, depending on the nature of the contract. IFRS 17 is effective for annual periods beginning on or after January 1, 2021. IFRS 17 will affect how the Company’s accounts for its insurance contracts and how it reports its financial performance in our consolidated statements of operations. The Company has determined there will not be a significant impact to the consolidated financial statements as a result of the adoption of this standard.

4. Short-term Investments

The Company’s short-term investments comprise interest bearing deposits with its primary bank of \$52,663 (March 31, 2020 - \$52,737), which are held as collateral for the Company’s credit-card.

5. Petroleum and Natural Gas Licenses

- (i) The oil and gas interests of the Company are located offshore in Guyana and offshore in Namibia.
- (ii) **Guyana**
 - a. The Guyana license covers the Orinduik block, offshore Guyana. The Orinduik block is situated in shallow to deep water (70m – 1,400m), 170 kilometers offshore Guyana in the Suriname Guyana basin (“Guyana License”) and is located in close proximity to the Exxon’s 18 oil discoveries which is estimated by Exxon to contain approximately 9 billion recoverable barrels of oil (BOE).
 - b. In accordance with the Guyana Petroleum Agreement and following Total E&P Activitiés Pétrolières’ (“Total”) farm in (as defined below), Eco Guyana holds a 15% working interest in the Guyana License, Total holds a 25% working interest and Tullow Guyana B.V. (“Tullow Guyana”) currently holds a 60% interest (Operator) (together, the “Partners”).
 - c. On September 26, 2017, the Company’s subsidiary, Eco Guyana, entered into an agreement that provides Total with an option to acquire a 25% Working Interest in the Orinduik Block from Eco Guyana (the “Total Option”). Pursuant to the agreement, Total made an immediate payment of US\$1 million for the Option to Farm-in to the Orinduik Block for an additional payment in cash of \$12.5 million to earn the 25% Working Interest. On September 13, 2018, Total exercised the Total Option and on October 31, 2018, the Company received approval for the transfer of 25% working interest to Total. On November 27, 2018, Total transferred \$12.5 million to the Company and completed the transfer.

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

5. Petroleum and Natural Gas Licenses (continued)

(ii) Guyana (continued)

- d. On July 5, 2019, the Company announced the spudding of the Jethro-Lobe well.
- e. On August 12, 2019, the Company announced a major oil discovery on the Guyana License. The Jethro-1 exploration well was drilled by the Stena Forth drillship to a final depth of 14,331 feet (4,400 meters) in approximately 1,350 meters of water. Evaluation of logging data confirmed that the Jethro-1 was the first discovery on the Guyana License and comprises high-quality oil-bearing sandstone reservoir of Lower Tertiary age. It encountered 180.5 feet (55 meters) of net oil pay in lower Tertiary sandstone reservoirs, which supports recoverable oil resources. The well was cased, and is awaiting further evaluation to determine the appropriate appraisal activity.
- f. 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.
- g. On September 16, 2019, the Company announced a second oil discovery on the Orinduik Block, offshore Guyana. The Joe-1 exploration well was drilled by the Stena Forth drillship to a final depth of 7,176 feet (2,175 meters) in approximately 2,546 feet (780 meters) of water. Evaluation of MWD, wireline logging and sampling of the oil confirms that Joe-1 is the second discovery on the Orinduik license and comprises oil-bearing sandstone reservoir with a high porosity of Upper Tertiary age. The Joe-1 well encountered 52 feet (16 meters) of continuous thick sandstone, which supports the presence of recoverable oil resources. Additional thinner sands above and below the main pay are being evaluated for possible incremental pay.
- h. On November 13, 2019, the Company announced that both wells were drilled within budget, with MWD logging tool and conventional wireline, and the reservoirs were considered to be high quality sands with good permeability.

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

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

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

5. Petroleum and Natural Gas Licenses (continued)

(ii) Guyana (continued)

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

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

- j. On February 3, 2020, the Company announced the filing of a National Instrument 51-101 compliant Competent Persons Report on the resources on the Orinduik Block, offshore Guyana, which found: (i) a significant increase in Gross Prospective Resources to 5,141 MMBOE (771 MMBOE net to Eco), (ii) 22 identified prospects on Orinduik Block including 11 leads in the Upper Cretaceous horizon, (iii) that a majority of the project leads have over a 30% or better chance of success (COS), enhanced by the recent discovery of light oil on the Kanuku block to the south of Orinduik, and (iv) leads in the Tertiary aged section estimated to contain 1,204 MMBOE, and within the Cretaceous section are estimated to contain approximately 3,936 MMBOE.
- k. The Partners are currently further defining the Orinduik geological modeling, prospects maturation and upgrading of the drilling targets inventory in an ongoing process. The intent is to provide further definition to the Cretaceous targets' selection for drilling in the next drilling campaign.

(iii) Namibia

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

(iv) The Cooper License

- a. The Cooper License covers approximately 5,788 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, AziNam Ltd ("AziNam") holds a 30.7% working interest, and Tangi Trading Enterprise cc holds a 5% working interest ("Tangi"). The Company and AziNam proportionally carry NAMCOR and Tangi's working interest during the exploration period.
- b. On 5 February, 2021 a new ten (10) year life cycle for the Cooper License received final governmental approval.

Eco (Atlantic) Oil & Gas Ltd.

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

5. Petroleum and Natural Gas Licenses (continued)

(v) The Sharon License

- a. The Sharon License covers approximately 5,700 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 56.7% working interest in the Sharon License, NAMCOR holds a 10% working interest, AziNam holds a 28.3% working interest and Titan Oil and Gas (Pty) Ltd holds a 5% working interest (“Titan”). The Company and AziNam proportionally carry NAMCOR and Titan’s working interest during the exploration period.
- b. On 5 February, 2021 a new ten (10) year life cycle for the Sharon License received final governmental approval.

(vi) The Guy License

- a. The Guy License covers 11,457 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 47.2% working interest in the Guy License, NAMCOR holds a 10% working interest, AziNam holds a 37.8% working interest and Lotus Explorations (Pty) Ltd holds a 5% working interest (“**Lotus**”). The Company and AziNam proportionally carry NAMCOR and Lotus’ working interest during the exploration period.
- b. On 5 February, 2021 a new ten (10) year life cycle for the Sharon License received final governmental approval.

(vii) The Tamar License

- a. The Tamar License covers approximately 5,648 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 85% working interest in the Tamar Block, NAMCOR holds a 10% working interest and Moonshade Investment (Pty) Ltd holds a 5% working interest (“Moonshade”). The Company and AziNam proportionally carry NAMCOR and Moonshades’ working interest during the exploration period.
- b. On 5 February, 2021 a new ten (10) year life cycle for the Sharon License received final governmental approval.

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Notes to the Condensed Consolidated Interim Financial Statements

(Expressed in US Dollars)

For The Three and Nine Months Ended December 31, 2020 and 2019

6. Related Party Transactions and Balances and Director Remuneration

The following are the expenses incurred with related parties for the nine month period ended December 31, 2020 and 2019 and the balances owing as of December 31, 2020 and 2019:

(i) As of December 31, 2020:

	Directors fees	Consulting fees	Share based awards	Option based awards	Total	Amounts owing at December 31, 2020
Executive Directors						
Gil Holzman - CEO	\$ -	\$ 218,746	\$ -	\$ -	\$ 218,746	\$ 18,284
Colin Kinley - COO (*)	-	310,806	-	-	310,806	36,385
Alan Friedman - Executive Vice President	-	28,631	-	-	28,631	-
Gadi Levin - Financial Director	-	67,999	-	-	67,999	-
Non Executive Directors						
Moshe Peterberg - Chairman of the board	91,800	-	-	-	91,800	30,600
Keith Hill	17,357	-	-	-	17,357	5,786
Peter Nicol	26,355	-	-	-	26,355	8,785
Helmut Angula	14,464	-	-	-	14,464	4,821
Officers						
Alan Rootenberg - CFO	-	8,496	-	-	8,496	-
Total	\$ 149,976	\$ 634,678	\$ -	\$ -	\$ 784,654	\$ 104,661

(*) Included in Consulting fees to Mr. Kinley are \$135,000 of fees paid for technical services provided by Kinley Exploration LLC, a Company controlled by Mr. Kinley.

(ii) As of December 31, 2019:

	Directors fees	Consulting fees	Share based awards	Option based awards	Total	Amounts owing at December 31, 2019
Executive Directors						
Gil Holzman - CEO	\$ -	\$ 252,000	\$ 1,662,771	\$ 11,157	\$ 1,925,928	\$ 28,589
Colin Kinley - COO (*)	-	313,020	1,662,771	11,157	1,986,948	35,511
Alan Friedman - Executive Vice President	-	33,934	230,940	11,157	276,031	3,850
Gadi Levin - Financial Director	-	73,901	369,505	5,579	448,985	9,239
Non Executive Directors						
Moshe Peterberg - Chairman of the board	63,000	-	646,633	11,157	720,790	21,441
Keith Hill	20,360	-	230,940	11,157	262,457	6,929
Peter Nicol	31,082	-	369,505	11,157	411,744	10,578
Helmut Angula	16,967	-	184,752	11,157	212,876	5,775
Officers						
Alan Rootenberg - CFO	-	6,407	-	-	6,407	962
Total	\$ 131,409	\$ 679,262	\$ 5,357,817	\$ 83,678	\$ 6,252,166	\$ 122,875

(*) Included in Consulting fees to Mr. Kinley are \$135,000 of fees paid for technical services provided by Kinley Exploration LLC, a Company controlled by Mr. Kinley.

7. Share Capital

(i) Authorized Share Capital

The authorized share capital consists of an unlimited number of common shares with no par value.

(ii) Issued Share Capital

No shares were issued during the nine month period ended December 31, 2020.

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8. Warrants

A summary of changes in warrants for the year ended March 31, 2020 and the three and nine months ended December 31, 2020 is presented below:

	Number of Warrants	Weighted Average Exercise Price (CAD\$)
Balance, March 31, 2020	592,498	0.28
Exercised	(592,498)	0.28
Issuance of warrants	80,000	2.45
Balance, March 31, 2020 and December 31, 2020	80,000	2.45

9. Stock Options

A summary of the status of the Plan for the years ended March 31, 2019 and 2020 and for the nine months ended December 31, 2020 are as follows:

	Number of stock options	Weighted average exercise price (CAD\$)	Remaining contractual life - years
Balance, March 31, 2019	7,520,000	\$ 0.43	3.01
Exercised	(770,000)	0.30	-
Granted	200,000	1.20	-
Balance, March 31, 2020 and December 31, 2020	6,950,000	\$ 0.47	2.08 / 1.51

- (i) Share-based compensation expense is recognized over the vesting period of options. During the nine months period ended December 31, 2020, share-based compensation of \$88,277 (December 31, 2019 – \$5,654,869) was recognized based on options vesting during the period.
- (ii) As at December 31, 2020, outstanding options were as follows:

Number of Options	Exercisable	Exercise Price (CAD\$)	Expiry Date
30,000	30,000	\$0.30	March 23, 2021
4,450,000	4,450,000	\$0.30	January 12, 2022
350,000	350,000	\$0.30	May 16, 2022
250,000	250,000	\$0.36	July 6, 2022
870,000	870,000	\$0.30	December 24, 2022
800,000	533,333	\$1.50	March 1, 2024
200,000	66,667	\$1.20	January 10, 2025
6,950,000	6,550,000		

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10. Asset Retirement Obligations (“ARO”)

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

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

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

11. Capital Management

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

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

There were no changes in the Company’s approach to capital management during the nine months period ended December 31, 2020. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

12. Risk Management

a) Credit risk

The Company’s credit risk is primarily attributable to short-term investments and amounts receivable. The Company has no significant concentration of credit risk arising from operations. Short-term investments consist of deposits with Schedule 1 banks, from which management believes the risk of loss to be remote. Amounts receivable consist of advances to suppliers and harmonized sales tax due from the Federal Government of Canada. Government receivable consists of value added tax due from the Namibian government. 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.

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12. Risk Management (continued)

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 December 31, 2020, the Company had cash and cash equivalents and cash on deposit of \$16,350,090 (March 31, 2020 - \$18,667,016), short-term investments of \$52,663 (March 31, 2020 - \$52,737), accounts receivable and prepaid expenses of \$73,215 (March 31, 2020 - \$46,262), government receivable of \$39,283 (March 31, 2020 - \$19,276) and amounts owing by license partners, net of \$89,805 (March 31, 2020 - owing from \$45,596) to settle current liabilities of \$158,784 (March 31, 2020 - \$350,242).

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 December 31, 2020 all have contractual maturities of less than 90 days and are subject to normal trade terms.

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

The Company has commitments related to its petroleum and natural gas licenses as described in Note 5.

d) Foreign currency risk

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

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

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12. Risk Management (continued)

e) Environmental Risk (COVID-19)

Since January 2020, the Coronavirus outbreak has dramatically expanded into a worldwide pandemic creating macro-economic uncertainty and disruption in the business and financial markets. Many countries around the world, including Canada and the United States have been taking measures designated to limit the continued spread of the Coronavirus, including the closure of workplaces, restricting travel, prohibiting assembling, closing international borders and quarantining populated areas. Such measures present concerns that may dramatically affect the Company's ability to conduct its business effectively, including, but not limited to, adverse effect relating to negotiations and discussions with regulators, site visits, slowdown and stoppage of work, travel and other activities which are essential and critical for maintaining on-going business activities. Given the uncertainty around the extent and timing of the future spread or mitigation of COVID-19 and around the imposition or relaxation of protective measures, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition; infections may become more widespread and the limitation on the ability to work and travel, as well as any closures or supply disruptions, may be extended for longer periods of time and to other locations, all of which would have a negative impact on the Company's business, financial condition and operating results. In addition, the unknown scale and duration of these developments have macro and micro negative effects on the financial markets, oil prices and the global economy which could result in an economic downturn that could have a material adverse effect on its operations and financial results, earnings, cash flow and financial condition.

13. Commitments

Licenses

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

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

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14. Operating Costs

Operating costs consist of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Drilling costs, data acquisition and interpretation and technical consulting	\$ 301,174	\$ 1,062,335	\$ 1,120,310	\$ 12,434,177
Exploration license fees	-	529	166,020	234,299
Travel	-	22,866	32,098	87,289
Recovered under Joint Operating Agreements	(45,697)	12,058	(212,536)	(289,431)
	<u>\$ 255,477</u>	<u>\$ 1,097,788</u>	<u>\$ 1,105,892</u>	<u>\$ 12,466,334</u>

15. General and Administrative Costs

General and administrative costs consist of the following:

	Three months ended December 31,		Nine months ended December 31,	
	2020	2019	2020	2019
Occupancy and office expenses	\$ 9,596	\$ 12,463	\$ 17,450	\$ 73,053
Social corporate responsibility	-	-	46,261	-
Travel expenses	-	188,047	27,608	448,535
Public company costs	109,529	182,712	255,304	582,467
Insurance	18,336	2,629	37,958	54,341
Financial services	2,186	3,746	6,362	11,028
Recovered under Joint Operating Agreements	(1,175)	(3,322)	(23,201)	(30,318)
	<u>\$ 138,472</u>	<u>\$ 386,275</u>	<u>\$ 367,742</u>	<u>\$ 1,139,106</u>

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16. Change in Presentation Currency

For comparative purposes, the condensed consolidated interim statements of financial position as of March 31, 2020 and April 1, 2019 include adjustments to reflect the change in presentation currency from Canadian Dollar to US Dollars. The amounts previously reported in Canadian Dollar as shown below have been translated in US Dollars at March 31, 2020 and April 1, 2019 exchanges rates (note 3). The effect of the translation is as follows:

	March 31, 2020		April 1, 2019	
	Previously reported Canadian Dollars	Translated Us Dollars	Previously reported Canadian Dollars	Translated Us Dollars
Assets				
Current assets				
Cash and cash equivalents	\$ 26,482,896	\$ 18,667,016	\$ 25,007,479	\$ 18,750,453
Short-term investments	74,818	52,737	74,818	56,098
Government receivable	27,347	19,276	33,104	24,821
Amounts owing from license partners, net	64,687	45,596	-	-
Accounts receivable and prepaid expenses	65,632	46,262	80,926	60,678
	26,715,380	18,830,887	25,196,327	18,892,050
Petroleum and natural gas licenses	1,489,971	1,117,171	1,489,971	1,117,171
Total Assets	\$ 28,205,351	\$ 19,948,058	\$ 26,686,298	\$ 20,009,221
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	477,289	350,242	423,513	317,548
Amounts owing to license partners, net	-	-	1,127,675	845,524
Total Liabilities	477,289	350,242	1,551,188	1,163,072
Equity				
Share capital	78,788,877	59,099,725	50,025,998	37,509,183
Restricted Share Units reserve	356,493	267,669	111,493	83,597
Warrants	70,280	53,026	52,775	39,570
Stock options	3,392,285	2,542,824	3,184,658	2,387,837
Foreign currency translation reserve	0	(1,117,859)	0	0
Accumulated deficit	(54,879,873)	(41,247,569)	(28,239,814)	(21,174,038)
Total Equity	27,728,062	19,597,816	25,135,110	18,846,149
Total Liabilities and Equity	\$ 28,205,351	\$ 19,948,058	\$ 26,686,298	\$ 20,009,221

17. Events After the Reporting Period

On January 26, 2021, the Company announced the formation of a new partnership with Nepco Capital Partners (Hong Kong) Ltd. (“Nepco”), to source, acquire and develop an exclusive pipeline of potential high yield solar projects. To give effect to the new venture, the Company’s existing subsidiary Eco - EBVI, has been renamed Solear Ltd. (“Solear”) in which the Company now owns 70% and Nepco owns 30%. Solear completed its first acquisition of a fully contracted, permitted, and build ready project in Greece, known as the Kozani Project.

The Company has agreed to provide a secured loan of up to \$6m (the “Loan”) to Solear. The Loan bears 2% annual interest, which will accrue and is expected to be payable from the proceeds of either a public or private financing, through operating cash flow, or a project monetization event. The Board of Eco Atlantic will assess the ability for shareholders to participate directly in the financing of Solear when it seeks to raise the necessary funds for capturing more project opportunities and / or the construction of the projects within its pipeline, for which a number of options are being actively considered.