

Eco (Atlantic) Oil & Gas Ltd.
Consolidated Financial Statements
(in US Dollars)

March 31, 2022 and 2021

Eco (Atlantic) Oil & Gas Ltd.
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March 31, 2022 and 2021

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

Opinion

We have audited the consolidated financial statements of Eco (Atlantic) Oil & Gas Ltd. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2022 and March 31, 2021, and the consolidated statements of operations and comprehensive profit and loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2022 and March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

Mississauga, Ontario

July 29, 2022

MNP LLP

Chartered Professional Accountants

Licensed Public Accountants

Eco (Atlantic) Oil & Gas Ltd.
Consolidated Statements of Financial Position
As at March 31, 2022 and 2021
(Expressed in US Dollars)

	March 31, 2,022	March 31, 2021
Assets		
Current assets		
Cash and cash equivalents	3,438,834	\$ 11,807,309
Short-term investments (Note 6)	52,618	1,552,640
Government receivable	27,487	22,697
Amounts owing by license partners, net	-	193,655
Accounts receivable and prepaid expenses (Note 7)	257,911	46,480
Assets held for sale (Note 11)	2,061,734	-
	5,838,584	13,622,781
Investment in associate (Note 8)	9,277,162	-
Petroleum and natural gas licenses (Note 10)	30,753,034	1,072,260
Renewable energy licenses (Note 11)	-	1,411,186
Right of use assets (Note 9)	-	332,495
Total Assets	45,868,780	\$ 16,929,177
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	1,931,823	\$ 501,022
Advances from and amounts owing to license partners, net	-	97,153
Short-term portion of lease liability (Note 13)	-	22,987
Current liabilities related to assets held for sale (Note 11)	473,254	-
Warrant liability (Note 16)	3,241,762	-
Total current liabilities	5,646,839	621,162
Lease liability (Note 13)	-	325,917
Total liabilities	5,646,839	947,079
Equity		
Share capital (Note 14)	63,141,609	59,099,725
Shares to be issued (Note 4)	20,766,996	-
Restricted Share Units reserve (Note 15)	267,669	267,669
Warrants (Note 16)	7,806,000	-
Stock options (Note 17)	958,056	2,675,724
Foreign currency translation reserve	(1,309,727)	(1,198,097)
Non-controlling interest	-	(48,674)
Accumulated deficit	(51,408,662)	(44,814,249)
Total Equity	40,221,941	15,982,098
Total Liabilities and Equity	45,868,780	\$ 16,929,177

Basis of Preparation (Note 2)

Commitments (Notes 21)

Events After the Reporting Period (Note 26)

Approved by the Board of Directors of the Company ("Board")

"Gil Holzman"
Director

"Gadi Levin"
Director

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

Eco (Atlantic) Oil & Gas Ltd.
Consolidated Statements of Operations and Comprehensive Profit and Loss
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

	Year ended March 31,	
	2022	2021
Revenue		
Interest income	\$ 3,556	\$ 47,097
	<u>3,556</u>	<u>47,097</u>
Operating expenses:		
Compensation costs	852,383	712,667
Professional fees	551,751	501,349
Operating costs (Note 22)	1,932,826	1,659,029
General and administrative costs (Note 23)	603,145	500,720
Share-based compensation (Note 17(a))	14,495	144,327
Interest expense	-	2,275
Foreign exchange gain	(116,631)	11,015
Total operating expenses	<u>3,837,969</u>	<u>3,531,382</u>
Operating loss	(3,834,413)	(3,484,285)
Fair value change in warrant liability (Note 16)	(263,136)	-
Share of losses of company accounted for at equity (Note 8)	<u>(1,154,838)</u>	<u>-</u>
Net loss for the year from continuing operations	\$ (5,252,387)	\$ (3,484,285)
Loss from discontinued operations, after-tax (note 11)	<u>(1,304,937)</u>	<u>(195,522)</u>
Net loss for the year	(6,557,324)	(3,679,807)
Foreign currency translation adjustment	<u>(111,630)</u>	<u>(80,238)</u>
Comprehensive loss for the year	\$ (6,668,954)	\$ (3,760,045)
Net loss for the year attributed to:		
Equity holders of the parent	(6,557,324)	\$ (3,631,133)
Non-controlling interests	-	(48,674)
	<u>(6,557,324)</u>	<u>\$ (3,679,807)</u>

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

Eco (Atlantic) Oil & Gas Ltd.
Consolidated Statements of Changes in Equity
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

	Number of Shares	Capital	Shares to be issued \$	Restricted Share Units	Warrant Reserve	Stock Options	Deficit	Foreign Currency Translation Reserve	Non- controlling Interest	Total Equity
Balance, March 31, 2020	184,697,723	\$ 59,099,725	\$ -	\$ 267,669	\$ 53,026	\$ 2,542,824	\$ (41,247,569)	\$ (1,117,859)	\$ -	\$ 19,597,816
Expiry of warrants	-	-	-	-	(53,026)	-	53,026	-	-	-
Expiry of stock options	-	-	-	-	-	(11,427)	11,427	-	-	-
Stock options expensed	-	-	-	-	-	144,327	-	-	-	144,327
FCTR Foreign currency translation	-	-	-	-	-	-	-	(80,238)	-	(80,238)
Net loss for the year	-	-	-	-	-	-	(3,631,133)	-	(48,674)	(3,679,807)
Balance, March 31, 2021	184,697,723	\$ 59,099,725	\$ -	\$ 267,669	\$ -	\$ 2,675,724	\$ (44,814,249)	\$ (1,198,097)	\$ (48,674)	\$ 15,982,098
Issuance of shares in private placement (net of issuance costs) (Note 14(a))	14,945,913	4,793,789	-	-	-	-	-	-	-	4,793,789
Warrant valuation (Note 16)	-	(2,978,626)	-	-	-	-	-	-	-	(2,978,626)
Purchase of Azinam (net of costs) (Note 4)	-	-	20,766,996	-	7,806,000	-	-	-	-	28,572,996
Purchase of non-controlling interest (Note 11)	-	-	-	-	-	-	(48,674)	-	48,674	-
Purchase of shares in associated company (Note 8)	1,200,000	432,000	-	-	-	-	-	-	-	432,000
Expiration of options (Note 14(c))	-	-	-	-	-	(11,585)	11,585	-	-	-
Stock options exercised (Note 14(b))	250,000	98,138	-	-	-	(23,995)	-	-	-	74,143
Exercise of cashless options (Note 14(c))	1,599,999	1,696,583	-	-	-	(1,696,583)	-	-	-	-
Stock options expensed (Note 17(a))	-	-	-	-	-	14,495	-	-	-	14,495
FCTR Foreign currency translation	-	-	-	-	-	-	-	(111,630)	-	(111,630)
Net loss for the year from continuing operations	-	-	-	-	-	-	(5,252,387)	-	-	(5,252,387)
Net loss for the year from discontinued operations	-	-	-	-	-	-	(1,304,937)	-	-	(1,304,937)
Balance, March 31, 2022	202,693,635	\$ 63,141,609	\$ 20,766,996	\$ 267,669	\$ 7,806,000	\$ 958,056	\$ (51,408,662)	\$ (1,309,727)	\$ -	\$ 40,221,941

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

Eco (Atlantic) Oil & Gas Ltd.
Consolidated Statements of Cash Flows
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

	Year ended March 31,	
	2022	2021
Cash flow from operating activities		
Net loss from continuing operations	\$ (5,252,387)	\$ (3,484,285)
Net loss from discontinued operations	(1,304,937)	(195,522)
Items not affecting cash:		
Share-based compensation	14,495	144,327
Depreciation and amortization	-	24,204
Accrued interest	-	2,672
Revaluation of warrant liability	263,136	-
Share of losses of companies accounted for at equity	1,154,838	-
Changes in non-cash working capital:		
Government receivable	(4,790)	13,518
Accounts payable and accrued liabilities	(7,279)	41,583
Accounts receivable and prepaid expenses	530,121	(218)
Reallocation to discontinued operations cashflows	(317,340)	-
Net change in non-cash working capital items relating to discontinued operations	296,755	-
Advance from and amounts owing to license partners	-	(50,906)
	(4,627,388)	(3,504,627)
Cash flow from investing activities		
Investment in associate	(10,000,000)	-
Security deposit	-	(490,455)
Acquisition of Liversol and Ponsol	-	(1,318,931)
Short-term investments	1,500,022	(1,499,903)
	(8,499,978)	(3,309,289)
Cash flow from financing activities		
Proceeds from private placement, net	4,793,814	-
Acquisition of Azinam	2,590	-
Exercise of stock options	74,212	-
	4,870,616	-
Decrease in cash and cash equivalents	(8,256,750)	(6,813,916)
Foreign exchange differences	(111,725)	(45,791)
Cash and cash equivalents, beginning of year	11,807,309	18,667,016
Cash and cash equivalents, end of year	\$ 3,438,834	\$ 11,807,309

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

Eco (Atlantic) Oil & Gas Ltd.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

1. Nature of Operations

The Company's business focuses on high growth, high impact energy projects - primarily through identifying, acquiring, and exploring oil and gas assets. The Company's key oil and gas assets include an interest in the Orinduik License (as defined below) offshore the Co-Operative Republic of Guyana ("Guyana"), Block 2B and Block 3B/4B offshore the republic of South Africa ("South Africa"), four licenses offshore the Republic of Namibia ("Namibia") and an indirect ownership of an interest in the Canje Block offshore Guyana through a 7.3% investment in a privately owned company. The head office of the Company is located at 7 Coulson Avenue, Toronto, ON, Canada, M4V 1A3.

On January 10, 2022, the Company announced that it had signed a Memorandum of Understanding to acquire 100% of Azinam Group Limited ("Azinam Group") (the "Acquisition"), including Azinam Group's entire offshore asset portfolio, in return for a 16.5% equity stake in the enlarged Company on completion of the Acquisition. On February 8, 2021, the Company signed the definitive share purchase agreement and the Acquisition closed on March 25, 2022 (see note 4).

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

These consolidated financial statements were approved by the Board of Directors of the Company on July 29, 2022.

2. Basis of Preparation

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

3. Summary of Significant Accounting Policies

Statement of compliance

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

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of April 1, 2021.

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

Eco (Atlantic) Oil & Gas Ltd.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

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. The Company's material subsidiaries are as follows:

Subsidiary	Proportionate Ownership
Eco (Atlantic) Guyana Inc. ("Eco Guyana")	100%
Eco Oil and Gas (Namibia) (Pty) Ltd. ("EOGN")	100%
Eco Oil and Gas Services (Pty) Ltd. ("EOGS")	100%
Pan African Oil Namibia Holdings (Pty) Ltd. ("PAONH")	100%
Pan African Oil Namibia (Pty) Ltd. ("PAON")	100%
Azinam Group Limited (Bermuda)	100%
Azinam Limited (Bermuda)	100%
Azinam South Africa Limited (UK)	100%
Solear Ltd. (formerly Eco (BVI) Oil and Gas Ltd) ("Solear")	100%
AA Energy Factory Ltd ("AA Energy")	100%
AFOI IOAKEIMIDI IKE ("Liversol")	100%
Scrantix Ltd ("Scrantix")	100%
XIOAKEIMIDIS-K.XATZI Ltd ("Ponsol")	100%

Equity method

Investments in associates are accounted for using the equity method. Investments of this nature are recorded at original cost. Investments in associates which arise from a loss in control of a subsidiary are recorded at fair value on the date of the loss of control. The investment is adjusted at each reporting date for the Company's share of the profit or loss of the investment after the date of acquisition.

Foreign currencies

These consolidated financial statements are presented in US dollars.

The functional currency of the Company and its subsidiaries is the US dollar, except for Solear Ltd. and its subsidiaries which have the European Euro as their functional currency.

Translation gains or losses resulting from the translation of the financial statements from the functional currency to the presentation currency are recorded as a foreign currency translation reserve in the Statement of Changes in Equity.

Within each entity, transactions in currencies other than the entity's 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.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Financial instruments

Classification

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

Financial asset/liability	Classification
Cash and cash equivalents	Amortized cost
Short-term investments	Amortized cost
Security deposit	Amortized cost
Amounts owing by license partners	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Amounts owing to license partners	Amortized cost
Warrant liability	FVTPL

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

Measurement

Financial assets and liabilities:

- i) Financial instruments carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations and comprehensive profit and loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets held at FVTPL are included in the statements of net income (loss) in the period in which they arise. Where the Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive income (loss).
- ii) For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("FVTOCI").
- iii) Financial instruments carried at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Eco (Atlantic) Oil & Gas Ltd.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Impairment of financial assets at amortized cost

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

	Fair Value Input Level	March 31, 2022		March 31, 2021	
		Carry Amount	Estimated Fair Value	Carry Amount	Estimated Fair Value
Cash and cash equivalents	1	\$ 3,438,834	\$ 3,438,834	\$ 11,807,309	\$ 11,807,309
Amounts owing by license partners, net	1	\$ -	\$ -	\$ 193,655	\$ 193,655
Advances from and amounts owing to license partners, net	1	\$ -	\$ -	\$ 97,153	\$ 97,153
Short-term investments	1	\$ 52,618	\$ 52,618	\$ 1,552,640	\$ 1,552,640

Exploration and evaluation assets and expenditures

i) Expenditures

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

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

ii) Depletion and depreciation

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

Eco (Atlantic) Oil & Gas Ltd.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Exploration and evaluation assets and expenditures (continued)

iii) Farm-out arrangements

The Company, as farmor, accounts for the farm-out arrangements as follows; the farmor does not record any expenditure made by the farmee on its behalf and recognizes expenditures which the Company incurs under farm-out arrangements in respect of its own interest when such costs are incurred. Any cash consideration received as reimbursements of expenditures incurred in prior years is recorded as income from farm-out agreements in profit or loss. Any cash consideration received as reimbursements of expenditures incurred in the current year is offset against related expenditures in operating costs and general and administrative costs in profit or loss. Any cash consideration received in advance of underlying expenditures is capitalized to advance from license partners until the applicable expenditures have been incurred, at which point the recovery is transferred to income from farm-out agreements in profit or loss. Any cash received without an underlying commitment to incur expenditures is recorded as income from farm-out agreements in profit or loss.

iv) Impairment

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

v) Asset retirement obligations

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

The Company currently does not have any asset retirement obligations.

Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Expenditures relating to internally generated intangible assets, excluding capitalized development costs, are recognized in profit or loss when incurred.

Intangible assets with finite useful lives are amortized over their useful lives and reviewed for impairment whenever there is an indication that the asset may be impaired. The amortization period and the amortization method for an intangible asset are reviewed at least at each year end.

Eco (Atlantic) Oil & Gas Ltd.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Intangible assets (continued)

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually, or whenever there is an indication that the intangible asset may be impaired. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If the events and circumstances do not continue to support the assessment, the change in the useful life assessment from indefinite to finite life is accounted for prospectively as a change in accounting estimate and on that date the asset is tested for impairment. Commencing from that date, the asset is amortized systematically over its useful life.

The useful lives, amortization method, and in-house development or purchases of intangible assets are as follows:

Permits for Solar Projects

Useful life	23 years
Amortization method	Straight-line
In-house development or purchased	Purchased

Impairment of non-financial assets

The Company evaluates the need to record an impairment of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable.

If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount is the higher of fair value less costs of sale and value in use. In measuring value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to the asset. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash generating unit ("CGU") to which the asset belongs. Impairment losses are recognized in profit or loss.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. Reversal of an impairment loss, as above, shall not be increased above the lower of the carrying amount that would have been determined (net of depreciation or amortization) had no impairment loss been recognized for the asset in prior years and its recoverable amount. The reversal of impairment loss of an asset presented at cost is recognized in profit or loss.

Income taxes

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

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

Eco (Atlantic) Oil & Gas Ltd.
Notes to the Consolidated Statements
For the years ended March 31, 2022 and 2021
(Expressed in US Dollars)

3. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

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

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

Revenue recognition

Revenue is recognized based on the five-step model outlined in IFRS 15, Revenue from Contracts with Customers.

Income from farmout agreements is described above.

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

Loss per share

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

Leases

The Company accounts for a contract as a lease when the contract terms convey the right to control the use of an identified asset for a period of time in exchange for consideration.

For leases in which the Company is the lessee, the Company recognizes, on the commencement date of the lease, a right-of-use asset and a lease liability, excluding leases whose term is up to 12 months and leases for which the underlying asset is of low value. For these excluded leases, the Company has elected to recognize the lease payments as an expense in profit or loss on a straight-line basis over the lease term.

Leases which entitle employees to a company car as part of their employment terms are accounted for as employee benefits in accordance with the provisions of IAS 19 and not as subleases.

On the commencement date, the lease liability includes all unpaid lease payments discounted at the interest rate implicit in the lease, if that rate can be readily determined, or otherwise using the Company's incremental borrowing rate. After the commencement date, the Company measures the lease liability using the effective interest rate method.

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3. Summary of Significant Accounting Policies (continued)

Leases (continued)

On the commencement date, the right-of-use asset is recognized in an amount equal to the lease liability plus lease payments already made on or before the commencement date and initial direct costs incurred. The right-of-use asset is measured applying the cost model and depreciated over the shorter of its useful life and the lease term.

The Company tests for impairment of the right-of-use asset whenever there are indications of impairment pursuant to the provisions of IAS 36.

Segment reporting

An operating segment is a component of the Company that meets the following three criteria:

- i) Is engaged in business activities from which it may earn revenues and incur expenses;
- ii) Whose operating results are regularly reviewed by the Company's chief operating decision maker to make decisions about allocated resources to the segment and assess its performance; and
- iii) For which separate financial information is available.

Segment revenue and segment costs include items that are attributable to the relevant segments and items that can be allocated to segments. Items that cannot be allocated to segments include the Company's financial income and expenses and income tax.

Significant accounting judgments and estimates

The preparation of the consolidated financial statements using accounting policies consistent with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, the reported amounts of revenues and expenses and to exercise judgment in the process of applying the accounting policies.

Critical accounting estimates

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

i) Impairment of assets

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

ii) Stock Based Compensation

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

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3. Summary of Significant Accounting Policies (continued)

Significant accounting judgments and estimates (continued)

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) Acquisition of Azinam and JHI

As part of the acquisition of Azinam (note 4) and JHI (note 8) the Company issued share-based consideration, which required fair value estimations. See respective notes for estimate details

v) Intangible assets

Intangible assets are tested for impairment annually or more frequently if there is an indication of impairment. The carrying value of intangibles with definite lives is reviewed each reporting period to determine whether there is any indication of impairment. If there are indications of impairment the impairment analysis is completed and if the carrying amount of an asset exceeds its recoverable amount, the asset is impaired and impairment loss is recognized.

vi) Investment in associates

The Company has determined it holds significant influence over JHI due to its ability to appoint a director to the JHI Board (see note 8). Accordingly, the Company accounts for its investment using the Equity method of accounting in accordance with IAS 28 investment in associates and joint ventures. If the Company did not have significant influence, it would account for the investment as a financial instrument carried at FVTPL.

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4. Acquisition

The Company completed and closed the Acquisition of the Azinam Group, including Azinam Groups' entire offshore asset portfolio, in return for a 16.5% equity stake in the enlarged Company as of March 25, 2022. The Acquisition resulted in the issuance to Azinam of 40,170,474 Shares (the "Consideration Shares") and 40,000,000 share purchase warrants (the "Consideration Warrants").

22,296,200 Shares were issued on April 4, 2022 and the balance were issued in May 2022. The Company acquired control on March 25, 2022, and the share consideration was classified as shares to be issued at March 31, 2022.

The 40,000,000 Consideration warrants, exercisable only in the case of a producible commercial discovery on Block 2B or Block 3B/4B, are as follows:

- 20,000,000 warrants exercisable at a price of CAD\$1.00 per Share during the two years immediately following the date of receipt of the final approval of the TSX Venture Exchange ("TSX"), and
- 20,000,000 warrants exercisable at a price of CAD\$1.50 per Share during the three years immediately following the final approval of the TSX.

Such exercise dates to be extended in the event a well is not drilled on either Block 2B or Block 3B/4B, until such time as a well is drilled on either block and a producible commercial discovery declared.

At no time will Azinam be entitled to subscribe for and purchase such amount of Shares which, when aggregated with its already existing ownership of Shares, would result in Azinam Shareholders being the registered or beneficial holder of more than 19.9% of the then issued and outstanding Shares, without the prior written consent of the TSX and Eco and in accordance with the policies of the TSX.

8,034,094 Shares of the Second Tranche Shares and 4,000,000 Consideration Warrants have been placed in escrow in accordance with the Azinam share purchase agreement, with such securities to be released to the vendors on July 31, 2023, subject to there being no excess debt above \$1.5 million within Azinam as confirmed by a final balance sheet as at the Closing Date (to be prepared by Eco within 75 days of the Closing Date) ("Excess Debt"). In the event that there is determined to be Excess Debt, such number of escrowed securities as is equal to the Excess Debt amount divided by \$0.44 will be returned to Eco's treasury account.

In connection with the Acquisition, a fee of 350,000 Shares ("Bankers Shares") and US\$50,000 were payable to an arm's-length third party in connection with their advisory services to the Company. The Bankers Shares were included in shares to be issued at March 31, 2022 and were formally issued in May 2022.

Eco (Atlantic) Oil & Gas Ltd.
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4. Acquisition (continued)

The fair value of the acquired assets - the exploration licenses - which represent the Azinam Group's only significant asset, was determined to be \$29,680,774, being the excess fair value of the Total Azinam Consideration over the net book value of the Azinam Group assets.

The Acquisition has been accounted for as an asset acquisition as the Azinam Group at the time of acquisition did not constitute a business in accordance with IFRS 3. The table below summarizes the fair value of the purchase price and the allocation to net assets acquired:

	March 25, 2022
Fair value of 40,170,474 shares to be issued	\$ 20,587,615
Fair value of 40,000,000 warrants	7,806,000
Fair value of 350,000 Bankers Shares	179,377
Advisory fees and other transaction costs	89,487
Loan to Azinam extinguished on acquisition	413,842
	<u>29,076,321</u>
Cash	2,590
Accounts receivable and prepaid expenses	204,151
Accounts payable and accrued liabilities	(811,194)
Petroleum and natural gas licenses (note 10)	29,680,774
	<u>\$ 29,076,321</u>

5. Security Deposit

On January 8, 2021, the Company advanced \$490,455 as collateral in respect of the Kozani Project grid connection and will be released and returned to the Company upon signing a connection agreement with Hellenic Electricity Distribution Network Operator, or sold. As of March 31, 2022, this amount has been reclassified to the long-term assets held for sale (see note 11).

6. Short-term investments

As of March 31, 2022, the Company's short-term investments comprise interest bearing deposits with its primary bank of \$52,618 (March 31, 2021 - \$1,552,640).

7. Accounts receivable and prepaid expenses

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

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8. Investment in associate

JHI Associates Inc. ("JHI")

On June 25, 2021, the Company closed a transaction with JHI Associates Inc. ("JHI"), a private company incorporated in Ontario and headquartered in Toronto, Canada, for the Company to acquire up to a 10% interest on a fully diluted basis in JHI (the "JHI Transaction") and to appoint a non-executive director of the Company, to the JHI Board. The JHI Transaction provides the Company with immediate exposure to a current active drilling program in the Canje Block offshore Guyana.

The Canje Block is operated by ExxonMobil and is held by Esso Exploration & Production Guyana Limited (35%), Total E&P Guyana B.V. (35%), JHI Associates (BVI) Inc. (17.5%) and Mid-Atlantic Oil & Gas Inc. (12.5%).

The following table summarizes the equity method accounting for the investment:

Balance April 1, 2021	\$	-
Initial investment, March 25, 2021 (i)		10,000,000
Additional investment, January 20, 2022 (ii)		432,000
Proportionate loss for the period		(1,154,838)
	\$	9,277,162

(i) The Company's initial investment comprised a purchase of 5,000,000 JHI shares and 9,155,471 JHI share purchase warrants for \$10,000,000. The share purchase warrants are exercisable at \$2.00 per share for 1.5 years.

(ii) On January 20, 2022, the Company acquired an additional 800,000 JHI shares from a private transaction in consideration for 1,200,000 common shares of the Company valued at \$435,000.

At March 31, 2022, the Company held 7.34% of the total common shares of JHI. The Company's proportionate share of JHI's net assets (adjusted to the Company's accounting policies) is \$1,811,646.

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9. Right of use assets

	<u>Kozani land lease</u>	<u>Total</u>
Balance - March 31, 2020	\$ -	\$ -
Acquisition of right of use asset	346,629	346,629
Depreciation during the year	<u>(14,134)</u>	<u>(14,134)</u>
Balance - March 31, 2021	\$ 332,495	\$ 332,495
Depreciation during the period	<u>(14,456)</u>	<u>(14,456)</u>
Balance - March 31, 2022	<u>\$ 318,039</u>	<u>\$ 318,039</u>
Included in right of assets	\$ -	\$ -
Included in short-term assets held for sale	<u>318,039</u>	<u>318,039</u>
	<u>\$ 318,039</u>	<u>\$ 318,039</u>

See Note 11 regarding discontinued operations.

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10. Petroleum and Natural Gas Licenses

	<u>License acquisitions</u>
Balance - March 31, 2020 and 2021	\$ 1,072,260
Acquisition of Azinam licenses (note 4)	
Cooper	5,238,871
Guy	7,490,865
Sharon	1,713,629
Block 2B	8,465,230
Block 3B/4B	6,772,179
Total	<u>29,680,774</u>
Balance - March 31, 2022	<u>\$ 30,753,034</u>

The petroleum and natural gas interests of the Company are located offshore in Guyana, South Africa, and Namibia.

Guyana

The Orinduik 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 (“Orinduik License”).

In accordance with the Guyana Petroleum Agreement, Eco Guyana holds a 15% WI in the Orinduik License, TotalEnergies E&P Activities Petrolieres (“Total”) and TOQAP Guyana B.V. hold a 25% WI and Tullow Guyana B.V. (“Tullow Guyana”) currently holds a 60% interest (Operator).

South Africa

The Company holds two offshore petroleum licenses in South Africa being petroleum exploration license number 2B (the “2B Block”), petroleum exploration license number 3B/4B (the “3B/4B Block”), (together the “South African Licenses”).

Block 2B

Block 2B is located in the Orange Basin and covers 3,062 Km off the west coast of South Africa 300 kilometers north of Cape Town with water depths ranging from 50 to 200 meters.

Under the terms of the Azinam’s farmout agreement with Africa Energy Corp., Azinam has acquired a 50% participating interest in Block 2B and become the Operator of Block 2B on behalf of the joint venture partners. Africa Energy Corp. will retain a 27.5% participating interest in the block. Simultaneously, Panoro Energy has become a 12.5% participating interest holder on the license. Crown Energy AB indirectly holds the remaining 10% participating interest.

Block 3B/4B

Block 3B/4B, located between 120-250kms offshore western South Africa, covers an area of 17,581km² and lies in water depths ranging from 300-2500m.

As of March 31, 2022, Azinam has a 20% participating interest in Block 3B/4B. Africa Energy Corp. has a 20% WI and is the Operator and Ricocure (Proprietary) Limited (“Ricocure”) has a 60% WI. See also note 26d regarding the acquisition of addition 6.25% WI.

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10. Petroleum and Natural Gas Licenses (continued)

Namibia

The Company holds four offshore petroleum licenses in the Republic of Namibia being petroleum exploration license number 097 (the “Cooper License”), petroleum exploration license number 098 (the “Sharon License”), petroleum exploration license number 099 (the “Guy License”) and petroleum exploration license number 100 (the “Tamar License”), (together the “Namibia Licenses”).

The Cooper License

The Cooper License covers approximately 5,788 Km and is located in license area 2012A offshore in the economical waters of Namibia (the “Cooper Block”). The Company holds, through its subsidiaries, a 85% WI (“WI”) in the Cooper License, the National Petroleum Corporation of Namibia (“NAMCOR”) holds a 10% WI and Tangi Trading Enterprise cc holds a 5% WI (“Tangi”). The Company proportionally carry NAMCOR and Tangi’s WI during the exploration period.

On February 5, 2021 a new ten (10) year life cycle for the Cooper License received final governmental approval.

The Sharon License

The Sharon License covers approximately 5,700 Km and is located in license area 2213 offshore in the economical waters of Namibia (the “Sharon Block”). The Company holds, through its subsidiaries, a 85% WI in the Sharon License, NAMCOR holds a 10% WI, and Titan Oil and Gas (Pty) Ltd holds a 5% WI (“Titan”). The Company proportionally carry NAMCOR and Titan’s WI during the exploration period.

On February 5, 2021 a new ten (10) year life cycle for the Sharon License received final governmental approval.

The Guy License

The Guy License covers 11,457 Km and is located in license area 2111B and 2211A offshore in the economical waters of Namibia (the “Guy Block”). The Company holds, through its subsidiaries, a 85% WI in the Guy License, NAMCOR holds a 10% WI, and Lotus Explorations (Pty) Ltd holds a 5% WI (“Lotus”). The Company proportionally carry NAMCOR and Lotus’ WI during the exploration period.

On February 5, 2021 a new ten (10) year life cycle for the Sharon License received final governmental approval.

The Tamar License

The Tamar License covers approximately 5,649 Km and is located in license areas 2211B and 2311A offshore in the economical waters of Namibia (the “Tamar Block”). The Company holds, through its subsidiaries, an 85% WI in the Tamar Block, NAMCOR holds a 10% WI and Moonshade Investment (Pty) Ltd holds a 5% WI (“Moonshade”). The Company proportionally carry NAMCOR and Moonshade’s WI during the exploration period.

On February 5, 2021 a new ten (10) year life cycle for the Sharon License received final governmental approval.

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11. Discontinued Operations - Renewable Energy Assets

- a. On January 26, 2021, the Company announced the formation of a new company to source, acquire and develop an exclusive pipeline of potential high yield solar energy projects. To give effect to the new venture, the Company's existing subsidiary Eco (BVI) Oil and Gas Ltd, was renamed Solear in which the Company originally owned 70% of the outstanding shares and Nepco Capital Partners ("Nepco") owned the remaining 30% of the outstanding shares.

Effective August 1, 2021, for no consideration, Nepco agreed to leave and to a restructuring of the shareholdings of Solear such that the Company is now the holder of 100% of Solear.

In January 2021, the Company, through two of Solear's subsidiaries, AA Energy Factory Ltd and Scrantix Ltd, acquired 100% of the shares of AFOI IOAKEIMIDI IKE ("Liversol") and XIOAKEIMIDIS-K.XATZI Ltd ("Ponsol"), both of which have licensed and permitted solar energy projects in Kozani, Greece (the "Kozani SPAs") with a combined 10.6 megawatt capacity (the "Kozani Project").

Pursuant to the Kozani SPAs, the Company paid the vendors \$1,318,931. In accordance with IFRS, the Transaction did not meet the definition of a business combination as Liversol and Ponsol had not yet commenced commercial operations and were in the development stage. Consequently, the transaction was recorded as an asset acquisition. The excess of the purchase price (\$1,318,931) over the net liabilities acquired (\$102,325) was \$1,421,256 and was recorded as intangible assets and was being amortized over 23 years.

- b. On January 29, 2022, the Company approved to sell the Kozani project and discontinue the renewable energy operations. As such, all the assets and liabilities relating to the Kozani project have been reclassified to assets and liabilities held for sale and the operations and cash flows have been presented discontinued operations.
- c. The Company's operating results from discontinued operations in the discontinue operations are summarized as follows:

	Year ended March 31,	
	2022	2021
Operating expenses:		
Compensation costs	\$ 131,336	\$ -
Professional fees	308,298	-
Operating costs	722,947	81,959
General and administrative costs	125,790	113,563
Interest expense	21,743	-
Foreign exchange gain	(5,177)	-
Pre-tax operating loss from discontinued operations	\$ 1,304,937	\$ 195,522
Income tax on operations	-	-
Operating loss from discontinued operations	\$ 1,304,937	\$ 195,522

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11. Discontinued Operations - Renewable Energy Assets (continued)

d. The Company's assets and liabilities in the discontinued operations are summarized as follows:

Right of use assets	\$ 318,039
Accounts receivable	1,743,695
Assets held for sale	\$ 2,061,734
Lease liabilities	\$ 336,075
Accounts payable	137,179
Liabilities held for sale	\$ 473,254

12. Related Party Transactions and Balances and Director Remuneration

The following are the expenses incurred with related parties for the years ended March 31, 2022 and 2021 and the balances owing as of March 31, 2022 and 2021:

a. March 31, 2022:

	Directors Fees	Consulting Fees	Stock based awards	Option based awards	Total	Amounts owing at March 31, 2022
Executive Directors						
Gil Holzman - CEO	\$ -	\$ 406,532	\$ -	\$ -	\$ 406,532	\$ -
Colin Kinley - COO	-	323,550	-	-	323,550	26,963
Alan Friedman - Executive Vice President	-	40,764	-	-	40,764	3,517
Gadi Levin - Financial Director	-	93,150	-	-	93,150	-
Non Executive Directors						
Moshe Peterberg - Chairman of the board	122,400	-	-	-	122,400	30,600
Keith Hill	24,367	-	-	-	24,367	6,092
Peter Nicol	36,761	-	-	-	36,761	9,190
Helmut Angula	20,306	-	-	-	20,306	5,077
Officers						
Alan Rootenberg - CFO	-	23,699	-	-	23,699	1,074
Kinley Exploration LLC, a company controlled by the COO	-	151,028	-	-	151,028	74,347
Total	\$ 203,834	\$ 1,038,723	\$ -	\$ -	\$ 1,242,557	\$ 156,859

b. March 31, 2021:

	Directors Fees	Consulting Fees	Stock based awards	Option based awards	Total	Amounts owing at March 31, 2021
Executive Directors						
Gil Holzman - CEO	\$ -	\$ 377,023	\$ -	\$ 2,559	\$ 379,582	\$ -
Colin Kinley - COO (*)	-	360,000	-	2,559	362,559	38,733
Alan Friedman - Executive Vice President	-	38,698	-	2,559	41,257	-
Gadi Levin - Financial Director	-	94,999	-	1,281	96,280	-
Non Executive Directors						
Moshe Peterberg - Chairman of the board	122,400	-	-	2,559	124,959	31,240
Keith Hill	23,426	-	-	2,559	25,985	-
Peter Nicol	35,679	-	-	2,559	38,238	-
Helmut Angula	19,522	-	-	2,559	22,081	5,520
Officers						
Alan Rootenberg - CFO	-	11,346	-	-	11,346	2,837
Kinley Exploration LLC, a company controlled by the COO	-	85,050	-	-	85,050	7,088
Total	\$ 201,026	\$ 967,117	\$ -	\$ 19,196	\$ 1,187,338	\$ 85,417

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13. Lease Liabilities

	<u>Kozani land lease liability</u>	<u>Total</u>
Balance - March 31, 2020	\$ -	\$ -
Acquisition of lease liability	346,629	346,629
Interest expenses	2,275	2,275
Balance - March 31, 2021	\$ 348,904	\$ 348,904
Lease payments	\$ (21,364)	\$ (21,364)
Interest expenses	8,535	8,535
Balance - March 31, 2022	<u>\$ 336,075</u>	<u>\$ 336,075</u>
Included in lease liability	\$ -	\$ -
Included in short-term liabilities related to assets held for sale	336,075	336,075
	<u>\$ 336,075</u>	<u>\$ 336,075</u>

The Company has 16 leases with combined annual lease payments of EUR 19,075 per year, paid in advance, for 23 years. The payments are discounted using a rate of 4%. Upon commencement of construction on one of the properties, the lease rate will be double the base rate for the remainder of the lease term. This will be accounted for prospectively when the rate change is triggered. See Note 11 regarding discontinued operations.

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14. Share Capital

Authorized: The authorized share capital consists of an unlimited number of Shares with no par value (“Shares”).

		Shares	Amount \$	Restricted Share Units Reserve \$
Issued				
Balance, March 31, 2020 and March 31, 2021		184,697,723	59,099,725	267,669
Private placement	(a)	14,945,913	1,815,094	-
Azinam Acquisition - Shares to be issued	(Note 4)	-	20,766,996	-
Exercise of stock options	(b)	250,000	98,138	-
Exercise of stock options	(c)	1,599,999	1,696,652	-
Issuance of shares - JHI	(Note 8)	1,200,000	432,000	-
Balance, March 31, 2022		202,693,635	83,908,605	267,669

- a) On July 19, 2021, the Company completed a private placement financing of 14,945,913 units (“July 2021 Units”) at CAD\$0.41 per Unit, for gross proceeds of \$4,802,989. Each July 2021 Unit consist of one Share and one Share purchase warrant exercisable at CAD\$0.47 for a period of two years (note 16 for valuation of warrants on July 19, 2021).

In connection with the offering the Company incurred issuance costs of \$23,844, of which \$9,200 was allocated to the Shares and \$14,284 was allocated to the warrants. The amounts allocated to the warrants are recorded in the statement of operations and comprehensive loss.

- b) On September 6, 2021, 250,000 options with an exercise price of CAD\$0.36 per option were exercised into 250,000 shares. The options had a fair value of \$23,995 at the time of issuance.
- c) On January 11, 2022, the six directors of the Company and one senior manager elected to exercise 4,800,000 options which were due to expire at midnight on January 12, 2022, at an exercise price of CAD \$0.30.

In order to effect a cashless exercise, as permitted under the Company's Stock Option Plan, and minimize dilution to shareholders, the Board has agreed to issue, in aggregate, 1,599,999 Shares in lieu of the 4,800,000 options exercised, based on the closing price of the Company's Shares on the TSXV on 11 January 2022 of CAD\$0.45.

15. Restricted Share Units

On December 11, 2013, the Company approved a “fixed number” restricted share unit plan (the “RSU Plan”), which was amended December 29, 2017. The RSU Plan is designed to provide certain directors, officers, employees, and consultants of the Company with the opportunity to acquire RSU’s of the Company. Each unit is equivalent in value to a Share and that upon vesting results in the holder thereof being issued, at the discretion of the Board, a Share.

As at March 31, 2022, there are 343,000 issued and vested RSU’s and 7,004,933 RSU’s are available for further issuance by the Company.

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16. Warrants

A summary of warrants activity for the years ended March 31, 2022 and 2021 is as follows:

	Number of Warrants	Weighted Average Exercise Price (\$)
Balance, March 31, 2020 and March 31, 2021	-	-
Issued (a)	14,945,913	0.37
Balance, March 31, 2022	14,945,913	0.37

- a) On July 19, 2021, the Company issued 14,945,913 warrants in connection with the private placement financing (note 14a). The warrants have an exercise price denominated in a different currency (Canadian dollars) than the functional currency of the Company. At the time of the grant, these warrants were recorded at their fair value as a derivative liability and are revalued at the end of each reporting period. During the year ended March 31, 2022, the Company recorded a loss on the revaluation of the total warrant liability of \$263,136, in the consolidated statements of operations and comprehensive loss.

The Black-Scholes option pricing model was used to measure the derivative warrant liability with the following assumptions:

	Issuance date July 19, 2021	Reporting period March 31, 2022
Share Price	CAD\$0.45	CAD\$0.62
Exercise Price	CAD\$0.47	CAD\$0.47
Expected life	2 years	1.27 years
Risk-free interest rate	0.48%	0.95%
Dividend yield	0.00%	0.00%
Foreign exchange rate (CAD/USD)	1.2477	1.2496
Expected volatility	106%	73.39%
Value of warrants	\$2,978,626	\$3,241,762

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17. Stock Options

The Company maintains a stock option plan (the “Plan”) for the directors, officers, consultants and employees of the Company and its subsidiary companies. The maximum number of options issuable under the Plan shall be equal to ten percent (10%) of the outstanding shares of the Company less the aggregate number of shares reserved for issuance or issuable under any other security-based compensation arrangement of the Company.

A summary of the status of the Plan as at March 31, 2022 and changes during the year is as follows:

	Number of Stock options	Weighted average exercise price (US\$)	Remaining contractual life - years
Balance, March 31, 2020	6,950,000	\$ 0.470	2.08
Granted	400,000	0.640	-
Expired	(130,000)	0.185	-
Balance, March 31, 2021	7,220,000	0.380	1.22
Expired	(100,000)	0.690	-
Exercised (note 14(b))	(250,000)	0.280	-
Exercised (note 14(c))	(4,800,000)	0.240	-
Balance, March 31, 2022	2,070,000	\$ 0.760	1.34

a) Stock-based compensation expense is recognized over the vesting period of options. During the year ended March 31, 2022, stock-based compensation in respect of stock option and RSU grants amounted to \$14,495 (March 31, 2021 – \$144,327).

b) As at March 31, 2022, outstanding options were as follows:

Number of Options Outstanding	Number of Options Exercisable	Exercise Price	Exercise Price (US\$)	Expiry Date
870,000	870,000	C\$0.30	\$0.24	December 24, 2022
800,000	800,000	C\$1.50	\$1.20	March 1, 2024
200,000	200,000	C\$1.20	\$0.96	January 10, 2025
200,000	200,000	£ 0.80	\$1.05	July 9, 2022
2,070,000	2,070,000			

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18. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2021 - 26.5%) to the effective tax rate is as follows:

	March 31, 2022	March 31, 2021
	\$	\$
Net loss before recovery of income taxes	(6,557,324)	(3,679,807)
Expected income tax recovery	(1,737,690)	(975,150)
Differences in subsidiary tax rates changes and other adjustments	299,090	(60,320)
Stock based compensation and other non-deductible expenses	35,370	40,670
Share issuance costs booked to equity	(6,330)	-
Change in tax benefits not recognized	1,409,560	994,800
Income tax recovery reflected in the statements of operations and comprehensive Profit and Loss	-	-

Deferred Tax

The following table summarizes the components of deferred tax:

	March 31, 2022	March 31, 2021
	\$	\$
Deferred Tax Assets		
Capital lease obligation	69,970	75,620
Deferred Tax Liabilities		
Right of use asset	(69,970)	(75,620)
Net deferred tax liability	-	-

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Unrecognized Deferred Tax Assets

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

	March 31, 2022	March 31, 2021
	\$	\$
Deferred Tax Assets		
Operating tax losses carried forward - Canada	15,086,230	12,580,100
Tax attributes – Foreign countries	13,459,500	13,459,500
Property plant and equipment	33,040	33,040
Investment in associates	1,154,840	-
Warrant liability	263,050	-
Share issue costs	421,070	699,260
Capital losses carried forward - Canada	576,670	576,670
Resource pools	59,130	59,130

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18. Income Taxes (continued)

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

2031	72,650
2032	635,160
2033	1,105,740
2034	951,000
2037	1,315,080
2038	1,718,920
2039	2,017,050
2040	2,415,940
2041	2,348,560
2042	2,506,140
	15,086,230

19. 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, 2021, two wells were drilled, plugged, and abandoned by the Operator in accordance with international standards and the Petroleum Regulations and the Government of Guyana, so there is no further liability after the drilling program was completed.

During the year ended March 31, 2022, the Company did not drill any wells.

20. Capital and Risk Management

Capital Management

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

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

There were no changes in the Company's approach to capital management during the year ended March 31, 2022. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

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20. Capital and Risk Management (continued)

Risk Management

a) Credit risk

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

b) Interest rate risk

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

c) Liquidity risk

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

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As of March 31, 2022, the Company has working capital balance of \$191,745 (March 31, 2021 – working capital of \$13,001,619). The table below presents the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

	Carrying amount	Contractual cash flows	Within 1 year	1-2 years	2-5 years	5+ years
Accounts payable and accrued liabilities	\$ 1,931,823	\$ 1,931,823	\$ 1,931,823	\$ -	\$ -	\$ -
Current liabilities related to assets held for sale	473,254	473,254	473,254	-	-	-
	\$ 2,405,077	\$ 2,405,077	\$ 2,405,077	\$ -	\$ -	\$ -

The Company utilizes authorization for expenditures to further manage capital expenditures and attempts to match its payment cycle with available cash resources. Accounts payable and accrued liabilities at March 31, 2022 all have contractual maturities of less than 90 days and are subject to normal trade terms.

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

d) Foreign currency risk

In previous years, foreign exchange risk arose because most of the Company's costs are in currencies other than the Canadian dollar (then the functional currency). As a result of the change of the functional currency of most of the operations to the US dollar, the Company has significantly reduced its foreign exchange risk. 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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20. Capital and Risk Management (continued)

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, 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. To date there have been minimal disruptions to the Company's operations. Despite reduced travel, the Company has been able to maintain communications and on-going operations with its partners and regulatory bodies, however, 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. To mitigate some of these risks, the Company has taken steps to reduce its cash burn by reducing compensation to officers, directors and consultants.

21. Commitments

Licenses

The Company is committed to meeting all of the conditions of its licenses including annual lease renewals, regulatory payments and social responsibility initiatives or extension fees as needed, which the Company estimates to be approximately \$300,000 per year.

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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22. Operating Costs

Operating costs consist of the following:

	Year ended March 31,	
	2022	2021
Drilling costs, data acquisition and interpretation and technical consulting	\$ 1,364,949	\$ 1,315,868
Exploration license fees	634,768	385,086
Travel	176,737	53,098
Social corporate responsibility	140,000	34,466
Recovered under Joint Operating Agreements	(383,628)	(129,489)
	<u>\$ 1,932,826</u>	<u>\$ 1,659,029</u>

23. General and Administrative Costs

General and administrative costs consist of the following:

	Year ended March 31,	
	2022	2021
Occupancy and office expenses	\$ 9,875	\$ 35,062
Travel expenses	46,145	28,376
Public company costs	490,549	407,661
Insurance	83,204	56,223
Financial services	13,889	7,530
Recovered under Joint Operating Agreements	(40,517)	(34,131)
	<u>\$ 603,145</u>	<u>\$ 500,720</u>

24. Segmental Information

As at March 31, 2022, the Company has one operating segment, oil and gas exploration. The corporate office does not represent an operating segment and is included for informational purposes only. Corporate office expenses consist of public company costs, office, and administrative costs, as well as salaries, share-based compensation and other expenses pertaining to corporate activities.

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25. Events After the Reporting Period

- a) On April 5, 2022, the Company completed financing for gross proceeds of approximately \$25.5 million and issued 64,885,496 Shares at a price of £0.30 (\$0.40).
- b) On May 16, 2022, the Company granted 2,850,000 RSUs to directors, officers and advisers, of which 2,350,000 are to directors ("Directors RSU's"), pursuant to the Company's RSUs and in acknowledgment of the Company's management's recent success and increased future workload. 175,000 RSU's were issued to a consultant and vest 50% immediately and 50% in 6 months immediately and 350,000 RSU's were in Lieu of the Bankers Shares (note 4).

On May 31, 2022, 350,000 shares were issued as Bankers Shares and on June 7, 2022, 475,000 of the Directors RSUs were exercised and 475,000 Shares were issued.

- c) On May 16, 2022, the Company granted 7,050,000 stock options to directors, officers and advisers of the Company. The options are exercisable at CAD\$0.50 per share (\$0.39). The Options are exercisable for a period of 5 years from the date of issue.
- d) Farmout Agreement

On June 27, 2022, the Company signed a farmout agreement (the "Farmout Agreement") pursuant to which its wholly owned subsidiary, Azinam Limited ("Azinam"), will acquire an additional 6.25% Participating Interest in Block 3B/4B, offshore South Africa from the Lunn Family Trust (the "Vendor"), one of the shareholders of Ricocure, subject to the satisfaction of customary conditions precedent including, but not limited to, the receipt of requisite regulatory approvals from the government of South Africa and the TSX Venture Exchange (the "TSXV") (the "Acquisition").

On Completion of the Acquisition, the Company will, through Azinam, hold a 26.25% participating interest in Block 3B/4B, with strategic alliance partners, Africa Oil Corp., the Operator of the block, holding a 20% participating interest, and Ricocure, which holds the remaining 53.75% participating interest.

The Acquisition requires receipt of government and/or regulatory approvals.

On signing of the Acquisition, the Company (i) issued to the Vendor 2,702,702 new Shares, at a deemed price of £0.30 (\$0.37) per Share (the "Issue Price") having an aggregate value of \$1 million on the date of the Agreement; and (ii) paid a cash amount of \$1 million to the Vendor (the "Signing Consideration").

Subject to certain exceptions, an amount equal to the Signing Consideration plus interest is repayable by the Vendor to the Company in the event that the Agreement is terminated prior to Completion.

The Vendor shall be entitled to sell in one block or transfer all or any portion of the Shares issued as part of the Signing Consideration immediately on or following the date of the Agreement provided that such transfer is in compliance with UK and Canadian securities laws. In the event that, on the date of such a sale, the average market price of the Shares as quoted on the AIM market of the London Stock Exchange plc ("AIM") is less than £0.30 per Share, then the shortfall shall be paid by the Company to the Vendor in cash on completion of the Agreement subject to a maximum cap of £0.04 per Share.

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26. Events After the Reporting Period (continued)

d) Farmout Agreement (continued)

Completion Consideration

On the date of completion of the Acquisition ("Completion"), following the satisfaction of the conditions precedent, the Company is required to:

- pay a cash amount of US\$1.00 to Ricocure;
- pay a cash amount of US\$500,000 to the Vendor;
- issue to the Vendor, new Shares at the Issue Price having an aggregate value of \$500,000 (or, at the Company's sole discretion, pay an additional amount of \$500,000 to the Vendor such that the cash consideration is \$1 million);
- issue to the Vendor, new Shares at the Issue Price having an aggregate value of US\$3 million. These Shares (the "Restricted Shares") will be subject to lock up restrictions (as further detailed below);
- issue to the Vendor, new Shares at the Issue Price having an aggregate value of \$2 million; and
- issue to the Vendor, new Shares equal to \$2 million divided by the greater of (i) the value of the 30 day VWAP per Share prior to the date of the press release announcing the issue of such Shares; and (ii) the lowest issuance price then allowed by the rules of the TSXV and AIM (to the extent then listed on such markets, otherwise the average (if listed on more than one market) on such markets as the Shares are then listed). This shall be subject to obtaining prior TSXV approval in the event that such issue of Shares would cause the Vendor to own more than 9.99% of the issued and outstanding Shares (calculated at the time of issuance).

Save for the Restricted Shares, the Vendor shall be entitled to sell or transfer all or any portion of any Shares issued to it at Completion provided that such transfer is in compliance with UK securities laws and Canadian securities laws.

- e) On June 30, 2022, the Company completed a private placement financing of 33,406,531 units ("June 2022 Units") at a price of £0.30 per June 2022 Unit, for gross proceeds of \$12.3 million. Each unit consist of one Share and one Share purchase warrant ("June 2022 Warrants"). Each June 2022 Warrant is exercisable at \$0.40625 for a period of three years.

In connection with the offering the Company incurred issuance costs of \$23,844, issued 180,000 new Shares to certain advisers in lieu of cash fees.

- f) On July 11, 2022, pursuant to a historic amalgamation with Pan African Oil Limited ("PAO"), effected in January 2015, 841,824 shares in the Company have now been cancelled as a result of such shares having not been claimed by certain shareholders of PAO.