

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

Condensed Consolidated Interim Financial Statements

For the Three Month Period ended June 30, 2012

(Unaudited)

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

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NOTICE TO SHAREHOLDERS

The accompanying unaudited condensed consolidated interim financial statements of Eco (Atlantic) Oil & Gas Ltd. for the three month period ended June 30, 2012 have been prepared by management in accordance with International Financial Reporting Standards applicable to interim consolidated financial statements (see note 2 to the unaudited condensed consolidated interim financial statements). 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.

Auditors' Involvement

The external auditors of Eco (Atlantic) Oil & Gas Ltd. have not audited or performed a review of these condensed consolidated interim financial statements for the three months ended June 30, 2012 nor have they conducted any procedures with respect to the supplementary financial schedules included herein.

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

Condensed Consolidated Interim Statements of Financial Position (Unaudited)

	June 30, 2012	March 31, 2012
Assets		
Current assets		
Cash and cash equivalents	\$ 5,763,805	\$ 6,175,167
Cash in trust	-	252,512
Short-term investments	100,000	100,000
Accounts receivable and prepaid expenses	70,591	75,116
	5,934,396	6,602,795
Petroleum and natural gas licenses (Note 5)	3,270,998	3,270,998
Equipment (Note 6)	7,168	3,931
	\$ 9,212,562	\$ 9,877,724
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 755,657	\$ 474,914
	755,657	474,914
Equity		
Share Capital (Note 8)	13,227,745	13,126,284
Warrants (Note 14)	1,592,307	1,608,560
Stock options (Note 1 and 13)	1,099,728	809,600
Accumulated deficit	(7,462,875)	(6,141,634)
	8,456,905	9,402,810
	\$ 9,212,562	\$ 9,877,724

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

Basis of Preparation and Going Concern (Note 2)

Commitments and Contingencies (Notes 5 and 12)

Approved by the Board of Directors of the Company

Signed:

Director

Signed:

Director

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

Condensed Consolidated Interim Statements of Operations and Comprehensive Loss (Unaudited)

	Three Month Period Ended June 30, 2012	Three Month Period Ended June 30, 2011
Revenue		
Interest income	\$ 15,352	\$ -
Operating expenses		
Operating costs	456,470	526,769
General and administrative costs	315,111	85,382
Share-based compensation (<i>Note 13</i>)	290,128	-
Compensation (<i>Note 7</i>)	148,064	-
Consulting and professional fees (<i>Note 7</i>)	124,858	273,080
Foreign exchange loss (gain)	1,483	(320)
Depreciation	479	-
	\$ 1,336,593	\$ 884,911
Net loss and comprehensive		
loss for the period	\$(1,321,241)	\$ (884,911)
Loss per share - basic and diluted		
	\$ (0.02)	\$ (0.03)
Weighted average number of shares -		
basic and diluted	60,814,344	34,515,556

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

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

Condensed Consolidated Interim Statements of Equity (Unaudited)

	Number	Capital	Warrants	Stock Options	Deficit	Equity
Balance, March 31, 2011	30,000,000	\$ 3,823,104	\$ -	\$ -	\$ (456,573)	\$ 3,366,531
Shares issued April and May, 2011, net of issue costs	6,200,000	2,972,176	-	-	-	2,972,176
Fair value of warrants issued – April and May 2011 share issue	-	(573,560)	573,560	-	-	-
Shares issued on Conversion of EOG to EAOG shares	9,159,971	-	-	-	-	-
Equity accounts of Goldbard Capital Corporation	12,600,000	1,624,147	-	-	-	1,624,147
Goldbard Capital Corporation consolidation at 2.5 to 1	(7,560,000)	-	-	-	-	-
Elimination of Goldbard Capital Corporation equity accounts	(5,040,000)	(1,624,147)	-	-	-	(1,624,147)
Equity accounts on reverse takeover	5,040,000	2,011,111	-	26,208	-	2,037,319
Shares issued January 2012 net of issue costs	9,874,682	5,662,245	-	-	-	5,662,245
Fair value of warrants issued in connection with January 2012 share issue	-	(965,000)	965,000	-	-	-
Fair value of compensation warrants issued - January 2012 share issue	-	(70,000)	70,000	-	-	-
Stock options	-	-	-	809,600	-	809,600
Stock options exercised	480,000	240,000	-	-	-	240,000
Transfer on exercise of options	-	26,208	-	(26,208)	-	-
Loss for the year	-	-	-	-	(5,685,061)	(5,685,061)
Balance, March 31, 2012	60,754,653	\$ 13,126,284	\$ 1,608,560	\$ 809,600	\$ (6,141,634)	\$ 9,402,810
Warrants exercised during the quarter	106,508	85,208	-	-	-	85,208
Fair value of warrants exercised during the period	-	16,253	(16,253)	-	-	-
Stock options expensed	-	-	-	290,128	-	290,128
Loss for the three month period	-	-	-	-	(1,321,241)	(1,321,241)
Balance, June 30, 2012	60,861,161	\$13,227,745	\$ 1,592,307	\$ 1,099,728	\$ (7,462,875)	\$ 8,456,905

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

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

Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

	Three Month Period Ended June 30, 2012	Three Month Period Ended June 30, 2011
Cash flow from operating activities		
Net loss for the period	\$ (1,321,241)	\$ (884,911)
Items not affecting cash:		
Share-based compensation	290,127	-
Depreciation	479	-
Shares issued for consulting services	-	100,000
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	280,743	227,638
Accounts receivable and prepaid expenses	4,525	-
Due to shareholders	-	21,347
	(745,367)	(535,926)
Cash flow from investing activities		
Equipment acquired	(3,715)	-
Increase in restricted cash	-	(542,444)
	(3,715)	(542,444)
Cash flow from financing activities		
Net proceeds from issuance of share capital	-	2,954,735
Proceeds from exercise of warrants	85,208	-
Cash in trust	252,512	-
	337,720	2,954,735
Increase (decrease) in cash and cash equivalents	(411,362)	1,876,365
Cash and cash equivalents, beginning of period	6,175,167	111,643
Cash and cash equivalents, end of period	\$ 5,763,805	\$ 1,988,008
Breakdown of cash and cash equivalents		
Cash at banks	\$ 1,186,511	\$ 1,876,365
Cash on deposit	\$ 4,577,294	\$ -

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

1. Nature of Operations

Eco (Atlantic) Oil & Gas Ltd (the “Company”), formerly Goldbard Capital Corporation (“Goldbard”), was incorporated under the Business Corporations Act (Ontario) on June 11, 2007 and was classified as a capital pool company as defined in Policy 2.4 of the TSX Venture Exchange (“Exchange”). The head office of the Company is located at 120 Adelaide Street West, Suite 1204, Toronto, Ontario.

Its activities are directed towards the identification, acquisition, exploration and development of petroleum, natural gas and coal bed methane (“CBM”) licenses in the Republic of Namibia.

On November 25, 2011, Goldbard completed its business combination when its wholly-owned subsidiary, Goldbard Resources Inc. (“GRI”) amalgamated with Eco Oil and Gas (Pty) Ltd (“EOG”), a private oil and gas exploration company.

The amalgamation was accomplished through an exchange of shares which resulted in the reverse takeover of the Company by the shareholders of EOG (the “Business Combination”). Concurrent with the Qualifying Transaction, Goldbard changed its name to Eco (Atlantic) Oil & Gas Ltd., and was continued into British Columbia under the Business Corporations Act (British Columbia).

These condensed consolidated interim financial statements were approved by the Board of Directors of the Company on August 27, 2012.

Reverse Takeover

The Business Combination was accounted for in accordance with IFRS 3, Business Combinations. EOG is considered to be the acquirer for accounting purposes as the former shareholders of EOG control the consolidated group subsequent to the transaction and these annual consolidated financial statements are a continuation of the financial statements of EOG, with a deemed issuance of shares, equivalent to the shares held by the former shareholders of Goldbard, and a re-capitalization of the equity of EOG.

In connection with the Qualifying Transaction, the shareholders of Goldbard approved a consolidation (the “Share Consolidation”) of the common shares of Goldbard on the basis of 2.5 shares for one new share (a “Consolidated Share”).

Under the terms of the Business Combination, the shareholders of EOG received 1.253 Consolidated Shares for each EOG share held, with a total of 45,359,971 Consolidated Shares issued to the shareholders of EOG. Holders of EOG share purchase warrants received replacement warrants entitling them to acquire 3,759,116 Consolidated Shares.

The fair value of the shares issued to the Goldbard shareholders was based on EOG’s April 25, 2011 private placement of Units (*see Note 8*), adjusted for the exchange ratio of 1.253 Consolidated Shares for each EOG share. Based on this ratio, the deemed price of the Units was \$0.40.

As the Goldbard shareholders received 5,040,000 shares at a deemed price of \$0.40 per share, the value attributed to the Goldbard assets at November 25, 2011 was \$2,011,111, which was allocated as follows:

Cash	\$ 763,177
Accounts receivable	20,627
Property and equipment	4,417
Accounts payable and accrued liabilities	(24,983)
Transaction costs	1,247,873
Value attributed to Eco (Atlantic) shares issued	\$ 2,011,111

1. Nature of Operations (continued)

Reverse Takeover (continued)

In addition, under the terms of the Business Combination, 480,000 stock options were issued to the former directors of Goldbard. The fair value of the stock options was determined to be \$26,208 using the Black-Scholes option pricing model, with the following assumptions; dividend yield of 0%, expected volatility of 110%, a risk free interest rate of 1.26% and expected life of 0.25 years. As a result, the transaction costs were determined to be \$1,274,081 plus subsequent legal costs related to the transaction of \$272,838.

2. Basis of Preparation and Going Concern

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of results in accordance with IFRS have been included.

The ability of the Company to continue as a going concern depends upon the discovery of economically recoverable petroleum, natural gas and CBM reserves on its licenses, the ability of the Company to obtain financing to complete development, and upon future profitable operations from the licenses or profitable proceeds from their disposition. The Company is a development stage company and has not earned any revenues to date. These annual consolidated financial statements do not reflect any adjustments to the carrying value of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or obtain adequate financing.

There can be no assurance that the Company will be able to raise funds in the future, in which case the Company may be unable to meet its future obligations. These matters raise substantial doubt about the Company's ability to continue as a going concern. In the event the Company is unable to continue as a going concern, the net realizable value of its assets may be materially less than the amounts recorded on its condensed consolidated interim statements of financial position. These condensed consolidated Interim financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary, should the Company be unable to continue as a going concern.

The Company has accumulated losses of \$7,462,875 since its inception and expects to incur further losses in the development of its business.

3. Summary of Significant Accounting Policies

Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IFRS as issued by the International accounting Standards Board and should be read in conjunction with the Company's audited consolidated financial statements for the year ended March 31, 2012.

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

Basis of consolidation

The annual consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Eco Oil & Gas Ltd, Eco Oil and Gas (Namibia) (Pty) Ltd, and Eco Oil and Gas Services (Pty) Ltd.

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. No impairments of non-financial assets have been recorded for the three month period ended June 30, 2012.

Critical judgments used in applying accounting policies

In the preparation of these condensed consolidated interim financial statements, management has made judgments, aside from those that involve estimates, in the process of applying the accounting policies. These judgments can have an effect on the amounts recognized in the consolidated financial statements.

i) Exploration and evaluation costs

Management is required to apply judgment in determining whether technical feasibility and commercial viability can be demonstrated for the Company's oil and gas properties. Once technical feasibility and commercial viability of a property can be demonstrated, related development expenditures are capitalized. As at June 30, 2012, management has determined that no oil and gas properties should be capitalized.

4. Future Accounting and Reporting Changes

IFRS 9, *Financial Instruments: Classification and Measurement*, was issued in December 2009, effective for annual periods on or after January 1, 2015, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments. The Company has not yet assessed the impact of the standard or determined whether it will adopt the standard early.

IFRS 10, 11, 12 and 13 were all issued in May 2011 and are effective for annual periods beginning January 1, 2013, with early adoption allowed. The Company has not yet assessed the impact of these standards or determined whether it will adopt these standards early.

IFRS 10, *Consolidated Financial Statements*, replaces the consolidation guidance in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation — Special Purpose Entities*, by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11, *Joint Arrangements*, introduces new accounting requirements for joint arrangements, replacing IAS 31, *Interests in Joint Ventures*. It eliminates the option of accounting for jointly controlled entities by proportionate consolidation.

IFRS 12, *Disclosure of Interests in Other Entities*, requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement.

IFRS 13, *Fair Value Measurement*, replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. It defines and provides guidance on determining fair value and requires disclosures about fair value measurements, but does not change the requirements regarding which items are measured or disclosed at fair value.

In June 2011, the IASB issued amendments to IAS 1, *Presentation of items of Other Comprehensive Income*, to split items of other comprehensive income (OCI) between those that are reclassified to income and those that are not. The standard is required to be adopted for periods beginning on or after July 1, 2012. The Company is evaluating the impact this standard this will have on the statement of operations and financial position.

5. Petroleum and Natural Gas Licenses

	Balance March 31, 2012	Additions (Business Acquisition)	Additions (License Fees)	Impairment and Abandonment	Balance June 30, 2012
Licenses	\$ 3,270,998	\$ -	\$ -	\$ -	\$ 3,270,998

	Balance March 31, 2011	Additions (Business Acquisition)	Additions (License Fees)	Impairment and Abandonment	Balance March 31, 2012
Licenses (i)(ii)	\$ 3,270,998	\$ -	\$ -	\$ -	\$ 3,270,998

- (i) During the period ended March 31, 2011, EOG acquired certain petroleum and natural gas application rights (the "License Rights") from UGAB Diamonds, an unrelated company ("UGAB"). The acquisition was completed in two tranches. The first tranche on February 2, 2011 was by way of the acquisition of 80% of the outstanding shares of Eco Oil and Gas (Namibia) Pty ("EOGN") from UGAB in the amount of \$102,249 and on March 25, 2011, EOG entered into a share swap agreement with the shareholders of UGAB, whereby EOG issued 5,000,000 common shares of EOG, valued at \$2,500,000, to the UGAB shareholders in exchange for the remaining 20% of EOGN. Following the acquisition, EOG owned all the outstanding shares of EOGN.
- (ii) On March 14, 2011, the Ministry of Mines and Energy of the Republic of Namibia (the "Ministry"), granted two onshore and three offshore petroleum and natural gas exploration licenses (the "Licenses") to EOGN, pursuant to the License Rights. The National Petroleum Corporation of Namibia ("NAMCOR"), a legal entity enacted under the Namibian Companies Act of 1973, has a 10% interest in all the Licenses. The onshore licenses are comprised of Blocks 2013B, 2014B and 2114 and the other Block 2418 (jointly, the "Onshore Licenses"). The offshore licenses are comprised of the Cooper License (Block 2012A), the Sharon License (Blocks 2213A and 2213B) and the Guy License (Blocks 2111B and 2211A) (jointly, the "Offshore Licenses").
- (iii) All Licenses are issued for four years with two renewal options of two years each, after which time the licenses revert back to the government, unless a production license is granted at any time within the eight year period. Production licenses are generally granted for a 25 year term. The Licenses are subject to license agreements entered into between the Company and the Ministry.

5. Petroleum and Natural Gas Licenses (continued)

(iv) The Company's initial commitments under the license agreements are as follows:

Year 1	
Desktop study	\$ 2,150,000
Core hole drilling	2,400,000
	4,550,000
Year 2 and 3	
Complete and interpret a 2,500 sq Km 3D seismic survey	26,000,000
Pilot well program	5,500,000
Evaluation report	500,000
	32,000,000
Year 3 and 4	
Drill exploratory well through all targets identified by 3D seismic	368,250,000
Field production assessment and second target selection	500,000
	368,750,000
Year 5	
Resource assessment and production assessment first renewal	750,000
Additional core hole drilling	2,400,000
	3,150,000
Year 6	
First renewal period	1,500,000
Off take/production engineering assessment of second core hole	500,000
	2,000,000
Year 7 and 8	
Second renewal period	
Additional 500 sq Km 3D seismic	15,500,000
	\$ 425,950,000

The entire amount of petroleum and natural gas licenses relates to license acquisition costs. As the Company has not commenced principal operations as at June 30, 2012, no depletion has been recorded.

FARM-OUT OF LICENSES

On December 22, 2011, the Company entered into an agreement with Azimuth Ltd. ("Azimuth") an oil and gas exploration company, pursuant to which Azimuth acquired a 20% working interest in each of the Company's Offshore Licenses in return for funding 40% of the cost of 3D seismic surveys covering 2,500 square kilometers across all Offshore Licenses.

Following approval of the agreement by the Ministry on May 31, 2012, the Company owns a 70% interest, Azimuth a 20% interest and NAMCOR its 10% interest in the Offshore Licenses. The Company and Azimuth will be responsible for designing, sourcing and operating all aspects of 3D seismic surveys of the Offshore Licenses.

Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
June 30, 2012

6. Equipment

		June 30, 2012	March 31, 2011
	Cost	Accumulated Depreciation	Net Book Value
Balance at beginning of period	\$ 6,094	\$ 2,163	\$ 3,931
Additions during the period	3,716	479	-
Balance at end of period	\$ 9,810	\$ 2,642	\$ 7,168

7. Related Party Transactions and Balances

	Three Month Periods Ended	
	June 30, 2012	June 30, 2011
	\$	\$
Amount paid for exploration services to a company of which a director of the Company is the President and CEO	85,731	105,848
Amount outstanding at the end of the period	33,253	4,184
Fees for management services paid to a company controlled by the President and CEO of the Company	63,673	45,817
Amount outstanding at the end of the period	21,285	-
Fees paid to a company controlled by the CFO of the Company	22,500	-
Amount outstanding at the end of the period	15,000	-
Fees paid to companies controlled by the former CFO of the Company	7,284	-
Amount outstanding at the end of the period	-	-
Fees for management services paid to a company controlled by the Executive Vice President of the Company	30,000	18,000
Amount outstanding at the end of the period	10,000	6,000
Fees paid to a company controlled by the chairman of the Company	16,528	-
Amount outstanding at the end of the period	-	-
Remuneration of the Company's directors and its Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and its Executive Vice President was as follows:		
	Three Month Periods Ended	
	June 30, 2012	June 30, 2011
Salaries, fees and benefits	\$ 225,716	\$ 182,924
Stock-based compensation	274,204	\$ -
Total	\$ 499,920	\$ 182,924

Eco (Atlantic) Oil & Gas Ltd.
(A Development Stage Company)
Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)
June 30, 2012

8. Share Capital

Authorized:	Unlimited Common shares	
Issued:	Common Shares	Amount
Balance March 31, 2011	30,000,000	\$ 3,823,104
Shares issued in connection with private placement (i)(ii)	6,200,000	3,100,000
Share issue costs (iv)	-	(127,824)
Fair value of warrants issued – April and May 2011 share issue (vi)	-	(573,560)
Conversion of EOG shares	9,159,971	-
Equity accounts of Goldbard	12,600,000	1,624,147
Goldbard equity consolidation	(7,560,000)	-
Elimination of Goldbard equity	(5,040,000)	(1,624,147)
Shares issued to Goldbard shareholders	5,040,000	2,011,111
Shares issued in connection with private placement (v)	9,874,682	5,924,810
Share issue costs	-	(262,565)
Fair value of warrants issued (vii)	-	(965,000)
Fair value of compensation warrants issued - January 2012 share issue (v)	-	(70,000)
Stock options exercised	480,000	240,000
Fair value of stock options exercised	-	26,208
Balance, March 31, 2012	60,754,653	13,126,284
Warrants exercised during the period	106,508	85,208
Fair value of warrants exercised during the period ended June 30, 2012		16,253
Balance, June 30, 2012	60,861,161	\$ 13,227,745

- (i) On April 25, 2011, EOG completed a private placement financing (the “April Financing”) of 5,920,000 units of EOG (the “April Units”) at \$0.50 per Unit for gross proceeds of \$2,960,000. Each April Unit consisted of one ordinary share of EOG and one half of one EOG Warrant. Each EOG Warrant gave the holder the right to purchase one ordinary share from EOG at an exercise price of \$1.00 per share, at any time up to a date that is one year from a Liquidity Event, as defined in the warrant certificate.
- (ii) On May 5, 2011, EOG completed a private placement financing (the “May Financing”) of 80,000 units of EOG (the “May Units”) at \$0.50 per Unit for gross proceeds of \$40,000. Each May Unit consisted of one ordinary share of EOG and one half of one EOG Warrant. Each EOG Warrant gave the holder the right to purchase one ordinary share from EOG at an exercise price of \$1.00 per share, at any time up to a date that is one year from a Liquidity Event, as defined in the warrant certificate.

8. Share Capital (continued)

- (iii) Following the Business Combination, the EOG Warrants issued in the April Financing and the May Financing were replaced with 3,759,116 EAOG warrants with an exercise price of \$0.80 per share. During the period ended June 30, 2012, 106,508 EAOG warrants were exercised for proceeds of \$85,208.
- (iv) On May 5, 2011, EOG issued 200,000 shares of EOG valued at \$0.50 per share as consideration for consulting services in connection with the April Financing and incurred cash costs of \$27,825 in connection with the financing.
- (v) On January 6, 2012, EAOG completed a private placement financing (the “January Financing”) of 9,874,682 units of EAOG (the “January Units”) at \$0.60 per Unit for gross proceeds of \$5,924,810. Each Unit consisted of one ordinary share of EAOG and one half of one EAOG Warrant. Each EAOG Warrant gives the holder the right to purchase one ordinary share from EAOG at a price per ordinary share equal to \$1.00. The Company incurred costs of \$262,564 in connection with the financing and issued 353,415 EAOG compensation warrants, fair valued at \$70,000, in connection with the financing.
- (vi) The fair value of the warrants issued in the April Financing and May Financing was determined using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%, expected volatility of 120%, a risk free interest rate of 1.45% and initial expected life of 12 months.
- (vii) The fair value of the warrants issued in the January Financing was determined using the Black-Scholes option pricing model. The assumptions used were: dividend yield of 0%, expected volatility of 110%, a risk free interest rate of 1.20% and initial expected life of 18 months.

9. Asset Retirement Obligations (“ARO”)

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

As of June 30, 2012, the Company did not operate any properties, accordingly, no ARO was required.

10. Capital Management

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

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

There were no changes in the Company's approach to capital management during the period ended June 30, 2012. Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern. The Company's ability to raise future capital is subject to uncertainty and the inability to raise such capital may have an adverse impact over the Company's ability to continue as a going concern (*Note 2*).

11. 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. 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 and no interest bearing debt. It accordingly does not have a material exposure to this risk.

d) 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 June 30, 2012, the Company had cash on hand and on deposit of \$5,763,805 (March 31, 2012 - \$6,175,167) to settle current liabilities of \$755,657 (March 31, 2012 - \$474,914).

The Company utilizes authorization for expenditures to further manage capital expenditures and attempts to match its payment cycle with available cash resources. Accounts payable at June 30, 2012 all have contractual maturities of less than 90 days and are subject to normal trade terms.

e) Foreign currency risk

The Company is exposed to foreign currency fluctuations on its operations in Namibia, which are denominated in Namibian dollars. Sensitivity to plus or minus 10% change in rates would not be material.

12. Commitments and Contingencies

Licenses

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

The Company submitted work plans for the development of the Namibian licenses, see *Note 5* for details.

Commitments

The Company has office lease commitments as follows:

2013	\$ 34,938
2014	46,564
2015	31,056
<u>Total</u>	<u>\$112,558</u>

13. 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 June 30, 2012 was as follows:

	Number of stock options	Weighted average exercise price (\$)	Remaining contractual life - years
Balance, March 31, 2011	-	-	
Granted November 2011	480,000	0.50	
Exercised February 2012	(480,000)	0.50	
Granted January 2012	4,780,000	0.60	4.54
Balance, March 31, 2012	4,780,000	0.60	
Granted May 2012	350,000	0.68	4.88
Balance, June 30, 2012	5,130,000	0.61	

During the three month period ended June 30, 2012, 350,000 stock options (“Options”) were issued to a director of the Company. These Options are exercisable for a maximum period of five years from the date of the grant and vest as to one third on grant date and one third on each anniversary date of the grant, for the next two years. The fair value of the Options granted was estimated at \$168,000 using the Black-Scholes option pricing model, using the following assumptions.

- Expected option life 5 years
- Volatility 110%
- Risk-free interest rate 1.21%
- Dividend yield 0%

The fair value of all options that vested during the quarter ended June 30, 2012 was \$290,128.

14. Warrants

A summary of warrants outstanding at June 30, 2012 was as follows:

	Number of Warrants	Weighted average exercise price (\$)	Remaining contractual life - years
Balance, March 31, 2011	-	-	-
Granted in connection with Business Combination (Note 1)	3,759,116	0.80	0.70
Compensation warrants (Note 8(v))	353,415	1.00	1.77
Granted in connection with January financing (Note 8(v))	4,937,341	1.00	1.27
Balance, March 31, 2012	9,049,872	0.92	
Exercised during the quarter	(106,508)	0.80	
Balance, June 30, 2012	8,943,364	0.92	