

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

**Condensed Consolidated Interim Financial Statements**

**For the Three and Six Month Periods ended September 30, 2012**

**(Unaudited)**

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

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*September 30, 2012*

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## **NOTICE TO SHAREHOLDERS**

The accompanying unaudited condensed consolidated interim financial statements of Eco (Atlantic) Oil & Gas Ltd. for the three and six month periods ended September 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 and six month periods ended September 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)**

	September 30, 2012	March 31, 2012
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$4,205,335	\$6,175,167
Cash in trust	-	252,512
Short-term investments	100,000	100,000
Accounts receivable and prepaid expenses	156,351	75,116
	<b>4,461,686</b>	6,602,795
Petroleum and natural gas licenses (Note 5)	3,270,998	3,270,998
Equipment (Note 6)	6,579	3,931
	<b>\$7,739,263</b>	<b>\$9,877,724</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 7)	\$327,431	\$474,914
	<b>327,431</b>	474,914
<b>Equity</b>		
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)	1,286,894	809,600
Accumulated deficit	(8,695,114)	(6,141,634)
	<b>7,411,832</b>	9,402,810
	<b>\$7,739,263</b>	<b>\$9,877,724</b>

*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)

**Subsequent Events** (Note 15)

Approved by the Board of Directors of the Company

Signed: "Gil Holzman"

Director

Signed: "Alan Friedman"

Director

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

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

	<b>Three Month Period Ended September 30, 2012</b>	Three Month Period Ended September 30, 2011	<b>Six Month Period Ended September 30, 2012</b>	Six Month Period Ended September 30, 2011
<b>Revenue</b>				
Interest income	<b>\$14,041</b>	\$ -	<b>\$29,393</b>	\$ -
<b>Operating expenses</b>				
Operating costs	<b>411,899</b>	353,659	<b>923,524</b>	880,428
Consulting, compensation and professional fees ( <i>Note 7</i> )	<b>476,467</b>	407,444	<b>749,389</b>	580,525
Share-based compensation ( <i>Note 13</i> )	<b>187,166</b>	-	<b>477,294</b>	-
General and administrative costs	<b>167,276</b>	127,093	<b>427,232</b>	212,476
Foreign exchange loss (gain)	<b>2,883</b>	(763)	<b>4,366</b>	(1,083)
Depreciation	<b>589</b>	-	<b>1,068</b>	-
	<b>1,246,280</b>	887,433	<b>2,582,873</b>	1,672,346
<b>Net loss and comprehensive loss for the period</b>				
	<b>(1,232,239)</b>	(887,433)	<b>(2,553,480)</b>	(1,672,346)
<b>Loss per share - basic and diluted</b>				
	<b>\$(0.02)</b>	\$(0.02)	<b>\$(0.04)</b>	\$(0.05)
<b>Weighted average number of shares</b>				
- basic and diluted	<b>60,861,161</b>	36,200,000	<b>60,837,880</b>	35,337,705

*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)**

	<b>Number</b>	<b>Capital</b>	<b>Warrants</b>	<b>Stock Options</b>	<b>Deficit</b>	<b>Equity</b>
<b>Balance, March 31, 2011</b>	<b>30,000,000</b>	<b>\$3,823,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$(456,573)</b>	<b>\$3,366,531</b>
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	-	-	-
Loss for the six months ended Sept 30, 2011					(1,672,346)	(1,672,346)
<b>Balance, September 30, 2011</b>	<b>36,200,000</b>	<b>6,221,720</b>	<b>573,560</b>	<b>-</b>	<b>(2,128,919)</b>	<b>4,666,361</b>
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 to1	(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 expensed during the year ended March 31, 2012	-	-	-	809,600	-	809,600
Stock options exercised during the year ended March 31, 2012	480,000	240,000	-	-	-	240,000
Transfer on exercise of options during the year ended March 31, 2012	-	26,208	-	(26,208)	-	-
Loss for the year ended March 31, 2012	-	-	-	-	(4,012,715)	(4,012,715)
<b>Balance, March 31, 2012</b>	<b>60,754,653</b>	<b>\$13,126,284</b>	<b>\$1,608,560</b>	<b>\$809,600</b>	<b>\$(6,141,634)</b>	<b>\$9,402,810</b>
Shares issued on exercise of warrants during six months ended Sept 30, 2012	106,508	85,208	-	-	-	85,208
Fair value of warrants exercised during the six months ended Sept 30, 2012	-	16,253	(16,253)	-	-	-
Stock options expensed during the six months ended Sept 30, 2012	-	-	-	477,294	-	477,294
Loss for the six months ended Sept 30, 2012	-	-	-	-	(2,553,480)	(2,553,480)
<b>Balance, September 30, 2012</b>	<b>60,861,161</b>	<b>\$13,227,745</b>	<b>\$1,592,307</b>	<b>\$1,286,894</b>	<b>\$(8,695,114)</b>	<b>\$7,411,832</b>

*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)**

	Six Month Period Ended September 30, 2012	Six Month Period Ended September 30, 2011
<b>Cash flow from operating activities</b>		
Net loss for the period	\$(2,553,480)	\$(1,672,346)
Items not affecting cash:		
Share-based compensation	477,293	-
Depreciation	1,068	-
Shares issued for consulting services	-	100,000
Changes in non-cash working capital:		
Accounts receivable and prepaid expenses	(81,235)	-
Accounts payable and accrued liabilities	(147,483)	238,173
Due to shareholders	-	59,321
	<b>(2,303,837)</b>	<b>(1,274,852)</b>
<b>Cash flow from investing activities</b>		
Equipment acquired	(3,715)	-
Increase in cash in trust	-	(31,359)
Increase in restricted cash	-	(542,444)
	<b>(3,715)</b>	<b>(573,803)</b>
<b>Cash flow from financing activities</b>		
Net proceeds from issuance of share capital	-	3,107,173
Proceeds from exercise of warrants	85,208	-
Cash in trust	252,512	-
	<b>337,720</b>	<b>3,107,103</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(1,969,832)</b>	<b>1,258,518</b>
Cash and cash equivalents, beginning of period	<b>6,175,167</b>	<b>111,643</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$4,205,335</b>	<b>\$1,370,161</b>
<b>Breakdown of cash and cash equivalents</b>		
Cash at banks	\$ 14,335	\$1,370,161
Cash on deposit	\$4,191,000	\$ -

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

## **1. Nature of Operations**

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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. (“EAOG”), 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 November 26, 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)**

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### **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**

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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 condensed consolidated interim 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 \$8,695,114 since its inception and expects to incur further losses in the development of its business.

## **3. Summary of Significant Accounting Policies**

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### **Statement of compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

#### **4. Summary of Significant Accounting Policies (continued)**

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##### **Statement of compliance (continued)**

The policies applied in these condensed consolidated interim financial statements are based on IFRSs issued and outstanding as of November 26, 2012, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these condensed consolidated interim financial statements as compared with the most recent annual consolidated financial statements of the Company as at and for the year ended March 31, 2012.

Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2013 could result in restatement of these condensed consolidated interim financial statements.

##### **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.

##### 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 six month period ended September 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 September 30, 2012, management has determined that no development expenditures related to its oil and gas properties should be capitalized.

#### **4. Future Accounting and Reporting Changes**

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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 September 30, 2012
<b>Licenses</b>	<b>\$ 3,270,998</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,270,998</b>

	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, which have been met as at September 30, 2012, are as follows:

<b>Year 1</b>	
Desktop study	\$ 2,150,000
Core hole drilling	2,400,000
	4,550,000
<b>Year 2 and 3</b>	
Complete and interpret a 2,500 sq Km 3D seismic survey	26,000,000
Evaluation report	500,000
	26,500,000
<b>Year 4</b>	
Pilot well program	5,500,000
Drill exploratory well through all targets identified by 3D seismic	368,250,000
Field production assessment and second target selection	500,000
	374,250,000
<b>Year 5</b>	
Resource assessment and production assessment first renewal	750,000
Additional core hole drilling	2,400,000
	3,150,000
<b>Year 6</b>	
First renewal period	1,500,000
Off take/production engineering assessment of second core hole	500,000
	2,000,000
<b>Year 7 and 8</b>	
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 September 30, 2012, no depletion has been recorded.

**FARM-OUT OF LICENSES**

On December 22, 2011, the Company entered into an agreement (the "Farm-out 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 Farm-out 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.

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**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
*September 30, 2012*

**6. Equipment**

			September 30, March 31, 2012 2012	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Balance at beginning of period	\$ 6,095	\$ 2,164	\$ 3,931	\$ -
Additions during the period	3,716	1,068		3,931
Balance at end of period	<b>\$ 9,811</b>	<b>\$ 3,232</b>	<b>\$ 6,579</b>	<b>\$ 3,931</b>

**7. Related Party Transactions and Balances**

	Three Month Periods Ended September 30, 2012 2011		Six Month Periods Ended September 30 2012 2011	
	\$	\$	\$	\$
Fees for management services paid to a company controlled by the President and CEO of the Company	<b>60,000</b>	45,000	<b>120,000</b>	90,000
Amount outstanding at the end of the period	<b>20,864</b>	17,163	<b>20,864</b>	17,163
Fees for exploration and management services paid to a company controlled by the COO of the Company	<b>108,844</b>	183,782	<b>194,575</b>	289,630
Amount outstanding at the end of the period	<b>77,200</b>	63,505	<b>77,200</b>	63,505
Fees paid to a company controlled by the CFO of the Company	<b>45,000</b>	-	<b>67,500</b>	-
Amount outstanding at the end of the period	-	-	-	-
Fees paid to companies controlled by the former CFO of the Company	<b>7,284</b>	-	<b>7,284</b>	-
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	<b>30,000</b>	18,000	<b>60,000</b>	36,000
Amount outstanding at the end of the period	-	6,000	-	6,000
Fees paid to a company controlled by the chairman of the Company	<b>16,795</b>	-	<b>33,323</b>	-
Amount outstanding at the end of the period	<b>15,719</b>	-	<b>15,719</b>	-

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**(A Development Stage Company)**  
**Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)**  
*September 30, 2012*

**7. Related Party Transactions and Balances (continued)**

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		Six Month Periods Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
	\$	\$	\$	\$
Salaries, fees and benefits	180,963	108,000	342,426	216,000
Stock-based compensation	205,338	-	457,537	-
<b>Total</b>	<b>386,301</b>	<b>108,000</b>	<b>799,963</b>	<b>216,000</b>

**8. Share Capital**

<b>Authorized:</b>	Unlimited Common shares	
<b>Issued:</b>	<b>Common Shares</b>	<b>Amount</b>
<b>Balance March 31, 2011</b>	<b>30,000,000</b>	<b>\$ 3,823,104</b>
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)
<b>Balance March 31, 2011</b>	<b>36,200,000</b>	<b>6,221,720</b>
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
<b>Balance, March 31, 2012</b>	<b>60,754,653</b>	<b>13,126,284</b>
Shares issued on exercise of warrants during the six months ended Sept. 30 2012	106,508	85,208
Fair value of warrants exercised during the six months ended Sept. 30, 2012	-	16,253
<b>Balance, September 30, 2012</b>	<b>60,861,161</b>	<b>\$ 13,227,745</b>

## **8. Share Capital (continued)**

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- (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.
- (iii) Following the Business Combination, the EOG Warrants issued in the April Financing and the May Financing were replaced with 3,000,000 EAOG warrants, each warrant entitling the holder to acquire 1.253 common shares of the Company at an exercise price of \$0.80 per share. During the period ended September 30, 2012, 85,000 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”)**

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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 September 30, 2012, the Company did not operate any properties. Accordingly, no ARO was required.

## **10. Capital Management**

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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 September 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**

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### **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, contributions receivable from farm-in partners 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.

## **11. Risk Management (continued)**

### **c) Liquidity risk**

The Company ensures, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or harm to the Company's reputation. As at September 30, 2012, the Company had cash on hand and on deposit of \$4,205,335 (March 31, 2012 - \$6,175,167) to settle current liabilities of \$327,431 (March 31, 2012 - \$474,914). *See Subsequent Events Note 15.*

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 September 30, 2012 all have contractual maturities of less than 90 days and are subject to normal trade terms.

### **d) Foreign currency risk**

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

## **12. Commitments and Contingencies**

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### **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 in Canada and Namibia as follows:

2013	\$ 37,182
2014	75,310
2015	67,232
2016	36,400
Total	<u>\$216,124</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 September 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	4.29
Balance, March 31, 2012	4,780,000	0.60	
Granted May 2012	350,000	0.68	4.63
Balance, September 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 six months ended September 30, 2012 was \$477,294. (September 30, 2011 \$Nil)

## **14. Warrants**

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

	<b>Number of Warrants</b>	<b>Weighted average exercise price (\$)</b>	<b>Remaining contractual life - years</b>
Balance, March 31, 2011	-	-	-
Granted in connection with Business Combination (Note 1)	3,000,000	0.80	0.45
Compensation warrants (Note 8(v))	353,415	1.00	1.52
Granted in connection with January financing (Note 8(v))	4,937,341	1.00	1.02
Balance, March 31, 2012	8,290,756	0.93	
Exercised during the six months ended September 30, 2012	(85,000)	0.80	
Balance, September 30, 2012	8,205,756	0.93	

## **15. Subsequent Events**

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- a) On November 16, 2012, the Company closed a non-brokered private placement of common shares of the Company. In connection with the private placement, the Company issued 8,098,500 common shares at a price of \$0.40 per common share, for gross proceeds of \$3,239,400.
- b) On October 12, 2012, the Company issued a billing to Azimuth in the amount of \$246,985, being Azimuth's contribution to actual and budgeted expenses from April 14, 2012 to October 31, 2012, under the Farm-out Agreement.