CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017

The following is Management's Discussion and Analysis ("MD&A") of the operating and financial results of Canadian Overseas Petroleum Limited, and its wholly owned subsidiaries COPL Technical Services Limited, Canadian Overseas Petroleum (UK) Limited ("COPL UK"), Canadian Overseas Petroleum (Bermuda Holdings) Limited ("COPL Bermuda Holdings"), Canadian Overseas Petroleum (Bermuda) Limited ("COPL Bermuda"), Canadian Overseas Petroleum (Namibia) Limited ("COPL Namibia"), and Canadian Overseas Petroleum (Ontario) Limited ("COPL Ontario"), (collectively "COPL" or the "Company") as at and for the year ended December 31, 2017. The information is provided as of March 22, 2018. The results for the year ended December 31, 2017 have been compared to the same periods of 2016. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2017 and 2016, together with the accompanying notes and the Annual Information Form of the Company dated March 22, 2018 (the "AIF"). These documents and additional information about COPL are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com.

All amounts are presented in United States dollars ("USD") unless otherwise noted.

BUSINESS OF THE COMPANY – MANAGEMENT

Canadian Overseas Petroleum Limited is a publicly traded oil and gas company listed on the TSX Venture Exchange (TSX-V) under the symbol "XOP" and the London Stock Exchange (LSE) under the symbol "COPL".

COPL is an international oil and gas exploration and development company focused mainly on offshore Africa. The Company formed a joint venture company with Shoreline Energy International Limited ("Shoreline"), in line with the Company's strategy to diversify and balance its asset portfolio to generate stable cash flow from secure assets. Both partners hold a 50% interest in the jointly controlled company, Shoreline Canoverseas Petroleum Development Corporation Limited ("ShoreCan"), which was incorporated on October 24, 2014. ShoreCan is focused on acquiring upstream oil and gas exploration, development and producing assets in Africa.

Senior management and strategic corporate functions are performed by COPL's head office in Calgary, and geological, geophysical, engineering, accounting and administrative functions are performed by COPL Technical Services Limited. Some technical and projects related functions are provided by COPL UK. COPL Bermuda Holdings, COPL Bermuda and COPL Namibia (currently dormant) were incorporated for operations offshore Liberia and potential opportunities elsewhere in Africa. COPL Ontario was incorporated on December 15, 2017 for the purpose of an anticipated operation in Canada.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking statements relating to future events or future performance. In some cases, forward-looking information and forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", "potential", "intend", "believe" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of COPL. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in AIF dated March 22, 2018, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

FORWARD-LOOKING INFORMATION AND STATEMENTS (CONTINUED)

Forward-looking statements included or incorporated by reference in this document include statements with respect to:

- the Company's current strategy to establish and grow an oil and gas business (the "Overview and Overall Performance", "Outlook" and "Liquidity and Capital Resources" sections);
- the Company's ability to raise capital and obtain the financing necessary to develop profitable oil operations (the "Overview and Overall Performance", "Outlook" and "Liquidity and Capital Resources" sections);
- the Company's assumptions in respect of valuation of Warrants and Stock Options (as defined herein) (the "Derivative Gain / Loss" and "Stock-Based Compensation Expense sections);
- the Company's ability to manage its financial and operational risks (the "Overview and Overall Performance", "Financial Instruments", "Commitments and Contractual Obligations" and "Liquidity and Capital Resources" sections).

The Company's AIF for the year ended December 31, 2017 describes major risks, material assumptions and other factors related to forward-looking information and forward-looking statements that could influence actual results and are incorporated herein by reference. These risks, assumptions and other factors have been provided for readers to gain a more complete perspective on COPL's future operations. However, readers should be cautioned that the list of factors is not exhaustive and that this information may not be appropriate for other purposes. Forward-looking information and forward-looking statements included or incorporated by reference in this MD&A are valid only as at the date of this MD&A, and the Company does not intend to update or revise these forward-looking statements and forward-looking information except as required by applicable securities laws. The forward-looking information and forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW AND OVERALL PERFORMANCE *

In the fourth quarter of 2017, the Company continued to identify, evaluate and pursue exploration and development opportunities in West African countries and elsewhere. The Company continues to be focused on opportunities that its seasoned technical team has strength in evaluating and developing.

Liberia

The Company held a 17% working interest in Block LB-13 offshore Liberia, with the remaining 83% being held by ExxonMobil Exploration and Production Liberia Limited ("ExxonMobil"), who was the operator under this license. The Company's exploration and evaluation assets ("E&E") related entirely to the Liberia project and consisted mainly of 3D seismic of Block LB-13 and capitalized geological and geophysical evaluation work conducted on this block.

On November 22, 2016, ExxonMobil commenced drilling operations on the Mesurado-1 exploration well utilizing the Drillship Seadrill West Saturn. On December 19, 2016, it was announced that the Mesurado-1 well had reached total depth. It was reported that the well, targeting oil in a sequence of Late Cretaceous Santonian-age sands, intersected 145 metres (475 feet) of net sand of which 118 metres (387 feet) were deemed to be "reservoir quality." No hydrocarbons were indicated by the logging while drilling operations were performed across the targeted intervals. ExxonMobil, the operator, plugged and abandoned the well and released the rig on December 27, 2016.

During 2017, Exxon and the Company performed an evaluation of Mesurado-1 results and worked on implementation of these results into a geological and geophysical analysis for the rest of block LB-13. The obligations under a second exploration period under LB-13 license were completed with the drilling of Mesurado-1 and the second exploration period expired on September 25, 2017.

Both Exxon and the Company have elected not to enter into third exploration period and accordingly, surrendered their rights to the LB-13 license, resulting in the expiration of LB-13 production sharing contract on September 25, 2017. Accordingly, the Company derecognized the entire E&E balance of $15.6 million in the third quarter of 2017.

OVERVIEW AND OVERALL PERFORMANCE * (CONTINUED)

Expansion of sub-Saharan Portfolio

In October 2014, COPL formed a joint venture company with Shoreline Energy International Limited called Shoreline CanOverseas Petroleum Development Corporation Limited ("ShoreCan"). Both partners hold a 50 percent interest in the jointly controlled company, which is focused on acquiring upstream oil and gas exploration, development and producing assets in Africa. ShoreCan is a special purpose vehicle registered in Bermuda. The following country and project overviews fall under the realm of ShoreCan's dealings.

Nigeria

On September 14, 2016, COPL announced that ShoreCan had completed the acquisition of 80% of the share capital of Essar Exploration and Production Limited (Nigeria) ("Essar Nigeria"). Essar Nigeria's sole asset is a 100% interest and operatorship of an oil prospecting license, located about 50 kilometres offshore in the central area of the Niger Delta ("OPL 226"). As a party to a PSC for OPL 226, Essar Nigeria is required to seek Nigerian Government ministerial consent for the transaction.

Application has been made to the appropriate government bodies and the process is in the final stage of being granted ministerial consent for the Essar acquisition. ShoreCan has also applied for an extension to the first phase of the Production Sharing Contract ("PSC") beyond November 30, 2017. The Company also notes that the timing of the drilling campaign on OPL 226 will be delayed somewhat due to the delay in completing the project financing and receipt of final consent from the concessionaire NNPC for the change in control of Essar Nigeria.

OPL 226 has an area of 1530 km^2 and is situated in water depths ranging from 40 to 80 meters. It offers oil appraisal and development opportunities having near term oil production potential and significant exploration upside. Historically, four of the five wells with oil and gas shows were drilled in 1972 and 1973, however, the most recent fifth well (Noa-1) was an oil discovery drilled in 2001. ShoreCan, in the last year, has completed additional seismic processing of the most recent 568 km^2 3D seismic survey acquired by Essar Nigeria in 2012. The advanced seismic processing techniques, applied to this data set by ShoreCan, were successfully completed to differentiate oil-bearing sands from gas-bearing or water-bearing sands. ShoreCan plans to drill an exploitation well adjacent to the Noa-1 discovery well. At the request of COPL, Netherland, Sewell & Associates, Inc. ("NSAI") prepared an independent report (the "Report") in accordance with Canadian National Instrument 51-101 evaluating the Contingent and Prospective Resources attributed to OPL 226, as of December 31, 2017. The Contingent and Prospective Resource volumes estimated in the NSAI report are disclosed in the Company's AIF dated March 22, 2018 under Appendix A in accordance with NI-51-101 rules and regulations.

During the third quarter the Company engaged Zephyr Well Engineering (Aberdeen, U.K.) to assist with well design planning for the initial wells in OPL 226. While the Company does have well engineering expertise on staff, the relationship with Zephyr enables the Company to utilize professionals with experience in West Africa during critical stages of planning and execution. Goals the Company has with Zephyr for this first well on OPL 226 include building solid operational management controls, technical assurance of the well design, assistance with contracting and procurement, and other technical support functions as required.

Mozambique

In Mozambique, the Company is part of a consortium that is in final discussions regarding the awarding of a prospective onshore license under the 5th licensing round. COPL's interest in Mozambique will be dependent on successful negotiation of a new Production Sharing Contract (PSC). The Consortium has been invited to negotiate with the Government of Mozambique the terms of the PSC governing the Block in the first quarter of 2018. These will include the acquisition of 1600 line km of 2D seismic.

**** This section contains forward-looking information. Please see the "Forward-looking Information and Statements" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.***

OUTLOOK *

The Company's strategy is to grow its international oil and gas business offshore Africa and elsewhere in the world by farming into, and/or acquiring interests in, exploration, unappraised and/or undeveloped assets as well as in producing assets using the expertise and experience of its senior management team.

The Company's short-term operations will focus on:

- working to progress the planning of future drill locations in Nigeria on OPL 226;
- working with the Mozambique government to negotiate the terms of the PSC governing the PT5-B block; and
- working to successfully conclude a variety of new opportunities available in Africa.

Currently the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects and contracts that will require substantial additional financing before they are able to generate positive cash flows. Accordingly, the Company's continued successful operation is dependent on its ability to obtain additional financing. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company. With no assurance such financing will be obtained in future, there is material uncertainty that may cast substantial doubt on the business' ability to continue as a going concern. All of these factors represent events, risks or uncertainties that management believes will materially affect the Company's future performance.

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FINANCIAL SUMMARY

General and administrative costs were $4.6 million for the year ended December 31, 2017 (net of $0.2 million of costs allocated to exploration projects), compared to $5.2 million for the year ended December 31, 2016 (net of $0.3 million of costs allocated to exploration projects). In 2017, the Company wrote off $15.6 million representing all of its exploration and evaluation assets as the Company surrendered its rights to the LB-13 license in Liberia compared to $1.3 million written off in 2016. Pre-licence costs were $0.4 million for the year ended December 31, 2017; there were no such costs in the same period of 2016. Stock-based compensation expense of $0.3 million was recorded in 2017 compared to $2.1 million in relation to stock options granted in 2016. A foreign exchange gain of $0.4 million was recognized for the year ended December 31, 2017, compared to foreign exchange loss of $0.2 million in 2016. The Company recognized a gain on derivative of $0.4 million for the year ended December 31, 2017, compared to a gain of $2.1 million for the year ended December 31, 2016. The Company also recognized interest income of approximately $9,000 for the year ended December 31, 2017, compared to $26,000 for the year ended December 31, 2016. The loss recognized on the Company's investment in ShoreCan was $0.1 million for the year ended December 31, 2017 and the year ended December 31, 2016. As a result, the Company's net loss amounted to $20.1 million for the year ended December 31, 2017, compared to net loss of $6.8 million in 2016.

As at December 31, 2017, the Company's cash and cash equivalents amounted to $4.1 million, compared to $2.6 million as at December 31, 2016. Cash used in operating activities amounted to $4.9 million for the year ended December 31, 2017 compared to $5.5 million for 2016. Cash provided by financing activities amounted to $6.5 million for the year ended December 31, 2017 and for the year ended December 31, 2016. Cash used in investing activities amounted to $0.3 million for the year ended December 31, 2017 and for the year ended December 31, 2016.

SELECTED ANNUAL INFORMATION

DISCUSSION OF OPERATIONS

The Company has not had significant revenue from operations in any of its last three financial years. The following table summarizes the Company's financial results for the years ended December 31 2017, 2016 and 2015:

($ 000's) except per share	**2017**	2016	2015
Pre-license costs	**$ 372**	$ -	$ 114
Derecognition of exploration and evaluation assets	**15,642**	1,321	-
Administrative expenses	**4,591**	5,182	6,391
Stock-based compensation	**283**	2,097	-
Interest income	**(9)**	(26)	(41)
Derivative gain	**(436)**	(2,126)	(1,097)
Foreign exchange (gain) / loss	**(394)**	193	530
Loss on investment in joint venture	**76**	80	729
Net loss	**20,147**	6,761	6,685
Per share loss (basic and diluted)	**$ 0.02**	$ 0.01	$ 0.01
Outstanding common shares at December 31	***1,523,139,350***	*617,139,350*	*482,339,196*
Weighted average common shares - basic	***1,032,240,720***	*566,935,628*	*440,545,079*
Cash used in operating activities	**$ 4,873**	$ 5,484	$ 6,255

Pre-License Costs

The 0.4 million of pre-license costs in 2017 relate to an anticipated project in Canada. No pre-license costs were incurred in 2016. The $0.1 million of pre-license costs in 2015 related to a project in Africa that was discontinued.

Derecognition of Exploration and Evaluation Assets

In December 2016, an exploration well Mesurado-1 was drilled on Block LB-13 offshore Liberia but it was not commercially successful. Exploration costs related to the Company's interest in this well were carried by its partner ("carried interest"). At December 31, 2016, the Company reviewed its exploration and evaluation ("E&E") balances and derecognized $1.3 million representing capitalized E&E related to Mesurado area.

In third quarter of 2017, the Company derecognized the entire balance of its E&E assets of $15.6 million that related to Block LB-13 offshore Liberia as the license was surrendered and expired on September 25, 2017 (as discussed further in "Exploration and Evaluation Assets" section).

There was no E&E write-off in 2015.

SELECTED ANNUAL INFORMATION (CONTINUED)

Administrative Expenses

A breakdown of administrative expenses are as follows:

($ 000's)	**2017**	2016
Administrative:		
Payroll and related costs	**$ 1,878**	$ 2,219
External directors' fees and related costs	**543**	611
Consulting services	**413**	327
Professional services	**232**	240
Software licenses and maintenance	**159**	131
Travel expenses	**418**	484
Office expenses	**658**	671
Stock exchange, transfer agent and UK regulatory agents fees	**206**	301
Other general and administrative	**319**	472
Costs allocated to exploration projects	**(235)**	(274)
Total administrative	**$ 4,591**	$ 5,182

Administrative expenses amounted to $4.6 million for the year ended December 31, 2017, compared to $5.2 million for the year ended December 31, 2016, and are presented net of costs allocated to exploration projects which amounted to $0.2 million in 2017 and $0.3 million in 2016.

The decrease in net administrative expenses of $0.6 million for the year ended December 31, 2017, compared to the same period in 2016 resulted mainly from:

- a decrease in payroll and related costs, and travel costs due to lower employment levels in 2017,
- lower external directors' fees in 2017 as a one-time additional fee was incurred in 2016,
- a decrease in fees for UK regulatory agents,
- a decrease in other expenses relates mainly to lower sponsorships costs, as in 2017 the Company did not participate in "Africa Oil" conference that in 2016 was held in Cape Town.;
  partially offset by:
- an increase in consulting due to additional consulting services in respect of new projects.

*Stock-Based Compensation Expense**

The Company has a stock option plan where the number of Common Shares reserved under the plan shall not exceed 10% of the issued and outstanding Common Shares and the number reserved for any one individual may not exceed 5% of the issued and outstanding Common Shares. Exercise prices for stock options granted are determined by the closing market price on the day before the date of grant.

The Company granted following stock options to its directors, officers, employees and consultants:

- on November 27, 2017 – 60,035,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.015 ($0.012);
- on November 15, 2016 - 7,500,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.18 ($0.13);
- on August 12, 2016 - 4,400,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.115 ($0.088);
- on May 12, 2016 - 40,780,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.10 ($0.08);

SELECTED ANNUAL INFORMATION (CONTINUED)

Stock-Based Compensation Expense (continued)*

The stock options vest immediately and expire five years from the date of grant. The related stock-based compensation expense of $0.3 million has been recognized in the statement of loss and comprehensive loss for the year ended December 31, 2017 compared to $2.1 million for the year ended December 31, 2016. The fair value of each stock option granted was estimated on the date of grant using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at December 31, 2017). No stock-based compensation expense was recognized for the comparable period of 2015.

During 2017, 5,800,000 stock options were forfeited compared to 1,500,000 in 2016. No stock options were exercised during the years ended December 31, 2017 and 2016. As at December 31, 2017, a total of 115,240,000 stock options to purchase Common Shares were outstanding, having a weighted average exercise price of $0.06 per share and a remaining weighted average contractual life of 4.04 years.

**** This section contains forward-looking information. Please see the "Forward-looking Information" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.***

Interest Income

Interest income earned was $9,000 for the year ended December 31, 2017, compared to $26,000 for the year ended December 31, 2016. The interest income relates to interest earned on cash held at banks.

*Derivative Gain / Loss**

The Company has 174,032,188 various Common Share purchase warrants ("Warrants") that were issued in 2017 and 2016 years which are outstanding as at December 31, 2017. These Warrants' exercise prices are in CAD or GBP and the Company's stocks are traded in CAD or GBP, however, the Company's functional currency is USD. As there is variability in the exchange rates, these Warrants are classified as derivative financial instruments, a derivative liability was recognized as at the date of grant and subsequently, the derivative liability is revalued at each balance sheet date until Warrants are exercised or expire.

As at December 31, 2017, the Warrants outstanding as at that date and recognized as derivative financial instruments were revalued and a derivative gain of $0.4 million was recognized for the year ended December 31, 2017, compared to a derivative gain of $2.1 million for the same period of 2016.

The significant derivative gain recorded for the year ended December 31, 2016 relates to a general decrease in Warrants' fair values during 2016, mainly due to a decrease in the Company's stock price from CAD $0.07 ($0.05) as at May 3, 2016 (when a majority of 2016 warrants were issued) to CAD $0.03 ($0.02) as at December 31, 2016.

The fair value of warrants recognized as derivative financial instruments was estimated using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at December 31, 2017).

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Foreign Exchange Gain

A foreign exchange gain of $0.4 million was recognized for the year ended December 31, 2017 (compared to a loss of $0.2 million for the same period in 2016), which relates to a gain on translation of cash, cash equivalents and accounts payable denominated in currencies other than USD.

SELECTED ANNUAL INFORMATION (CONTINUED)

Loss on Investment in Joint Venture

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan. For the year ended December 31, 2017, the Company charged ShoreCan $1.7 million for management and technical services, which were included in ShoreCan's general and administration expenses for the same period. These amounts of revenue were reversed from the Company's revenue and investment in joint venture.

As at December 31, 2017, the Company's share in ShoreCan's losses of $1.6 million (December 31, 2016 - $2.4 million) exceed the Company's net investment in ShoreCan of $76,000 for this period (December 31, 2016 - $80,000). Accordingly, under the equity method, the loss on investment recognized by the Company amounted to $76,000 for the year ended December 31, 2017 (December 31, 2016 - $80,000).

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at December 31, 2017, December 31, 2016 and December 31, 2015:

($ 000's) except per share	December 31, 2017	December 31, 2016	December 31, 2015
Cash and cash equivalents	**$ 4,060**	$ 2,565	$ 2,015
Exploration and evaluation assets	**-**	15,407	16,455
Total assets	**4,646**	18,480	18,998
Non-current financial liabilities	**227**	335	367
Share capital	**(133,650)**	(124,874)	(120,730)
Shareholders' equity	**$ (3,211)**	$ (17,154)	$ (17,207)

Economic and industry factors and their respective impact on the Company for the year ended December 31, 2017, are substantially unchanged since the year ended December 31, 2016.

Cash and Cash Equivalents

The increase in cash and cash equivalents of $1.5 million during 2017 represents mainly cash proceeds from an equity financing closed in the second and fourth quarters of 2017 of $6.5 million and a foreign exchange gain of $0.2 million on cash and cash equivalents denominated in currencies other than USD partially offset by cash utilized in operating activities of $4.9 million and investing activities of $0.3 million.

Investment in joint venture

The Company's investment in joint venture, relates to a 50% share of ShoreCan, the jointly controlled entity and represents a 50% share in ShoreCan's assets and liabilities. As the Company's share of ShoreCan's net liabilities exceeded the Company's net interest in ShoreCan as at December 31, 2017, under the equity method, the Company discontinued recognizing its share of future losses and the carrying amount of the investment in the jointly controlled entity was $nil as at December 31, 2017 ($nil as at December 31, 2016). Investment in ShoreCan is further discussed in section "Commitments and Contractual Obligations".

Exploration and Evaluation Assets

($ 000's)	December 31, 2017	December 31, 2016	December 31, 2015
E&E assets – opening balance	**$ 15,407**	**$ 16,455**	$ 16,305
Capitalized geological and geophysical work	**235**	**273**	150
Derecognition of exploration and evaluation assets	**(15,642)**	**(1,321)**	-
Total capitalized exploration and evaluation costs	**$ -**	**$ 15,407**	$ 16,455

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Exploration and Evaluation Assets (continued)

The Company held a 17% working interest in Block LB-13 offshore Liberia, with the remaining 83% being held by ExxonMobil Exploration and Production Liberia Limited ("ExxonMobil"), who was the operator under this license. The Company's E&E assets related entirely to the Liberia project and consisted mainly of 3D seismic of Block LB-13 and capitalized geological and geophysical evaluation work conducted on this block, net of $1.3 million of E&E derecognized in 2016, further to drilling Mesurado-1 well that was not commercially successful.

During 2017, ExxonMobil and the Company performed an evaluation of Mesurado-1 results and worked on implementation of these results into a geological and geophysical analysis for the rest of block LB-13. The obligations under a second exploration period under LB-13 license were completed with drilling Mesurado-1 and the second exploration period expired on September 25, 2017. Both ExxonMobil and the Company have elected not to enter into third exploration period and accordingly, surrendered their rights to the LB-13 license, resulting in the expiration of LB-13 production sharing contract on September 25, 2017. Accordingly, the Company derecognized the entire E&E balance of $15.6 million in the third quarter of 2017.

Total Assets

Total assets decreased by $13.9 million from $18.5 million as at December 31, 2016 to $4.6 million as at December 31, 2017. The decrease is mainly a result of derecognition of the Company's E&E assets balance related to the Liberia project.

Non-current Financial Liability

Non-current financial liability of $0.2 million as at December 31, 2017 and $0.3 million as at December 31, 2016 represents entirely valuation of Warrants issued by the Company in currencies other than USD. As there is variability in the exchange rates, these Warrants are classified as derivative financial instruments and a derivative liability is recognized as at the date of issue; subsequently, the derivative liability is revalued at each balance sheet date until Warrants are exercised or expire. As at December 31, 2017, the derivative liability represents a valuation of warrants issued during 2017 and 2016 (as discussed in "Derivative Gain/Loss" section) and still outstanding at year-end 2017. The fair value of Warrants is estimated using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at December 31, 2017).

Shareholders' Equity

The decrease in shareholders' equity of $14.0 million from $17.2 million as at both December 31, 2016 and 2015 to $3.2 million as at December 31, 2017 relates to:

- net loss of approximately of $20.2 million for the year ended December 31, 2017 which includes $15.6 million write off of E&E asset;
- an increase in accumulated other comprehensive loss of $0.3 million that relates to an unrealized foreign exchange gain on translation of foreign subsidiary accounts;
- offset by an increase in share capital of $6.2 million (net of movement in warrants) as a result of common shares issued for gross proceeds of $7.5 million further to a financing closed in 2017, net of valuation of related brokers' warrants of $0.3 million that are recognized as a derivative liability and net of issue costs of $1.0 million (as discussed in "Share Capital" section); and
- by an increase in contributed capital reserve of $0.3 million that relates to a valuation of stock options granted in 2017 (as discussed in "Stock-based Compensation Expense" section).

As at March 22, 2018, the Company has 1,523,139,350 Common Shares issued and outstanding.

SHARE CAPITAL*

The Company is authorized to issue an unlimited number of common and preferred shares.

On June 12, 2017, further to a UK prospectus, the Company closed a placing of 656,000,000 Common Shares at a price of GBP 0.005 ($0.006) for gross proceeds of GBP 3.3 million ($4.2 million) (the "UK June Placing). The Brokers were paid a cash commission of GBP $0.2 million ($0.28 million) representing approximately 6.0% of the gross proceeds of the UK June Placing. Other expenses (mainly legal and stock exchanges fees) amounted to approximately GBP 0.4 million ($0.5 million). The Company will use net proceeds from the UK Placing of approximately $3.4 million to finance its administrative expenses.

In connection with the UK June Placing, the Company also issued 39,000,000 warrants to its broker (the Broker's Warrants") as compensation warrants. Each Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of GBP 0.005 ($0.006) per Common Share on or before June 12, 2019. The fair value of the Broker's Warrants estimated at $176,000 (using a Black-Scholes option pricing model) was recognized as share issue costs and a derivative liability as at June 12, 2017.

On October 16, the Company closed another placing in the UK of 250,000,000 Common Shares at a price of GBP 0.01 ($0.013) for gross proceeds of GBP 2.5 million ($3.3 million) (the "UK October Placing). The Brokers were paid a cash commission of GBP $0.12 million ($0.16 million) representing approximately 4.9% of the gross proceeds of the UK October Placing. Other expenses (mainly legal and stock exchanges fees) amounted to approximately GBP 0.87 million ($0.12 million). The Company will use net proceeds from the UK October Placing of approximately $3.0 million to finance its administrative expenses.

In addition, the Company issued 15,000,000 warrants to its broker (the Broker's Warrants") as compensation warrants. Each Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of GBP 0.01 ($0.013) per Common Share on or before October 16, 2019. The fair value of the Broker's Warrants estimated at $129,000 (using a Black-Scholes option pricing model) was recognized as share issue costs and a derivative liability as at October 16, 2017.

The assumptions used for Black-Scholes option pricing model to estimate a fair value of the Broker's Warrants as at the date of issue are discussed in the notes accompanying the Company's consolidated financial statements as at December 31, 2017.

As at December 31, 2017, the Company had the following issued and outstanding securities:

- 1,523,139,350 Common Shares;
- 174,032,188 share purchase Warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.053 per share and a remaining contractual life of four months to one year and nine months; and
- 115,240,000 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.06 per Common Share and a remaining contractual life of ten months to four years and ten months.

**** This section contains forward-looking information. Please see the "Forward-looking Information and Statements" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.***

SUMMARY OF QUARTERLY RESULTS

Eight most recent quarters:

($ 000's)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Revenue	1	1	2	5
Loss	(1,157)	(17,254)	(930)	(806)
Loss per share - basic & diluted	(0.00)	(0.01)	(0.00)	(0.00)

($ 000's)	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Revenue	7	9	7	3
Income / (Loss)	3,972	(6,511)	(2,472)	(1,750)
Earnings / (Loss) per share - basic & diluted	0.01	(0.01)	(0.00)	(0.00)

The revenue in all quarters consists of interest income earned on cash balances held at banks.

Significant fluctuations in the Company's quarterly net results during 2017 and 2016 were mainly due to non-cash items recorded during the quarters in respect of E&E derecognition, stock-based compensation and changes in derivatives valuation as follows:

($ 000's)	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Derecognition of E&E assets	-	(15,642)	-	-
Share-based compensation	(283)	-	-	-
Derivative gain / (loss)	551	(485)	103	267

($ 000's)	December 31, 2016	September 30, 2016	June 30, 2016	March 31 2016
Derecognition of E&E assets	(1,321)	-	-	-
Share-based compensation	(568)	(261)	(1,268)	-
Derivative gain / (loss)	7,199	(4,814)	395	(654)

In the fourth quarter of 2016, the Company derecognized $1.3 million of its E&E assets in respect of its project in Liberia and in the third quarter of 2017, the Company wrote off the entire remaining balance of $15.6 million as the LB-13 exploration license was surrendered (discussed in "Exploration and Evaluation Assets" section). There were no E&E write-offs recorded in in other quarters under review.

The stock-based compensation was recognized in fourth quarter of 2017, and in second, third and fourth quarter of 2016 in respect of stock options granted during these periods.

Derivative gain and loss represents a change in valuation of the Company's Warrants that are recognized as derivative financial instruments and outstanding as at each balance sheet date (discussed in "Derivative Gain/Loss" section). Fair values of Warrants are estimated based on Black-Scholes options pricing model and significant quarterly fluctuations in derivative liability are mainly due to fluctuations in the Company's stock price as at each quarter end. In addition, 54 million new Warrants issued in the second and fourth quarters of 2017 (discussed in "Share Capital" section) and 84.3 million Warrants recognized as derivatives expired unexercised in the third quarter of 2017 therefore reducing the total number of Warrants subject to valuation from 204.3 million as at December 31, 2016 to 174 million as at December 31, 2017.

Quarterly administrative expenses were $1.1 million for the first, second and fourth quarter of 2017, $1.2 million for the third quarter of 2017, compared to $1.0 million for the first quarter of 2016, and $1.4 million for second, third and fourth quarter of 2016. The overall decrease in administrative expenses related mainly to a decrease in payroll (due to lower employment), decrease in fees for UK regulatory agents and decrease in sponsorships expenses.

SUMMARY OF QUARTERLY RESULTS (CONTINUED)

In addition, the Company's quarterly net results include losses on investment in joint venture (discussed in "Loss on Investment in Joint Venture" section). A material loss on investment of $0.1 million was recognized in third quarter of 2016.

FOURTH QUARTER RESULTS

The Company recorded a net loss of $1.2 million for the three month period ended December 31, 2017, compared to net income of $4.0 million for same period of 2016. Major items that affected the fourth quarter results are as follows:

- A derivative gain of $0.6 million was recorded in the fourth quarter of 2017, (compared to derivative gain of $7.2 million in 2016). The significant derivative gain recorded for the year ended December 31, 2016 relates to a general decrease in Warrants' fair values during 2016, mainly due to a decrease in the Company's stock price from CAD $0.07 ($0.05) as at May 3, 2016 (when a majority of 2016 warrants were issued) to CAD $0.03 ($0.02) as at December 31, 2016.
- There was no derecognition of E&E assets recorded in the fourth quarter of 2017. In the fourth quarter of 2016, the Company derecognised $1.3 million of its E&E assets in respect of its project in Liberia.
- A stock-based compensation expense of $0.3 million was recognized in the fourth quarter of 2017 in respect of stock options granted in November 2017. A stock-based compensation expense of $0.6 million was recognized in the fourth quarter of 2016 in respect of stock options granted in November 2016.
- Administrative costs were $1.1 million in the fourth quarter of 2017, compared to $1.4 million (net of $0.1 million of costs allocated to exploration projects) in the fourth quarter of 2016. There were no costs allocated to exploration projects in the fourth quarter of 2017.
- A foreign exchange gain of $98,000 was recognized for the fourth quarter of 2017, compared to a foreign exchange gain of $53,000 for the same period in 2016.
- The loss recognized on the Company's investment in ShoreCan was $17,000 for the fourth quarter of 2017, compared to a loss $1,000 for the same period in 2016.
- A pre-licence expense of $0.4 million was recognized in the fourth quarter of 2017. There were no pre-licence expenses recorded in the fourth quarter of 2016.
- The Company's revenue consists of interest income earned on cash balances held at banks and amounted to $1,000 and $7,000 for fourth quarter of 2017 and 2016, respectively.

Cash used in operating activities amounted to $1.5 million for the three month period ended December 31, 2017 compared to $1.2 million for the same period in 2016. Cash provided by financing activities amounted to $3.0 million for the three month period ended December 31, 2017, compared to $0.2 million for the three month period ended December 31, 2016. Cash used in investing activities amounted to $16,000 for the three month period ended December 31, 2017, compared to $0.1 million for the three month period ended December 31, 2016.

TRANSACTIONS WITH RELATED PARTIES

Related parties include subsidiaries, joint arrangements, key management personnel, the directors, immediate family members of key management personnel and directors, and entities which are, directly or indirectly, controlled by, jointly controlled by or significantly influenced by key management personnel, directors or their close family members.

Transactions with Directors and Officers

As at December 31, 2017, accounts due from related parties amounted to $8,000 (December 31, 2016 - $16,000, December 31, 2015 - $21,000), which represented travel advances, with $1,000 payable to related parties (December 31, 2016 - $1,000, December 31, 2015 - $2,000) for outstanding travel expenses.

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Remuneration of Directors and Other Key Management Personnel

The key management personnel of the Company are comprised of executives of the Company and members of its board of directors. The remuneration accrued to directors and key management personnel are as follows:

In $ 000's	December 31, 2017	December 31, 2016
Short-term benefits	**$ 1,443**	$ 1,849
	$ 1,443	$ 1,849

Short-term benefits include annual salaries, directors' fees, health benefits, and other tax benefits.

In addition, of the 60.0 million stock options issued in 2017 (52.7 million in 2016), 49.7 million (43.0 million in 2016) were issued to directors and key management personnel.

The stock options vest immediately and expire five years from the date of grant. There were no stock options granted in 2015.

The Company employed a family member of a member of key management during the year ended December 31, 2017, under normal commercial terms. Total salary and benefits paid to this individual were $84,000 (2016: $18,700). There were 2,000,000 stock options granted to this individual during 2017 (2016: 500,000) to acquire the Company's Common Shares at an exercise price of CAD $0.015 (approximately $0.012). There are no accounts receivable due from, or accounts payable due to this individual as at December 31, 2017 or December 31, 2016.

Transactions with Jointly Controlled Entity

In the normal course of operations, the Company enters into transactions on market terms with its jointly controlled entity ShoreCan, which have been measured at exchange value and are recognized in the consolidated financial statements, including, but not limited to: management fees, technical services and unsecured interest-bearing loans.

During the year ended December 31, 2017 the Company and its subsidiaries charged ShoreCan management and technical services of $1.7 million (2016 - $1.9 million), including $0.5 million of costs that were allocated to exploration and evaluation assets (2016 – $ nil) and charged an interest expense of $0.3 million (2016 - $0.2 million). This $1.7 million of revenue was reversed from the Company's revenue and investment in joint venture. Also included in ShoreCan's non-current liabilities is $7.5 million due to the Company under the terms of a funding agreement (December 31, 2016 - $5.5 million). Amounts advanced to ShoreCan under the terms of this funding agreement are unsecured and payable on or before October 24, 2020, contingent upon ShoreCan generating its own cash flows. Interest is charged monthly at an annual rate of 3.0% above USD one year LIBOR.

FINANCIAL INSTRUMENTS*

The Company's financial instruments consist of cash, short-term deposits, credit card and deposits, accounts receivable, as well as accounts payable, accrued liabilities and derivative liability. It is management's opinion that the Company is not currently exposed to significant interest and/or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying value.

To mitigate a portion of foreign exchange risk exposure and to the extent it is feasible, the Company keeps its funds in currencies applicable to its known short-term commitments. No assurance can be given that such management of risk exposure will offset and/or eliminate the foreign exchange loss/gain fluctuations.

**** This section contains forward-looking information. Please see the "Forward-looking Information and Statements" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.***

COMMITMENTS AND CONTRACTUAL OBLIGATIONS*

As at December 31, 2017, the Company has the following commitments:

In $ 000's	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
Office lease	**1,008**	526	482	-	-

The Company is committed under an operating lease agreement for the rental of office space in Calgary, Canada. The approximate lease payments total $1.0 million and are payable over the next two years.

ShoreCan's Commitments

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan, focusing on acquisitions of upstream oil and gas exploration, development and producing assets in Africa. The determination of ShoreCan as a joint venture was based on ShoreCan's structure through a separate legal entity whereby neither the legal form nor the contractual arrangement give the owners rights to the assets and obligations for the liabilities within the normal course of business, nor does it give rights to the economic benefits of the assets or responsibility for settling liabilities associated with the arrangement.

The Company and its joint venture partner signed a funding agreement, effective October 24, 2014 (the "Funding Agreement") providing financial support as needed in proportion to its interest (50% each) in ShoreCan for ShoreCan's expenses and obligations. The Funding Agreement does not impose any guarantees from the Company and/or its joint venture partner. Amounts advanced to ShoreCan under the terms of the Funding Agreement are unsecured and payable on or before October 24, 2020 contingent upon ShoreCan generating its own cash flows. Interest is charged monthly at an annual rate of 3.0% above 12 month USD LIBOR.

From time to time the Company or its joint venture partner pay for ShoreCan's general and administrative expenses on behalf of the other partner. As at December 31, 2017 the Company had a receivable from its joint venture partner in respect of overpaid ShoreCan's expenses of $0.2 million that is recorded as a long term receivable.

On September 13, 2016, ShoreCan closed an acquisition of 80% of the issued share capital of Essar Exploration and Production Limited (Nigeria) ("Essar Nigeria"), a company which sole asset is a 100% interest in exploration license OPL 226 offshore Nigeria. ShoreCan paid a cash consideration of $0.25 million and as part of the shareholder agreement, ShoreCan has agreed to cover the funding of Essar Nigeria's operations. As a party to a Production Sharing Contract ("PSC") signed with Nigerian National Petroleum Corporation ("NNPC") for OPL 226, Essar Nigeria is required to seek NNPC's consent for the transaction. The respective application has been made and the parties to the transaction are awaiting NNPC's reply.

In addition, ShoreCan has committed to invest up to a maximum of $80 million into Essar Nigeria in the form of an interest-free shareholder loan. The funds will be used for Essar Nigeria operations and in particular, to cover work program obligations, including the costs of drilling one well under Phase-1 of the PSC. NNPC has extended Phase-1 exploration period till November 30, 2017; however, on November 3, 2017 Essar Nigeria requested a further extension from NNPC as the company is still awaiting NNPC's consent to the transaction.

In 2017, three ShoreCan representatives were appointed Directors of Essar Nigeria, gaining a majority on the Essar Nigeria board and legal control over Essar Nigeria. ShoreCan has assessed that the transaction does not meet criteria of a business acquisition as Essar Nigeria is in exploration/development stage. ShoreCan assessed the investment based on the fair values of Essar Nigeria's assets and liabilities upon obtaining control over Essar Nigeria. ShoreCan estimated a fair value of Essar Nigeria loan to its previous parent at $6 million (as compared to the loan face value of $62.7 million as presented in Essar Nigeria audited financial statements as at December 31, 2016) as the shareholding agreement with Essar Nigeria provides for the repayment of this loan from anticipated future production. The loan is an interest fee shareholder loan. Non-controlling interest ("NCI") was recognized at the NCI proportionate share of net assets acquired.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (CONTINUED)*

Summarized consolidated statements of ShoreCan as at December 31, 2017 and results for the year ended December 31, 2017 are presented in Note 5 accompanying the Company's audited consolidated financial statements as at and for the years ended December 31, 2017 and 2016.

As at the date of filing this MD&A, COPL has not provided any guarantee in respect of obligations, commitments and/or losses of either ShoreCan or Essar Nigeria.

**** This section contains forward-looking information. Please see the "Forward-looking Information and Statements" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.***

LIQUIDITY AND CAPITAL RESOURCES*

As of December 31, 2017, the Company had a working capital of approximately $3.1 million, shareholders' equity of $3.2 million and cash of $4.1 million.

For the year ended December 31, 2017, the Company's cash used in operating activities amounted to $4.9 million, compared to $5.5 million for the year ended December 31, 2016.

Cash provided by financing activities amounted to $6.5 million for the year ended December 31, 2017 (compared to $6.5 million for the same period in 2016) and related to net proceeds from the UK Placing closed on June 12, 2017 and another UK Placing closed on October 16, 2017 (discussed in "Share Capital" section). The Company will use these funds to finance its administrative expenses.

Cash used in investing activities amounted $0.3 million for the year ended December 31, 2017 compared to $0.3 million for the same period in 2016.

Currently, the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects that, if successful, will require substantial additional financing before they are able to generate positive cash flows. Accordingly, the Company's planned growth and future development activities are dependent on its ability to obtain additional financing. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company.

**** This section contains forward-looking information. Please see the "Forward-looking Information and Statements" section (at the beginning of this document) for a discussion of risks and uncertainties relating to such information.***

ACCOUNTING PRONOUNCEMENTS

Critical Accounting Estimates

The preparation of the financial statements in accordance with IFRS requires the Company to make estimates, assumptions and judgements in applying the Company's accounting policies and practices, which may have a significant impact on the financial results reported by the Company. Actual results could differ from estimated amounts, and those differences may be material. A comprehensive discussion of the Company's significant policies and critical accounting estimates is contained in the audited consolidated financial statements for the years ended December 31, 2017 and 2016.

Management is required to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Accordingly, actual results may differ from those estimated amounts and differences may be material.

ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Critical Accounting Estimates (continued)

In particular, significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are:

- Stock-based compensation, warrants and derivative liability – the amounts recorded in respect of stock options granted, share purchase warrants granted and the derivative liability for warrants issued are based on the Company's estimation of their fair value, calculated using assumptions regarding the life of the option or warrant, interest rates and volatility. By their nature, these estimates and assumptions are subject to uncertainty, and the actual fair value of options or warrants may differ at any time;
- Impairment of assets – E&E assets and office equipment are assessed for impairment annually and when circumstances suggest that the carrying amount might exceed the recoverable amount. These calculations require the use of estimates and assumptions and are subject to change as new information becomes available. Specifically for E&E assets, these estimates include future commodity prices, quantity of reserves and discount rates, as well as future development and operating expenses;
- Impairment of investment in joint venture – After application of the equity method, the net investment in joint venture is assessed for impairment annually and when circumstances suggest that the carrying amount might exceed the recoverable amount. The Company assesses whether it is necessary to recognize any additional impairment loss with respect to its net investment in the joint venture or any other amount that does not constitute part of the net investment. These estimates include the market, economic, legal and political environment in which the joint venture operates, as well as changes in the joint venture's financial condition. Any reversal of impairment losses is recognized to the extent that the recoverable amount of the investment subsequently increases;
- Deferred income tax – management assesses the likelihood that deferred income tax assets will be realized from future taxable earnings, and the amount of which is subject to measurement uncertainty; and
- Provisions, commitments and contingent liabilities – amounts recorded as provisions and amounts disclosed as commitments and contingent liabilities are estimated based on the terms of the related contracts and management's best knowledge at the time of issuing the consolidated financial statements. The actual results ultimately may differ from those estimates as future confirming events occur.

Significant judgments are involved in the determination of the functional currency of the subsidiaries and the time when exploration and evaluation projects are complete and the technical feasibility and commercial viability of extracting oil or gas are demonstrable for the project or there is no prospect of a positive outcome for the project. Determining the type of joint arrangement as either a joint operation or a joint venture is based on management's determination of whether it has joint control over another entity and considerations include assessment of contractual agreements for unanimous consent of the parties on decision making of relevant activities. Once classified as a joint arrangement, management assesses whether it is structured through a separate vehicle and whether the legal form and contractual arrangements give the entity the direct right to the assets and obligations for the liabilities within the normal course of business, as well as the entity's rights to the economic benefit of assets and its involvement and responsibility for settling liabilities associated with the arrangement.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have designed disclosure controls and procedures ("DC&P"), or caused it to be designed under their supervision, to provide reasonable assurance that material information relating to the Company is made known to them by others, particularly during the period in which the annual filings are being prepared, and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. Management of COPL, including the Chief Executive Officer and Chief Financial Officer evaluate the effectiveness of the Company's DC&P annually.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("ICFR"). They have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the Company's officers used to design the Company's ICFR is the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations.

No material changes in the Company's ICFR were identified during the year ended December 31, 2017, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

It should be noted that a control system, including the Company's disclosure and internal controls procedures, no matter how well conceived, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met and it should not be expected the disclosure and internal control procedures will prevent all errors or fraud. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

DIRECTORS

Arthur S. Millholland - President and Chief Executive Officer
Harald Ludwig
Massimo Carello
Viscount William Astor
John Cowan

OFFICERS

Arthur S. Millholland, P.Geol. - President and Chief Executive Officer
Aleksandra Owad, CPA, CGA, FCCA (UK) - Chief Financial Officer
Rod Christensen, P.Geol. - Vice President, Exploration and Exploitation
Richard Mays, LL.B. (Hons), LL.M., Ph.D. - Vice President, Business Development and General Counsel
Faralee A. Chanin, LL.B., M.B.A. - Corporate Secretary