CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018

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, 2018. The information is provided as of March 28, 2019. The results for the year ended December 31, 2018 have been compared to the same periods of 2017. 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, 2018 and 2017, together with the accompanying notes and the Annual Information Form of the Company dated March 28, 2019 (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 London Stock Exchange ("LSE") in the UK under the symbol "COPL" and the Canadian Securities Exchange (the "CSE") in Canada under the symbol "XOP"; the Company moved its listing from TSX Venture Exchange to the CSE on October 31, 2018.

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; however, an acquisition project was not successful.

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 the AIF dated March 28, 2019, 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", "Share Capital" 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, 2018 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 2018, 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.

Expansion of African 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. On October 2, 2018, the Nigerian National Petroleum Corporation ("NNPC") granted a conditional approval of a twenty four months extension for the Phase-1 exploration period until October 1, 2020. The extension is subject to certain conditions, including submission of a Performance Bond of $7 million that is required further to the Production Sharing Contract ("PSC"), to cover the Phase-1 exploration period work program at OPL 226. The Company is looking at providing security such that Essar Nigeria may post the requisite Performance Bond.

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED) *

Nigeria (continued)

OPL 226 has an area of 1530 km^2 and is situated in water depths ranging from 40 to 180 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 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 exploitation wells 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, 2018. The Contingent and Prospective Resource volumes estimated in the NSAI report are disclosed in the Company’s AIF dated March 28, 2019 under Appendix A in accordance with NI-51-101 rules and regulations.

In July 2018, ShoreCan received and agreed to a project financing and offtake agreement term sheet (the “Term Sheet”), providing for a minimum $30 million to a maximum of $50 million Senior Secured Facility (the “Facility”), for investment by ShoreCan into Essar Nigeria from the Mauritius Commercial Bank Limited (“MCB”) and Trafigura PTE Ltd. (“Trafigura”).

The Facility would provide funding for all production related expenditures following the drilling and testing of the initial production well to be drilled by Essar Nigeria on OPL 226. Drawing on the Facility is contingent on among other things:

- An additional $20 million to $33 million of funding from ShoreCan;
- $100 million funding from an offshore oil services group (“Service Provider”) to deliver the project;
- A minimum of 6,000 bbl/d production rate averaged over 20 days; and
- The execution of a formal definitive binding agreement between the parties.

Other material terms of the proposed Facility include the following: two-year term to maturity and a grant to the lenders of $3 million worth of warrants to purchase COPL common shares with a term of two years with an exercise price equal to the market price of the COPL common shares on the date of closing of the Facility.

The project as planned involves the drilling and completion of a horizontal oil production well offsetting the 2001 Noa-1 oil discovery well and the drilling and completion of two (2) to three (3) additional high angle oil production wells in the adjacent Noa East fault block from a common wellhead platform, and placing these wells on production in an approved early production scheme. Essar Nigeria has prepared a work program for this initial campaign on OPL 226 in the form of a field development plan (“FDP”) for submission to the Concessionaire, NNPC. Upon request in late December 2018, the Company submitted a comprehensive report entitled “Oil Prospecting License 226, Offshore Nigeria – Exploration Period: Phase I and Phase II Work Program to the NNPC.

ShoreCan is in late stage discussions with the Service Provider, which involve the provision of drilling services, the supply of a mobile production unit and a storage vessel for a deferred fee. The Company will provide updates on these discussions in due course.

As part of the transaction, the Term Sheet provides for Essar Nigeria to enter into a crude oil offtake arrangement with Trafigura.

Cofarco SAS (“Cofarco”) of Paris is engaged as Financial Advisor to the Company for the project financing.

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED) *

Mozambique

In Mozambique, the Company is part of a consortium that has entered into final discussions regarding the awarding of a prospective onshore license (PT5-B) 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 will be invited to negotiate with the Government of Mozambique the terms of the PSC governing the block. These terms will include the acquisition of 1600 line km of 2D seismic. According to the Company's Mozambican partner, the Instituto Nacional de Petroléo (INP) has finalized the Exploration Production Concession Contract (EPCC) discussions with successful bidders as part of the Fifth Licensing Round in 2014. On October 8, 2018, the INP announced that it had signed agreements with ExonMobil and Rosneft for offshore blocks in the Rovuma Basin. INP signed an agreement with ENI (Ente Nazionale Idrocarburi) and Sasol for an offshore block in the Northern Zambezi Basin on October 18, 2018. The Company expects to enter into discussions with INP regarding onshore Block PT5-B in the first half of 2019. The ExxonMobil EPCC agreed model version will serve as the basis for future negotiations with all companies.

**** 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 financing and planning of drill locations of the first well on OPL 226 in Nigeria;
- negotiating the terms of the PSC governing the Block PT5-B with the Mozambique government; and
- working to evaluate 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. The Company currently does not have sufficient cash flows to cover forecasted administrative expenses for 2019. With no assurance such financing will be obtained in future, there is material uncertainty that casts 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 $4.9 million for the year ended December 31, 2018 (net of $nil of costs allocated to exploration projects), compared to $4.6 million for the year ended December 31, 2017 (net of $0.2 million of costs allocated to exploration projects). Pre-licence costs were $0.5 million for the year ended December 31, 2018 compared to $0.4 million the same period of 2017. In 2017, the Company derecognized its exploration and evaluation assets of $15.6 million; there was no such derecognition recorded in comparable period of 2018. During the year ended December 31, 2018, the Company recorded a gain on derecognition of a former, 2011/2012 joint venture payable in the amount of $0.7 million; there was no such gain recorded in 2017. Stock-based compensation expense of $0.3 million was recorded in 2017 in relation to stock options granted; there were no stock options granted in 2018. A foreign exchange loss of $0.2 million was recognized for the year ended December 31, 2018, compared to foreign exchange gain of $0.4 million in 2017. The Company recognized a gain on derivative of $0.4 million for the year ended December 31, 2017; compared to nil for the year ended December 31, 2018. The Company recognized interest income of approximately $11,000 for the year ended December 31, 2018, compared to $9,000 for the year ended December 31, 2017. The loss recognized on the Company's investment in ShoreCan was $43,000 for the year ended December 31, 2018 and $76,000 the year ended December 31, 2017. As a result, the Company's net loss amounted to $4.9 million for the year ended December 31, 2018, compared to net loss of $20.1 million in 2017.

As at December 31, 2018, the Company's cash and cash equivalents amounted to $1.9 million, compared to $4.1 million as at December 31, 2017. Cash used in operating activities amounted to $5.5 million for the year ended December 31, 2018 compared to $4.9 million for 2017. Cash provided by financing activities amounted to $3.4 million for the year ended December 31, 2018 compared to $6.5 million for the year ended December 31, 2017. Cash used in investing activities amounted to $44,000 for the year ended December 31, 2018 compared to $0.3 million for the year ended December 31, 2017.

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 2018, 2017 and 2016:

($ 000's) except per share	**2018**	2017	2016
Pre-license costs	**$ 489**	$ 372	$ -
Administrative expenses	**4,944**	4,591	5,182
Derecognition of exploration and evaluation assets	**-**	15,642	1,321
Derecognition of accounts payable (gain)	**(744)**	-	-
Stock-based compensation	**-**	283	2,097
Depreciation	**20**	22	40
Interest income	**(11)**	(9)	(26)
Derivative gain	**-**	(436)	(2,126)
Foreign exchange loss / (gain)	**175**	(394)	193
Loss on investment in joint venture	**43**	76	80
Net loss	**4,916**	20,147	6,761
Per share loss (basic and diluted)	**$ 0.00**	$ 0.02	$ 0.01
Outstanding common shares at December 31	***2,486,752,463***	*1,523,139,350*	*617,139,350*
Weighted average common shares - basic	***1,841,654,781***	*1,032,240,720*	*566,935,628*
Cash used in operating activities	**$ 5,455**	$ 4,873	$ 5,484

SELECTED ANNUAL INFORMATION (CONTINUED)

Pre-License Costs

The $0.5 million of pre-license costs in 2018 and $0.4 million in 2017 relate to an anticipated project in Canada. No pre-license costs were incurred in 2016.

Administrative Expenses

A breakdown of administrative expenses are as follows:

($ 000's)	**2018**	2017
Administrative:		
Payroll and related costs	**$ 1,933**	$ 1,878
External directors' fees and related costs	**510**	543
Consulting services	**463**	413
Professional services	**243**	232
Software licenses and maintenance	**150**	159
Travel expenses	**338**	418
Office expenses	**695**	658
Stock exchange, transfer agent and UK regulatory agents fees	**242**	206
Other general and administrative	**370**	319
Costs allocated to exploration projects	**-**	(235)
Total administrative	**$ 4,944**	$ 4,591

Total administrative expenses (before allocation to projects) were at similar levels in 2018 and 2017 and amounted to $4.9 million for the year ended December 31, 2018 and $4.8 million for the year ended December 31, 2017.

Cost allocated to exploration projects of $0.2 million in 2017 related to exploration project in Liberia. There were no such cost allocation in 2018.

Derecognition of Exploration and Evaluation Assets

In December 2016, the Company reviewed its exploration and evaluation ("E&E") balances and derecognized $1.3 million representing capitalized E&E related to Block LB-13 offshore Liberia.

In September 2017, the Company derecognized the whole balance of its exploration and evaluation assets ("E&E") of $15.6 million that related to Block LB-13 offshore Liberia as the license was surrendered and expired on September 25, 2017.

There was no such derecognition of E&E assets recorded in 2018.

Derecognition of Accounts Payable

During the year ended December 31, 2018, the Company recorded a gain on derecognition of joint venture payable in the amount of $ 0.7 million related to a former, 2011/2012 exploration project in UK. This amount, originally in dispute, was never challenged by the joint venture partner, and the six years statute barred time frame, applicable in the UK, expired in 2018.

There was no such derecognition of accounts payable recorded in 2017 and 2016.

SELECTED ANNUAL INFORMATION (CONTINUED)

*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);

The stock options vest immediately and expire five years from the date of grant. The related stock-based compensation expense has been recognized in the statement of loss and comprehensive loss of $0.3 million for the year ended December 31, 2017 and $2.1 million for the year ended December 31, 2016. There were no stock options granted in 2018. 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).

During the year ended December 31, 2018, no new options were granted (60,035,000 in 2017 and 52,680,000 in 2016), 7,725,000 stock options expired unexercised (nil in 2017 and 9,490,000 in 2016), no stock options were forfeited (5,800,000 in 2017 and 1,500,000 in 2016). No stock options were exercised during the years ended December 31, 2018, 2017 or 2016. As at December 31, 2018, a total of 107,515,000 stock options to purchase Common Shares were outstanding, having a weighted average exercise price of $0.04 per share and a remaining weighted average contractual life of 3.27 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.***

Depreciation

Depreciation of $20,000 for 2018 ($22,000 for 2017 and $40,000 for 2016) relates to office furniture and equipment and is calculated on a straight line basis over expected useful life.

Interest Income

Interest income earned was $11,000 for the year ended December 31, 2018, compared to $9,000 for the year ended December 31, 2017. The interest income relates to interest earned on cash held at banks.

*Derivative Gain / Loss**

In connection with UK share placings, the Company issues Broker's Warrants. The value of the Warrants is determined using Black Scholes and in prior years was recorded as a derivative liability and revalued at each balance sheet date until Warrants are exercised or expire. In 2018, the Company has reclassified the derivative liability related to the Warrants to equity as the Warrants were issued in exchange for services and should be accounted for under IFRS 2. As a result, there were no derivative gain recorded for the year ended December 31, 2018 compared to $0.4 million for 2017. The prior year amounts have not been restated, as the amounts were not material.

SELECTED ANNUAL INFORMATION (CONTINUED)

*Derivative Gain / Loss (continued)**

The significant derivative gain recorded for the year ended December 31, 2016 of $2.1 million relates mainly to 120,032,188 Warrants issued in 2016 and resulted from 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, 2018 and December 31, 2017).

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Foreign Exchange Gain

A foreign exchange loss of $0.2 million was recognized for the year ended December 31, 2018 (compared to a foreign exchange gain of $0.4 million for 2017 and a foreign exchange loss of $0.2 for 2016), which relates to a loss on translation of cash, cash equivalents and accounts payable denominated in currencies other than USD.

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, 2018, the Company charged ShoreCan $1.8 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, 2018, the Company's share in ShoreCan's losses of $2.0 million (December 31, 2017 - $1.6 million) exceed the Company's net investment in ShoreCan of $43,000 for this period (December 31, 2017 - $76,000). Accordingly, under the equity method, the loss on investment recognized by the Company amounted to $43,000 for the year ended December 31, 2018 (December 31, 2017 - $76,000).

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at December 31, 2018, December 31, 2017 and December 31, 2016:

($ 000's) except per share	December 31, 2018	December 31, 2017	December 31, 2016
Cash and cash equivalents	**$ 1,856**	$ 4,060	$ 2,565
Exploration and evaluation assets	**-**	-	15,407
Total assets	**2,419**	4,646	18,480
Derivative liability	**-**	227	335
Share capital	**(136,942)**	(133,650)	(124,874)
Shareholders' equity	**$ (2,083)**	$ (3,211)	$ (17,154)

Economic and industry factors and their respective impact on the Company for the year ended December 31, 2018, are substantially unchanged since the year ended December 31, 2017.

Cash and Cash Equivalents

The decrease in cash and cash equivalents of $2.2 million during 2018 represents mainly cash utilized in operating activities of $5.5 million and a foreign exchange loss of $0.1 million on cash and cash equivalents denominated in currencies other than USD, offset by proceeds from the equity financing closed in the third quarter of 2018 of $3.4 million.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

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, 2018, 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 $nil as at December 31, 2018 ($nil as at December 31, 2017). Investment in ShoreCan is further discussed in section "Commitments and Contractual Obligations".

Exploration and Evaluation Assets

($ 000's)	December 31, 2018	December 31, 2017	December 31, 2016
E&E assets – opening balance	$ -	$ 15,407	$ 16,455
Capitalized geological and geophysical work	-	235	273
Derecognition of exploration and evaluation assets	-	(15,642)	(1,321)
Total capitalized exploration and evaluation costs	$ -	$ -	$ 15,407

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"), which 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 $2.2 million from $4.6 million as at December 31, 2017 to $2.4 million as at December 31, 2018. This decrease is mainly a result of a decrease in cash and cash equivalents that were utilized in operating activities.

Derivative Liability

Derivative liability of $0.2 million as at December 31, 2017 represents entirely valuation of Warrants issued in prior years and classified as derivative financial instruments. The derivative liability was recognized as at the date of issue and was revalued at each balance sheet date using 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, 2018) until Warrants are exercised or expire. In 2018 the Company has reclassified the Warrant derivative liability to equity as the Warrants were issued in exchange for services and should be accounted for under IFRS 2. The prior year amounts have not been restated, as the amounts were not material.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Shareholders' Equity

The decrease in shareholders' equity of $1.1 million from $3.2 million as at December 31, 2017 to $2.1 million as at December 31, 2018 relates to:

- net loss of $4.9 million for the year ended December 31, 2018;
- an increase in share capital of $3.3 million as a result of common shares issued further to equity financing closed in August and September 2018 of $4.2 million, net of share issue costs of $0.9 million (as discussed in details in "Share capital" section);
- an increase in Warrants of $0.3 million representing a fair value of Broker's Warrants outstanding as at December 31, 2018 (as discussed in details in "Share Capital" section and "Derivative Liability" section); and
- a decrease in accumulated other comprehensive loss of $0.2 million that represents an unrealized foreign exchange gain on translation of foreign subsidiary.

SHARE CAPITAL*

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

On August 31, 2018, further to a UK prospectus, the Company closed a placing of 895,523,000 Common Shares at a price of GBP 0.00335 ($0.0043) for gross proceeds of GBP 3.0 million ($3.9 million) (the "UK August Placing"). The broker was paid a cash commission of GBP 0.2 million ($0.2 million) representing approximately 6.0% of the gross proceeds of the UK August Placing. Other expenses (mainly legal and finders' fees) amounted to approximately GBP 0.3 million ($0.5 million). The Company uses net proceeds from the UK August Placing of approximately $3.2 million mainly to finance its administrative expenses.

In connection with the UK August Placing, the Company also issued 53,731,380 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 0.00335 ($0.0043) per Common Share on or before August 30, 2020. The fair value of the Broker's Warrants estimated at $103,000 (using a Black-Scholes option pricing model) was recognized as equity and netted against proceeds from UK August Placing (as share issue costs).

On September 19, 2018 and September 20, 2018, the Company closed a Private Placement and issued in total 41,310,913 Common Shares at a price of GBP 0.00335 ($0.0043) to the Company's directors and employees for gross proceeds of approximately GBP 0.14 million ($0.18 million).

In addition, on September 19, 2018, the Company issued 26,779,200 Common Shares as a payment for an introduction fee related to the UK August Placing. Accordingly, the Company recognized GBP 0.1 million ($0.1 million), being a fair value of these shares as at the grant date, as an addition to equity and a share issue cost related to the UK August Placing.

As at December 31, 2018, the Company had the following issued and outstanding securities:

- 2,486,752,463 Common Shares;
- 107,731,380 share purchase Warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.006 per share and a remaining contractual life of five months to twenty months; and
- 107,515,000 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.045 per Common Share and a remaining contractual life of two years and four months to three years and ten months.

SHARE CAPITAL (CONTINUED)*

During 2018, 120,032,188 Warrants expired unexercised and no Warrants were exercised. Also, there were no stock options granted, exercised, expired and/or forfeited during the year ended December 31, 2018. Subsequent to year ended December 31, 2018, 110,000 stock options were forfeited in January 2019.

As at March 28, 2019, the Company has 2,486,752,463 Common Shares, 107,731,380 Warrants and 107,405,000 Stock Options issued and outstanding.

**** 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

In connection with UK share placings, the Company issues Broker's Warrants (the "Warrants"). The value of the Warrants is determined using Black Scholes and in prior years was recorded as a derivative liability. In fourth quarter of 2018, the Company has reclassified the derivative liability related to the Warrants to equity as the Warrants were issued in exchange for services and should be accounted for under IFRS 2. The prior year amounts have not been restated as the amounts are not material. Under the previous classification, the derivative liability was revalued each reporting period through the income statement as a derivative gain. The change in accounting treatment results in an impact to the statement of loss to account for the gain (a portion of which was attributable to foreign exchange).

The impact of the Warrants reclassification on 2018 quarterly statement of loss is as follows:

Three months ended ($ 000's)	March 31, 2018 Reported	**March 31, 2018 Restated**	June 30, 2018 Reported	**June 30, 2018 Restated**	September 30, 2018 Reported	**September 30, 2018 Restated**
Pre-license costs	$ 321	**$ 321**	$ -	**$ -**	$ 130	**$ 130**
Administrative expenses	1,254	**1,254**	1,197	**1,197**	1,272	**1,272**
Depreciation	5	**5**	5	**5**	5	**5**
Interest income	-	**-**	(6)	**(6)**	(3)	**(3)**
Derivative gain	(94)	**-**	(34)	**-**	(130)	**-**
Foreign exchange loss / (gain)	(42)	**(51)**	139	**149**	(14)	**(14)**
Loss on investment in joint venture	-	**-**	13	**13**	-	**-**
Net loss	1,444	**1,529**	1,314	**1,358**	1,260	**1,390**

The impact of the Warrants reclassification on financial position as at 2018 quarter-ends is as follows:

As at ($ 000's)	March 31, 2018 Reported	**March 31, 2018 Restated**	June 30, 2018 Reported	**June 30, 2018 Restated**	September 30, 2018 Reported	**September 30, 2018 Restated**
Total Assets	$ 3,642	**$ 3,642**	$ 2,223	**$ 2,223**	$ 3,970	**$ 3,970**
Current liabilities	1,838	**1,838**	1,594	**1,594**	1,300	**1,300**
Derivative liability	142	**-**	98	**-**	71	**-**
Shareholders' Equity:						
Share capital	133,650	**133,650**	133,650	**133,650**	136,948	**136,948**
Warrants	-	**227**	-	**227**	-	**330**
Contributed capital reserve	50,394	**50,394**	50,394	**50,394**	50,394	**50,394**
Deficit	(180,039)	**(180,124)**	(181,353)	**(181,482)**	(182,613)	**(182,872)**
Accumulated other comprehensive loss	(2,343)	**(2,343)**	(2,160)	**(2,160)**	(2,130)	**(2,130)**
Total liabilities and equity	3,642	**3,642**	2,223	**2,223**	3,970	**3,970**

SUMMARY OF QUARTERLY RESULTS (CONTINUED)

Comparison of eight most recent quarters:

($ 000's)	December 31, 2018	September 30, 2018 Restated	June 30, 2018 Restated	March 31, 2018 Restated
Revenue	-	-	-	-
Interest income	2	3	6	-
Loss	(639)	(1,390)	(1,358)	(1,529)
Loss per share - basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

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

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

Significant fluctuations in the Company's quarterly net results during 2018 and 2017 were mainly due to non-cash items recorded during the quarters in respect of E&E derecognition, gain on derecognition of accounts payable, stock-based compensation and changes in derivatives valuation as follows:

($ 000's)	December 31, 2018	September 30, 2018 Restated	June 30, 2018 Restated	March 31, 2018 Restated
Derecognition of E&E assets	-	-	-	-
Gain on derecognition of accounts payable	744	-	-	-
Share-based compensation	-	-	-	-
Derivative (loss) / gain	-	-	-	-

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

During the fourth quarter of 2018, the Company recorded a gain on derecognition of a joint venture payable in the amount of $ 0.7 million related to a former 2011/2012 exploration project in UK. This amount, originally in dispute, was never challenged by the joint venture partner, and the six years statute barred time frame, applicable in the UK, expired in 2018.

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

The stock-based compensation was recognized in fourth quarter of 2017, in respect of stock options granted during that period.

Derivative gain and loss in 2017 quarters represented a change in valuation of the Company's Warrants that were recognized as derivative financial instruments. In 2018, the Company has reclassified the 2017 Warrants value to equity; accordingly there are no derivative gain/losses recognized in 2018.

Quarterly administrative expenses were $1.3 million for the third and first quarter of 2018 compared to $1.2 million for the fourth and second quarter of 2018 and third quarter of 2017, $1.1 million for the first, second and fourth quarter of 2017. The administrative expenses are presented net of costs allocated to exploration projects – there was no such allocation in 2018 as compared to $33,000 - $123,000 of administrative costs allocated to projects during 2017 quarters under review. Accordingly, total administrative cost (before any allocation) remained fairly stable at a level of $1.1-$1.3 million per quarter.

FOURTH QUARTER RESULTS

The Company recorded a net loss of $0.6 million for the three month period ended December 31, 2018, compared to net loss of $1.2 million for same period of 2017. Major items that affected the fourth quarter results are as follows:

- In the fourth quarter of 2018, the Company recorded a gain on derecognition of a former 2011/2012 joint venture payable in the amount of $0.7 million; there was no such gain recorded in 2017.
- Administrative costs were $1.2 million in the fourth quarter of 2018, compared to $1.1 million in the fourth quarter of 2017.
- A pre-licence expense of $38,000 was recognized in the fourth quarter of 2018, compared to $0.4 million in 2017.
- A foreign exchange loss of $91,000 was recognized for the fourth quarter of 2018, compared to a foreign exchange gain of $98,000 for the same period in 2017.
- 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.
- The loss recognized on the Company's investment in ShoreCan was $30,000 for the fourth quarter of 2018, compared to a loss of $17,000 for the same period in 2017.
- The Company's revenue consisted of interest income earned on cash balances held at banks and amounted to $2,000 and $1,000 for fourth quarter of 2018 and 2017, respectively.
- A derivative loss of $nil was recorded in the fourth quarter of 2018, compared to derivative gain of $0.6 million in 2017. The significant derivative gain recorded for the quarter ended December 31, 2017 relates to a general decrease in Warrants' fair values during 2017, mainly due to a decrease in the Company's stock price and the reduction of the total number of Warrants subject to valuation.

Cash used in operating activities amounted to $1.2 million for the three month period ended December 31, 2018 compared to $1.5 million for the same period in 2017. Cash provided by financing activities amounted to $0.2 million for the three month period ended December 31, 2018, compared to $3.0 million for the three month period ended December 31, 2017. Cash used in investing activities amounted to $36,000 for the three month period ended December 31, 2018, compared to $16,000 for the three month period ended December 31, 2017.

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, 2018, accounts due from related parties amounted to $19,000, which represented travel advances (December 31, 2017 - $8,000) and accounts payable to related parties amounted to $2,000 and represented travel expenses (December 31, 2017 - $1,000).

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, 2018**	December 31, 2017
Short-term benefits	**$ 1,421**	$ 1,443
	$ 1,421	$ 1,443

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

There were no stock options granted in 2018. In 2017, out of 60 million stock options granted, 49.7 million were granted to directors and key management personnel. The stock options vested immediately and expire five years from the date of grant.

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Remuneration of Directors and Other Key Management Personnel (continued)

The Company employed a family member of a member of key management during the year ended December 31, 2018, under normal commercial terms. Total salary and benefits paid to this individual were $85,000 (2017: $84,000). There were no stock options granted to this individual during 2018 (2017: 2,000,000). There were no accounts receivable due from, or accounts payable due to this individual as at December 31, 2018 or December 31, 2017.

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, 2018, the Company and its subsidiaries charged ShoreCan management and technical services of $1.8 million (2017 - $1.7 million), including $0.5 million of costs that were allocated to exploration and evaluation assets (2017 – $0.5 million) and charged an interest expense of $0.5 million (2017 - $0.3 million). This $2.3 million of revenue was reversed from the Company's revenue and investment in joint venture. Also included in ShoreCan's non-current liabilities is $9.8 million due to the Company under the terms of a funding agreement (December 31, 2017 - $7.5 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 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, 2018, 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	**$ 403**	403	-	-	-

The Company is committed under an operating lease agreement for the rental of office space in Calgary, Canada. The approximate total lease payments total $0.4 million and are payable over the next ten months.

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.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (CONTINUED)*

ShoreCan's Commitments (continued)

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 cashflows. 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, 2018, the Company had a receivable from its joint venture partner in respect of overpaid ShoreCan expenses of $0.2 million ($0.2 million as at December 31, 2017) 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 located in 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 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. On October 2, 2018, NNPC granted a conditional approval of a twenty four months extension for the Phase-1 exploration period until October 1, 2020. The extension is subject to certain conditions, including submission of a Performance Bond of $7 million that is required further to the PSC, to cover the Phase-1 exploration period work program at OPL 226. The Company is looking at providing security such that Essar Nigeria may post the requisite Performance Bond.

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 the 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 free shareholder loan. A non-controlling interest ("NCI"), was recognized at the NCI proportionate share of net assets acquired.

ShoreCan and Essar Exploration and Production Limited, Mauritius ("Essar Mauritius"), the company that owns 20% of Essar Nigeria shares, are currently in dispute about whether the other party is in compliance with its obligations under the Essar Nigeria Shareholders Agreement. Essar Mauritius asserted that ShoreCan has not commenced funding of the US$80 million agreed cumulative funding in Essar Nigeria. ShoreCan has denied the claim and produced evidence of substantial expenditure to date. ShoreCan also alleged that any delay in securing mainstream long-term project funding is due in part to the failures of Essar Mauritius to comply with its obligations under the Essar Nigeria Shareholders Agreement. The Essar Nigeria Shareholders Agreement contains a dispute resolution process which ShoreCan has sought unsuccessfully to invoke. As at the date hereof, Essar Mauritius has not sought to terminate the Essar Nigeria Shareholders Agreement and no formal proceedings have been commenced by either party. As such, there has been no quantifiable impact to the Company's working capital or its operations. ShoreCan will vigorously contest any action by Essar Mauritius to terminate the Essar Nigeria Shareholders Agreement in the English courts which have jurisdiction over any formal dispute. The directors are of the belief that ShoreCan has several valid defences and counterclaims to any such action.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (CONTINUED)*

ShoreCan's Commitments (continued)

Summarized unaudited consolidated statements of ShoreCan as at December 31, 2018 and results for the year ended December 31, 2018 are presented in Note 5 accompanying the Company's audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017.

Essar Nigeria – Agamore Farm In

In 2010, Essar Nigeria entered into a Farm In Agreement (the "Farm In Agreement") with Agamore Energy Limited ("Agamore"), a private Nigerian company. Under the terms of the Agreement, Agamore was to receive a 37% participating interest in OPL 226 in return for the provision of certain services. Approval was sought from the Nigerian authorities for the transfer of the 37% interest to Agamore but it was declined on two occasions, given that: (i) Agamore did not provide the services to Essar Nigeria; and (ii) Essar Nigeria formed the view that Agamore was in material breach of the Farm-In Agreement. In March 2017, by way of written resolution, the directors of Essar Nigeria resolved to give to Agamore a formal notice of termination of the Farm-In Agreement.

On May 7, 2018, Essar Nigeria received information that, notwithstanding that the Farm-In Agreement provided for disputes to be pursued by way of arbitration held in London, Agamore had brought an action in the Nigerian courts against Essar Nigeria, ShoreCan (including two of ShoreCan's directors), the NNPC and the Nigerian Department of Petroleum Resources ("DPR"). In the summons filed, Agamore sought various declaratory orders and injunctions but did not seek any financial quantum of damages other than for costs incurred in relation to the litigation. Accordingly, the potential claim cannot be quantified. Essar Nigeria, ShoreCan and the Company consider the action to be without merit.

The claim was initially heard on June 5, 2018 where Agamore failed to appear. The claim was continued on June 29, 2018 where Agamore appeared but the case was again extended to September 5, 2018 as the judge noted a technical failure on part of Agamore to serve the action properly on one or more of the defendants. The NNPC and DPR have requested ShoreCan's lawyers represent them to seek dismissal of the action. On September 25, 2018, the case again called in court with the objecting to Shorecan's lawyers representing the NNPC and DPR and also with a motion to enjoin Canadian Overseas Petroleum Limited and the third Shorecan director of Essar Nigeria to the action. The case was continued to December 17, 2018 for the hearing of the motions including those recently enrolled. On March 7, 2019, the Court heard an application filed by Agamore's lawyers to disqualify the barrister from representing the fourth and fifth defendants. Counsel for ShoreCan responded claiming the motion had no evidential basis. The parties are expecting a ruling on the application on April 17, 2019. With all defendants including the Nigerian governmental agencies considering the action to be ill-founded, Essar Nigeria remains confident that the action will be dismissed in due course.

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.

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LIQUIDITY AND CAPITAL RESOURCES AND GOING CONCERN*

As of December 31, 2018, the Company had a working capital of approximately $1.8 million, shareholders' equity of $2.1 million and cash of $1.9 million. For the year ended December 31, 2018, the Company's cash used in operating activities amounted to $5.5 million, compared to $4.9 million for the year ended December 31, 2017.

Cash provided by financing activities amounted to $3.4 million for the year ended December 31, 2018 (compared to $6.5 million for the same period in 2017) and related to net proceeds from the UK Placing closed in August and September 2018 (discussed in "Share Capital" section). The Company used these proceeds to finance its general and administrative expenses.

Cash used in investing activities amounted $44,000 for the year ended December 31, 2018 compared to $0.3 million for the same period in 2017.

LIQUIDITY AND CAPITAL RESOURCES AND GOING CONCERN (CONTINUED)*

The Company currently does not have sufficient working capital to cover forecasted administrative expenses for 2019. 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, 2018 and 2017.

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.

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.

ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Critical Accounting Estimates (continued)

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.

Future Accounting Standards

IFRS 16 - "Leases"

In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". IFRS 16 eliminates the distinction between operating and financing leases and provides a single lessee accounting model that requires the lessee to recognize assets and liabilities for all leases on its balance sheet. Under IFRS 16, lessees must recognize a lease liability and a right-of-use asset for virtually all lease contracts. An optional exemption to recognize certain short-term leases and leases of low value can be applied by lessees. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. For lessor, the accounting remains essentially unchanged. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company will adopt IFRS 16 on January 1, 2019 and has used the practical expedient as permitted by the standard:

- Exemption for short-term leases that have a remaining lease term of less than 12 months as at January 1, 2019 and low value leases.

The adoption of IFRS 16 is not expected to have a material impact on the Company's consolidated financial statements.

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, 2018, 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