Canadian Overseas Petroleum Limited
Consolidated Financial Statements
As at and for the years ended December 31, 2020 and 2019

Management's Responsibility for Consolidated Financial Statements

The information provided in these consolidated financial statements is the responsibility of management. In the preparation of the statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Company's assets are safeguarded and to facilitate the preparation of relevant and timely information.

Ernst & Young LLP was appointed by the shareholders to serve as the Company's external auditors. They have examined the consolidated financial statements and provided their independent auditor's report. The audit committee has reviewed the consolidated financial statements with management and the auditors, and has reported to the Board of Directors. The Board of Directors has approved the consolidated financial statements as presented.

Signed "Arthur S. Millholland"
Arthur S. Millholland
President and Chief Executive Officer
April 28, 2021

Signed "Ryan Gaffney"
Ryan Gaffney
Chief Financial Officer
April 28, 2021

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Canadian Overseas Petroleum Ltd.

Opinion

We have audited the consolidated financial statements of Canadian Overseas Petroleum Ltd. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

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

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Janet Huang.

Ernst & Young LLP

Chartered Professional Accountants

Calgary, Canada
April 28, 2021

Canadian Overseas Petroleum Limited
Consolidated Statements of Financial Position
(in thousands of United States dollars)

As at	**December 31, 2020**	December 31, 2019
Assets		
Current		
Cash and cash equivalents *(note 5)*	**$ 1,401**	$ 75
Accounts receivable	**40**	20
Prepaid expenses	**89**	41
Deferred share issue costs	**128**	-
Deposits	**-**	44
	1,658	180
Non-current		
Prepaid purchase price *(note 18(a))*	**5,000**	-
Right-of-use assets *(note 7)*	**229**	291
Office equipment	**61**	38
Long-term deposits	**44**	-
Long-term receivable *(note 6 & 15(b))*	**-**	239
	$ 6,992	$ 748
Liabilities		
Current		
Accounts payable and accrued liabilities *(note 9)*	**$ 1,066**	$ 1,424
Subscription receipts liability *(note 10, 12(a) and 14(c))*	**5,472**	-
Short-term loan – YARF *(note 11)*	**683**	-
Derivative Liability – YARF *(note 11)*	**91**	-
Current portion of lease liabilities *(note 8)*	**59**	45
	7,371	1,469
Lease liabilities *(note 8)*	**216**	270
	7,587	1,739
Shareholders' Deficit		
Share capital *(note 12(a))*	**142,639**	138,087
Warrants (*note 12(b))*	**145**	107
Contributed capital reserve (*note 12(c))*	**51,260**	50,394
Deficit	**(192,391)**	(187,430)
Accumulated other comprehensive loss	**(2,248)**	(2,149)
	(595)	(991)
	$ 6,992	$ 748

Nature of operations *(note 1)*

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

Signed "Arthur S. Millholland"
Director

Signed "John F. Cowan"
Director

Canadian Overseas Petroleum Limited
Consolidated Statements of Loss and Comprehensive Loss
(in thousands of United States dollars, except per share amounts)

For the years ended December 31	**2020**	2019
Operations		
Administrative	**$ (3,161)**	$ (3,930)
Acquisition costs *(note 18(a))*	**(431)**	-
Pre-license costs	**(39)**	-
Expected credit loss	**(385)**	-
Gain on waived 2019 directors' fees *(note 9)*	**431**	-
Gain on office lease relief	**11**	-
Stock based compensation *(note 12 (a) & (c))*	**(973)**	-
Depreciation	**(70)**	(37)
	(4,617)	(3,967)
Finance income and costs		
Interest income	**-**	2
Interest expense – lease liabilities *(note 8)*	**(10)**	(3)
Interest expense – CEO loan *(note 10)*	**(13)**	-
Accretion – CEO loan *(note 10)*	**(16)**	-
Finance expense – YARF loan *(note 11)*	**(333)**	-
Gain on extinguishment of loan *(note 10)*	**13**	-
Gain on derivative liabilities *(notes 10 & 11)*	**87**	-
Foreign exchange gain	**74**	50
	(198)	49
Loss before investments in joint ventures	**(4,815)**	(3,918)
Loss on investment in joint venture *(note 6)*	**(146)**	(1)
Net loss	**(4,961)**	(3,919)
Loss on translation of foreign subsidiaries	**(99)**	(77)
Comprehensive loss	**$ (5,060)**	$ (3,996)
Loss per share (basic and diluted)	**$ (0.00)**	$ (0.00)
Weighted average number of shares outstanding	**4,107,962,456**	2,929,450,545

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited
Consolidated Statements of Changes in Equity
(in thousands of United States dollars)

	Share Capital	Warrants	Contributed Capital Reserve	Deficit	Accumulated Other Comprehensive Loss[1]	Total Equity
Balance at December 31, 2018	**$ 136,942**	**$ 330**	**$ 50,394**	**$ (183,511)**	**$ (2,072)**	**$ 2,083**
Issued further to Offerings – net of issue cost	918	-	-	-	-	918
Fair value of Broker's warrants issued further to Offering	-	4	-	-	-	4
Fair value of Broker's warrants that expired unexercised	227	(227)	-	-	-	-
Comprehensive loss for the year	-	-	-	(3,919)	(77)	(3,996)
Balance at December 31, 2019	**$ 138,087**	**$ 107**	**$ 50,394**	**$ (187,430)**	**$ (2,149)**	**$ (991)**
Balance at December 31, 2019	**$ 138,087**	**$ 107**	**$ 50,394**	**$ (187,430)**	**$ (2,149)**	**$ (991)**
Issued further to Placings, net of issue cost *(note 12a)*	**2,215**					**2,215**
Issued further to Debt Exchange and payments for fees *(note 12a)*	**1,975**					**1,975**
Issued further to exercise of Brokers' Warrants *(note 12a)*	**255**					**255**
Fair value of Brokers' Warrants exercised *(note 12b)*	**107**	**(107)**				**-**
Fair value of Finders' Warrants issued *(note 12b)*		**145**				**145**
Stock options granted *(note 12c)*			**866**			**866**
Comprehensive loss for the period	**-**	**-**	**-**	**(4,961)**	**(99)**	**(5,060)**
Balance at December 31, 2020	**$ 142,639**	**$ 145**	**$ 51,260**	**$ (192,391)**	**$ (2,248)**	**$ (595)**

[1] As at December 31, 2020 and 2019, the accumulated other comprehensive loss balance consists of unrealized foreign exchange on translation of foreign subsidiaries.

See accompanying notes to the consolidated financial statements.

Canadian Overseas Petroleum Limited
Consolidated Statements of Cash Flows
(in thousands of United States dollars)

For the years ended December 31	**2020**	2019
Cash Used In Operating Activities		
Net loss	**$ (4,961)**	$ (3,919)
Interest income	**-**	(2)
Add (deduct) non-cash items:		
Gain on waived 2019 directors' fees *(note 9)*	**(431)**	-
Depreciation	**70**	37
Interest expense – lease liabilities	**10**	3
Interest expense – CEO loan	**13**	-
Accretion – CEO loan	**16**	-
Finance expense – YARF loan	**333**	-
Gain on extinguishment of loan	**(13)**	-
Gain on lease relief	**(11)**	-
Gain on derivative liabilities	**(87)**	-
Stock based compensation *(note 12a & 12c)*	**973**	-
Unrealized foreign exchange gain	**(119)**	(80)
Loss on investment in joint venture *(note 6)*	**146**	1
	(4,061)	(3,960)
Net change in non-cash working capital *(note 17)*	**162**	1,103
	(3,899)	(2,857)
Cash Provided by Financing Activities		
Issuance of common shares, net of issue costs	**4,483**	922
Proceeds from CEO loan *(note 10)*	**153**	-
Interest paid on CEO loan *(note 10)*	**(14)**	-
Proceeds from YARF loan, net of repayment *(note 11)*	**633**	-
Proceeds from subscriptions *(note 12a)*	**5,269**	-
Financing expense	**(172)**	-
Payment of lease obligations, net of rent concessions *(note 8)*	**(48)**	(3)
Net change in non-cash working capital *(note 17)*	**5**	149
	10,309	1,068
Cash Used in Investing Activities		
Prepaid purchase price	**(5,000)**	-
Additions to office equipment, net of disposal	**(31)**	(3)
Additions to Right-of-use assets	**-**	(3)
Additions to investment in joint venture *(note 6)*	**(146)**	(1)
Interest income	**-**	2
	(5,177)	(5)
Increase /(decrease) in cash and cash equivalents during the period	**1,233**	(1,794)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	**93**	13
Cash and cash equivalents, beginning of period	**75**	1,856
Cash and cash equivalents, end of period	**$ 1,401**	$ 75

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS

Canadian Overseas Petroleum Limited ("COPL" or the "Company"), is a widely-held publicly traded company incorporated and domiciled in Canada. The Company's common shares with no par value (the "Common Shares") are traded on the London Stock Exchange (the "LSE") in the UK under the symbol "COPL" and 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. The Company's registered office is in Calgary, Alberta at 400, 444 – 7th Avenue S.W.

COPL and its subsidiaries are involved in the identification, acquisition, exploration and development of oil and natural gas offshore reserves. As at December 31, 2020, the Company had the following subsidiaries, all of which are wholly-owned directly or indirectly:

- COPL Technical Services Limited, which is involved in providing technical and administrative services to the COPL group of companies;
- Canadian Overseas Petroleum (UK) Limited ("COPL UK"), incorporated in the United Kingdom ("UK") which provides technical and projects related services to the COPL group of companies;
- Canadian Overseas Petroleum (Bermuda Holdings) Limited, Canadian Overseas Petroleum (Bermuda) Limited and Canadian Overseas Petroleum (Namibia) Limited, which were incorporated to conduct operations in Africa.
  Canadian Overseas Petroleum (Ontario) Limited ("COPL Ontario") which was incorporated on December 15, 2017 for the purpose of an anticipated operation in Ontario, Canada.

Subsequent to December 31, 2020, on February 23, 2021, two additional subsidiaries COPL America Holding Inc. and COPL America Inc. were incorporated for the purpose of oil and gas operations in the United States of America and further to the Atomic Group Acquisition (as discussed in Note 18 (a)).

The Company, along with an unrelated company, Shoreline Energy International Limited, incorporated Shoreline Canoverseas Petroleum Development Corporation Limited ("ShoreCan") in October 2014 in Bermuda to focus on acquisitions of upstream oil and gas exploration, development and producing assets in Africa. Both partners hold a 50% interest in the joint venture.

2. BASIS OF PREPARATION

Basis of Preparation and Compliance

The Company's consolidated financial statements ("financial statements") for the years ended December 31, 2020 and 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The Company's consolidated financial statements have been prepared on an historical cost basis, except for certain financial assets and liabilities that have been measured at fair value.

Subsequent to year end, as described in notes 12 and 18, the Company has raised sufficient funds through equity and debt to fund the December 31, 2020 working capital deficit of $5.7 million, complete the acquisition of Atomic and to provide funding for expected cash needs for at least the next twelve months.

These consolidated financial statements are presented in United States dollars ("$"), which is both the functional and presentation currency. All financial information presented in tables has been rounded to the nearest thousand United States dollars except where otherwise indicated.

These financial statements were authorized for issue by the Company's Board of Directors on April 28, 2021.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include the financial statements of COPL and its subsidiaries.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions and balances have been eliminated on consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include cash held at banks, cash in trust, bankers' acceptances, short-term deposits with an original maturity of three months or less, and credit card deposits.

Office Equipment

Office furniture and equipment is stated at purchase price net of accumulated impairment losses and accumulated depreciation. Depreciation is calculated on a straight line basis over estimated useful life of five years.

Foreign Currency Translation

The consolidated financial statements are presented in United States dollars, which is currently the Company's functional and reporting currency.

Transactions denominated in foreign currencies are translated at the exchange rate prevailing on the transaction date. At each period end, monetary assets and liabilities denominated in a foreign currency are translated at the exchange rate prevailing at the period end date. All differences are recognized in net earnings. Non-monetary assets, liabilities and transactions denominated in a foreign currency and measured at historical cost are translated at the exchange rate in effect at the transaction date. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined.

For the purpose of consolidation, assets and liabilities of foreign subsidiaries are translated from their functional currency to United States dollars using the exchange rate prevailing at the period end date. The statements of comprehensive loss and cash flows are translated using the average exchange rates for the period. Foreign exchange differences resulting from such transactions are recorded in Shareholders' Equity as accumulated other comprehensive loss.

Revenue Recognition

The Company recognizes interest income as it is earned.

Pre-License Costs

The Company expenses amounts incurred in the evaluation and development of potential business ventures until the related business arrangements are consummated. The costs incurred prior to the award or the acquisition of oil and gas assets, licenses, concessions and other exploration rights are recognized as an expense in the period incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Arrangements

Certain of the Company's activities are conducted through joint arrangements in which two or more parties have joint control. A joint arrangement is classified as either a joint operation or a joint venture, depending on the rights and obligations of the parties to the arrangement.

Joint operations arise when the Company has a direct ownership interest in jointly controlled assets and obligations for liabilities. The consolidated financial statements include the Company's proportionate share of the assets, liabilities, revenues, expenses, and cash flows of this type of arrangement.

Joint ventures arise when the Company has rights to the net assets of the arrangement. For these arrangements the Company uses the equity method of accounting and recognizes initial and subsequent investments at cost, adjusting for the Company's share of the joint venture's income or loss, less dividends received thereafter. The transactions between the Company and the joint venture are assessed for recognition in accordance with IFRS.

Under the equity method, losses from the joint venture are applied against the carrying amount of the investment and any loans to the associate that are considered part of the net investment. When the Company's share of losses in a joint venture exceeds the Company's interest, the Company discontinues recognizing its share of future losses. The Corporation does not recognize further losses unless a legal or constructive obligation exists. If the joint venture subsequently reports profits, the entity resumes recognizing its share of those profits only after its share of the profits equals the share of losses not recognized. Revenue is only recorded when collection is reasonably assured.

Investments in joint ventures are tested for impairment whenever objective evidence indicates that the carrying amount of the investment many not be recoverable under the equity method of accounting. The impairment amount is measured as the difference between the carrying amount of the investment and the higher of its fair value less costs of disposal and its value in use. Impairment losses are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Stock-Based Compensation

The Company issues equity-settled stock options to its employees, directors and consultants and follows the fair value method of accounting. A Black-Scholes option-pricing model is used to determine the fair value of the award at the time the options are granted. The related expense is charged to the consolidated statement of comprehensive loss with a corresponding increase in equity as contributed capital reserve over the vesting term. Consideration received on the exercise of an option is credited to share capital, along with the related stock-based compensation previously recognized in contributed capital reserve.

Leases

Leases are recognized as right-of-use ("ROU") assets and a corresponding lease liability at the date on which the leased asset is available for use by the Company. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments. The leases have been measured at the present value of the lease payments, discounted using the Company's incremental borrowing rates at the date on which the leased asset is available for use. The incremental borrowing rate as at September 1, 2019 for the Company's office lease in Calgary, Canada was estimated at 3.63%.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease payments are allocated between the liability and finance costs. The finance cost is charged to net earnings over the lease term. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in the future lease payments arising from a change in an index or rate, if there is a change in the amount expected to be payable under a residual value guarantee or if there is a change in the assessment of whether the Company will exercise a purchase, extension or termination option that is within the control of the Company. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the asset or is recorded in the consolidated statements of comprehensive loss if the carrying amount of the asset has been reduced to zero.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability, and is depreciated, on a straight-line basis, over the lease term. The asset may be adjusted for certain remeasurements of the lease liability and impairment losses.

In applying IFRS 16, the Company has applied the practical expedient identified in the standard in which short-term leases and leases of low-value assets are not recognized on the balance sheet and lease payments are instead recognized in the statement of comprehensive loss as incurred.

Per Share Data

Basic net income (loss) per share is calculated using the weighted average number of shares outstanding during the year. The treasury stock method is used to calculate diluted earnings per share. This method assumes that only in-the-money stock options and warrants are exercised and that any proceeds would be used to purchase Common Shares at the average market price during the year.

Financial Instruments

Financial instruments are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured, based on their classification, at fair value through profit and loss or at amortized cost.

Currently, the Company’s financial instruments include cash and cash equivalents, short-term and long-term deposits, current and long-term accounts receivable, as well as short-term loans, derivative liability, subscription receipts liability, accounts payable and accrued liabilities.

The Company’s financial instruments that are classified as non-derivative instruments are measured at amortized cost using the effective interest method less any impairment or expected credit loss.

Derivative financial instruments are measured at fair value through profit and loss (“FVTPL”) unless designated for hedge accounting. Derivative instruments that do not qualify as hedges, or are not designated as hedges, are initially recognized and subsequently measured at fair value with changes in those fair values immediately charged to the statements of comprehensive income.

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions that define the instrument. Financial assets are derecognized when the rights to receive cash flow from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of the ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (continued)

Impairment of financial assets

The Company recognizes an allowances for expected credit losses ("ECL") on its financial assets measured at amortized cost. Expected credit losses exist if one or more loss events occur after initial recognition of the financial asset which has an impact on the estimated future cash flows of the financial asset and that impact can be reliably measured. The Company uses a combination of historical and forward-looking information to determine the best estimate of expected credit loss. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions and may not be indicative of actual credit losses. The carrying amount of the financial asset as at reporting date is reduced by an allowance account, and the loss is recognized in the consolidated statement of loss and comprehensive loss.

Deferred Income Tax

The Company uses the liability method of accounting for income taxes, whereby deferred income tax assets and liabilities are recognized based on temporary differences between the tax basis of assets and liabilities and their carrying amount in the consolidated financial statements, and for unused tax loss carry-forwards.

Deferred tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred income tax assets are recognized only to the extent it is probable that taxable profit will be available to utilize the associated tax deductions.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same tax jurisdiction.

Business Combinations

The Company accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business under IFRS and control is transferred to the Company. The identifiable assets acquired, and liabilities assumed are recognized and measured at their fair value at the date of the acquisition. If the consideration of acquisition given up is less than the fair value of the net assets received, the difference is recognized immediately in the consolidated statement of loss. If the consideration of the acquisition is greater than fair value of the net asset received, the difference is recognized as goodwill on the statement of financial position. All acquisition costs are expensed as incurred. Contingent liabilities are recognized at fair value at the date of the acquisition, and subsequently re-measured at each reporting period until settled.

Significant accounting judgments and estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions and to use judgment that affects 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgments and 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 and share purchase warrants granted 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 – financial 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;
- 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;
- Incremental borrowing rate - the incremental borrowing rates are based on judgments including the Company's own credit risk, economic environment, term, currency and risks specific to the underlying assets. The carrying balance of the right-of-use assets, lease liabilities, and the resulting depreciation and amortization and finance expenses may differ due to changes in the market conditions and lease term;
- 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; and
- Allowance for expected credit loss ("ECL") - The assessment of ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions and may not be indicative of actual credit losses.

Future accounting standards

Interest Rate Benchmark Reform

On August 27, 2020, the IASB published Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, "Financial Instruments", IAS 39, "Financial Instruments: Recognition and Measurement", IFRS 7, "Financial Instruments: Disclosures", IFRS 4, "Insurance Contracts" and IFRS 16) ("IBOR Phase 2 Amendments"), which provides clarity on the changes after the reform of an interest rate benchmark. The amendments are effective for annual periods beginning on or after January 1, 2021, with early application permitted. The IBOR Phase 2 Amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform. The practical expedient for modifications is accounted for by updating the effective interest rate without modification of the financial instrument and is subject to satisfying all qualifying criteria. The Company expects the IBOR Phase 2 Amendments will not have a material effect on the Company's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended accounting standards

Business Combinations

In October 2018, the IASB issued amendments to IFRS 3 "Business Combinations" that clarified the definition of a business and included an election to use a concentration test. The concentration test provide for a simplified assessment of an acquisition transaction that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use the concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process. An asset acquisition does not result in the recognition of goodwill, which can only be recognized as a result of acquiring a business. The amendments are effective for annual periods beginning on or after January 1, 2020 and are to be applied prospectively. The amendments had no impact on the Company's Financial Statements for the year ended December 31, 2020, as no acquisitions closed during this period.

Leases

On May 28, 2020, the IASB issued Covid-19-Related Rent Concessions - Amendment to IFRS 16 "Leases". The amendments provide relief to lessees from applying IFRS 16 to lease modification accounting for rent concessions received as a direct consequence of the COVID-19 pandemic. The amendment applies to annual reporting periods beginning on or after June 1, 2020 with earlier application permitted. The impact of this amendment on the Financial Statements is described in the Note 8 "Lease Obligations".

4. RECENT DEVELOPMENTS AND IMPACT ON ESTIMATION UNCERTAINTY

On March 11, 2020, the World Health Organization ("WHO") declared a global pandemic following the emergence and rapid spread of a novel strain of the coronavirus (commonly known as COVID-19). The outbreak and subsequent measures intended to limit the pandemic contributed to significant declines and volatility in global financial markets. The pandemic negatively impacted global commercial activity, including the demand for oil and gas.

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale, any new information that may emerge concerning the severity of the virus and world-wide coverage and effectiveness of vaccination. The Company is taking measures to mitigate the broader public health risks associated with COVID-19 for its business and employees, including ensuring employees self-isolate and/or work from home where possible, in line with the recommendations of relevant health authorities. However, due to the outbreak, there may be short-term impacts on the Company's supply chain and planned work programmes in Nigeria. Similarly, government-imposed travel restrictions may impair the ability of certain of the Company's employees, advisers and contractors to deliver their services to the Company, conduct physical inspections, or undertake planned operations. In addition, a volatility and disruption of financial markets associated with the outbreak may adversely impact the Company's ability to obtain financing.

The COVID-19 pandemic has a direct impact on the Company's joint venture project in Nigeria and the resulting collectability of the long term receivable from the Company's joint venture partner (See Note 6 for further details).

The COVID-19 outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results. This situation may continue for the time being and there can be no assurance that it will not cause a material adverse effect on the Company's planned operations.

5. CASH AND CASH EQUIVALENTS

($ 000's)	**December 31, 2020**	December 31, 2019
Cash	**$ 1,381**	$ 44
Credit card deposits	**20**	31
	$ 1,401	$ 75

Cash balances earn interest, whenever possible, at floating rates based on daily bank deposit rates.

Credit card deposits are bank deposits that cover the maximum credit limit available for corporate credit cards.

The fair value of cash and cash equivalents was $1.4 million as at December 31, 2020 ($0.08 million as at December 31, 2019). The Company deposits its cash with reputable Canadian and Bermuda banks. The Company did not have any overdraft facilities in place as at December 31, 2020, and December 31, 2019.

6. INVESTMENT IN JOINT VENTURE

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 sub-Saharan 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 the 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 (and its subsequent amendments) are unsecured and payable on or before October 24, 2021 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, 2020, the Company had a receivable from its joint venture partner in respect of overpaid ShoreCan expenses of $385,000 ($239,000 as at December 31, 2019) that is recorded as a long term receivable. The balance is classified as a financial asset carried at amortized cost. The balance is classified as long term as it is not expected to be collected in the next 12 months. The balance is presented on an undiscounted basis as the joint venture agreements do not specify any repayment terms and there are no provisions in the agreements for the payment of interest on outstanding balances.

The Covid-19 pandemic negatively impacted ShoreCan's project in Nigeria. During 2020, the offices of both the Company's Nigerian partner and Essar Nigeria were closed for extended periods of time, coupled with limited remote access to financial and operational information delayed the extension of existing exploration license. As discussed below, Essar Nigeria, has applied to the concessionaire and the regulator for an extension of the exploration period under the OPL 226 PSC license beyond the current term which ended on September 30, 2020; however, the Company's is not in position to anticipate when such an extension will be granted by Nigeria authorities. An extension of the exploration phase of the OPL 226 exploration is a condition precedent of the proposed settlement agreement between Shorecan and Essar Mauritius (as described below).

6. INVESTMENT IN JOINT VENTURE (continued)

Accordingly, considering the probability and expected timing of collection of amounts due from its Nigerian joint partner, the Company recognized a full allowance for the accounts receivable of $385,000 as at December 31, 2020 and recorded an expected credit loss in the consolidated statement of loss and comprehensive loss for the year ended December 31, 2020.

Nigeria

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. On October 2, 2018, NNPC granted a conditional approval of a twenty four months extension of the Phase-1 exploration period until September 30, 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. In addition, ShoreCan committed to invest up to a maximum of $80 million into Essar Nigeria in the form of an interest-free shareholder loan.

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. 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, were in disagreement about whether the other party is in compliance with its obligations under the Essar Nigeria Shareholders Agreement. Essar Nigeria’s allegations, which it first made in August 2018, centre on the assertion that ShoreCan has not commenced funding of the $80 million agreed cumulative funding in Essar Nigeria while ShoreCan categorically denied this with factual evidence of substantial expenditure to date.

Essar Mauritius filed a claim on March 27, 2020 in the High Court of Justice of England and Wales. Essar Mauritius sought in its claim to terminate the Shareholders’ Agreement and the Share Purchase Agreement dated August 17, 2015 and the resulting transfer of its shares in Essar Nigeria to ShoreCan.

On August 4, 2020, the Company announced that ShoreCan had executed definitive agreements with Essar Mauritius to resolve their disputes. ShoreCan and Essar Mauritius entered into a Sale and Purchase Agreement (the “Essar SPA Agreement”), and other agreements, with each other concerning, among other things, their respective obligations under the Essar Nigeria Shareholders Agreement (the “Shareholders Agreement”). On February 1, 2021, the Company announced, that ShoreCan and Essar Mauritius have agreed to extend the completion date of the definitive agreements to April 30, 2021.

6. INVESTMENT IN JOINT VENTURE (continued)

Nigeria (continued)

The agreements between ShoreCan and Essar Mauritius can be summarized as follows:

- A Settlement Agreement which settles the claim filed by Essar Mauritius against ShoreCan in the High Court of Justice of England and Wales. Under the Settlement Agreement, each party has agreed to bear their own costs and end the proceedings in the High Court of Justice of England and Wales;

- A Share Transfer Agreement in which ShoreCan will return 70% of the shares in Essar Nigeria to Essar Mauritius;

- An amended Shareholders Agreement, the highlights of which include:
  - Essar Mauritius to carry Shorecan for a 10% carried interest (capped at US$5 million net) on all costs relating to the drilling of the first well to be drilled under the terms of the OPL 226 PSC;
  - ShoreCan will have an option to increase its shareholding in Essar Nigeria from 10% to 30% by paying 20% of historic expenditures of Essar Nigeria at cost through the drilling of the first well. The option is exercisable within 90 days from the completion of the first well as defined in the final well plan as approved by concessionaire (NNPC) and regulator (DPR) under Phase 1 of the OPL 226 PSC;
  - The Essar Nigeria Board of Directors and management team to be restructured commensurate with its amended share structure to reflect the increased shareholding of Essar Mauritius;

- A Loan Agreement with Essar Nigeria whereby Essar Nigeria recognizes historic expenditures by ShoreCan on behalf of Essar Nigeria as a shareholder loan thus allowing ShoreCan to recover these expenditures, cost recoverable and non-cost recoverable, from future production revenue.

Essar Nigeria, has applied to the concessionaire and the regulator for an extension of the exploration period under the OPL 226 PSC beyond the current term ending September 30, 2020. Completion of the definitive agreements outlined above is subject to the grant of such an extension and other customary completion conditions.

As at the date of filing these financial statements, COPL has not provided any guarantee in respect of obligations, commitments and/or losses of either ShoreCan or Essar Nigeria.

During the year ended December 31, 2020, the Company and its subsidiaries charged ShoreCan management and technical services of $0.9 million (2019 - $1.4 million) and charged an interest expense of $0.5 million (2019- $0.6 million).

As at December 31, 2020, the Company had non-current receivables of $13.3 million due from ShoreCan under the terms of the Funding Agreement (December 31, 2019 - $11.8 million).

For the year ended December 31, 2020, the Company’s share of ShoreCan’s losses exceeded the Company’s Net Investment of $146,000 for this period ($1,000 for the year ended December 31, 2019). Accordingly, under the equity method, the Company recognized loss on investment in ShoreCan of $146,000 for the year ended December 31, 2020 ($1,000 for year ended December 31, 2019).

6. INVESTMENT IN JOINT VENTURE (continued)

Nigeria (continued)

Reconciliation of carrying amount of net investment in joint venture:

	2020	2019
Carrying amount – Opening January 1	**$ -**	$ -
Increases in net investment in joint venture during the period	**146**	1
Loss recognized on investment in joint venture	**(146)**	(1)
Carrying amount – Ending, December 31	**$ -**	$ -

7. RIGHT OF USE ASSETS

($ 000's)	**December 31, 2020**	December 31, 2019
Cost, beginning of the period	**$ 312**	$ -
Increase in right-of-use assets	**-**	312
Cost, end of the period	**312**	312
Accumulated depreciation, beginning of the period	**(21)**	-
Depreciation	**(62)**	(21)
Accumulated depreciation, end of the period	**(83)**	(21)
Net carrying amount, beginning of the period	**$ 291**	$ -
Net carrying amount, end of the period	**$ 229**	$ 291

As at December 31, 2020, the Company recorded $0.2 million of right-of-use assets in respect of the office lease that was renewed effective September 1, 2019 (December 31, 2019 - $ 0.3 million). The Company depreciates its right-of-use assets on a straight-line basis over the term of the lease contract of five years.

8. LEASE OBLIGATIONS

The Company's office lease obligations for the period ended December 31, 2020 were as follows:

($ 000's)	**December 31, 2020**	December 31, 2019
Lease liability, beginning of the period	**$ 315**	$ -
Additions	**-**	309
Interest expense	**10**	3
Reduction in lease liability	**(43)**	(6)
Gain on office lease relief	**(11)**	-
Foreign exchange translation	**4**	9
Lease liability, end of the period	**275**	315
Current portion	**$ 59**	$ 45
Long-term portion	**$ 216**	$ 270

The Company's lease obligations relate to its office in Calgary, Canada. The lease obligations have been measured at the present value of the lease payments, discounted using the Company's incremental borrowing rate of 3.63% as at December 31, 2020 and December 31, 2019.

During the year ended December 31, 2020, the Company received a discount in three monthly office lease payments due to Covid-19 pandemic. The discount received meets conditions of a practical expedient for Covid-19 relief that is available under an amendment to IFRS 16. Accordingly, a reduction in lease payments that relates to a rent portion was recorded as a decrease in lease liability of $11,000 and respective gain on lease relief in the Company's statement of comprehensive loss.

During the year ended December 31, 2020, the Company paid $48,000 of principal and interest. No payments were made during the year ended December 31, 2019 in respect of the above lease.

The Company's previous office leases met the definition of a lease, but were not recognized as lease liabilities as they were exempt under the short-term lease practical expedient. For the year ended December 31, 2019, the Company expensed $0.26 million in respect of the previous office lease that was in place until August 31, 2019.

($ 000's)	**December 31, 2020**	December 31, 2019
Less than 1 year	**$ 68**	$ 56
1-5 years	**227**	289
Total lease payments	**295**	345
Amounts representing interest	**(20)**	(30)
Present value of net lease payments	**275**	315
Less: Current portion	**$ 59**	$ 45
Long-term portion	**$ 216**	$ 270

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($ 000's)	**December 31, 2020**	December 31, 2019
Trade payables	**$ 724**	$ 551
Unpaid salaries and directors' fees	**-**	641
Accrued liabilities	**341**	223
Other	**1**	9
Total	**$ 1,066**	$ 1,424

Further to Board Resolutions dated March 26, 2020 and September 14, 2020, the Board waived outstanding directors' fees in respect of 2019 and first and second quarter of 2020. Accordingly, the Company recognized a gain on waived 2019 directors' fees in the amount $0.43 million for year ended December 31, 2020 and reduced its administrative expenses by $0.2 million in respect of waived directors' fees related to first and second quarter of 2020.

The salaries of $0.21 million that were unpaid/outstanding as at December 31, 2019, were subsequently paid in September 2020 via Debt Exchange arrangements (discussed in Note 12a).

10. SHORT-TERM LOAN - CEO

On February 14, 2020 (the "Issue Date"), the Company entered into a Promissory Note (the "Note") with Arthur Millholland, President and CEO of the Company, (the "CEO") for a principal amount of Canadian dollar $200,000, equivalent of US$153,000 as at the Issue Date. The Note was repayable by the Company six (6) months from the Issue Date ("Maturity") and bore interest in Canadian dollars at a rate of ten per cent (10%) per annum. No payments of interest or principal amount were required by the Company prior to Maturity although the Company could elect to prepay a portion or all of the outstanding principal amount of the Note prior to that date. The Note was secured by the Company by way of a General Security Agreement over its present and after acquired personal property and was to be guaranteed by the Company's subsidiaries.

On June 15, 2020, the terms of the Note were varied, in part, by YARF Loan Agreement (discussed in Note 11) providing for an extension of Maturity of the Note until December 31, 2020 or conversion of the Note into COPL's Common Shares at a deemed price of £0.003 per share, being the placing price of the Company's UK Prospectus (discussed in Note 12 a), at the CEO's option. Subsequently, on August 19, 2020, the Promissory Note was replaced with a Secured Convertible Debenture agreement signed with the CEO, which provided for same terms and conditions as described above and in addition provided for the 10% interest to be paid in cash at Maturity (together the "CEO Loan").

As at June 15, 2020, due to the addition of a conversion option element of the CEO Loan, the Company calculated the fair value of the amended instrument, i.e. the debt component and the conversion feature, and compared it to the carrying value of the CEO Loan and recognized a gain on extinguishment of loan of $13,000. The CEO Loan and the conversion feature are denominated in a currency other than the Company's functional currency. As a result the conversion feature is treated as derivative financial liability and its fair value is estimated at each financial position date with any changes recognized in statement of comprehensive loss.

The value assigned to the liability on June 15, 2020 was the present value of the contractually determined stream of future cash flows discounted at 34% being the rate estimated to be equivalent to that which the market would apply to an instrument with comparable credit status and provide substantially the same cash flows, on the same terms, but without the conversion option.

All amounts in United States dollars, except otherwise stated

10. SHORT-TERM LOAN – CEO (continued)

The fair value of the embedded derivative conversion option component of the CEO Loan was estimated (using a Black-Scholes option pricing model) at $3,000 as at June 15, 2020, being the CEO Loan amendment date and this amount was recognized as embedded derivative liability and decrease in the CEO Loan value. The fair value of the embedded derivative conversion option component of the CEO Loan was estimated $33,000 as at September 30, 2020. Accordingly, a respective gain on derivative of $30,000 was recognized for period ended September 30, 2020. The changes in fair value of the embedded derivative conversion option are mainly due to the changes in COPL's share price from £0.0012 ($0.0015) as at June 15, 2020 to £0.0033 ($0.0041) as at June 30, 2020, to £0.00315 ($0.0041) as at September 30, 2020 and to £0.0024 ($0.0032) as at December 23, 2020.

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the conversion option component of the CEO Loan at the date of valuation:

	June 15, 2020	June 30, 2020	September 30, 2020
Implied debt yield	13.5%	13.5%	13.5%
Weighted average life (years)	0.55	0.50	0.25
Expected volatility	90%	90%	90%
Expected dividend yield	0%	0%	0%

The Company recognized an interest charge of $13,000 and an accretion expense of $16,000 for the year ended December 31, 2020.

The CEO signed a placing agreement on December 23, 2020, on the same terms as - the Non-brokered Placing, which closed in January 2021 for 57,500,000 units at a deemed price of £0.002 per unit and a value of £115,000 (approximately CAD 200,000) representing the extinguishment of the CEO Loan. The interest accrued on the CEO Loan up to December 23, 2020 in the amount of $14,000 (CAD 17,600) was paid in cash on December 31, 2020. The respective 57,500,000 units were issued to the CEO on January 11, 2021. Accordingly, the balance of the CEO loan outstanding as at December 31, 2020 represented the obligation of the Company to issue units to the CEO at a value of £115,000 ($157,000) and was recorded as subscription receipts liability.

The embedded derivative conversion option is considered nil as at December 23, 2020, resulting in a gain on derivative liability of $3,000 recognized in income statement for the year ended December 31, 2020.

10. SHORT-TERM LOAN – CEO (continued)

The following table presents the reconciliation of the components of the convertible CEO Loan from January 1, 2020 to December 31, 2020:

($ 000's)	Short-term loan	Embedded derivative liability	Total
As at January 1, 2020	-	-	-
Proceeds from loan – February 14, 2020	$ 153	-	153
Accrued interest	13	-	13
Gain on extinguishment	(13)	-	(13)
Fair value of conversation option as at June 15, 2020	(3)	3	-
Revaluation of conversion option as at June 30, 2020	-	47	47
Revaluation of conversion option as at September 30, 2020	-	(17)	(17)
Revaluation of conversion option as at December 23, 2020	-	(33)	(33)
Accretion	16	-	16
Interest paid on December 31, 2020	(14)	-	(14)
Foreign exchange loss	5	-	5
Subscription receipts liability as at December 31, 2020	(157)	-	(157)
As at December 31, 2020	$ -	-	-

11. SHORT-TERM LOAN - YARF

On June 15, 2020, the Company entered into a loan agreement with YA II PN, Ltd ("YA") and Riverfort Global Opportunities PCC ("RF" and, together with YA, the "Lenders" or "YARF") for an unsecured facility (the "Loan Agreement") of £636,000 i.e. approximately $786,000 (the "Loan Amount"). In addition, the Lenders committed to participate in the Company's equity placing that was closed on July 2, 2020 (the "Placing Date") for £100,000 each.

The first drawdown of £136,000 (approximately $167,000) occurred upon signing of the Loan Agreement and the Company received net proceeds of £92,000 (approximately $113,500) net of an implementation fee, legal fee and out of pocket expenses (as disclosed below). As per the Loan Agreement, the first drawdown was repaid on July 2, 2020 - £100,000 in cash from proceeds of YARF's participation in equity Placing and £36,000 ($45,000) by issue of 12,000,000 Common Shares at a deemed price of £0.003 ($0.0037) per share (further UK placing discussed in Note 12 a (iii)).

The remaining £500,000 of the loan facility was subject to certain conditions, including closing by COPL of an equity placing for a minimum of £0.5 million by August 28, 2020. On July 2, 2020, the Company closed a placing of £1.3 million (discussed in Note 12 a) and on July 3, 2020, the Company drew down a second tranche of £100,000 (approximately $125,000). On August 7, 2020, the total remaining balance of YARF Loan of £400,000 (approximately $508,000) was drawn down as a third tranche. Each drawdown was repayable in cash six months from its respective drawdown date; once a particular drawdown is repaid, it cannot be re-drawn again.

All amounts in United States dollars, except otherwise stated

11. SHORT-TERM LOAN – YARF (continued)

A fixed interest coupon of 10% on the Loan Amount was due at repayment of the first drawdown if the above mentioned equity placing did not close or a fixed interest coupon of 12.5% on the Loan Amount was payable in Common Shares if the equity placing was closed. Accordingly, on July 2, 2020, the Company issued to YARF 26,500,000 Common Shares in lieu of the interest payment of £79,500 ($98,000) at a deemed price of £0.003 ($0.0037) per share. During the year ended December 31, 2020, the Company recognized the total interest payment of $98,000 as finance expense in its statement of comprehensive loss as this up-front fee amount, paid on July 2, 2020, was due irrespective of any further drawdowns from the Loan.

Loan Agreement costs include £36,000 ($44,500) as an implementation fee and £18,000 ($22,600) of legal and out-of-pocket expenses that were recorded by the Company as finance expenses for the year ended December 31, 2020. In addition, £5,000 ($7,000) of legal due diligence expenses paid to YARF upon signing an initial term-sheet for the Loan are also recorded as finance expenses during the year ended December 31, 2020.

Further to the Loan Agreement, on July 2, 2020, the Company issued, as additional compensation to YARF Lenders, a total of 100,000,000 common share purchase warrants (the "YARF Warrants") exercisable within 24 months from Placing Date, at an exercise price of £0.0039 ($0.0049) per share. At the Lenders' discretion, amounts due to the Company upon exercise of the YARF Warrants may be set-off against amounts outstanding to the Lenders under the Loan Agreement.

The YARF Warrants' exercise price is in GBP, and the Company's functional currency is in USD. As there is variability in these exchange rates, the YARF Warrants are classified as a derivative financial instrument and subsequently revalued on each balance sheet date. The fair value of YARF Warrants estimated at approximately $160,000 (using a Black-Scholes option pricing model) was recognized as derivative liability and finance expense as at the date of issue of these warrants. The estimated fair value of YARF Warrants amounted to $159,000 as at September 30, 2020 and $91,000 as at December 31, 2020. Accordingly, the Company recognized a gain on derivative liability of total $84,000 and foreign exchange loss in the amount of $15,000 in its statement of comprehensive loss for the year ended December 31, 2020.

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the YARF Warrants at the dates of valuation:

	July 2, 2020	September 30, 2020	December 31, 2020
Risk-free interest rate	-0.092%	-0.036%	-0.181%
Weighted average life (years)	2.0	1.75	1.5
Expected volatility	90%	90%	90%
Expected dividend yield	0%	0%	0%

11. SHORT-TERM LOAN – YARF (continued)

The following table provides a summary of YARF loan balance outstanding as at December 31, 2020:

($ 000's)	**December 31, 2020**
1st drawdown	**$ 167**
Repayment of 1st drawdown – portion in cash	**(125)**
Repayment of 1st drawdown – portion in shares (Note 12 a iii)	**(45)**
2nd drawdown	**125**
3rd drawdown	**508**
Foreign exchange loss	**53**
Total	**$ 683**

Subsequent to December 31, 2020, the total outstanding loan balance was repaid in accordance with YARF Loan Agreement: £100,000 ($136,000) on January 5, 2021 and £400,000 ($547,000) on February 5, 2021.

12. SHARE CAPITAL

a) Authorized and Issued Common Shares

Authorized
An unlimited number of common voting shares (the "Common Shares") without nominal or par value and an unlimited number of preferred shares, issuable in series.

Issued
The issued share capital is as follows:

	Number of Common Shares	**Amount (000's)**
Balance, January 1, 2019	**2,486,752,463**	**$ 136,942**
Issued pursuant to UK June 2019 Placing – First Tranche (i)	429,200,000	**545**
Issued pursuant to UK June 2019 Placing – Second Tranche (i)	67,800,000	**86**
Issued pursuant to UK September 2019 Placing (ii)	500,000,000	**618**
Share issue costs	-	**(331)**
Fair value of warrants that expired unexercised (Note 12b)	-	**227**
Balance, December 31, 2019	**3,483,752,463**	**$ 138,087**
Issued pursuant to UK July 2nd 2020 Placing (iii)	400,000,000	1,497
Issued as payment in respect of YARF Loan (iii)	38,500,000	144
Issued as payment of Finder's Fee (iii)	16,000,000	60
Issued pursuant to UK July 23rd 2020 Placing (iv)	433,333,334	1,655
Issued pursuant to Debt Exchange (v)	436,917,545	1,771
Issued pursuant to exercise of 2019 Broker's Warrants (vii)	9,970,000	19
Fair value of 2019 Broker's Warrants exercised (Note 12b)	-	4
Issued pursuant to exercise of 2018 Broker's Warrants (vii)	53,731,380	236
Fair value of 2018 Broker's Warrants exercised (Note 12b)	-	103
Share issue costs (vi)	-	(937)
Balance, December 31, 2020	**4,872,204,722**	**$ 142,639**

All amounts in United States dollars, except otherwise stated

12. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares

(i) UK June 2019 Placing

On June 5, 2019, the Company closed a first tranche of a placing in the UK of 429,200,000 Common Shares at a price of GBP 0.001 ($0.0013) for gross proceeds of GBP 0.4 million ($0.5 million) (the "UK June 2019 Placing – First Tranche"). On June 24, 2019, the Company closed a second tranche of the same placing of 67,800,000 Common Shares at a price of GBP 0.001 ($0.0013) for gross proceeds of GBP 0.07 million ($0.09 million) (the "UK June 2019 Placing – Second Tranche"). The broker was paid a cash commission of GBP 0.03 million ($0.04 million) representing 6.0% of the gross proceeds of the UK June Placing. Other expenses (mainly legal, stock exchange and regulatory fees) amounted to approximately GBP 0.2 million ($0.2 million). The Company used net proceeds from the UK June 2019 Placing of approximately $0.4 million to finance its administrative expenses.

In connection with the UK June 2019 Placing, the Company also issued 4,970,000 warrants to its broker (the "June 2019 Broker's Warrants") as compensation warrants. Each June 2019 Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of GBP 0.0015 ($0.0019) per Common Share on or before June 4, 2021. The fair value of the June 2019 Broker's Warrants estimated at $2,000 (using a Black-Scholes option pricing model) was recognized as equity and netted against proceeds from UK June 2019 Placing (as share issue costs).

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the Broker's Warrants at the date of issue:

	June 5, 2019
Risk-free interest rate	0.58%
Weighted average life (years)	2.0
Expected volatility	90%
Expected dividend yield	0%

(ii) UK September 2019 Placing

On September 4, 2019, the Company closed another placing in the UK of 500,000,000 Common Shares at a price of GBP 0.001 ($0.0012) for gross proceeds of GBP 0.5 million ($0.6 million) (the "UK September 2019 Placing"). The broker was paid a cash commission of GBP 0.03 million ($0.04 million) representing 6.0% of the gross proceeds of the UK September 2019 Placing. Other expenses (mainly legal and stock exchange fees) amounted to approximately GBP 0.04 million ($0.05 million). The Company used net proceeds from the UK September 2019 Placing of approximately $0.5 million to finance its administrative expenses.

In connection with the UK September 2019 Placing, the Company also issued 5,000,000 warrants to its broker (the "September 2019 Broker's Warrants") as compensation warrants. Each September 2019 Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of GBP 0.0015 ($0.0018) per Common Share on or before September 3, 2021. The fair value of the September 2019 Broker's Warrants estimated at $2,000 (using a Black-Scholes option pricing model) was recognized as equity and netted against proceeds from UK September Placing (as share issue costs).

All amounts in United States dollars, except otherwise stated

12. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(ii) UK September 2019 Placing (continued)

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the Broker's Warrants at the date of issue:

	September 4, 2019
Risk-free interest rate	0.36%
Weighted average life (years)	2.0
Expected volatility	90%
Expected dividend yield	0%

(iii) UK July 2nd 2020 Placing

On July 2, 2020 (the "Placing Date"), further to a UK Prospectus, the Company closed a non-brokered placing in the UK of 400,000,000 Common Shares at a placing price of £0.003 ($0.0037) per share, for gross proceeds of £1.2 million ($1.5 million) (the " UK July 2nd 2020 Placing").

The Company paid in cash a finder's fee of £70,000 ($87,300) and other fees of £3,500 ($4,400). In addition, on July 15, 2020, the Company issued 16,000,000 Common Shares in lieu of a cash payment of a second finder's fee of £48,000 ($60,000) at a deemed price of £0.003 ($0.0038) per share, in respect of the UK July 2nd 2020 Placing.

In connection with the UK July 2nd 2020 Placing, as a compensation to the finders, the Company issued also:

- on July 2, 2020 - 25,000,000 common share purchase warrants (the "1st Finder's Warrants") exercisable within 24 months from the Placing Date, at an exercise price of £0.0039 ($0.0049) per share; and
- on July 24, 2020 - 16,000,000 common share purchase warrants (the "2nd Finder's Warrants") exercisable within 24 months from the Placing Date, at an exercise price of £0.0039 ($0.0050) per share – in respect of the July 2nd 2020 Placing.

The fair value estimated at approximately $40,000 for 1st Finder's Warrants and $42,000 for 2nd Finder's Warrants (using a Black-Scholes option pricing model) was recognized as equity and netted against proceeds from the UK July 2nd 2020 Placing (as share issue costs).

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the Finders' Warrants at the date of issue:

	July 2, 2020	July 24, 2020
Risk-free interest rate	-0.092%	-0.079%
Weighted average life (years)	2.0	2.0
Expected volatility	90%	90%
Expected dividend yield	0%	0%

All amounts in United States dollars, except otherwise stated

12. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(iii) UK July 2nd 2020 Placing (continued)

Also on July 2, 2020, further to the YARF Loan Agreement and as per the UK prospectus, the Company issued to the YARF Lenders a total of 38,500,000 Common Shares in lieu of cash payments of £115,500 ($144,000) at a deemed price of £0.003 ($0.0037) per share, in respect of repayment of a portion of the first drawdown of the YARF loan of £36,000 ($45,000) - 12,000,000 Common Shares and interest on the YARF Loan of £79,500 ($98,000) - 26,500,000 Common Shares.

In addition the Company issued, as compensation to the YARF Lenders, a total of 100,000,000 common share purchase warrants (the "YARF Warrants") exercisable within 24 months from the Placing Date, at an exercise price of £0.0039 ($0.0049) per share (the YARF loan and YARF Warrants are discussed in Note 11).

(iv) UK July 23rd 2020 Placing

On July 23, 2020, the Company closed another non-brokered placing in the UK of 433,333,334 Common Shares at a placing price of £0.003 ($0.0037) per share, for gross proceeds of £1.3 million ($1.65 million) (the "UK July 23rd 2020 Placing"). The Company paid in cash a finder's fee of £91,000 ($116,000).

In connection with the UK July 23rd 2020 Placing, on July 24, 2020, the Company issued, as compensation to the finder, 32,500,000 common share purchase warrants (the "3rd Finder's Warrants") exercisable within 12 months from July 24, 2020, at an exercise price of £0.0039 ($0.0050) per share.

The fair value estimated at approximately $63,000 for 3rd Finder's Warrants (using a Black-Scholes option pricing model) was recognized as equity and netted against proceeds from the UK July 23rd 2020 Placing (as share issue costs).

The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of the 3rd Finders' Warrants at the date of issue:

	July 24, 2020
Risk-free interest rate	0.024%
Weighted average life (years)	1.0
Expected volatility	90%
Expected dividend yield	0%

The net proceeds from the UK July 2nd 2020 Placing and the UK July 23rd 2020 Placing were used for the Company's ongoing general and administrative costs and for payment of outstanding creditors that are not subject to the Debt Exchange arrangements.

12. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(v) Debt Exchange

During third quarter of 2020 and further to Debt Exchange arrangements stipulated in the UK Prospectus closed on July 2, 2020, the Company issued to certain vendors and employees in total 436,917,545 Common Shares in lieu of cash payments of approximately £1.3 million ($1.7 million) at a deemed price of £0.003 ($0.0037) per share (as stipulated in the UK Prospectus and pursuant to individual agreements), in respect of outstanding balances due to these vendors and employees.

The fair value of Common Shares issued to vendors is determined by reference to the value of the services received at the date the services were rendered. The fair value of Common Shares issued to employees is determined using the closing market price of the Company's stock on the day of the issue. In case the Company's stock price exceeded the deemed price of £0.003 ($0.0037) as at the date of share issue, the difference between fair value of Common Shares issued to the employees and the value of outstanding balance due to these employees is recognized as stock-based compensation expense, together with a corresponding increase in equity (share capital).

Debt Exchange shares were issued as follows:

On July 15, 2020, the Company issued 210,666,667 Common Shares to its vendors, in lieu of cash payments of approximately £632,000 ($796,000) and 41,845,550 Common Shares to its employee, in lieu of cash payments of approximately £126,000 ($156,000). In addition, the related stock-based compensation expense of $24,000 has been recognized in the statement of comprehensive loss for year ended December 31, 2020 and as an addition to share capital.

On August 4, 2020, the Company issued 61,125,000 Common Shares to its vendors, in lieu of cash payments of approximately £183,000 ($239,000) and 32,583,210 Common Shares to its employees, in lieu of cash payments of approximately £98,000 ($128,000). In addition, the related stock-based compensation expense of $83,000 was recognized in the statement of comprehensive loss for the year ended December 31, 2020 and as an addition to share capital.

On September 18, 2020, the Company issued to its employees a total of 60,057,328 Common Shares in lieu of cash payments of approximately £180,000 ($230,000). No stock-based compensation expense was recognized as the Company's stock price as at the date of issue was below the deemed conversion price of £0.003.

On September 29, 2020, the Company issued to its vendors a total of 30,639,790 Common Shares in lieu of cash payments of approximately £92,000 ($115,000).

(vi) Share issue cost

The Company incurred approximately $0.94 million of total costs in connection with the UK Prospectus, the July 2nd 2020 UK Placing and July 23rd 2020 UK Placing and the Debt Exchange arrangements. In addition to finders' fees and the fair value of Warrants issued to finders (as disclosed in (iii) and (iv) above), these share issue costs also include LSE and transfer agent fees of approximately $0.09 million, legal fees of $0.41 million and consent related fees of approximately $0.02 million.

(vii) Warrants exercised

On July 8, 2020, further to an exercise of 2019 Broker's warrants, the Company issued 9,970,000 Common Shares at an exercise price of £0.0015 ($0.0019) per share for proceeds of approximately £15,000 ($19,000).

12. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(vii) Warrants exercised (continued)

On August 17, 2020, further to an exercise of 2018 Broker's warrants, the Company issued 53,731,380 Common Shares at an exercise price of £0.00335 ($0.0044) per share for proceeds of approximately £180,000 ($236,000).

(viii) Placings Subsequent to December 31, 2020

Subsequent to December 31, 2020, further to a non-brokered placing closed in the UK in January, February and March 2021 (the "Non-brokered Placing"), the Company issued total of 4,442,500,000 units at a price of £0.002 ($0.0027) per unit for gross proceeds of £8.9 million ($12.1 million). Each unit consists of one Common Share and one half of one common share purchase warrant ("Unit Warrant"). Each Unit Warrant entitles the holder thereof to purchase one Common Share at an exercise price of £0.0026 ($0.0035) per share on or before January 8, 2022.

In addition, on January 11, 2021, 57,500,000 units with a value of £115,000 (approximately CAD 200,000) at a deemed price £0.002 per unit were issued to the Company's CEO further to the extinguishment of the CEO Loan agreed to be on same terms as the UK placing (further discussed in Note 10).

In connection with the Non-brokered Placing, the Company paid/issued:

- to a first finder - a cash finder's fee of £35,000 ($47,500) and issued 18,750,000 common share purchase warrants ("First Finder's Warrants") as an additional compensation to the finder;
- to a second finder - the Company issued 285,041,750 Common Shares, representing a 7% commission in respect of placings arranged by the second finder and issued 305,401,875 common share purchase warrants ("Second Finder's Warrants") as an additional compensation for the finder.

Each First and Second Finder's Warrants entitle the holder thereof to purchase one Common Share at an exercise price of £0.0026 ($0.0035) per Common Share on or before January 8, 2022.

The net proceeds from the Non-brokered Placing have been used to make initial, partial payments of the purchase price for the Atomic Group Acquisition (See Note 18(a)) as well as to cover the Company's ongoing general and administrative costs.

Proceeds from the Non-brokered Placing that were received in December 2020 (i.e. in advance of the actual issue of respective units in January 2021) in the amount of £3.9 million ($5.3 million) are recognized as subscription receipts liability in current liabilities as at December 31, 2020.

On March 11, 2021, further to a brokered placing closed in the UK (the "Brokered Placing"), the Company issued total of 4,171,562,500 Common Shares at a price of £0.0032 ($0.0045) per unit for gross proceeds of £13.3 million ($18.7 million).

In connection with the Brokered Placing, the Company paid in cash a Broker's fee of approximately £189,000 ($259,000) and issued 203,437,500 Common Shares to its broker. The Company also issued 262,500,000 Common Share purchase warrants ("Broker's Warrants") to the broker as additional compensation. Each Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of £0.0032 ($0.0044) per Common Share on or before March 8, 2023.

The Company will use net proceeds from the Brokered Placing to finance operating and capital expenditures of the Atomic Group and to cover the Company's ongoing general and administrative costs.

12. SHARE CAPITAL (continued)

Warrants Exercised Subsequent to December 31, 2020

In March and April 2021, further to the exercise of Unit Warrants, the Company received in total £0.3 million ($0.4 million) and issued related 102,500,000 Common Shares.

Shares issued Subsequent to December 31, 2020 in respect of Acquisition of Atomic Group (See Note 18(a))

b) Warrants

A summary of the Company's share purchase warrants outstanding at December 31, 2020 is as follows:

($ 000's)	Number of Warrants	Weighted Average Exercise Price*	Warrants in Equity	Expiry Date
Balance, January 1, 2019	**107,731,380**	**$ 0.006**	**$ 330**	(June 12, 2019 to August 30, 2020)
Issued June 2019 UK Placing Broker's Warrants (Note 12a(i))	4,970,000	0.0019	2	June 4, 2021
Expired June 2017 Broker's Warrants	(39,000,000)	0.0064	(179)	June 12, 2019
Issued September 2019 UK Placing Broker's Warrants (Note 12a(ii))	5,000,000	0.0018	2	September 3, 2021
Expired October 2017 Broker's Warrants	(15,000,000)	0.0133	(48)	October 16, 2019
Balance, December 31, 2019	**63,701,380**	**$ 0.0040**	**$ 107**	(August 30, 2020 to September 3, 2021)
Issued July 2020 UK Placing – 1st Finder's Warrants (Note 12a(iii))	25,000,000	0.0049	40	July 2, 2022
Issued July 2020 UK Placing – YARF Warrants (Note 12a(iii) and Note 11)	100,000,000	0.0049	-	July 2, 2022
Issued July 2020 UK Placing – 2nd Finder's Warrants (Note 12a(iii))	16,000,000	0.0050	42	July 2, 2022
Issued July 2020 UK Placing – 3rd Finder's Warrants (Note 12a(iv))	32,500,000	0.0050	63	July 2, 2021
Exercised 2019 Brokers' Warrants (Note 12a(vii))	(9,970,000)	0.0019	(4)	June 4 & Sept. 3, 2021
Exercised 2018 Broker's Warrants (Note 12a(vii))	(53,731,380)	0.0043	(103)	August 30, 2020
Balance, December 31, 2020	**173,500,000**	**$ 0.0049**	**$ 145**	(July 2, 2021 to July 2, 2022)

*The weighted average exercise price has been converted in USD based on the foreign exchange rate in effect at the date of issuance.

12. SHARE CAPITAL (continued)

c) Incentive Stock Options

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 shares. Exercise prices for stock options granted are determined by the closing market price on the day before the date of grant.

On September 14, 2020, the Company granted to its directors, officers and employees 341,609,235 stock options to acquire the Company's Common Shares at an exercise price of £ 0.0035 ($0.0045) per share. The options vest immediately and expire five years from the date of grant. The related stock-based compensation expense of $0.87 million has been recognized in the statement of comprehensive loss for year ended December 31, 2020 and as addition to contributed capital reserve.

The fair value of each option granted was estimated on the date of grant using a Black-Scholes option pricing model with the following assumptions:

	September 14, 2020
Risk-free interest rate	-0.139%
Weighted average life (years)	3.0
Expected volatility	90%
Expected dividend yield	0%

There were no changes to the Company's stock option plan and no stock options were exercised, expired and/or forfeited during the year ended December 31, 2020.

As at December 31, 2020, a total of 449,014,235 stock options to purchase Common Shares were outstanding, having a weighted average exercise price of $0.0141 per share and a remaining weighted average contractual life of 3.9 years.

($ 000's)	**Number of Options**	**Weighted Avg. Exercise Price***	**Contributed Capital Reserve**
Balance, January 1, 2019	**107,515,000**	**$ 0.0447**	**$ 50,394**
Forfeited	(110,000)	0.0358	-
Balance and exercisable December 31, 2019	**107,405,000**	**$ 0.0447**	**$ 50,394**
Granted	341,609,235	**0.0045**	**866**
Balance and exercisable December 31, 2020	**449,014,235**	**$ 0.0141**	**$ 51,260**

*The weighted average exercise price has been converted in USD based on the foreign exchange rate in effect at the date of issuance.

13. DEFERRED INCOME TAX

The tax effects of the temporary differences on deferred income tax assets (liabilities) are as follows:

($ 000's)	**December 31, 2020**	December 31, 2019
Non-capital income tax losses	**$ 7,995**	$ 7,702
Pre-trading expenses - UK	**318**	302
Capital losses	**667**	654
Share issue costs	**326**	306
Exploration and Evaluation assets - UK	**10,354**	10,029
Office equipment	**122**	100
	19,782	19,093
Unrecognized tax benefits	**(19,782)**	(19,093)
Deferred income tax assets (liabilities)	**$ -**	$ -

The Company did not recognize a deferred tax asset as at December 31, 2020 or 2019, as currently, it is not expected that the assets will be recoverable in the foreseeable future.

The temporary differences associated with investments in subsidiaries, for which a deferred tax liability was not recognized amounted to $19.2 million as at December 31, 2020 (December 31, 2019 - $18.7 million).

Effective July 1, 2019, the Alberta government reduced corporate tax rates from 12% to 8%. This tax decrease will be phased as follows: 11% effective July 1, 2019, 10% effective January 1, 2020, 9% effective January 1, 2021 and 8% effective January 1, 2022. During the fourth quarter 2020, the Alberta Government enacted new legislation to accelerate the previously announced rate reductions to 8% effective July 1, 2020. The federal corporate income tax rate remained unchanged at 15% in Canada. Accordingly, the Company used a combined statutory rate of 24% for 2020 and 26.5% for 2019 income tax calculation and a rate of 23% for deferred tax calculation of Canadian tax pools.

The provision for income taxes (recoveries) differs from the expected amounts using statutory income tax rates as follows:

($ 000's)	**2020**	2019
Net loss before investment in joint venture	**$ (4,815)**	$ (3,918)
Income tax rates	**24.0%**	26.5%
Provision at statutory rates	**(1,156)**	(1,038)
Share Based Compensation	**234**	0
Effect of tax rate changes (Alberta, Canada)	**6**	1,454
Change in unrecognized DTA and other	**916**	(416)
Tax expense	**$ -**	$ -

13. DEFERRED INCOME TAX (continued)

As at December 31, 2020, the Company had approximately $34.8 million (December 31, 2019 - $33.5 million) of non-capital losses, which can be applied against taxable income earned in Canada with the expiry dates between December 31, 2026 and December 31, 2040.

As at December 31, 2020, the Company also had capital losses of approximately $5.8 million (December, 31, 2019 - $5.7 million), which will carry forward indefinitely to reduce capital gains taxed in Canada.

14. RELATED PARTY TRANSACTIONS

a) 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.

b) Loan with Directors and Officers

Effective February 14, 2020, the Company entered into a Promissory Note with Arthur Millholland, President and CEO of the Company, for a principal amount of Canadian dollar $200,000, approximately US$153,000 as at the issue date. The terms of this Promissory Note are discussed in Note 10 above.

On May 22, 2020, the Company received a cash advance (the Advance) of Canadian dollar $70,000 (approximately US$50,000) from its CEO (CAD$60,000) and one of its Directors (CAD$10,000). The Advance had no interest and no fixed term of repayment, however the Advance was expected to be repaid in full from proceeds of the Company's UK Placing. The total Advance was repaid in cash on July 3, 2020.

c) Other transactions with Directors and Officers

As at December 31, 2020, the Company had following balances due to/from its Directors and Officers:

- $46,000 due to Directors in respect of Directors' fees for fourth quarter of 2020. This amount (net of withholding taxes) represents the Directors' participation in the Company's Non-brokered Placing (discussed in Note 12a) and recorded as a subscription receipt liability as at December 31, 2020. Subsequent to December 31, 2020, placing units were issued to Directors; related payroll taxes were paid in cash for Directors who are Canadian residents.
- $8,000 due from an officer in respect of travel expenses; and
- $4,000 due to officers in respect of travel and office expenses.

On July 15, 2020, August 4, 2020 and September 18, 2020, further to Debt Exchange arrangements stipulated in the UK Prospectus that closed on July 2, 2020, the Company issued to its officers a total of 112,344,052 Common Shares in lieu of cash payments of approximately £337,000 ($419,000) at a deemed price of £0.003 ($0.0037) per share, in respect of net amounts (after withholding taxes) of these officers remuneration outstanding as at June 30, 2020; the related income tax withholdings and payroll deductions were paid in cash by the Company to respective tax authorities.

14. RELATED PARTY TRANSACTIONS (continued)

d) 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.

($ 000's)	**December 31, 2020**	December 31, 2019
Short-term benefits - paid	**$ 916**	$ 708
Short-term benefits – earned but unpaid*	**-**	589
	$ 916	$ 1,297

*Short term benefits – earned but unpaid in 2019 include $441,000 of 2019 Directors' fees that were waived in 2020.

Short-term benefits include annual salaries, health benefits and other taxable benefits for officers and directors' fees.

External directors' fees for the first and second quarter of 2020 were waived (together with directors' fees for the year ended 2019), further to Board resolutions dated March 26, 2020 and September 14, 2020. External directors' fees for the third and fourth quarter of 2020 amounted to $89,000.

On September 14, 2020, the Company granted to its directors and key management personnel 294,350,035 stock options to acquire the Company's Common Shares at an exercise price of £0.0035 ($0.0045) per share. The options vest immediately and expire five years from the date of grant.

The Company employs a family member of a member of key management under normal commercial terms. Total salary and benefits paid to this individual for the year ended December 31, 2020 amounted to $69,000 (2019 - $74,000).

During the year ended 2020, a family member of a member of key management provided consulting services under normal commercial terms. Total consulting fees paid to this individual for the year ended December 31, 2020 amounted to $1,700 (2019 - $nil).

e) Transactions with Joint Venture

In the normal course of operations, the Company enters into transactions on market terms with its joint venture ShoreCan, which have been measured at exchange value and are recognized in the consolidated financial statements of ShoreCan, including, but not limited to: management fees, technical services and interest-bearing loans. The Company's balances with the joint venture are disclosed in Note 6.

15. FINANCIAL INSTRUMENTS

The Company measures financial assets and financial liabilities at fair value on initial recognition, which is typically the transaction price unless a financial instrument contains a significant financing component. Measurement in subsequent periods depends on the financial instrument's classification, as described below.

- Fair value through profit or loss: Financial instruments designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with changes in those fair values immediately charged to the statements of comprehensive income. Under this classification, the Company estimates fair value of the embedded derivative conversion option of the CEO short term loan as well as fair value of YARF Warrants and recognizes related embedded derivative liability (Note 10 and 11).

- Amortized cost: Financial instruments designated as amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include cash, accounts receivable, subscription receipts liability, short-term loans (including CEO and YARF Loans), accounts payable and accrued liabilities.

- Fair value through other comprehensive income: Financial instruments designated as fair value through other comprehensive income are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not have any financial instruments under this classification.

Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on its financial assets measured at amortized cost. Expected credit losses exist if one or more loss events occur after initial recognition of the financial asset which has an impact on the estimated future cash flows of the financial asset and that impact can be reliably measured. The Company uses a combination of historical and forward-looking information to determine the appropriate expected credit loss. The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognized in the consolidated statement of loss and comprehensive loss.

a) Foreign exchange risk

To mitigate a portion of its exposure and to the extent it is feasible, the Company keeps its funds in currencies applicable to its known short-term obligations.

Cash and cash equivalents includes amounts denominated in the following foreign currencies:

(000's)	**December 31, 2020**	December 31, 2019
Great British Pounds	**50**	13
Canadian Dollars	**188**	71

15. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

Current accounts receivable

The Company's accounts receivable include mainly accounts receivable in respect of recoverable GST and VAT. The Company believes there is no unusual exposure associated with these receivables. No amounts are considered to be past due and no allowance for doubtful accounts has been recorded in the accounts. As at December 31, 2020, the Company holds $1.4 million of cash and cash equivalents with Canadian and Bermuda chartered banks (December 31, 2019 - $0.08 million).

Long-term receivables

The Company's long-term accounts receivable solely include amounts due from its Nigerian partner in ShoreCan joint venture. As at December 31, 2020, further to an annual recoverability assessment (See Note 6), the Company recognized a full allowance for expected credit loss as follows:

($ 000's)	**December 31, 2020**	December 31, 2019
Long-term receivable	**$ 385**	$ 239
Allowance for expected credit loss	**(385)**	-
	$ -	$ 239

(c) Interest rate risk

The Company's policy is to keep its cash, whenever possible, in interest bearing accounts with its banking institutions. The Company periodically monitors the interest rates offered and is satisfied with the credit ratings of its banks.

The Company's short term loans bear fixed interest rates.

16. CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern;
- to maintain statement of financial position strength and optimal capital structure, while ensuring the Company's strategic objectives are met; and
- to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

In the management of capital, the Company includes shareholders' equity and interest bearing debt defined as long-term loans and current portion of long-term loans, if any. Shareholders' equity includes share capital, warrants, contributed capital reserve and deficit. The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling the capital expenditure program. The Company is an early stage international junior oil and gas entity with no current revenues and as such, the most likely viable option for additional funding until operations commence will be through the issuance of new equity.

The Company is not subject to any external capital requirements. There were no changes in the Company's capital management policies during the year ended December 31, 2020.

17. NET CHANGE IN NON-CASH WORKING CAPITAL

($ 000's)	**December 31, 2020**	December 31, 2019
(Increase) / decrease in accounts receivable	**$ (20)**	$ 59
(Increase) / decrease in prepaid expenses	**(48)**	109
(Increase) in long-term accounts receivable	**(146)**	(1)
Increase in allowance for doubtful accounts	**385**	-
Waived 2019 Directors' fees	**431**	-
(Decrease) / increase in operating accounts payable and accrued liabilities	**(440)**	936
Net change in operating non-cash working capital	**$ 162**	$ 1,103
(Increase) in deferred share issue costs	**(128)**	-
Increase in accounts payable and accrued liabilities related to financing	**133**	152
Reduction in lease liability	**-**	(3)
Net change in financing non-cash working capital	**$ 5**	$ 149

18. SUBSEQUENT EVENTS

(a) Atomic Group Acquisition

On December 16, 2020, COPL announced that it had agreed to acquire Atomic Oil & Gas LLC ("Atomic") for aggregate consideration of $54 million consisting of assumed debt, cash and shares. The effective date of the transaction is December 1, 2020 as defined in the Stock and membership interest purchase agreement between the Seller and the Company (the "SPA"). The opportunity to undertake this acquisition became available as a result of the COVID-19 environment and the drop in oil prices during 2020. This strategic acquisition represents a step change in the capacity and revenue generating opportunities open to the Company.

On March 16, 2021(the "Closing"), the Company closed its acquisition of 100% of the membership interests in Atomic (collectively, the "Membership Interests") and 100% of the shares in Southwestern Production Corp. ("SWP") (collectively, the "SWP Shares") together the "Atomic Group Acquisition". For accounting purposes, the acquisition date is March 16, 2021, when the Company assumed control. In accordance with the SPA, certain assets and corresponding liabilities are excluded from the acquisition.

The Atomic Group was a closely-held private oil and gas company incorporated under the laws of the State of Colorado, USA. Atomic's assets are located in the Powder River Basin in the State of Wyoming, USA where it holds operated interests in approximately 47,992 acres (gross) of contiguous leasehold. There are two oil production Units within the lease block: the Barron Flats Shannon Miscible Flood Unit (57.7% working interest "WI") and the Cole Creek Unit (66.7% WI), as well as one unitized exploration area, the Barron Flats Deep Federal Unit (55.56% WI). Atomic owns a 100% membership interest in PipeCo LLC, a company holding a 100% interest in a gas pipeline and infrastructure that service Barron Flats area. SWP is an operator of all above mentioned oil and gas assets and continues in this capacity post-closing.

18. SUBSEQUENT EVENTS (continued)

(a) Atomic Group Acquisition (continue)

The $54 million purchase price is comprised of $50 million in cash and $4 million to be settled in issuance of COPL shares to be allocated between Membership Interests and SWP Shares prior to closing (collectively, the "Purchase Price"). On March 16, 2021, the Company issued 818,873,319 Common Shares representing $4 million of the purchase price consideration that was payable in COPL's shares. The Company financed the Purchase Price partially using the net proceeds from the Non-brokered Placing (See Note 12(a)(viii)) and external debt of $45 million (See Note 18 (b) below).

On March 17, 2021, the Financial Conduct Authority (the "FCA") granted the suspension of the Company's Common Shares on the LSE. Given the significance of this acquisition and the change of the Company's business resulting from this acquisition, the acquisition amounted to a reverse takeover that prevents further trading in the Company's Common Shares. For both legal and accounting purposes this acquisition does not constitute a reverse takeover. This suspension on the LSE does not impact listing of the Company on the CSE. Further to the SPA, the Company made a non-refundable deposit payment of $1 million on December 15, 2020 (due upon signing the SPA) and a refundable deposit of $4 million on December 31, 2020. Accordingly, $5 million is recognized as a prepaid purchase price in the Company's consolidated statement of financial position as at December 31, 2020. Subsequent to December 31, 2020, the remaining $4 million refundable deposit was paid. At Closing, the Company settled the Atomic Group external debt of $26 million (See Note 18(b)), paid $10 million in cash to the Seller, and withheld $5 million of the Purchase Price pending the finalization of certain adjustments as agreed between the Seller and the Company. Subsequently on April 14, 2021, the Company released $5 million to the Seller. Aggregate legal, advisory, consulting and other expenses related to Atomic Group Acquisition incurred in 2020 of approximately $0.4 million are recognized as acquisition costs included in the Company's consolidated statement of loss for the year ended December 31, 2020.

Considering the timing of Closing of this acquisition and the date of approval of these financial statements, it is impracticable to determine the preliminary purchase price allocation to assign fair values to the assets acquired and the liabilities assumed.

(b) Senior Credit Facility

The Atomic Group Acquisition was funded in part with debt through a loan agreement dated March 16, 2021 between a US based Global Investment Firm (the "Lender") and COPL America Inc. ("COPL America" or the "Borrower") as borrower (collectively, the "Senior Credit Facility"). To fund the Acquisition, the Company drew an initial principal loan amount of $45 million. The amount funded to COPL America of approximately $43.2 million (net of financing costs and transaction costs) was used to settle Atomic's previously outstanding debt of $26 million, a $10 million payment to the Seller, the $5 million of the Purchase Price initially withheld and paid subsequent to Closing and the remainder for funding ongoing operations of COPL America.

The Senior Credit Facility agreement is subject to an interest rate of LIBOR (with a floor of 2%) plus 10.5% per annum with such interest to be paid monthly in arrears. From the first anniversary of the Senior Credit Facility the outstanding loan principal will be repaid monthly by COPL America cash resources in excess of $2.5 million, and COPL America may prepay amounts outstanding subject to prepayment premiums from the first anniversary of the loan. The Senior Credit Facility includes the following covenants; spending on capex subject to lender approval, and the maintenance of certain financial ratios for asset coverage (1.50:1.00), leverage ratio (range of 2.50 to 3.00:1) and liquidity (45-day minimum average balance of unrestricted cash must be at least $2.5 million). The Senior Credit Facility did not require security or guarantees provided by the Company or its wider group outside of the USA and all financial ratios are calculated with reference to COPL America and its US subsidiaries only. The Senior Credit Facility has an accordion feature whereby the Borrower may draw upon up to a further $20 million for future development, at the sole discretion of the Lender.

All amounts in United States dollars, except otherwise stated

18. SUBSEQUENT EVENTS (continued)

(b) Senior Credit Facility (continue)

Under a separate warrant agreement dated March 16, 2021, the Lender was granted five (5) warrants representing 5% of the Common Shares of COPL America for $0.01 per Common Share. On maturity, the Lender would be entitled to redeem such warrants for an amount of cash equal to the greater of approximately 5% of the Company's market capitalization or 5% of the net asset value of COPL America at such time.

(c) Risk Management Contracts

Effective March 15, 2021, in anticipation of the Closing of the Atomic Group Acquisition and satisfying conditions attached to the Senior Credit Facility, the Company entered into a master risk management agreement with a counter party. These risk management contracts are not entered into for trading nor speculative purposes. The following risk management contracts were entered into subsequent to December 31, 2020:

Product	**SWAP contract**	**Total notional quantity (Gallon (GAL); Barrel (BBL))**	**Term**	**Contract price per GAL or BBP/Monthly**
Gas	Fixed price - Normal Butane (NC4)	7,766,022 GAL	April 1, 2021 to December 31, 2021	$0.930
Gas	Fixed price - Normal Butane (NC4)	11,110,302 GAL	January 1, 2022 to December 31, 2022	$0.768
Gas	Fixed price - Normal Butane (NC4)	9,921,552 GAL	January 1, 2023 to February 29, 2024	$0.670
Oil	Fixed price - WTI Futures	207,123 BBL	April 1, 2021 to December 31, 2021	$61.28
Oil	Fixed price - WTI Futures	384,187 BBL	January 1, 2022 to December 31, 2022	$56.58
Oil	Fixed price - WTI Futures	416,772 BBL	January 1, 2023 to February 29, 2024	$52.87

(1) WTI refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States.

(2) Floating Price of the Gas contracts for each contract month is equal to the arithmetic average of the OPIS Mt. Belvieu Butane (non-LDH) for each business day during the contract month. Floating Price of the Oil contracts

(3) Floating Price of the Oil contracts for each contract month is equal to the arithmetic average of the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price for each business day that it is determined during the contract month.