CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020

The following is Management's Discussion and Analysis ("MD&A") of the operating and financial results of Canadian Overseas Petroleum Limited, and its wholly owned subsidiaries COPL Technical Services Limited, Canadian Overseas Petroleum (UK) Limited ("COPL UK"), Canadian Overseas Petroleum (Bermuda Holdings) Limited ("COPL Bermuda Holdings"), Canadian Overseas Petroleum (Bermuda) Limited ("COPL Bermuda"), and Canadian Overseas Petroleum (Namibia) Limited ("COPL Namibia"), and Canadian Overseas Petroleum (Ontario) Limited ("COPL Ontario"), (collectively "COPL" or the "Company") as at and for the year ended December 31, 2020. The information is provided as of April 29, 2021. The results for the year ended December 31, 2020 have been compared to the same periods of 2019. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019, together with the accompanying notes and the Annual Information Form of the Company dated April 29, 2021 (the "AIF"). These documents and additional information about COPL are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com.

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

BUSINESS OF THE COMPANY – MANAGEMENT

Canadian Overseas Petroleum Limited is a publicly traded oil and gas company with its common shares with no par value (the "Common Shares") listed on the London Stock Exchange ("LSE") in the UK under the symbol "COPL" and the Canadian Securities Exchange (the "CSE") in Canada under the symbol "XOP"; the Company moved its listing from TSX Venture Exchange to the CSE on October 31, 2018.

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

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

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 "Overview" section below).

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking statements relating to future events or future performance. In some cases, forward-looking information and forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", "potential", "intend", "believe" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of COPL. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the AIF dated April 29, 2021, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

FORWARD-LOOKING INFORMATION AND STATEMENTS (CONTINUED)

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

- the Company's current strategy to establish and grow an oil and gas business, including the recently acquired business in the US (the "Overview and Overall Performance" and "Outlook" sections);
- the Company's ability to raise capital and obtain the additional financing for exploration projects (the "Overview and Overall Performance", "Outlook" and "Commitments and Contractual Obligations" sections);
- the Company's assumptions in respect of valuation of Warrants and Stock Options (as defined herein) (the "Stock-Based Compensation Expense", "YARF Loan" and "Share Capital" sections)
- the Company's ability to manage its financial and operational risks (the "Overview and Overall Performance", "Financial Instruments", "Commitments and Contractual Obligations" and "Liquidity and Capital Resources" sections).

The Company's AIF for the year ended December 31, 2020 describes major risks, material assumptions and other factors related to forward-looking information and forward-looking statements that could influence actual results and are incorporated herein by reference. These risks, assumptions and other factors have been provided for readers to gain a more complete perspective on COPL's future operations. However, readers should be cautioned that the list of factors is not exhaustive and that this information may not be appropriate for other purposes. Forward-looking information and forward-looking statements included or incorporated by reference in this MD&A are valid only as at the date of this MD&A, and the Company does not intend to update or revise these forward-looking statements and forward-looking information except as required by applicable securities laws. The forward-looking information and forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW AND OVERALL PERFORMANCE *

In the fourth quarter of 2020, management was focused on the Atomic Group acquisition and on obtaining financing for this acquisition. The Company also continued to identify, evaluate and pursue exploration and development opportunities in African countries and elsewhere. The Company continues to be focused on opportunities that its seasoned technical team has strength in evaluating and developing.

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.

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED) *

Atomic Group Acquisition (continued)

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 "*Share Capital" section*) and external debt of $45 million (*"Senior Credit Facility"* 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 agreement) 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 *"Senior Credit Facility"* below), 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.

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.

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.

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED) *

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.

Expansion of African Portfolio

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

Nigeria

On September 13, 2016, COPL announced that ShoreCan had completed the acquisition of 80% of the share capital of Essar Exploration and Production Limited (Nigeria) (“Essar Nigeria”). Essar Nigeria’s sole asset is a 100% interest and operatorship of an oil prospecting license, located about 50 kilometres offshore in the central area of the Niger Delta (“OPL 226”). As a party to a PSC for OPL 226, Essar Nigeria is required to seek Nigerian Government ministerial consent for the transaction.

On October 2, 2018, the Nigerian National Petroleum Corporation (“NNPC”) granted a conditional approval of a twenty four months extension for the Phase-1 exploration period until 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 Production Sharing Contract (“PSC”), to cover the Phase-1 exploration period work program at OPL 226.

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED) *

Nigeria (continued)

OPL 226 has an area of 1,530 km^2 and is situated in water depths ranging from 40 to 180 meters. It offers oil appraisal and development opportunities having near term oil production potential and significant exploration upside. Historically, four of the five wells with oil and gas shows were drilled in 1972 and 1973, however, the most recent fifth well (Noa-1) was an oil discovery drilled in 2001. ShoreCan has completed additional seismic processing of the most recent 568 km^2 3D seismic survey acquired by Essar Nigeria in 2012. The advanced seismic processing techniques, applied to this data set by ShoreCan, were successfully completed to differentiate oil bearing sands from gas-bearing or water-bearing sands. ShoreCan planned to drill exploitation wells adjacent to the Noa-1 discovery well. At the request of COPL, Netherland, Sewell & Associates, Inc. ("NSAI") prepared an independent report (the "Report") in accordance with Canadian National Instrument 51-101 (the "NI 51-101") evaluating the Contingent and Prospective Resources attributed to OPL 226, as of December 31, 2020. The Contingent and Prospective Resource volumes estimated in the NSAI report are disclosed in the Company's AIF dated April 29, 2021 under Appendix A in accordance with NI-51-101 rules and regulations.

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 was 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.

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;

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED) *

Nigeria (continued)

- 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. COPL understands that COVID 19 restrictions pertaining to travel and "in person" meetings have created delays regarding the application within the NNPC and the Department of Petroleum Resources ("DPR") due to increases in protection measures to protect the Nigerian people from the increasing effects of the pandemic.

Mozambique

The Company has discontinued its hitherto interest in a project at PT5-B in Mozambique in light of recent events in the country. In Mozambique, the Consortium (in which the ShoreCan joint venture parties, together, expected to hold a 57% interest) had been indicatively awarded rights to onshore Block PT5-B in the fifth licensing round. COPL was expected to act as the operator of the project. However, following a recent review and the desire to prioritise development of assets in the USA, COPL has decided not to pursue this opportunity and will advise stakeholders accordingly. Beyond COPL's prior pursuit of Block PT5-B, which the Company has ceased, the Company has no other operations or personnel in Mozambique nor any contractual obligations or outstanding liabilities in the country.

Change in CFO position

On June 5, 2020, Aleksandra Owad stepped down as Chief Financial Officer ("CFO") of the Company and Ryan Gaffney assumed the role as Interim CFO effective that day. Mr. Gaffney was appointed CFO of the Company effective July 2, 2020.

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

OUTLOOK *

The Company's strategy is to increase production at its US Assets in Wyoming, initially through increased gas injection at Barron Flats Shannon, followed by further drilling and development at the Barron Flats Unit and Cole Creek Unit, and to grow its international oil and gas business in Sub-Saharan Africa and elsewhere in the world by farming into, and/or acquiring interests in, exploration, unappraised and/or undeveloped assets as well as in producing assets using the expertise and experience of its senior management team.

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

- continuing production in the Barron Flats Unit and the Cole Creek Unit;
- increasing gas injection at the Barron Flats Unit;
- re-completing up to 17 existing cased wells in the Cole Creek pool to increase oil production;
- drill two to four new wells in the Cole Creek pool;
- drilling of horizontal proven unproducing development (PUD) locations in both the Dakota sand and Frontier 2 sand that was mapped at Cole Creek;
- progressing the OPL 226 project in Nigeria; and
- evaluating new opportunities available in Africa and in other jurisdictions.

COVID-19 Pandemic

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, the 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 "*ShoreCan's Commitments"* section below).

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.

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FINANCIAL SUMMARY

General and administrative costs were $3.2 million for the year ended December 31, 2020, compared to $3.9 million for the same period in 2019. During the year ended December 31, 2020, the Company recorded a gain on waived 2019 directors' fees in the amount of $0.43 million; there was no such gain recorded in 2019. Depreciation expenses were $70,000 for the year ended December 31, 2020, compared to $37,000 for the same period in 2019. For the year ending December 31, 2020, the Company also recorded stock-based compensation expense of $0.97 million, an expected credit loss of $0.39 million, acquisition costs of $0.43 million, pre-license costs of $39,000 and a gain on office lease relief of $11,000; there were no such costs and/or gains recorded in same period of 2019.

There was no interest income recorded for the year ended December 31, 2020, compared to $2,000 for the same period in 2019. Interest expense in respect of the office lease amounted to $10,000 for the year ended December 31, 2020, compared to $3,000 for the same period in 2019. For the year ended December 31, 2020, the Company recorded interest expense on the CEO short-term loan in the amount of $13,000, gain on extinguishment of loan of $13,000, accretion of $16,000, gain on derivatives of $87,000 and finance expenses in respect of YARF short-term loan of $333,000; no such interest, finance costs and/or gains were recorded for the same period in 2019. A foreign exchange gain of $74,000 was recognized for the year ended December 31, 2020, compared to a foreign exchange gain of $50,000 for the same period in 2019. The Company recognized a loss of $146,000 on the Company's investment in ShoreCan for the year ended December 31, 2020, compared to $1,000 for the same period in 2019.

As a result, the Company's net loss amounted to $5.0 million for the year ended December 31, 2020, compared to net loss of $3.9 million in 2019.

As at December 31, 2020, the Company's cash and cash equivalents amounted to $1.4 million ($0.08 million as at December 31, 2019). Cash used in operating activities amounted to $3.9 million for the year ended December 31, 2020 compared to $2.9 million for the same period in 2019. Cash provided by financing activities amounted to $10.3 million for the year ended December 31, 2020 compared to $1.1 million for the same period in 2019. Cash used in investing activities amounted to $5.2 million for the year ended December 31, 2020 compared to $5,000 for the year ended December 31, 2019.

During the year ended December 31, 2020, the Company closed two equity placings in the UK for total gross proceeds of approximately £2.5 million ($3.2 million) and issued COPL's Common Shares to certain vendors and employees in lieu of cash payments of approximately £1.3 million ($1.7 million) in respect of outstanding accounts payable due to these vendors and employees (as discussed in details in "*Share Capital*" section). Also, in December 2020, the Company received £3.9 million ($5.3 million) of proceeds from the UK Placing in advance of the actual issue of respective shares in January 2021. These proceeds are recognized as subscription receipts liability in current liabilities as at December 31, 2020.

SELECTED ANNUAL INFORMATION

DISCUSSION OF OPERATIONS

The Company has not had significant revenue from operations in any of its last three financial years. The following table summarizes the Company's financial results for the years ended December 31, 2020, 2019 and 2018:

($ 000's) except per share	2020	2019	2018
Administrative expenses	**$ 3,161**	$ 3,930	$ 4,944
Acquisition costs	**431**	-	-
Pre-license costs	**39**	-	489
Gain on waived 2019 directors' fees	**(431)**	-	-
Gain on derecognition of AP	**-**	-	(744)
Gain on office lease relief	**(11)**	-	-
Depreciation	**70**	37	20
Expected credit loss	**385**	-	-
Stock-based compensation	**973**	-	-
Interest income	**-**	(2)	(11)
Interest expense – lease liability	**10**	3	-
Interest expense – CEO loan	**13**	-	-
Gain on extinguishment of loan	**(13)**	-	-
Accretion – CEO loan	**16**	-	-
Gain on derivative liabilities	**(87)**	-	-
Finance expense – YARF loan	**333**	-	-
Foreign exchange (gain) / loss	**(74)**	(50)	175
Loss on investment in joint venture	**146**	1	43
Net loss	**4,961**	3,919	4,916
Per share loss (basic and diluted)	**$ (0.00)**	$ 0.00	$ 0.00
Outstanding Common Shares at December 31	***4,872,204,722***	*3,483,752,463*	*2,486,752,463*
Weighted average Common Shares - basic	***4,107,962,456***	*2,929,450,545*	*1,841,654,781*
Cash used in operating activities	**$ 3,899**	$ 2,857	$ 5,455

SELECTED ANNUAL INFORMATION (CONTINUED)

Administrative Expenses

A breakdown of administrative expenses is as follows:

($ 000's)	2020	2019
Administrative:		
Payroll and related costs	$ 1,569	$ 1,640
External directors' fees and related costs	101	450
Consulting services	339	392
Professional services	270	183
Software licenses and maintenance	68	139
Travel expenses	183	262
Office expenses	274	565
Stock exchange, transfer agent and UK regulatory agents fees	246	235
Other general and administrative	111	64
Total administrative	$ 3,161	$ 3,930

Administrative expenses amounted to $3.2 million for the year ended December 31, 2020, compared to $3.9 million for the same period in 2019.

The decrease in administrative expenses of $0.7 million for the year ended December 31, 2020, compared to the same period in 2019 resulted mainly from:

- a decrease in payroll due to reduced working hours in effect from September 2019 to June 2020,
- external directors' fees were waived for the first and second quarter of 2020 further to Board resolutions dated March 26, 2020 and September 14, 2020; external directors' fees for 2019 were waived in March 2020 and are recognized in 2020 as a gain on waived fees directly in the Company's statement of comprehensive loss for 2020; in addition, external directors' quarterly fees were substantially reduced effective from third quarter of 2020,
- a decrease in office rent expenses due to the office lease renewal in September 2019 at a lower rent; in addition a reduction in administrative costs resulted from an application of IFRS 16 "Leases" to the renewed office lease, which provides for only operating costs to be included in administrative expenses, while a rent portion of the lease is recognized as right-of-use assets and depreciated over a term of the office lease contract (see *"Depreciation"* and *"Right of Use Assets"* sections below), and
- a decrease in consulting services, software licenses and maintenance costs, travel costs and other general and administrative cost due to a lower level of activities as compared to same period of 2019.

Acquisition Costs

Legal, advisory, consulting and other expenses related to the Atomic Group Acquisition of approximately $0.43 million are recognized as acquisition costs for the year ended December 31, 2020. No acquisition costs were incurred in 2019 and 2018.

Pre-license Costs

The Company recognized $39,000 as pre-license costs for the year ended December 31, 2020 that related to an anticipated new project. No pre-license costs were incurred in 2019. The $0.5 million of pre-license costs in 2018 related to an anticipated project in Ontario, Canada.

SELECTED ANNUAL INFORMATION (CONTINUED)

Derecognition of Accounts Payable

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

There was no such derecognition of accounts payable recorded in 2020 and 2019.

Gain on office lease relief

During the year ended December 31, 2020, the Company received a discount for three monthly office lease payments due to COVID-19 pandemic. The discount received meets the 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. There was no such gain recorded for the years ended December 31, 2019 and 2018.

Depreciation

Depreciation of $8,000 for the year ended December 31, 2020 ($16,000 for 2019 and $20,000 for 2018) relates to office furniture and equipment. Depreciation is calculated on a straight-line basis over expected useful life of equipment.

In addition, commencing September 1, 2019 and further to implementation of IFRS 16, the Company depreciates its right-of-use assets recognized in respect of an office lease in Calgary. Depreciation is calculated on a straight-line basis over the term of office lease and amounted to $62,000 for the year ended December 31, 2020 ($21,000 for the same period in 2019, $nil for 2018).

Expected credit loss

As at December 31, 2020, further to an annual recoverability assessment, the Company recognized a full allowance for expected credit loss in the consolidated statement of loss and comprehensive loss for the accounts receivable of $385,000 due from its Nigerian joint partner (see "*ShoreCan's Commitments*" section below). There was no such allowance recorded for the years ended 2019 and 2018.

*Stock-Based Compensation Expense**

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

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 stock option granted was estimated on the date of grant using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at December 31, 2020).

Additional stock-based compensation expense in the amount of $0.1 million has been recorded in the statement of comprehensive loss for the year ended December 31, 2020 in respect of debt exchange arrangement with employees as described further in *"Share Capital – Debt Exchange"* section.

SELECTED ANNUAL INFORMATION (CONTINUED)

*Stock-Based Compensation Expense (continued)**

There were no new options granted during the years ended December 31, 2019 and 2018.

No stock options expired unexercised during the year ended December 31, 2020 (nil in 2019 and 7,725,000 in 2018). No stock options were exercised during the years ended December 31, 2020, 2019 and 2018. 110,000 stock options were forfeited in 2019 (nil in 2020 and 2018). 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.

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

Interest Income

Interest income earned was $nil for the year ended December 31, 2020, compared to $2,000 for the same period ended December 31, 2019 ($11,000 for 2018). The interest income relates to interest earned on cash held at banks.

Interest Expense – Lease Liability

For the year ended December 31, 2020, further to implementation of IFRS 16, the Company recorded interest expense in respect of the office lease in the amount of $10,000 ($3,000 for the same period in 2019, $nil for 2018). Interest relates to the Company's office lease in Calgary and it is charged over the lease term.

Interest Expense – CEO Loan

The Company recorded interest expense on a short-term loan received from its Chief Executive Officer ("CEO") in the amount of $13,000 for the year ended December 31, 2020 ($nil for the same period in 2019 and 2018). The loan from CEO (the "CEO Loan") was provided on February 14, 2020 and bears interest at a rate of 10% per annum (discussed further in "*Short-Term Loan-CEO*" section below).

Gain on Extinguishment of Loan

On June 15, 2020, the terms of the CEO Loan were varied, in part, by the YARF Loan Agreement (discussed further in "*Short-Term Loan - YARF*" section below) providing for an extension of maturity of the CEO Loan until December 31, 2020 or conversion 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 details in "*Share Capital*" section below) at the CEO's option. As at that day, due to the addition of a conversion option element of the loan, the Company calculated the fair value of the amended instrument, compared it to the carrying value of the CEO Loan and recognized a gain on extinguishment of loan of $13,000 for the year ended December 31, 2020 ($nil for the same period in 2019 and 2018).

Accretion – CEO Loan

The Company recorded accretion in the amount of $16,000 for the year ended December 31, 2020 ($nil for the same period in 2019 and 2018) in respect of CEO Loan.

SELECTED ANNUAL INFORMATION (CONTINUED)*

Gain on Derivative Liabilities

Gain on derivative liability of $87,000 for the year ended December 31, 2020 relates to:

- gain on derivative of $3,000 in respect of embedded derivative conversion option component of the CEO Loan that is considered nil as at December 23, 2020, the date of conversion (as discussed in "*Short-Term Loan-CEO*" section below),
- gain on derivative of $84,000 in respect of change in fair value of YARF Warrants that are classified as a derivative financial instrument (discussed further in "*Short-Term Loan - YARF*" section below).

There were no gains and/or losses on derivative liabilities recorded during the years ended December 31, 2019 and 2018.

Finance Expense – YARF Loan

For the year ended December 31, 2020, the Company recorded $333,000 of finance expenses related to a YARF short-term loan (discussed further in "*Short-Term Loan - YARF*" section below) that include a fixed coupon charge of 12.5% on the total YARF loan amount of $98,000, an implementation fee of $45,000, legal, due diligence and other fees of $30,000 as well as fair value of YARF Warrants of $160,000. There were no finance expenses in the comparable period for 2019 and 2018.

Foreign Exchange Gain

A foreign exchange gain of $74,000 was recognized for the year ended December 31, 2020 (compared to a foreign exchange gain of $50,000 for the same period in 2019 and a foreign exchange loss of $0.2 million for 2018), which relates mainly to loss on translation of loans, accounts payable, cash and cash equivalents denominated in currencies other than USD.

Loss on Investment in Joint Venture

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan. For the year ended December 31, 2020, the Company 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), which were included in ShoreCan's general and administrative expenses and interest expenses for the same period. This amount of revenue was reversed from the Company's revenue and investment in joint venture.

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 (December 31, 2019 - $1,000, 2018 - $43,000). 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 and $43,000 for the year ended December 31, 2018).

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at December 31, 2020, December 31, 2019 and December 31, 2018:

($ 000's) except per share	December 31, 2020	December 31, 2019	December 31, 2018
Cash and cash equivalents	**$ 1,401**	$ 75	$ 1,856
Right of use assets	**229**	291	-
Prepaid purchase price	**5,000**	-	-
Total assets	**6,992**	748	2,419
Subscription receipts liability	**5,472**	-	-
Short-term loan - YARF	**683**	-	-
Derivative liability - YARF	**91**	-	-
Current portion of lease liabilities	**59**	45	-
Long-term lease liabilities	**216**	270	-
Share capital	**(142,639)**	(138,087)	(136,942)
Shareholders' deficit	**$ (595)**	$ (991)	$ (2,083)

Recent changes to general economic and industry factors due to COVID-19 pandemic, their uncertainty and impact on the Company's position and operation are discussed in "*Outlook*" section.

Cash and Cash Equivalents

The increase in cash and cash equivalents of $1.3 million during 2020 represents cash provided by financing activities of $10.3 million and $0.1 million effect of foreign exchange on cash and cash equivalents held in foreign currencies net of cash used in operating activities of $3.9 million and cash used in investing activities of $5.2 million.

Right of Use Assets

As at December 31, 2020 and in accordance with IFRS 16, the Company recorded $0.23 million of right-of-use assets in respect of the office lease that was renewed effective September 1, 2019, compared to $0.29 million as at December 31, 2019. The Company depreciates its right-of-use assets on a straight-line basis over the term of the office lease contract of five years.

Investment in Joint Venture

The Company's investment in joint venture, relates to a 50% share of ShoreCan, the jointly controlled entity and represents a 50% share in ShoreCan's assets and liabilities. As the Company's share of ShoreCan's net liabilities exceeded the Company's net interest in ShoreCan as at December 31, 2020, under the equity method, the Company discontinued recognizing its share of future losses and the carrying amount of the investment in the jointly controlled entity was $nil as at December 31, 2020 ($nil as at December 31, 2019). Investment in ShoreCan is further discussed in section "Commitments and Contractual Obligations".

Prepaid Purchase Price

In connection with the Atomic Group Acquisition, the Company made a non-refundable deposit payment of $1 million on December 15, 2020 (due upon signing the SPA) and paid a refundable deposit of $4 million on December 31, 2020. Accordingly $5 million is recognized as prepaid purchase price in the Company's consolidated statement of financial position as at December 31, 2020.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Total Assets

Total assets increased by $6.3 million from $0.7 million as at December 31, 2019 to $7.0 million as at December 31, 2020. This increase is mainly a result of an increase in prepaid purchase price of $5.0 million, cash and cash equivalents of $1.3 million, an increase in deferred share issue costs and prepayments of $0.2 million in total, compensated by a decrease in a long term receivable of $0.2 million.

Subscription Receipts Liability

Proceeds from the Non-brokered Placing (discussed in *"Share Capital"* section) that were received in December 2020 (i.e. in advance of the actual issue of the respective shares 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. In addition, the subscription receipts liability balance as at December 31, 2020 includes the Company's obligation to issue units to the CEO at a value of £115,000 ($157,000) further to the CEO Loan conversion (discussed further in *"Short-Term Loan CEO"*) and to issue units to Company's directors at a value of $46,000, further to Directors' participation in the Non-brokered Placing in the amount of $46,000 (discussed further in *"Transactions with Related Parties")*.

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 bears interest in Canadian dollars at a rate of ten per cent (10%) per annum. No payments of interest or principal amount were required to be made 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 is to be guaranteed by the Company's subsidiaries.

On June 15, 2020, the terms of the Note were varied, in part, by the YARF Loan Agreement (discussed in *"Short-Term Loan – YARF*" section) 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 "Share Capital" section), 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 provides for same terms and conditions as described above and in addition provides 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 the 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.

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 a decrease in the CEO Loan value.

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

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Short-Term Loan – CEO (continued)

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 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.

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	$ -	-	-

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 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 fees 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 a UK equity placing and £36,000 ($45,000) by the issue of 12,000,000 Common Shares at a deemed price of £0.003 ($0.0037) per share (the UK Placing is discussed in *"Share Capital"* section).

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Short-term loan – YARF (continued)

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 UK placing of £1.3 million (discussed in *"Share Capital"* section) and on July 3, 2020, the Company drew down a second tranche of £100,000 (approximately $125,000). On August 7, 2020, a total remaining balance of the 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.

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 nine months ended September 30, 2020, the Company recognized the total interest payment of $98,000 as a 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) of implementation fees 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 $91,000 as at December 31, 2020. Accordingly, the Company recognized a gain on derivative liability of a total of $84,000 and related 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 the Black-Scholes option pricing model to estimate the fair value of the YARF Warrants at the dates of valuation:

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

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Short-term loan – YARF (continued)

The following table provides a summary of the 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	**(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 the YARF Loan Agreement: £100,000 ($136,000) on January 5, 2021 and £400,000 ($547,000) on February 5, 2021.

Lease Liabilities

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. 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.

Shareholders' Deficit

The shareholders' deficit decreased from $1.0 million as at December 31, 2019 to $0.6 million as at December 31, 2020. This decrease of $0.4 million resulted mainly from an increase in share capital of $4.6 million and an increase in contributed capital reserve of $0.9 million compensated by a comprehensive loss incurred for the year ended December 31, 2020 of $5.1 million.

SHARE CAPITAL *

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).

SHARE CAPITAL (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 ($0.0050) per share (the YARF loan and YARF Warrants are discussed in "*Short-Term Loan – YARF"* section above).

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 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.

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.

SHARE CAPITAL (CONTINUED) *

Debt Exchange (continued)

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).

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 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.

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).

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).

Stock Options Granted

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 (estimated using a Black-Scholes option pricing model) has been recognized in the statement of comprehensive loss for year ended December 31, 2020 and as addition to contributed capital reserve.

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.

SHARE CAPITAL (CONTINUED) *

Securities outstanding as at December 31, 2020

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

As at December 31, 2020, the Company had the following issued and outstanding securities:

- 4,872,204,722 Common Shares;

- 173,500,000 share purchase warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.0049 per share and a remaining contractual life of six to 18 months; and

- 449,014,235 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.0141 per Common Share and a remaining contractual life of four months to four years and eight months.

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 "*Short-Term Loan – CEO section*" above).

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 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 an initial, partial payments of the purchase price for the Atomic Group Acquisition (See *"Overview and Overall Performance", "Atomic Group Acquisition"* section above) 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).

SHARE CAPITAL (CONTINUED) *

Placings Subsequent to December 31, 2020 (continued)

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.

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

On March 16, 2021, further to closing of the Atomic Group transaction and in accordance with provisions of the SPA, the Company issued 818,873,319 Common Shares representing the $4 million Common Share portion of the purchase price consideration that was payable in COPL's shares to the Seller (see *"Overview and Overall Performance"*, "*Atomic Group Acquisition*" section above).

As at the date of filling this MD&A, the Company has 14,953,619,791 Common Shares issued and outstanding.

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

SUMMARY OF QUARTERLY RESULTS

Eight most recent quarters:

($ 000's)	December 31, 2020	September 30, 2020	June 30, 2020	March 31, 2020
Revenue	-	-	-	-
Interest income	-	-	-	-
Net loss	(1,673)	(2,068)	(919)	(301)
Loss per share - basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

($ 000's)	December 30, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Revenue	-	-	-	-
Interest income	-	-	1	1
Net loss	(693)	(1,009)	(1,091)	(1,126)
Loss per share - basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

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

Quarterly administrative expenses were approximately $1.2 million for the first quarter of 2019, $1.0 million for the second quarter of 2019 and the fourth quarter of 2020, $0.9 million for the third quarter of 2019, $0.8 million for the fourth quarter of 2019 and third quarter of 2020, $0.7 million for the first quarter of 2020 and $0.6 million for the second quarter of 2020. A reduction in administrative cost in 2020 is mainly a reflection of lower salaries (reduced hours) and external directors' fees (waived or reduced) lower office expenses (due to office rent renewal and substantially lower rates) as well as lower travel and corporate development expenses due to lower activities as compared to 2019.

SUMMARY OF QUARTERLY RESULTS (CONTINUED)

In addition to administrative expenses, the following items had a material impact on the Company's quarterly results:

- During the third quarter of 2020, further to option grants, the Company recognized a stock-based compensation expense of $0.97 million.
- During the second and third quarters of 2020, the Company recorded finance expenses in respect of the YARF Loan of $0.15 million and $0.18 million respectively.
- During the first quarter of 2020, the Company recognized a gain on waived 2019 directors' fees (further to a Board Resolution dated March 26, 2020).
- During the fourth quarter of 2020, the Company recognized a full allowance for expected credit loss of $0.4 million in respect of its long-term receivables due from its Nigerian joint venture partner.
- During the third and fourth quarter of 2020, the Company recorded legal, advisory, consulting and other expenses related to the Atomic Group Acquisition of approximately $0.43 million and recognized them as acquisition costs.

FOURTH QUARTER RESULTS

The Company recorded a net loss of $1.7 million for the three month period ended December 31, 2020, compared to net loss of $0.7 million for same period of 2019. Major items that affected the fourth quarter results are as follows:

- Administrative costs were $1.0 million in the fourth quarter of 2020, compared to $0.8 million in the fourth quarter of 2019, mainly due to an increase in corporate development costs, professional service fees and higher salaries (employees returning to regular working hours from July 2020).
- Acquisition costs of $0.4 million were recognized in the fourth quarter of 2020, compared to $nil in 2019.
- A pre-license expense of $39,000 was recognized in the fourth quarter of 2020, compared to $nil in 2019.
- The Company recognized a full allowance for expected credit loss of $0.4 million in respect of its long-term receivables due from its Nigerian joint venture partner.
- Interest expense of $4,000 and accretion expense of $8,000 were recognized on the short-term CEO Loan in the fourth quarter of 2020 compared to $nil in 2019.
- Derivative gain of $0.1 million was recognized on YARF warrants and short-term CEO Loan in the fourth quarter of 2020 compared to $nil in 2019.
- A foreign exchange gain of $76,000 was recognized for the fourth quarter of 2020, compared to a foreign exchange gain of $124,000 for the same period in 2019.

Cash used in operating activities amounted to $0.9 million for the three month period ended December 31, 2020 compared to $0.4 million for the same period in 2019. Cash provided by financing activities amounted to $5.1 million for the three month period ended December 31, 2020, compared to $0.03 million for the three month period ended December 31, 2019. Cash used in investing activities amounted to $5.0 million for the three month period ended December 31, 2020, compared to $2,000 for the three month period ended December 31, 2019.

TRANSACTIONS WITH RELATED PARTIES

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

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

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 "*Short-Term Loan – CEO section*" 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.

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 *"Share Capital"* section above) and is 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.

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.

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Remuneration of Directors and Other Key Management Personnel (continued)

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.

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.

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.

During the year ended December 31, 2020, the Company and its subsidiaries charged ShoreCan for 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). This $1.4 million of revenue was reversed from the Company's revenue and investment in joint venture. Amounts advanced to ShoreCan under the terms of this funding agreement (and subsequent amendments) are unsecured and payable on or before October 24, 2021, contingent upon ShoreCan generating its own cash flows. Interest is charged monthly at an annual rate of 3.0% above12 month USD LIBOR.

FINANCIAL INSTRUMENTS*

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

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

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

COMMITMENTS AND CONTRACTUAL OBLIGATIONS *

As at December 31, 2020, the Company had no commitments.

ShoreCan's Commitments

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

The Company and its joint venture partner signed a funding agreement, effective October 24, 2014 (the "Funding Agreement") providing financial support as needed in proportion to its interest (50% each) in ShoreCan for ShoreCan's expenses and obligations. The Funding Agreement does not impose any guarantees from the Company and/or its joint venture partner. Amounts advanced to ShoreCan under the terms of the Funding Agreement (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).

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.

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

On October 2, 2018, NNPC granted a conditional approval of a twenty four months extension for 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 has committed to invest up to a maximum of $80 million into Essar Nigeria in the form of an interest-free shareholder loan.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (CONTINUED)*

ShoreCan's Commitments (continued)

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 was 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.

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. COPL understands that COVID 19 restrictions pertaining to travel and "in person" meetings have created delays regarding the application within the NNPC and the Department of Petroleum Resources ("DPR") due to increases in protection measures to protect the Nigerian people from the increasing effects of the pandemic.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS (CONTINUED) *

ShoreCan's Commitments (continued)

Essar Nigeria – Agamore Farm In

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

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

The claim was initially heard on June 5, 2018 where Agamore failed to appear. The claim was continued on June 29, 2018 where Agamore appeared but the case was again extended to September 5, 2018 as the judge noted a technical failure on the part of Agamore to serve the action properly on one or more of the defendants. The NNPC and DPR have requested ShoreCan's lawyers represent them to seek dismissal of the action. On September 25, 2018, the case was again called in court with an objection to Shorecan's lawyers representing the NNPC and DPR and also with a motion to enjoin Canadian Overseas Petroleum Limited and the third Shorecan director of Essar Nigeria to the action. The case was continued to December 17, 2018 for the hearing of the motions including those recently enrolled. On March 7, 2019, the Court heard an application filed by Agamore's lawyers to disqualify the barrister from representing the fourth and fifth defendants. Counsel for ShoreCan responded claiming the motion had no evidential basis. The Court refused such disqualification during the hearing held on April 17, 2019.

The defendants' objection to jurisdiction was adjourned to May 23, 2019. On May 23, 2019, COPL was informed by local counsel that the plaintiff had appealed to the Nigerian Court of Appeal the decision to refuse the disqualification order. The Nigerian High Court has adjourned the case in the meantime, as the Court of Appeal has superior jurisdiction. No time has yet been set for the appeal hearing. With all defendants including the Nigerian governmental agencies considering the action to be ill-founded, Essar Nigeria remains confident that the action will be dismissed in due course.

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

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

LIQUIDITY AND CAPITAL RESOURCES *

As of December 31, 2020, the Company had a working capital deficit of approximately $5.7 million, cash and cash equivalents of $1.4 million and shareholders' deficit of $0.6 million.

For the year ended December 31, 2020, the Company's cash used in operating activities amounted to $3.9 million (compared to $2.9 million for the same period in 2019). Cash provided by financing activities amounted to $10.3 million for year ended December 31, 2020 (compared to $1.1 million for the same period in 2019). Cash used in investing activities amounted to $5.2 million for the year ended December 31, 2020 (compared to $5,000 for the same period 2019.

LIQUIDITY AND CAPITAL RESOURCES (CONTINUED)*

During the year ended December 31, 2020, the Company closed two equity placings in the UK for total gross proceeds of approximately £2.5 million ($3.2 million) and issued COPL's Common Shares to certain vendors and employees in lieu of cash payments of approximately £1.3 million ($1.7 million) in respect of outstanding accounts payable due to these vendors and employees (as discussed in details in "*Share Capital*" section). Also, in December 2020, the Company received £3.9 million ($5.3 million) of proceeds from the UK Placing in advance of the actual issue of Common Shares in January 2021. These proceeds are recognized as subscription receipt liability in current liabilities as at December 31, 2020

Even though the Company had a working capital deficit of $5.7 million and a deficit of $192.4 million as of December 31, 2020, a reasonable expectation exists that the Company have adequate resources to continue in operational existence for the foreseeable future. As at December 31, 2020, the current liabilities included subscription receipts liabilities of $5.3 million representing cash received in advance of equity placing completed subsequent to year end 2020 (as discussed in "*Share Capital*" section) Therefore, the working capital deficit excluding the subscription receipts liability is $0.4 million. These subscription receipts partially funded the prepayment of $5 million of the Atomic Group Acquisition purchase price (as discussed in "*Overview and Overall Performance"* section). Subsequent to December 31, 2020, the Company raised capital of $30.8 million, of which $5.3 million was received prior to year end 2020 (as discussed in "*Share Capital*" section). In addition, subsequent to December 31, 2020, the Company secured debt financing of $45 million (as discussed in "*Overview and Overall Performance"* section). Atomic Group is expected to provide future cash inflows from production activities for which exposure to commodity pricing risk is managed through risk management contracts until February 29, 2024 (as discussed in "*Overview and Overall Performance"* section).

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

ACCOUNTING PRONOUNCEMENTS

Critical Accounting Estimates

The preparation of the financial statements in accordance with IFRS requires the Company to make estimates, assumptions and judgements in applying the Company's accounting policies and practices, which may have a significant impact on the financial results reported by the Company. Actual results could differ from estimated amounts, and those differences may be material. A comprehensive discussion of the Company's significant policies and critical accounting estimates is contained in the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

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

ACCOUNTING PRONOUNCEMENTS

Critical Accounting Estimates (continued)

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

- Stock-based compensation, warrants and derivative liability – the amounts recorded in respect of stock options granted 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.

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

ACCOUNTING PRONOUNCEMENTS

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 provide 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.

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”.

Amendments to IAS 1 and 8 - “Definition of Materiality”

The Company adopted the amendments to IAS 1 and 8 on January 1, 2020. The amendments provide a new definition of material information that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

No material changes in the Company's ICFR were identified during year ended December 31, 2020, that have materially affected, or are reasonably likely to materially affect the Company's ICFR.

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

DIRECTORS

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

OFFICERS

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