

Canadian Overseas Petroleum Limited
Unaudited Condensed Interim Consolidated
Financial Statements
As at September 30, 2020 and for the three and nine
month periods ended September 30, 2020 and 2019

Management's Responsibility for Consolidated Financial Statements

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

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

The audit committee has reviewed the unaudited condensed interim consolidated financial statements with management and has reported to the Board of Directors. The Board of Directors has approved the unaudited consolidated interim financial statements as presented.

Signed "Arthur S. Millholland"

Arthur S. Millholland
President and Chief Executive Officer
November 16, 2020

Signed "Ryan Gaffney"

Ryan Gaffney
Chief Financial Officer
November 16, 2020

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

As at	September 30, 2020	December 31, 2019
Assets		
Current		
Cash and cash equivalents <i>(note 5)</i>	\$ 2,206	\$ 75
Accounts receivable	28	20
Prepaid expenses	83	41
Deferred share issue costs	46	-
Deposits	-	44
	2,363	180
Non-Current		
Right-of-use assets <i>(note 6)</i>	244	291
Office equipment	35	38
Long-term deposits	44	-
Long-term receivable <i>(note 4)</i>	382	239
	\$ 3,068	\$ 748
Liabilities		
Current		
Accounts payable and accrued liabilities <i>(note 8)</i>	\$ 566	\$ 1,424
Short-term loan - CEO <i>(note 9)</i>	152	-
Embedded derivative liability <i>(note 9)</i>	33	-
Short-term loan – YARF <i>(note 10)</i>	645	-
Derivative Liability – YARF <i>(note 10)</i>	159	-
Current portion of lease liabilities <i>(note 7)</i>	54	45
	1,609	1,469
Non-Current		
Lease liabilities <i>(note 7)</i>	222	270
	1,831	1,739
Shareholders' Equity / (Deficit)		
Share capital <i>(note 11(a))</i>	142,642	138,087
Warrants <i>(note 11(b))</i>	145	107
Contributed capital reserve <i>(note 11(c))</i>	51,260	50,394
Deficit	(190,718)	(187,430)
Accumulated other comprehensive loss	(2,092)	(2,149)
	1,237	(991)
	\$ 3,068	\$ 748

Nature of operations *(note 1)*

Going concern *(note 2)*

See accompanying notes to the unaudited condensed interim consolidated financial statements.

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

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
Operations				
Administrative	\$ (843)	\$ (921)	\$ (2,153)	\$ (3,133)
Pre-license costs	(36)	-	(36)	-
Gain on waived 2019 directors' fees (note 8)	-	-	431	-
Gain on office lease relief	11	-	11	-
Stock based compensation (note 11 (a) & (c))	(973)	-	(973)	-
Depreciation	(17)	(10)	(52)	(20)
	<u>(1,858)</u>	<u>(931)</u>	<u>(2,772)</u>	<u>(3,153)</u>
Finance income and costs				
Interest income	-	-	-	2
Interest expense – lease liabilities	(3)	-	(8)	-
Interest expense – CEO loan	(3)	-	(9)	-
Accretion – CEO loan	(7)	-	(8)	-
Finance expense – YARF loan (note 10)	(154)	-	(331)	-
Gain on extinguishment of loan (note 9)	-	-	13	-
Gain / (loss) on derivative liabilities (notes 9 & 10)	19	-	(28)	-
Foreign exchange gain / (loss)	81	(78)	(2)	(74)
	<u>(67)</u>	<u>(78)</u>	<u>(373)</u>	<u>(72)</u>
Loss before investments in joint ventures	(1,925)	(1,009)	(3,145)	(3,225)
Loss on investment in joint venture (note 4)	(143)	-	(143)	(1)
Net loss	<u>(2,068)</u>	<u>(1,009)</u>	<u>(3,288)</u>	<u>(3,226)</u>
(Loss) / gain on translation of foreign subsidiaries	<u>(104)</u>	<u>73</u>	<u>57</u>	<u>89</u>
Comprehensive loss	<u>\$ (2,172)</u>	<u>\$ (936)</u>	<u>\$ (3,231)</u>	<u>\$ (3,137)</u>
Loss per share (basic and diluted)	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>	<u>\$ (0.00)</u>
Weighted average number of shares outstanding	<u>4,578,570,392</u>	<u>3,125,056,811</u>	<u>3,851,355,563</u>	<u>2,742,652,829</u>

See accompanying notes to the condensed consolidated financial statements.

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

	Share Capital	Warrants	Contributed Capital Reserve	Deficit	Accumulated Other Comprehensive Loss ⁽¹⁾	Total Equity
Balance at December 31, 2018	\$ 136,942	\$ 330	\$ 50,394	\$ (183,511)	\$ (2,072)	\$ 2,083
Issued further to Offerings, net of issue cost	911	-	-	-	-	911
Fair value of Broker's warrants issued further to Offering	-	4	-	-	-	4
Fair value of Broker's warrants that expired unexercised	179	(179)	-	-	-	-
Comprehensive loss for the period	-	-	-	(3,226)	89	(3,137)
Balance at September 30, 2019	\$ 138,032	\$ 155	\$ 50,394	\$ (186,737)	\$ (1,983)	\$ (139)
Balance at December 31, 2019	\$ 138,087	\$ 107	\$ 50,394	\$ (187,430)	\$ (2,149)	\$ (991)
Issued further to Placings, net of issue cost (<i>note 11a</i>)	2,218					2,218
Issued further to Debt Exchange and payments for fees (<i>note 11a</i>)	1,975					1,975
Issued further to exercise of Brokers' Warrants (<i>note 11a</i>)	255					255
Fair value of Brokers' Warrants exercised (<i>note 11b</i>)	107	(107)				-
Fair value of Finders' Warrants issued (<i>note 11a</i>)		145				145
Stock options granted (<i>note 11c</i>)			866			866
Comprehensive loss for the period	-	-	-	(3,288)	57	(3,231)
Balance at September 30, 2020	\$ 142,642	\$ 145	\$ 51,260	\$ (190,718)	\$ (2,092)	\$ 1,237

⁽¹⁾As at September 30, 2020 and 2019, the accumulated other comprehensive loss balance consists of unrealized foreign exchange on translation of foreign subsidiaries.

See accompanying notes to the unaudited condensed interim consolidated financial statements.

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

For the nine months ended September 30	2020	2019
Cash Used In Operating Activities		
Net loss	\$ (3,288)	\$ (3,226)
Interest income	-	(2)
Add (deduct) non-cash items:		
Gain on waived 2019 directors' fees (<i>note 8</i>)	(431)	-
Depreciation	52	20
Interest expense – lease liabilities	8	-
Interest expense – CEO loan	9	-
Accretion – CEO loan	8	-
Finance expense – YARF loan	331	-
Gain on extinguishment of loan	(13)	-
Loss on derivative liabilities	28	-
Stock based compensation (<i>note 10a & 10c</i>)	973	-
Unrealized foreign exchange loss	17	85
Loss on investment in joint venture (<i>note 4</i>)	143	1
	<u>(2,163)</u>	<u>(3,122)</u>
Net change in non-cash working capital (<i>note 14</i>)	(821)	652
	<u>(2,984)</u>	<u>(2,470)</u>
Cash Provided by Financing Activities		
Issuance of common shares, net of issue costs	4,486	915
Proceeds from CEO loan (<i>note 9</i>)	153	-
Proceeds from YARF loan, net of repayment (<i>note 10</i>)	633	-
Financing expense	(170)	-
Payment of lease obligations, net of rent concessions (<i>note 7</i>)	(33)	-
Net change in non-cash working capital (<i>note 14</i>)	151	179
	<u>5,220</u>	<u>1,094</u>
Cash Used in Investing Activities		
Additions to office equipment, net of disposal	(3)	(4)
Additions to investment in joint venture (<i>note 4</i>)	(143)	(1)
Interest income	-	2
	<u>(146)</u>	<u>(3)</u>
Increase /(decrease) in cash and cash equivalents during the period	2,090	(1,379)
Effect of foreign exchange on cash and cash equivalents held in foreign currencies	41	7
Cash and cash equivalents, beginning of period	75	1,856
Cash and cash equivalents, end of period	\$ 2,206	\$ 484

See accompanying notes to the unaudited condensed interim consolidated financial statements.

Canadian Overseas Petroleum Limited
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
As at September 30, 2020 and for the three and nine months ended September 30, 2020 and 2019

1. NATURE OF OPERATIONS

Canadian Overseas Petroleum Limited (“COPL” or the “Company”), is a widely-held publicly traded company incorporated and domiciled in Canada. The Company’s common shares are traded on the London Stock Exchange in the UK under the symbol “COPL” and Canadian Securities Exchange (the “CSE”) in Canada under the symbol “XOP”; the Company moved its listing from TSX Venture Exchange to the CSE on October 31, 2018. The Company’s registered office is in Calgary, Alberta at 400, 444 – 7th Avenue S.W.

COPL and its subsidiaries are involved in the identification, acquisition, exploration and development of oil and natural gas offshore reserves. As at September 30, 2020, the Company has the following subsidiaries, all of which are wholly-owned directly or indirectly:

- COPL Technical Services Limited, which is involved in providing technical and administrative services to the COPL group of companies;
- Canadian Overseas Petroleum (UK) Limited (“COPL UK”), incorporated in the United Kingdom (“UK”) provides technical and projects related services to the COPL group of companies;
- Canadian Overseas Petroleum (Bermuda Holdings) Limited, Canadian Overseas Petroleum (Bermuda) Limited and Canadian Overseas Petroleum (Namibia) Limited, which were incorporated to conduct operations in Africa.
- Canadian Overseas Petroleum (Ontario) Limited (“COPL Ontario”) which was incorporated on December 15, 2017 for the purpose of an anticipated operation in Ontario, Canada; however, the acquisition project was not successful.

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

2. BASIS OF PREPARATION AND GOING CONCERN

Basis of Preparation and Compliance

The Company’s unaudited condensed interim consolidated financial statements (“financial statements”) have been prepared in accordance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” following acceptable accounting policies under International Financial Reporting Standards (“IFRS”) and are reported in thousands of United States dollars (“\$”). The Company’s financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements as at and for the years ended December 31, 2019 and 2018, which outline the Company’s significant accounting policies in Note 3 thereto, which have been applied consistently in these financial statements as well as the Company’s critical accounting judgments and key sources of estimation uncertainty which are also set out in Note 3 thereto.

The financial statements were authorized for issue by the Company’s Board of Directors on November 16, 2020.

Going Concern

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PREPARATION AND GOING CONCERN (continued)

Going Concern (continued)

Currently, the Company does not have material cash inflows and/or adequate financing to develop profitable operations. The Company is pursuing exploration projects and contracts that will require substantial additional financing before they are able to generate positive operating cash flows. Accordingly, the Company's continued successful operations are dependent on its ability to obtain additional financing. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be obtained on terms advantageous to the Company. The Company currently does not have sufficient working capital and cash flows to cover forecasted administrative expenses for next 12 months. With no assurance that additional financing will be obtained, there is material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

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.

3. RECENT DEVELOPMENTS AND IMPACT ON ESTIMATION UNCERTAINTY

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

The full extent of the impact of COVID-19 on the Company's operations and future financial performance is currently unknown. It will depend on future developments that are uncertain and unpredictable, including the duration and spread of COVID-19, its continued impact on capital and financial markets on a macro-scale and any new information that may emerge concerning the severity of the virus. 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. The impact of COVID-19 on the Company's joint venture partners may also impact the valuation and collectability of the long term receivable in subsequent periods. In addition, a volatility and disruption of financial markets associated with the outbreak may adversely impact the Company's ability to obtain financing and may also impact the valuation of its embedded derivative liability.

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 and ability to raise sufficient financing for its operation.

4. INVESTMENT IN JOINT VENTURE

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

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

From time to time the Company or its joint venture partner pay for ShoreCan's general and administrative expenses on behalf of the other partner. As at September 30, 2020, the Company had a receivable from its joint venture partner in respect of overpaid ShoreCan expenses of \$0.4 million 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.

Nigeria

On September 13, 2016, ShoreCan closed an acquisition of 80% of the issued share capital of Essar Exploration and Production Limited (Nigeria) ("Essar Nigeria"), a company which sole asset is a 100% interest in exploration license OPL 226 offshore Nigeria. ShoreCan paid a cash consideration of \$0.25 million and as part of the shareholder agreement, ShoreCan has agreed to cover the funding of Essar Nigeria's operations. As a party to a Production Sharing Contract ("PSC") signed with Nigerian National Petroleum Corporation ("NNPC") for OPL 226, Essar Nigeria is required to seek NNPC's consent for the transaction. On October 2, 2018, NNPC granted a conditional approval of a twenty four months extension of the Phase-1 exploration period until October 1, 2020. The extension is subject to certain conditions, including submission of a performance bond of \$7 million that is required further to the PSC, to cover the Phase-1 exploration period work program at OPL 226. 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.

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

ShoreCan and Essar Exploration and Production Limited, Mauritius ("Essar Mauritius"), the company that owns 20% of Essar Nigeria shares, were in disagreement about whether the other party is in compliance with its obligations under the Essar Nigeria Shareholders Agreement. Essar Nigeria's allegations, which it first made in August 2018, centre on the assertion that ShoreCan has not commenced funding of the \$80 million agreed cumulative funding in Essar Nigeria while ShoreCan categorically denied this with factual evidence of substantial expenditure to date.

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4. INVESTMENT IN JOINT VENTURE (continued)

Nigeria (continued)

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 "SPA Agreement"), and other agreements, with each other concerning, among other things, their respective obligations under the Essar Nigeria Shareholders Agreement (the "Shareholders Agreement").

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

- A Settlement Agreement which settles the claim filed by Essar Mauritius against ShoreCan in the High Court of Justice of England and Wales. Under the Settlement Agreement, each party has agreed to bear their own costs and end the proceedings in the High Court of Justice of England and Wales;
- A Share Transfer Agreement in which ShoreCan will return 70% of the shares in Essar Nigeria to Essar Mauritius;
- An amended Shareholders Agreement, the highlights of which include:
 - Essar Mauritius to carry Shorecan for a 10% carried interest (capped at US\$5 million net) on all costs relating to the drilling of the first well to be drilled under the terms of the OPL 226 PSC;
 - ShoreCan will have an option to increase its shareholding in Essar Nigeria from 10% to 30% by paying 20% of historic expenditures of Essar Nigeria at cost through the drilling of the first well. The option is exercisable within 90 days from the completion of the first well as defined in the final well plan as approved by concessionaire (NNPC) and regulator (DPR) under Phase 1 of the OPL 226 PSC;
 - The Essar Nigeria Board of Directors and management team to be restructured commensurate with its amended share structure to reflect the increased shareholding of Essar Mauritius;
- A Loan Agreement with Essar Nigeria whereby Essar Nigeria recognizes historic expenditures by ShoreCan on behalf of Essar Nigeria as a shareholder loan thus allowing ShoreCan to recover these expenditures, cost recoverable and non-cost recoverable, from future production revenue.

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

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

During the nine months ended September, 2020, the Company and its subsidiaries charged ShoreCan management and technical services of \$0.6 million (2019 - \$1.3 million) and charged an interest expense of \$0.3 million (2019- \$0.4 million).

As at September 30, 2020, the Company had non-current receivables of \$12.9 million due from ShoreCan under the terms of the Funding Agreement (December 31, 2019 - \$11.8 million).

Canadian Overseas Petroleum Limited
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4. INVESTMENT IN JOINT VENTURE (continued)

Nigeria (continued)

For the nine months ended September 30, 2020, the Company's share of ShoreCan's losses exceeded the Company's Net Investment of \$0.14 million for this period (\$1,000 for nine months ended September 30, 2019). Accordingly, under the equity method, the Company recognized loss on investment in ShoreCan of \$0.14 million for the nine months ended September 30, 2020 (\$1,000 for nine months ended September 30, 2019).

Reconciliation of carrying amount of net investment in joint venture:

	<u>2020</u>	<u>2019</u>
Carrying amount – Opening January 1	\$ -	\$ -
Increases in net investment in joint venture during the period	143	1
Loss recognized on investment in joint venture	(143)	(1)
Carrying amount – Ending, September 30	\$ -	\$ -

5. CASH AND CASH EQUIVALENTS

(\$ 000's)	September 30, 2020	December 31, 2019
Cash	\$ 2,187	\$ 44
Credit card deposits	19	31
	\$ 2,206	\$ 75

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

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

The fair value of cash and cash equivalents was \$2.2 million as at September 30, 2020 (\$0.08 million as at December 31, 2019). The Company deposits its cash with reputable Canadian and Bermuda banks. The Company did not have any overdraft facilities in place as at September 30, 2020, and December 31, 2019.

6. RIGHT OF USE ASSETS

(\$ 000's)	September 30, 2020	December 31, 2019
Cost, beginning of the period	\$ 312	\$ -
Increase in right-of-use assets	-	312
Cost, end of the period	312	312
Accumulated depreciation, beginning of the period	(21)	-
Depreciation	(47)	(21)
Accumulated depreciation, end of the period	(68)	(21)
Net carrying amount, beginning of the period	\$ 291	\$ -
Net carrying amount, end of the period	\$ 244	\$ 291

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6. RIGHT OF USE ASSETS (continued)

As at September 30, 2019, the Company recorded \$0.2 million of right-of-use assets in respect of the office lease that was renewed effective September 1, 2019 (December 31, 2019 - \$ 0.3 million). The Company depreciates its right-of-use assets on a straight-line basis over the term of the lease contract of five years.

7. LEASE OBLIGATIONS

The Company's office lease obligations for the period ended September 30, 2020 were as follows:

(\$ 000's)	September 30, 2020	December 31, 2019
Lease liability, beginning of the period	\$ 315	\$ -
Additions	-	309
Interest expense	8	3
Reduction in lease liability	(27)	(6)
Gain on office lease relief	(11)	-
Foreign exchange translation	(9)	9
Lease liability, end of the period	276	315
Current portion	\$ 54	\$ 45
Long-term portion	\$ 222	\$ 270

The Company's lease obligations relate to its office in Calgary, Canada. The lease obligations have been measured at the present value of the lease payments, discounted using the Company's incremental borrowing rate of 3.63% as at September 30, 2020 and December 31, 2019.

During the nine months ended September 30, 2020, the Company received a discount in three monthly office lease payments due to Covid-19 pandemic. The discount received meets conditions of a practical expedient for Covid-19 relief that is available under an amendment to IFRS 16. Accordingly, a reduction in lease payments that relates to a rent portion was recorded as a decrease in lease liability of \$11,000 and respective gain on lease relief in the Company's statement of comprehensive loss.

During the nine months period ended September 30, 2020 the Company paid \$44,000 of principal and interest. No payments were made during the year ended December 31, 2019 in respect of the above lease.

The Company's previous office leases met the definition of a lease, but were not recognized as lease liabilities as they were exempt under the short-term lease practical expedient. For the nine months period ended September 30, 2019, the Company expensed \$0.26 million in respect of previous office lease that was in place until August 31, 2019.

(\$ 000's)	September 30, 2020	December 31, 2019
Less than 1 year	\$ 63	\$ 56
1-5 years	235	289
Total lease payments	298	345
Amounts representing interest	(22)	(30)
Present value of net lease payments	276	315
Less: Current portion	\$ 54	\$ 45
Long-term portion	\$ 222	\$ 270

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8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(\$ 000's)	September 30, 2020	December 31, 2019
Trade payables	\$ 319	\$ 551
Unpaid salaries and directors' fees	-	641
Accrued liabilities	239	223
Other	8	9
Total	\$ 566	\$ 1,424

Further to a Board Resolutions dated March 26, 2020 and September 14, 2020, the Board waived outstanding directors' fees in the total amount of \$0.6 million. Accordingly, the Company recognized a gain on waived 2019 directors' fees in the amount \$0.4 million for nine months ended September 2020 and reduced its administrative expenses by \$0.2 million in respect of waived directors' fees related to first and second quarter of 2020.

9. 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 "Holder") 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 by the Company prior to Maturity although the Company may elect to prepay a portion or all of the outstanding principal amount of the Note prior to that date. The Note is 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 YARF Loan Agreement (discussed in Note 10) providing for an extension of Maturity of the Note until December 31, 2020 or conversion of the Note into COPL's Common Shares at a deemed price of £0.003 per share, being the placing price of the Company's UK Prospectus (discussed in Note 11 a), at the CEO's option. Subsequently, on August 19, 2020, the Promissory Note was replaced with a Secured Convertible Debenture agreement signed with the CEO, which 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 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 decrease in the CEO Loan value. The fair value of the embedded derivative conversion option component of the CEO Loan was estimated at \$50,000 as at June 30, 2020 and \$33,000 as at September 30, 2020. Accordingly, a respective loss on derivative of \$47,000 was recognized for three months ended June 30, 2020 and a gain on derivative of \$17,000 for three months ended September 30, 2020. The changes in fair value of the embedded derivative conversion option are mainly due to the changes in COPL's share price from £0.0012 (\$0.0015) as at June 15, 2020 to £0.0033 (\$0.0041) as at June 30, 2020 and to £0.00315 (\$0.0041) as at September 30, 2020.

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9. SHORT-TERM LOAN – CEO (continued)

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

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

The Company recognized an interest charge of \$4,000 and \$9,000 for three and nine month periods ended September 30, 2020 and an accretion expense of \$7,000 and \$8,000 for the same periods.

The following table presents the reconciliation of the components of the convertible CEO Loan from January 1, 2020 to September 30, 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	9	-	9
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)
Accretion	8	-	8
Foreign exchange gain	(2)	-	(2)
As at September 30, 2020	\$ 152	33	185

10. 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 have committed to participate in the Company’s equity placing that was closed on July 2, 2020 (the “Placing Date”) for £100,000 each.

The first drawdown of £136,000 (approximately \$167,000) occurred upon signing of the Loan Agreement and the Company received net proceeds of £92,000 (approximately \$113,500) net of an implementation fee, legal fee and out of pocket expenses (as disclosed below). As per the Loan Agreement, the first drawdown was repaid on July 2, 2020 - £100,000 in cash from proceeds of YARF’s participation in equity Placing and £36,000 (\$45,000) by issue of 12,000,000 Common Shares at a deemed price of £0.003 (\$0.0037) per share (further UK placing discussed in Note 11 a).

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10. 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 placing of £1.3 million (discussed in Note 11 a) 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 YARF Loan of £400,000 (approximately \$508,000) was drawn down as a third tranche. Each drawdown is repayable in cash in six months from its respective drawdown date; once a particular drawdown is repaid, it cannot be re-drawn again.

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 fixed interest coupon of 12.5% on the Loan Amount 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 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 fee and £8,000 (\$9,800) of legal and out-of-pocket expenses that were recorded by the Company as finance expenses for the nine month period ended September 30, 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 nine months ended September 30, 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 (\$0.0047) per share. At the Lenders’ discretion, amounts due to the Company upon exercise of 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 \$161,000 (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 fair value of YARF Warrants, estimated as at September 30, 2020 amounted to \$159,000. Accordingly, the Company recognized a gain on derivative liability of \$2,000 in its statement of comprehensive loss for three and nine months ended September 30, 2020.

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

	July 2, 2020	September 30, 2020
Risk-free interest rate	-0.093%	-0.036%
Weighted average life (years)	2.0	1.75
Expected volatility	90%	90%
Expected dividend yield	0%	0%

In the event of default, at the Lenders’ discretion, common shares of the Company may be issued to satisfy default amounts, and such conversion will be priced at 80% of COPL’s trailing 10-day Volume Weighted Average Price.

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10. SHORT-TERM LOAN – YARF (continued)

The following table provides a summary of YARF loan balance outstanding as at September 30, 2020:

(\$ 000's)	September 30, 2020
1 st drawdown	\$ 167
Repayment of 1 st drawdown – portion in cash	(125)
Repayment of 1 st drawdown – portion in shares (Note 11 a i)	(45)
2 nd drawdown	125
3 rd drawdown	508
Foreign exchange loss	15
Total	\$ 645

11. SHARE CAPITAL

a) Authorized and Issued Common Shares

Authorized

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

Issued

The issued share capital is as follows:

	Number of Common Shares	Amount (000's)
Balance, January 1, 2019	2,486,752,463	\$ 136,942
Issued pursuant to UK June Placing – First Tranche	429,200,000	545
Issued pursuant to UK June Placing – Second Tranche	67,800,000	86
Issued pursuant to UK September Placing	500,000,000	618
Share issue costs	-	(331)
Fair value of warrants that expired unexercised (Note 11b)	-	227
Balance, December 31, 2019	3,483,752,463	\$ 138,087
Issued pursuant to UK July 2 nd Placing (i)	400,000,000	1,497
Issued as payment in respect of YARF Loan (i)	38,500,000	144
Issued as payment of Finder's Fee (i)	16,000,000	60
Issued pursuant to UK July 23 rd Placing (ii)	433,333,334	1,655
Issued pursuant to Debt Exchange (iii)	436,917,545	1,771
Issued pursuant to exercise of 2019 Broker's Warrants (v)	9,970,000	19
Fair value of 2019 Broker's Warrants exercised (Note 11b)	-	4
Issued pursuant to exercise of 2018 Broker's Warrants (v)	53,731,380	236
Fair value of 2018 Broker's Warrants exercised (Note 11b)	-	103
Share issue costs (iv)	-	(934)
Balance, September 30, 2020	4,872,204,722	\$ 142,642

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11. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(i) UK July 2nd 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 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 (\$0.0037) per share, in respect of the UK July 2nd Placing.

In connection with the UK July 2nd 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 (\$0.0047) 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 (\$0.0047) per share – in respect of the July 2nd 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 Placing (as share issue costs).

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

	July 2, 2020	July 24, 2020
Risk-free interest rate	-0.093%	-0.079%
Weighted average life (years)	2.0	2.0
Expected volatility	90%	90%
Expected dividend yield	0%	0%

Also on July 2, 2020, further to YARF Loan Agreement and as per UK prospectus, the Company issued to 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 YARF Lenders, 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 (\$0.0047) per share (the YARF loan and YARF Warrants are discussed in Note 10).

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11. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(ii) UK July 23rd 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 (\$0.0038) per share, for gross proceeds of £1.3 million (\$1.65 million) (the “UK July 23rd Placing”). The Company paid in cash a finder’s fee of £91,000 (\$116,000).

In connection with the UK July 23rd 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 the Placing Date, 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 Placing (as share issue costs).

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

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

The net proceeds from the UK July 2nd Placing and the UK July 23rd Placing will be 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.

(iii) 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 its 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 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 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).

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11. SHARE CAPITAL (continued)

a) Authorized and Issued Common Shares (continued)

(iii) Debt Exchange (continued)

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 payment 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 three and nine month periods ended September 30, 2020 and as an addition to share capital.

On August 4, 2020, the Company issued 61,125,000 Common Shares to its vendors, in lieu of cash payments of approximately £183,000 (\$239,000) and 32,583,210 Common Shares to its employees, in lieu of cash payment of approximately £98,000 (\$128,000). In addition, the related stock-based compensation expense of \$83,000 has been recognized in the statement of comprehensive loss for three and nine month periods ended September 30, 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).

(iv) Share issue cost

The Company incurred approximately \$0.96 million of total costs in connection with the UK Prospectus, the July 2nd and 23rd UK Placings and Debt Exchange arrangements. In addition to finders' fees and fair value of Warrants issued to finders (as disclosed in (i) and (ii) above), these share issue costs include also LSE and transfer agent fees of approximately \$0.09 million, legal fees of \$0.41 million and consents related fees of approximately \$0.02 million.

(v) Warrants exercised

On July 8, 2020, further to an exercise of 2019 Brokers' 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).

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11. SHARE CAPITAL (continued)

b) Warrants

A summary of the Company's share purchase warrants outstanding at September 30, 2020 is as follows:

(\$ 000's)	Number of Warrants	Weighted Average Exercise Price*	Warrants in Equity	Expiry Date
Balance, January 1, 2019	107,731,380	\$ 0.006	\$ 330	(June 12, 2019 to August 30, 2020)
Issued June 2019 UK Placing Broker's Warrants	4,970,000	0.0019	2	June 4, 2021
Expired June 2017 Broker's Warrants	(39,000,000)	0.0064	(179)	June 12, 2019
Issued September 2019 UK Placing Broker's Warrants	5,000,000	0.0018	2	September 3, 2021
Expired October 2017 Broker's Warrants	(15,000,000)	0.0133	(48)	October 16, 2019
Balance, December 31, 2019	63,701,380	\$ 0.0040	\$ 107	(August 30, 2020 to September 3, 2021)
Issued July 2020 UK Placing – 1 st Finder's Warrants (Note 11a(i))	25,000,000	0.0049	40	July 2, 2022
Issued July 2020 UK Placing – YARF Warrants (Note 11a(i) and Note 10)	100,000,000	0.0049	-	July 2, 2022
Issued July 2020 UK Placing – 2 nd Finder's Warrants (Note 11a(i))	16,000,000	0.0050	42	July 2, 2022
Issued July 2020 UK Placing – 3 rd Finder's Warrants (Note 11a(ii))	32,500,000	0.0050	63	July 2, 2021
Exercised 2019 Brokers' Warrants (Note 11a(v))	(9,970,000)	0.0019	(4)	June 4 & Sept. 3, 2021
Exercised 2018 Broker's Warrants (Note 11a(v))	(53,731,380)	0.0043	(103)	August 30, 2020
Balance, September 30, 2020	173,500,000	\$ 0.0040	\$ 145	(July 2, 2021 to July 2, 2022)

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

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11. SHARE CAPITAL (continued)

c) Incentive Stock Options

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

On September 14, 2020, the Company granted to its directors, officers and employees 341,609,235 stock options to acquire the Company's common shares at an exercise price of £ 0.0035 (\$0.0045) per share. The options vest immediately and expire five years from the date of grant. The related stock-based compensation expense of \$0.87 million has been recognized in the statement of comprehensive loss for three and nine month periods ended September 30, 2020 and as addition to contributed capital reserve.

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

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

There were no changes to the Company's stock option plan and no stock options were exercised, expired and/or forfeited during the nine month period ended September 30, 2020.

As at September 30, 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 4.1 years.

(\$ 000's)	Number of Options	Weighted Avg. Exercise Price*	Contributed Capital Reserve
Balance, January 1, 2019	107,515,000	\$ 0.0447	\$ 50,394
Forfeited	(110,000)	0.0358	-
Balance and exercisable December 31, 2019	107,405,000	\$ 0.0447	\$ 50,394
Granted	341,609,235	0.0045	866
Balance and exercisable September 30, 2020	449,014,235	\$ 0.0141	\$ 51,260

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

12. RELATED PARTY TRANSACTIONS

a) Related Parties

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

b) Loan with Directors and Officers

Effective February 14, 2020, the Company entered into a Promissory Note with Arthur Millholland, President and CEO of the Company, for a principal amount of Canadian dollar \$200,000, approximately US\$153,000 as at the issue date. The terms of this Promissory Note are discussed in Note 9 above.

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

c) Other transactions with Directors and Officers

As at September 30, 2020, the Company had following balances due to/from its Officers:

- \$7,000 due from an officer in respect of travel expenses; and
- \$1,000 due to an officer in respect of travel 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 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.

d) Remuneration of Directors and Other Key Management Personnel

The key management personnel of the Company are comprised of executives of the Company and members of its board of directors. The remuneration earned and paid to officers and key management personnel for the nine months period ended September 30, 2020 amounted to \$584,000. The remuneration includes salaries, health benefits, and other taxable benefits.

External directors' fees for 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 third quarter of 2020 amounted to \$43,000.

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

The Company employs a family member of a member of key management under normal commercial terms. Total salary and benefits paid to this individual for the nine months ended September 30, 2020 amounted to \$50,300 as at September 30, 2020.

12. RELATED PARTY TRANSACTIONS (continued)

e) Transactions with Jointly Controlled Entity

In the normal course of operations, the Company enters into transactions on market terms with its jointly controlled entity ShoreCan, which have been measured at exchange value and are recognized in the consolidated financial statements of ShoreCan, including, but not limited to: management fees, technical services and interest-bearing loans. The Company's balances with the jointly controlled entity are disclosed in Note 4.

13. FINANCIAL INSTRUMENTS

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

- Fair value through profit or loss: Financial instruments designated at fair value through profit or loss are initially recognized and subsequently measured at fair value with changes in those fair values immediately charged to the statements of comprehensive income. Under this classification, the Company estimates fair value of the embedded derivative conversion option of the CEO short term loan as well as fair value of YARF Warrants and recognizes related embedded derivative liability (Note 9 and 10).
- Amortized cost: Financial instruments designated as amortized cost are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at amortized cost using the effective interest method. Financial instruments under this classification include cash, accounts receivable, short-term loans (including CEO and YARF Loans), accounts payable and accrued liabilities.
- Fair value through other comprehensive income: Financial instruments designated as fair value through other comprehensive income are initially recognized at fair value, net of directly attributable transaction costs, and are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. The Company does not have any financial instruments under this classification.

Impairment of financial assets

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

a) Foreign exchange risk

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

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

	September 30, 2020	December 31, 2019
Great British Pounds	1,249	13
Canadian Dollars	725	71

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13. FINANCIAL INSTRUMENTS (continued)

(b) Credit risk

The Company's accounts receivable and long-term receivable include mainly amounts due from its partner in ShoreCan as well as accounts receivable in respect of recoverable GST and VAT. The Company believes there is no unusual exposure associated with these receivables. No amounts are considered to be past due and no allowance for doubtful accounts has been recorded in the accounts. As at September 30, 2020, the Company holds \$2.2 million of cash and cash equivalents with Canadian and Bermuda chartered banks (December 31, 2019 - \$0.08 million).

(c) Interest rate risk

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

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

14. NET CHANGE IN NON-CASH WORKING CAPITAL

(\$ 000's)	September 30, 2020	September 30, 2019
(Increase) / decrease in accounts receivable	\$ (8)	\$ 58
(Increase) / decrease in prepaid expenses	(41)	57
(Increase) in long-term accounts receivable	(143)	(1)
Waived 2019 Directors' fees	431	-
(Decrease) / increase in operating accounts payable and accrued liabilities	(1,060)	538
Net change in operating non-cash working capital	\$ (821)	\$ 652
(Increase) in deferred share issue costs	(46)	-
Increase in accounts payable and accrued liabilities related to financing	202	180
Reduction in lease liability	(5)	(1)
Net change in financing non-cash working capital	\$ 151	\$ 179