CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016

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"), (collectively "COPL" or the "Company") as at and for the year ended December 31, 2016. The information is provided as of March 28, 2017. The results for the year ended December 31, 2016 have been compared to the same periods of 2015. 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, 2016 and 2015, together with the accompanying notes and the Annual Information Form of the Company dated March 28, 2017 (the "AIF"). These documents and additional information about COPL are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com.

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

BUSINESS OF THE COMPANY – MANAGEMENT

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

COPL is an international oil and gas exploration and development company focused on sub-Saharan offshore Africa. The Company holds a 17% working interest in block LB-13, offshore in the Liberian basin ("Block LB-13"), with ExxonMobil Exploration and Production Liberia Limited ("ExxonMobil"), the operator, holding an 83% working interest.

The Company also 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 sub-Saharan and West African countries.

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. Drilling oversight and some geological functions are provided by COPL UK. COPL Bermuda Holdings, COPL Bermuda and COPL Namibia were incorporated for operations offshore Liberia and potential opportunities elsewhere in Africa.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking statements relating to future events or future performance. In some cases, forward-looking information and forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", "potential", "intend", "believe" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of COPL. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in AIF dated March 28, 2017, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

FORWARD-LOOKING INFORMATION AND STATEMENTS (CONTINUED)

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

- the Company's current strategy to establish and grow an oil and gas business (the "Overview and Overall Performance", "Outlook" and "Liquidity and Capital Resources" sections);
- the Company's plans to further evaluate LB-13 (the "Overview and Overall Performance and "Outlook" sections;
- the Company's ability to raise capital and obtain the financing necessary to develop profitable oil operations (the "Overview and Overall Performance", "Outlook" and "Liquidity and Capital Resources" sections);
- the Company's assumptions in respect of valuation of Warrants and Stock Options (as defined herein) (the "Stock-based Compensation Expense", "Derivative Gain / Loss", "Share Capital" and "Liquidity and Capital Resources" 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); and
- expected impacts on the Company as a result of implementing new accounting polices ("Accounting Pronouncements).

The Company's AIF for the year ended December 31, 2016 describe 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 2016, the Company continued to identify, evaluate and pursue exploration and development opportunities in Nigeria, Equatorial Guinea and other West African countries. Additionally, the Mesurado-1 well was drilled by ExxonMobil on Block LB-13 in Liberia. The Company continues to be focused on offshore opportunities that its seasoned technical team has strength in evaluating and developing.

Liberia

On April 5, 2013, following the Liberian Legislature's ratification of the Production Sharing Contract ("PSC") governing Block LB-13 offshore Liberia, the closing and completion of previously announced transactions between COPL Bermuda and ExxonMobil occurred. The Company holds a 17% working interest in Block LB-13, with the remaining 83% being held by ExxonMobil, who is the operator under the license. As previously announced, the Company's share of all joint interest costs and the gross drilling costs up to $120 million is carried by ExxonMobil.

In March 2014, an outbreak of "Ebola Haemorrhagic Fever" was reported in Liberia, the disease having crossed from its initial outbreak in the adjacent country of Guinea. It quickly spread in various parts of Liberia and was prevalent in the capital Monrovia and constituted a major health matter. The World Health Organization ("WHO") described it as an International Public Health Emergency. On July 23, 2014, the Company announced that the drilling program in Liberia had been suspended due to the Ebola outbreak in the region. Commerce and daily life were heavily impacted and international companies removed personnel and suspended business operations.

OVERVIEW AND OVERALL PERFORMANCE * (CONTINUED)

During the first part of January 2016, the WHO declared the end of the most recent outbreak of Ebola virus disease in Liberia and stated that all known chains of transmission had been stopped in West Africa. Liberia was first declared free of Ebola transmission in May 2015, but the virus has been re-introduced twice since then, with the latest flare-up in November 2015. On January 14, 2016, the most recent WHO announcement about Liberia being "Ebola-free" came 42 days (two 21-day incubation cycles of the virus) after the last confirmed patient in Liberia tested negative for the disease 2 times.

On February 23, 2016, ExxonMobil informed the Company that the length of the extension period granted by the National Oil Company of Liberia ("NOCAL") has been set at a total of 619 days and that the second exploration period timeframe has been extended until September 25, 2017. This extension was a result of the "State of Emergency Agreement" between NOCAL and ExxonMobil due to the Ebola crisis in Liberia.

On September 23, 2015, the Company announced it had received a work program and budget for 2016 from ExxonMobil of its best estimate as to the timing of key activities. The well to be drilled under the Second Exploration Phase, Mesurado-1, was planned to spud in the fourth quarter of 2016.

It was announced on November 23, 2016 that ExxonMobil had commenced drilling operations on the Mesurado-1 exploration well on November 22, 2016 – utilizing the Drillship Seadrill West Saturn. The Mesurado-1 was located about 50 miles offshore Liberia on Block LB-13 in approximately 2500 metres of water. On December 19, 2016, it was announced that the Mesurado-1 well had reached total depth. It was reported that the well, targeting oil in a sequence of Late Cretaceous Santonian-age sands, intersected 145 metres (475 feet) of net sand of which 118 metres (387 feet) were deemed to be "reservoir quality." No hydrocarbons were indicated by the logging while drilling operations performed across the targeted intervals. ExxonMobil, the operator, advised the Company that no further logging operations would be conducted and the well was to be plugged and abandoned. The operator plugged and abandoned the well and released the rig on December 27, 2016. The Mesurado-1 well fulfills the work obligations of the second exploration period under the Liberian PSC. The partners are in the process of evaluating the results and will need to determine the overall effect on the remaining exploration prospects on the block.

The Company reported its disappointment at the lack of hydrocarbons encountered by the Mesurado-1 well, however, it was pleased that the existence of a targeted Santonian thick sand sequence (in an otherwise clay-rich, deep water environment) was in accordance with predictions from its seismic interpretation. The lack of hydrocarbons at Mesurado-1 has caused the Company to do additional work on the 3D seismic over Block LB-13 to re-evaluate other leads that we have mapped on this block.

Expansion of sub-Saharan Portfolio

As part of the Company's stated strategy to expand its interests and to generate stable cash flow from secure assets, the Company continues to assess opportunities in sub-Saharan Africa.

The Company and Shoreline, an unrelated company, incorporated ShoreCan in October 2014 in Bermuda to focus on acquisitions of upstream oil and gas exploration, development and producing assets in sub-Saharan Africa. Both partners hold a 50% interest in the jointly controlled entity.

On February 20, 2015, ShoreCan entered into a commercial acquisition, ratified by the Ministry of Energy in Namibia, of an 80% interest in three blocks offshore Namibia. During the third quarter of 2016, as a results of geological evaluation, ShoreCan decided to terminate its exploration project in Namibia and to relinquish its 80% interest in the three offshore blocks in Namibe basin. On November 2, 2016, ShoreCan sent a formal letter to Camelot Investment Group ("Camelot") expressing its desire to exit from the joint venture relationship with Camelot and to relinquish its interests in Namibia license PEL 075 relative to offshore blocks 1708, 1709, and 1808. COPL held a 40% equity interest in the blocks through its 50% interest in the joint venture company ShoreCan. Following a technical assessment of the exploration and economic potential, the partnership decided to relinquish its interests in the blocks.

OVERVIEW AND OVERALL PERFORMANCE * (CONTINUED)

Expansion of sub-Saharan Portfolio (continued)

On May 27, 2015, ShoreCan signed a memorandum of understanding ("MOU") on Equatorial Guinea Block EG-18 with the Minister of Mines, Industry and Energy ("MMIE") in Malabo, Equatorial Guinea. A meeting to discuss the terms of a production sharing contract with the MMIE was held on February 10, 2016. Meetings were held between COPL representatives of ShoreCan and the MMIE on June 29 and June 30, 2016 to discuss and negotiate the term of the production sharing contract. The Company will provide further information as future negotiations permit.

On August 17, 2015, ShoreCan agreed to an acquisition in Nigeria to acquire 80% of the issued share capital of a Nigerian oil company which holds 100% of the equity and titled interest of an oil appraisal and development project offering near term oil production, located in the Niger Delta province, offshore Nigeria. The transaction also provides that ShoreCan will take over management and operatorship of the asset.

On September 14, 2016, COPL announced that ShoreCan had completed the acquisition of 80% of the share capital of Essar Exploration and Production Limited (Nigeria) ("Essar Nigeria"). Essar Nigeria's sole asset is a 100% interest and operatorship of 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. The respective application has been made and the parties to the transaction are awaiting its approval.

OPL 226 has an area of 1530 km^2 and is situated in water depths ranging from 40 to 80 meters. It offers oil appraisal and development opportunities having near term oil production potential and significant exploration upside. Historically, five wells have been drilled, with the first oil discovery on the block made in 2001 in the fifth well (Noa-1) after earlier drilling encountered predominantly gas-bearing sands. ShoreCan, in the last year, has completed additional seismic processing of the most recent 568 km^2 3D seismic survey acquired by Essar Nigeria in 2012. The advanced seismic processing techniques, applied to this data set by ShoreCan, were successfully completed to differentiate oil-bearing sands from gas and water-bearing sands. At the request of COPL, Netherland, Sewell & Associates, Inc. ("NSAI") has prepared an independent report (the "Report") in accordance with Canadian National Instrument 51-101 evaluating the Contingent and Prospective Resources attributed to OPL 226, as of March 2016. In the Report, the Gross Unrisked Contingent Oil Resources recoverable for the primary Noa West oil discovery are estimated to be the following: Low Estimate (1C), 11.5 million bbls; Best Estimate (2C), 16.1 million bbls; and High Estimate (3C), 20.7 million bbls. The Gross Unrisked Prospective Oil Resources recoverable for 15 additional undrilled areas on the Noa Complex in the Report are estimated to be the following: Low Estimate, 259 million bbls; Best Estimate, 461 million bbls; and High Estimate, 461 million bbls. In addition to the oil resources identified, the NSAI's Report has estimated significant volumes of Unrisked Prospective Gas Resources on the Block totalling on a Best Estimate over 1.6 TCF.

**** 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.***

FINANCIAL SUMMARY

General and administrative costs were $5.2 million for the year ended December 31, 2016 (net of $0.3 million of costs allocated to exploration projects), compared to $6.4 million for the year ended December 31, 2015 (net of $0.2 million of costs allocated to exploration projects). Stock-based compensation expense of $2.1 million was recorded in 2016 in relation to stock options granted in May, August and November of 2016; there was no stock-based compensation recorded in 2015. In 2016, the Company also wrote off $1.3 million of its exploration and evaluation assets related to the project in Liberia; no such write off was recorded in 2015. A foreign exchange loss of $0.2 million was recognized for the year ended December 31, 2016, compared to foreign exchange loss of $0.5 million in 2015. The Company recognized a gain on derivative of $2.1 million for the year ended December 31, 2016, compared to a gain of $1.1 million for the year ended December 31, 2015. The Company also recognized interest income of approximately $26,000 for the year ended December 31, 2016, compared to $41,000 for the year ended December 31, 2015. The loss recognized on the Company's investment in ShoreCan was $0.1 million for the year ended December 31, 2016, compared to $0.7 million for the year ended December 31, 2015. As a result, the Company's net loss amounted to $6.8 million for the year ended December 31, 2016, compared to net loss of $6.7 million in 2015.

As at December 31, 2016, the Company's cash and cash equivalents amounted to $2.6 million, compared to $2.0 million as at December 31, 2015. Cash used in operating activities amounted to $5.5 million for the year ended December 31, 2016 compared to $6.3 million for the same period in 2015. Cash provided by financing activities amounted to $6.5 million for the year ended December 31, 2016, compared to $5.0 million for the year ended December 31, 2015. Cash used in investing activities amounted to $0.3 million for the year ended December 31, 2016, compared to $0.9 million for the year ended December 31, 2015.

OUTLOOK *

The Company's strategy is to grow its international oil and gas business offshore 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:

- working with ExxonMobil to evaluate Mesurado-1 results and other prospects on Block BL-13 offshore Liberia;
- working to progress the planning of future drill locations in Nigeria on OPL 226; and
- working to successfully conclude the variety of new opportunities available in sub-Saharan Africa.

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

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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 2016, 2015 and 2014:

($ 000's) except per share	**2016**	2015	**2014**
Pre-license costs	**$ -**	$ 114	$ 551
Derecognition of exploration and evaluation assets	**1,321**	-	594
Administrative expenses	**5,182**	6,391	6,541
Stock-based compensation	**2,097**	-	-
Interest income	**(26)**	(41)	(28)
Derivative gain	**(2,126)**	(1,097)	(27)
Foreign exchange loss / (gain)	**193**	530	(1,138)
Loss on investment in joint venture	**80**	729	-
Net loss	**6,761**	6,685	6,554
Per share loss (basic and diluted)	**$ 0.01**	$ 0.01	$ 0.02
Outstanding common shares at December 31	***617,139,350***	*482,339,196*	***402,050,497***
Weighted average common shares - basic	***566,935,628***	*440,545,079*	***365,248,721***
Cash used in operating activities	**$ 5,484**	$ 6,255	$ 7,515

Pre-Licence Costs

The $0.1 million of pre-licence costs in 2015 related to a project in sub-Saharan Africa that was discontinued. (discussed in the "Expansion of sub-Saharan African Portfolio" section). For the year end December 31, 2014, pre-license costs of $0.6 million related to $0.3 million for areas in West Africa, and $0.3 million for the Liberia project. No pre-license costs were incurred in 2016.

Derecognition of Exploration and Evaluation Assets

In December 2016, an exploration well Mesurado-1 was drilled on Block LB-13 offshore Liberia but it was not commercially successful. Exploration costs related to the Company's interest in this well were carried by its partner ("carried interest"). At December 31, 2016, the Company reviewed its exploration and evaluation ("E&E") balances and derecognized $1.3 million representing capitalized E&E related to Mesurado area. Currently both partners are evaluating the results from Mesurado-1 drilling and performing further geological and geophysical analysis on the rest of block LB-13.

There was no E&E write-off in 2015. In 2014, $0.6 million was written off representing E&E assets previously recognized for a New Zealand project (terminated in 2015).

SELECTED ANNUAL INFORMATION (CONTINUED)

Administrative Expenses

A breakdown of administrative expenses are as follows:

($ 000's)	**2016**	2015
Administrative:		
Payroll and related costs	**$ 2,219**	$ 2,363
External directors' fees and related costs	**611**	532
Consulting services	**327**	686
Professional services	**240**	739
Travel expenses	**484**	661
Office expenses	**671**	758
Stock exchange, transfer agent and UK regulatory agents fees	**301**	197
Other general and administrative	**603**	605
Costs allocated to exploration projects	**(274)**	(150)
Total administrative	**$ 5,182**	$ 6,391

Administrative expenses amounted to $5.2 million for the year ended December 31, 2016, compared to $6.4 million for the year ended December 31, 2015, and are presented net of costs allocated to exploration projects which amounted to $0.3 million in 2016 and $0.2 million in 2015.

The decrease in administrative expenses of $1.2 million was mainly due to a decrease in expenses related to professional services of $0.5 million (mainly a decrease in legal services) and consulting services of $0.4 million (mainly a decrease in consulting on financing) as well as a decrease in travel and office costs, partially compensated by an increase mainly in stock exchanges and agents fees. In addition, administrative costs allocated to exploration projects increased in 2016 by $0.1 million.

*Stock-Based Compensation Expense**

The Company has a stock option plan where the number of ommon 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.
In 2016, the Company granted following stock options to its directors, officers, employees and consultants:

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

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

During 2016, 9,490,000 stock options expired unexercised and 1,500,000 stock options were forfeited. No stock options were exercised during the years ended December 31, 2016 and 2015. As at December 31, 2016, a total of 61,005,000 stock options to purchase Common Shares were outstanding, having a weighted average exercise price of $0.11 per share and a remaining weighted average contractual life of 4.1 years.

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

SELECTED ANNUAL INFORMATION (CONTINUED)

Interest Income

Interest income earned was $26,000 for the year ended December 31, 2016, compared to $41,000 for the year ended December 31, 2015. The interest income relates to interest earned on cash held at banks.

*Derivative Gain / Loss**

The Company issued following Common Share purchase warrants ("Warrants") with an exercise price denominated in currencies other than its functional currency:

- On July 9, 2015, the Company issued 80,288,699 Warrants, which entitle the holder to purchase one Common Share until July 9, 2017, at an exercise price of CAD $0.12 ($0.09). On July 9, 2015, the Company also issued 4,548,380 Warrants to its agents, which entitle the holder to purchase one Common Share until July 9, 2017, at an exercise price of CAD $0.09 ($0.07);

- On April 28, 2016, the Company issued 22,857,143 Warrants, which entitle the holder to purchase one Common Share until April 28, 2018, at an exercise price of GBP 0.0475 ($0.0695). On April 28, 2016, the Company also issued 1,177,114 Warrants as finder's compensation which entitle the holder to purchase one Common Share until April 28, 2018, at an exercise price of GBP $0.035 ($0.051).

- On May 3, 2016, the Company issued 101,066,868 Warrants, which entitle the holder to purchase one Common Share until May 3, 2018, at an exercise price of CAD 0.095 ($0.075). On May 3, 2016, the Company also issued 5,233,206 Warrants to its agents which entitle the holder to purchase one Common Share until May 3, 2018, at an exercise price of CAD 0.07 ($0.055).

The Warrants' exercise price is in CAD or GBP and the Company's stocks are traded in CAD or GBP, however, the Company's functional currency is USD. As there is variability in the exchange rates, the Warrants are classified as derivative financial instruments and a derivative liability was recognized as at the date of grant in relation to those Warrants issued.

As at December 31, 2016, the Warrants outstanding as at that date and recognized as derivative financial instruments were revalued and a derivative gain of $2.1 million was recognized for the year ended December 31, 2016, compared to a derivative gain of $1.1 million for the same period of 2015.

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

The fair value of warrants recognized as derivative financial instruments was estimated using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at December 31, 2016).

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Foreign Exchange Gain

A foreign exchange loss of $0.2 million was recognized for the year ended December 31, 2016 (2015 - $0.5 million) and related mainly to loss on translation of cash, cash equivalents and accounts payable denominated in currencies other than USD, compensated with an unrealized foreign exchange gain recognized upon revaluation of derivative liability as at December 31, 2016.

SELECTED ANNUAL INFORMATION (CONTINUED)

Loss on Investment in Joint Venture

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan. For the year ended December 31, 2016, the Company charged ShoreCan $1.9 million for management and technical services, which were included in ShoreCan's general and administration expenses for the same period. These amounts of revenue were reversed from the Company's revenue and investment in joint venture.

As at December 31, 2016, the Company's share in ShoreCan's losses of $2.4 million (December 31, 2015 - $3.1 million) exceed the Company's net investment in ShoreCan of $0.1 million for this period (December 31, 2015 - $0.7 million). Accordingly, under the equity method, the loss on investment recognized by the Company amounted to $0.1 for the year ended December 31, 2016 (December 31, 2015 - $0.7 million).

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at December 31, 2016, December 31, 2015 and January 1, 2015:

($ 000's) except per share	December 31, 2016	December 31, 2015	January 1, 2015
Cash and cash equivalents	**$ 2,565**	$ 2,015	$ 4,705
Exploration and evaluation assets	**15,407**	16,455	16,305
Total assets	**18,480**	18,998	21,705
Non-current financial liabilities	**335**	367	57
Share capital	**(124,874)**	(120,730)	(117,247)
Shareholders' equity	**$ (17,154)**	$ (17,207)	$ (20,268)

Economic and industry factors and their respective impact on the Company for the year ended December 31, 2016, are substantially unchanged since the year ended December 31, 2015.

Cash and Cash Equivalents

The increase in cash and cash equivalents of $0.6 million during 2016 relates mainly to proceeds from financing obtained during second quarter of 2016, offset by cash utilized in operating and investing activities.

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, 2016, 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 $nil as at December 31, 2016 ($nil as at December 31, 2015).

Exploration and Evaluation Assets

($ 000's)	December 31, 2016	December 31, 2015	January 1, 2015
E&E assets – opening balance	**$ 16,455**	$ 16,305	$ 16,386
Capitalized geological and geophysical work	**273**	150	556
Net effect of foreign exchange	**-**	-	(43)
Derecognition of exploration and evaluation assets	**(1,321)**	-	(594)
Total capitalized exploration and evaluation costs	**$ 15,407**	$ 16,455	$ 16,305

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)

Exploration and Evaluation Assets (continued)

The Company holds a 17% working interest in Block LB-13 offshore Liberia, with the remaining 83% being held by ExxonMobil, who is the operator under this license. As at December 31, 2016, the Company's E&E assets relate entirely to the Liberia project and consist mainly of 3D seismic of LB-13 and capitalized geological and geophysical evaluation work conducted on the block LB-13.

In December 2016, an exploration well, Mesurado-1, was drilled but it was not commercially successful. Exploration costs related to the Company's interest in this well were paid by its partner ("carried interest"). At December 31, 2016, the Company reviewed its E&E balances and derecognized $1.3 million representing capitalized E&E related to Mesurado area. Currently both partners are evaluating the results from Mesurado-1 drilling and performing further geological and geophysical analysis on the rest of Block LB-13.

Total Assets

Total assets decreased by $0.5 million from $19.0 million as at December 31, 2015 to $18.5 million as at December 31, 2016. This decrease is a net result of mainly a decrease in E&E assets of $1.0 million and an increase in cash and cash equivalents of approximately $0.5 million.

Non-current Financial Liability

Non-current financial liability of $0.3 million as at December 31, 2016 and $0.4 million as at December 31, 2015 represents entirely valuation of Warrants issued by the Company in currencies other than USD. As there is variability in the exchange rates, these Warrants are classified as derivative financial instruments and a derivative liability is recognized as at the date of issue; subsequently, the derivative liability is revalued at each balance sheet date until Warrants are exercised or expire. As at December 31, 2016, the derivative liability represents a valuation of warrants issued during 2016 and 2015 (as discussed in "Derivative Gain/Loss" section) and still outstanding at year-end 2016 i.e. net of warrants that were exercised during 2016 (as discussed in "Share Capital" section). The fair value of Warrants is estimated using a Black-Scholes option pricing model (the assumptions used for the model are discussed in the notes accompanying the Company's audited consolidated financial statements as at December 31, 2016).

Shareholders' Equity

Shareholders' equity did not change materially and amounted to $17.2 million as at both December 31, 2016 and 2015; the nil effect consisted of:

- an increase in share capital of $4.1 million as a result of Common Shares issued further to a private placement closed in the second quarter of 2016 and further to warrants exercised during 2016, net of valuation of related warrants that are recognized as a derivative liability and net of issue costs (discussed further in "Share Capital" section);
- an increase in contributed capital reserve of $2.1 million that relates to a valuation of stock options granted in 2016 (as discussed in "Stock-based Compensation Expense" section);
- $0.5 million decrease in accumulated other comprehensive loss that relates to an unrealized foreign exchange gain on translation of foreign subsidiary; and
- offset by the net loss of $6.8 million for the year ended December 31, 2016.

As at March 28, 2017, the Company has 617,139,350 Common Shares issued and outstanding.

SUMMARY OF QUARTERLY RESULTS

Eight most recent quarters:

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

($ 000's)	December 31, 2015	September 30, 2015	June 30, 2015	March 31 2015
Revenue	21	9	3	8
Loss	(1,943)	(980)	(1,629)	(2,132)
Loss per share - basic & diluted	(0.00)	(0.00)	(0.00)	(0.01)

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

Significant fluctuations in the Company's quarterly net results during 2016 and 2015 were mainly due to non-cash items recorded during the quarters in respect of E&E derecognition, stock-based compensation and changes in derivatives valuation as follows:

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

($ 000's)	December 31, 2015	September 30, 2015	June 30, 2015	March 31 2015
Derecognition of E&E assets	-	-	-	-
Share-based compensation	-	-	-	-
Derivative gain/(loss)	23	1,060	6	8

In the fourth quarter of 2016, the Company has written off $1.3 million of its E&E assets in respect of its project in Liberia (discussed in "Derecognition of Exploration and Evaluation Assets" section). There were no write-offs recorded in the other quarters of 2016 and all of 2015.

The stock-based compensation was recognized in second, third and fourth quarter of 2016 in respect of stock options granted during these periods (discussed in "Stock-based Compensation Expense" section). There were no stock options granted during 2015.

Derivative gain and loss represents a change in valuation of the Company's warrants that are recognized as derivative financial instruments and outstanding as at each balance sheet date (discussed in "Derivative Gain/Loss" section). Warrants' fair values are estimated based on Black-Scholes options pricing model and significant quarterly fluctuations in derivative liability are mainly due to fluctuations in the Company's stock price as at each quarter end. In addition, new warrants issued during 2016 (discussed in "Share Capital" section) increased the number of warrants recognized as derivatives from 84.8 million as at December 31, 2015 to 204.3 warrants outstanding as at December 31, 2016.

Quarterly administrative expenses were $1.0 million for first quarter and $1.4 million for second, third and fourth quarter of 2016, compared to administrative expenses of $1.5 million for first, second and fourth quarter and $1.8 million for third quarter of 2015. The decrease in administrative expenses related mainly to a decrease in professional legal fees and consulting services and an increase in costs allocated to exploration projects.

The Company is exposed to foreign exchange fluctuations, mainly Canadian dollar and British Pound against the U.S. dollar. Accordingly, foreign exchange gains or losses have an impact on its reported results. A material foreign exchange loss of $0.2 million was recorded in second quarter of 2016, compared to material foreign exchange losses of $0.4 million and $0.2 million recorded in first and third quarters and a foreign exchange gain of $0.2 million recorded in second quarter of 2015.

SUMMARY OF QUARTERLY RESULTS (CONTINUED)

In addition, the Company's quarterly net results include losses on investment in joint venture (discussed in "Loss on Investment in Joint Venture" section). A loss on investment of $0.1 million was recognized in third quarter of 2016, compared to $0.2 million, $0.1 million and $0.4 million of losses on investment recognized in first, second and fourth quarters of 2015.

FOURTH QUARTER RESULTS

The Company recorded a net income of $4.0 million for the three month period ended December 31, 2016, compared to net loss of $1.9 million for same period of 2015. Major items that affected the fourth quarter results are as follows:

- A derivative gain of $7.2 million was recorded in the fourth quarter of 2016, (compared to derivative gain of $23,000 in 2015). This significant gain resulted from a decrease in Warrants' fair values mainly due to a decrease in the Company's stock price from CAD $0.13 ($0.10) as at September 30, 2016 to CAD $0.03 ($0.02) as at December 31, 2016.
- In the fourth quarter of 2016, the Company wrote off $1.3 million of its E&E assets in respect of its project in Liberia. There were no write-offs recorded in 2015.
- A stock-based compensation expense of $0.6 million was recognized in the fourth quarter of 2016 in respect of stock options granted in November 2016. There were no stock options granted in 2015.
- Administrative costs were $1.4 million (net of $0.1 million of costs allocated to exploration projects) in the fourth quarter of 2016, compared to $1.5 million (net of $36,000 of costs allocated to exploration projects) in the fourth quarter of 2015.
- A foreign exchange gain of $53,000 was recognized for the fourth quarter of 2016, compared to a foreign exchange loss of $83,000 for the same period in 2015.
- The loss recognized on the Company's investment in ShoreCan was $1,000 for the fourth quarter of 2016, compared to a loss $0.4 million for the same period in 2015.
- The Company's revenue consists of interest income earned on cash balances held at banks and amounted to $7,000 and $21,000 for fourth quarter of 2016 and 2015, respectively.

Cash used in operating activities amounted to $1.2 million for the three month period ended December 31, 2016 compared to $1.4 million for the same period in 2015. Cash used in financing activities amounted to $0.2 million for the three month period ended December 31, 2016, compared to $1,000 for the three month period ended December 31, 2015. Cash used in investing activities amounted to $0.1 million for the three month period ended December 31, 2016, compared to $80,000 for the three month period ended December 31, 2015.

TRANSACTIONS WITH RELATED PARTIES

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

Transactions with Directors and Officers

As at December 31, 2016, accounts due from related parties amounted to $16,000 (December 31, 2015 - $21,000, December 31, 2014 - $64,000), which represented travel advances, with $1,000 payable to related parties (December 31, 2015 - $2,000, December 31, 2014 - $nil) for outstanding travel expenses.

TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

Remuneration of Directors and Other Key Management Personnel

The key management personnel of the Company are comprised of executives of the Company and members of its board of directors. The remuneration accrued to directors and key management personnel during the year ended December 31 is as follows:

In $ 000's	**December 31, 2016**	December 31, 2015
Short-term benefits	**$ 1,849**	$ 1,859
	$ 1,849	$ 1,859

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

In addition, the Company granted following stock options to its directors and key management personnel:

- on May 12, 2016 – 33,700,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.10 ($0.08);
- on August 12, 2016 – 3,200,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.115 ($0.088); and
- on November 15, 2016 – 6,145,000 stock options to acquire the Company's Common Shares at an exercise price of CAD 0.18 ($0.13).

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

The Company employed a family member of a member of key management during the year ended December 31, 2016, under normal commercial terms. Total salary and benefits paid to this individual were $18,700 (2015: $0). There were 500,000 stock options granted to this individual during 2016 (2015: nil) to acquire the Company's Common Shares at an exercise price of CAD 0.18 ($0.13). There is no accounts receivable due from, or accounts payable due to this individual as at December 31, 2016 or December 31, 2015.

Transactions with Jointly Controlled Entity

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

Included in ShoreCan's expenses for the year ended December 31, 2016, is $1.9 million (December 31, 2015 - $2.6 million and December 31, 2014- $nil) of management and technical services and $0.2 million (December 31, 2015 - $16,000 and December 31, 2014 - $nil) of interest expense charged by the Company and its subsidiaries. This $1.9 million of revenue was reversed from the Company's revenue and investment in joint venture. Also included in ShoreCan's non-current liabilities is $5.5 million due to the Company under the terms of a funding agreement (December 31, 2015 - $3.4 million). Amounts advanced to ShoreCan under the terms of this funding agreement are unsecured and payable on or before October 24, 2017, contingent upon ShoreCan generating its own cash flows. Interest is charged monthly at an annual rate of 3.0% above USD one year LIBOR.

FINANCIAL INSTRUMENTS*

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

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

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

SHARE CAPITAL*

The Company is authorized to issue an unlimited number of common and preferred shares. As at December 31, 2016, there were 617,139,350 Common Shares issued and outstanding.

As at December 31, 2016, the Company had the following outstanding securities other than Common Shares:

- 254,850,267 share purchase warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.14 per share and a remaining contractual life of 6 months to 16 months; and
- 61,005,000 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.11 per Common Share and a remaining contractual life of one year and ten months to four years and ten months.

During the year ended December 31, 2016 the Company had following transactions that affected its share capital.

On April 28, 2016, further to a first tranche of the private placement to investors in the United Kingdom and on a non-brokered basis (“Non-Brokered Offering”), the Company issued 22,857,143 units at a price of GBP 0.035 ($0.051) for gross proceeds of GBP 0.8 million ($1.2 million). Each unit consists of one common share in the capital of the Company (“Common Share”) and one share purchase warrant (“Non-Brokered Offering Warrant”). Each Non-Brokered Offering Warrant entitles the holder thereof to purchase one Common Share at an exercise price of GBP 0.0475 ($0.0695) per Common Share on or before the date that is 24 months following the closing date.

The fair value of the Non-Brokered Offering Warrants estimated at $0.6 million (using a Black-Scholes option pricing model) was netted against proceeds from share capital and a derivative liability of $0.6 million was recognized as at April 28, 2016. The Non-Brokered Offering Warrants’ exercise price is in GBP, and the Company’s functional currency is in USD. As there is variability in these exchange rates, the Non-Brokered Offering Warrants are classified as a derivative financial instrument.

During third and fourth quarter of 2016, further to an exercise of Non-Brokered Offering Warrants, the Company issued 8,252,142 Common Shares for a proceeds of $0.5 million. The fair value of the exercised Warrants estimated at $0.5 million (using a Black-Scholes option pricing model) was recognized as an addition to the share capital and respective decrease in the derivative liability.

In connection with the Non-Brokered Offering, the Company paid a cash finder’s fee of GBP 0.1 million ($0.2 million) and issued 1,177,114 warrants (the Finder’s Warrants”) as compensation warrants. Each Finder’s Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of GBP 0.035 ($0.051) per Common Share on or before the date that is 24 months following the closing date. Other expenses related to the Non-Brokered Offering of Units amounted to $0.2 million.

The fair value of the Finder’s Warrants estimated at $35,000 (using a Black-Scholes option pricing model) was netted against proceeds from share capital (as share issue costs) and a derivative liability of $35,000 was recognized as at April 28, 2016.

On May 3, 2016, further to a brokered portion of the private placement in Canada (“Brokered Offering”), the Company issued 101,066,868 units at a price of CAD 0.07 ($0.055) for gross proceeds of CAD 7.1 million ($5.6 million). Each unit consists of one common share in the capital of the Company (“Common Share”) and one share purchase warrant (“Brokered Offering Warrant”). Each Brokered Offering Warrant entitles the holder thereof to purchase one Common Share at an exercise price of CAD 0.095 ($0.075) per Common Share on or before the date that is 24 months following the closing date.

The fair value of the Brokered Offering Warrants estimated at $2.2 million (using a Black-Scholes option pricing model) was netted against proceeds from share capital and a derivative liability of $2.2 million was recognized as at May 3, 2016. The Brokered Offering Warrants’ exercise price is in CAD, and the Company’s functional currency is in USD. As there is variability in these exchange rates, the Brokered Offering Warrants are classified as a derivative financial instrument.

SHARE CAPITAL* (CONTINUED)

During third and fourth quarter of 2016, further to an exercise of Brokered Offering Warrants, the Company issued 2,050,000 Common Shares for a proceeds of $147,000. The fair value of the exercised Warrants estimated at $93,000 (using a Black-Scholes option pricing model) was recognized as an addition to the share capital and respective decrease in the derivative liability.

In connection with the Brokered Offering, the Company paid a cash commission to its Agents of CAD 0.4 million ($0.3 million) and issued 5,233,206 warrants (the "Agents' Warrants") as compensation warrants. Each Agents' Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of CAD 0.07 ($0.055) per Common Share on or before the date that is 24 months following the closing date. Other expenses related to the Brokered Offering of units amounted to $0.2 million.

The fair value of the Agents' Warrants estimated at $138,000 (using a Black-Scholes option pricing model) was netted against proceeds from share capital (as share issue costs) and a derivative liability of $138,000 million was recognized as at May 3, 2016.

The assumptions used for Black-Scholes option pricing model to estimate a fair value of the Non-Brokered Offering Warrants, Finder's Warrants, Brokered Offering Warrants and the Agents' Warrants as at the date of issue are discussed in the notes accompanying the Company's consolidated financial statements as at December 31, 2016.

**** 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, 2016, the Company has the following commitments:

In $ 000's	Total	Less than One Year	One to Three Years	Four to Five Years	After Five Years
Office lease	**1,434**	492	942	-	-

The Company is committed under an operating lease agreement for the rental of office space in Calgary, Canada. The approximate lease payments total $1.4 million and are payable over the next three years.

ShoreCan's Commitments

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan, focusing on acquisitions of upstream oil and gas exploration, development and producing assets in 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 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, 2017 contingent upon ShoreCan generating its own cashflows. Interest is charged monthly at an annual rate of 3.0% above 12 month USD LIBOR.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS* (CONTINUED)

ShoreCan's Commitments (continued)

On September 13, 2016, ShoreCan closed an acquisition of 80% of the issued share capital of Essar Nigeria, a company which sole asset is a 100% interest in OPL 226 license offshore Nigeria. As part of the shareholder agreement, ShoreCan has agreed to cover the funding of Essar Nigeria's operations. As a party to a PSC for OPL 226, Essar Nigeria is required to seek Nigerian Government ministerial consent for the transaction. The respective application has been made and the parties to the transaction are awaiting its approval.

ShoreCan has assessed that the transaction does not meet criteria of a business acquisition as Essar Nigeria is in an exploration/development stage and as at December 31, 2016, ShoreCan did not have an effective control over Essar Nigeria. The $0.25 million representing the cash consideration paid, was recognized as a deposit in ShoreCan's books as at December 31, 2016. In addition, ShoreCan has committed to invest up to a maximum of $80 million into Essar Nigeria in the form of an interest-free shareholder loan. The funds will be used for Essar Nigeria operations and in particular, to cover work program obligations, including the costs of drilling one well under Phase-1 of the PSC; the Phase-1 period was recently extended to November 30, 2017. Upon receiving final approval from the Nigerian Government, Shorecan will finalize the recording of this investment based on the fair values of Essar Nigeria's assets and liabilities. As at December 31, 2015, as per Essar Nigeria's audited financial statements, Essar Nigeria had total assets of $69.8 million and total liabilities of $69.7 million, including a loan to its parent of $64.7 million. The agreement with Essar Nigeria provides for the repayment of this amount from future production.

In January 2017, three ShoreCan's representatives were appointed Directors of Essar Nigeria, gaining majority on Essar Nigeria board. Accordingly, ShoreCan assumed a control over Essar Nigeria. 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, 2016, the Company had a working capital of approximately $2.0 million, shareholders' equity of $17.2 million and cash of $2.6 million.

For the year ended December 31, 2016, the Company's cash used in operating activities amounted to $5.5 million, compared to $6.3 million for the year ended December 31, 2015.

Cash provided by financing activities amounted to $6.5 million for the year ended December 31, 2016 (compared to $5.0 million for the same period in 2015) and related mainly to proceeds from the financing closed on April 28, 2016 and May 3, 2016 and warrants exercised (discussed in "Share Capital" section).

Cash used in investing activities amounted $0.3 million for the year ended December 31, 2016 compared to $0.9 million for the same period in 2015.

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

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

ACCOUNTING PRONOUNCEMENTS

Future Accounting Standards

IFRS 9 -"Financial Instruments"
In July 2014, the IASB issued final amendments to IFRS 9, replacing IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). IFRS 9 introduces new requirements for the classification, measurement and impairment of financial assets, and new requirements related to hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple category and measurement models in IAS 39. The categorization approach in IFRS 9 focuses on how an entity manages its financial instruments in the context of its business model, as well as the contractual cash flow characteristics of the financial assets. New hedge accounting requirements incorporated into IFRS 9 increase the scope of items that may qualify as a hedged item and changes the requirements of hedge effectiveness testing that must be met in order to apply hedge accounting. The requirements of IFRS 9 are effective for annual periods beginning on or after January 1, 2018 and are available for earlier adoption. The Company does not expect that the implementation of IFRS 9 will have a material effect on its consolidated financial statements.

IFRS 15 - "Revenues from Contracts with Customers"
In May 2014, the IASB and FASB jointly issued IFRS 15 "Revenue from Contracts with Customers," which replaces IAS 18 "Revenue," IAS 11 "Construction Contracts," and other revenue related interpretations. In April 2016, the IASB issued amendments to IFRS 15, clarifying the application of certain of its underlying principles, including the identification of a performance obligation, and the determination of whether a company is a principal or is acting as an agent in the provision of a good or service. The amendments will become effective concurrent with the effective date of IFRS 15 on January 1, 2018. The Company does not expect that the implementation of IFRS 15 will have a material effect on its consolidated financial statements.

IFRS 16 - "Leases"
In January 2016, the IASB issued IFRS 16 "Leases", which replaces IAS 17 "Leases". IFRS 16 eliminates the distinction between operating and financing leases and provides a single lessee accounting model that requires the lessee to recognize assets and liabilities for all leases on its balance sheet. Leases to explore for or use oil or natural gas are specifically excluded from the scope of IFRS 16. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15 has also been applied. The Company has not yet assessed the potential effect of the implementation of IFRS 16 on its consolidated financial statements.

IAS 7 -"Statement of Cash Flows"
In January 2016, the IASB issued amendments to IAS 7 pursuant to which entities will be required to provide enhanced information about changes in their financial liabilities, including changes from cash flow and non-cash changes. The IAS 7 amendments are effective for annual periods beginning on or after January 1, 2017. The Company is in the process of assessing changes required (if any) to its reporting system in order to be able to disclose the information required pursuant to the amendments in IAS 7.

Future Accounting Standards (continued)

IAS 12 - "Income Taxes"
In January 2016, the IASB issued amendments to IAS 12, which clarify guidance on the recognition of deferred tax assets related to unrealized losses resulting from debt instruments that are measured at their fair value. The IAS 12 amendments are effective for annual periods beginning on or after January 1, 2017. Currently, the Company does not have any debt instruments, therefore, the implementation of amendments to IAS 12 is not expected to have an impact on the Company's consolidated financial statements.

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, 2016 and 2015.

ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Critical Accounting Estimates (continued)

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

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

Management of COPL, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's DC&P as at December 31, 2016 and concluded that DC&P are effective as the end of the year, in all material respects.

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 as at the financial year end December 31, 2016, 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.

The Company's Chief Executive Officer and Chief Financial Officer are required to disclose any change in the ICFR that occurred during the most recent interim period that has materially affected, or is reasonable likely to materially affect, the Company's ICFR. No material changes in the Company's ICFR were identified in the year ended December 31, 2016, which have materially affected, or are reasonably likely to materially affect the Company's ICFR.

It should be noted that while the Chief Executive Officer and Chief Financial Officer believe that the Company's design of DC&P and ICFR provide a reasonable level of assurance that they are effective, they do not expect that the control system will prevent all errors and fraud. A control system, no matter how well conceived or operated, 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. The Company's ICFR may not prevent or detect all misstatements because of inherent limitations. 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. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with the Company's policies and procedures.

DIRECTORS

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

OFFICERS

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