CANADIAN OVERSEAS PETROLEUM LIMITED

THIRD QUARTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2021 AND 2020
(UNAUDITED)

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 ("**COPL Technical**"), Canadian Overseas Petroleum (UK) Limited ("**COPL UK**"), Canadian Overseas Petroleum (Bermuda Holdings) Limited ("**COPL Bermuda Holdings**"), Canadian Overseas Petroleum (Bermuda) Limited ("**COPL Bermuda**"), Canadian Overseas Petroleum (Namibia) Limited ("**COPL Namibia**"), Canadian Overseas Petroleum (Ontario) Limited ("**COPL Ontario**"), COPL America Holding Inc. ("**COPL America Holding"**), COPL America Inc. ("**COPL America**"), Atomic Oil & Gas LLC ("**Atomic**"), PipeCo LLC ("**PipeCo**") and Southwestern Production Corp. ("**SWP**") (collectively "**COPL**" or the "**Company**") as at and for the three and nine month periods ended September 30, 2021 and 2020). The information is provided as of November 12, 2021. The results for the three and nine month periods ended September 30, 2021 have been compared to the corresponding periods of 2020 and have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). This MD&A should be read in conjunction with the Company's unaudited condensed interim financial statements and related notes as at and for the three and nine months ended September 30, 2020 (the "**Financial Statements**"), and the annual audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019, together with the accompanying notes and the Annual Information Form of the Company dated April 30, 2021 (the "**AIF**"). These documents and additional information about COPL are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com.

All amounts are presented in US dollars ("**US$**"), and have been rounded to the nearest thousand US$ unless otherwise noted.

BUSINESS OF THE COMPANY – MANAGEMENT

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

COPL and its subsidiaries are involved in the identification, acquisition, exploration and development of oil and natural gas reserves and holding interests in petroleum assets focused in the United States of America ("**US**") and Africa. The Company formed a joint venture, along with an unrelated company, Shoreline Energy International Limited ("**Shoreline**") in an effort to diversify and balance its asset portfolio. Both partners hold a 50% interest in the jointly controlled company, Shoreline Canoverseas Petroleum Development Corporation Limited ("**ShoreCan**"), which was incorporated in Bermuda on October 24, 2014. ShoreCan is focused on acquiring upstream oil and gas exploration, development and producing assets in Africa.

In February 2021, COPL America Holding and COPL America were incorporated for the purpose of oil and gas operations in the US and closing the acquisition of Atomic, PipeCo and SWP (together, the "**Atomic Group**") that was completed on March 16, 2021 (further discussed in *"Overview and Overall Performance – Business Combination - Atomic Group Acquisition"* section).

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. Some senior management, financial, technical and project related functions are also provided by COPL UK. The US operating, accounting and administrative functions for the Atomic Group are performed by SWP's office in Denver, Colorado. COPL Bermuda Holdings, COPL Bermuda and COPL Namibia (currently dormant) were incorporated for operations in offshore Liberia and potential opportunities elsewhere in Africa. COPL Ontario was incorporated on December 15, 2017 for the purpose of an anticipated operation in Canada.

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", "Non-GAAP measures", "Netback" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of COPL. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the AIF dated April 30, 2021, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

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

- the Company's current strategy to establish and grow an oil and gas business, including the recently acquired business in the US (the *"Overview and Overall Performance"* and *"Outlook"* sections);
- the Company's ability to raise capital and obtain the additional financing for exploration projects (the *"Overview and Overall Performance"*, *"Outlook"* and *"Commitments and Contingencies"* sections);
- the Company's assumptions in respect of determination of fair value assigned to net assets acquired under the *"Business Combination - Atomic Group Acquisition"*, valuation of warrants and derivatives (*"Senior Credit Facility"*, *"Commodity Derivative Assets (Liabilities)"* and *"Share Capital"* sections)
- the Company's ability to manage its financial and operational risks (the *"Overview and Overall Performance"*, *"Financial Instruments"*, *"Commitments and Contingencies"* and *"Liquidity and Capital Resources"* sections).

The Company's AIF for the year ended December 31, 2020 and the Company's public disclosure documents on www.sedar.com 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 first quarter of 2021, management was focused on the acquisition of the Atomic Group and obtaining the requisite financing. During the second and third quarters of 2021, and commencing on April 1, 2021, management focused on increasing gas injection in the Barron Flats area to increase oil production. In August 2021, the Company drilled a successful exploration well in the Barron Flats area which is currently being completed. The Company also continues to identify, evaluate and pursue exploration and development opportunities at its Wyoming assets, including workover activity in the Cole Creek area and planning for more exploration wells at the Barron Flats Deep Federal Unit. Management is also reviewing other value enhancing asset acquisitions in the state of Wyoming.

The Company continues to be focused on opportunities that its seasoned technical team has strength in evaluating and developing, including progressing its ShoreCan joint venture and reviewing additional opportunities available to the Company.

Business Combination - Atomic Group Acquisition

(a) Summary of the acquisition

On December 16, 2020, COPL announced that it had agreed to acquire 100% of the membership interests in Atomic and 100% of the shares in SWP (entities collectively, the "**Atomic Group**") (together the "**Atomic Group Acquisition**") for aggregate consideration of $54.0 million. The effective date of the transaction was December 1, 2020 as defined in the Stock and Membership Interest Purchase Agreement between the seller and the Company (the "**Atomic SPA**"). The opportunity to undertake this acquisition became available to the Company as a result of the COVID-19 environment and the drop in oil prices during 2020. This strategic acquisition represents a step change in the capacity and revenue generating opportunities available to the Company.

On March 16, 2021 (the "**Closing**"), the Company closed the Atomic Group Acquisition. For accounting purposes, the acquisition date is March 16, 2021, when the Company assumed control. In accordance with the Atomic SPA, certain assets and corresponding liabilities were excluded from the acquisition.

The Atomic Group was a closely-held private oil and gas company with assets located in the Powder River Basin in the state of Wyoming, US where it holds operated interests in approximately 47,992 gross contiguous acres of leasehold interests. There are two oil production units within the lease block: the Barron Flats Shannon Miscible Flood Unit (58.0% working interest "**WI**") (the "**BFU**") and the Cole Creek Unit (66.7% WI) (the "**CCU**"), as well as one unitized exploration area, the Barron Flats Deep Federal Unit (55.6% WI). PipeCo is a wholly-owned subsidiary of Atomic that holds a 100% interest in a gas pipeline and infrastructure that services the Barron Flats area. SWP is the operator of all above mentioned oil and gas assets.

The Atomic Group Acquisition was accounted for in accordance with IFRS 3, *"Business Combinations"* using the acquisition method whereby the identifiable assets and liabilities assumed are recognized and measured at their fair value at the date of the acquisition, with the exception of income taxes, lease liabilities, and right-of-use assets.

(b) Purchase price allocation

In accordance with the Atomic SPA, the $54.0 million purchase price is comprised of $50.0 million in cash and $4.0 million settled through the issuance of COPL Common Shares (collectively, the "**Atomic Purchase Price**"). On March 16, 2021, the Company issued 818,873,319 Common Shares to the seller representing the fixed $4.0 million of the purchase price consideration that was payable in COPL's Common Shares determined using the weighted average closing price of COPL's Common Shares on the LSE in the five (5) business days preceding the business day prior to the Closing as prescribed in the Atomic SPA. The Company financed the Atomic Purchase Price partially using the net proceeds from a non-brokered placing (see *"Share Capital"*), and external debt of $45.0 million (see *"Senior Credit Facility"*). Further to the Atomic SPA, the Company made a non-refundable deposit payment of $1.0 million on December 15, 2020 (due upon signing the Atomic SPA) and a refundable deposit of $4.0 million on December 31, 2020. Accordingly, $5.0 million was recognized as a prepaid purchase price in the Company's consolidated statement of financial position as at December 31, 2020. Subsequent to December 31, 2020, the remaining $4.0 million refundable deposit was paid. At Closing, the Company settled the Atomic Group's external debt of $26.1 million, paid $10.0 million in cash to the seller, and withheld $5.0 million of the Atomic Purchase Price pending the finalization of certain adjustments as agreed between the seller and the Company. Subsequently, on April 14, 2021, the Company released $5.0 million to the seller.

As of the date of this MD&A, the net debt and working capital adjustments to the Atomic Purchase Price as outlined in accordance with the Atomic SPA, have not been finalized and a final settlement has not been reached with the seller. Accordingly, the Atomic Purchase Price has not been finalized.

The following preliminary purchase price allocation, subject to final settlement of the net debt and working capital adjustments that impacts the final purchase consideration, is based on management's best estimate of the fair value assigned to the assets acquired and the liabilities assumed. The increase in the cash portion of the Atomic Purchase Price to $50.1 million resulted from the previous debt facility settled on the Closing being adjusted to include interest and additional financing cost of $0.1 million incurred since December 31, 2020.

Upon finalizing the Purchase Price, adjustments may be required to the following allocation to the fair value of the net assets acquired.

(US$ 000's)	March 16, 2021
Purchase Consideration:	
Cash	50,079
COPL Common Shares	4,000
Total consideration	**54,079**
Identifiable net assets:	
Cash	9,160
Working capital, net (excluding cash)	(11,469)
Exploration and evaluation assets	1,665
Property, plant and equipment	54,716
Right-of-use assets	41
Asset retirement obligations	(34)
Total identifiable net assets	**54,079**
Goodwill/Bargain purchase gain	**-**

The assignment of fair value to the underlying net assets acquired is limited to the total consideration and does not result in recognition of either goodwill or negative goodwill (bargain purchase gain). Best estimates were determined based on available information at the time of preparation of the Financial Statements. The Company is continuing its review to determine the identification of intangible assets, assumption of liabilities, identification of contingent liabilities and working capital adjustments during the allowable measurement period, which shall not exceed one year from the Closing. Considering the nature of the assets acquired, the majority of the fair value is assigned to the petroleum assets.

As at March 16, 2021, the fair value assigned in the preliminary purchase price allocation to accounts receivables was $2.2 million, including joint interest receivables from partners of $1.1 million and revenue receivables of $1.1 million. These receivables do not have a significant financing component, as these balances are usually collected within 60 days. As at March 16, 2021, the gross contractual amounts were deemed equal to the fair value assigned and based on management's best estimates, the cash flows associated with these receivables were deemed collectible.

Atomic and PipeCo were treated as limited liability companies, and SWP as an S corporation, which all are treated as a partnership for US federal, state, and local income tax purposes. Accordingly, members and owners are taxed on their allocable share of taxable income or loss in accordance with the operating agreement. Beginning January 1, 2018, new rules apply to Internal Revenue Service ("**IRS**") audits of partnerships. Under these rules, adjustments resulting from an IRS audit may be assessed at the partnership level on behalf of its members. Accordingly, no income taxes were payable by these entities. No deferred tax implications were recognized in the preliminary purchase price allocation as for tax purposes the Atomic Group Acquisition is deemed to be an asset acquisition, as a Section 338 (h)(10) election of the Internal Revenue Code was filed with the IRS.

(b) Acquisition costs

Acquisition costs directly attributable to the Atomic Group Acquisition are expensed as incurred. In aggregate, the Company incurred $2.5 million in acquisition costs of which approximately $0.4 million was recognized prior to January 1, 2021 and $2.1 million during the nine months ended September 30, 2021. These acquisition costs exclude share issuance costs that are netted against share capital in the Financial Statements.

(c) Revenue and net loss

Results of the Atomic Group Acquisition are included in the Financial Statements as at September 30, 2021 and for the period from the Closing to September 30, 2021. The acquired business contributed net oil sales of $9.2 million and $1.9 million of net income from the date of acquisition to September 30, 2021.

US Operations

The Company is operator of 47,992 gross contiguous acres of leasehold interests in the Converse and Natrona Counties in the state of Wyoming. Within the leasehold there are two production units: the BFU (58.0% WI), the CCU (66.7% WI) and one unitized exploration area: the Barron Flats Deep Federal Unit (55.6% WI).

The Company's newly acquired Wyoming oil production operations performed above expectations during the second and third quarters of 2021:

- oil production increased by 70% from approximately 1,248 bbls/d (gross) at April 1, 2021, to an exit production rate of approximately 2,119 bbls/d (gross) at September 30, 2021;
- gas injection at BFU of approximately 60% natural gas and 40% butane/propane during the third quarter of 2021 was at an average rate of 7,236 mcf/d;
- a recompletion program at the CCU continued with the successful recompletion of three of twelve marginal producing oil wells; and
- the Company drilled an exploratory well at 14-30VF to expand the BFU and to open a potential new deeper field development.

In the BFU, oil production response to the increased gas injection volumes commenced in earnest in the third week of May rising to 1,935 bbls/d (gross) at June 30, 2021. As at September 30, 2021, the Company is currently producing oil at a rate of 2,020 bbls/d (gross) in the BFU, and the Company expects that production will continue to increase as higher crude oil production response on the west side of the field is being observed and as enhanced surface production facilities are installed on newly flowing wells in the eastern area to handle increased oil production volumes and accompanying higher flowing pressures.

The Company commenced a recompletion program at the CCU targeting low productivity wells in the Frontier Formation. Two low productivity wells were recompleted at Cole Creek in July 2021 by re-fracing the Frontier Sand reservoirs. Nine additional wells have been identified for reworking with the first of these re-fraced at the end of August 2021. At the end of September 2021, the total current Cole Creek production is 99 bbls/d (gross).

The results of the reworking campaign will be utilized to evaluate and design a future horizontal well depletion strategy for the Frontier reservoir at Cole Creek as a precursor to a miscible flood enhanced recovery scheme similar to the operating BFU miscible flood.

The Company has concluded drilling operations at the BFU Fed 14-30VF well location, a 9,212' exploration well with the primary objective to extend the BFU to the southwest and to evaluate oil potential of the Frontier and Dakota formations. Intersection of the Shannon reservoir at this location did expand and increase the oil reserves attributed to the BFU. In addition, the BFU 14-30VF location is offsetting an abandoned well one mile to the west, drilled in 1952 which had a well-developed apparent oil-bearing Frontier and Dakota sands. The Frontier and Dakota formations are the primary objective in the exploration portion of this well, potentially opening a new oil field development project close to the Company's existing oil production facilities.

As at June 30, 2021, SWP had a receivable of $1.9 million from a non-operating working interest partner in the BFU, Cuda Energy LLC ("**Cuda**"). In July 2021 SWP filed a claim (the "**Claim**") in the Eighth Judicial District Court, State of Wyoming as plaintiff against Cuda, Bridging Finance, Inc. ("**Bridging**", and Tallinn Capital Energy L.P. ("**Tallinn**") as defendants. SWP's Claim seeks the following heads of relief: a judicial foreclosure order against the defendants of the SWP liens on Cuda's interest in the BFU, which includes Cuda Oil and Gas Inc., Bridging and Tallinn; an award of damages for breach of contract by Cuda; a quantum meruit or unjust enrichment judgment against Cuda; damages for a breach of promissory estoppel against Cuda; and a declaratory judgment as to the lien priority against Bridging and Tallinn to affirm SWP's first lien priority on Cuda's security against the BFU. Cuda received a copy of the Court Stamped Claim by email on July 27, 2021 and subsequently accepted service of the Claim on August 12, 2021. Subsequent to filing that Claim, SWP received a payment of $1.9 million from a legal advisor's trust account on behalf of Cuda to settle outstanding sums. As at September 30, 2021, Cuda's current operating arrears owed to SWP is $2.1 million as reflected on Cuda's joint interest billings from July 2021 to September 2021. It should be noted that unless payments are received on time, the Claim against Cuda will be subsequently amended to reflect Cuda's ongoing cumulative arrears, and any further resulting damages. The Company intends to take all action available to recover sums due to its affiliates.

African Portfolio

In October 2014, COPL formed a joint venture company with Shoreline called ShoreCan. Both partners hold a 50% interest in the jointly controlled company, which is focused on acquiring upstream oil and gas exploration, development and producing assets in Africa. ShoreCan is a special purpose vehicle registered in Bermuda. The following country and project overview fall under the realm of ShoreCan's dealings.

Nigeria

On September 13, 2016, COPL announced that ShoreCan had completed the acquisition of 80% of the share capital of Essar Exploration and Production Limited (Nigeria) ("**Essar Nigeria**"). Essar Nigeria's sole asset is a 100% interest and operatorship of an oil prospecting license, located about 50 km offshore in the central area of the Niger Delta ("**OPL 226**").

On October 2, 2018, the Nigerian National Petroleum Corporation ("**NNPC**") granted a conditional approval of an extension of 24 months for the Phase-1 exploration period until September 30, 2020. The extension was subject to certain conditions, including submission of a Performance Bond of $7.0 million that is required further to the Production Sharing Contract ("**PSC**"), to cover the Phase-1 exploration period work program at OPL 226.

At the request of COPL, Netherland, Sewell & Associates, Inc. ("**NSAI**") prepared an independent report (the "**Report**") in accordance with Canadian National Instrument 51-101 ("**NI 51-101**") evaluating the contingent and prospective resources attributed to OPL 226, as of December 31, 2020. The contingent and prospective resource volumes estimated in the NSAI report are disclosed in the Company's AIF dated April 30, 2021 under Appendix A in accordance with NI-51-101 rules and regulations.

ShoreCan and Essar Exploration and Production Limited, Mauritius ("**Essar Mauritius**"), the company that owns 20% of Essar Nigeria shares, were in disagreement about whether the other party was in compliance with its obligations under the Essar Nigeria shareholders agreement (the "**Shareholders Agreement**"). Essar Nigeria's allegations, which it first made in August 2018, centre on the assertion that ShoreCan had not commenced funding of the $80.0 million agreed cumulative funding in Essar Nigeria while ShoreCan categorically denied this with factual evidence of substantial expenditure to date.

Essar Mauritius filed a claim on March 27, 2020 in the High Court of Justice of England and Wales. Essar Mauritius sought in its claim to terminate the shareholders agreement and the share purchase agreement dated August 17, 2015 and the resulting transfer of its shares in Essar Nigeria to ShoreCan.

On August 4, 2020 the Company announced that ShoreCan had executed definitive agreements with Essar Mauritius to resolve their disputes. ShoreCan and Essar Mauritius entered into a Sale and Purchase Agreement (the **"Essar SPA Agreement"**), and other agreements, with each other concerning, among other things, their respective obligations under the Shareholders Agreement. On February 1, 2021, the Company announced, that ShoreCan and Essar Mauritius had agreed to extend the completion date of the definitive agreements to April 30, 2021. The signing of the definitive agreement has now been extended to November 30, 2021.

On September 24, 2020, the Corporation provided an update on Essar Nigeria’s application for a licence extension for OPL 226. The Corporation announced it was confident that Essar Nigeria will receive confirmation of an extension to its exploration licence during the last quarter of 2021**,** the delay believed to be caused by COVID-19 bureaucracy pressures within the NNPC. To date, no notice of termination has been received by Essar Nigeria, which under the terms of the OPL 226 production sharing contract would need to be issued sixty days before the September 30, 2020 expiry date. The two previous extensions to the drilling license at OPL 226 were also received by the Essar Nigeria following the previous expiration dates.

OUTLOOK

The Company's strategy is to increase oil production at its Wyoming assets, through increased gas injection at the BFU. Additional drilling and development at the BFU, CCU and Barron Flats Deep Federal Unit is also planned. Re-completions of existing cased wells at Cole Creek are expected to increase the oil production from this property. The company also intends to grow its international oil and gas business in Africa and elsewhere in the world by farming into, and/or acquiring interests in, exploration, unappraised and/or undeveloped assets, as well as in producing assets using the expertise and experience of its senior management team.

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

- continuing production in the BFU and the CCU;
- increasing gas injection at the BFU and further developing the facilities to handle gas injection and increased production capacity;
- re-completing up to 17 existing cased wells in the CCU to increase oil production;
- drilling new wells in the Cole Creek pool, including horizontal proven undeveloped (*"***PUD***"*) locations;
- progressing the OPL 226 project in Nigeria; and
- evaluating new opportunities available in Africa, North America and elsewhere in the world.

COVID-19 Pandemic

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

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

The COVID-19 pandemic has a direct impact on the Company's joint venture project in Nigeria and the resulting collectability of the long-term receivable from the Company's joint venture partner (see *"ShoreCan's Commitments"*).

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.

FINANCIAL SUMMARY

On March 16, 2021, the Company completed the Atomic Group Acquisition and accordingly the Company's results for the three and nine months ended September 30, 2021 include the consolidated results of the Atomic Group for the 199-day period from March 16, 2021 to September 30, 2021.

Petroleum sales, net of royalties of $5.2 million and $9.2 million, production taxes of $0.7 million and $1.2 million, operating expenses of $2.4 million and $3.3 million were recorded for the three and nine months ended September 30, 2021, respectively in respect of the US oil producing assets. The realized loss on crude oil commodity derivatives amounted to $0.6 million and $0.9 million for the three and nine months ended September 30, 2021. The realized gain on butane commodity derivatives used for the miscible flood injections amounted to $1.1 million and $1.2 for the three and nine months ended September 30, 2021. The unrealized loss on crude oil commodity derivatives amounted to $2.5 million and $9.6 million, and the unrealized gain on butane commodity derivatives amounted to $3.7 million and $9.8 million for the three and nine months ended September 30, 2021, respectively. There were no such gains or losses recorded for the comparable periods in 2020. Depletion, depreciation and amortization expenses were $1.3 million and $2.4 million for the three and nine months ended September 30, 2021, respectively, compared to $0.02 million and $0.05 million for the respective corresponding periods in 2020. For the three and nine month periods ended September 30, 2021, the Company also recorded acquisition costs of $0.03 million and $2.1 million, respectively and pre-license costs of $0.1 million and $0.3 million, compared to $0.04 million of pre-license costs for the corresponding periods in 2020. General and administrative ("**G&A**") costs were $2.5 million and $5.8 million for the three and nine months ended September 30, 2021, compared to $0.8 million and $1.7 million for the corresponding period in 2020. In addition, the Company recorded stock based compensation expense of $1.0 million for three and nine month periods ended September 30, 2020 and no such expense was recognized for three and nine month periods ended September 30, 2021.

Net financing costs amounted to $1.9 million and $4.8 million for the three and nine months ended September 30, 2021, respectively compared to $0.2 million and $0.4 million for the corresponding periods in 2020. A gain on derivative liabilities of $8.9 million and a loss on derivative liabilities of $1.9 million were recorded for the three and nine months ended September 30, 2021, respectively compared to a gain of $0.02 million and a loss of $0.03 million for the corresponding periods in 2020. A gain on the extinguishment of loan of $0.3 million was recognized for the three and nine months ended September 30, 2021, compared to $NIL and $0.01 million for the corresponding periods in 2020. A net foreign exchange gain of $0.03 million and a loss of $0.07 million was recognized for the three and nine months ended September 30, 2021, compared to a foreign exchange gain of $0.08 million and a loss of $0.002 million for the respective corresponding periods in 2020. The Company recognized a loss of $NIL and $0.001 million on the Company's investment in ShoreCan for the three and nine months ended September 30, 2021 respectively compared to $0.1 million for the corresponding periods in 2020.

As a result, for the three and nine month periods ended September 30, 2021, the Company recorded net income of $7.5 million and a net loss of $12.0 million, respectively compared to a net loss of $2.1 million and $3.3 million in the respective corresponding periods in 2020.

As at September 30, 2021, the Company's cash and cash equivalents amounted to $11.5 million (December 31, 2020 - $1.4 million). Cash used in operating activities amounted to $3.4 million and $10.6 million for the three and nine months ended September 30, 2021, respectively compared to $2.8 million and $3.0 million for the respective corresponding periods in 2020. Cash provided by financing activities amounted to $1.4 million and $67.6 million for the three and nine months ended September 30, 2021, respectively compared to $5.0 million and $5.2 million for the respective corresponding periods in 2020. Cash used in investing activities amounted to $2.1 million and $46.9 million for the three and nine months ended September 30, 2021, respectively compared to $0.1 million in the respective corresponding periods in 2020.

OPERATIONS

Company's operations include production of oil in Wyoming, US for the 199 day period from March 16, 2021 to September 30, 2021.

US$, except volumes	**Three months ended September 30, 2021**	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Average daily crude oil production, before royalties (bbls/day)	1,077	-	918	-
NYMEX WTI benchmark price – average for the period($/bbl):	70.56	-	67.47	-
Operating netback* ($/bbl):				
Realized sales price	67.22	-	64.95	-
Realized loss on commodities contract - Crude oil	(6.54)	-	(4.97)	-
Royalties	(14.32)	-	(14.05)	-
Production taxes	(6.62)	-	(6.33)	-
Operating costs	(23.87)	-	(18.29)	-
Realized gain on commodities contract - Butane	10.83	-	6.42	-
Operating netback*	26.70	-	27.73	-
Capital expenditures – petroleum assets (000s)	5,066	-	10,362	-
Capital expenditure – exploration & evaluation assets (000s)	745	-	962	-

*Operating net back is a non-GAAP financial measure used by management to analyze operating performance, which is not a standardized measure recognized pursuant to IFRS. This measure is commonly used in the oil and gas industry and is considered informative by management, shareholders, and analysts. This measure may differ from that used by other companies and accordingly may not be comparable to such a measure as reported by other oil and gas producing companies.

The Company sells its oil at the wellhead based on the monthly average of WTI for light sweet crude oil as quoted on New York Mercantile Exchange ("**NYMEX**") less negotiated differentials including transportation costs.

FINANCIAL RESULTS

(US$000s), except per share and share amounts	**Three months ended September 30, 2021**	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Petroleum sales, net of royalties	**5,242**	-	**9,174**	-
Realized loss on commodity derivatives - crude	**(648)**	-	**(909)**	-
Unrealized loss on commodity derivatives - crude	**(2,456)**	-	**(9,639)**	-
Production taxes	**(655)**	-	**(1,156)**	-
Operating expenses	**(2,364)**	-	**(3,343)**	-
Depletion, depreciation and amortizations	**(1,291)**	(17)	**(2,430)**	(52)
Realized gain on commodity derivatives – butane	**1,074**	-	**1,173**	-
Unrealized gain on commodity derivatives – butane	**3,718**	-	**9,823**	-
Acquisition costs	**(33)**	-	**(2,145)**	-
Pre-license costs	**(100)**	(36)	**(300)**	(36)
General and administrative expenses	**(2,453)**	(832)	**(5,818)**	(1,711)
Stock based compensation	**-**	(973)	**-**	(973)
Finance costs, net	**(1,868)**	(167)	**(4,788)**	(356)
Gain/(loss) on derivative liabilities	**8,937**	19	**(1,931)**	(28)
Gain on extinguishment of loan	**332**	-	**332**	13
Foreign exchange gain (loss), net	**33**	81	**(67)**	(2)
Loss on investment in joint venture	**-**	(143)	**(1)**	(143)
Net income (loss)	**7,468**	(2,068)	**(12,025)**	(3,288)
Earnings (loss) per share – post-consolidation –basic	**0.05**	(0.05)	**(0.09)**	(0.09)
Earnings (loss) per share – post-consolidation –diluted	**0.05**	(0.05)	**(0.09)**	(0.09)
Outstanding Common Shares at Sept 30, 2021 – pre-consolidation	***16,426,953,124***	*4,872,204,722*	***16,426,953,124***	*4,872,204,722*
Outstanding Common Shares at October 1, 2021 – post-consolidation	***164,269,464***	*48,722,047*	***164,269,464***	*48,722,047*
Weighted average number of shares outstanding – post-consolidation - basic	***159,108,028***	*45,785,704*	***136,393,897***	*38,513,556*
Weighted average number of shares outstanding – post-consolidation - diluted	***165,680,638***	*45,785,704*	***136,393,897***	*38,513,556*

Revenue

Petroleum sales, net of royalties totalled $5.2 million and $9.2 million for the three and nine month periods ended September 30, 2021, respectively which represented a 199 day period from the date of acquisition of the Atomic Group on March 16, 2021 to September 30, 2021.

The Company's revenue relates to oil production in the state of Wyoming, US that is currently sold under SWP's contracts with one purchaser, and includes variable pricing based on monthly published indices and volumes delivered at the well heads. SWP is an agent for certain non-operating joint interest owners and royalty owners, and receives and distributes revenue on their behalf. The net earnings (loss) only reflects the Company's portion of revenue on a net-of-royalties basis.

Oil production for the 199-day period to September 30, 2021 averaged 918 bbls/d net to the Company at an average realized price of $64.95/bbl while the oil production for the 92-day period ended September 30, 2021 averaged 1,077 bbls/d net to the Company at an average realized price of $67.22/bbl. Royalties are paid to the state of Wyoming and other land and mineral rights owners. The effective royalty rate, which is calculated by dividing the royalties into gross sales in the period was 21.3% and 21.6% for the three and six months ended September 30, 2021 respectively.

Realized and unrealized gain/loss on commodity derivatives

The Company has in place commodity risk management contracts (see *"Commodity Derivative Assets (Liabilities)"*) in respect of crude oil production and butane used for the miscible flood injection. For the three and nine months ended September 30, 2021 respectively, the Company recorded:

- a realized loss on crude oil derivative contracts of $0.6 million and $0.9 million, respectively and a realized gain on butane derivative contracts of $1.1 million and of $1.2 million, respectively; and
- an unrealized loss on crude oil derivative contracts of $2.5 million and $9.6 million, respectively and an unrealized gain on butane derivative contracts of $3.7 million and $9.8 million, respectively.

There were no risk management commodity contracts in 2020.

Production taxes and operating expenses

The production taxes are comprised mainly of severance tax and ad valorem tax imposed in the state of Wyoming and are directly related to crude oil sales and are generally assessed as a percentage of net revenues. From time to time, there are adjustments to the statutory rates for these taxes based upon certain credits that are determined based upon activity levels and relative commodity prices. The production taxes amounted to $0.7 million or $6.62/bbl and $1.2 million or $6.33/bbl, respectively for the three and nine months ended September 30, 2021.

Operating expenses related to oil production in Wyoming amounted to $2.4 million or $23.87/bbl and $3.3 million or $18.29/bbl respectively for the three and nine months ended September 30, 2021. The operating expenses included workover costs of $1.2 million or $12.57/bbl and $1.6 million or $8.68/bbl respectively for the three and nine months ended September 30, 2021.

Depletion, depreciation and amortization

Depletion, depreciation and amortization of $1.3 million and $2.4 million for the three and nine months ended September 30, 2021, respectively includes:

- depletion of $1.2 million and $2.3 million, respectively ($NIL for the corresponding periods in 2020) that relates to the Atomic Group petroleum assets acquired on March 16, 2021. Depletion is calculated based on unit of production, estimates of proved and probable reserves, and future development costs to bring those reserves into production; and
- the remainder relates to depreciation of office furniture and equipment and amortization of the right-of-use assets recognized by the Company in respect of its office lease in Calgary, Alberta, Canada.

Acquisition Costs

Costs directly attributable to the Atomic Group Acquisition such as legal, advisory and professional services are expensed as incurred and amounted to $0.03 million and $2.1 million for the three and nine month periods ended September 30, 2021, respectively. No acquisition costs were incurred for the corresponding periods in 2020.

Pre-license Costs

The Company recognized $0.1 million and $0.3 million as pre-license costs for the three and nine months ended September 30, 2021, respectively that related to an anticipated new acquisition project compared to $0.04 million for the respective corresponding periods in 2020.

General and Administrative ("G&A") Expenses

G&A expenses amounted to $2.5 million and $5.8 million for the three and nine months ended September 30, 2021, respectively compared to $0.8 million and $1.7 million for the respective corresponding periods in 2020. The net increase in G&A expenses of $4.1 million for the nine months ended September 30, 2021, compared to the corresponding period in 2020 resulted mainly from:

- $1.2 million represented G&A expenses of the US operations since the Atomic Group Acquisition on March 16, 2021;
- $1.1 million related to increases in payroll and related costs due to a management bonus paid in the first quarter, increased salaries in 2021 due to employees working full-time, compared to reduced working hours in the corresponding period in 2020 and higher director's fees, compared to reduced fees in 2020;
- $0.5 million of the increase related to consulting services due to a higher level of activities as compared to the corresponding period of 2020, due to completion of the Atomic Group Acquisition;
- $0.9 million increase in professional fees, stock exchange related costs, office expenses and corporate development costs due to a higher level of activities in 2021 as compared to 2020; and
- G&A expenses for the nine months ended September 30, 2020 are presented net of $0.4 million of a gain on external directors fees for 2019 that were waived in March 2020, which did not occur in 2021.

Finance costs, net

Net finance costs amounted to $1.9 million and $4.8 million for the three and nine months ended September 30, 2021, respectively compared to $0.2 million and $0.4 million for the corresponding periods in 2020. The following table provides details of net finance costs and the costs incurred in 2021 relate primarily to the Atomic Group Acquisition in March 2021.

(US$000's)	**Three months ended September 30, 2021**	Three months ended September 30, 2020	**Nine months ended September 30, 2021**	Nine months ended September 30, 2020
Interest expense – senior credit facility	**1,438**	-	**3,094**	-
Financing costs – senior credit facility	**15**	-	**575**	-
Accretion - senior credit facility	**441**	-	**945**	-
Accretion of asset retirement obligations	**16**	-	**34**	-
Other financing costs	**-**	-	**202**	-
Interest income	**(44)**	-	**(69)**	-
Interest on lease liabilities	**2**	3	**7**	8
Financing costs – YARF loan	**-**	154	**-**	331
Interest expense – CEO loan	**-**	3	**-**	9
Accretion – CEO loan	**-**	7	**-**	8
Finance costs, net	**1,868**	167	**4,788**	356

The senior credit facility, the YARF loan and the CEO loan are further discussed in *"Comparative Financial Position"*.

Gain (loss) on derivative liabilities

For the three and nine months ended September 30, 2021, the Company recorded in total a gain on derivative liabilities of $8.9 million and a loss of $1.9 million, respectively that related to the remeasurement of the fair value of derivative liabilities as follows:

- gain of $4.9 million and loss of $3.4 million, respectively for the unit warrants derivative liability (see *"Share Capital"*);
- gain of $3.6 million and $1.1 million, respectively for the lender warrants derivative liability (see *"Senior Credit Facility"*);
- gain of $0.1 million and $0.4 million, respectively for the LIBOR floor derivative liability (see *"Senior Credit Facility"* section); and
- gain of $0.3 million and loss of $0.02 million, respectively for the YARF warrants derivative liability compared to a gain of $0.02 million and a loss of $0.03 million for the respective corresponding periods in 2020 (see *"YARF Loan"*).

Gain on extinguishment of loan

Further to the Atomic Group Acquisition, the Company assumed a loan entered into by SWP. On April 14, 2020, SWP had entered into an unsecured promissory note in the amount of $0.3 million under the Paycheck Protection Program (the "**PPP Note**"). The Paycheck Protection Program was established under the Coronavirus Aid, Relief, and Economic Security Act (the "**CARES Act**") and is administered by the US Small Business Administration (the "**SBA**"). Under the terms of the CARES Act, PPP Note recipients could apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Under terms of the CARES Act, these funds were to be used for payroll and utility payments.

On April 26, 2021 SWP applied for forgiveness of the PPP Note and on July 1, 2021 the SBA approved the application. Accordingly, the Company recognized a gain on extinguishment of this loan of $0.3 million for the three and nine months ended September 30, 2021.

The gain of $0.01 million recognized for nine months ended September 30, 2020 related to the extinguishment of CEO loan.

Foreign Exchange Gain (Loss)

A foreign exchange gain of $33,000 and a foreign exchange loss of $67,000 was recognized for the three and nine months ended September 30, 2021, respectively compared to foreign exchange gain of $81,000 and a loss of $2,000 for the corresponding periods in 2020, which relates mainly to the net gain (loss) on the translation of loans, accounts payable, and cash and cash equivalents denominated in currencies other than US$.

Loss on Investment in Joint Venture

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan. For the nine months ended September 30, 2021, the Company charged ShoreCan interest expense of $0.3 million (2020 - $0.2 million).

For the three and nine months ended September 30, 2021, the Company's share of ShoreCan's losses exceeded the Company's net investment and the Company recognized a loss on the investment in ShoreCan of $NIL and $1,000 for the three and nine months ended September 30, 2021 as compared to $0.1 million for corresponding periods in 2020.

COMPARATIVE FINANCIAL POSITION ITEMS

The following table summarizes the Company's financial position as at September 30, 2021, and December 31, 2020:

(US$000s)	September 30, 2021	December 31, 2020
Cash and cash equivalents	**11,497**	1,401
Exploration and evaluation assets	**2,672**	-
Property, plant and equipment, net	**66,068**	61
Right-of-use assets	**182**	229
Commodity derivative net assets	**1,459**	-
Prepaid purchase price	**-**	5,000
Total assets	**86,603**	6,992
Subscription receipts liability	**-**	5,472
Short-term loans	**-**	683
Derivative liabilities - current	**957**	91
Derivative liabilities – non-current	**5,634**	-
Senior credit facility	**35,908**	-
Asset retirement obligations	**3,138**	-
Commodity derivative net liability – non-current	**1,275**	-
Current portion of lease liabilities	**66**	59
Long-term lease liabilities	**166**	216
Total non-current financial liabilities	**46,121**	216
Share capital	**183,548**	142,639
Shareholders' equity (deficit)	**29,247**	(595)

Cash and Cash Equivalents

The increase in cash and cash equivalents of $10.1 million during the first nine months of 2021 represents cash provided by financing activities of $67.6 million net of cash used in operating activities of $10.6 million and cash used in investing activities of $46.9 million. As at September 30, 2021, the cash and cash equivalent balance includes $1.9 million held in escrow in respect of certain production taxes and royalty payments that need to be held in escrow further to the US legal requirements (see *"Liquidity and Capital Resources"*).

Exploration and evaluation ("E&E") assets

As at September 30, 2021, the Company's E&E assets of $2.7 million relate to the undeveloped area in the Barron Flats Deep Federal Unit in which Atomic holds a 55.6% WI, acquired as part of the Atomic Group Acquisition, that will require further exploration work and is pending a determination of proven or probable reserves. During the three and nine months ended September 30 2021, additions to E&E assets amounted to $0.8 million and $1.0 million, respectively and relate mainly to an exploration well drilled in August 2021.

The Company did not have any E&E assets as at December 31, 2020.

Property, plant and equipment ("PP&E")

As at September 30, 2021, the Company's net PP&E amounted to $66.1 million and is comprised of $65.8 million of petroleum assets and $0.3 million of administrative assets. The petroleum assets relate to two oil producing units that were included in the Atomic Group Acquisition: the BFU and the CCU in state of Wyoming and a gas pipeline that services the BFU for the purpose of miscible flood injections.

Additions to PP&E assets for the three and nine months ended September 30, 2021 amounted to $5.1 million and $10.4 million, respectively for petroleum assets, $0.1 million and $0.2 million, respectively for administrative assets, and an increase in ARO amounting to $0.4 and $3.0 million, respectively due mainly to a change in the discount rate since the March 16, 2021 acquisition.

There were no developed and producing petroleum assets as at December 31, 2020.

Right-of-Use Assets

As at September 30, 2021 the Company had right-of-use assets of $0.2 million in respect of the office lease in Calgary, Alberta, Canada. The Company amortized its right-of-use assets on a straight-line basis over the term of the office lease contract.

Commodity Derivative Assets (Liabilities)

Effective March 15, 2021, in anticipation of the closing of the Atomic Group Acquisition and satisfying conditions attached to the senior credit facility, the Company entered into a master risk management agreement with a third-party institution. These risk management contracts were not entered into for trading nor speculative purposes.

Commodity	**Fixed price SWAP**	**Total notional volumes**	**Term**	**Average price (US$)**	**Fair Value**
Crude oil	WTI Futures	86,728 bbls	October 1, 2021 to December 31, 2021	$61.28	**(1,122)**
Crude oil	WTI Futures	384,187 bbls	January 1, 2022 to December 31, 2022	$56.58	**(4,773)**
Crude oil	WTI Futures	416,772 bbls	January 1, 2023 to February 29, 2024	$52.87	**(3,744)**
			Commodity derivative liability		**(9,639)**
Butane	Normal Butane (NC4)	3,152,182 gallons	October 1, 2021 to December 31, 2021	$0.930	**1,986**
Butane	Normal Butane (NC4)	11,110,302 gallons	January 1, 2022 to December 31, 2022	$0.768	**5,199**
Butane	Normal Butane (NC4)	9,921,552 gallons	January 1, 2023 to February 29, 2024	$0.670	**2,638**
			Commodity derivative asset		**9,823**
			Net derivative asset		**184**
Short-term portion - commodity derivative assets					**1,459**
Long-term portion - commodity derivative liability					**(1,275)**

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

(2) The floating price of the crude oil contracts for each contract month is equal to the arithmetic average of the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price for each business day that it is determined during the contract month.

(3) The floating price of the butane contracts for each contract month is equal to the arithmetic average of the OPIS Mt. Belvieu Butane (non-LDH) for each business day during the contract month.

The resulting fair value of these contracts has been recognized in the consolidated statement of financial position as a current commodity derivative asset of $1.5 million and a long-term commodity derivative liability of $1.3 million as at September 30, 2021. The maximum credit exposure of these derivative assets and liabilities is the carrying value. The Company mitigates this risk by entering into transactions with long-standing, reputable counterparties and partners.

Prepaid Purchase Price

In connection with the Atomic Group Acquisition, the Company made a non-refundable deposit payment of $1.0 million on December 15, 2020, which was due upon signing the SPA and paid a refundable deposit of $4.0 million on December 31, 2020. Accordingly, $5.0 million was recognized as a prepaid purchase price in the Company's consolidated statement of financial position as at December 31, 2020. The Atomic Group Acquisition was completed on March 16, 2021 (see *"Overview and Overall Performance"*).

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 exceeds the Company's net interest in ShoreCan as at September 30, 2021, 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 $NIL as at September 30, 2021 ($NIL as at December 31, 2020). The investment in ShoreCan is further discussed in section *"Commitments and Contingencies"*.

Total Assets

Total assets increased by $79.6 million from $7.0 million as at December 31, 2020 to $86.6 million as at September 30, 2021. This increase is mainly a result of an increase in non-current assets from the Atomic Group Acquisition completed on March 16, 2021 and an increase in cash and cash equivalents from proceeds of issuances of Common Shares.

Subscription Receipts Liability

Proceeds from the non-brokered placing (see *"Share Capital"*) that were received in December 2020 in advance of the actual issuance of the respective Common Shares in January 2021 for £3.9 million ($5.3 million) were recognized as a subscription receipts liability in current liabilities as at December 31, 2020. In addition, the subscription receipts liability balance as at December 31, 2020 includes the Company's obligation to issue units to the CEO at a value of £0.1 million ($0.16 million) further to the CEO loan conversion (see *"Share Capital"*) and to issue units to Company's directors at a value of $46,000, further to the Directors' participation in the non-brokered placing. All shares related the non-brokered placing were issued in January 2021.

YARF Loan

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 "**YARF Lenders**" or "**YARF**") for an unsecured facility (the "**YARF Loan Agreement**") of £0.6 million ($0.8 million) (the "**YARF Loan**"). Each drawdown was repayable in cash six months from its respective drawdown date.

The total balance of YARF Loan of £0.5 million ($0.7 million) outstanding as at December 31, 2020 was repaid in accordance with YARF Loan Agreement, which was £0.1 million ($0.2 million) on January 5, 2021 and £0.4 million ($0.5 million) on February 5, 2021.

Further to the Loan Agreement, on July 2, 2020, the Company issued, as additional compensation to the YARF Lenders, a total of 100,000,000 Common Share purchase warrants (the "**YARF Warrants**") exercisable within 24 months, at an exercise price of £0.0039 ($0.0049) per YARF Warrant. These YARF Warrants are still outstanding as at September 30, 2021.

The exercise price of the YARF Warrants is in British pound sterling ("**GBP**") and the Company's functional currency is in US$. 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 was estimated using a Black-Scholes option pricing model at $0.09 million as at December 31, 2020 and $0.1 million as at September 30, 2021.

Accordingly, the Company recognized a loss on derivative liability of $16,000 and a related foreign exchange gain of $6,000 in its statement of comprehensive income (loss) for the nine months ended September 30, 2021.

Derivative liabilities

Total current derivative liabilities amounted to $1.0 million as at September 30, 2021 and were comprised of a derivative liability in respect of unit warrants in the amount of $0.9 million (see *"Share Capital"*) and a derivative liability in respect of the YARF Warrants in the amount of $0.1 million (see *"YARF Loan"*). As at December 31, 2020, the total balance of current derivative liabilities in the amount of $0.1 million related to a derivative liability on YARF Warrants.

Total non-current derivative liabilities amounted to $5.6 million as at September 30, 2021 and were comprised of a derivative liability on the Lender Warrants in the amount of $3.8 million and a derivative liability on the LIBOR floor in respect of the senior credit facility in the amount of $1.8 million (see *"Senior Credit Facility"*).

Senior Credit Facility

The Atomic Group Acquisition was funded in part with debt through a loan agreement dated March 16, 2021 between a US based Global Investment Firm (the "**Lender**") and COPL America (the "**Borrower**") repayable within a 4 year term (collectively, the "**Senior Credit Facility**" or the "**SCF**"). To fund the Atomic Group Acquisition, the Company drew an initial principal loan amount of $45.0 million. The amount funded to COPL America of approximately $43.2 million, net of financing costs and transaction costs was used to settle Atomic's previously outstanding external debt of $26.1 million, a $10.0 million payment to the seller, the $5.0 million of the Atomic Purchase Price initially withheld and paid subsequent to Closing, and the remainder for funding ongoing operations of COPL America (see *"Overview and Overall Performance"*).

The Senior Credit Facility agreement is subject to an interest rate of LIBOR (with a floor of 2%) plus 10.5% per annum with such interest to be paid monthly in arrears. From the first anniversary of the Senior Credit Facility the outstanding loan principal will be repaid monthly by COPL America’s cash resources in excess of $2.5 million, and COPL America may prepay amounts outstanding subject to prepayment premiums from the first anniversary of the loan. The Senior Credit Facility includes the following covenants: spending on capital expenditures subject to lender approval, and the maintenance of certain financial ratios for asset coverage (1.5:1.0), a leverage ratio (range of 2.5:1 and 3.0:1) and liquidity (45 day minimum average balance of unrestricted cash must be at least $2.5 million). Financial ratio covenants are applicable for the periods commencing after the first anniversary of the SCF. The Senior Credit Facility did not require security or guarantees provided by the Company or its wider group outside of the US and all financial ratios are calculated with reference to only COPL America and its US subsidiaries. The Senior Credit Facility has an accordion feature whereby the Borrower may draw upon up to a further $20.0 million for future development, at the sole discretion of the Lender. As at September 30, 2021, the accordion feature was undrawn.

Under a separate warrant agreement dated March 16, 2021, the Lender was granted five (5) warrants representing 5% of the Common Shares of COPL America for an exercise price of $0.01 per warrant (the "**Lender Warrants**"). These Lender Warrants are not exercisable until the Senior Credit Facility is paid or at maturity. On maturity, the Lender would be entitled to redeem such Lender Warrants for an amount of cash equal to the greater of 5% of the Company's market capitalization or 5% of the net asset value of COPL America at such time. These Lender Warrants were issued as a requirement of the lender for providing the Senior Credit Facility and are part of the cost of debt and factored into overall determination of the effective interest rate for the facility. As the Lender Warrants are a puttable financial instrument at the option of the Lender, the Company cannot avoid issuing cash to the Lender and they are classified as derivative liabilities recognized at fair value upon issuance and measured at each reporting period end with changes in fair value recognized in net earnings (loss).

The following table provides a summary of the Senior Credit Facility including associated derivative liabilities as at September 30, 2021:

(US$000s)	Senior Credit Facility	Derivative Liabilities	Total
Principal amount	**45,000**	-	**45,000**
Lender's closing and legal costs (c)	**(1,870)**	-	**(1,870)**
Borrower's closing and legal costs (c)	**(1,560)**	-	**(1,560)**
Initial valuation of Lender Warrants (a)	**(4,900)**	**4,900**	**-**
Initial valuation of LIBOR floor (b)	**(2,252)**	**2,252**	**-**
Financing costs expensed upon initial valuation (c)	**545**	**-**	**545**
Lender Warrants revalued as at September 30, 2021 (a)	**-**	**(1,130)**	**(1,130)**
LIBOR floor revaluation as at September 30, 2021 (b)	**-**	**(388)**	**(388)**
Accretion	**945**	**-**	**945**
Total	**35,908**	**5,634**	**41,542**

As at March 16, 2021, the fair value of the Senior Credit Facility of $45.0 million was assigned as follows: $35.0 million, net of financing costs of $2.8 million to the SCF, $4.9 million to the Lender Warrants and $2.3 million to the LIBOR floor.

(a) As at March 16, 2021, the fair value assigned to the Lender Warrants of $4.9 million was determined using 5% of COPL's market capitalization on a fully diluted basis, which was greater than 5% of the net asset value of COPL America. During the period from date of issuance to September 30, 2021, no Lender Warrants could be exercised. As at September 30, 2021, the Lender Warrants were revalued at $3.8 million using 5% of COPL's market capitalization on a fully diluted basis. The resulting change in fair value of $1.1 million was recognized in the net earnings (loss) for the nine months ended September 30, 2021.

(b) The LIBOR floor was assessed to be an embedded derivative. As at March 16, 2021, the LIBOR floor was in-the-money, and the forward curve for 1-month LIBOR over the term of the SCF indicates that it will remain in the money for the duration of the Senior Credit Facility. Therefore, the LIBOR floor is not closely related to the host debt contract of $45.0 million, and is recognized as a derivative liability that is revalued at each reporting period end with resulting changes in fair value recognized in net earnings (loss). As at September 30, 2021, the LIBOR floor was revalued at $1.9 million and the resulting change in fair value of $0.4 million was recognized in the net earnings (loss) for the nine months ended September 30, 2021.

(c) Aggregate financing costs associated with the Senior Credit Facility of $3.4 million was allocated to the three components of the Senior Credit Facility based on the relative fair value of each component. The costs associated with the loan portion of $35.0 million form part of the amortized costs of the loan used to determine the effective interest rate of 20.9%. The proportionate financing costs of $0.5 million associated with the derivative liabilities of LIBOR floor with a fair value of $2.3 million and the Lender Warrants with a fair value of $4.9 million, respectively were expensed on the inception date of the debt.

During the three and nine months ended September 30, 2021, the Company paid interest on this loan in the amount of $1.4 million and $3.1 million, respectively.

Assets Retirement Obligations ("ARO")

The Company's ARO relates to net ownership interests in oil and gas assets, including well sites and processing facilities that were acquired in the Atomic Group Acquisition. The Company estimates the undiscounted value of its total ARO to be $8.0 million as at September 30, 2021. The majority of these obligations are anticipated to be incurred 25 to 50 years in the future. As at September 30, 2021, the ARO was calculated using a discount factor of 2.02% being the risk-free rate based on the US long-term bonds and an inflation rate of 2.5% per annum. As at September 30, 2021 the estimated discounted value of the Company’s total ARO amounted to $3.1 million.

Lease Liabilities

The Company's lease obligations relate to its office in Calgary, Alberta Canada. The lease obligations have been measured at the present value of the lease payments, discounted using the Company's incremental borrowing rate of 3.6% as at September 30, 2021 and December 31, 2020. As at September 30, 2021 the current portion of lease liabilities amounted to $0.1 million and long-term portion of lease liabilities amounted to $0.2 million ($0.1 million and $0.2 million as at December 31, 2020, respectively).

Shareholders' Equity

The shareholders' equity increased from $0.6 million deficit as at December 31, 2020 to $29.2 million equity as at September 30, 2021. This increase of $29.8 million resulted mainly from a:

- net increase in share capital of $40.9 million (see *"Share Capital"*) was due mainly to the Common Shares issued pursuant to non-brokered and brokered placings of $30.7 million, Common Shares issued as partial payment of the Atomic Purchase Price of $4.0 million and the exercise of unit warrants of $5.5 million;
- increase in warrants in the amount of $0.9 million, representing the fair value of finders and brokers warrants issued; and
- increase in deficit as a result of a comprehensive loss of $12.0 million incurred for the nine months ended September 30, 2021.

SHARE CAPITAL

Non-brokered Placing

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

The 4,442,500,000 Common Shares related to the Non-brokered Placing were issued as follows:

- 1,050,000,000 on January 8, 2021;
- 2,062,500,000 on January 11, 2021;
- 325,000,000 on January 12, 2021;
- 188,586,000 on January 14, 2021;
- 575,000,000 on January 26, 2021;
- 23,589,000 on February 17, 2021;
- 8,300,000 on February 26, 2021;
- 75,000,000 on March 9, 2021; and
- 134,525,000 on March 12, 2021.

In addition, on January 11, 2021, 57,500,000 units with a value of £0.1 million ($0.16 million) at a deemed price £0.002 per unit were issued to the Company's CEO further to the extinguishment of the CEO loan agreed to be on same terms as the Non-brokered Placing, further to a placing agreement signed with the CEO on December 23, 2020.

The fair value of 2,250,000,000 Unit Warrants was estimated at $2.1 million, using a Black-Scholes option pricing model and was netted against proceeds from share capital and a derivative liability of $2.1 million was recognized as at January 8, 2021, which was the legal issue date of the Unit Warrants. The exercise price of the Unit Warrants is denominated in GBP, and the Company's functional currency is US$. Accordingly, due to variability in these exchange rates, the Unit Warrants are classified as a derivative financial instrument.

The derivative liability of the Unit Warrants outstanding, net of 1,530,000,000 Unit Warrants that were exercised, as discussed below was revalued as at September 30, 2021 and a related derivative loss of $3.4 million was recognized for the nine months ended September 30, 2021. The derivative liability in respect of the Unit Warrants outstanding as at September 30, 2021 was estimated at $0.9 million, using a Black-Scholes option pricing model.

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

- to a first finder - a cash finder's fee of £35,000 ($47,500) and issued 18,750,000 Common Share purchase warrants ("**1st Finder's Warrants**") as additional compensation to the finder; and
- to a second finder – on March 9, 2021 the Company issued 285,041,750 Common Shares as a payment for a finder's fee, representing a 7% commission in respect of placings arranged by the second finder. Accordingly, the Company recognized £1.0 million ($1.3 million), being the fair value of these shares as at the issue date, as an addition to the share capital and an addition to share issue costs related to the Non-brokered Placing. In addition, the Company issued 305,401,875 Common Share purchase warrants ("**2nd Finder's Warrants**") as additional compensation for the finder.

Each 1st Finder's Warrants and 2nd Finder's Warrants entitle the holder thereof to purchase one Common Share at an exercise price of £0.0026 ($0.0035) per Common Share on or before January 8, 2022. The fair value of the finder's warrants, estimated using the Black-Scholes option pricing model were $18,000 for the 1st Finder's Warrants and $0.3 million for the 2nd Finder's Warrants and were recognized in equity as warrants and netted against proceeds from the Non-brokered Placing as share issue costs.

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

The net proceeds from the Non-brokered Placing were used to make initial, partial payments of the Atomic Purchase Price as well as to cover the Company's ongoing G&A costs.

Further to an exercise of Unit Warrants, the Company received $5.5 million and issued 1,530,000,000 Common Shares as follows:

- 12,500,000 on March 9, 2021;
- 25,000,000 on March 23, 2021;
- 62,500,000 on March 31, 2021;
- 2,500,000 on April 12, 2021;
- 525,000,000 on July 2, 2021;
- 100,000,000 on July 29, 2021;
- 217,500,000 on August 23, 2021; and
- 585,000,000 on August 25, 2021.

Brokered Placing

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

In connection with the Brokered Placing, on March 11, 2021 the Company issued 203,437,500 Common Shares as a partial payment of a broker's fee and paid in cash a remaining broker's fee of £0.2 million ($0.3 million), representing commission of approximately 6% in respect of the Brokered Placing. The Company recognized £0.7 million ($1.0 million), being the fair value of these broker's shares as at the issue date, as an addition to the share capital and an addition to share issue costs related to the Brokered Placing.

The Company also issued 262,500,000 Common Share purchase warrants ("**Broker's Warrants**") to the broker as additional compensation. Each Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of £0.0032 ($0.0044) per Common Share on or before March 8, 2023.

The fair value of the Broker's Warrants estimated using the Black-Scholes option pricing model was $0.6 million, was recognized in equity as warrants and netted against proceeds from the Brokered Placing as share issue costs.

The Company is using the net proceeds from the Brokered Placing to finance operating and capital expenditures of the Atomic Group and to cover the Company's ongoing G&A costs.

Share issued as payment for services

On June 30, 2021, the Company issued 25,000,000 Common Shares as a payment for financial advisory services, with a fair value of $0.2 million.

Shares issued further to an exercise of 2020 3rd Finder's warrants

On July 23, 2021, further to an exercise of a portion of 2020 3rd finder's warrants, the Company issued 20,833,333 Common Shares for proceeds of £0.08 million ($0.11 million). On July 24, 2021, the remaining balance of 2020 3rd finder's warrants in the amount of 11,666,667, expired unexercised. The fair value of exercised and expired 2020 3rd Finder's warrants of $0.1 million, initially recorded as warrants, was reversed and recognized as an addition to share capital.

Share Issue Cost

The Company incurred approximately $4.6 million of total costs in connection with the Non-brokered and Brokered Placings, including $0.1 million incurred in 2020 and recognized as deferred share issue costs as at December 31, 2020. In addition to finder's and broker's fees paid in cash, share issue costs also included the fair value of finder's and broker's fees paid in Common Shares and warrants issued to finders and the broker (as disclosed above). Share issue costs also include legal, LSE, transfer agent, and consulting fees of approximately $1.0 million.

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.

There were no changes to the Company's stock option plan and no stock options were granted, exercised, and/or forfeited and 40,740,000 stock options expired during the nine months ended September 30, 2021.

Securities outstanding as at September 30, 2021

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

As at September 30, 2021, the Company had the following issued and outstanding securities:

- 16,426,953,124 issued and outstanding Common Shares;
- 1,447,651,875 Common Share purchase warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.0038 per share and a remaining contractual life of three to 17 months; and
- 408,274,235 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.0077 per Common Share and a remaining contractual life of approximately one month to 4 years.

Shares consolidation on October 1, 2021

At the annual and special meeting of the shareholders of the Company held on June 29, 2021 (the "**Meeting**"), shareholders of the Company passed a special resolution approving the consolidation of all of the issued and outstanding Common Shares on the basis of every one hundred (100) pre-consolidation Common Shares being consolidated into one (1) post-consolidation Common Share (the "**Consolidation**").

In accordance with the authority granted by shareholders at the Meeting, the board of directors of the Company decided to proceed with the Consolidation. The effective date of the Consolidation was October 1, 2021. No

fractional Common Shares were issued pursuant to the Consolidation and any fractions resulting from the Consolidation were rounded down to the nearest whole number of post-consolidation Common Shares.

As a result of the Consolidation, on October 1, 2021, the Company had the following issued and outstanding securities:

- 164,269,464 post Consolidation Commons Shares;
- 14,476,518 post Consolidation Common share purchase warrants with a weighted average exercise price of $0.38 per share; and
- 4,082,739 post Consolidation stock options with a weighted average exercise price of $0.77 per share.

As at the date of this MD&A, the Company has 164,269,464 Common Shares issued and outstanding.

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of quarterly information:

(US$000s, except per share)	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**	**December 31, 2020**
Total revenue *	2,138	(6,263)	2,751	-
Revenue – petroleum sales	5,242	3,435	497	-
Net income (loss)	7,468	(5,727)	(13,766)	(1,673)
Earnings (loss) per share – Post-consolidation – basic	0.05	(0.04)	(0.14)	(0.03)
Earnings (loss) per share – Post-consolidation – diluted	0.05	(0.04)	(0.14)	(0.03)

(US$000s, except per share)	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**	**December 31, 2019**
Total revenue	-	-	-	-
Revenue – petroleum sales	-	-	-	-
Net loss	(2,068)	(919)	(301)	(693)
Earnings (loss) per share – Post-consolidation – basic & diluted	(0.05)	(0.03)	(0.01)	(0.02)

*Total revenue includes revenue from petroleum sales, net of royalties and the realized and unrealized loss on crude oil commodity derivatives.

Significant change in the Company's quarterly net results in the three quarters of 2021 relates to the Atomic Group Acquisition (see *"Overview and Overall Performance"*).

Revenue consists of petroleum sales in the US in the amount of $0.5 million and $3.4 million and $5.2 million for the first, second and third quarters of 2021, respectively offset by $0.3 million and $0.6 million of realized loss on crude oil commodity derivative contracts incurred in the second and third quarters of 2021 and unrealized gain (loss) on crude commodity derivatives of $2.3 million, $(9.4) million and $(2.5) million for the first, second and third quarters of 2021, respectively.

The significant change in the Company's net results during the first, second and third quarters of 2021 compared to the other quarterly periods presented relates mainly to the:

- loss on derivative liabilities in the total amount of $10.7 and $0.2 million for the first and the second quarters of 2021 and a gain of $8.9 million for the third quarter relating mainly to valuation of Unit Warrants issued in first quarter of 2021 as well as valuation of the Lender Warrants and the LIBOR floor in respect of the Senior Credit Facility;
- unrealized gain of $2.3 million, unrealized loss of $9.4 million and unrealized loss of $2.5 million on the crude oil derivative liability incurred in the first, second and third quarter of 2021, respectively;
- unrealized loss of $1.0 million and unrealized gain of $7.2 million and $3.7 million on the butane derivative liability incurred in the first, second and third quarter of 2021, respectively;
- US related operating costs, production taxes, depletion, depreciation and amortization, and G&A expenses in total of $0.4 million, $3.1 million and $5.1 million incurred in the first, second and third quarter of 2021, respectively;
- finance costs of $0.9 million, $2.0 million and $1.9 million recorded for the first, second and third quarter of 2021, respectively;
- acquisition costs of $1.9 million, $0.3 million and $0.03 incurred in the first, second and third quarters of 2021, respectively due to the Atomic Group Acquisition; and
- gain on extinguishment of PPP Note in the amount of $0.3 million recognized in the third quarter of 2021.

During the quarterly periods presented above, the majority of the net loss other than in the first, second and third quarter of 2021, related to G&A expenses that were lower in fiscal 2019 and the first half of 2020 as compared to the second half of 2020 and 2021, as the Company incurred less payroll expenses due to reduced hours, external directors' fees which were waived or reduced, decreased office expenses due to office rent renewal and subsequently lower rates and, lower travel and corporate development expenses due to COVID-19 restrictions in 2020. An increase in G&A expenses in the first, second and third quarters of 2021 resulted mainly from the Atomic Group Acquisition and an increase in payroll related costs due to the return of employees to full time working hours, management bonuses, and increased consulting services and shareholders' related costs.

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

- During the third quarter of 2020, further to option grants, the Company recognized a stock-based compensation expense of $1.0 million.
- During the third quarter of 2020, the Company recorded finance expenses in respect of the YARF Loan of $0.2 million respectively.
- During the fourth quarter of 2020, the Company recognized a full allowance for expected credit loss of $0.4 million in respect of its long-term receivables due from its Nigerian joint venture partner.
- During the third and fourth quarter of 2020, the Company recorded legal, advisory, consulting and other expenses related to the Atomic Group Acquisition of approximately $0.4 million and recognized them as acquisition costs.

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.

During the three and nine months period ended September 30, 2021, there were no material related party transactions other than the CEO loan as discussed in the *"Share Capital"* section.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, commodity derivative assets as well as the Senior Credit Facility, derivative liabilities and accounts payable and accrued liabilities. It is management's opinion that the Company is not currently exposed to significant interest and/or credit risks arising from these financial instruments and that the fair value of these financial instruments approximates their carrying value.

The Company entered into commodity contracts to mitigate its exposure to commodity price risk. (see *"Commodity Derivative Assets (Liabilities)"*). The Company's policy is to not use derivative financial instruments for speculative purposes.

A substantial portion of the Company's accounts receivables are with the purchaser of oil and joint interest owners in the Wyoming assets and are subject to normal industry credit risks. As at September 30, 2021, all the Company's cash was held at four financial institutions with high third-party credit ratings. The maximum credit risk exposure associated with accounts receivable is the total carrying value. The Company monitors these balances to limit the risk associated with collection. All of the Company's revenue receivable as at September 30, 2021, was owing from one company. Of the Company's joint interest receivable from partners as at September 30, 2021, approximately 96% was owing from two partners in the producing units. The Company considers all of its accounts receivable as at September 30, 2021 to be collectable.

To mitigate a portion of foreign exchange 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.

The Company periodically monitors the interest rates offered and is satisfied with the credit ratings of its banks. The Company's Senior Credit Facility provides for an interest rate of LIBOR (with a floor of 2%) plus 10.5% per annum. Currently, management does not believe there is a material interest rate risk associated with this facility as the LIBOR forward curve for next four years is below the floor of 2%; accordingly, the facility is perceived as bearing a fixed interest rate of 12.5% until its maturity in March 2025.

COMMITMENTS AND CONTINGENCIES

Butane Purchase Agreement for Miscible Flood

Effective October 1, 2021, the Company entered into a butane purchase agreement with NGL Supply Co. Ltd. ("**NGL Supply**"), whereby the Company will buy field grade butane ("**Product**") in a quantity ranging from 9,000 to 12,000 gallons/day for its miscible flood in the BFU. The contract price is OPIS Conway 70% NC4 and 30% IC4 month average plus US$0.12/gallon. The term of the agreement is for six months commencing on October 1, 2021 to March 31, 2022. If the Company does not purchase the minimum commitment volumes of the agreement it must pay the contracted price, plus any storage, transportation or other costs reasonably incurred by NGL Supply in reselling the product, less the market price at which NGL Supply would be able to sell or otherwise dispose of the product.

ShoreCan's Commitments

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

As at September 30, 2021, the Company had a receivable from its joint venture partner in respect of ShoreCan expenses of $0.4 million. Since December 31, 2020, the Company recognizes a full allowance for the accounts receivable from its joint venture partner. Accordingly, an expected credit loss of $1,000 was recognized as part of G&A costs in the Company's net earnings (loss) for the nine months ended September 30, 2021 ($0.1 million for the nine months ended September 30, 2020 and $0.4 million for the year ended December 31, 2020).

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 the Essar SPA Agreement, and other agreements, with each other concerning, among other things, their respective obligations under the Shareholders Agreement. On February 1, 2021, the Company announced, that ShoreCan and Essar Mauritius had agreed to extend the completion date of the definitive agreements to April 30, 2021. The signing of the definitive agreement has now been extended to November 30, 2021.

Essar Nigeria – Agamore Farm In

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

As of September 30, 2021, the Company had a working capital of approximately $6.4 million, cash and cash equivalents of $11.5 million and shareholders' equity of $29.2 million.

For the nine months ended September 30, 2021, the Company's cash used in operating activities amounted to $10.6 million as compared to $3.0 million for the corresponding period in 2020.

Cash provided by financing activities amounted to $67.6 million for the nine months ended September 30, 2021 as compared to $5.2 million for the corresponding period in 2020 and related mainly to proceeds from the Senior Credit Facility and proceeds from the issuance of Common Shares. The Company used these proceeds to finance the Atomic Group Acquisition, as well as its operating and capital expenditures and to cover the Company's ongoing G&A costs.

Cash used in investing activities amounted to $46.9 million for the nine months ended September 30, 2021 as compared to $0.1 for the corresponding period 2020 and related mainly to the Atomic Group Acquisition.

During the nine months ended September 30, 2021, the Company closed the Non-brokered Placing for gross proceeds of £8.9 million ($12.1 million) and the Brokered Placing in the UK for gross proceeds of £13.3 million ($18.7 million) for aggregate net proceeds of $26.2 million (see *"Share Capital"*). Also, to fund the Atomic Group Acquisition, the Company drew a principal amount of $45.0 million on its Senior Credit Facility (see *"Senior Credit Facility"*).

The Atomic Group is expected to provide future cash inflows from production activities for which exposure to commodity pricing risk is managed through risk management contracts until February 29, 2024 (see *"Commodity Derivative Assets"*).

ACCOUNTING PRONOUNCEMENTS

Critical Accounting Estimates

The preparation of the financial statements in accordance with IFRS requires the Company to make estimates, assumptions and judgements in applying the Company's accounting policies and practices, which may have a significant impact on the financial results reported by the Company. Actual results could differ from estimated amounts, and those differences may be material. A comprehensive discussion of the Company's significant policies and critical accounting estimates is contained in the audited consolidated financial statements for the years ended December 31, 2020 and 2019. Also, refer to Note 3 of the Financial Statements for the critical accounting estimates used in preparation of these financial statements that include the accounting for the Atomic Group Acquisition, Senior Debt Facility and other fair value accounting concepts.

OFF BALANCE SHEET

The Company has not entered into any guarantees or off-balance sheet arrangements that have been excluded from these Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES

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, 2020 and 2019. These consolidated financial statements outline the Company's significant accounting policies in Note 3 thereto, which have been applied consistently in these Financial Statements except for the new accounting policies, indicated below. Additionally, updates to significant accounting policies applied in preparation of the Financial Statements following the Atomic Group Acquisition as well as the Company's critical accounting judgments and key sources of estimation uncertainty are also set out in Note 3 thereto.

New accounting standards adopted

Interest Rate Benchmark Reform

On January 1, 2021, the Company adopted Interest Rate Benchmark Reform ("**IBOR**") - Phase 2 which required amendments to IFRS 9 *"Financial Instruments"*, IAS 39 *"Financial Instruments: Recognition and Measurement"*, IFRS 7 *"Financial Instruments: Disclosures"*, and IFRS 16 *"Leases"*. The IBOR Phase 2 Amendments primarily relate to the modification of financial instruments, allowing for a practical expedient for modifications required by the reform. The practical expedient for modifications is accounted for by updating the effective interest rate without modification of the financial instrument and is subject to satisfying all qualifying criteria. There was not a material impact to the Company's financial statements.

Business Combinations

On January 1, 2021, the Company adopted the amendments to IFRS 3 "*Business Combinations*" that clarified the definition of a business and included an election to use a concentration test. The concentration test provides for a simplified assessment of an acquisition transaction that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use the concentration test is not made, or if the test failed, then the assessment focuses on the existence of a substantive process. An asset acquisition does not result in the recognition of goodwill, which can only be recognized as a result of acquiring a business. See *"Overview and Overall Performance"* section for the business combination completed during the nine months ended September 30, 2021. The concentration test was not elected.

Leases

On January 1, 2021, the Company adopted the amendments to IFRS 16 "Leases" that provides relief to lessees from applying IFRS 16 to lease modification accounting for rent concessions received as a direct consequence of the COVID-19 pandemic. There was no material impact on the Company's financial statements.

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining internal control over financial reporting ("**ICFR**"). They have designed ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework used by the Company's officers was the Committee of Sponsoring Organizations of the Treadway Commission Framework in Internal Control – Integrated Framework (2013) to evaluate the design and effectiveness of the ICFR.

On March 16, 2021, the Company closed the Atomic Group Acquisition. As permitted by and in accordance with, National Instrument 52-109, "*Certification of Disclosure in Issuers' Annual and Interim Filings*", Management has limited the scope and design of DC&P and ICFR to exclude the controls, policies and procedures in respect of the Atomic Group acquired. Such scope limitation is primarily due to the time required for management to assess the DC&P and ICFR relating to the Atomic Group in a manner consistent with its overall financial reporting and operations as a reporting issuer. Further assessment and integration will take place through the year as processes and systems are aligned.

Considering the scope limitation, no material changes in the Company's ICFR were identified during nine months ended September 30, 2021, that have materially affected, or are reasonably likely to materially affect the Company's ICFR. Management will continue to periodically evaluate the Company's DC&P and ICFR and will make any modifications from time to time as deemed necessary.

It should be noted that an internal control system, no matter how well designed, have inherent limitations. Therefore those control systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, 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 that the degree of compliance with the policies or procedures may deteriorate. In reaching a reasonable level of assurance, management necessarily is required to apply its judgment in evaluating the cost/benefit relationship of possible controls and procedures.

DIRECTORS

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

OFFICERS

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