CANADIAN OVERSEAS PETROLEUM LIMITED

FIRST QUARTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE MONTHS ENDED
MARCH 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("**MD&A**") for Canadian Overseas Petroleum Limited, and its wholly owned subsidiaries ("**COPL**" or the "**Company**") dated May 16, 2022 is with respect to the three months ended March 31, 2022 (the "**Reporting Period**") as compared to the three months ended March 31, 2021 (the "**Comparable Prior Period**"). This MD&A has been prepared by management and approved by the Company's audit committee and Board of Directors (the "**Board**") and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements as at and for the three months ended March 31, 2022 and 2021 (the "**Financial Statements**"), the annual audited consolidated financial statements and related notes as at and for the year ended December 31, 2021 both of which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and the the Annual Information Form dated March 31, 2022 (the "**AIF**"), which are available on the Company's website at www.canoverseas.com and on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

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

ABOUT THE COMPANY

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 United Kingdom (the "**UK**") under the symbol "COPL" and on the Canadian Securities Exchange (the "**CSE**") in Canada under the symbol "XOP".

COPL and its subsidiaries are involved in the identification, acquisition, exploration, development and production of oil and natural gas reserves and hold interests in petroleum assets focused in the United States of America ("**US**") and sub-Saharan Africa. In February 2021, COPL America Holding Inc. and COPL America Inc. were incorporated for the purpose of acquiring oil and gas operations in the US and closing the acquisition of Atomic Oil & Gas LLC ("**Atomic**"), Southwestern Production Corp. ("**SWP**") and Pipeco LLC ("**Pipeco**") (together, the "**Atomic Group**") that was completed on March 16, 2021 (further discussed in *"Overview and Overall Performance – Business Combination"* section).

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 sub-Saharan Africa.

Senior management, strategic corporate, geological, geophysical, engineering, accounting and administrative functions are performed in the Company's head office in Calgary, Alberta while some senior management, financial, technical and project related functions are also provided in the UK. The US operating, accounting and administrative functions for the Atomic Group are performed in the office in Denver, Colorado.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking information and statements relating to future events or future performance. In some cases, forward-looking information and statements can be identified by terminology such as "may", "will", "should", "expect", "project", "plan", "anticipate", "potential", "intend", "believe", "estimate", "proposed" 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 information and statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the AIF dated March 31, 2022, 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 information and statements. Operating conditions can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

Forward-looking information and statements 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 (see *"Overview and Overall Performance"* and *"Outlook"* sections);
- the Company's ability to raise capital and obtain the additional financing for capital projects (see *"Overview and Overall Performance"*, *"Outlook"* and *"Contractual Obligations and Commitments"* sections); and
- the Company's assumptions in respect of determination of fair value assigned to net assets acquired (see *"Business Combination"*) and the valuation of derivatives and warrants (see *"Results of Operations"* and *"Capital Resources and Liquidity"* sections).

The Company's AIF for the year ended December 31, 2021 and the Company's public disclosure documents on SEDAR at www.sedar.com describe major risks, material assumptions and other factors related to forward-looking information and 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 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 information and statements except as required by applicable securities laws. The forward-looking information and statements contained in this MD&A are expressly qualified by this cautionary statement.

ABBREVIATIONS

Crude Oil and Natural Gas Liquids

bbls	barrels
bbls/d	barrels per day
boe	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
NGLs	natural gas liquids

Natural Gas

mcf	thousand cubic feet
mcf/d	thousand cubic feet per day
Mmcf/d	million cubic feet per day

Other

WTI	West Texas Intermediate crude oil, a benchmark oil price determined at Cushing, Oklahoma
OPIS	Oil Price Information Service is a benchmark price determined at Mont Belvieu, East Texas

OVERVIEW AND OVERALL PERFORMANCE

In the first quarter of 2022, management focused on increasing oil production and negotiating the acquisition and financing for additional working interest in the Wyoming assets. The Company continues to identify, evaluate and pursue exploration and development opportunities with these assets and is also reviewing other value enhancing asset acquisitions in and around Wyoming, US.

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

On March 16, 2021, COPL closed its acquisition of the Atomic Group ("**Atomic Group Acquisition**") for aggregate consideration of $54.1 million with an effective date of December 1, 2020. The Atomic Group Acquisition established COPL as an oil producing company with revenue generation and growth opportunities in the US.

The Atomic Group owned assets located in the Powder River Basin, Wyoming, US which included 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) the (the "**BFDU**") and non-unitized lands complimentary to the assets.

The $54.1 million purchase price was comprised of $50.1 million in cash and $4.0 million settled through the issuance of 8,188,733 Common Shares (collectively, the "**Atomic Purchase Price**"). The Company financed the Atomic Purchase Price partially using the net proceeds from a non-brokered placing and external debt of $45.0 million from a US based global investment firm repayable within a four-year term (the "**Senior Credit Facility**" or the "**SCF**").

US Operations

The Company's newly acquired Wyoming oil production operations performed as anticipated during the Reporting Period:

- oil production averaged approximately 1,852 bbls/d (gross) for the first quarter of 2022, as compared to 1,851 bbls/d (gross) for the fourth quarter of 2021;
- gas injection at the BFU was approximately 78% dry natural gas and 22% NGLs at an average rate of 5,018 mcf/d during the first quarter of 2022 as compared to 60% dry natural gas and 40% NGLs at an average rate of 7,158 mcf/d during the fourth quarter of 2021. In February 2022, the injection stream was changed to be comprised primarily of dry natural gas, which is anticipated to continue until September 2022. Reservoir modeling has suggested that sufficient NGLs have been injected into the reservoir to date such that there will be miscible flooding effects as long as reservoir pressure and voidage replacement is maintained with dry natural gas injection. As new injection wells are drilled, or when existing producing wells are converted to injection wells, small volumes of NGLs will be purchased and injected in these new injector wells in order to build miscibility in new areas of the reservoir; and
- a recompletion program at the CCU continued with the successful recompletion of three of twelve marginal producing oil wells.

For the three months ended March 31, 2022, the Company's oil production averaged approximately 1,745 bbls/d (gross) in the BFU. In 2021, much had been learned about the BFU miscible flood project. The increased natural gas and liquid injection rates resulted in increased oil production indicating a positive response to the miscible flood. One significant issue that has been highlighted is the limitation of the existing surface facilities and field gathering systems to operate under a higher-pressure environment. This environment has been created as a result of the higher gas injection rates causing most of the wells in the field to respond positively to the increasing reservoir pressures. The current oil battery treating equipment, pumping units, compression capacity, and lower pressure gas gathering lines are restricting the operator's ability to optimize the field production rates and take advantage of the oil production response to the natural gas and liquids injection. It is anticipated that facility upgrades will commence in September 2022 and be completed during 2022 to handle increased oil production volumes and accompanying higher flowing pressures in the BFU.

Key capital items addressing the above-noted restrictions being proposed for 2022 and beyond are as follows:

- a gas plant start-up, which will capture liquids from the gas stream to offset purchases;
- a third compressor installation, which will increase gas injection compression capacity to 12.0 Mmcf/d and would include liquids compression;
- a phase 1 gathering system upgrade which will address much of the low-pressure gas gathering line restrictions in the center of the field, with future phases to branch out to outlying wells; and
- a phase 1 surface facility upgrade regarding the central procession facility ("**CPF**") which will address well battery limitations and oil gathering lines mirroring the gas gathering lines upgraded in Phase 1.

The drilling of a discovery well in the Frontier and Dakota formations in the BFDU and a three well recompletion program in the Frontier formation in the CCU in 2021, has potentially opened a new oil field development project close to the Company's existing oil production facilities, which will be the focus in a delineation and development program that is anticipated to commence in the fall of 2022.

In November 2021, COPL's joint interest partner in the BFU, Cuda Energy LLC ("**Cuda**") was placed into receivership. In July 2021, SWP had 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 judgement against Cuda; damages for a breach of promissory estoppel against Cuda; and a declaratory judgement 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 the Claim, SWP received a payment of $1.9 million from a legal advisor's trust account on behalf of Cuda to settle certain outstanding amounts. As that payment did not meet the full amount due, further expenses have been incurred on Cuda's account such that as at March 31, 2022, Cuda's operating arrears owed to SWP is $2.9 million (December 31, 2021 - $3.2 million) as reflected on the joint interest billings to Cuda from July 2021 to March 2022, net of its petroleum sales.

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 sub-Saharan 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, ShoreCan 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, but an additional extension has not been granted beyond September 30, 2020 at this time. However, Essar Nigeria has not received a notice of termination from the NNPC, which under the terms of the OPL 226 production sharing contract ("**PSC**") would need to have been issued sixty days before the September 30, 2020 expiry date. The two previous extensions to the oil prospecting license at OPL 226 from the NNPC were also received by Essar Nigeria following the previous expiration dates. As the expiry date occurred approximately 18 months ago, there is significant risk the OPL 226 PSC will not be extended.

On August 4, 2020, the Company announced that ShoreCan and Essar Exploration and Production Limited, Mauritius ("**Essar Mauritius**"), the company that owns 20% of Essar Nigeria shares, entered into a sale and purchase agreement (the **"Essar SPA Agreement"**), and other definitive agreements, with each other concerning, among other things, their respective obligations under the shareholders agreement. ShoreCan and Essar Mauritius have agreed to extend the completion date of the definitive agreements on various occasions, most recently to December 31, 2021. Due to a lack of response, ShoreCan has not sought further extensions at this time.

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

- An agreement which settles a claim filed by Essar Mauritius against ShoreCan in the High Court of Justice of England and Wales where each party has agreed to bear their own costs and end the legal proceedings;
- A share transfer agreement in which ShoreCan will return 70% of the shares in Essar Nigeria to Essar Mauritius;

- An amended shareholders agreement, the highlights of which include:
    - Essar Mauritius to carry ShoreCan for a 10% carried interest (capped at US$5.0 million net) on all costs relating to the drilling of the first well to be drilled under the terms of the license;
    - ShoreCan to have an option to increase its shareholding in Essar Nigeria from 10% to 30% by paying 20% of historic expenditures of Essar Nigeria at cost through the drilling of the first well with the option being exercisable within 90 days from the completion of the first well; and
    - The Essar Nigeria board of directors and management team to be restructured commensurate with its amended share structure to reflect the increased shareholding of Essar Mauritius.
- A loan agreement with Essar Nigeria whereby Essar Nigeria recognizes historic expenditures by ShoreCan on behalf of Essar Nigeria as a shareholder loan thus allowing ShoreCan to recover these expenditures from future production revenue.

OUTLOOK

The Company's strategy is to increase oil production of its Wyoming assets, through increased natural gas and liquid injections at the BFU and through a drilling and development program in the BFU, CCU and BFDU areas. Also, future recompletions of existing cased wells at the CCU are expected to increase oil production from the property. The Company may also pursue its international oil and gas business in sub-Saharan Africa and elsewhere in the world by farming into, and/or acquiring interests in, exploration, unappraised and/or undeveloped assets, as well as in producing assets using the expertise and experience of its senior management team.

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

- closing the acquisition of Cuda's working interest in the Wyoming assets as discussed in the *"Major Events Subsequent to the Reporting Period – Asset Acquisition"* section;
- optimize and increase oil production at the operated BFU;
- re-finance the Senior Credit Facility to reduce the Company's cost of capital;
- commence phase 1 of the delineation of the BFDU discovery well; and
- maintain the Company's environmental, social and governance ("**ESG**") operating credentials.

MAJOR EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Equity Issuance

On April 22, 2022, further to a brokered placing that closed in the UK (the "**April 2022 Brokered Placing**"), the Company issued a total of 49,930,000 units at a price of £0.20 ($0.26) per unit for gross proceeds of £10.0 million ($12.8 million). Each unit consisted of one Common Share and one half of one Common Share purchase warrant ("**April 2022 Unit Warrants**"). Each April 2022 Unit Warrant entitles the holder thereof to purchase one Common Share at an exercise price of £0.24 ($0.31) per share on or before October 22, 2022.

In connection with the April 2022 Brokered Placing, the Company paid in cash a broker's fee of approximately £0.5 million ($0.6 million) and issued 1,997,200 Common Share purchase warrants ("**April 2022 Broker's Warrants**") to the brokers as an additional compensation. Each April 2022 Broker's Warrant entitles the holder thereof to purchase one Common Share of the Company at an exercise price of £0.25 ($0.32) per Common Share on or before April 22, 2024.

The Company intends to use the net proceeds from the April 2022 Brokered Placing to finance operating and capital expenditures and to cover the Company's ongoing general and administrative costs.

Asset Acquisition

On April 19, 2022, the Company announced its affiliate, COPL America Inc. ("**COPL America**") signed a purchase and sale agreement to acquire the assets of Cuda (the "**Cuda Acquisition**") with the receiver for Cuda appointed by the Court of Queens Bench of Alberta, Canada and a Chapter 15 Recognition Order for Cuda by the United States Bankruptcy Court for the District of Wyoming (the "**Courts**"). The Cuda Acquisition is subject to the approval of the Courts and as such the receiver of Cuda will file an Approval and Vesting Order with the Courts. The Company has signed a $20.0 million short term non-binding bridge loan term sheet from a UK/US based institution to finance COPL America's cash consideration of this strategic acquisition. The effective date of the Cuda Acquisition is March 1, 2022 at which time Cuda's operating arrears owed to SWP was $3.6 million, which has been reduced to $2.9 million as at March 31, 2022.

The Cuda Acquisition is anticipated to close on or after June 10, 2022 but no later than July 10, 2022. At a hearing on April 29, 2022, the Company received Canadian court approval for the Cuda Acquisition and final approval is subject to the approval of the United States Bankruptcy Court for the District of Wyoming.

Cuda is a private oil and gas company incorporated under the laws of the State of Wyoming and its sole assets are non-operating interests in the BFU (27.0% WI), the CCU (33.3% WI) and non-unitized lands complimentary to COPL America's assets.

CURRENT OPERATING ENVIRONMENT

During 2022, the global economy showed strong signs of recovery from the impacts of the COVID-19 pandemic. Benchmark oil and natural gas prices have increased significantly due to the easing of COVID19 restrictions, the recent conflict between Russia and Ukraine raising global concern over oil and natural gas supply and other negative economic factors including supply constraints and labour shortages which have increased inflationary pressures on governments, businesses and communities. The COVID-19 pandemic, recent global conflict and other negative economic factors remain evolving situations that have had, and may continue to have, a significant impact on the Company’s business, results of operations, financial condition and the environment in which it operates. Management cannot reasonably estimate the length or severity of these global events, or the extent to which the disruption will impact the Company long-term.

OPERATIONAL AND FINANCIAL SUMMARY

US$ thousands, except unit and per unit amounts, shares and per share amounts	Three months ended March 31, **2022**	2021
OPERATING		
Average net daily production		
Light oil (bbls/d)	**1,114**	706
Natural gas (mcf/d)[1]	**1,255**	428
Total (boe/d)[2]	**1,323**	777
Netback (US$/bbl)		
Realized sales price	**91.14**	56.33
Realized loss on crude oil derivatives	**(34.60)**	-
Royalties	**(20.57)**	(12.34)
Production taxes	**(8.91)**	(5.49)
Operating expenses	**(13.13)**	(9.47)
Realized gain on butane derivatives	**25.71**	-
Operating netback[3]	**39.64**	29.03
FINANCIAL		
Petroleum sales, net of royalties	**7,073**	497
Realized loss on crude oil derivatives	**(3,468)**	-
Unrealized gain (loss) on crude oil derivatives	**(9,610)**	2,254
Production taxes	**(893)**	(62)
Operating expenses	**(1,316)**	(107)
Realized gain on butane derivatives	**2,577**	-
Unrealized gain (loss) on butane derivatives	**4,096**	(1,060)
Operating income (loss)[3]	**(1,541)**	1,522
Depletion, depreciation and amortization	**(1,254)**	(164)
General and administrative	**(2,062)**	(1,423)
Share-based compensation	**(3,329)**	-
Acquisition costs	**-**	(1,857)
Finance costs, net	**(4,047)**	(873)
Loss on derivative liabilities	**(1,590)**	(10,713)
Other	**(189)**	(258)
Net loss	**(14,012)**	(13,766)
Net loss per share – basic and diluted ($US)	**(0.07)**	(0.14)
Weighted average Common Shares (000s) – basic	**194,519**	98,960
End of period Common Shares (000s)	**194,519**	149,511
Capital expenditures	**3,005**	40,327
Cash and cash equivalents	**6,858**	28,996
Current assets	**13,132**	32,617
Total assets	**96,992**	92,580
Indebtedness	**36,851**	35,384
Derivative liabilities related to indebtedness	**6,027**	9,428
Shareholders' equity	**24,409**	18,571

Notes:

(1) All of the Company's natural gas production is reinjected for the miscible flood recovery program in the BFU and NGL production is not measured separately. As such, these volumes have not been included in the netback calculations.

(2) The March 31, 2021 three month Comparable Prior Period includes only 16 days of operations from the Atomic Group Acquisition which closed on March 16, 2021.

(3) Operating netback and operating income do not have standardized meanings prescribed by generally accepted accounting principles ("**Non-IFRS Measurements**") and are financial measures used by management to analyze operating performance. These measures are commonly used in the oil and gas industry and are considered informative by management, shareholders, and analysts. These measures may differ from that used by other companies and accordingly may not be comparable to such measures as reported by other oil and gas producing companies.

RESULTS OF OPERATIONS

Petroleum sales, net of royalties

US$ thousands, except volumes and per bbl	Three months ended March 31, 2022	2021
Average net daily crude oil production (bbls/d)	**1,114**	706
Petroleum sales, net of royalties	**7,073**	497
WTI (US$/bbl)	**94.29**	62.51
Realized sales price, before royalties (US$/bbl)	**91.14**	56.33
Realized sales price, after royalties (US$/bbl)	**70.57**	43.99

Petroleum sales, net of royalties totalled $7.1 million for the three month Reporting Period as compared to $0.5 million in the Comparable Prior Period. The increase is due to the Comparable Prior Period, which includes only 16 days of operations from the Atomic Group Acquisition that closed on March 16, 2021.

The Company's revenue relates to oil production in Wyoming, US that is currently sold under a contract with one purchaser, and is 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. SWP is an agent for certain non-operating joint interest owners and royalty owners, and receives and distributes revenue on their behalf. The net income (loss) only reflects the Company's portion of revenue net of royalties.

Oil production for the three month Reporting Period averaged 1,114 bbls/d net to the Company at an average realized price before royalties of $91.14/bbl as compared to 706 bbls/d at $56.33/bbl in the Comparable Prior Period. The increase in oil production is due primarily to the enhancement of the gas injection program in the BFU after the Company closed the Atomic Group Acquisition. The average realized price the Company receives for its crude oil production depends on several factors, including the average benchmark prices for crude oil, transportation and product quality differentials.

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 22.6% in the Reporting Period as compared to 21.9% in the Comparable Prior Period.

Risk management

The Company engages in risk management activities by utilizing various financial instruments to fix commodity prices to reduce volatility in its financial results and to protect its anticipated capital expenditure program. The Company's risk management program is approved by the Board.

Commodity derivatives

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. The Company has in place the following commodity risk management contracts with respect to the sale of crude oil production and the purchase of butane used for the miscible flood recovery program in the BFU.

Commodity	Fixed price SWAP	Total notional volumes	Term	Average price (US$)	Fair Value US$ thousands
Crude oil	WTI Futures	290,982 barrels	Apr 1/22 to Dec 31/22	$56.58	**(9,934)**
Crude oil	WTI Futures	416,772 barrels	Jan 1/23 to Feb 29/24	$52.87	**(10,007)**
				Commodity derivative liability	**(19,941)**
Butane	Normal (NC4)	7,917,746 gallons	Apr 1/22 to Dec 31/22	$0.768	**6,330**
Butane	Normal (NC4)	9,921,552 gallons	Jan 1/23 to Feb 29/24	$0.670	**5,122**
				Commodity derivative asset	**11,452**
				Net derivative liability	**(8,489)**
Current - commodity derivative liability					**(4,671)**
Non-current - commodity derivative liability					**(3,818)**

(1) The floating price of the crude oil contracts for each contract month is equal to the arithmetic average of the NYMEX WTI light sweet crude oil futures first nearby contract settlement price for each business day during the contract month.

(2) The floating price of the butane contracts for each contract month is equal to the arithmetic average of the OPIS Mont Belvieu butane futures for each business day during the contract month.

There were no commodity derivative contracts entered into subsequent to March 31, 2022.

Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company's Senior Credit Facility provides for an interest rate at the London Interbank Offered Rate ("**LIBOR**"), with a floor of 2.0% plus 10.5% per annum. Management monitors the LIBOR forward curve which currently is expected to be over 2.0% in July 2022 and varies between 2.4% and 3.5% for the remaining monthly periods until maturity of the facility in March 2025. The current, maximum interest risk exposure is approximately $0.7 million of additional interest expense per annum, assuming a LIBOR rate of 3.5% is applicable for the full year. There were no interest derivative contracts as at March 31, 2022 or entered into subsequent to March 31, 2022 to manage the interest rate risk.

Realized and unrealized gain (loss) on commodity derivatives

US$ thousands, except per bbl	Three months ended March 31, **2022**	2021
Realized loss on crude oil derivatives	**(3,468)**	-
Realized gain on butane derivatives	**2,577**	-
	(891)	-
Realized loss on crude oil derivatives (US$/bbl)	**(34.60)**	-
Realized gain on butane derivatives (US$/bbl)	**25.71**	-
	(8.89)	-
Unrealized loss on crude oil derivatives	**(9,610)**	2,254
Unrealized gain (loss) on butane derivatives	**4,096**	(1,060)
	(5,514)	1,194

For the three month Reporting Period, the Company recorded a realized loss on crude oil derivatives of $3.5 million ($34.60/bbl) and a realized gain on butane derivatives of $2.6 million ($25.71/bbl) related to the purchase of butane used for the miscible flood recovery program in the BFU. There was no comparable information as the commodity derivative contracts were effective on April 1, 2021.

For the three month Reporting Period, the Company recorded an unrealized loss on crude oil derivatives of $9.6 million as compared to an unrealized gain of $2.3 million in the Comparable Prior Period, due primarily to the significant increase in crude oil prices in the first quarter of 2022. The Company recorded an unrealized gain on butane derivatives of $4.1 million in the Reporting Period as compared to an unrealized loss of $1.1 million in the Comparable Prior Period due primarily to the significant increase in butane prices in the first quarter of 2022.

Production taxes and operating expenses

US$ thousands, except per bbl	Three months ended March 31, **2022**	2021
Production taxes	**893**	62
Operating expenses	**1,316**	107
	2,209	169
Production taxes per bbl	**8.91**	5.49
Operating expenses per bbl	**13.13**	9.47
	22.04	14.96

The production taxes are comprised mainly of severance tax and ad valorem tax imposed in Wyoming, US 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. For the three month Reporting Period the production taxes amounted to $0.9 million ($8.91/bbl) as compared to $0.1 million ($5.49/bbl) in the Comparable Prior Period. The increase is due to the Comparable Prior Period, which includes only 16 days of operations from the Atomic Group Acquisition that closed on March 16, 2021.

Operating expenses related to the oil production in Wyoming for the three month Reporting Period amounted to $1.3 million ($13.13/bbl) as compared to $0.1 million ($9.47/bbl) in the Comparable Prior Period. The increase is due primarily to the Comparable Prior Period, which includes only 16 days of operations from the Atomic Group Acquisition that closed on March 16, 2021.

Depletion, depreciation and amortization ("DD&A") expense

US$ thousands, except per bbl	Three months ended March 31, 2022	2021
DD&A	**1,254**	164
DD&A per bbl	**12.51**	14.51

DD&A for the three month Reporting Period was $1.3 million ($12.51/bbl) as compared to $0.2 million ($14.51/bbl) in the Comparable Prior Period. Depletion is calculated based on unit of production, estimates of proved and probable reserves, and future development costs to bring those reserves into production. The increase in aggregate DD&A costs is due primarily to the Comparable Prior Period, which includes only 16 days of operations from the Atomic Group Acquisition that closed on March 16, 2021.

General and administrative ("G&A") expenses

US$ thousands	Three months ended March 31, 2022	2021
Salaries, benefits and consultants	**1,636**	1,104
Other	**426**	319
	2,062	1,423

G&A expenses amounted to $2.1 million for the three month Reporting Period as compared to $1.4 million in the Comparable Prior Period. The net increase in G&A expenses is due primarily to employee, office expenditures and consulting and advisory services with respect to the US operations as the Comparable Prior Period includes only 16 days as the Atomic Group Acquisition closed on March 16, 2021.

Share-based compensation expense

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

On January 29, 2022, the Company granted to its directors, officers and employees 15,430,000 stock options to acquire the Company's Common Shares at an exercise price of $0.42 (CAD$0.54) per share, with 13,380,000 options vesting immediately and 2,050,000 vesting after the first anniversary of the date of grant and all options expire five years from the date of grant. The related share-based compensation expense of $3.3 million has been recognized in the statement of net loss for three months ended March 31, 2022 and as an addition to the contributed capital reserve. The fair value of each stock option granted was estimated on the date of grant using a Black-Scholes option pricing model.

As at March 31, 2022, the total outstanding stock options to purchase Common Shares are as follows:

	Number of Options	Weighted Avg. Exercise Price (US$)
Balance, January 1, 2021	4,490,139	1.41
Expired	(474,400)	8.64
Balance, December 31, 2021	4,015,739	0.56
Granted	15,430,000	0.42
Forfeited	(309,095)	0.56
Balance, March 31, 2022	**19,136,644**	**0.45**

Finance costs

Finance costs amounted to $4.0 million for the three month Reporting Period, as compared to $0.9 million in the Comparable Prior Period. The following table provides details of finance costs.

	Three months ended March 31,	
US$ thousands	**2022**	2021
Interest expense on the SCF	**1,554**	234
Financing costs for the SCF	**2,134**	545
Interest on lease liabilities	**2**	2
Interest income	**(159)**	-
Accretion of the SCF	**479**	89
Accretion of asset retirement obligation	**37**	3
	4,047	873

The costs incurred in the Reporting Period and the Comparable Prior Period relate primarily to the Atomic Group Acquisition and ongoing US operations. The increase in interest expense in the Reporting Period is due to the initial draw of $45.0 million from the Senior Credit Facility occurring on March 16, 2021 and the additional financing costs incurred in the first quarter of 2022 relate primarily to the $1.18 million charge for obtaining a waiver from its lender and $0.9 million related to additional 1% lender warrants issued on April 6, 2022 as discussed in the *"Capital Resources and Liquidity - Indebtedness"* section.

Loss (gain) on derivative liabilities

For the three month Reporting Period, the Company recorded a loss of $1.6 million as compared to $10.7 million in the Comparable Prior Period, that related to the remeasurement of the fair value of derivative liabilities as follows:

	Three months ended March 31,	
US$ thousands	**2022**	2021
Lender warrants revaluation	**2,342**	2,380
LIBOR interest rate floor revaluation	**(798)**	(104)
Unit warrants revaluation	**-**	8,129
2020 short term loan warrants revaluation	**46**	308
Loss on derivative liabilities	**1,590**	10,713

The lender warrant revaluation of $2.3 million relates to the original 5% lender warrants issued on March 16, 2021 as discussed in the *"Capital Resources and Liquidity - Indebtedness"* section.

CAPITAL EXPENDITURES

Capital expenditures

The following table sets forth a summary of the Company's capital expenditures incurred during the Reporting Period and the Comparable Prior Period:

US$ thousands	**Three months ended March 31, 2022**	2021
Acquisitions	**-**	40,079
Miscible flood injection costs	**2,680**	-
Exploration costs	**265**	-
Other	**60**	248
	3,005	40,327

In the three month Reporting Period, $2.7 million of capital expenditures related to natural gas and liquid injections for the miscible flood recovery program in the BFU. All natural gas production in the BFU is reinjected into the BFU reservoir as part of the miscible flood recovery program, however to maximize the effectiveness of the miscible flood the Company acquires additional natural gas and liquids from third parties to inject through eight injector wells. The miscible flood recovery program has significantly increased the pressure in the reservoir and has resulted in increased oil production. In February 2022, due to higher commodity prices and reservoir modeling that has suggested sufficient NGLs have been injected into the reservoir to date such that there will be miscible flooding effects as long as reservoir pressure and voidage replacement is maintained, the injection stream was changed to be comprised primarily of dry natural gas, which is anticipated to continue until September 2022.

Assets retirement obligations ("ARO")

As at March 31, 2022, the Company has recognized an ARO of $6.8 million for the future abandonment and reclamation of its net ownership interests in oil and gas assets, including well sites and processing facilities that were acquired in the Atomic Group Acquisition. The estimated ARO includes cost assumptions to abandon wells or reclaim the property, the time frame in which such costs will be incurred as well as annual inflation factors to calculate the undiscounted and inflation adjusted estimated future liability of $15.1 million as at March 31, 2022. The majority of these obligations are anticipated to be incurred 20 to 43 years in the future. As at March 31, 2022, the ARO was calculated using a discount factor of 2.59% being the risk-free rate based on US long-term bonds and an inflation rate of 2.0% per annum. Abandonment spending estimates are derived from both third-party cost indications and operational knowledge of the properties.

CAPITAL RESOURCES AND LIQUIDITY

Cash and cash equivalents

The decrease in cash and cash equivalents of $0.9 million from $7.8 million to $6.9 million during the first quarter of 2022 represents cash provided by operating activities of $3.9 million net of cash used in financing and investing activities of $4.8 million. As at March 31, 2022, the cash and cash equivalent balance included $1.4 million held in escrow accounts with respect to certain production taxes and royalty payments, pursuant to US legal requirements.

Working capital

The Company had a working capital deficiency of $5.8 million as at March 31, 2022, as compared to a working capital deficiency of $40.0 million at December 31, 2021. The decrease in the working capital deficiency is due mainly to the SCF, derivative liabilities, and commodity derivative liabilities being reclassified to non-current liabilities as at March 31, 2022 (see *"Capital Resources and Liquidity - Indebtedness"*). As at March 31, 2022, the major components of the Company's current assets were cash and cash equivalents (52%) and accounts receivable (43%) that are comprised primarily of a $1.5 million revenue receivable from one purchaser and $2.9 million from Cuda which is a joint interest partner in the Wyoming assets and represents joint interest billings to Cuda from July 2021 to March 2022 net of its petroleum sales which are considered first lien priority on Cuda's security against the BFU as discussed in *"Overview and Overall Performance – US Operations"*. As discussed in *"Major Events Subsequent to the Reporting Period"*, the Company has agreed to acquire all of Cuda's interests in the Atomic Group assets which will result in the settlement of the joint interest receivable balance. As such, the Company considers all of its accounts receivable as at March 31, 2022 to be collectable.

Current liabilities largely consist of trade payables and accrued liabilities (29%), revenue and production taxes payable (46%) related to the Company's operations and commodity derivative liabilities (25%) related to its risk management program. The Company will manage its working capital using its cash flow from operating activities and funds from equity or debt issuances, if any. The Company invests its excess cash in short-term interest-bearing accounts with its financial institutions.

Indebtedness

Senior Credit Facility

The Atomic Group Acquisition was funded in part with debt through a loan agreement dated March 16, 2021 between a US based global investment firm (the "**Lender**") and COPL America Inc. (the "**Borrower**" or "**COPL America**"), a 100% owned subsidiary of the Company, repayable within a four-year term. To fund the Atomic Group Acquisition, the Borrower drew an initial principal loan amount of $45.0 million. The amount funded to COPL America of approximately $43.2 million, net of financing and transaction costs was used to settle Atomic's previously outstanding external debt of $26.1 million, a $10.0 million payment to the vendor, $5.0 million of the Atomic Purchase Price initially withheld and paid subsequent to March 16, 2021, and the remainder for funding ongoing US operations.

The SCF agreement is subject to an interest rate of LIBOR, with a floor of 2.0% plus 10.5% per annum with such interest to be paid monthly in arrears. From the first anniversary of the SCF, 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 SCF also includes mandatory prepayments of the outstanding principal amount for any of the following transactions undertaken by the Borrower: (i) assets sales greater than $0.15 million per transaction or $0.25 million in aggregate over the term of the SCF; (ii) insurance proceeds greater than $0.15 million and (iii) issuance of indebtedness, extraordinary receipts and equity issuances.

The SCF 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 SCF did not require security or guarantees to be 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 SCF has an accordion feature whereby the Borrower may draw upon up to a maximum of $20.0 million for future development, at the sole discretion of the Lender. As at March 31, 2022, the accordion feature was undrawn.

Under a separate warrant agreement dated March 16, 2021, the Lender was granted warrants representing 5% of the common shares of COPL America for an exercise price of $0.01 per warrant and an additional 1% of the common shares of COPL America for an exercise price of $0.01 per warrant on April 6, 2022 and effective on March 31, 2022 for a total of 6% (the "**Lender Warrants")** pursuant to a third amending agreement to the SCF. The Lender Warrants may be exercised, in whole or in part at any time and from time to time from and after March 16, 2021 until the later of: (i) the 60th day following the date on which the SCF is paid in full and (ii) March 16, 2025. Upon exercise, the Lender would be entitled to redeem such Lender Warrants for an amount equal to the greater of 6% of the Company's market capitalization or 6% of the net asset value of COPL America at such time. The Lender Warrants were issued as a requirement of the Lender for providing the SCF 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, COPL America cannot avoid issuing cash or common shares 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 income (loss).

The following table provides a summary of the SCF including associated derivative liabilities as at March 31, 2022:

US$ thousands	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 December 31, 2021 (a)	-	(2,650)	(2,650)
LIBOR floor revaluation as at December 31, 2021 (b)	-	(937)	(937)
Accretion	1,409	-	1,409
Balance, December 31, 2021	**36,372**	**3,565**	**39,937**
Lender Warrants revalued as at March 31, 2022 (a)	-	3,260	3,260
LIBOR floor revaluation as at March 31, 2022 (b)	-	(798)	(798)
Accretion	479	-	479
Balance, March 31, 2022	**36,851**	**6,027**	**42,878**

As at March 16, 2021, the fair value of the SCF 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 31, 2022, the Lender Warrants were revalued at $5.5 million using 6% of COPL's market capitalization on a fully diluted basis (December 31, 2021 - $2.3 million using 5% of COPL's market capitalization on a fully diluted basis). The resulting change in fair value of $3.3 million related to $2.3 million on the original 5% Lender Warrants recognized in the loss on derivative liabilities and $0.9 million related to the additional 1% Lender Warrants recognized in financing costs for the three month Reporting Period.

(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 SCF. 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 income (loss). As at March 31, 2022, the LIBOR floor was revalued at $0.5 million (December 31, 2021 - $1.3 million) and the resulting change in fair value of $0.8 million was recognized in net loss for the three month Reporting Period.

(c) Aggregate financing costs associated with the SCF of $3.4 million were allocated to the three components of the SCF 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 initial valuation of the derivative liabilities of the LIBOR floor and the Lender Warrants were expensed on the inception date of the debt.

During the three month Reporting Period, COPL America paid interest on this loan in the amount of $1.6 million.

As at December 31, 2021, the Borrower was considered to be in default on the SCF with respect to the following:

- failure to meet a liquidity covenants at the end of November 2021 and the end of February 2022 due mainly to an uncollected joint interest receivable from Cuda that is in receivership (see *"Overview and Overall Performance – US Operations"* section); and
- failure to notify the Lender of material events involving Cuda.

Due to these defaults, the Company had classified the SCF as a current liability as at December 31, 2021. On March 31, 2022, the Borrower received a waiver from the Lender with respect to the above-noted defaults subject to certain conditions and fees. Due to the waiver, the Company is no longer in default on the SCF and the indebtedness has been classified as a non-current liability as at March 31, 2022.

Subsequent to March 31, 2022, the Company has satisfied the following conditions of the above-noted waiver:

- submitted the APOD related to spending from March 31, 2022 to June 30, 2022 and the Lender has approved as at April 15, 2022;
- the waiver fee of $1.18 million has been reflected in financing costs in the Reporting Period; and
- the Lender Warrants that in aggregate are exercisable for 6% of the common shares in the Borrower have been issued.

Shareholders' Equity

The shareholders' equity decreased from $35.0 million as at December 31, 2021 to $24.4 million as at March 31, 2022. This decrease of $10.6 million resulted primarily from the following:

- an increase in the contributed capital reserve of $3.3 million representing the fair value of 15,430,000 stock options granted on January 29, 2022 (see *"Results of Operations – Share-Based Compensation expense"* section); and
- increase in the deficit as a result of a net loss of $14.0 million incurred in the three month Reporting Period.

Securities outstanding as at March 31, 2022

As at March 31, 2022, the Company had the following issued and outstanding securities:

- 194,519,464 issued and outstanding Common Shares;
- 5,850,000 Common Share purchase warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.41 per share and a remaining contractual life of 93 days to about 12 months; and
- 19,136,644 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.45 per Common Share and a remaining contractual life of approximately eight months to 4 years and ten months.

As at the date of this MD&A, and pursuant to the April 2022 Brokered Placing the Company has 244,449,464 Common Shares and 32,812,200 Common Share purchase warrants issued and outstanding.

Going Concern

The Financial Statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is pursuing exploration and development projects and contracts that will require substantial additional financing before they are able to generate positive operating cash flows. As indicated in *"Major Events Subsequent to the Reporting Period"* the Company closed a financing comprised of equity and warrants in April 2022, however, there is no guarantee the funds will be sufficient and there is no assurance that the Company will be able to raise the additional funds necessary to finance the Company's significant exploration and development opportunities on terms acceptable to the Company and therefore the Company may not be able to meet its current forecasted operating and capital expenditure obligations for the next 12 months. With no assurance that additional financing will be obtained there is material uncertainty that casts significant doubt on the Company's ability to continue as a going concern. The Financial Statements do not give effect to adjustments that would be necessary to the carrying values and classifications of assets and liabilities should the Company be unable to continue as a going concern.

Contractual obligations and commitments

The Company enters into various contractual obligations and commitments in the normal course of operations. The following table lists the Company's estimated material contractual obligations and commitments as at March 31, 2022:

Calendar year (US$ thousands)	**2022**	**2023-2024**	**2025-2026**	**Thereafter**
Accounts payable and accrued liabilities	14,147	-	-	-
Senior Credit Facility	-	-	45,000	-
Lender Warrants	-	-	5,510	-
NGL purchase agreements(1)	1,415	4,165	3,640	-
Lease liabilities(2)	62	150	-	-
Total estimated contractual commitments(3)	**15,624**	**4,315**	**54,150**	**-**

(1) Includes commitments to purchase mixed natural gas liquids, consisting primarily of propane and butane for the miscible flood recovery program in the BFU.

(2) Includes a commitment with respect to lease obligations relating to its office in Calgary, Alberta, Canada, which expires on August 31, 2024.

(3) Contractual obligations and commitments that are not material to the Company are excluded from the above table. The Company's ARO are excluded from the table as these obligations arose from a regulatory requirement rather than from a contractual arrangement. The Company estimates the total undiscounted and inflation adjusted cash flow to settle its ARO on its wells and facilities as at March 31, 2022 to be approximately $15.1 million and is estimated to be incurred 20 to 43 years in the future. The estimate for determining the undiscounted ARO requires significant assumptions on both the cost and timing of the abandonment and therefore the actual obligation may differ materially.

ShoreCan's Commitments

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan, focusing on acquisitions of upstream oil and gas exploration, development and producing assets in sub-Saharan Africa. ShoreCan had committed to invest up to a maximum of $80.0 million into Essar Nigeria in the form of an interest-free shareholder loan. 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 (see *"Overview and Overall Performance – African Portfolio"*)

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of quarterly information:

Quarters Ended ($US thousands, except unit and per unit amounts, shares and per share amounts)	**Mar22**	Dec21	Sep21	Jun21	Mar21	Dec20	Sep20	Jun20
OPERATING								
Average net daily production								
Light oil (bbls/d)	**1,114**	1,094	1,071	796	706	-	-	-
Natural gas (mcf/d)[(1)]	**1,255**	1,283	1,068	497	428	-	-	-
Total (boe/d)[(2)]	**1,323**	1,308	1,249	878	777	-	-	-
Netback (US$/bbl)								
Realized sales price	**91.14**	73.91	67.52	61.39	56.33	-	-	-
Realized loss on crude oil derivatives	**(34.60)**	(13.56)	(6.58)	(3.61)	-	-	-	-
Royalties	**(20.57)**	(16.01)	(14.32)	(13.94)	(12.34)	-	-	-
Production taxes	**(8.91)**	(7.39)	(6.65)	(6.06)	(5.49)	-	-	-
Operating expenses	**(13.13)**	(9.30)	(23.99)	(12.04)	(9.47)	-	-	-
Realized gain on butane derivatives	**25.71**	16.32	10.90	1.37	-	-	-	-
Operating netback[(3)]	**39.64**	43.97	26.88	27.11	29.03	-	-	-
FINANCIAL								
Petroleum sales, net of royalties	**7,073**	5,829	5,242	3,435	497	-	-	-
Realized loss on crude oil derivatives	**(3,468)**	(1,365)	(648)	(261)	-	-	-	-
Unrealized gain (loss) on crude oil derivatives	**(9,610)**	(692)	(2,456)	(9,437)	2,254	-	-	-
Production taxes	**(893)**	(744)	(655)	(439)	(62)	-	-	-
Operating costs	**(1,316)**	(936)	(2,364)	(872)	(107)	-	-	-
Realized gain on butane derivatives	**2,577**	1,643	1,074	99	-	-	-	-
Unrealized gain (loss) on butane derivatives	**4,096**	(2,468)	3,718	7,165	(1,060)	-	-	-
Operating income (loss)[(3)]	**(1,541)**	1,267	3,911	(310)	1,522	-	-	-
Depletion, depreciation and amortization	**(1,254)**	(1,252)	(1,291)	(975)	(164)	(18)	(17)	(17)
General and administrative	**(2,062)**	(2,484)	(2,453)	(1,942)	(1,423)	(1,008)	(843)	(627)
Share-based compensation	**(3,329)**	-	-	-	-	-	(973)	-
Acquisition costs	-	(14)	(33)	(255)	(1,857)	(431)	-	-
Finance costs	**(4,047)**	(2,110)	(1,868)	(2,047)	(873)	(16)	(167)	(184)
Gain (loss) on derivative liabilities	**(1,590)**	3,022	8,937	(155)	(10,713)	115	19	(47)
Gain on extinguishment of loan	-	-	332	-	-	-	-	13
Other	**(189)**	60	(67)	(43)	(258)	(315)	(87)	(57)
Net income (loss)	**(14,012)**	(1,511)	7,468	(5,727)	(13,766)	(1,673)	(2,068)	(919)
Net income (loss) per share – basic and diluted (US$)	**(0.07)**	(0.01)	0.05	(0.04)	(0.14)	(0.03)	(0.05)	(0.03)
Weighted average Common Shares (000s) – basic	**194,519**	173,805	159,108	149,536	98,960	48,722	45,786	34,838
End of period Common Shares (000s)	**194,519**	194,519	164,269	149,786	149,511	48,722	48,722	34,838
Capital expenditures	**3,005**	10,718	5,904	10,419	40,327	5,031	146	-
Cash and cash equivalents	**6,858**	7,841	11,497	15,552	28,996	1,401	2,206	64
Current assets	**13,132**	15,390	17,637	20,341	32,617	1,658	2,363	435
Total assets	**96,992**	97,778	86,603	84,281	92,580	6,992	3,068	966
Indebtedness	**36,851**	36,372	35,908	35,798	35,384	683	797	404
Derivative liabilities related to indebtedness	**6,027**	3,565	5,634	9,395	9,428	91	192	50
Shareholders' equity (deficit)	**24,409**	35,011	29,247	13,062	18,571	(595)	1,237	(2,050)

Notes:

(1) All of the Company's natural gas production is reinjected for the miscible flood recovery program in the BFU and NGL production is not measured separately. As such, these volumes have not been included in the netback calculations.

(2) The March 31, 2021 three month Comparable Prior Period includes only 16 days of operations from the Atomic Group Acquisition which closed on March 16, 2021.

(3) Operating netback and operating income are Non-IFRS measurements used by management to analyze operating performance. These measures are commonly used in the oil and gas industry and are considered informative by management, shareholders, and analysts. These measures may differ from that used by other companies and accordingly may not be comparable to such measures as reported by other oil and gas producing companies.

The significant change in the Company's quarterly net results since March 2021 relates primarily to the Atomic Group Acquisition (see *"Overview and Overall Performance – US Operations"* section).

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that would result in a material change to its financial position and performance during the Reporting Period and Comparable Prior Period.

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 month Reporting Period, there were no material related party transactions other than the 10,980,000 stock options granted to its directors and officers and 4,450,000 stock options granted to its employees on January 29, 2022 as discussed in the *"Results of Operations – Share-Based Compensation expense"* section.

ACCOUNTING PRONOUNCEMENTS AND SIGNIFICANT ACCOUTING JUDGEMENTS AND 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. Refer to the audited financial statements as at December 31, 2021 which are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com for a comprehensive discussion of the Company's critical accounting judgements and estimates and new and amended accounting standards.

RISK FACTORS

Refer to the AIF dated March 31, 2022, which is available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com for a comprehensive discussion of the Company's risk factors.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer (the "**Certifying Officers**") have designed disclosure controls and procedures ("**DC&P**"), as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), 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 Certifying Officers evaluate the effectiveness of the Company's DC&P annually.

While the Certifying Officers believe that the Corporation's DC&P provide a reasonable level of assurance and are effective, they do not expect that the DC&P will prevent all errors and fraud. A control system, no matter how well conceived, maintained and operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system will be met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Certifying Officers are responsible for establishing and maintaining internal controls over financial reporting ("**ICFR**") as defined in NI 52-109. 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.

No material changes in the Company's ICFR were identified during the three month Reporting Period, 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 judgement in evaluating the cost/benefit relationship of possible controls and procedures.

DIRECTORS

Arthur S. Millholland – President and Chief Executive Officer
Harald Ludwig
Massimo Carello
Robert Chenery
John Cowan
Nigel Little

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