CANADIAN OVERSEAS PETROLEUM LIMITED

THIRD QUARTER

MANAGEMENT'S DISCUSSION AND ANALYSIS
AS AT AND FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 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 November 14, 2022 is with respect to the three and nine months ended September 30, 2022 (the "**Reporting Periods**") as compared to the three and nine months ended September 30, 2021 (the "**Comparable Prior Periods**"). 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 and nine months ended September 30, 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).

In 2014, 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"* ,*"Capital Resources and Liquidity"* 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 the 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 nine months of 2022, management focused on increasing oil production and negotiating the acquisition and financing of additional working interests in the Wyoming assets. The Company continues to identify, evaluate and pursue exploration and development opportunities with respect to 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 assets are located in the Powder River Basin, Wyoming, US which include 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**").

Asset Acquisition

On July 26, 2022, the Company's affiliate, COPL America Inc. ("**COPLA**") closed the acquisition of the assets of Cuda Energy LLC ("**Cuda**") with the court-appointed receiver for Cuda for cash consideration of $19.2 million plus the assumption of Cuda's operating arrears owed to the Company of $1.6 million and acquisition costs of $0.1 2 million for a total cost of $20.9 million (the "**Cuda Asset Acquisition**"). Cuda's sole assets are non-operating interests in the BFU (27.0% WI), the CCU (33.3% WI) and non-unitized lands complimentary to COPLA's assets. As such, COPLA is the majority owner of its Wyoming assets with operated interests of 85% to 100% across its three oil producing units in Wyoming, US. The Cuda Asset Acquisition was financed with the issuance of convertible bonds as discussed in the *"Capital Resources and Liquidity - Indebtedness"* section.

US Operations

The total gross oil production in the Wyoming assets averaged approximately 1,415 bbls/d for the third quarter of 2022, as compared to 1,601 bbls/d for the second quarter of 2022 and 1,829 bbls/d for the first quarter of 2022. Production volumes have decreased in both the second and third quarters due to operational interruptions at certain high impact wells. The interruptions were as a consequence of the miscible flood program, which involves the injection of high pressure solvent which both raises the reservoir pressure and mobilizes the oil in place. The arrival of the high pressure miscible bank at producing wells generated higher pressure conditions at the wellhead. This circumstance led to the requirement to shut in the wells for a period of time and modify the well configuration by removing the low pressure pumping equipment and replacing it with a high pressure flowing configuration. A further bottleneck which has curtailed production is the low pressure gas gathering system ("**GGS**") constructed with high density polyethylene plastic material, which is not capable of transmitting the high pressure gas arriving at the producing wells to the gas plant for recycle.

On October 11, 2022, the Company was granted a permit by the Wyoming Oil and Gas Conservation Commission to flare gas at the BFU to enable it to relieve production restrictions at certain high pressure flowing oil wells. Since then, the wells have been incrementally brought back on line in parallel with the commissioning of well site facilities to recover the vapours from the produced volatile oil. The process has been designed for safety and efficiency considerations as these wells have been restricted for several months. Oil production from these wells is not yet stable as the process is continuing, but is expected to increase once complete. The flared gas volumes have averaged approximately 1,100 mcf/d in the first half of November 2022, which is well below the permitted volume of 3,500 mcf/d.

Gas injection at the BFU was approximately 94% dry natural gas and 6% NGLs at an average rate of 4,083 mcf/d during the third quarter of 2022 as compared to 92% dry natural gas and 8% NGLs at an average rate of 4,943 mcf/d during the second quarter of 2022 and 78% dry natural gas and 22% NGLs at an average rate of 5,647 mcf/d during the first quarter of 2022. From February 2022 to September 2022, the injection stream was changed to be comprised primarily of dry natural gas. Reservoir modeling has suggested that sufficient NGLs have been injected into certain patterns in 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. On October 1, 2022, enriched gas injection recommenced on the western injection patterns with dry gas injection continuing on the eastern injection patterns to continue to move the miscible bank in the eastern area. As such, purchases of butane have recommenced at 300,000 gallons per month, well below the volumes of 1,800,000 gallons per month in 2021. As new injection wells are drilled, or when existing producing wells are converted to injection wells, additional volumes of NGLs will be purchased and injected in these new patterns in order to build miscibility in new areas of the reservoir.

In the three month Reporting Period, the Company internally re-evaluated the performance of the BFU miscible flood and its gas injection strategy that it commenced in April 2021 and reached the following conclusions:

- The reservoir volume of the BFU appears to be underestimated as approximately 30% more volume of enriched gas has been injected into the reservoir to achieve the production response observed this year, indicating an increased reservoir size than predicted by the original simulations. As such, the eastern injection patterns are full to design with movement of the miscible bank being observed.
- Unexpected high pressures experienced in five production wells appears to be due to previously unrecognized trends in the reservoir, which only became apparent after the increase in reservoir pressure and movement of the emplaced miscible bank were studied.
- The delayed production response from the original reservoir simulations is likely due to the observed increase in reservoir volume and unrecognized production trends thus effecting the movement of the miscible bank in these areas.

The Company provided its internal evaluation to International Reservoir Technologies ("**IRT**"), its specialist reservoir engineering firm. In late September 2022, IRT tested the internal evaluation which resulted in a field wide rearrangement and recalibration of the reservoir model in early October 2022. Completion of the field-wide re-simulation is expected in November 2022 with the objective of allowing the Company to refine its future injection strategy, better predict the high-pressure trends and provide a refined model for future production forecasting.

In 2021 and the first nine months of 2022, much has been learned about the BFU miscible flood project. Average daily oil production was constrained in the first nine months of 2022 due to the previously mentioned bottlenecks in the BFU surface infrastructure. The Company's ability to optimize the field production rates and take advantage of the oil production response to the enriched gas injection is currently significantly impacted by the low pressure infrastructure at the well sites which include treaters, tanks and vapor recovery units and the local GGS constructed with plastic pipes, which now clearly reveals that infrastructure decisions by the previous owner of the assets were extremely short sighted. The Company has implemented several measures to mitigate the circumstances and is currently observing increased production rates, however the overall operation continues to be unstable. Once stable, the Company will be in a better position to forecast its production going forward. Upgrades to the GGS are being re-engineered in response to increases to predicted flowing pressures and production of enriched gas volumes along with crude oil. Concurrently, the reservoir simulation model is evolving to better match well performance history and overall pool performance which also is expected to lead to better predictability. Until infrastructure upgrade and debottlenecking is complete, there will continue to be take away constraints at certain wells.

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

- a phase 1 GGS 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;
- a gas plant start-up, which will capture liquids from the produced gas stream to improve control of the recycle and target specific patterns for higher levels of enrichment;
- a third compressor installation, which will increase gas injection compression capacity to 12.0 Mmcf/d; and
- a phase 1 surface facility upgrade regarding the central procession facility ("**CPF**") which will address single/multi-well battery limitations and oil gathering lines mirroring the gas gathering lines upgraded in Phase 1 GGS.

The drilling of a discovery well in the Frontier 2 and Dakota formations in the BFDU late in 2021, the three well recompletion campaign in the Frontier 2 formation in the CCU in 2021 and an upcoming campaign to recomplete six wells in the CCU to evaluate the Frontier 1, will potentially expand 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 late 2022 or early 2023.

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, 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.

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 have been focused on:

- closing the Cuda Asset Acquisition as discussed in the *"Overview and Overall Performance – Asset Acquisition"* section;
- optimizing and increase oil production at the operated BFU;
- evaluating low-risk recompletion candidates in its inventory of well-bores in the CCU;
- refinancing the Senior Credit Facility to reduce the Company's cost of capital;
- continuing to refine its interpretation of its deep oil discovery in the BFDU discovery well;
- exploring a joint venture with a large oil company with operations in Wyoming to appraise and develop the Company's deep oil discovery and technical due diligence is in process; and
- maintaining the Company's environmental, social and governance ("**ESG**") operating credentials.

CURRENT OPERATING ENVIRONMENT

During 2022, the global economy continued to recover from the impacts of the COVID-19 pandemic. Benchmark oil and natural gas prices have remained volatile during the year due to the uncertainty regarding the COVID19 pandemic, the potential for global economic slowdown attributed to rising inflation and interest rates, geopolitical tensions arising from the Russian invasion of Ukraine and global commodity supply constraints and labour shortages which have increased inflationary pressures on governments, businesses and communities. These events and economic conditions 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 events and conditions, or the extent to which it will impact the Company long-term.

CLIMATE CHANGE AND ENVIRONMENTAL REPORTING REGULATIONS

Regulations relating to climate and climate-related matters continue to evolve and may have additional disclosure requirements in the future. The International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop an environment sustainability disclosure framework that is accepted globally. In addition, the Canadian securities administrators have proposed National Instrument 51-107, *Disclosure of Climate-related Matters*, with additional climate-related disclosure requirements for Canadian public companies. If the Company is unable to meet future sustainability reporting requirements of regulators or current and future expectations of stakeholders, its business and ability to attract and retain skilled employees, obtain regulatory permits, licenses, registrations, approvals and authorizations from various government authorities, and raise capital may be adversely affected. The cost to comply with these standards, and others that may be developed or evolved over time, has not yet been quantified.

OPERATIONAL AND FINANCIAL SUMMARY

US$ thousands, except unit and per unit amounts, shares and per share amounts	Three months ended September 30, **2022**	2021	Nine months ended September 30, **2022**	2021[2]
OPERATING				
Average net daily production				
Light oil (bbls/d)	**1,107**	1,071	**1,060**	916
Natural gas (mcf/d)[1]	**1,899**	1,068	**1,461**	755
Total (boe/d)[2]	**1,423**	1,249	**1,304**	1,042
Netback (US$/bbl)				
Realized sales price	**89.26**	67.52	**95.04**	64.23
Realized loss on crude oil derivatives	**(33.20)**	(6.58)	**(39.93)**	(4.99)
Royalties	**(19.46)**	(14.32)	**(21.57)**	(13.89)
Production taxes	**(8.37)**	(6.65)	**(9.13)**	(6.34)
Operating expenses	**(23.17)**	(23.99)	**(17.25)**	(18.35)
Realized gain on butane derivatives	**10.99**	10.90	**19.93**	6.44
Operating netback[3]	**16.05**	26.88	**27.09**	27.10
FINANCIAL				
Petroleum sales, net of royalties	**7,107**	5,242	**21,267**	9,174
Realized loss on crude oil derivatives	**(3,380)**	(648)	**(11,557)**	(909)
Unrealized gain (loss) on crude oil derivatives	**10,382**	(2,456)	**1,439**	(9,639)
Production taxes	**(852)**	(655)	**(2,643)**	(1,156)
Operating expenses	**(2,359)**	(2,364)	**(4,993)**	(3,343)
Realized gain on butane derivatives	**1,119**	1,074	**5,768**	1,173
Unrealized gain (loss) on butane derivatives	**(5,618)**	3,718	**(4,603)**	9,823
Operating income (loss)[3]	**6,399**	3,911	**4,678**	5,123
Depletion, depreciation and amortization	**(1,192)**	(1,291)	**(3,510)**	(2,430)
General and administrative	**(2,062)**	(2,453)	**(6,466)**	(5,818)
Share-based compensation	**(101)**	-	**(3,554)**	-
Finance costs, net	**(5,224)**	(1,868)	**(11,371)**	(4,788)
Change in fair value of convertible bonds	**325**	-	**325**	-
Gain (loss) on derivative liabilities	**2,090**	8,937	**4,198**	(1,931)
Other	**(701)**	232	**(1,542)**	(2,181)
Net (loss) income	**(466)**	7,468	**(17,242)**	(12,025)
Per share – basic and diluted ($)	**-**	0.05	**(0.08)**	(0.09)
Weighted average Common Shares (000s) - basic	**256,222**	159,108	**228,115**	136,088
End of period Common Shares (000s)	**266,336**	164,269	**266,336**	164,269
Capital expenditures	**21,632**	5,904	**26,327**	56,650
Cash and cash equivalents			**5,664**	11,497
Current assets			**8,031**	17,637
Total assets			**114,849**	86,603
Indebtedness			**46,282**	35,908
Derivative liabilities related to indebtedness			**6,545**	5,634
Shareholders' equity			**37,307**	29,247

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 September 30, 2021 nine month Comparable Prior Period includes only 199 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, per bbl and royalty rate	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Average net daily crude oil production (bbls/d)	**1,107**	1,071	**1,060**	916
Petroleum sales, net of royalties	**7,107**	5,242	**21,267**	9,174
WTI (US$/bbl)	**91.56**	70.56	**98.09**	67.47
Realized sales price, before royalties (US$/bbl)	**89.26**	67.52	**95.04**	64.23
Realized sales price, after royalties (US$/bbl)	**69.80**	53.20	**73.47**	50.34
Royalty rate	**21.8%**	21.2%	**22.7%**	21.6%

Petroleum sales, net of royalties totalled $7.1 million and $21.3 million for the three and nine month Reporting Periods, respectively as compared to $5.2 million and $9.2 million in the Comparable Prior Periods. The increase in petroleum sales in the Reporting Periods is due primarily to increased oil volumes, increased commodity prices and the nine month Comparable Prior Period only includes 199 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 results of operations only reflects the Company's portion of revenue net of royalties.

Oil production for the three month Reporting Period averaged 1,107 bbls/d net to the Company at an average realized price before royalties of $89.26/bbl as compared to 1,071 bbls/d at $67.52/bbl in the Comparable Prior Period. Oil production for the nine month Reporting Period averaged 1,060 bbls/d net to the Company at an average realized price before royalties of $95.04/bbl as compared to 916 bbls/d at $64.23/bbl in the Comparable Prior Period. The increase in oil production in the Reporting Periods is due primarily to the Cuda Asset Acquisition offset by operational interruptions at certain high impact wells. The Company's average realized sales price, before royalties increased by 32% and 48% from the three and nine month Comparable Prior Periods, primarily due to significant increases in benchmark oil prices which positively impacted the sales price the Company received for its production in the Reporting period. 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 21.8% and 22.7% in the three and nine month Reporting Periods respectively as compared to 21.2% and 21.6% in the three and nine month Comparable Prior Periods.

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, as a condition 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	103,409 barrels	Oct 1/22 to Dec 31/22	$56.58	**(2,175)**
Crude oil	WTI Futures	416,772 barrels	Jan 1/23 to Feb 29/24	$52.87	**(6,717)**
				Commodity derivative liability	**(8,892)**
Butane	Normal (NC4)	2,439,338 gallons	Oct 1/22 to Dec 31/22	$0.7675	**517**
Butane	Normal (NC4)	9,921,552 gallons	Jan 1/23 to Feb 29/24	$0.6700	**2,236**
				Commodity derivative asset	**2,753**
				Net derivative liability	**(6,139)**
Current - commodity derivative liability					**(5,000)**
Non-current - commodity derivative liability					**(1,139)**

(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 September 30, 2022.

Realized and unrealized gain (loss) on commodity derivatives

US$ thousands, except per bbl	Three months ended September 30, **2022**	2021	Nine months ended September 30, **2022**	2021
Realized loss on crude oil derivatives	**(3,380)**	(648)	**(11,557)**	(909)
Realized gain on butane derivatives	**1,119**	1,074	**5,768**	1,173
	(2,261)	426	**(5,789)**	264
Realized loss on crude oil derivatives (US$/bbl)	**(33.20)**	(6.58)	**(39.93)**	(4.99)
Realized gain on butane derivatives (US$/bbl)	**10.99**	10.90	**19.93**	6.44
	(22.21)	4.32	**(20.00)**	1.45
Unrealized gain (loss) on crude oil derivatives	**10,382**	(2,456)	**1,439**	(9,639)
Unrealized (loss) gain on butane derivatives	**(5,618)**	3,718	**(4,603)**	9,823
	4,764	1,262	**(3,164)**	184

For the three and nine month Reporting Periods, the Company recorded a realized loss on crude oil derivatives of $3.4 million and $11.6 million as compared to $0.6 million and $0.9 million in the Comparable Prior Periods. For the three and nine month Reporting Periods, the Company recorded a realized gain on butane derivatives of $1.1 million and $5.8 million as compared to $1.1 million and $1.2 million in the Comparable Prior Periods related to the purchase of butane used for the miscible flood recovery program in the BFU. The increase in the realized gains and losses in the Reporting Periods related primarily to the increase in benchmark prices in the Reporting Periods.

For the three month Reporting Period, the Company recorded an unrealized gain on crude oil derivatives of $10.4 million as compared to an unrealized loss of $2.5 million in the Comparable Prior Period, and an unrealized loss on butane derivatives of $5.6 million as compared to an unrealized gain of $3.7 million in the Comparable Prior Period due to the significant change in future commodity price curves in the periods. For the nine month Reporting Period, the Company recorded an unrealized gain on crude oil derivatives of $1.4 million as compared to an unrealized loss of $9.6 million in the Comparable Prior Period, and an unrealized loss on butane derivatives of $4.6 million as compared to an unrealized gain of $9.8 million in the Comparable Prior Period due to the significant change in future commodity price curves in the periods.

Production taxes and operating expenses

US$ thousands, except per bbl	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Production taxes	**852**	655	**2,643**	1,156
Operating expenses	**2,359**	2,364	**4,993**	3,343
	3,211	3,019	**7,636**	4,499
Production taxes per bbl	**8.37**	6.65	**9.13**	6.34
Operating expenses per bbl	**23.17**	23.99	**17.25**	18.35
	31.54	30.64	**26.38**	24.69

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 petroleum sales. 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 and nine month Reporting Periods, the production taxes amounted to $0.9 million ($8.37/bbl) and $2.6 million ($9.13/bbl) respectively as compared to $0.6 million ($6.65/bbl) and $1.2 million ($6.34/bbl) in the Comparable Prior Periods. The increase is due primary to the increase in petroleum sales in the Reporting Periods and the nine month Comparable Prior Period only includes 199 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 and nine month Reporting Periods amounted to $2.4 million ($23.17/bbl) and $5.0 million ($17.25/bbl), respectively as compared to $2.4 million ($23.99/bbl) and $3.3 million ($18.35/bbl) in the Comparable Prior Periods. The increase in aggregate operating expenses in the Reporting Periods is due to general increases in field maintenance activities due to the production response of the BFU miscible flood, the commitment to purchase mixed natural gas liquids, consisting primarily of butane for the miscible flood recovery program at a time when the Company is only injecting dry gas (see *"Contractual obligations and commitments"* section) and a surface land settlement of approximately $0.4 million to a large landholder in the BFU related to activities prior to the Atomic Group Acquisition. The increase in aggregate operating expenses in the nine month Reporting Period is also due partially to the Comparable Prior Period, which includes only 199 days of operations from the Atomic Group Acquisition that closed on March 16, 2021.

Additionally, for purposes of improving its paraffin mitigation program, the Company initiated condensate treatments in the third quarter of 2022 to significantly reduce the necessity of hot oil treatments, which improved the paraffin issues and was a safer procedure for its field operators. The Company incurred $0.5 million ($4.72/bbl) in additional operating expenses in the three month Reporting Period related to the condensate treatments, and the offsetting recovered condensate from the treatments of $0.4 million ($3.81/bbl) is recorded in petroleum sales.

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

US$ thousands, except per bbl	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
DD&A	**1,192**	1,291	**3,510**	2,430
DD&A per bbl	**11.71**	13.10	**12.13**	13.34

DD&A for the three and nine month Reporting Periods was $1.2 million ($11.71/bbl) and $3.5 million ($12.13/bbl), respectively as compared to $1.3 million ($13.10/bbl) and $2.4 million ($13.34/bbl) in the Comparable Prior Periods. 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 in the nine month Reporting Period is due primarily to the Comparable Prior Period, which includes only 199 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 September 30, 2022	2021	Nine months ended September 30, 2022	2021
Salaries, benefits and consultants	**1,471**	1,763	**4,808**	4,306
Other	**591**	690	**1,658**	1,512
	2,062	2,453	**6,466**	5,818

G&A expenses amounted to $2.1 million and $6.5 million for the three and nine month Reporting Periods, respectively as compared to $2.5 million and $5.8 million in the Comparable Prior Periods. The increase in G&A expenses in the nine month Reporting Period is due partially to employee, office expenditures and consulting and advisory services with respect to the US operations as the Comparable Prior Period includes only 199 days as the Atomic Group Acquisition closed on March 16, 2021. The increase in aggregate G&A expenses in the nine month Reporting Period is also due to general increases in travel due to the easing of the COVID-19 restrictions, software enhancements and consulting fees to improve business processes.

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 $0.1 million and $3.6 million has been recognized in the net (loss) income for three and nine month Reporting Periods respectively 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 September 30, 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	(459,095)	0.51
Balance, September 30, 2022	**18,986,644**	**0.45**

Finance costs

Finance costs amounted to $2.1 million and $6.1 million for the three and nine month Reporting Periods respectively, as compared to $2.0 million and $2.9 million in the Comparable Prior Periods. The following table provides details of finance costs.

US$ thousands	Three months ended September 30, 2022	2021	Nine months ended September 30, 2022	2021
Interest expense on the SCF	**1,381**	1,438	**4,357**	3,094
Financing costs related to SCF	**826**	15	**3,263**	777
Financing costs related to convertible bonds	**2,312**	-	**2,312**	-
Interest on lease liabilities	**1**	2	**5**	7
Interest income	**(52)**	(44)	**(386)**	(69)
Accretion of the SCF	**703**	441	**1,692**	945
Accretion of asset retirement obligation	**53**	16	**128**	34
	5,224	1,868	**11,371**	4,788

The finance costs incurred in the Reporting Periods and the Comparable Prior Periods relate primarily to the SCF and ongoing US operations. The increase in interest expense in the nine month Reporting Period is due to the initial draw of $45.0 million from the Senior Credit Facility occurring on March 16, 2021. Additional financing costs were incurred in the first nine months of 2022 that relate primarily to the $1.8 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.

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 exceeded 2.0% in both August and September 2022 and as at September 30, 2022 was anticipated to vary between 3.6% and 4.7% for the remaining monthly periods until maturity of the facility in March 2025. The current, maximum interest risk exposure is approximately $1.1 million of additional interest expense per annum, assuming a LIBOR rate of 4.7% is applicable for the full year. There were no interest derivative contracts as at or entered into subsequent to September 30, 2022 to manage the interest rate risk.

(Gain) loss on derivative liabilities

For the three and nine month Reporting Periods, the Company recorded a gain of $3.7 million and $2.1 million, respectively as compared to a loss of $0.2 million and $10.9 million in the Comparable Prior Periods, that related to the remeasurement of the fair value of derivative liabilities as follows:

	Three months ended September 30,		**Nine months ended September 30,**	
US$ thousands	**2022**	2021	**2022**	2021
Lender warrants revaluation	**230**	(3,610)	**22**	(1,130)
LIBOR interest rate floor revaluation	**(174)**	(151)	**(1,189)**	(388)
Bondholders' warrants revaluation	**(1,856)**	-	**(1,856)**	-
Unit warrants revaluation	**(290)**	(4,899)	**(1,172)**	3,433
2020 short term loan warrants revaluation	**-**	(277)	**(3)**	16
(Gain) loss on derivative liabilities	**(2,090)**	(8,937)	**(4,198)**	1,931

The lender warrant revaluation and LIBOR interest rate floor revaluation relates to the SCF issued on March 16, 2021 as discussed in the *"Capital Resources and Liquidity - Indebtedness"* section and the unit warrants revaluation in 2022 relates to the brokered placing that closed in the UK on April 22, 2022 as discussed in the *"Capital Resources and Liquidity – Shareholders' Equity"* section.

CAPITAL EXPENDITURES

Capital expenditures

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

	Three months ended September 30,		**Nine months ended September 30,**	
US$ thousands	**2022**	2021	**2022**	2021
Acquisitions	**19,294**	-	**19,294**	45,079
Miscible flood injection costs	**1,365**	4,020	**5,228**	8,621
Exploration costs	**-**	745	**274**	962
Well recompletions	**-**	523	**-**	832
Capitalized workovers	**718**	-	**1,132**	-
Facilities	**-**	431	**-**	871
Other	**255**	185	**399**	285
	21,632	5,904	**26,327**	56,650

On July 26, 2022, the Company's affiliate, COPLA closed the Cuda Asset Acquisition for cash consideration of $19.3 million including $0.1 million in acquisition costs (see *"Overview and Overall Performance – Asset Acquisition"* section). In the three and nine month Reporting Periods, $1.4 million and $5.2 million, respectively of capital expenditures related to natural gas and liquid injections for the miscible flood recovery program in the

BFU as compared to $4.0 million and $8.6 million in the Comparable Prior Periods. 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 dry natural gas and NGLs from third parties to inject through seven injector wells. The miscible flood recovery program has significantly increased the pressure in the reservoir and has resulted in increased oil production since the Atomic Group Acquisition. In February 2022, due to higher commodity prices and reservoir modeling that suggested sufficient NGLs had 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, in an effort to reduce expenditures which continued to September 2022. The Company resumed a combination of dry natural gas and NGL injection in October 2022 to increase the effectiveness of the miscible flood.

Assets retirement obligations ("ARO")

As at September 30, 2022, the Company recognized an ARO of $6.7 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 and the Cuda Asset 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 $20.3 million as at September 30, 2022. The majority of these obligations are anticipated to be incurred 20 to 45 years in the future. As at September 30, 2022, the ARO was calculated using a discount factor of 4.08% 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 $2.1 million from $7.8 million to $5.7 million during the first nine months of 2022 represents cash provided by operating and financing activities of $25.2 million net of cash used in investing activities of $27.3 million. As at September 30, 2022, the cash and cash equivalent balance included $0.5 million held in escrow accounts with respect to certain royalty payments, pursuant to US legal requirements.

Working capital

The Company had a working capital deficiency of $8.7 million as at September 30, 2022, as compared to a working capital deficiency of $40.0 million as 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 September 30, 2022 (see *"Capital Resources and Liquidity - Indebtedness"*). As at September 30, 2022, the major components of the Company's current assets were cash and cash equivalents (71%) and accounts receivable (19%) that are comprised primarily of a $0.4 million revenue receivable from one purchaser and $0.7 million from its joint interest partners in the Wyoming assets. The Company considers all of its accounts receivable as at September 30, 2022 to be collectable.

Current liabilities largely consist of trade payables and accrued liabilities (31%), revenue and production taxes payable (38%) related to the Company's operations and commodity derivative liabilities from risk management contracts (30%) with respect 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

Convertible Bonds

On July 26, 2022, the Company (the "**Issuer**") issued at a 22% discount to the principal face value of two series of unsecured convertible bonds with a principal face value amount of $25.2 million as follows:

- 63 bonds at a principal face value of $0.2 million per bond for an aggregate principal face value of $12.6 million maturing on July 26, 2024 (the **"2024 Bonds"**); and
- 63 bonds at a principal face value of $0.2 million per bond for an aggregate principal face value of $12.6 million maturing on July 26, 2025 (the "**2025 Bonds**", and collectively with the 2024 Bonds, the "**Bonds**").

The Bonds are anchored by a long-term, UK-based institutional shareholder (the "**Lead Investor**") and other investors (all investors collectively, "**Bondholders**"). The Bonds are structured to incentivize the Company to refinance the Senior Credit Facility by no later than December 25, 2022 and in certain ways to accommodate, the implementation of a planned reserve based loan ("**RBL**") facility that refinances the Senior Credit Facility.

Generally, until July 26, 2025, the Lead Investor and its affiliates effectively have a right of first refusal regarding transactions convertible into shares or economically having that effect whether by way of swaps or otherwise concerning the Company and its subsidiaries.

An ability to issue further Bonds on the same terms and comprised in the same series as the relevant Bonds allows the Company to draw further funds, should it require, with the aim of increasing production or future development programs, subject to mutual agreement with the Lead Investor.

The Company used proceeds from the Bonds issuance to finance the Cuda Asset Acquisition as discussed in the *"Overview and Overall Performance – Asset Acquisition"* section.

Terms

The 2024 Bonds and 2025 Bonds have the same commercial terms, other than in relation to their maturity dates.

The Bonds are currently unsecured. However, upon security interests being granted in relation to the RBL, the Company is obliged to ensure that it and its subsidiaries grant the Bondholders a customary second ranking "security and guarantee package" covering the same security collateral as was provided in relation to the RBL. Moreover, while the Bonds are outstanding, the Company may not grant any security for financial indebtedness or financial indebtedness guarantees without (at the same time or before) granting a pari passu equivalent security package to the relevant Bondholders.

The Bonds were issued at a discount of 22% to the principal amount for proceeds of approximately $19.7 million.

The Bonds have a 13.0% interest rate per annum on the principal face value of the Bonds, which increases by 0.75% per annum on each three month anniversary of the issue date (each such anniversary an "**Interest Payment Date**") until maturity or, until the Company gives notice to the Bondholders that it shall pay all Bond interest in cash (the "**Cash Payment Notice**"). The Cash Payment Notice cannot be issued by the Company until the Senior Credit Facility has been repaid and discharged. From the date the Company provides a Cash Payment Notice, the interest rate will decrease by 2.0% per annum and no further three monthly increases of 0.75% per annum will apply.

Unless the Company provides the Cash Payment Notice to the Bondholders, interest is accrued and its payment deferred until the earlier of: (a) conversion of the Bonds, at which time such accrued unpaid deferred interest will be included in the Conversion Payment (as defined below); and (b) maturity of the Bonds, at which time accrued unpaid deferred interest will be included in the maturity redemption amount; and (c) certain contingent "early exit" type scenarios for the Bondholders, which include the date of an acceleration notice delivered to the Company by a Bondholder and the Company deciding to redeem the Bonds ahead of the scheduled maturity, at which time accrued unpaid deferred interest will be payable.

However, from the date the Company provides a Cash Payment Notice, interest will be payable as follows: (a) all accrued unpaid deferred interest must be paid by the Company on the first Interest Payment Date after the Cash Payment Notice; (b) all interest relating to the interest period in which the Cash Payment Notice is given must be paid on the first Interest Payment Date after the Cash Payment Notice; and (c) all interest relating to an interest period falling after when the Cash Payment Notice is given must be paid on the Interest Payment Date at the end of such interest period.

Bondholders have the right to convert their Bonds at anytime (**the** "**Conversion Option**") at an initial fixed conversion price of £0.1675 ($0.2001) per Common Share, which is subject to customary anti-dilution protections and price re-adjustments. This initial fixed conversion price will be reset to £0.1325 ($0.1583) per Common Share: (a) on the date falling 5 months after the issue date, if either the Senior Credit Facility is not repaid or a Cash Payment Notice is not issued in each case prior to the date falling five months after the issue date; and (b) in any event, on the first annual anniversary of the issue date of the Bonds.

The conversion of the Bonds also results in a payment due to the Bondholders (the "**Conversion Payment**") that is calculated as the sum of: (a) a redemption premium of 19% of the relevant principal face value of the Bonds being redeemed; (b) the relevant make whole amount calculated as the sum of the present values of all interest payable on the principal face value from the conversion date until maturity and discounted at 2% per annum on a quarterly compounding basis; and (c) all accrued but unpaid interest, including deferred interest to the conversion date. Subject to the next paragraph, the Conversion Payment is payable as follows: (a) if a Cash Payment Notice has been given, the Conversion Payment shall be made 7 business days after the relevant conversion date; and (b) if a Cash Payment Notice has not yet been given, the Conversion Payment shall be deferred and paid on the earlier of: (i) the maturity date for the relevant Bonds; (ii) certain contingent "early exit" type scenarios for the Bondholders; and (iii) the Interest Payment Date immediately after when a Cash Payment Notice is given. If a Conversion Payment is deferred it will bear interest at the applicable interest rate referred to above from the day falling 6 months after the issue date until the relevant date for payment or as applicable the date that shares are delivered pursuant to the Share Settlement Option referred to below

The Conversion Payment can at the Bondholder's option, be settled in shares (the "**Share Settlement Option")** if a share settlement notice is issued by the Bondholder and: (a) no Cash Payment Notice has been given by the Company on or prior to such notice's date of issue; and (b) such notice is given on or after 45 days from the relevant conversion date. The Share Settlement Option provides for the Conversion Payment to be settled by the Company issuing a number of Common Shares that is calculated by dividing the Conversion Payment by the lowest daily volume weighted average market price of the Common Shares for the five consecutive trading days immediately after the date of the share settlement notice.

At the relevant maturity date any relevant Bonds outstanding, except for the Bonds in which the Conversion Option has been exercised will be redeemed by the Company by a cash payment on the maturity date of the maturity redemption amount of: (a) 119% of the principal face value amount of the relevant Bonds; and (b) all accrued but unpaid interest up to the maturity date.

Subject to the right of each Bondholder to exercise its conversion rights, by giving not less than 30 days and not more than 45 days notice (the "**Issuer's Option Notice**"), the Issuer may at its option redeem all, but not some of the Bonds by the cash payment (on the date (the "**Issuer Option Redemption Date**") specified in the Issuer Option Notice of an early redemption amount (the "**Issuer Call Early Redemption Amount**") in respect of each Bond outstanding, at any time on or after the date falling six months after the issue date, if the value of a Bond as determined by the calculation agent, on at least 20 dealing days in any period of 30 consecutive dealing days not ending earlier than 7 dealing days prior to the giving of the relevant Issuer Option Notice, has exceeded US$0.26 million (such option of the Company being the "**Issuer's Prepayment Option**"). The Company may not exercise the Issuer's Prepayment Option prior to the date falling 6 months after the issue date. The Issuer Call Early Redemption Amount is comprised of: (a)(i) 114% of the principal face value of the relevant Bonds if the redemption date falls into the period between 6 and 12 months from the issue date; or (ii) 109% of the principal face value of the relevant Bonds if the redemption falls into a period after 12 months from the issue date; (b) the relevant make whole amount calculated as the sum of the present values of all interest payable from the Issuer Option Redemption Date until maturity and discounted at 2% per annum on a quarterly compounding basis; and (c) all accrued but unpaid interest up to, but excluding the Issuer Option Redemption Date including any deferred interest.

Subject to a fundamental change event or an event of default, the Bondholder will have the right to require the Issuer to redeem in cash any of its Bonds (the "**Bondholders' Redemption Option**") in an amount equal to: (a) 119% of the principal face value amount of the relevant Bonds; (b) the relevant make whole amount calculated as the sum of the present values of all interest payable from the Issuer Option Redemption Date until maturity and discounted at 2% per annum on a quarterly compounding basis; and (c) all accrued but unpaid interest up to, but excluding the Issuer Option Redemption Date including any deferred interest. A fundamental change event is defined as a change in control, a de-listing event or a free float event, which is Common Shares held by shareholder groups holding less than 5% of the Company's outstanding share capital falling below 20% of the total outstanding share capital of the Company for a period of 20 consecutive business days.

The documentation relating to the Bonds contains various covenants, including in relation to anti-dilution matters and protection of rights relating to shares and events of default, including in relation to insolvency type matters, non-payment, non-performance, and cross-default under other financial indebtedness of the Company or its material subsidiaries. There is a calculation agent involved in performing and providing the various relevant calculations flowing from the documents relating to the Bonds, which are generally binding on all parties.

Bondholders' Warrants

On July 26, 2022, the Company also issued to the Bondholders a total of 54,792,590 Common Share purchase warrants (the "**Bondholders' Warrants**") as an additional compensation to Bondholders for their participation in the Bonds issue. Each Bondholders' Warrant entitles the holder to purchase one Common Share at an exercise price of £0.1675 ($0.2001) per Common Share on or before January 26, 2025.

The exercise price of the Bondholders' Warrants is denominated in GBP, and the Company's functional currency is US$. Accordingly, due to the variability in exchange rates this would not result in a fixed amount of equity instruments being issued for a fixed price and as such the Bondholders' Warrants are classified as a derivative financial instrument and subsequently revalued at each balance sheet date.

The fair value of Bondholders' Warrants as of July 26, 2022, estimated at $5.1 million, using a Black-Scholes option pricing model, with payoffs modified to account for dilution, was recognized as a derivative liability as at the date of issue of these Bondholders' Warrants. As at September 30, 2022, the fair value of the Bondholders' Warrants was estimated to be $3.2 million. Accordingly, the Company recognized a gain on the derivative liability of $1.9 million in its statement of net (loss) income.

Costs related to the issue of Bonds

In connection with the issue of the Bonds, the Company incurred brokers' fees for a total of $1.18 million that was paid by the issue of 5,895,000 Common Shares to brokers on August 9, 2022. The Company also issued 5,895,000 Common Share purchase warrants to its brokers (the "**Bond Brokers' Warrants**"), as an additional compensation. Each Bond Brokers' Warrants entitled the holder to purchase one Common Share at an exercise price of £0.1675 ($0.2001) per Common Share on or before October 24, 2022, which expired unexercised.

The fair value of the Bond Brokers' Warrants as at July 26, 2022 was estimated at $0.24 million, using a Black-Scholes option pricing model. Given that fees and warrants represent payments to the brokers in respect of issue of the Bonds, they are recognized as transaction costs and are not subject to further revaluations.

Other costs related to the Bonds include $0.4 million of Bondholders' legal fees, $0.4 million of Issuer's legal fees and $0.1 million of calculation agent fees.

Conversions

During the third quarter of 2022, the Company received conversion notices from Bondholders to convert three of the 2024 Bonds and 13 of the 2025 Bonds with a total principal amount of $3.2 million. Further to conversion provisions and calculations confirmed by the calculation agent, the Company issued a total of 15,992,002 Common Shares in respect of the conversion of these Bonds. As at September 30, 2022, there are 60 unconverted 2024 Bonds and 50 unconverted 2025 Bonds.

Subsequent Conversions

As at the date of filing the Financial Statements, the Company received additional conversion notices from its Bondholders to convert four of the 2024 Bonds and five of the 2025 Bonds. Further to these conversions the Company issued a total of 8,995,500 Common Shares.

Reporting

The Bonds include multiple embedded derivatives, consisting of the Conversion Option, the Share Settlement Option, the Issuer's Prepayment Option and the Bondholders' Redemption Option (collectively the "**Embedded Derivatives**"). Based on the terms, as described earlier in this section, the Company has determined that with the exception of the Issuer's Prepayment Option, which could be optionally bifurcated, these Embedded Derivatives would otherwise require bifurcation. The Company has elected to account for the entire hybrid instrument, being the 2024 Bonds and 2025 Bonds, at fair value through profit and loss ("**FVTPL**"). The Company made this election on the basis that recognizing the hybrid instruments at FVTPL provides more relevant information. In assessing the appropriateness of electing the fair value option, the Company considered that the Embedded Derivatives shared risks related to credit worthiness of the Company, market interest rates and share price volatility. The Bonds also measured at FVTPL, as opposed to amortized cost, also share such risks with the Embedded Derivatives. By recognizing the entire hybrid instrument at FVTPL, the Company is of the view that it eliminates the mismatch that would otherwise be created by bifurcating each of the Embedded Derivatives.

As at July 26, 2022, the FVTPL liability (the "**Bonds' FVTPL**") was estimated to be $20.3 million for the 2024 Bonds and $25.0 million for the 2025 Bonds, by the Company's external valuators. The initial fair value loss (the "**Deferred Loss**") was $13.8 million for the 2024 Bonds and $17.0 million for the 2025 Bonds, which is deferred and amortized on a straight-line basis over the life of the respective Bonds series. The fair value loss is deferred as there are significant unobservable inputs used in valuation model that are considered off market.

The following table provides a summary of the Deferred Loss as at September 30, 2022:

	2024 Bonds Deferred Loss	2025 Bonds Deferred Loss
Balance, beginning of period	-	-
Deferred Loss on initial recognition on July 26, 2022	13,783	16,964
Amortization of Deferred Loss	(1,244)	(1,022)
Accelerated amortization of Deferred Loss on conversions	(376)	(1,799)
Balance, end of the period	**12,163**	**14,143**

Due to the recognition of the Bonds at FVTPL, all of the costs related to issue of the Bonds for a total of $2.1 million, representing transaction costs, were recognized as finance expenses in the statement of net (loss) income.

At each reporting date as well as upon each conversion date of the Bonds, the Company reassesses the fair value of its Bonds and records any gain or loss that is attributable to changes in the Company's credit risk in other comprehensive (loss) income, and the remaining change in the statement of net (loss) income. For the three and nine months ended September 30, 2022, there was no gain or loss attributable to the change in the Company's credit risk.

At each conversion date of the Bonds, a value of Common Shares issued further to the conversions is recognized at an approximate amount of fair value of the converted Bonds less the fair value of the related Conversion Payment that remains within the fair value of the Bonds. The Company recorded additional share capital of $0.5 million in respect of the converted 2024 Bonds and $2.6 million in respect of the converted 2025 Bonds for the three and nine months ended September 30, 2022.

As at September 30, 2022, the Bonds' FVTPL, which includes the fair value of the Conversion Payment related to the Bonds converted during the reporting period were reassessed at $17.1 million for the 2024 Bonds and $20.3 million for the 2025 Bonds. The Company records the adjustment to recognize the Bonds at fair value as a gain or loss, along with the corresponding amortization of the Deferred Loss. Further, upon conversion of the Bonds the remaining amortization of the respective amount of the Deferred Loss is accelerated and recognized in gain or loss. As a result, the Company recognized a gain of $1.1 million and a loss of $0.8 million related to the 2024 Bonds and the 2025 Bonds, respectively for the three and nine months ended September 30, 2022.

The following table provides a summary of the Bonds and related liabilities as at September 30, 2022:

	2024 Bonds' FVTPL	2025 Bonds' FVTPL	Total Bonds' FVTPL	Bondholders' Warrants Derivative Liability
Initial fair value	20,315	25,003	45,318	5,085
Deferred Loss	(13,783)	(16,964)	(30,747)	-
Balance, at issue date of July 26, 2022	**6,532**	**8,039**	**14,571**	**5,085**
Conversion to Common Shares	(500)	(2,645)	(3,145)	-
Net change in fair value	(1,137)	812	(325)	(1,856)
Balance, September 30, 2022	**4,895**	**6,206**	**11,101**	**3,229**

As at September 30, 2022, the Company would be contractually required to pay at maturity a maximum of $19.9 million in respect of the 2024 Bonds and $22.7 million in respect of the 2024 Bonds, assuming that the Bonds are not repaid in cash earlier than at maturity, that all remaining Bonds are converted before January 26, 2023 and that none of the Bondholders elects to receive its Conversion Payment in shares earlier than at maturity.

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 "**COPLA**"), 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 COPLA 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 is subject to an interest rate of LIBOR, with a floor of 2.0% plus 10.5% per annum paid monthly in arrears. The outstanding loan principal is repaid monthly by COPLA's cash resources less expenditures approved by the Lender in excess of $2.5 million, or COPLA may prepay amounts outstanding subject to prepayment premiums. The SCF includes mandatory prepayments toward amounts outstanding for any COPLA transactions that are: (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 by COPLA.

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 2.75:1) 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 COPLA and its US subsidiaries.

Under a separate warrant purchase agreement dated March 16, 2021, the Lender was granted warrants representing 5% of the fully diluted common shares of COPLA for an exercise price of $0.01 per share. Pursuant to a third amending agreement to the SCF effective as of March 31, 2022, the Lender was granted on April 6, 2022 warrants representing an additional 1% of the fully diluted common shares of COPLA for an exercise price of $0.01 per share for a combined total warrant coverage of 6% of such fully diluted shares (collectively the "**Lender Warrants**"**)**. 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 the occurrence of certain trigger events, 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 and 6% of the net asset value of COPLA at such time, subject to certain adjustments. 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 puttable financial instruments at the option of the Lender, following the occurrence of certain trigger events, the Lender Warrants 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 (loss) income.

On June 30, 2022, pursuant to a fourth amending agreement to the Senior Credit Facility, the Company repaid $2.9 million of the principal loan balance and $0.3 million in related fees that were recognized as finance costs. Accordingly, the outstanding principal amount of the Senior Credit Facility was $42.1 million as at September 30, 2022

The following table provides a summary of the SCF including associated derivative liabilities as at September 30, 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 June 30, 2022 (a)	-	940	940
LIBOR floor revaluation as at June 30, 2022 (b)	-	(1,189)	(1,189)
Repayment of principal amount	(2,883)	-	(2,883)
Accretion	1,692	-	1,692
Balance, September 30, 2022	**35,181**	**3,316**	**38,497**

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 September 30, 2022, the Lender Warrants were revalued at $3.2 million using 6% of an adjusted net assets value of COPLA (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 $0.9 million related to an initial valuation of the additional 1% Lender Warrants of $0.9 million recognized in financing costs pursuant to a third amending agreement to the SCF and an offsetting gain on derivative liabilities of $0.02 million for the nine months ended September 30, 2022.

(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 one-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 (loss) income. As at September 30, 2022, the LIBOR floor was revalued at $0.1 million (December 31, 2021 - $1.3 million) and the resulting change in fair value of $1.2 million was recognized as a gain on derivatives in net (loss) income for the nine 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%, which has increased to 23.8% as at September 30, 2022 due to the forward LIBOR rate in excess of the 2.0% floor. 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 and nine month Reporting Periods, COPLA paid interest on this loan in the amount of $1.4 and $4.4 million respectively.

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 covenant at the end of November 2021 and the end of February 2022 due mainly to an uncollected joint interest receivable from Cuda, which was a joint interest partner in receivership (see *"Overview and Overall Performance – Asset Acquisition"* 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 was classified as a non-current liability as at March 31, 2022.

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

- submitted an Approved Plan of Development ("**APOD**") related to spending from March 31, 2022 to June 30, 2022 and the Lender approved as at April 15, 2022;
- submitted an APOD related to spending from March 31, 2022 to December 31, 2022 and the Lender has approved as at June 30, 2022;
- the waiver fee of $1.18 million has been reflected in finance costs in the nine month Reporting Period and paid on June 30, 2022; and
- the Lender Warrants that in aggregate are exercisable for 6% of the common shares in the Borrower have been issued.

On June 30, 2022, pursuant to a fourth amending agreement to the SCF, the Borrower received a waiver from the Lender for not meeting the requirements of the leverage ratio of 2.75:1.0 as at June 30, 2022 subject to certain conditions including delivery of updated APODs by September 30, 2022 and December 31, 2022 and closing the acquisition of Cuda assets by July 31, 2022, which have been satisfied (see *"Overview and Overall Performance – Asset Acquisition"* section). Due to the waiver, the Company is not in default on the Senior Credit Facility and the indebtedness was classified as a non-current liability as at June 30, 2022.

On September 30, 2022, pursuant to a limited waiver to the SCF, the Borrower received a waiver from the Lender for not meeting the requirements of the leverage ratio of 2.50:1.0 as at September 30, 2022 subject to certain conditions including delivery of an updated APOD for the period commencing on August 1, 2022 to December 31, 2022 and the payment of an initial waiver fee of $0.2 million which has been satisfied. Additionally, the Borrower shall deliver an APOD for the period commencing on January 1, 2023 to March 31, 2023 by December 31, 2022 and an additional waiver fee of $0.4 million payable no later than the earlier of the date the SCF is paid in full and December 31, 2022. Due to the waiver, the Company is not in default on the Senior Credit Facility and the indebtedness has been classified as a non-current liability as at September 30, 2022. These waiver fees for a total of $0.6 million were recorded as a finance expense for the Reporting Periods.

Shareholders' Equity

The shareholders' equity increased from $35.0 million as at December 31, 2021 to $37.3 million as at September 30, 2022. This increase of $2.3 million resulted primarily from the following:

- an increase in share capital of $15.2 million due mainly to a brokered placing that closed in the UK on April 22, 2022 in which 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 for a total of 24,965,000 unit warrants. Each 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. The increase is also due to the issuance of 15,992,002 Common Shares due to Bond conversions with a fair value of $3.1 million and the issuance of 5,895,000 Common Shares as a brokers' fee for the Bonds (see *"Capital Resources and Liquidity - Indebtedness" section "* section).
- an increase in the contributed capital reserve of $3.6 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
- an increase in the deficit as a result of a net (loss) income of $17.2 million incurred in the nine month Reporting Period.

Securities outstanding as at September 30, 2022

As at September 30, 2022, the Company had the following issued and outstanding securities:

- 266,336,466 issued and outstanding Common Shares;
- 92,089,790 Common Share purchase warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of $0.24 per share and a remaining contractual life of 22 days to approximately 28 months; and
- 18,986,644 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 two months to four years and four months.

As at the date of this MD&A, the Company's issued and outstanding Common Shares increased 8,995,500 to 275,331,966 pursuant to a conversion of the Bonds and the Company's issued and outstanding Common Share purchase warrants decreased 30,860,000 to 61,229,790 due to expiries.

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 *"Capital Resources and Liquidity – Indebtedness and Shareholders' Equity"* the Company closed a Convertible Bond financing in July 2022 and a brokered equity placing 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. 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 September 30, 2022:

Calendar year (US$ thousands)	**2022**	**2023-2024**	**2025-2026**	**Thereafter**
Accounts payable and accrued liabilities	11,684	-	-	-
Bonds	-	18,332	18,867	
Senior Credit Facility	-	-	42,117	-
Lender Warrants	-	-	3,190	-
NGL purchase agreements(1)	429	4,165	3,640	-
Lease liabilities(2)	21	136	-	-
Total estimated contractual commitments(3)	**12,134**	**22,633**	**67,814**	**-**

(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 (see *"Capital Expenditures - Assets retirement obligations"* section).

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 initially 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 and there is uncertainty that any commitments continue to exist as there is significant risk the OPL 226 PSC will not be extended (see *"Overview and Overall Performance – African Portfolio"*).

SUMMARY OF QUARTERLY RESULTS

The following table provides a summary of quarterly information:

Quarters Ended ($US thousands, except unit and per unit amounts, shares and per share amounts)	**Sep22**	Jun22	Mar22	Dec21	Sep21	Jun21	Mar21[2]	Dec20
OPERATING								
Average net daily production								
Light oil (bbls/d)	**1,107**	961	1,114	1,094	1,071	796	706	-
Natural gas (mcf/d)[1]	**1,899**	1,220	1,255	1,283	1,068	497	428	-
Total (boe/d)[2]	**1,423**	1,164	1,323	1,308	1,249	878	777	-
Netback (US$/bbl)								
Realized sales price	**89.26**	104.74	91.14	73.91	67.52	61.39	56.33	-
Realized loss on crude oil derivatives	**(33.20)**	(53.87)	(34.60)	(13.56)	(6.58)	(3.61)	-	-
Royalties	**(19.46)**	(23.67)	(20.57)	(16.01)	(14.32)	(13.94)	(12.34)	-
Production taxes	**(8.37)**	(10.27)	(8.91)	(7.39)	(6.65)	(6.06)	(5.49)	-
Operating expenses	**(23.17)**	(15.08)	(13.13)	(9.30)	(23.99)	(12.04)	(9.47)	-
Realized gain on butane derivatives	**10.99**	23.70	25.71	16.32	10.90	1.37	-	-
Operating netback[3]	**16.05**	25.55	39.64	43.97	26.88	27.11	29.03	-
FINANCIAL								
Petroleum sales, net of royalties	**7,107**	7,087	7,073	5,829	5,242	3,435	497	-
Realized loss on crude oil derivatives	**(3,380)**	(4,709)	(3,468)	(1,365)	(648)	(261)	-	-
Unrealized gain (loss) on crude oil derivatives	**10,382**	667	(9,610)	(692)	(2,456)	(9,437)	2,254	-
Production taxes	**(852)**	(898)	(893)	(744)	(655)	(439)	(62)	-
Operating costs	**(2,359)**	(1,318)	(1,316)	(936)	(2,364)	(872)	(107)	-
Realized gain on butane derivatives	**1,119**	2,072	2,577	1,643	1,074	99	-	-
Unrealized gain (loss) on butane derivatives	**(5,618)**	(3,081)	4,096	(2,468)	3,718	7,165	(1,060)	-
Operating income (loss)[3]	**6,399**	(180)	(1,541)	1,267	3,911	(310)	1,522	-
Depletion, depreciation and amortization	**(1,192)**	(1,064)	(1,254)	(1,252)	(1,291)	(975)	(164)	(18)
General and administrative	**(2,062)**	(2,342)	(2,062)	(2,484)	(2,453)	(1,942)	(1,423)	(1,008)
Share-based compensation	**(101)**	(124)	(3,329)	-	-	-	-	-
Finance costs	**(5,224)**	(2,100)	(4,047)	(2,110)	(1,868)	(2,047)	(873)	(16)
Change in fair value of convertible bonds	**325**	-	-	-	-	-	-	-
Gain (loss) on derivative liabilities	**2,090**	3,698	(1,590)	3,022	8,937	(155)	(10,713)	115
Gain on extinguishment of loan	**-**	-	-	-	332	-	-	-
Other	**(701)**	(652)	(189)	46	(100)	(298)	(2,115)	(746)
Net (loss) income	**(466)**	(2,764)	(14,012)	(1,511)	7,468	(5,727)	(13,766)	(1,673)
Net (loss) income per share – basic and diluted (US$)	**-**	(0.01)	(0.07)	(0.01)	0.05	(0.04)	(0.14)	(0.03)
Weighted average Common Shares (000s) – basic	**256,222**	232,927	194,519	173,805	159,108	149,536	98,960	48,722
End of period Common Shares (000s)	**266,336**	244,449	194,519	194,519	164,269	149,786	149,511	48,722
Capital expenditures	**21,632**	1,690	3,005	10,718	5,904	10,419	40,327	5,031
Cash and cash equivalents	**5,664**	11,520	6,858	7,841	11,497	15,552	28,996	1,401
Current assets	**8,031**	17,419	13,132	15,390	17,637	20,341	32,617	1,658
Total assets	**114,849**	100,595	96,992	98,778	86,603	84,281	92,580	6,992
Indebtedness	**46,282**	34,478	36,851	36,372	35,908	35,798	35,384	683
Derivative liabilities related to indebtedness	**6,545**	3,260	6,027	3,565	5,634	9,395	9,428	91
Shareholders' equity (deficit)	**37,307**	32,764	24,409	35,011	29,247	13,062	18,571	(595)

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 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 and the 3 month Reporting Period includes the Cuda Asset 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 Periods and Comparable Prior Periods.

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 nine 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 ACCOUNTING 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.

Future Changes in Accounting Policies

Amendments to IAS 1 – "Presentation of Financial Statements"

The amendments clarify how to classify debt and other liabilities as current or non-current. The amendments to IAS 1 apply to annual reporting periods beginning on or after January 1, 2023. The Company is currently assessing the impact of these amendments.

IFRS Interpretation Committee Agenda Decision - Cash with Restriction on Use Arising from a Contract with a Third Party (IAS 7, Statement of Cash Flow)

In April 2022, the IFRS Interpretation Committee ("**IFRS IC**") concluded that restrictions on the use of cash held in escrow accounts arising from a contract with a third party may change the nature of the cash in a way that it would no longer meet the definition of cash in IAS 7, *"Statement of Cash Flow"*. If the entity cannot access the cash held in escrow, the entity should not include the escrowed funds as a component of "cash and cash equivalents" in the statements of financial position and the statements of cash flows. The impact this IFRS IC agenda decision is not material to the Financial Statements.

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 nine 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, has 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