

CANADIAN OVERSEAS PETROLEUM LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2021

The following is Management's Discussion and Analysis ("MD&A") of the operating and financial results of Canadian Overseas Petroleum Limited, and its wholly owned subsidiaries COPL Technical Services Limited, Canadian Overseas Petroleum (UK) Limited ("COPL UK"), Canadian Overseas Petroleum (Bermuda Holdings) Limited ("COPL Bermuda Holdings"), Canadian Overseas Petroleum (Bermuda) Limited ("COPL Bermuda"), Canadian Overseas Petroleum (Namibia) Limited ("COPL Namibia"), Canadian Overseas Petroleum (Ontario) Limited ("COPL Ontario"), COPL America Holding Inc., COPL America Inc. ("COPL America"), Atomic Oil & Gas LLC ("Atomic"), PipeCo LLC ("PipeCo") and Southwestern Production Corp. ("SWP") (collectively "COPL" or the "Company") as at June 30, 2021 and for the three and six month periods ended June 30, 2021 and 2020 (the "financial statements"). The information is provided as of August 31, 2021. The results for the three and six month periods ended June 30, 2021 have been compared to the corresponding periods of 2020. This MD&A should be read in conjunction with the Company's audited consolidated financial statements as at and for the years ended December 31, 2020 and 2019, together with the accompanying notes and the Annual Information Form of the Company dated April 30, 2021 (the "AIF"). These documents and additional information about COPL are available on the Company's website at www.canoverseas.com and on SEDAR at www.sedar.com.

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

BUSINESS OF THE COMPANY – MANAGEMENT

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

COPL is an international oil and gas exploration/appraisal, development and production company focused in the United States and sub-Saharan Africa. The Company formed a joint venture company with Shoreline Energy International Limited ("Shoreline") to diversify and balance its asset portfolio to generate stable cash flow from secure assets. Both partners hold a 50% interest in the jointly controlled company, Shoreline Canoverseas Petroleum Development Corporation Limited ("ShoreCan"), which was incorporated on October 24, 2014. ShoreCan is focused on acquiring upstream oil and gas exploration, development and producing assets in Africa.

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

The Atomic Group was a closely-held private oil and gas company incorporated under the laws of the State of Colorado, USA. Atomic's assets are located in the Powder River Basin in the State of Wyoming, USA where it holds operated interests in approximately 47,992 gross acres of contiguous leasehold. There are two oil production Units within the lease block: the Barron Flats Shannon Miscible Flood Unit ("BFU") (57.71% working interest "WI") and the Cole Creek Unit (66.67% WI), as well as one unitized exploration area, the Barron Flats Deep Federal Unit (55.56% WI). Atomic owns a 100% membership interest in PipeCo, a wholly-owned subsidiary of Atomic that holds a 100% interest in a gas pipeline and infrastructure that services the Barron Flats area. SWP is the operator of all above mentioned oil and gas assets.

Senior management and strategic corporate functions are performed by COPL's head office in Calgary, and geological, geophysical, engineering, accounting and administrative functions are performed by COPL Technical Services Limited. Some senior management, financial, technical and projects related functions are provided by COPL UK. The US operating, accounting and administrative functions for Atomic, PipeCo and SWP are performed by SWP's office in Denver, Colorado. COPL Bermuda Holdings, COPL Bermuda and COPL Namibia (currently dormant) were incorporated for operations in offshore Liberia and potential opportunities elsewhere in Africa. COPL Ontario was incorporated on December 15, 2017 for the purpose of an anticipated operation in Canada.

FORWARD-LOOKING INFORMATION AND STATEMENTS

This MD&A contains forward-looking statements relating to future events or future performance. In some cases, forward-looking information and forward-looking statements can be identified by terminology such as "may", "will", "should", "expects", "projects", "plans", "anticipates", "potential", "intend", "believe", "NON-GAAP measures", "Netback" and similar expressions. These statements represent management's expectations or beliefs concerning, among other things, future operating results and various components thereof or the economic performance of COPL. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks and uncertainties, including the business risks discussed in the AIF dated April 30, 2021, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Operating conditions can have a significant effect on the timing of events. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted.

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

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

The Company's AIF for the year ended December 31, 2020 and the Company's public disclosure documents on www.SEDAR.com describe major risks, material assumptions and other factors related to forward-looking information and forward-looking statements that could influence actual results and are incorporated herein by reference. These risks, assumptions and other factors have been provided for readers to gain a more complete perspective on COPL's future operations. However, readers should be cautioned that the list of factors is not exhaustive and that this information may not be appropriate for other purposes. Forward-looking information and forward-looking statements included or incorporated by reference in this MD&A are valid only as at the date of this MD&A, and the Company does not intend to update or revise these forward-looking statements and forward-looking information except as required by applicable securities laws. The forward-looking information and forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

OVERVIEW AND OVERALL PERFORMANCE

In the first quarter of 2021, management was focused on the Atomic Group Acquisition and obtaining financing for this acquisition. During the second quarter of 2021, and commencing on 1 April 2021, management focused on increasing gas injection at the BFU to increase oil production. The Company also continued to identify, evaluate and pursue exploration and development opportunities at its Wyoming assets, including workover activity at Cole Creek and planning for exploration wells at the Barron Flats Federal Deep Unit. Management is also reviewing other value enhancing asset acquisitions in Wyoming.

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

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED)***Atomic Group Acquisition – Business Combination*****(a) Summary of the acquisition**

On December 16, 2020, COPL announced that it had agreed to acquire Atomic for aggregate consideration of \$54 million. The effective date of the transaction is December 1, 2020 as defined in the Stock and Membership Interest Purchase Agreement between the Seller and the Company (the “Atomic SPA”). The opportunity to undertake this acquisition became available to the Company as a result of the COVID-19 environment and the drop in oil prices during 2020. This strategic acquisition represents a step change in the capacity and revenue generating opportunities available to the Company.

On March 16, 2021 (the “Closing”), the Company closed its acquisition of 100% of the membership interests in Atomic and 100% of the shares in Southwestern Production Corp. (“SWP”) (entities collectively, the “Atomic Group”) (together the “Atomic Group Acquisition”). For accounting purposes, the acquisition date is March 16, 2021, when the Company assumed control. In accordance with the Atomic SPA, certain assets and corresponding liabilities were excluded from the acquisition.

The Atomic Group Acquisition was accounted for in accordance with IFRS 3, “Business Combinations” using the acquisition method whereby the identifiable assets and liabilities assumed are recognized and measured at their fair value at the date of the acquisition, with the exception of income taxes, lease liabilities, and right-of-use assets. The asset retirement obligation (“ARO”) associated with the acquired assets is subsequently remeasured at the end of the reporting period using a risk-free discount rate, with any changes recognized in the ARO and associated PP&E balances on the consolidated statement of financial position.

(b) Purchase price allocation

In accordance with the Atomic SPA, the \$54 million purchase price is comprised of \$50 million in cash and \$4 million settled through the issuance of COPL shares (collectively, the “Atomic Purchase Price”). On March 16, 2021, the Company issued 818,873,319 Common Shares to the Seller that represented the fixed \$4 million of the purchase price consideration that was payable in COPL’s shares determined by using the weighted average closing price of COPL’s common shares on the LSE in the five (5) business days preceding the business day prior to the Closing as prescribed in the Atomic SPA. The Company financed the Purchase Price partially using the net proceeds from the Non-brokered Placing (See “*Share Capital* “section), and external debt of \$45 million (as described in below in “*Senior Credit Facility*”). Further to the Atomic SPA, the Company made a non-refundable deposit payment of \$1 million on December 15, 2020 (due upon signing the Atomic SPA) and a refundable deposit of \$4 million on December 31, 2020. Accordingly, \$5 million was recognized as a prepaid purchase price in the Company’s consolidated statement of financial position as at December 31, 2020. Subsequent to December 31, 2020, the remaining \$4 million refundable deposit was paid. At Closing, the Company settled the Atomic Group’s external debt of \$26.079 million, paid \$10 million in cash to the Seller, and withheld \$5 million of the Atomic Purchase Price pending the finalization of certain adjustments as agreed between the Seller and the Company. Subsequently, on April 14, 2021, the Company released \$5 million to the Seller.

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

The following preliminary purchase price allocation, subject to final settlement of the net debt and working capital adjustment, that impacts the final purchase consideration, is based on Management’s best estimate of the fair value assigned to the assets acquired and the liabilities assumed. The increase in the cash portion of the Atomic Purchase Price to \$50.079 million resulted from the previous debt facility settled on the Closing including interest and additional financing cost of \$0.079 million incurred since December 31, 2020. Upon finalizing the Purchase Price, adjustments may be required to the following allocation to the fair value of the net assets acquired.

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED)***Atomic Group Acquisition – Business Combination - continued*****(b) Purchase price allocation - continued**

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

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

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

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

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED)***Atomic Group Acquisition – Business Combination - continued*****(c) Acquisition costs**

Acquisition costs directly attributable to the Atomic Group Acquisition are expensed as incurred. In aggregate the Company incurred \$2.5 million in acquisition costs of which approximately \$0.431 million was recognized prior to January 1, 2021 and \$0.3 million and \$2.1 million during the three and six months ended June 30, 2021, respectively. These acquisition costs exclude share issuance costs that are netted against share capital in the consolidated statement of financial position.

(d) Revenue and net loss

Results of the Atomic Group Acquisition are included in the financial statements as at June 30, 2021 and for the period from the Closing to June 30, 2021. The acquired business contributed net oil sales revenue of \$3.9 million and \$0.9 million of the net income incurred from the date of acquisition to June 30, 2021.

United States operations

The Company is operator of 47,992 gross contiguous acres of leasehold in Converse and Natrona Counties in the State of Wyoming. Within the leasehold there are two (2) production Units: the Barron Flats Shannon Miscible Unit (57.71% WI) and the Cole Creek Unit (66.67% WI) and one unitized exploration area - the Barron Flats Federal Unit (Deep) (55.56% WI).

The Company's newly acquired Wyoming oil production operations performed ahead of expectations during the second quarter of 2021:

- oil production increased over the second quarter by 59% from approximately 1,220 bbl./d (gross) at April 1, 2021, to an exit production rate of approximately 1,935 bbl./d (gross) at June 30, 2021;
- gas injection (of approximately 60% natural gas and 40% butane propane) during the second quarter of 2021 was at an average rate of 6,843 Mcf/d;
- a recompletion program at Cole Creek commenced with the successful recompletion of three of twelve marginal producing oil wells;
- the Company also commenced planning for drilling an exploratory well to expand the Shannon Unit and to open a potential new field development.

Oil production response to the increased gas injection volumes commenced in earnest in the third week of May rising to 1,935 bbl./d (gross) at June 30, 2021. The Company is currently producing oil at a rate of 2,720 bbl./d (gross), and the Company expects that production will continue to increase as crude oil production response on the west side of the field is being observed and as enhanced surface production facilities are installed on newly flowing wells in the eastern area to handle increased oil production volumes and accompanying higher flowing pressures.

The Company commenced a recompletion program at the Cole Creek Unit targeting low productivity wells in the Frontier Formation. Three (3) low productivity wells were recompleted at Cole Creek in July by re-fracing the Frontier Sand reservoirs. Oil production from these wells continues to increase slowly as they continue with post-frac clean up through pumping. Nine (9) additional wells have been identified for reworking with the first of these re-fraced at the end of August 2021.

Total current Cole Creek production is 110 bbl./d (gross). The success of the initial wells of the recompletion campaign has demonstrated that this technique is a cost-effective way to increase production and materially increase Cole Creek Unit operating margins.

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

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED)***United States operations (continued)***

The Company has commenced drilling operations at the BFU Fed 14-30VF well location, a 9,212' exploration well with the primary objective to extend the Barron Flats Shannon Miscible Unit to the southwest and to evaluate oil potential of the Frontier and Dakota Formations. The location is adjacent to and southwest of the Barron Flats Shannon Miscible Unit. Intersection of the Shannon reservoir at this location will expand and increase the oil reserves attributed to the Barron Flats Shannon Miscible Unit. In addition, the BFU 14-30VF location is offsetting an abandoned well, one (1) mile to the west, drilled in the 1950s which has well developed apparent oil-bearing Frontier and Dakota sands. The Frontier Formation is the primary objective in the exploration portion of this well, potentially opening a new oil field development project close to the Company's existing oil production facilities.

As at 30 June 2021, the Company's affiliate SWP had a receivable of \$1.9 million from a non-operating working interest partner in the BFU, Cuda Energy LLC ("Cuda"). In July 2021 SWP filed a claim (the "Claim") in the Eighth Judicial District Court, State of Wyoming as plaintiff against Cuda, Bridging Finance, Inc. ("Bridging", and Tallinn Capital Energy L.P. ("Tallinn") as defendants. SWP's Claim seeks the following heads of relief: a judicial foreclosure order against the defendants of the SWP liens on Cuda's interest in the BFU Unit; an award of damages for breach of contract by Cuda; a quantum meruit or unjust enrichment judgment against Cuda; damages for a breach of promissory estoppel against Cuda; and a declaratory judgment as to the lien priority against Bridging and Tallinn to affirm SWP's first lien priority on Cuda's security against the Barron Flats Unit. Cuda received a copy of the Court Stamped Claim by email on July 27, 2021 and subsequently accepted service of the Claim on August 12, 2021. Subsequent to filing that Claim, SWP received a payment of \$1.9 million from a legal advisor's trust account on behalf of Cuda to settle outstanding sums. Cuda's current operating arrears owed to SWP amounts to \$0.6 million as reflected on Cuda's July 2021 joint interest billings. It should be noted that unless payments are received on time, the Claim against Cuda will be subsequently amended to reflect Cuda's ongoing cumulative arrears, and any further resulting damages. The Company intends to take all action available to recover sums due to its affiliates.

African Portfolio

In October 2014, COPL formed a joint venture company with Shoreline Energy International Limited called Shoreline CanOverseas Petroleum Development Corporation Limited ("ShoreCan"). Both partners hold a 50 percent interest in the jointly controlled company, which is focused on acquiring upstream oil and gas exploration, development and producing assets in Africa. ShoreCan is a special purpose vehicle registered in Bermuda. The following country and project overviews fall under the realm of ShoreCan's dealings.

Nigeria

On September 13, 2016, COPL announced that ShoreCan had completed the acquisition of 80% of the share capital of Essar Exploration and Production Limited (Nigeria) ("Essar Nigeria"). Essar Nigeria's sole asset is a 100% interest and operatorship of an oil prospecting license, located about 50 kilometres 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 twenty four months for the Phase-1 exploration period until September 30, 2020. The extension was subject to certain conditions, including submission of a Performance Bond of \$7 million that is required further to the Production Sharing Contract ("PSC"), to cover the Phase-1 exploration period work program at OPL 226.

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

OVERVIEW AND OVERALL PERFORMANCE (CONTINUED)***Nigeria (continued)***

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

Essar Mauritius filed a claim on March 27, 2020 in the High Court of Justice of England and Wales. Essar Mauritius sought in its claim to terminate the Shareholders’ Agreement and the Share Purchase Agreement dated August 17, 2015 and the resulting transfer of its shares in Essar Nigeria to ShoreCan.

On August 4, 2020 the Company announced that ShoreCan had executed definitive agreements with Essar Mauritius to resolve their disputes. ShoreCan and Essar Mauritius entered into a Sale and Purchase Agreement (the “Essar SPA Agreement”), and other agreements, with each other concerning, among other things, their respective obligations under the Essar Nigeria Shareholders Agreement. The Parties have since, on separate occasions agreed to extend the completion, most recently to 31 October 2021.

Essar Nigeria, has applied to the concessionaire and the regulator for an extension of the exploration period under the OPL 226 PSC beyond the current term ending September 30, 2020. Completion of the definitive agreements outlined above is subject to the grant of such an extension and other customary completion conditions. COPL understands that COVID 19 restrictions pertaining to travel and “in person” meetings have created delays regarding the application within the NNPC and the Department of Petroleum Resources (“DPR”) due to increases in protection measures to protect the Nigerian people from the increasing effects of the pandemic.

OUTLOOK

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

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

- continuing production in the Barron Flats Unit and the Cole Creek Unit;
- increasing gas injection at the Barron Flats Unit and further developing the facilities to handle gas injection and increased production capacity;
- re-completing up to 17 existing cased wells in the Cole Creek pool to increase oil production;
- drilling two to four new wells in the Cole Creek pool;
- drilling of horizontal proven unproducing development (“PUD”) locations in both the Dakota sand and Frontier 2 sand formation at Cole Creek;
- progressing the OPL 226 project in Nigeria; and
- evaluating new opportunities available in Africa, North America and elsewhere in the world.

OUTLOOK (CONTINUED)

COVID-19 Pandemic

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

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

The COVID-19 pandemic has a direct impact on the Company’s joint venture project in Nigeria and the resulting collectability of the long-term receivable from the Company’s joint venture partner (See “*ShoreCan’s Commitments*” section below).

The COVID-19 outbreak presents uncertainty and risk with respect to the Company, its performance, and estimates and assumptions used by management in the preparation of its financial results. This situation may continue for the time being and there can be no assurance that it will not cause a material adverse effect on the Company’s planned operations.

FINANCIAL SUMMARY

On March 16, 2021, the Company completed the acquisition of Atomic Group (as discussed in detail in “*Overview and Overall Performance*” section) and accordingly the Company’s results for the three and six months ended June 30, 2021 include the consolidated results of its US subsidiaries (Atomic, Pipoco, SWP, COPL America and COPL America Holding) for the 107-day period from March 16, 2021 to June 30, 2021.

Petroleum sales, revenue of \$3.4 million and \$3.9 million, production taxes of \$0.4 million and \$0.5 million, lease operating expenses of \$0.9 million and \$1.0 million were recorded for the three and six months ended June 30, 2021, respectively in respect of the US oil producing operation acquired. Realized loss on crude commodity derivatives amounted to \$0.3 million, and realized gain on butane commodity derivatives amounted to \$0.1 million for the three and six months ended June 30, 2021. Unrealized loss on crude commodity derivatives amounted to \$9.4 million and \$7.2 million, and unrealized gain on butane commodity derivatives amounted to \$7.2 million and \$6.1 million were recorded for the three and six months ended June 30, 2021, respectively. There were no such gains or losses recorded for the corresponding periods in 2020. Depletion, depreciation and amortisation expenses were \$1.0 million and \$1.1 million for the three and six months ended June 30, 2021, respectively, compared to \$0.02 million and \$0.04 million for the respective corresponding periods in 2020. For the three and six month periods ended June 30, 2021, the Company also recorded acquisition costs of \$0.3 million and \$2.1 million, respectively and pre-license costs of \$0.05 million and \$0.2 million; there were no such costs recorded in corresponding periods of 2020. General and administrative costs were \$1.9 million and \$3.4 million for the three and six months ended June 30, 2021, compared to \$0.6 million and \$0.9 million for the corresponding period in 2020.

Net financing costs amounted to \$2.0 million and \$2.9 million for the three and six months ended June 30, 2021, respectively compared to \$0.2 million for the corresponding periods in 2020. Loss on derivative liabilities amounted to \$0.2 million and \$10.9 million for the three and six months ended June 30, 2021, respectively compared to \$0.05 million for the corresponding periods in 2020. A net foreign exchange gain of \$0.01 million and a loss of \$0.1 million was recognized for the three and six months ended June 30, 2021, compared to a foreign exchange loss of \$0.06 million and \$0.08 million for the respective corresponding periods in 2020. The Company recognized a loss of \$nil and \$1,000 on the Company’s investment in ShoreCan for the three and six months ended June 30, 2021; no such loss was recorded for the corresponding periods in 2020.

As a result, the Company’s net loss amounted to \$5.7 million and \$19.5 million for the three and six months ended June 30, 2021, respectively compared to a net loss of \$0.9 million and \$1.2 million in the respective corresponding periods in 2020.

As at June 30, 2021, the Company’s cash and cash equivalents amounted to \$15.6 million (\$0.06 million as at June 30, 2020). Cash used in operating activities amounted to \$0.004 million and \$7.2 million for the three and six months ended June 30, 2021, respectively compared to \$0.04 million and \$0.2 million for the respective corresponding periods in 2020. Cash provided by financing activities amounted to \$0.1 million and \$66.2 million for the three and six months ended June 30, 2021, respectively compared to \$0.05 million and \$0.2 million for the respective corresponding periods in 2020. Cash used in investing activities amounted to \$13.6 million and \$44.9 million for the three and six months ended June 30, 2021, respectively compared to \$0.001 million in the respective corresponding periods in 2020.

SELECTED QUARTERLY INFORMATION**DISCUSSION OF OPERATIONS**

Company's operations include production of oil in Wyoming, USA for the 107 day period from March 16, 2021 to June 30, 2021.

	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Average daily crude oil production (bbls/day)	796	-	782	-
NYMEX WTI CMA benchmark price – average for the period(\$/bbl)	66.07	-	65.14	-
Operating netback* (\$/bbl):				
Realized sales price	62.82	-	62.27	-
Realized loss on commodities contract - Crude	(3.61)	-	(3.12)	-
Royalties	(13.94)	-	(13.73)	-
Production taxes	(6.06)	-	(5.98)	-
Operating costs	(9.97)	-	(11.70)	-
Realized gain on commodities contract - Butane	1.37	-	1.19	-
Operating netback*	<u>30.62</u>	-	<u>28.94</u>	-
Capital expenditures – development (\$ 000s)	5,106	-	5,296	-
Capital expenditure – exploration (\$ 000s)	-	-	217	-

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

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

SELECTED QUARTERLY INFORMATION (CONTINUED)**FINANCIAL RESULTS**

(\$ 000's) except per share	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Petroleum sales, net of royalties	\$ 3,435	\$ -	\$ 3,932	\$ -
Realized loss on commodity derivatives - crude	(261)	-	(261)	-
Unrealized loss on commodity derivatives - crude	(9,437)	-	(7,183)	-
Production taxes	(439)	-	(501)	-
Operating expenses	(872)	-	(979)	-
Depletion, depreciation and amortizations	(975)	(17)	(1,139)	(35)
Realized gain on commodity derivatives – butane	99	-	99	-
Unrealized gain on commodity derivatives – butane	7,165	-	6,105	-
Acquisition costs	(255)	-	(2,112)	-
Pre-license costs	(50)	-	(200)	-
General and administrative expenses	(1,942)	(627)	(3,365)	(879)
Finance costs, net	(2,047)	(184)	(2,920)	(189)
Loss on derivative liabilities	(155)	(47)	(10,868)	(47)
Gain on extinguishment of loan	-	13	-	13
Foreign exchange gain / (loss)	7	(57)	(100)	(83)
Loss on investment in joint venture	-	-	(1)	-
Net loss	(5,727)	(919)	(19,493)	(1,220)
Per share loss (basic and diluted)	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Outstanding Common Shares at June 30	14,978,619,791	3,483,752,463	14,978,619,791	3,483,752,463
Weighted average Common Shares - basic	14,953,592,318	3,483,752,463	12,484,859,300	3,483,752,463

SELECTED QUARTERLY INFORMATION (CONTINUED)***Revenue***

Petroleum sales revenue, totalled \$3.4 million and \$3.9 million for the three and six month periods ended June 30, 2021, respectively including a 107 day period from the date of acquisition of the Atomic Group to June 30, 2021.

The Company's revenue relates to oil production in Wyoming, USA that is currently sold under SWP's contracts with one purchaser, and includes variable pricing based on monthly pricing tied to published indices and volumes delivered at well heads.

SWP is an agent for certain non-operating joint interest owners and royalty owners, and receives revenue on their behalf and distributes revenue to them. The consolidated statement of net loss reflects only the Company's share of revenue on a net-of-royalties basis.

Oil production for the 107 day period to June 30, 2021 averaged 782 bbls per day net to the Company. The oil production for the 16 day period to March 31, 2021 averaged 706 bbls per day net to the Company.

Realized and unrealized gain/loss on commodity derivatives

The Company has in place commodities risk management contracts (as discussed in details in "Commodity derivative liabilities" section below) in respect of crude and butane. For the three and six months ended June 30, 2021, the Company recorded:

- a realized loss on crude derivative contracts of \$0.3 million and a realized gain on butane derivative contracts of \$0.1 million, and
- an unrealized loss on crude derivative contracts of \$9.4 million and \$7.2 million, respectively and an unrealized gain on butane derivative contracts of \$7.2 million and \$6.1 million, respectively.

There were no risk management commodities contracts in 2020.

Production taxes and Operating expenses

Production taxes and operating expenses related to oil production in Wyoming, USA amounted to \$0.4 million and \$0.9 million, respectively for the three months ended June 30, 2021 and \$0.5 million and \$1 million, respectively for the six months ended June 30, 2021.

Depletion, depreciation and amortization

Depletion, depreciation and amortisation of \$1.0 million and \$1.1 million for the three and six months ended June 30, 2021, respectively includes:

- depletion of \$0.9 million and \$1.1 million, respectively (\$nil for the corresponding periods in 2020) that relates to the US property, plant and equipment (petroleum assets) acquired on March 16, 2021. Depletion is calculated based on unit of production, estimates of proved and probable reserves, and future development costs to bring those reserves into production; and
- the remainder relates to depreciation on office furniture and equipment and amortization of the right-of-use assets recognized by the Company in respect of its office leases in Calgary, Canada and Lakewood, Colorado.

Acquisition Costs

Costs directly attributable to the Atomic Group Acquisition (mainly legal, advisory and professional services) are expensed as incurred and amounted to \$0.3 million and \$2.1 million for the three and six month periods ended June 30, 2021, respectively. No acquisition costs were incurred for the corresponding periods in 2020.

SELECTED QUARTERLY INFORMATION (CONTINUED)***Pre-license Costs***

The Company recognized \$0.05 million and \$0.2 million as pre-license costs for the three and six months ended June 30, 2021, respectively that related to an anticipated new acquisition project. No pre-license costs were incurred for the corresponding period in 2020.

General and Administrative Expenses

General and administrative expenses amounted to \$1.9 million and \$3.4 million for the three and six months ended June 30, 2021, respectively compared to \$0.6 million and \$0.9 million for the respective corresponding periods in 2020. The net increase in administrative expenses of \$2.5 million for the six months ended June 30, 2021, compared to the corresponding period in 2020 resulted mainly from:

- \$0.6 million increase representing general and administrative expenses of US operations since acquisition on March 16, 2021;
- \$0.7 million increase in payroll and related costs due to a management bonus paid in the first quarter of 2021, due to employees' working full-time, compared to reduced working hours in the corresponding period in 2020 as well as due to higher directors' fees, compared to reduced fees in 2020;
- \$0.3 million increase in consulting services due to a higher level of activities as compared to the corresponding period of 2020, due to completion of the Atomic Group Acquisition;
- \$0.5 million increase in professional fees, stock exchange related costs and office expenses due to overall higher level of activities in 2021 as compared to 2020.; and
- general and administrative expenses for the six months ended June 30, 2020 are presented net of \$0.4 million of a gain on external directors' fees for 2019 that were waived in March 2020, a nonrecurring item in 2021.

Finance costs, net

Net finance costs amounted to \$2.0 million and \$2.9 million for the three and six months ended June 30, 2021, respectively compared to \$0.2 for the corresponding periods in 2020. The following table provides details of net finance cost as the costs incurred in 2021 relate to US operations that commenced in March 2021.

(\$ 000's)	Three months ended June 30, 2021	Three months ended June 30, 2020	Six months ended June 30, 2021	Six months ended June 30, 2020
Interest expense – Senior Credit Facility	\$ 1,422	\$ -	\$ 1,656	\$ -
Financing costs – Senior Credit Facility	15	-	560	-
Accretion - Senior Credit Facility	415	-	504	-
Accretion on AROs	15	-	18	-
Other financing costs	202	-	202	-
Interest income	(25)	-	(25)	-
Interest on lease liabilities	3	2	5	5
Financing costs – YARF Loan	-	177	-	177
Interest expense – CEO Loan	-	4	-	6
Accretion – CEO Loan	-	1	-	1
 Finance costs, net	 \$ 2,047	 \$ 184	 \$ 2,920	 \$ 189

Senior Credit Facility, YARF Loan and CEO Loan are further discussed in "Comparative Financial Position" section below.

SELECTED QUARTERLY INFORMATION (CONTINUED)***Loss on derivative liabilities***

For the three and six months ended June 30, 2021, the Company recorded in total a loss on derivative liabilities of \$0.2 million and \$10.9 million, respectively that related to the remeasurement of the fair value of derivative liabilities as follows:

- loss of \$0.2 million and \$8.3 million, respectively for the Unit Warrants derivative liability (as discussed in “*Share Capital*” section),
- loss of \$0.1 million and \$2.5 million, respectively for Lender Warrants derivative liability (as discussed in “*Senior Credit Facility*” section),
- gain of \$0.1 million and \$0.2 million, respectively for LIBOR floor derivative liability (as discussed in “*Senior Credit Facility*” section), and
- gain of \$0.02 million and loss of \$0.3 million, respectively for YARF Warrants derivative liability (as discussed in “*YARF Loan*” section, compared to a loss of \$0.05 million on YARF Warrants derivative recorded for the respective corresponding periods in 2020.

Foreign Exchange Gain/(Loss)

A foreign exchange gain of \$0.007 million and foreign exchange loss of \$0.1 million was recognized for the three and six months ended June 30, 2021, respectively compared to foreign exchange losses of \$0.06 million and \$0.08 million for the corresponding periods in 2020, which relates mainly to the net gain/loss on translation of loans, accounts payable, cash and cash equivalents denominated in currencies other than USD.

Loss on Investment in Joint Venture

The Company currently holds a 50% interest in a jointly controlled entity, ShoreCan. For the six months ended June 30, 2021, the Company charged ShoreCan an interest expense of \$0.2 million (2020 - \$0.2 million), which was included in ShoreCan’s general and administrative expenses and interest expense for the corresponding period.

For the three and six months ended June 30, 2021, the Company’s share of ShoreCan’s losses exceeded the Company’s net investment of \$nil and \$1,000 for these periods (\$nil for the corresponding periods in 2020). Accordingly, under the equity method, the Company recognized a loss on the investment in ShoreCan of \$nil and \$1,000 for the three and six months ended June 30, 2021 (\$nil for corresponding periods in 2020).

COMPARATIVE FINANCIAL POSITION ITEMS

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

(\$ 000's) except per share	June 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 15,552	\$ 1,401
Exploration and evaluation assets	1,882	-
Property, plant and equipment, net	61,806	61
Right of use assets	208	229
Commodity derivative current asset	193	-
Prepaid purchase price	-	5,000
Total assets	84,281	6,992
Subscription receipts liability	1,886	5,472
Short-term loans	332	683
Derivative liabilities - current	10,380	91
Derivative liabilities – non-current	9,395	-
Senior credit facility	35,466	-
Asset retirement obligations	2,709	-
Commodity derivative liability, net – non-current	1,271	-
Current portion of lease liabilities	79	59
Long-term lease liabilities	186	216
Total non-current financial liabilities	49,027	216
Share capital	174,867	142,639
Shareholders' equity/ (deficit)	\$ 13,062	\$ (595)

Recent changes to general economic and industry factors due to the COVID-19 pandemic, their uncertainty and impact on the Company's position and operation are discussed in "*Outlook*" section.

Cash and Cash Equivalents

The increase in cash and cash equivalents of \$14.1 million during the first six months of 2021 represents cash provided by financing activities of \$66.2 million net of cash used in operating activities of \$7.2 million and cash used in investing activities of \$44.9 million. As at June 30, 2021, the cash and cash equivalent balance includes \$1.8 million held in escrow in respect of certain production taxes and royalties payments that need to be held in escrow further to the US legal requirements. See "*Liquidity and Capital Resources*" for further discussion.

Exploration and evaluation ("E&E") assets

As at June 30, 2021, the Company's E&E assets of \$1.9 million relate to the undeveloped area in the Barron Flats Deep Federal Unit in which Atomic holds a 55.56% WI, acquired as part of the Atomic Group Acquisition, that will require further exploration work and is pending a determination of proven or probable reserves. During the three and six months ended June 30 2021, additions to E&E assets amounted to \$0.2 million.

The Company did not have any exploration and evaluation assets as at December 31, 2020.

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

As at June 30, 2021, the Company's net property plant and equipment amounted to \$61.8 million and comprised of \$61.6 million of petroleum assets and \$0.2 million of administrative assets. Petroleum assets relate to two oil producing units that were acquired further to the Atomic Group Acquisition: the BFU and the Cole Creek Unit in Wyoming and a gas pipeline that services the BFU for the purpose of miscible flood injections.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)***Property, plant and equipment ("PP&E") (continued)***

Additions to PP&E assets for the three and six months ended June 30, 2021 amounted to \$5.1 million and \$5.3 million, respectively for petroleum assets, \$0.1 million and \$0.2 million, respectively for administrative assets, and an increase in asset retirement obligations amounting to \$nil and \$2.7 million, respectively due to a change in the discount rate since the March 16, 2021 acquisition.

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

Right of Use Assets

As at June 30, 2021, the Company had right-of-use assets of \$0.2 million in respect of the office lease in Calgary, Canada and \$0.01 million in respect of the Lakewood, Colorado office lease, compared to \$0.2 million as at December 31, 2020 that related only to the Calgary office. The Company amortized its right-of-use assets on a straight-line basis over the term of the office lease contract.

Commodity Derivative Assets / Liabilities

Effective March 15, 2021, in anticipation of the Closing of the Atomic Group Acquisition and satisfying conditions attached to the Senior Credit Facility, the Company entered into a master risk management agreement with a counter party. These risk management contracts are not entered into for trading nor speculative purposes.

Commodity	Fixed price SWAP	Total notional quantity (Gallon (GAL); Barrel (BBL))	Term	Contracts price per GAL or BBP/Monthly	Fair Value at June 30, 2021 (\$ 000's)
Crude oil	WTI Futures	156,773 BBL	July 1, 2021 to December 31, 2021	\$61.28	(1,474)
Crude oil	WTI Futures	384,187 BBL	January 1, 2022 to December 31, 2022	\$56.58	(3,146)
Crude oil	WTI Futures	416,772 BBL	January 1, 2023 to February 29, 2024	\$52.87	(2,563)
				Commodity derivative liability	(7,183)
Butane	Normal Butane (NC4)	5,686,608 GAL	July 1, 2021 to December 31, 2021	\$0.930	1,703
Butane	Normal Butane (NC4)	11,110,302 GAL	January 1, 2022 to December 31, 2022	\$0.768	2,645
Butane	Normal Butane (NC4)	9,921,552 GAL	January 1, 2023 to February 29, 2024	\$0.670	1,757
				Commodity derivative asset	6,105
				Net derivative liability	(1,078)
<u>Short-term portion - commodity derivative assets</u>					193
<u>Long-term portion - commodity derivative liability</u>					(1,271)

- (1) WTI refers to West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States.
- (2) Floating Price of the Oil contracts for each contract month is equal to the arithmetic average of the NYMEX Light Sweet Crude Oil Futures first nearby contract settlement price for each business day that it is determined during the contract month.
- (3) Floating Price of the Gas contracts for each contract month is equal to the arithmetic average of the OPIS Mt. Belvieu Butane (non-LDH) for each business day during the contract month.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)***Commodity Derivative Assets / Liabilities (continued)***

The resulting fair value of these contracts has been recognized in the consolidated statement of financial position as a current commodity derivative asset of \$0.2 million and a long term commodity derivative liability of \$1.3 million as at June 30, 2021. The maximum credit exposure of these derivative assets and liabilities is the carrying value. The Group mitigates this risk by entering into transactions with long-standing, reputable counterparties and partners.

Prepaid Purchase Price

In connection with the Atomic Group Acquisition, the Company made a non-refundable deposit payment of \$1 million on December 15, 2020 (due upon signing the SPA) and paid a refundable deposit of \$4 million on December 31, 2020. Accordingly, \$5 million was recognized as a prepaid purchase price in the Company's consolidated statement of financial position as at December 31, 2020. The Atomic Group Acquisition was completed on March 16, 2021 (as discussed in details in "*Overview and Overall Performance*" section).

Investment in Joint Venture

The Company's investment in joint venture, relates to a 50% share of ShoreCan, the jointly controlled entity and represents a 50% share in ShoreCan's assets and liabilities. As the Company's share of ShoreCan's net liabilities exceeded the Company's net interest in ShoreCan as at June 30, 2021, under the equity method, the Company discontinued recognizing its share of future losses and the carrying amount of the investment in the jointly controlled entity was \$nil as at June 30, 2021 (\$nil as at December 31, 2020). Investment in ShoreCan is further discussed in section "*Commitments and Contractual Obligations*".

Total Assets

Total assets increased by \$77.3 million from \$7.0 million as at December 31, 2020 to \$84.3 million as at June 30, 2021. This increase is mainly a result of an increase in non-current assets due to the Atomic Group Acquisition completed on March 16, 2021 and an increase in cash and cash equivalents from proceeds of issuances of common shares.

Subscription Receipts Liability

On June 29, 2021, the Company received funds of £1.37 million (\$1.89 million) in respect of an exercise of 525,000,000 Unit Warrants (discussed in the "*Share Capital*" section) for which the related Common Shares were issued on July 2, 2021. Accordingly, the Company recognized a subscription receipt liability of \$1.89 million in its statement of financial position as at June 30, 2021.

Proceeds from the Non-brokered Placing (discussed in "*Share Capital*" section) that were received in December 2020 (i.e. in advance of the actual issuance of the respective Common Shares in January 2021) in the amount of £3.9 million (\$5.3 million) were recognized as a subscription receipts liability in current liabilities as at December 31, 2020. In addition, the subscription receipts liability balance as at December 31, 2020 includes the Company's obligation to issue units to the CEO at a value of £115,000 (\$157,000) further to the CEO Loan conversion (discussed further in "*Share Capital*") and to issue units to Company's directors at a value of \$46,000, further to the Directors' participation in the Non-brokered Placing. All shares related the Non-brokered Placing were issued in January 2021.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)***PPP Note - \$0.3 million as at June 30, 2021***

Further to the Atomic Group Acquisition, the Company assumed a loan entered into by one of the Atomic Group companies. On April 14, 2020, SWP entered into an unsecured promissory note in the amount of \$0.33 million under the Paycheck Protection Program (the “PPP Note”). The Paycheck Protection Program was established under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) and is administered by the U.S. Small Business Administration (the “SBA”). The annual interest rate on the PPP Note is 0.98%. Monthly principal and interest payments were deferred for a period of six months after the date of the loan. If the loan is not forgiven, equal monthly payments of principal and interest commence one month after the deferral period and until the maturity on April 13, 2022.

Under the terms of the CARES Act, PPP Note recipients can apply for and be granted forgiveness for all or a portion of the loan granted under the PPP. Under terms of CARES Act, these funds were to be used for payroll and utility payments.

On April 26, 2021 SWP applied for forgiveness of the full promissory note and on July 1, 2021 the SBA approved the full forgiveness of PPP Note.

YARF Loan - \$0.7 million as at December 31, 2020

On June 15, 2020, the Company entered into a loan agreement with YA II PN, Ltd (“YA”) and Riverfort Global Opportunities PCC (“RF” and, together with YA, the “YARF Lenders” or “YARF”) for an unsecured facility (the “Loan Agreement”) of £636,000 i.e. approximately \$786,000 (“YARF Loan”). Each drawdown was repayable in cash six months from its respective drawdown date.

The total balance of YARF Loan of £500,000 (\$683,000) outstanding as at December 31, 2020 was repaid in accordance with the YARF Loan agreement: £100,000 (\$136,000) on January 5, 2021 and £400,000 (\$547,000) on February 5, 2021.

Further to the YARF Loan agreement, on July 2, 2020, the Company issued, as additional compensation to the YARF Lenders, a total of 100,000,000 common share purchase warrants (the “YARF Warrants”) exercisable within 24 months, at an exercise price of £0.0039 (\$0.0049) per share. These YARF warrants are still outstanding as at June 30, 2021.

The YARF Warrants’ exercise price is in GBP, and the Company’s functional currency is in USD. As there is variability in these exchange rates, the YARF Warrants are classified as a derivative financial instrument and subsequently revalued on each balance sheet date. The fair value of YARF Warrants was estimated (using a Black-Scholes option pricing model) at \$91,000 as at December 31, 2020 and \$390,000 as at June 30, 2021.

Accordingly, the Company recognized a loss on derivative liability of \$0.3 million and a related foreign exchange loss of \$0.005 million in its statement of comprehensive loss for the six months ended June 30, 2021.

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

	June 30, 2021	December 31, 2020
Risk-free interest rate	0.039%	-0.181%
Weighted average life (years)	1.0	1.5
Expected volatility	90%	90%
Expected dividend yield	0%	0%
COPL’s stock price*	\$0.0081	\$0.0032

*Closing price on the LSE or the CSE, translated into USD as at the date of valuation.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)***Derivative liabilities***

Total current derivative liabilities amounted to \$10.4 million as at June 30, 2021 and were comprised of a derivative liability in respect of Unit Warrants in the amount of \$10 million (as described below in “*Share Capital*” section) and a derivative liability in respect of the YARF Warrants in the amount of \$0.4 million (as described in “*YARF loan*” section). As at December 31, 2020, the total balance of current derivative liabilities in the amount of \$0.1 million related to a derivative liability on YARF Warrants.

Total non-current derivative liabilities amounted to \$9.4 million as at June 30, 2021 and were comprised of a derivative liability on the Lender Warrants in the amount of \$7.4 million and a derivative liability on the LIBOR floor in respect of the Senior Credit Facility in the amount of \$2.0 million (as described in details in “*Senior Credit Facility*” section).

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. (“COPL America” or the “Borrower”) repayable within a 4 year term (collectively, the “Senior Credit Facility” or the “SCF”). To fund the Atomic Group Acquisition, the Company drew an initial principal loan amount of \$45 million. The amount funded to COPL America of approximately \$43.2 million (net of financing costs and transaction costs) was used to settle Atomic’s previously outstanding external debt of \$26.079 million, a \$10 million payment to the Seller, the \$5 million of the Purchase Price initially withheld and paid subsequent to Closing, and the remainder for funding ongoing operations of COPL America (as discussed in details in “*Overview and Overall Performance*” section).

The Senior Credit Facility agreement is subject to an interest rate of LIBOR (with a floor of 2%) plus 10.5% per annum with such interest to be paid monthly in arrears. From the first anniversary of the Senior Credit Facility the outstanding loan principal will be repaid monthly by COPL America cash resources in excess of \$2.5 million, and COPL America may prepay amounts outstanding subject to prepayment premiums from the first anniversary of the loan. The Senior Credit Facility includes the following covenants: spending on capex subject to lender approval, and the maintenance of certain financial ratios for asset coverage (1.50:1.00), a leverage ratio (range of 2.50 to 3.00:1) and liquidity (45-day minimum average balance of unrestricted cash must be at least \$2.5 million). Financial ratios covenants are applicable for the periods commencing after the first anniversary of the Senior Credit Facility. The Senior Credit Facility did not require security or guarantees provided by the Company or its wider group outside of the USA and all financial ratios are calculated with reference to COPL America and its US subsidiaries only. The Senior Credit Facility has an accordion feature whereby the Borrower may draw upon up to a further \$20 million for future development, at the sole discretion of the Lender. As at June 30, 2021, the accordion feature was not drawn down.

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

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)***Senior Credit Facility (continued)***

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

(\$ 000's)	Senior 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 June 30, 2021 (a)	-	2,480	2,480
LIBOR floor revaluation as at June 30, 2021	-	(237)	(237)
Accretion	504	-	504
Total	\$ 35,466	\$ 9,395	\$ 44,861

As at March 16, 2021, the fair value of the Senior Credit Facility of \$45 million was assigned as follows: \$35.0 million (net of financing costs of \$2.8 million) to the Senior Facility, \$4.9 million to the Lender Warrants and \$2.3 million to the LIBOR floor.

- (a) As at March 16, 2021 (date of issuance), the fair value assigned to the Lender Warrants of \$4.9 million was determined using 5% of COPL's market capitalization on a fully diluted basis, which was greater than 5% of the net asset value of COPL America. During the period from date of issuance to June 30, 2021, no Lender Warrants could be exercised. As at June 30, 2021, the Lender Warrants were revalued at \$7.4 million using 5% of COPL's market capitalization on a fully diluted basis. The resulting change in fair value of \$2.5 million was recognized in the net loss for the six months ended June 30, 2021.
- (b) The LIBOR floor was assessed to be an embedded derivative. As at March 16, 2021, the LIBOR floor was in-the-money, and the forward curve for 1-month LIBOR over the term of the Senior Credit Facility indicates that it will remain in the money for the duration of the Senior Credit Facility. Therefore, the LIBOR floor is not closely related to the host debt contract (\$45 million), and is recognized as a derivative liability that is revalued at each reporting period end with resulting changes in fair value recognized in net earnings (loss). As at June 30, 2021, the LIBOR floor was revalued at \$2 million and the resulting change in fair value of \$0.2 million was recognized as gain on derivative liability for the six months ended June 30, 2021.
- (c) Aggregate financing costs associated with the Senior Credit Facility incurred was \$3.4 million that was allocated amongst these three components of the Senior Credit Facility based on the relative fair value of each component. The costs associated with the loan portion of \$35.0 million form part of the amortized costs of the loan used to determine the effective interest rate of 20.93%. The proportionate financing costs of \$0.5 million associated with the derivative liabilities of the LIBOR floor with a fair value of \$2.3 million and the Lender Warrants with a fair value of \$4.9 million, respectively were expensed on the inception date of the debt.

During the three and six months ended June 30, 2021, the Company paid interest on this loan in the amount of \$1.42 million and \$1.66 million, respectively.

COMPARATIVE FINANCIAL POSITION ITEMS (CONTINUED)***Assets Retirement Obligations***

The Company's asset retirement obligations relate to net ownership interests in oil and gas assets (including well sites and processing facilities) that were acquired further to the Atomic Group Acquisition. The Company estimates the undiscounted value of its total asset retirement obligations to be \$7.9 million as at June 30, 2021. These obligations are expected to be incurred between 2022 and 2075, with the majority anticipated to be incurred between 2059 and 2075. The asset retirement obligation is calculated using a discount factor being the risk-free rate related to the liability and is based on the US long-term bond rate. As at June 30, 2021, the discount factor was 2.3% based on the risk-free rate based on the US long-term bond rate and an inflation rate of 2.5% per annum. As at June 30, 2021 estimated discounted value of the Company's total asset retirement obligations amounted to \$2.7 million.

Lease Liabilities

The Company's lease obligations relate to its offices in Calgary, Canada and Lakewood, Colorado. The lease obligations have been measured at the present value of the lease payments, discounted using the Company's incremental borrowing rate of 3.63% for Calgary's office as at June 30, 2021 and December 31, 2020. As at June 30, 2021 the current portion of lease liabilities amounted to \$0.08 million and long-term portion of lease liabilities amounted to \$0.2 million (\$0.06 million and \$0.2 million as at December 31, 2021, respectively).

Shareholders' Equity

The shareholders' equity increased from \$0.6 million deficit as at December 31, 2020 to \$13.1 million equity as at June 30, 2021. This increase of \$13.7 million resulted mainly from a:

- net increase in share capital of \$32.2 million (as described below in "Share Capital" section) mainly related to shares issued further to Non-brokered and Brokered Placings of \$30.7 million;
- increase in warrants in the amount of \$1.0 million, representing the fair value of Finders' and Broker's warrants issued;
- increase in deficit as a result of a comprehensive loss of \$19.5 million incurred for the six months ended June 30, 2021.

SHARE CAPITAL***Non-brokered Placing***

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

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

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

SHARE CAPITAL (CONTINUED)***Non-brokered Placing (continued)***

In addition, on January 11, 2021, 57,500,000 units with a value of £115,000 (\$155,000) at a deemed price £0.002 per unit were issued to the Company's CEO further to the extinguishment of the CEO Loan agreed to be on corresponding terms as the Non-brokered Placing (further to a placing agreement signed with the CEO on December 23, 2020).

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

The derivative liability of the Unit Warrants outstanding (i.e. net of 102,500,000 Unit Warrants that were exercised in March and April 2021, as discussed below) was revalued as at June 30, 2021 and a related derivative loss of \$8.3 million on derivative liability was recognized for the six months ended June 30, 2021. The derivative liability in respect of Unit Warrants outstanding as at June 30, 2021 was estimated at \$10 million, using a Black-Scholes option pricing model with the assumptions as noted in the table below.

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

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

Each 1st and 2nd Finder's Warrants entitle the holder, thereof, to purchase one Common Share at an exercise price of £0.0026 (\$0.0035) per Common Share on or before January 8, 2022. The fair value of the finders' warrants, estimated (using a Black-Scholes option pricing model with assumptions as noted in a table below) at \$18,000 for the 1st and 2nd Finder's Warrants and \$289,000 for the 2nd Finder's Warrants was recognized as equity (warrants) and netted against proceeds from Non-brokered Placing (as share issue costs).

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

The net proceeds from the Non-brokered Placing were used to make initial, partial payments of the purchase price for the Atomic Group Acquisition (as described in "*Overview and Overall Performance*" section) as well as to cover the Company's ongoing general and administrative costs.

SHARE CAPITAL (CONTINUED)***Non-brokered Placing (continued)***

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

	January 8, 2021	June 30, 2021
Risk-free interest rate	-0.036%	0.068%
Weighted average life (years)	0.75	0.53
Expected volatility	90%	90%
Expected dividend yield	0%	0%
COPL's stock price*	\$0.0033	\$0.0081

*Closing price on the LSE or the CSE, translated into USD as at the date of valuation.

In March and April 2021, further to an exercise of Unit Warrants, the Company received in total \$368,000 and issued 102,500,000 Common Shares as follows:

- 12,500,000 on March 9, 2021,
- 25,000,000 on March 23, 2021,
- 62,500,000 on March 31, 2021, and
- 2,500,000 on April 12, 2021.

The fair value of the exercised Unit Warrants estimated at \$0.5 million in total was recognized as an addition to the share capital and a respective decrease in the derivative liability. The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of Unit Warrants exercised:

	March 9, 2021	March 23, 2021	March 31, 2021	April 12, 2021
Risk-free interest rate	0.065%	0.054%	0.053%	0.077%
Weighted average life (years)	0.58	0.55	0.52	0.49
Expected volatility	90%	90%	90%	90%
Expected dividend yield	0%	0%	0%	0%
COPL's stock price*	\$0.0048	\$0.0119	\$0.0080	\$0.0080

* Closing price on the LSE or the CSE, translated into USD as at the date of valuation.

Brokered Placing

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

In connection with the Brokered Placing, on March 11, 2021 the Company issued 203,437,500 Common Shares as a partial payment of a broker's fee and paid in cash a remaining broker's fee of £189,000 (\$259,000), representing in total approximately a 6% commission in respect of the Brokered Placing. The Company recognized \$1.0 million (£0.7 million), being the fair value of these broker's shares as at the issue date, as an addition to the share capital and an addition to share issue costs related to the Brokered Placing.

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

SHARE CAPITAL (CONTINUED)***Brokered Placing (continued)***

The fair value of the Broker's Warrants estimated at \$648,000, was recognized as equity (warrants) and netted against proceeds from the Brokered Placing (as share issue costs). The following assumptions were used for Black-Scholes option pricing model to estimate the fair value of Broker's Warrants and Finders' Warrants at valuation date:

March 8, 2021	
Risk-free interest rate	0.018%
Weighted average life (years)	1.5
Expected volatility	90%
Expected dividend yield	0%
COPL's stock price*	\$0.0053

*Closing price on LSE, translated into USD as at the date of valuation.

The Company will use net proceeds from the Brokered Placing to finance operating and capital expenditures of the Atomic Group and to cover the Company's ongoing general and administrative costs.

Share Issue Cost

The Company incurred approximately \$3.9 million of total costs in connection with the Non-brokered and Brokered Placings, including \$0.1 million incurred in 2020 and recognized as deferred share issue costs as at December 31, 2020. In addition to finder's and broker's fees paid in cash, the fair value of finder's and broker's fees paid in shares and the fair value of Warrants issued to finders and the broker (as disclosed above), these share issue costs also include legal, LSE, transfer agent, and consulting fees of approximately \$0.3 million.

Share issued as payment for service

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

Shares issued subsequent to June 30, 2021

On June 29, 2021, the Company received funds of £1.37 million (\$1.89 million) in respect of the exercise of 525,000,000 Unit Warrants for which the related Common Shares were issued on July 2, 2021. Accordingly, the Company recognized a subscription receipt liability of \$1.89 million in its statement of financial position as at June 30, 2021.

In addition, on July 29, 2021, August 23, 2021 and August 25, 2021, further to the exercise of Unit Warrants the Company issued in total 902,500,000 Common Shares for proceeds of £2.3 million (\$3.2 million), and on July 23, 2021 further to exercise of a portion of 2020 3rd Finder's warrants, the Company issued 20,833,333 Common Shares for proceeds of £0.08 million (\$0.11 million).

Stock Options

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

There were no changes to the Company's stock option plan. During the six months ended June 30, 2021, 37,540,000 stock options expired and no stock options were granted, exercised, and/or forfeited.

SHARE CAPITAL (CONTINUED)***Securities outstanding as at June 30, 2021***

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

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

- 14,978,619,791 Common Shares;
- 2,907,651,875 share purchase warrants issued and outstanding to purchase Common Shares with a weighted average exercise price of \$0.0037 per share and a remaining contractual life of one to 20 months; and
- 411,474,235 stock options issued and outstanding to purchase Common Shares with a weighted average exercise price of \$0.0083 per Common Share and a remaining contractual life of one month to four years and two months.

Subsequent to June 30, 2021, 11,666,667 warrants on July 24, 2021 and 3,200,000 stock options on August 11, 2021, expired unexercised.

As at the date of this MD&A, the Company has 16,426,953,124 Common Shares issued and outstanding.

SUMMARY OF QUARTERLY RESULTS

Eight most recent quarters:

(\$ 000's)	June 30, 2021	March 31, 2021	December 31, 2020	September 30, 2020
Total revenue *	(6,263)	2,751	-	-
Revenue – petroleum sales	3,435	497	-	-
Net loss	(5,727)	(13,766)	(1,673)	(2,068)
Loss per share - basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

(\$ 000's)	June 30, 2020	March 31, 2020	December 30, 2019	September 30, 2019
Total revenue	-	-	-	-
Revenue – petroleum sales	-	-	-	-
Net loss	(919)	(301)	(693)	(1,009)
Loss per share - basic & diluted	(0.00)	(0.00)	(0.00)	(0.00)

*Total revenue includes revenue from petroleum sales, realized gain (loss) on crude commodity derivatives and unrealized gain (loss) on crude commodity derivatives.

Significant change in the Company's quarterly net results in the first and second quarters of 2021 relates to the addition of US operations further to the Atomic Group Acquisition (as discussed in "Overview and Overall Performance" section).

Revenue consists of petroleum sales in the US in the amount of \$0.5 million and \$3.4 million for the first and second quarters of 2021, respectively offset by \$0.2 million of realized loss on crude commodity derivative contracts incurred in second quarter of 2021 and unrealized gain (loss) on crude commodity derivatives of \$2.3 million and \$(9.4) million for the first and second quarters of 2021, respectively.

SUMMARY OF QUARTERLY RESULTS (CONTINUED)

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

- loss on derivative liabilities in the total amount of \$10.7 million for the first quarter and \$0.2 million for the second quarter of 2021 that relates mainly to valuation of Unit Warrants issued in first quarter of 2021 as well as valuation of the Lender Warrants and the LIBOR floor in respect of the Senior Credit Facility;
- unrealized gain of \$2.3 million and unrealized loss of \$9.4 million on the crude derivative liability incurred in the first and second quarter of 2021, respectively;
- unrealized loss of \$1.0 million and unrealized gain of \$7.2 million on the butane derivative liability incurred in the first and second quarter of 2021, respectively;
- the US related operating costs, production taxes, depletion, depreciation and amortization, and general and administrative expenses in total of \$0.4 million and \$2.8 million incurred in the first and second quarter of 2021, respectively;
- finance costs of \$0.9 million and \$2.0 million recorded for the first and second quarter of 2021, respectively; and
- acquisition costs of \$1.9 million and \$0.3 million incurred in the first and second quarter of 2021, respectively due to the Atomic Group Acquisition.

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

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

- During the third quarter of 2020, further to option grants, the Company recognized a stock-based compensation expense of \$0.97 million.
- During the third quarter of 2020, the Company recorded finance expenses in respect of the YARF Loan of \$0.18 million respectively.
- During the fourth quarter of 2020, the Company recognized a full allowance for expected credit loss of \$0.4 million in respect of its long-term receivables due from its Nigerian joint venture partner.
- During the third and fourth quarter of 2020, the Company recorded legal, advisory, consulting and other expenses related to the Atomic Group Acquisition of approximately \$0.43 million and recognized them as acquisition costs.

TRANSACTIONS WITH RELATED PARTIES

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

During the three and six months period ended June 30, 2021, there were no material related party transactions other than disclosed elsewhere in the MD&A.

FINANCIAL INSTRUMENTS

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

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

A substantial portion of the Company's accounts receivables are with the purchaser of oil and joint interest owners in the Wyoming assets and are subject to normal industry credit risks. As at June 30, 2021, all the Company's cash was held at five financial institutions with high third-party credit ratings. The maximum credit risk exposure associated with accounts receivable is the total carrying value. The Company monitors these balances to limit the risk associated with collection. 100% of the Company's revenue receivable as at June 30, 2021, was owing from one company. Of the Company's joint interest billings receivable as at June 30, 2021, approximately 98% was owing from two partners in producing units. The Company considers all of its accounts receivable as at June 30, 2021 to be collectable.

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

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

COMMITMENTS AND CONTINGENCIES

Commitments – US operation

On May 18, 2021, the Company entered into a Natural Gas Liquids Purchase Agreement with Tallgrass Midstream, LLC ("Tallgrass") whereby the Company will buy all production of mixed natural gas liquids, consisting primarily of propane and butane, from the overhead of Tallgrass' Douglas Plant stabilizer and facilities at a price equal to the Conway In Well OPIS monthly average by product less \$0.10 per gallon, with title to the liquids passing at the Douglas Plant truck rack meter. The Company will reimburse Tallgrass for costs to construct the facilities necessary to accommodate such deliveries, estimated to be \$1.5 million, with progress payments of \$0.75 million made on the date the agreement was executed, and \$0.75 million due 60 days thereafter. Completion of the facilities are expected between four to six months after execution of the agreement, with reimbursement to the Company of all progress payments should Tallgrass not construct the facilities within a 10 month period. The term of the agreement is for five cumulative operational years commencing from the in-service date of the facilities. The amount committed under this contract of \$0.75 million as at June 30, 2021, was paid in July 2021.

ShoreCan's Commitments

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

COMMITMENTS AND CONTINGENCIES (CONTINUED)***ShoreCan's Commitments (continued)***

As at June 30, 2021, the Company had a receivable from its joint venture partner in respect of ShoreCan expenses of \$386,000. Since December 31, 2020, the Company recognizes a full allowance for the accounts receivable from its joint venture partner. Accordingly, an expected credit loss of \$1,000 was recognized as part of general and administrative cost in the Company's consolidated statement of loss and comprehensive loss for the six months ended June 30, 2021 (\$nil for six months ended June 30, 2020 and \$385,000 for the year ended December 31, 2020).

On August 4, 2020, the Company announced that ShoreCan had executed definitive agreements with Essar Mauritius to resolve their disputes. ShoreCan and Essar Mauritius entered into a Sale and Purchase Agreement, and other agreements, with each other concerning, among other things, their respective obligations under the Essar Nigeria Shareholders Agreement. On February 1, 2021 the Company announced, that ShoreCan and Essar Mauritius had agreed to extend the completion date of the definitive agreements to April 30, 2021. This definitive agreement has been extended to October 31, 2021.

Essar Nigeria – Agamore Farm In

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

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

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2021, the Company had a working capital deficit of approximately \$1.9 million, cash and cash equivalents of \$15.6 million and shareholders' equity of \$13.1 million.

For the six months ended June 30, 2021, the Company's cash used in operating activities amounted to \$7.2 million (compared to \$0.2 million for the corresponding period in 2020).

Cash provided by financing activities amounted to \$66.2 million for the six months ended June 30, 2021 (compared to \$0.2 million for the corresponding period in 2020) and related mainly to proceeds from Senior Credit Facility and proceeds from issuance of Common Shares. The Company used these proceeds to finance acquisition of the Atomic Group, as well as its operating and capital expenditures and to cover the Company's ongoing general and administrative costs.

Cash used in investing activities amounted to \$44.9 million for the six months ended June 30, 2021 (compared to \$nil for the corresponding period 2020) and related mainly to the acquisition of the Atomic Group.

During the six months ended June 30, 2021, the Company closed the Non-brokered Placing for gross proceeds of £8.9 million (\$12.1 million) and the Brokered Placing in the UK for gross proceeds of £13.3 million (\$18.7 million) and for aggregate net proceeds of \$25.2 million (as discussed in details in "*Share Capital*" section). Also, to fund the Atomic Group Acquisition, the Company drew a principal amount of \$45 million on its Credit Facility (as discussed in details in "*Senior Credit Facility*" section).

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

ACCOUNTING PRONOUNCEMENTS

Critical Accounting Estimates

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

OFF BALANCE SHEET

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

SIGNIFICANT ACCOUNTING POLICIES

The Company's financial statements should be read in conjunction with the Company's audited annual consolidated financial statements as at and for the years ended December 31, 2020 and 2019. These consolidated financial statements outline the Company's significant accounting policies in Note 3 thereto, which have been applied consistently in these financial statements except for the new accounting policies (see discussion below). Additionally, updates to significant accounting policies applied in preparation of these financial statements following the Atomic Group Acquisition as well as the Company's critical accounting judgments and key sources of estimation uncertainty which are also set out in Note 3 thereto.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***New accounting standards adopted******Interest Rate Benchmark Reform***

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

Business Combinations

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

Leases

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

DISCLOSURE CONTROLS AND PROCEDURES

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING (CONTINUED)

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

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

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

DIRECTORS

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

OFFICERS

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