

COPL Signs Financing to Close Cuda Acquisition

22.07.2022 | [ACCESS Newswire](#)

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COPL Signs Financing to Close the Cuda Acquisition ahead of procuring a Reserve Based Loan Facility

LONDON, July 22, 2022 - [Canadian Overseas Petroleum Ltd.](#) ("COPL" or the "Company") (CSE:XOP)(LSE:COPL), an international oil and gas exploration, production and development company with production and development operations focused in Converse and Natrona Counties, Wyoming, USA, is pleased to announce (the "Announcement"):

- The Company has signed Purchase Agreements for the issue of two series of convertible bonds with an aggregate principal amount of US\$25.2 million (the "Principal Amount"): \$12.6 million maturing in 2024 and \$12.6 million maturing in 2025 (collectively, the "Convertible").
- The Convertible is anchored by a long term, UK based institutional shareholder (the "Lead Investor") and other institutional investors (all investors collectively, "Bondholders").
- This instrument replaces the previous bridge loan, announced on 19 April 2022 and is structured to accommodate the implementation of a planned Reserve Based Loan ("RBL") facility. The Convertible is initially unsecured and permits the Company to structure new senior debt.
- A 'tap feature' to increase the Convertible allows COPL to draw further development funds, should it require, with the aim of increasing production or for future drilling plans, subject to mutual agreement with the Lead Investor.
- Subscription Proceeds of \$19.7 million from the Convertible will be used to finance the cash component of the acquisition of the Cuda Energy LLC ("Cuda") assets (the "Cuda Acquisition") which will lead from Q3-2022 to an increase in the Company's share of oil production from certain of its Wyoming assets.
- With a bankrupt partner removed from the Wyoming Assets and, those working interests owned by COPL America, the Company believes, it is now optimally positioned for management to achieve its near-term objective of finalising a RBL agreement to refinance its debt structure during 2022.

COPL believes this instrument offers superior terms for the Company to pursue its corporate objectives for 2022, by providing:

- A longer average maturity of 30 months, with options for COPL to repay in cash or in COPL common shares.
- Flexibility through optional redemption by the Company to call the instrument if certain conditions are met.
- A structure deliberately designed to support COPL and senior lenders with the implementation of an RBL

agreement.

- The Lead Investor and COPL have agreed to a 'tap feature' whereby they can mutually agree funding for development and drilling at COPL's Wyoming Assets, in a structure that fits with a RBL or senior debt.
- The Company has also agreed to a moratorium on equity issuances for 90 days from the Issue Date, whilst the Company works to conclude its objective of senior debt refinancing and, not to issue further convertible securities whilst the Bonds are outstanding.
- The Conversion Price was set at 5% premium to the 5-day volume weighted average price prior to signing a binding term sheet agreeing terms in principle with the Investor on 6 July 2022.

Cuda Acquisition

COPL's affiliate, COPL America Inc., intends to close the Cuda Acquisition simultaneously with the closing of the Convertible on 25 July 2022. On closing the Cuda Acquisition:

- COPL America will become the majority owner of its Wyoming Assets with operated interests of 85 - 100% across three oil producing Units in Wyoming, USA.
- COPL will, from Q3-2022, report increased share of oil production reflecting majority interest in its Wyoming Assets, which will benefit COPL America from exposure to 'unhedged' oil production.
- Closing the Cuda Acquisition will remove a bankrupt working interest partner that has constrained COPL America's financial resources and limited the pace of development since COPL America acquired its Wyoming Assets in March 2021. As at 31 May 2022, the Cuda Receivable owed to COPL America had decreased to \$1.95 million.

Convertible Terms

Terms not defined in this Announcement have the meaning given to them in the Convertible. The key terms of the Convertible are as follows:

- US\$25.2 million aggregate Principal Amount between two series of bonds of \$12.6 million Principal Amount each, denominated at US\$200,000 per bond (one "Bond").
- 24 months maturity for one series and 36 months maturity for the other series (each, a "Maturity Date"), expected to be issued on 25 July 2022 ("Issue Date").
- 13.0% interest per annum in cash. Interest will accrue and increase by 0.75% each 3-months until COPL gives notice to the Bondholders that it shall henceforth pay all interest coupons in cash ("Cash Payment Notice"). Interest will decrease by 2.0% per annum, and no further quarterly increases will apply from such time as the Company provides a notice that it will henceforth pay interest and make whole payments in cash.
- Issue Price: 78% of Principal Amount.
- Maturity Redemption Amount: 119% of the Principal Amount and all accrued but unpaid interest.
- Bondholder Early Redemption: 119% of the Principal Amount, all accrued but unpaid interest and the relevant make whole upon certain events including fundamental change of control or event of default.
- Issuer Early Redemption: 114% of the Principal Amount, all accrued but unpaid interest and the relevant

make whole in the period from 6-months after the Issue Date to and including the first anniversary of the Issue Date (and thereafter, at 109%), subject to the Parity Value of the Principal Amount of each bond having exceeded US\$260,000.

- Conversion price of 16.75p, being a 5% premium to the 5-day volume weighted average price of COPL's common shares on LSE prior to signing binding terms with the Investor. The Conversion Price is US\$0.2001 based on 1.19480 GBP/USD FX rate as of 4pm London, UK on 21 July 2022. The Conversion Price will be reset to 13.25p (US\$0.1583 based on the aforementioned FX rate) if, among other things, an RBL is not secured five months from the Issue Date, or on the twelfth month anniversary of the issue date of the Convertible.

- Unless previously converted or redeemed, each Bond will be redeemed in cash by payment of the Maturity Redemption Amount on the Maturity Date.

- Warrants expiring 30 months from the Issue Date shall be issued to the Bondholders, providing for the right to acquire an aggregate number of 54,792,590 COPL common shares. Each Warrant is exercisable at 16.75p.

- General terms for the Bonds and Warrants include standard features of EMEA convertible market including anti-dilution, change of control, short-selling restrictions and customary closing conditions precedent.

Arthur Millholland, President & CEO, commented:

"We are pleased to have the support of our largest shareholder who approached COPL with an objective of improving COPL's capital structure on closing of the Cuda Acquisition and, the Convertible provides COPL with the cash required to close the Cuda Acquisition.

"COPL plans an active work program for the remainder of 2022 including optimization and facility work at the Barron Flats Shannon Unit, recompletions at the Cole Creek Unit and drilling two horizontal wells at the Barron Flats Deep Unit to target the significant oil discovery COPL has made in the Frontier Formation, 1 and 2 sands. COPL America has well design in hand, and is procuring long lead items to commence drilling at the Deep Unit in Q4 this year."

Ryan Gaffney, CFO, commented further:

"The Cuda Acquisition is a positive step towards COPL America's refinancing process as it provides majority ownership of our Wyoming Assets and increases our bankable borrowing base which should make it easier to achieve a larger refinancing later this year. We are pleased with our shareholders' support to provide a longer-term Convertible with well-defined conversion parameters. Moreover, this Convertible provides a capital structure that is flexible and will fit alongside the planned Reserve Based Loan for our Wyoming Assets. We are now in prime position to progress term sheet negotiations with banks and look forward to updating shareholders on bank re-financing terms as soon as possible this quarter."

About the Company:

COPL is an international oil and gas exploration, development and production company actively pursuing opportunities in the United States with operations in Converse County Wyoming, and in sub-Saharan Africa through its ShoreCan joint venture company in Nigeria, and independently in other countries.

The Company's Wyoming operations are one of the most environmentally responsible with minimal gas flaring and methane emissions combined with electricity sourced from a neighbouring wind farm to power production facilities.

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The Common Shares are listed under the symbol "XOP" on the CSE and under the symbol "COPL" on the London Stock Exchange.

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This news release contains forward-looking statements. The use of any of the words "initial", "scheduled", "can", "will", "prior to", "estimate", "anticipate", "believe", "should", "forecast", "future", "continue", "may", "expect", and similar expressions are intended to identify forward-looking statements. The forward-looking statements contained herein are based on certain key expectations and assumptions made by the Company, including, but not limited to, the ability to raise the necessary funding for operations, delays or changes in plans with respect to exploration or development projects or capital expenditures. Although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements since the Company can give no assurance that they will prove to be correct since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties most of which are beyond the control of [Canadian Overseas Petroleum Ltd.](#) For example, the uncertainty of reserve estimates the uncertainty of estimates and projections relating to production, cost overruns, health and safety issues, political and environmental risks, commodity price and exchange rate fluctuations, changes in legislation affecting the oil and gas industry could cause actual results to vary materially from those expressed or

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Die URL für diesen Artikel lautet:

<https://www.rohstoff-welt.de/news/419385--COPL-Signs-Financing-to-Close-Cuda-Acquisition.html>

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