

Canadian Overseas Petroleum Ltd Announces \$3.5m Equity Financing & Board Changes

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COPL Announces \$3.5m Equity Financing, WTI Swap Unwind and Certain Management/Board Changes

LONDON, September 6, 2023 - [Canadian Overseas Petroleum Ltd.](#) ("COPL" or the "Company") (XOP:CSE) & (COPL:LSE), 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") \$3.5 million of committed common share financing and certain amendments to the outstanding Bonds (as defined below) of the Company, as described herein (collectively, the "Financing").

Highlights

- c. \$8.5 million of liquidity ensures the Company is fully financed in to the first quarter of 2024 with the intention of reaching possible third party strategic Joint Venture (as defined below) agreement
 - \$3.5 million equity injection at 4p per share from Anavio
 - c. US\$5.0 million liquidity released from hedge restructuring
 - \$0.5 million cash saving from Directors agreeing to waive all cash compensation for 2023
 - \$2.0 million of G&A reductions achieved to date in 2023 and a further \$1.0 million identified to be reduced prior to year-end 2023
- John Cowan appointed as new CEO
- Tom Richardson appointed as Chairman
- Important waivers and amendments agreed to both Senior Credit Facility and Bonds from an aligned and supportive pair of stakeholders and key capital providers to the Company
- Company to appoint one additional non-executive director
- Barron Flats Unit gas gathering infrastructure improvement completed ahead of schedule and under budget

Senior Lender Support and amendment of financing terms

In concert with the Financing, COPL has the full support of its existing Senior Credit Facility Lender who has agreed to: (i) continue to waive the application of financial ratios, (ii) restructure 100% of the WTI hedges from Sep23 to Jan24, freeing up c. \$5.0 million of near-term cash flow, and (iii) allow the reallocation of significant COPL expenses to the COPL America Inc. operating entity.

Other terms connected with the Financing include:

- Completion of the Financing is expected prior to the end of September 2023 and is intended to sufficiently fund COPL in to the first quarter of 2024 for production growth and to conclude the previously announced joint venture (the "Joint Venture") negotiations.
- The Common Shares are being purchased at a price of 4p per share by Anavio Capital Partners LLP or an entity or entities associated by it (the "Purchaser").
- The Company will grant the Purchaser 69,721,116 warrants to purchase Common Shares at a price of 4p per share, expiring August 26, 2027.
- The conversion price of the Bonds (as defined below) will be amended to a price of 4p (\$0.0502) per conversion share.

- The exercise price of the existing warrants expiring on August 26, 2027 will be amended to a price of 4p.
- Anavio and the Company have agreed to discuss a possible reduction of the quantum of payment of any "Make Whole Amount" under the terms and conditions of each of its 2027 Bonds and 2028 Bonds (each as defined below), provided a satisfactory Joint Venture is entered into by the Company, hence reducing potential dilution.
- The Company will appoint one additional independent non-executive director to be nominated by the Purchaser by no later than November 1, 2023.
- The Directors have agreed to waive all cash payments for services during 2023 (expected to total approximately \$0.5 million) in order to assist with the liquidity management and cost cutting at the Company. The existing Directors will instead each receive one 2028 Bond to be issued by COPL. These bonds will be issued on or around December 31, 2023. In connection with such bonds, the Directors will not have: (i) voting rights; (ii) the ability in the first year to convert such bonds into shares in the Company; (iii) the ability in the first year to receive shares in the Company in lieu of cash payments of principal or interest under the bonds; and (iv) the ability in the first two years to receive shares in the Company in lieu of make whole payments in the event of a bond redemption.

CEO and Chairman appointments

In addition, the Company announces that Arthur Millholland has agreed to move from Chief Executive Officer and a director of the Company with immediate effect, to President of the Company's affiliate, COPL America Inc. Mr. Millholland's technical expertise was instrumental in understanding the long-term value of the Barron Flats Unit miscible flood and acquiring it for such a relatively low cost. Through further geological study, he and his team have revealed a vast area of bypassed oil pay in the Cole Creek area, adjacent to the BFU. The prospective horizons are currently under Joint Venture negotiation with a respected industry leader. The BFU and the potential joint venture requires the singular focus of Mr. Millholland and the technical team. As President of COPLA, he will be well positioned to continue to add value and success to COPL, where his strengths in upstream hydrocarbon exploration and development will focus on completing the Joint Venture discussions.

Mr. Millholland is replaced as CEO by Mr. Cowan, a COPL director since 2015 with over 40 years of experience as a founder, CEO, and/or director of a number of private and publicly traded upstream oil and gas corporations. Mr Cowan will be focused on overseeing the Company's administration and the development of the Barron Flats Unit Miscible Flood.

Thomas Richardson has been appointed as Chairman of the Company.

General and Administrative Cost Reduction

In Q2 2023, the Company began its initiative to significantly reduce G&A expenses. To date, \$2.0 million of annualised G&A has been reduced, mostly through termination of a number of contracts. The Company has identified a further \$1.0 million to be reduced prior to year-end 2023. An employee voluntary salary reduction initiative is in discussion with senior employees, where reductions will be "made whole with bonus" when certain milestones have been reached as determined by the COPL Board of Directors. As stated above, the current Board has agreed to forego cash compensation for all of 2023.

Operations Update and Guidance

As reported as a subsequent event in the Company's Q2 2023 press release, the Barron Flats Unit gas gathering infrastructure improvement was completed ahead of schedule and under budget. Currently, the Company is determining the best level of efficiency and is restarting NGL gas injection in September. The Company is focused on delivering production results in Q4 2023 and, further guidance will be provided as appropriate, and as approved by the Board of Directors.

MI 61-101

The Company has also determined that the Financing is a "related party transaction" pursuant to Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101") and is

exempt from the formal valuation and minority approval requirements applicable to related party transactions defined under MI 61-101 pursuant to the financial hardship exemption under sections 5.5(g) and 5.7(1)(e) of MI 61-101.

The Company relies on the above exemptions on the basis that: (i) as described in the Company's announcement of February 1, 2023, the Company is in serious financial difficulty because, without the Financing, it does not have sufficient working capital for its present requirements, (ii) the Financing is designed to improve the financial position of the Company, (iii) the transaction is not subject to court approval or court order, (iv) the Board of Directors of the Company and all independent directors, each of the foregoing acting in good faith, have determined that (i) and (ii) above apply and that the terms of the Financing are reasonable in the circumstances to the Company, and (v) as at the date hereof, there is no other requirement to hold a meeting to obtain the approval of the shareholders of the Company for the Financing.

Definitions

Reference is made to the Bond Instrument dated July 26, 2022 as amended on March 24, 2023 in respect of the issue of \$20,000,000 Senior Convertible Bonds due 2027 (the "2027 Bonds") (of which \$12.4 million principal amount remains outstanding), the Bond Instrument dated 26 July 2022 as amended on December 30, 2022 and March 24, 2023 in respect of the issue of \$24,000,000 Senior Convertible Bonds due 2028 (the "2028 Bonds") (of which \$13.0 million principal amount remains outstanding) (together with the 2027 Bonds collectively, the "Bonds").

Tom Richardson, Chairman commented: "COPL is entering an important new phase of extremely tight financial discipline. The Company now has a focussed executive team and Board aligned in their focus on delivering value for all stakeholders. We are delighted with the belief and wholly aligned support of our two most significant capital providers in the changes we are effecting."

John Cowan, CEO commented: "Following a challenging period for the company both financially and operationally I am committed to delivering on the potential of our increasingly well invested assets. It is my simple aim to drive maximum value from them, whilst also ensuring that if the interest being shown by certain third parties in joint venturing with us matches our own views on value, we will seek to further scale through partnership."

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 Wyoming.

The Company operates the Cole Creek Unit 100% WI, Barron Flats Shannon (Miscible) Unit 85% WI and holds Barron Flats Federal (Deep) 85% WI in addition to non-unitized lands 100% WI.

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.

All \$ figures are United States Dollars unless otherwise noted.

Market Abuse Regulation disclosure

The information contained within this Announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended ("MAR") encompassing information relating to the Financing described above, and is disclosed in accordance with the Company's obligations under Article 17 of MAR. In addition, market soundings (as defined in MAR) were taken in respect of the Financing with the result that certain persons became aware of inside information (as defined in MAR), as permitted by MAR. This inside information is set out in this Announcement. Therefore, upon publication of this Announcement, those persons that received such inside information in a market sounding are no longer in possession of such inside information relating to the Company and its securities.

Caution regarding forward looking statements

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 that the Financing will complete the uncertainty of estimates and projections relating to production, cost overruns, health and safety issues, political and environmental risks, commodity price, interest rate and exchange rate fluctuations, changes in legislation affecting the oil and gas industry could cause actual results to vary materially from those expressed or implied by the forward-looking information. Forward-looking statements contained in this news release are made as of the date hereof and [Canadian Overseas Petroleum Ltd.](#) undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so

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