



Canadian Overseas Petroleum Limited

Completion of Atomic Acquisition

Calgary, Canada & London, United Kingdom, March 18, 2021 - Canadian Overseas Petroleum Limited ("COPL" or the "Company") (XOP: CSE) & (COPL: LSE), an international oil and gas exploration and production company, is pleased to announce its strategic priorities and production growth plan for the enlarged business following the completion of the acquisition by COPL America Inc. ("COPL America"), an indirect, wholly owned subsidiary of the Company, of all of the membership interests in Atomic Oil and Gas LLC ("Atomic") including its wholly owned subsidiary Pipeco LLC and the entire share capital of South Western Production Corp. ("SWP") (together the "Acquisition").

Atomic is a private oil and gas company incorporated under the laws of the State of Colorado. Atomic's assets are located in the Powder River Basin in Converse County, Wyoming, USA. Atomic's assets are principally comprised of three federal units: the Barron Flats (Shannon) Unit (58% WI), Barron Flats (Deep) Unit (55.56 % WI) and the Cole Creek Unit (66.7%). The Shannon Unit is a miscible flood unit and the Deep Unit is an exploratory unit. Atomic has two affiliates: Southwestern Production Corp, the operating entity; and Pipeco, a midstream company holding the pipeline and facility assets.

Summary highlights of the Acquisition:

- The Acquisition is significantly value enhancing with a transformational impact on the Company
- It represents a step change in COPL's strategic growth opportunities
- It provides an immediate and growing revenue stream from 1st December 2020, the effective date of the Acquisition
- There has been a 65% rise in the oil price since COPL entered into the transaction which has enhanced the overall value of the proposition. The terms of the acquisition were negotiated at WTI \$39/bbl. – the current WTI price is \$65/bbl.
- Production levels at Atomic's assets are expected to be accelerated after an initial positive response to gas injection tests
- The staff of Atomic will become part of the COPL team, and will be complemented by the Company's experienced operating and specialised technical staff located in COPL's offices in Calgary and the UK, particularly in the areas of drilling, well engineering, geoscience and geophysics

Funding and consideration for the Acquisition:

- COPL America has drawn an initial \$45m credit facility from its lender to finance the Acquisition
- The credit facility has an accordion mechanism whereby up to \$20m may be drawn later in time subject to lender approval
- Total consideration for the Acquisition was \$54m consisting of \$50m cash and \$4m in COPL shares





- The Company, through its recent equity financing, has provided SWP with \$9m of working capital

The Atomic assets:

- 31.1m Barrels of Oil Equivalent - 24.7m BOE net of Royalties of Proved + Probable ("P2") Reserves
- Two operated oil fields: Barron Flats Unit (58% WI) and Cole Creek Unit (66.7% WI), and the exploratory Barron Flats Federal (Deep) Unit (55.56% WI) in the State of Wyoming, USA
- It is a high NPV asset secured at a price well below traditional metrics:
 - NPV (10%) @ 2020 WTI base of \$39/bbl.: Proved (P1): \$101.5m and P2: \$185m
 - ROI: 58.3% given \$2.18/bbl. acquisition cost on P2 reserves vs value of \$7.52/bbl. at NPV (10%) @ \$39/bbl. WTI

Plan for accelerating oil production:

- Beginning April 1, injection gas volumes (produced and make-up gas) are expected to increase dramatically, peaking in the fourth quarter of 2021
 - Purchased monthly make-up gas volumes will increase in the month of April to 126,000 Mcf, from 15,600 Mcf in the month of February, peaking at 200,000 Mcf in the fourth quarter
 - This dramatic increase in purchased make-up gas volumes is due to the COPL's strong balance sheet as a result of its equity and debt financings used to acquire Atomic and SWP
- Crude oil production should increase dramatically by year-end from the current c. 1,350 bbl./d due to the ramp-up in gas injection volumes
- A total of 20 additional Production and Injection wells are planned to be drilled in 2022 and 2023 to balance the oil recovery from the field and maintain high production levels. COPL's engineering team will commence detailed well planning in 2021 for execution in 2022
- Atomic holds an operated interest in a large contiguous lease block in Converse County, Wyoming
 - Recently large US oil and gas independents have announced substantial drilling plans and acquisitions north of the lease block targeting light oil in multiple stacked horizons
 - These light oil-bearing horizons appear to be unexploited and it highlights the further development potential at the Barron Flats Deep Unit (below the Shannon BFU) and Cole Creek Unit. COPL's geological and geophysical team will commence an evaluation of these horizons
- The Company's reservoir simulation conducted by a third-party specialist reservoir engineering firm in January of this year suggests a gross production target from the Barron Flats Unit is now 7,000 bbl./d in 18 months time due to the increase in gas injection volumes alone. This equates to a five-fold uplift on current production rates



Credit Facility to fund the Acquisition:

The acquisition was funded in part with debt via a loan agreement (the “Loan Agreement”) dated 16 March 2021 between a US based Credit Fund as lenders and (amongst others) COPL America as borrower. The following are some key features relating to the Loan Agreement:

- an initial drawn principal loan amount of \$45,000,000;
- the possibility of further loan amounts of up to \$20,000,000 being agreed with the lenders;
- an interest rate of monthly US\$ LIBOR plus 10.5% per annum (subject to US\$ LIBOR floor of 2% per annum); interest is paid monthly in arrears at the end of each month;
- a four-year tenor with the ability to prepay earlier (subject to early prepayment fees in the first three years);
- covenants typical for a deal of this type including spending on capex subject to lender approval and the maintenance of certain financial ratios for asset coverage (1.5:1), leverage (2.5-3:1) and liquidity (45-day cash average must be at least US\$2,500,000);
- there is a comprehensive security and guarantee package granted by COPL America, its parent COPL America Holding Inc. and its subsidiaries, all of which are incorporated in the USA;
- the lenders were also granted warrants covering 5% of the common shares of COPL America Inc. for nominal consideration. On maturity (or earlier, in certain other circumstances such as a change of control in COPL or a sale of COPL America Inc.), the lenders would be entitled to be paid to redeem such warrants the greater of approximately 5% of COPL’s market capitalization or 5% of the net asset value of COPL America Inc. at such time and;
- the debt financing was structured so as not to require security or guarantees to be provided by COPL or its wider group outside of the USA, and so as not to have the business of COPL or such wider group restricted by reason of any of them granting any covenants or representations in favor of the lenders. All financial ratios are calculated with reference to COPL America and its US subsidiaries only.

All dollar figures are expressed in lawful currency of the United States of America

Arthur Millholland, President and CEO, commented: “The acquisition of Atomic and its affiliate companies represents a game changing acquisition for COPL. We now have a strong balance sheet, secure cash flow and are now well placed to deliver increased production and enhanced revenues, profitability and shareholder value – underpinned by increases in the oil price and quality of our new assets. We look to the future with renewed confidence.”

Advisors:

- **M&A Advisor:** Eight Capital; Calgary, Canada
- **Debt Advisor:** ERG Capital Partners; Connecticut, USA
- **UK Broker:** Tennyson Securities; London, United Kingdom
- **Legal Advisors:** McCarthy Tetrault LLP; London, United Kingdom
Davis Graham and Stubbs LLP; Denver, Colorado, USA



Total Voting Rights:

In connection with the acquisition of Atomic and SWP, the Company issued a total of 818,873,319 common shares on 16 March 2021 at a price of £0.003497 (or 0.3497 pence) per common share as consideration to Atomic's and SWP's previous shareholder.

Following the issuance of these shares, the Company has a total of 14,863,619,791 common shares issued and outstanding. There are no common shares held in treasury and therefore the total number of voting rights in the Company is 14,863,619,791. This figure may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the share capital of the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules.

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.

For further information, please contact:

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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.

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 continued 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 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 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 required by applicable securities laws.

Neither the CSE nor its regulation services provider accepts responsibility for the adequacy or accuracy of this release.