



## First Quarter 2022 Financial Results and Operations Update

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**London, United Kingdom; Calgary, Canada: May 17, 2022** – Canadian Overseas Petroleum Limited and its affiliates (“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 financial results for the first quarter ending March 31, 2022.

### First Quarter 2022 Financial Highlights:

COPL’s net crude oil sales before royalties remained consistent at an average of 1,114 bbl./d as compared to 1,094 bbl./d in the fourth quarter of 2021 (“Q421”). Due to Cuda Energy LLC’s (“Cuda”) operating arrears liability, as a joint interest partner in the Wyoming assets, the Company has held Cuda’s average production of approximately 477 bbl./d in the first quarter of 2022 (“Q122”) and 506 bbl./d in Q421 to offset the ongoing arrears. Thus, in aggregate, the Company’s total net average oil production in Q122 was 1,591 bbl./d as compared to 1,600 bbl./d in Q421.

Petroleum sales, net of royalties increased to \$7.1 million from \$5.8 million in Q421. Cuda’s petroleum sales, net of royalties was \$2.7 million in Q122 and \$2.3 million in Q421 for an aggregate amount to the Company’s account of \$9.8 million for Q122 an increase from \$8.1 million in Q421.

The Company’s realized hedging loss was \$0.9 million as compared to a realized hedging gain of \$0.2 million in Q421. This is comprised of a realized loss of \$3.5 million on crude oil hedge (swap) sales contracts, as compared to a loss of \$1.4 million in Q421; offset by a realized gain of \$2.6 million on butane hedge (swap) purchase contracts, as compared to a gain of \$1.6 million in Q421.

COPL’s operating netback was \$48.53/bbl., before the net realized gain or loss on crude oil and butane hedge contracts as compared to \$41.21/bbl. in Q421.

In an effort to manage its capital resources and liquidity, the Company reduced capital expenditures to \$3.0 million as compared to \$10.7 million in Q421.

On March 31, 2022, the COPL received a waiver from its lender with respect to covenant defaults as at December 31, 2021, subject to certain conditions and fees. Due to the waiver, the Company is no longer in technical default on the credit facility and the as a result COPL’s indebtedness has been re-classified as a non-current liability as at March 31, 2022.



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## Operations Update

In Q122 the Company completed a rigorous reservoir simulation for the Barron Flats Shannon Unit, which commenced in October 2021. This current simulation closely mirrors the working surface pressures and restricted well production observed in the field since late August 2021. As well, this simulation suggests the placement of an efficient miscible bank has been successfully positioned in the reservoir from the increased enriched gas injection program implemented in April 2021. As a result, the Company has currently eliminated the butane component of the enriched gas injection scheme and is now injecting pure methane at overall reduced volumes into the reservoir. In the fourth quarter of 2022, butane enriched gas will be injected into certain injection wells as the Company expands the miscible flood with additional production and injection wells. Other injection wells will continue to receive a pure methane injection stream. The reduction of butane from the injection stream will have a significant operating cash benefit going forward, as it eliminates then reduces a significant cost component of the miscible injection program.


Oil production from the Barron Flats Shannon (miscible) Unit continues to be restricted due to high surface working pressures impacting the produced gas gathering system. The Company is attempting to temporarily mitigate these issues by reducing and shifting injection volumes between injection wells until remedial work on the gas gathering system can be completed later in 2022. This effort is showing some positive results which should become apparent later in the second quarter of 2022.

Response of the miscible flood at the Barrons Flats Shannon Unit continues to exceed expectations when the Company made the acquisition of Atomic Oil and Gas in March 2021. Recently two pumping wells commenced flowing in line with the predictions of the current reservoir simulation. Re-configuration of these wells to flowing wells has been completed with production increases to be evident later in the second quarter of 2022.

Planning for the delineation of the Company's deep oil discovery at the Barron Flats Federal (Deep) Unit is ongoing and permitting of 16 well locations is underway. Late in Q122, the Company reached an agreement with the Bureau of Land Management of the Department of the Interior for a minimum yearly drilling program to satisfy leasehold drilling obligations. This obligation from March 31, 2022 to March 31, 2023, and subsequent 12-month periods, is for the drilling of a minimum of 3 vertical or 2 horizontal wells. It is the Company's intention to drill at least 2 horizontal wells by March 31, 2023 into the Upper Cretaceous Frontier Formation to satisfy this requirement.

The Company commissioned Ryder Scott to conduct a resource assessment of the deep discovery in the form of a Resource Report compliant to Canadian regulatory requirements pursuant to National Instrument 51-101 – *Standards of Disclosure for*



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*Oil and Gas Activities* (“NI 51-101”). Receipt of the Resource Report is expected in late May 2022.

**Arthur Millholland, President & CEO, commented:** “We are proceeding with our objectives for 2022 as set out in the Company’s year-end financial announcement. The purchase of the Wyoming assets of Cuda has been approved by the Canadian Courts, with approval by the US Federal Court expected later in the month. Our finance team is working on the re-finance of COPL America Inc’s senior credit facility with commercial banks. This will reduce our cost of capital in these times of increasing interest rates. The optimization and associated increase in oil production will occur later in 2022 with activities getting started in earnest after the completion of the Cuda acquisition. We are all looking forward to the commencement of the first phase of the delineation of our deep oil discovery as it is the start of an exceptional growth opportunity for the Company.”

#### **COPL’s objectives for 2022:**

- Complete the acquisition of the Wyoming assets of Cuda;
- Re-finance COPL America Inc’s credit facility to reduce the Company’s cost of capital;
- Optimize and increase oil production at the operated Barron Flats Shannon Unit miscible flood;
- Commence phase 1 of the delineation of the Barron Flats Deep oil discovery; and
- Maintain the Company’s ESG operating credentials.

The financial results and associated regulatory filing documents, including the Financial Statements and the Management’s Discussion and Analysis for the first quarter ending March 31, 2022, can be viewed under the Company’s name at [www.sedar.com](http://www.sedar.com) or at the Company’s website at [www.canoverseas.com](http://www.canoverseas.com). The Company encourages interested parties to read the Management’s Discussion and Analysis along with the Financial Statements and accompanying notes.

#### **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 and Natrona Counties Wyoming, and in sub-Saharan Africa through its ShoreCan joint venture company in Nigeria, and independently in other countries.



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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 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*



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*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.*



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