



Q2 2022 Financials and Operations Update

London, United Kingdom; Calgary, Canada: August 16, 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 its financial results for second quarter ending June 30, 2022 and an operations update on its Wyoming properties.

Second Quarter 2022 Financial Highlights:

- Net crude oil sales before royalties averaged 961 Bbls/d as compared to 1,114 Bbls/d in the first quarter of 2022. Due to Cuda’s operating arrears liability as a joint interest partner in the Wyoming assets the Company has also held Cuda’s average production of approximately 415 Bbls/d in the second quarter of 2022 and 477 Bbls/d in the first quarter of 2022. In aggregate, total net average oil production in the second quarter was 1,376 Bbls/d as compared to 1,591 Bbls/d in the first quarter of 2022. The reduction in oil production in the second quarter is due to operational interruptions at certain high impact wells. The interruptions were as a consequence of the miscible flood program, which involves the injection of high-pressure solvent which both raises the reservoir pressure and mobilizes the oil in place. The arrival of the high-pressure miscible bank at producing wells generated higher pressure production at the wellhead. This circumstance led to the requirement to shut in the wells for a period of time and modify the well configuration by removing the low-pressure pumping equipment and replacing it with a high-pressure flowing configuration.
- Petroleum sales, net of royalties were \$7.1 million as compared to \$7.1 million in the first quarter of 2022. Petroleum sales remained consistent as an increase in commodity prices offset the reduction in oil production. Due to Cuda’s operating arrears liability as a joint interest partner in the Wyoming assets the Company also held Cuda’s petroleum sales, net of royalties which was \$2.7 million in both the first and second quarters of 2022 for aggregate petroleum sales of \$9.8 million.
- In aggregate the Company incurred a net realized hedging loss of \$2.6 million as compared to loss of \$0.9 million in the first quarter of 2022. Specifically, it realized a loss of \$4.7 million on crude oil hedge contracts as compared to a loss of \$3.5 million in the first quarter of 2022, which was offset by a realized a gain of \$2.1 million on butane hedge contracts as compared to a gain of \$2.6 million in the first quarter of 2022. The butane hedges were put in place to protect the liquid purchases required for the miscible flood injection program.





- The operating netback was \$55.72/Bbl, before the net realized loss/gain on crude oil/butane commodities contracts as compared to \$48.53/Bbl, in the first quarter of 2022.
- In an effort to manage its capital resources and liquidity, the Company reduced capital expenditures in the period to \$1.7 million as compared to \$3.0 million in the first quarter of 2022, due mainly to suspending the injection of NGLs related to the miscible flood project.
- On April 22, 2022, a brokered placing closed in which the Company issued a total of 49.93 million units for net proceeds of \$12.0 million. The funds were used to further its corporate strategy of its US operations.
- A cash position of \$11.5 million as at June 30, 2022 as compared to \$7.8 million as at December 31, 2021.
- During the second quarter of 2022 the Company prepaid \$2.9 million of its senior credit facility due 2025, reducing the principal amount to \$42.1 million.

The financial results and associated regulatory filing documents, including the Financial Statements and the Management's Discussion and Analysis for the second quarter ending June 30, 2022, can be viewed under the Company's name at www.sedar.com or at the Company's website at www.canoverseas.com. The Company encourages interested parties to read the Management's Discussion and Analysis along with the Financial Statements and accompanying notes.

Reserve Based Loan and Future Financing

Following the Company's acquisition of Cuda assets in July 2022, the Company's reserve base has been augmented by 12.4 million barrels of total proved plus probable reserves to a total of 38.2 million barrels valued at \$380 million based on commodity price forecasts as at December 31, 2021 (10% discount rate, COPL December 31, 2021 NI-51-101 Reserves). The Company has appointed debt advisors for its COPL America affiliate and is in discussion with banks and other oil lending institutions to negotiate and secure debt facilities that are intended to be used to refinance its existing senior credit facility and to provide COPL America with further capital for the development and growth of its production and associated infrastructure at the Barron Flats Shannon Unit (85% WI) ("BFU") and development of production at the Cole Creek Unit (100% WI). The Company intends to structure such borrowing facilities at the COPL America affiliate level, which directly owns the Company's Wyoming Assets, using borrowing facilities that do not result in dilution to COPL's common share capital. The Company's updated reserve report will include the Cuda working interests acquired in July 2022 and will be based upon updated commodity price decks at future report dates.





Operations

Average daily oil production was limited in the first half of 2022 to 1,714 Bbls/d (gross), 1,034 Bbls/d (net) due to constraints at the BFU surface facilities caused by the progression of the miscible front induced in the reservoir. Despite the positive reservoir response to the Miscible Flood, the Company's ability to optimize the field production rates and take advantage of the oil production response to the enriched gas injection is currently restricted. This is due to operating pressure limitations on wellsite treating, separation, and vapor recovery units at several wells in addition to ongoing limitations on gas gathering system operating pressures. Despite an industry wide shortage of oilfield grade steel pipe, the Company has implemented several measures to mitigate these issues and is currently observing increased production rates beyond those at the end of the quarter with current production not yet stable. Once stable, the Company will be in a better position to forecast its production going forward. Upgrades to the gas gathering system are being re-engineered in response to increases to predicted flowing pressures and produced enriched gas volumes observed in several wells currently and during the second quarter of 2022 that are above our current field simulations. Until complete, there will continue to be take away constraints at certain wells.

Current production is approximately 1,600 Bbls/d (gross), 1,375 Bbls/d (net). Production at the BFU is approximately 1,500 Bbls/d (gross), 1,275 Bbls/d (net) and increasing but, not yet steady, as stable flow must be maintained at individual wells while production rates are incrementally increased. Production at the Cole Creek Unit (100% WI) is approximately 80 Bbls/d and the 100% WI Dakota deep production well continues to produce 20 Bbls/d at stable production rates. Stimulation of this Dakota well on completion was not possible due to pressure limitations in the production casing up hole due to prior completions in the Frontier 1 and Frontier 2 sands. Performance of this well is encouraging for enhanced production from future stimulated horizontal wells.

BFU production response and increases are due to recent work programs initiated late in the second quarter and ongoing to present. Primarily, field level work has concentrated on solutions to resolve the constraints on oil production, including: well conversions from pumping to flowing configurations, condensate treatments in lieu of hot oiling and chemicals to resolve paraffin build up from the perforations to the well head, partial flaring of produced gas volumes at certain wells, and direct gas line tie back to the BFU gas plant of individual wells that are in close proximity. Three wells were converted from pumping to flowing configurations in late June and July 2022 with a fourth well in line for conversion in the next week or two. As well the first two of the above-noted converted wells has been tied-in directly to the gas plant and is on production, with another well shortly to follow. This will mitigate enriched gas losses at these high production wells due to flaring and maximizing the recovery





of enriched gas for reinjection. As a result, oil production has increased due to relaxed restrictions, and pressure constraints on the current gas gathering system have been reduced.

Re-engineering for the design of the expansion of the BFU gas gathering system is ongoing. As the observed pressures and gas volumes are higher than predicted by current field simulations due to the increased reservoir response to the miscible flood. The Company has determined it is prudent to re-evaluate the gathering systems design requirements with four production wells now showing these increased reservoir responses over the last three months. The Company is now in a better position to predict future increased well responses due to the progression of the miscible front in the reservoir. As such, the BFU Shannon reservoir continues to respond better to the miscible flood than expectations at the time of the Atomic acquisition which were based on early simulations of enriched gas injection and simulations completed by the Company earlier this year.

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 three Units: Cole Creek (100% WI), Barron Flats Shannon (Miscible) (85% WI) and the 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.

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 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.

