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COPL Announces Convertible Bond Financing of US\$13.6 million committed and potentially increasing to US\$14.8 million

London, United Kingdom; Calgary, Canada: March 20, 2023 – Canadian Overseas Petroleum Limited (“**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**”) US\$13.6 million committed (potentially increasing to US\$14.8 million at closing) convertible bond financing and certain amendments to the outstanding Bonds and Warrants of the Company, as described herein (collectively, the “**Convertible Financing**”).

- The Company has signed purchase agreements with their current institutional stakeholders, and a new institutional investor, for an increase in quantum of the 2024 Bonds and 2025 Bonds with an aggregate principal amount of US\$13.6 million committed. The Convertible Financing has been led by the main bondholder (the “**Main Bondholder**”).
- The intention of this Convertible Financing is to sufficiently fund COPL for production growth, while allowing management to optimally conclude their RBL and JV negotiations.
- At the election of the Main Bondholder, for so long as it owns or holds rights to acquire at least 15% of the Company’s common shares, one new non-executive director shall be nominated to the Company’s board of directors. The Main Bondholder intends to exercise this immediately post-closing of this Convertible Financing.
- A further undrawn element has been made available by the Main Bondholder, should it become necessary, to ensure COPL will be appropriately funded into 2024.
- Total financing quantum is equal to US\$13.6 million base principal amount drawn today, a US\$1.2 million upside option and a further US\$7 million in principal, available to be tapped if required and consented to by the Main Bondholder at current terms.
- Terms of the Bonds have been amended: (1) pricing terms vs. July 2022 issue (higher issue price: 80% vs 78% on July Convertibles); (2) an initial conversion price of 6.75p or US\$0.0817 (the “**Initial Conversion Price**”) which represents a c. 15% premium to the closing price of March 17 2023 of 5.875p; and (3) the maturity date of the 2024 Bonds has been extended to 26 January 2027 and the maturity date of the 2025 Bonds has been extended to 26 January 2028.



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The aforementioned changes improve COPL's capital structure profile benefiting current RBL negotiations.

- 65,850,662 (potentially increasing to 70,257,026 at closing) new warrants have been issued and amendments made to the Warrants issued previously. The exercise price of the new warrants and the Warrants will now be equal to the Initial Conversion Price and the subscription period will expire at midnight on 26 August 2027.
- The proceeds of this Convertible Financing will be used for: (1) facility improvements to increase production; (2) paying off outstanding payables; and (3) operating capital.
- Furthermore, COPL has the full support of its existing Senior Credit Facility lender who provided: (1) a waiver of 22 March 2023 liquidity covenant; and (2) a 6 months asset and leverage ratio covenant waiver on the back of this Convertible Financing while it continues its debt refinancing and joint venture discussions for the development of its Wyoming assets. Senior Lender further supports this Convertible Financing via an option to roll future interest and/or fees into Bonds, which could provide COPL America a positive cash flow impact of approximately US\$500,000 per month.
- In conjunction with the G&A commitments outlined below, these measures increase COPL's working capital and afford COPL a solid footing ensuring the best possible outcomes be negotiated for refinancing and joint venture.
- If at any time the Main Bondholder owns at least 20 per cent. of the total Company common shares in issue, the Main Bondholder has agreed to enter into a relationship agreement with the Company on customary terms in the London market (consistent with and no more extensive than the terms required in respect of a Premium listing) on terms reasonably acceptable to the Main Bondholder.

G&A Cost Reduction Commitments

On the back of this Convertible Financing, COPL management have committed to using all commercially reasonable efforts to achieve annualised G&A reductions of US\$2.5 million, of which at least US\$1.0 million shall be actioned by the end of Q2 (June 2023), with the balance of the target to follow, pending continual board level review as well as to issue common shares in lieu of cash to existing unsecured creditors owed approximately US\$2.5 million. These reductions facilitate a more efficient cost base, without sacrificing the strategic and operational aspirations of the business, enabling management to conclude JV/RBL negotiations to the best possible outcome.

MI 61-101

The Company has also determined that the Convertible 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.



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The Company relies on the above exemptions on the basis that (i) as described in the Company's announcement of 1 February 2023, the Company is in serious financial difficulty because, without the Convertible Financing, it does not have sufficient working capital for its present requirements, (ii) the Convertible 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 Convertible 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 Convertible Financing.

Definitions

Reference is made to the Bond Instrument dated 26 July 2022 in respect of the issue of US\$12,600,000 Senior Convertible Bonds due 2024 (the "**2024 Bonds**") (the "**2024 Bond Instrument**"), the Bond Instrument dated 26 July 2022 as amended on 30 December 2022 in respect of the issue of US\$16,600,000 Senior Convertible Bonds due 2025 (the "**2025 Bonds**" and together with the 2024 Bonds, the "**Bonds**") (the "**2025 Bond Instrument**" and, together with the 2024 Bond Instrument, the "**Bond Instruments**"), the Warrant Instrument dated 26 July 2022 as amended on 30 December 2022 in respect of the 54,792,590 warrants and the Warrant Instrument dated 30 December 2022 in respect of the 12,760,572 warrants (together, the "**Warrants**") (together, the "**Warrant Instruments**") in each case issued by the Company.

The Company encourages readers to review its Financial Statements and Management Discussion and Analysis for the Third Quarter of 2022 for a full summary of the Convertible terms which are summarised.

Arthur Millholland, President & CEO, commented:

"This is an important raise for COPL. After some bumpy months operationally, and in our refinancing negotiations, this raise supports the company to an intended RBL and for the capital investment required to achieve a material production uplift. We appreciate the support of our leading investors and are excited about the deployment of this capital."

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.



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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.

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 Placing 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



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Placing 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 Bridge Loan Funding will complete 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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