

Coelacanth Announces Q1 2023 Financial and Operating Results

Calgary, Alberta--(Newsfile Corp. - May 25, 2023) - **COELACANTH ENERGY INC. (TSXV: CEI)** ("**Coelacanth**" or the "**Company**") is pleased to announce its financial and operating results for the three months ended March 31, 2023. All dollar figures are Canadian dollars unless otherwise noted.

Financial and operational results below present the carved-out historic financial position, results of operations and cash flows of Leucrotta's Two Rivers Assets for all prior periods up to and including May 31, 2022 and the results of operations from May 31, 2022 forward include the results of Coelacanth after assuming the Two Rivers Assets upon close of the Arrangement.

FINANCIAL RESULTS	Three Months Ended		
	2023	March 31 2022	% Change
(\$000s, except per share amounts)			
Oil and natural gas sales	954	1,688	(43)
Cash flow used in operating activities	(2,042)	(660)	209
Per share - basic and diluted ⁽¹⁾	(-)	(-)	-
Adjusted funds used ⁽¹⁾	(554)	(473)	17
Per share - basic and diluted	(-)	(-)	-
Net loss	(1,789)	(1,546)	16
Per share - basic and diluted	(-)	(0.01)	(100)
Capital expenditures ⁽¹⁾	5,139	297	1,630
Adjusted working capital ⁽¹⁾	61,215	285	21,379
Common shares outstanding (000s)			
Weighted average - basic and diluted	425,116	289,792	47
End of period - basic	425,384	-	na
End of period - fully diluted	469,358	-	na

(1) See "Non-GAAP and Other Financial Measures" section.

OPERATING RESULTS ⁽¹⁾	Three Months Ended		
	2023	March 31 2022	% Change
Daily production ⁽²⁾			
Oil and condensate (bbls/d)	46	70	(34)
Other NGLs (bbls/d)	14	21	(33)
Oil and NGLs (bbls/d)	60	91	(34)
Natural gas (mcf/d)	1,380	1,750	(21)
Oil equivalent (boe/d)	290	383	(24)
Oil and natural gas sales			
Oil and condensate (\$/bbl)	94.78	113.55	(17)
Other NGLs (\$/bbl)	42.98	45.79	(6)
Oil and NGLs (\$/bbl)	82.72	97.58	(15)
Natural gas (\$/mcf)	4.11	5.65	(27)
Oil equivalent (\$/boe)	36.60	49.04	(25)
Royalties			
Oil and NGLs (\$/bbl)	26.31	30.87	(15)
Natural gas (\$/mcf)	1.02	1.25	(18)
Oil equivalent (\$/boe)	10.26	13.07	(21)
Operating expenses			
Oil and NGLs (\$/bbl)	16.93	12.91	31

Natural gas (\$/mcf)	2.82	2.12	33
Oil equivalent (\$/boe)	16.93	12.79	32
Net transportation expenses ⁽³⁾			
Oil and NGLs (\$/bbl)	1.43	3.53	(59)
Natural gas (\$/mcf)	1.30	0.66	97
Oil equivalent (\$/boe)	6.50	3.86	68
Operating netback ⁽³⁾			
Oil and NGLs (\$/bbl)	38.05	50.27	(24)
Natural gas (\$/mcf)	(1.03)	1.62	(164)
Oil equivalent (\$/boe)	2.91	19.32	(85)
Depletion and depreciation (\$/boe)	(15.94)	(14.99)	6
General and administrative expenses (\$/boe)	(46.35)	(33.10)	40
Share based compensation (\$/boe)	(29.10)	(15.85)	84
Finance expense (\$/boe)	(3.18)	(1.59)	100
Finance income (\$/boe)	27.22	-	100
Other income (\$/boe)	-	1.30	(100)
Unutilized transportation (\$/boe)	(4.17)	-	100
Net loss (\$/boe)	(68.61)	(44.91)	53

(1) See "Oil and Gas Terms" section.

(2) See "Product Types" section.

(3) See "Non-GAAP and Other Financial Measures" section.

Selected financial and operational information outlined in this news release should be read in conjunction with Coelacanth's unaudited condensed interim financial statements and related Management's Discussion and Analysis ("MD&A") for the three months ended March 31, 2023, which are available for review under the Company's profile on The System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

COMMON-CONTROL TRANSACTION

On May 31, 2022, the arrangement agreement between Coelacanth, Leucrotta Exploration Inc. ("Leucrotta"), Vermilion Energy Inc. ("Vermilion"), and the shareholders of Leucrotta (the "Arrangement") closed and Vermilion acquired all of the issued and outstanding common shares of Leucrotta in exchange for \$1.73 cash for each common share of Leucrotta held.

Pursuant to an asset conveyance agreement between Coelacanth and Leucrotta made as of May 31, 2022, and immediately prior to the closing of the Arrangement, Leucrotta transferred approximately \$45.1 million cash, net of transaction costs, and certain oil and natural gas assets primarily located in the Two Rivers area of British Columbia ("Two Rivers Assets") to Coelacanth in exchange for one common share of Coelacanth ("Coelacanth Share"), and 0.1917 of a common share purchase warrant of Coelacanth (one whole warrant being an "Arrangement Warrant") for each common share of Leucrotta outstanding. The Coelacanth Shares and Arrangement Warrants were then transferred to the shareholders of Leucrotta.

Since the shareholders of Coelacanth and Leucrotta were the same both before and after the conveyance of the Two Rivers Assets (at the time Coelacanth was a wholly-owned subsidiary of Leucrotta), this transaction was deemed a common-control transaction. The financial and operational results below present the historic financial position, results of operations and cash flows of the transferred Two Rivers Assets for all prior periods up to and including May 31, 2022 on a carve-out basis as if they had operated as a stand-alone entity subject to Leucrotta's control. The financial position, results of operations and cash flows from March 24, 2022 (the date of incorporation of Coelacanth) to May 31, 2022 include both the Two Rivers Assets and Coelacanth on a combined basis and from May 31, 2022 forward include the results of Coelacanth after assuming the Two Rivers Assets upon close of the Arrangement.

OPERATIONS UPDATE

Coelacanth commenced operations June 1, 2022, with its lands previously being a small part of a larger

business plan for Leucrotta. Although the lands had been geologically delineated and production tested with vertical and horizontal test wells, there was significant infrastructure and corresponding pad drilling required to bring the greater vision for the area to fruition.

To that end, Coelacanth has geographically divided up its two projects as Two Rivers West ("TRW") and Two Rivers East ("TRE") with TRW already producing from two Montney wells into a small battery facility owned and operated by Coelacanth.

At TRW, a small pad has already been licensed and Coelacanth plans to have two wells completed on the pad and producing in Q4 2023. A battery upgrade was also initiated to accommodate additional volumes. Coelacanth is currently drilling the second well on the TRW pad and is scheduled to complete and test both wells in late July. The new horizontal wells will have 2-mile laterals completed with approximately 160 fracs as opposed to the previous wells drilled with 1 mile laterals and completed with 41 frac stages.

At TRE, a larger scale development is planned that includes constructing a battery to process up to 20,000 boe/d of production coming from larger pads that would carry our products to market through approximately 25 miles of new gathering and sales pipelines. The initial pad (5 wells) is planned offsetting a previously drilled Montney well that tested over a 1,000 boe/d but was only drilled with a one-mile lateral and completed with 41 fracs. Similar to TRW, new pad wells will be a minimum of 2-mile laterals and completed with approximately 160 fracs. To date, Coelacanth has completed the engineering design and secured a site to build a battery capable of handling approximately 20,000 boe/d, surveyed and started the process of securing land access to construct the gathering and sales pipelines, and applied for a license to drill its first pad at TRE. We are currently waiting on regulatory permits to drill these wells and will proceed with drilling soon after receipt of approvals.

Industry had previously experienced delays and uncertainty due to the court ruling on the dispute between the BC Government and Blueberry River First Nations regarding Treaty 8 rights. A settlement agreement was reached and announced on January 18, 2023, that will allow industry to resume business but with new restrictions to adhere to particularly on Crown surface lands.

Coelacanth now has more certainty as to the timing of the initial development of its large Montney resource and is excited to initiate this project.

OIL AND GAS TERMS

The Company uses the following frequently recurring oil and gas industry terms in the news release:

Liquids

Bbls	Barrels
Bbls/d	Barrels per day
NGLs	Natural gas liquids (includes condensate, pentane, butane, propane, and ethane)
Condensate	Pentane and heavier hydrocarbons

Natural Gas

Mcf	Thousands of cubic feet
Mcf/d	Thousands of cubic feet per day
MMcf/d	Millions of cubic feet per day
MMbtu	Million of British thermal units
MMbtu/d	Million of British thermal units per day

Oil Equivalent

Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

Disclosure provided herein in respect of a boe may be misleading, particularly if used in isolation. A boe conversion rate of six thousand cubic feet of natural gas to one barrel of oil equivalent has been used for the calculation of boe amounts in the news release. This boe conversion rate is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

NON-GAAP AND OTHER FINANCIAL MEASURES

This news release refers to certain measures that are not determined in accordance with IFRS (or "GAAP"). These non-GAAP and other financial measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures presented by other entities. The non-GAAP and other financial measures should not be considered alternatives to, or more meaningful than, financial measures that are determined in accordance with IFRS as indicators of the Company's performance. Management believes that the presentation of these non-GAAP and other financial measures provides useful information to shareholders and investors in understanding and evaluating the Company's ongoing operating performance, and the measures provide increased transparency to better analyze the Company's performance against prior periods on a comparable basis.

Non-GAAP Financial Measures

Adjusted funds used

Management uses adjusted funds used to analyze performance and considers it a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investments and abandonment obligations and to repay debt, if any. Adjusted funds used is a non-GAAP financial measure and has been defined by the Company as cash flow used in operating activities excluding the change in non-cash working capital related to operating activities, movements in restricted cash deposits and expenditures on decommissioning obligations. Management believes the timing of collection, payment or incurrence of these items involves a high degree of discretion and as such may not be useful for evaluating the Company's cash flows. Adjusted funds used is reconciled from cash flow used in operating activities as follows:

	Three Months Ended March 31	
(\$000s)	2023	2022
Cash flow used in operating activities	(2,042)	(660)
Add (deduct):		
Decommissioning expenditures	542	155
Restricted cash deposits	453	-
Change in non-cash working capital	493	32
Adjusted funds used (non-GAAP)	(554)	(473)

Net transportation expenses

Management considers net transportation expenses an important measure as it demonstrates the cost of utilized transportation related to the Company's production. Net transportation expenses is calculated as transportation expenses less unutilized transportation and is calculated as follows:

	Three Months Ended March 31	
(\$000s)	2023	2022
Transportation expenses	278	133
Unutilized transportation	(109)	-
Net transportation expenses (non-GAAP)	169	133

Operating netback

Management considers operating netback an important measure as it demonstrates its profitability relative to current commodity prices. Operating netback is calculated as oil and natural gas sales less royalties, operating expenses, and net transportation expenses and is calculated as follows:

(\$000s)	Three Months Ended March 31	
	2023	2022
Oil and natural gas sales	954	1,688
Royalties	(268)	(449)
Operating expenses	(441)	(440)
Net transportation expenses	(169)	(133)
Operating netback (non-GAAP)	76	666

Capital expenditures

Coelacanth utilizes capital expenditures as a measure of capital investment on property, plant, and equipment, exploration and evaluation assets and property acquisitions compared to its annual budgeted capital expenditures. Capital expenditures are calculated as follows:

(\$000s)	Three Months Ended March 31	
	2023	2022
Capital expenditures— property, plant, and equipment	3,537	18
Capital expenditures— exploration and evaluation assets	1,602	279
Capital expenditures (non-GAAP)	5,139	297

Capital Management Measures

Adjusted working capital

Management uses adjusted working capital as a measure to assess the Company's financial position. Adjusted working capital is calculated as current assets and restricted cash deposits less current liabilities, excluding the current portion of decommissioning obligations.

(\$000s)	March 31, 2023	December 31, 2022
Current assets	56,008	67,938
Less:		
Current liabilities	(3,382)	(8,901)
Working capital	52,626	59,037
Add:		
Restricted cash deposits	7,842	7,389
Current portion of decommissioning obligations	747	1,312
Adjusted working capital (Capital management measure)	61,215	67,738

Non-GAAP Financial Ratios

Adjusted Funds Used per Share

Adjusted funds used per share is a non-GAAP financial ratio, calculated using adjusted funds used and the same weighted average basic and diluted shares used in calculating net loss per share.

Net transportation expenses per boe

The Company utilizes net transportation expenses per boe to assess the per unit cost of utilized

transportation related to the Company's production. Net transportation expenses per boe is calculated as net transportation expenses divided by total production for the applicable period.

Operating netback per boe

The Company utilizes operating netback per boe to assess the operating performance of its petroleum and natural gas assets on a per unit of production basis. Operating netback per boe is calculated as operating netback divided by total production for the applicable period.

Supplementary Financial Measures

The supplementary financial measures used in this news release (primarily average sales price per product type and certain per boe and per share figures) are either a per unit disclosure of a corresponding GAAP measure, or a component of a corresponding GAAP measure, presented in the financial statements. Supplementary financial measures that are disclosed on a per unit basis are calculated by dividing the aggregate GAAP measure (or component thereof) by the applicable unit for the period. Supplementary financial measures that are disclosed on a component basis of a corresponding GAAP measure are a granular representation of a financial statement line item and are determined in accordance with GAAP.

PRODUCT TYPES

The Company uses the following references to sales volumes in the news release:

Natural gas refers to shale gas.

Oil and condensate refers to condensate and tight oil combined.

Other NGLs refers to butane, propane and ethane combined.

Oil and NGLs refers to tight oil and NGLs combined.

Oil equivalent refers to the total oil equivalent of shale gas, tight oil, and NGLs combined, using the conversion rate of six thousand cubic feet of shale gas to one barrel of oil equivalent as described above.

The following is a complete breakdown of sales volumes for applicable periods by specific product types of shale gas, tight oil, and NGLs:

Sales Volumes by Product Type	Three Months Ended March 31	
	2023	2022
Condensate (bbls/d)	8	12
Other NGLs (bbls/d)	14	21
NGLs (bbls/d)	22	33
Tight oil (bbls/d)	38	58
Condensate (bbls/d)	8	12
Oil and condensate (bbls/d)	46	70
Other NGLs (bbls/d)	14	21
Oil and NGLs (bbls/d)	60	91
Shale gas (mcf/d)	1,380	1,750
Natural gas (mcf/d)	1,380	1,750
Oil equivalent (boe/d)	290	383

FORWARD-LOOKING INFORMATION

This document contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "may", "will", "should", "believe", "intends", "forecast", "plans", "guidance" and similar expressions are

intended to identify forward-looking statements or information.

More particularly and without limitation, this news release contains forward-looking statements and information relating to the Company's oil and condensate, other NGLs, and natural gas production, capital programs, and adjusted working capital. The forward-looking statements and information are based on certain key expectations and assumptions made by the Company, including expectations and assumptions relating to prevailing commodity prices and exchange rates, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the availability of capital to undertake planned activities, and the availability and cost of labour and services.

Although the Company believes that the expectations reflected in such forward-looking statements and information are reasonable, it can give no assurance that such expectations will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results may differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, the risks associated with the oil and gas industry in general such as operational risks in development, exploration and production, delays or changes in plans with respect to exploration or development projects or capital expenditures, the uncertainty of estimates and projections relating to production rates, costs, and expenses, commodity price and exchange rate fluctuations, marketing and transportation, environmental risks, competition, the ability to access sufficient capital from internal and external sources and changes in tax, royalty, and environmental legislation. The forward-looking statements and information contained in this document are made as of the date hereof for the purpose of providing the readers with the Company's expectations for the coming year. The forward-looking statements and information may not be appropriate for other purposes. The Company 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.

Coelacanth is an oil and natural gas company, actively engaged in the acquisition, development, exploration, and production of oil and natural gas reserves in northeastern British Columbia, Canada.

Further Information

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