

## MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

November 22, 2022

The MD&A should be read in conjunction with the unaudited condensed interim financial statements and related notes for the three and nine months ended September 30, 2022. The unaudited condensed interim financial statements and financial data contained in the MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All dollar amounts are expressed in Canadian currency, unless otherwise noted.

### DESCRIPTION OF BUSINESS

Coelacanth Energy Inc. ("Coelacanth" or the "Company") 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. The Company trades on the TSX Venture Exchange ("TSXV") under the symbol "CEI".

### 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 \$44.7 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 held.

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.

### OIL AND GAS TERMS

The Company uses the following frequently recurring oil and gas industry terms in the MD&A:

#### **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
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 MD&A. 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.

### NOTE REGARDING PRODUCT TYPES

The Company uses the following references to sales volumes in the MD&A:

**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.

Readers are referred to the "Product Types" section for a complete breakdown of sales volumes for applicable periods by specific product types of shale gas, tight oil, and NGLs.

## NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A 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 flow (used)**

Management uses adjusted funds flow (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 flow (used) is a non-GAAP financial measure and has been defined by the Company as cash flow from (used in) operating activities excluding the change in non-cash working capital related to operating activities, 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 flow (used) is reconciled from cash flow from (used in) operating activities under the heading “Cash Flow from (Used in) Operating Activities and Adjusted Funds Flow (Used)”.

#### **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 transportation expenses and is calculated as follows:

(\$000s)	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
Oil and natural gas sales	2,135	1,922	6,157	6,151
Royalties	(658)	(519)	(1,788)	(1,652)
Operating expenses	(398)	(443)	(1,307)	(1,602)
Transportation expenses	(210)	(295)	(527)	(1,024)
Operating netback (non-GAAP)	869	665	2,535	1,873

#### **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		Nine Months Ended	
	September 30		September 30	
	2022	2021	2022	2021
Capital expenditures – property, plant, and equipment	3,861	188	4,572	413
Capital expenditures – exploration and evaluation assets	-	154	456	256
Capital expenditures (non-GAAP)	3,861	342	5,028	669

### 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. Refer to the calculation of adjusted working capital and reconciliation to working capital under the heading “Liquidity and Capital Resources”.

### Non-GAAP Financial Ratios

#### **Adjusted Funds Flow (Used) per Share**

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

#### **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. Operating netback per boe is reconciled to net loss per boe under the heading “Operating Netback”.

### Supplementary Financial Measures

The supplementary financial measures used in this MD&A (primarily average sales price per product type, royalty rates, 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.

## **FINANCINGS**

### ***Vermilion Financing***

Pursuant to and concurrent with the closing of the Arrangement, Vermilion purchased 53.3 million Coelacanth Shares at a price of \$0.27 per Coelacanth Share for total gross proceeds of \$14.4 million.

### ***Management Financing***

On June 10, 2022, Coelacanth closed a non-brokered private placement of 14.0 million units (the "Coelacanth Units") to certain officers, employees and directors of Coelacanth at a price of \$0.27 per Coelacanth Unit for total gross proceeds of \$3.8 million. Each Coelacanth Unit is comprised of one Coelacanth Share and one Coelacanth Share purchase warrant (a "Warrant"). The Warrants are exercisable at a price of \$0.27 per Coelacanth Share and expire on June 10, 2027.

Concurrently on June 10, 2022, Coelacanth closed a non-brokered private placement of 13.8 million flow-through units ("Flow-through Units") to certain officers, employees and directors of Coelacanth at a price of \$0.27 per Flow-through Unit for total gross proceeds of \$3.7 million. Each Flow-through Unit is comprised of one Coelacanth Share issued on a flow-through basis in respect of Canadian development expenses ("CDE") under the Income Tax Act (Canada) ("Flow-Through Share") and one flow-through CDE common share purchase warrant ("Flow-Through Warrant"). The Flow-Through Warrants are exercisable at a price of \$0.27 per Flow-Through Share and expire on June 10, 2027.

### ***Arrangement Warrants***

On May 31, 2022, 55.6 million Arrangement Warrants were issued to shareholders of Leucrotta. Each Arrangement Warrant entitled the holder to acquire one Coelacanth Share at an exercise price of \$0.27 per share at any time on or before August 2, 2022. A total of 54.2 million Arrangement Warrants were exercised for total proceeds of \$14.6 million while 1.3 million Arrangement Warrants expired unexercised.

## **OPERATIONS UPDATE**

In Q3 2022, Coelacanth continued to plan for the development of its major projects at Two Rivers East and West that entails materially expanding the infrastructure and preparing for pad development.

At Two Rivers West, two Drilling licenses have been received (B10-08 and 13-17) and Coelacanth will drill and case those wells while it awaits approvals for an additional three licenses to be approved on the B10-08 pad. Once the additional locations are approved on the B10-08 pad, Coelacanth intends to drill the remaining wells and complete all four wells with production to commence through its current facility shortly thereafter.

At Two Rivers East, the engineering and design is largely complete for the construction of a battery and gas handling facility to handle anticipated future pad developments. Gas sales and emulsion gathering lines are currently being surveyed so they can be installed on an expedited basis after drilling the first pad at 5-19. The 5-19 proposed pad, that is located just north of the successful Leucrotta 9-33 pad drilled in 2021, has been submitted for licensing and Coelacanth is awaiting approvals to drill.

Both of these projects are included in Coelacanth's business plan to reach production of 25,000 boe/d within a four-year period as outlined in its latest presentation.<sup>(1)</sup> Coelacanth currently controls over 150 net sections of Montney rights at Two Rivers in northeast British Columbia that are largely delineated and ready for development. The Montney lands are estimated to contain over 8.9 billion bbls of Original Oil in Place ("OOIP") and 8.6 tcf of Original Gas in Place ("OGIP").<sup>(2)</sup>

Coelacanth looks forward to updating on its progress in the near future.

(1) Corporate presentation available at [www.coelacanth.ca](http://www.coelacanth.ca).

(2) OGIP and OOIP are equivalent to Total Petroleum Initially In Place ("TPIIP") - see definition below. The OGIP and OOIP estimates quoted above are internal estimates performed by a Qualified Reserves Evaluator ("QRE") in accordance with the Canadian Oil and Gas Evaluations Handbook ("COGEH"). The effective date of the estimates is April 1, 2021.

TPIIP as defined in COGEH, is that quantity of petroleum that is estimated to exist originally in naturally occurring accumulations. It includes that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered (equivalent to "total resources"). There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

## SUMMARY OF FINANCIAL RESULTS

(\$000s, except per share amounts)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
<b>Oil and natural gas sales</b>	<b>2,135</b>	1,922	11	<b>6,157</b>	6,151	-
<b>Cash flow used in operating activities</b>	<b>(6,732)</b>	(625)	977	<b>(9,105)</b>	(1,925)	373
Per share - basic and diluted <sup>(3)</sup>	<b>(0.02)</b>	(-)	100	<b>(0.03)</b>	(0.01)	200
<b>Adjusted funds flow (used) <sup>(1)</sup></b>	<b>161</b>	(256)	(163)	<b>(290)</b>	(1,569)	(82)
Per share - basic and diluted	-	(-)	-	(-)	(0.01)	(100)
<b>Net loss</b>	<b>(830)</b>	(1,440)	(42)	<b>(10,438)</b>	(6,220)	68
Per share - basic and diluted	(-)	(-)	-	<b>(0.03)</b>	(0.02)	50
<b>Total assets</b>				<b>109,029</b>	25,892	321
<b>Total long-term liabilities</b>				<b>8,861</b>	9,359	(5)
<b>Adjusted working capital <sup>(2)</sup></b>				<b>77,445</b>	450	17,110

- (1) Adjusted funds flow (used) and adjusted funds flow (used) per share do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Please refer to the "Non-GAAP and Other Financial Measures" section for more details and the "Cash Flow from (Used in) Operating Activities and Adjusted Funds Flow (Used)" section for a reconciliation from cash flow used in operating activities.
- (2) Adjusted working capital is a capital management measure calculated as current assets and restricted cash deposits less current liabilities, excluding the current portion of decommissioning obligations. Please refer to the "Non-GAAP and Other Financial Measures" section for more details.
- (3) Supplemental financial measure. Please refer to the "Non-GAAP and Other Financial Measures" section for more details.

Although the Company benefited in the first nine months of 2022 from rising oil, NGLs, and natural gas commodity prices, the Company incurred accelerated share based compensation expense of \$3.3 million on Leucrotta stock options and restricted share units ("RSUs") that vested in conjunction with the Arrangement and a one-time share compensation charge of \$4.5 million relating to private placements of Coelacanth Units and Flow-through Units issued to certain officers, directors, and employees of the Company thus increasing the net loss over those periods. Total assets and adjusted working capital increased dramatically at September 30, 2022 compared to September 30, 2021 due to the injection of cash from the Arrangement, the exercise of Arrangement Warrants and the private placement financings to Vermilion and officers, directors, and employees of the Company.

PRODUCTION	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Average Daily Production <sup>(1)</sup>						
Oil and condensate (bbls/d)	<b>54</b>	89	(39)	<b>65</b>	112	(42)
Other NGLs (bbls/d)	<b>19</b>	26	(27)	<b>19</b>	31	(39)
Oil and NGLs (bbls/d)	<b>73</b>	115	(37)	<b>84</b>	143	(41)
Natural gas (mcf/d)	<b>1,567</b>	2,172	(28)	<b>1,664</b>	2,552	(35)
Oil equivalent (boe/d)	<b>334</b>	477	(30)	<b>361</b>	568	(36)

- (1) "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. Readers are referred to the "Product Types" section for a complete breakdown of sales volumes for applicable periods by specific product types of shale gas, tight oil, and NGLs.

Daily production decreased to 334 boe/d and 361 boe/d for the three and nine months ended September 30, 2022, respectively, from 477 boe/d and 568 boe/d for the comparative periods in 2021. The decrease in production was the result of natural declines on the Two Rivers, BC property.

Coelacanth's production profile for the third quarter of 2022 was consistent with the comparative quarter in 2021. The Q3 2022 weighting was 78% natural gas (Q3 2021 - 76%) and 22% oil and NGLs (Q3 2021 - 24%).

OIL AND NATURAL GAS SALES (\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	2022	2021	% Change
Oil and condensate	548	652	(16)	2,114	2,169	(3)
Other NGLs	88	85	4	262	257	2
Oil and NGLs	636	737	(14)	2,376	2,426	(2)
Natural gas	1,499	1,185	26	3,781	3,725	2
<b>Total</b>	<b>2,135</b>	<b>1,922</b>	<b>11</b>	<b>6,157</b>	<b>6,151</b>	<b>-</b>
<b>Average Sales Price</b>						
Oil and condensate (\$/bbl)	109.62	79.81	37	120.06	71.08	69
Other NGLs (\$/bbl)	51.00	34.90	46	51.25	30.47	68
Oil and NGLs (\$/bbl)	94.55	69.55	36	104.57	62.30	68
Natural gas production sales and transportation revenue (\$/mcf)	10.39	5.93	75	8.32	5.35	56
Combined (\$/boe)	69.40	43.78	59	62.56	39.67	58

Revenue totaled \$2.1 million and \$6.2 million for the three and nine months ended September 30, 2022, respectively, consistent with \$1.9 million and \$6.2 million for the comparative periods in 2021. The large increase in commodity prices for both the three and nine months of 2022 over 2021 was mainly offset by production declines. The increase in commodity prices was primarily due to the global economic recovery and the return of energy demand as jurisdictions around the world open up in the post COVID-19 pandemic environment.

The following table outlines the Company's realized wellhead prices and industry benchmarks:

Commodity Pricing	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	2022	2021	% Change
<b>Oil and NGLs</b>						
Corporate price (\$CDN/bbl)	94.55	69.55	36	104.57	62.30	68
Canadian light sweet (\$CDN/bbl)	116.77	84.18	39	123.59	76.37	62
West Texas Intermediate ("WTI") (\$US/bbl)	91.56	70.56	30	98.09	64.82	51
<b>Natural gas</b>						
Corporate price (\$CDN/mcf)	10.39	5.93	75	8.32	5.35	56
AECO price (\$CDN/mcf)	4.46	3.58	25	5.49	3.27	68
Westcoast Station 2 (\$CDN/mcf)	3.08	3.31	(7)	4.93	3.09	60
Chicago City Gate (\$US/mmbtu)	7.35	4.14	78	6.35	3.99	59
<b>Exchange rate</b>						
CDN/US dollar exchange rate	0.7658	0.7939	(4)	0.7796	0.7994	(2)

Differences between corporate and benchmark prices can be the result of quality differences (higher or lower API oil and higher or lower heat content natural gas), sour content, the mix of sales points and marketing contracts negotiated for products, the mix of oil and NGLs, and various other factors. Coelacanth's differences are mainly the result of higher heat content natural gas production that is priced higher than AECO reference prices as well as the diversification of sales points and marketing contracts for products.

The Company's corporate average oil and NGLs prices were 81.0% and 84.6% of Canadian light sweet prices for the three and nine months ended September 30, 2022, respectively, consistent with 82.6% and 81.6% for the comparative periods in 2021. Coelacanth's liquids mix during the third quarter of 2022 was approximately 74% light oil, condensate and pentanes, 15% butane and 11% propane (Q3 2021 - 77% light oil, condensate and pentanes, 13% butane and 10% propane).

Corporate average natural gas prices were 108.2% and 102.1% of Chicago City Gate price (converted to Canadian dollars) for the three and nine months ended September 30, 2022, respectively, down from 113.7% and 107.2% for the comparative periods in 2021 due to a higher percentage of natural gas sales in 2022 being sold under AECO and Westcoast Station 2 contracts instead of Chicago than in 2021.

Future prices received from the sale of the products may fluctuate as a result of market factors. In addition, the Company may enter into commodity price contracts to help manage future cash flows. The Company does not currently have any commodity price contracts outstanding.

ROYALTIES (\$000s)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Oil and NGLs	206	247	(17)	751	826	(9)
Natural gas	452	272	66	1,037	826	26
Total	658	519	27	1,788	1,652	8

Average Royalty Rate (% of sales)

Oil and NGLs	32.4	33.5	(3)	31.6	34.0	(7)
Natural gas	30.2	23.0	31	27.4	22.2	23
Combined	30.8	27.0	14	29.0	26.9	8

The Company pays royalties to provincial governments (Crown) and other oil and gas companies that own surface or mineral rights. Crown royalties are calculated on a sliding scale based on commodity prices and individual well production rates. Royalty rates can change due to commodity price fluctuations and changes in production volumes on a well-by-well basis, subject to a minimum and maximum rate restriction ascribed by the Crown.

Royalties totaled \$0.7 million and \$1.8 million for the three and nine months ended September 30, 2022, respectively, compared to \$0.5 million and \$1.7 million for the comparative periods in 2021. The increase for the three and nine months ended September 30, 2022 stems from higher natural gas prices. Royalty percentages for the Company include a 20% gross overriding royalty as part of a previous funding agreement. The Company expects its royalty rates to decrease as new wells are drilled in the future. Wells drilled on the west side of the Two Rivers property have a 5.5% gross overriding royalty while wells drilled on the east side do not have a gross overriding royalty.

OPERATING EXPENSES (\$000s)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Oil and NGLs	88	123	(28)	302	473	(36)
Natural gas	310	320	(3)	1,005	1,129	(11)
Operating expenses	398	443	(10)	1,307	1,602	(18)

Average operating expenses

Oil and NGLs (\$/bbl)	13.11	11.63	13	13.29	12.15	9
Natural gas (\$/mcf)	2.15	1.60	34	2.21	1.62	36
Combined (\$/boe)	12.94	10.11	28	13.28	10.33	29

Per unit operating expenses were \$12.94/boe and \$13.28/boe for the three and nine months ended September 30, 2022, respectively, up from \$10.11/boe and \$10.33/boe in the comparative periods in 2021. The increase is mainly the result of fixed costs at the Two Rivers facility combined with production declines. The Company expects operating costs per boe to decrease in the future once new production is brought on-stream.

TRANSPORTATION EXPENSES (\$000s)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Oil and NGLs	11	23	(52)	66	92	(28)
Natural gas	199	272	(27)	461	932	(51)
Transportation expenses	210	295	(29)	527	1,024	(49)

Average transportation expenses

Oil and NGLs (\$/bbl)	1.65	2.20	(25)	2.92	2.37	23
Natural gas (\$/mcf)	1.38	1.36	1	1.01	1.34	(25)
Combined (\$/boe)	6.81	6.72	1	5.35	6.60	(19)

Transportation expenses are mainly third-party pipeline tariffs from firm transportation agreements to deliver production to the purchasers at main hubs. Transportation expenses were consistent on a per boe basis at \$6.81/boe for the three months ended September 30, 2022, compared to \$6.72/boe for the comparative period in 2021. The decrease for the nine months ended September 30, 2022 over the comparative period in 2021 was mainly due to a higher percentage of natural gas sales in 2022 being sold under AECO and Westcoast Station 2 contracts instead of Chicago than in 2021. While the sales prices are less on AECO and Westcoast Station 2 contracts, the transportation and marketing expenses are also less.

OPERATING NETBACK	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
<b>Oil and NGLs (\$/bbl)</b>						
Revenue	94.55	69.55	36	104.57	62.30	68
Royalties	(30.44)	(23.25)	31	(33.03)	(21.20)	56
Operating expenses	(13.11)	(11.63)	13	(13.29)	(12.15)	9
Transportation expenses	(1.65)	(2.20)	(25)	(2.92)	(2.37)	23
Operating netback	49.35	32.47	52	55.33	26.58	108
<b>Natural gas (\$/mcf)</b>						
Revenue	10.39	5.93	75	8.32	5.35	56
Royalties	(3.14)	(1.36)	131	(2.28)	(1.19)	92
Operating expenses	(2.15)	(1.60)	34	(2.21)	(1.62)	36
Transportation expenses	(1.38)	(1.36)	1	(1.01)	(1.34)	(25)
Operating netback	3.72	1.61	131	2.82	1.20	135
<b>Combined (\$/boe)</b>						
Revenue	69.40	43.78	59	62.56	39.67	58
Royalties	(21.37)	(11.80)	81	(18.17)	(10.65)	71
Operating expenses	(12.94)	(10.11)	28	(13.28)	(10.33)	29
Transportation expenses	(6.81)	(6.72)	1	(5.35)	(6.60)	(19)
Operating netback	28.28	15.15	87	25.76	12.09	113

During the three and nine months ended September 30, 2022, Coelacanth generated an operating netback (see "Non-GAAP and Other Financial Measures") of \$28.28/boe and \$25.76/boe, respectively, up significantly from \$15.15/boe and \$12.09/boe for the comparative periods in 2021 mainly due to rising commodity prices. Oil, NGLs and natural gas commodity prices rose a combined 59% and 58% in the three and nine months ended September 30, 2022, respectively, compared to the same periods in 2021.

The following is a reconciliation of operating netback per boe to net loss per boe for the periods noted:

(\$/boe)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
<b>Operating netback</b>	28.28	15.15	87	25.76	12.09	113
Depletion and depreciation	(15.41)	(19.01)	(19)	(14.95)	(20.99)	(29)
General and administrative expenses	(36.07)	(20.98)	72	(33.47)	(22.20)	51
Share based compensation	(15.99)	(7.00)	128	(93.74)	(8.27)	1,033
Gain on insurance proceeds	-	-	-	6.67	-	100
Finance expense	(5.77)	(0.96)	501	(3.30)	(0.73)	352
Finance income	16.23	-	100	5.98	-	100
Other income	1.75	-	100	1.00	-	100
<b>Net loss</b>	(26.98)	(32.80)	(18)	(106.05)	(40.10)	164

DEPLETION AND DEPRECIATION	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Depletion and depreciation (\$000s)	474	834	(43)	1,472	3,255	(55)
Depletion and depreciation (\$/boe)	15.41	19.01	(19)	14.95	20.99	(29)

The Company calculates depletion on property, plant, and equipment ("PP&E") mainly based on proved plus probable reserves. Depletion and depreciation for the three and nine months ended September 30, 2022 decreased to \$0.5 million (September 30, 2021 - \$0.8 million) and \$1.5 million (September 30, 2021 - \$3.3 million) as a result of declining production. On a per boe basis, depletion and depreciation for the three and nine months ended September 30, 2022 decreased to \$15.41/boe and \$14.95/boe, respectively, from \$19.01/boe and \$20.99/boe for the comparative periods in 2021 due to increased proved and probable reserves assigned in the Company's December 31, 2021 reserves evaluation.

Included in depletion and depreciation expense for the three and nine months ended September 30, 2022, is \$22 thousand September 30, 2021 - \$22 thousand) and \$65 thousand (September 30, 2021 - \$67 thousand), respectively, related to the right-of-use asset for the Company's head office lease.

#### IMPAIRMENT OF PROPERTY, PLANT, AND EQUIPMENT AND EXPLORATION AND EVALUATION ASSETS

At September 30, 2022 and September 30, 2021, the Company evaluated its PP&E Two Rivers CGU for indicators of impairment or impairment reversal. There were no indicators identified and therefore, no impairment or impairment reversal was recognized during the three months ended September 30, 2022 and September 30, 2021.

At September 30, 2022 and September 30, 2021, the Company evaluated its exploration and evaluation assets for indicators of impairment and as a result of this assessment management determined that an impairment test was not required to be performed.

GENERAL AND ADMINISTRATIVE	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
G&A expenses (\$000s)	1,110	921	21	3,294	3,442	(4)
G&A expenses (\$/boe)	36.07	20.98	72	33.47	22.20	51

General and administrative expenses ("G&A") increased to \$36.07/boe and \$33.47/boe for the three and nine months ended September 30, 2022, respectively, compared to \$20.98/boe and \$22.20/boe for the comparative periods in 2021. The increase on a per unit basis is due to the decline in production.

SHARE BASED COMPENSATION	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Share based compensation (\$000s)	492	308	60	9,227	1,283	619
Share based compensation (\$/boe)	15.99	7.00	128	93.74	8.27	1,033

The Company accounts for its share based compensation plans using the fair value method. Under this method, compensation cost is charged to earnings over the vesting period for stock options and restricted share units granted to officers, directors, employees, and consultants with a corresponding increase to contributed surplus.

Share based compensation expense increased to \$0.5 million and \$9.2 million for the three and nine months ended September 30, 2022, respectively, compared to \$0.3 million and \$1.3 million for the comparative periods in 2021. The large increase stems from accelerated expense of \$3.3 million on Leucrotta stock options and RSUs that vested in conjunction with the Arrangement and a one-time charge of \$4.5 million equal to the difference between the fair value of the Coelacanth Units and Flow-through Units received and the price paid per Coelacanth Unit and Flow-through Unit issued to certain officers, directors, and employees of the Company.

FINANCE EXPENSE	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2022	2021	% Change	2022	2021	% Change
Interest expense	98	-	100	120	-	100
Accretion of lease liabilities	7	-	100	22	-	100
Accretion of decommissioning obligations	72	42	71	182	113	61
Finance expense	177	42	321	324	113	187
Finance expense (\$/boe)	5.77	0.96	501	3.30	0.73	352

Accretion expense increased for the three and nine months ended September 30, 2022 compared to the same periods in 2021 mainly as the result of increasing interest rates. Interest expense relates mainly to outstanding letters of guarantee for firm transportation agreements and decommissioning obligations.

#### FINANCE INCOME

Finance income relates to interest earned on cash in the bank. Finance income totaled \$0.5 million and \$0.6 million for the three and nine months ended September 30, 2022, respectively, compared to \$nil and \$nil for the comparative periods in 2021. The increase corresponds to the increase in the Company's cash balance over the comparative periods due to the common share financings and assumption of cash from Leucrotta on May 31, 2022.

#### GAIN ON INSURANCE PROCEEDS

During the nine months ended September 30, 2022, the Company received \$0.7 million (September 30, 2021 - \$nil) from insurance proceeds related to damaged equipment. The equipment that was damaged was previously impaired and had \$nil carrying value resulting in a gain of \$0.7 million.

#### DEFERRED INCOME TAXES

The Company has not realized the net deferred income tax asset as it is not probable that future taxable profits, based on the estimated cash flows derived from the independently evaluated reserve report, would be sufficient to realize the deferred income tax asset at this time.

Estimated tax pools at September 30, 2022 total approximately \$89.2 million (December 31, 2021 - \$67.8 million).

#### CASH FLOW FROM (USED IN) OPERATING ACTIVITIES AND ADJUSTED FUNDS FLOW (USED)

The following is a reconciliation of cash flow used in operating activities to adjusted funds flow (used) for the periods noted:

(\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	2022	2021	% Change
Cash flow used in operating activities	(6,732)	(625)	977	(9,105)	(1,925)	373
Add (deduct):						
Decommissioning expenditures	475	2	23,650	654	44	1,386
Change in non-cash working capital	6,418	367	1,649	8,161	312	2,516
Adjusted funds flow (used) (non-GAAP)	161	(256)	(163)	(290)	(1,569)	(82)

Adjusted funds flow (see “Non-GAAP and Other Financial Measures”) was \$0.2 million (\$nil per basic and diluted share) and adjusted funds used was \$0.3 million (\$nil per basic and diluted share) for the three and nine months ended September 30, 2022, respectively, compared to adjusted funds used of \$0.3 million (\$nil per basic and diluted share) and \$1.6 million (\$0.01 per basic and diluted share) for the comparative periods in 2021. The change was mainly due to the large rise in oil, NGLs, and natural gas commodity prices primarily due to the global economic recovery and the return of energy demand as jurisdictions around the world open up in the post COVID-19 pandemic environment. This rise in commodity pricing was partially offset by declining production.

Cash flow used in operating activities increased for the three and nine months ended September 30, 2022 to \$6.7 million (\$0.02 per basic and diluted share) and \$9.1 million (\$0.03 per basic and diluted share), respectively, from \$0.6 million (\$nil per basic and diluted share) and \$1.9 million (\$0.01 per basic and diluted share) for the comparative periods in 2021. Cash flow used in operating activities differs from adjusted funds flow (used) due to the inclusion of changes in non-cash working capital and expenditures on decommissioning obligations. The large increase in non-cash working capital for the three and nine months ended September 30, 2022 was mainly the result of moving \$6.4 million and \$8.1 million, respectively, from Cash to Restricted cash deposits in order to secure letters of guarantee relating to firm transportation agreements and decommissioning obligations.

### NET LOSS

The Company incurred net losses of \$0.8 million (\$nil per basic and diluted share) and \$10.4 million (\$0.03 per basic and diluted share) for the three and nine months ended September 30, 2022, respectively, compared to \$1.4 million (\$nil per basic and diluted share) and \$6.2 million (\$0.02 per basic and diluted share) for the comparative periods in 2021. Although the Company benefited in the first nine months of 2022 from rising oil, NGLs, and natural gas commodity prices, the Company incurred accelerated share based compensation expense of \$3.3 million on Leucrotta stock options and RSUs that vested in conjunction with the Arrangement and a one-time share based compensation charge of \$4.5 million relating to private placements of Coelacanth Units and Flow-through Units issued to certain officers, directors, and employees of the Company.

### CAPITAL EXPENDITURES

(\$000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	2022	2021	% Change
Land	112	176	(36)	520	371	40
Drilling, completions, and workovers	2,440	10	24,300	3,042	19	15,911
Equipment	1,294	124	944	1,448	247	486
Geological and geophysical	15	32	(53)	18	32	(44)
Total expenditures	3,861	342	1,029	5,028	669	652

The Company halted capital expenditures in Q2 2020 after completing the Two Rivers facility due to a lack of capital and the global impact of COVID-19 on commodity prices. During the three and nine months ended September 30, 2022, with new funding from the Arrangement and financings, the Company began some preliminary facility upgrades including a water disposal well and spent \$2.4 million on casing inventory for the upcoming pad drilling in Two Rivers.

### LIQUIDITY AND CAPITAL RESOURCES

Management uses adjusted working capital (see “Non-GAAP and Other Financial Measures”) as a measure to assess the Company’s financial position and is reconciled as follows:

(\$000s)	September 30, 2022	December 31, 2021	% Change
Current assets	72,253	759	9,419
Less:			
Current liabilities	(2,908)	(494)	489
Working capital	69,345	265	26,068
Add: Restricted cash deposits	7,119	-	100
Current portion of decommissioning obligations	981	-	100
Adjusted working capital (Capital management measure)	77,445	265	29,125

At September 30, 2022, the Company had adjusted working capital of \$77.4 million.

On May 31, 2022, Coelacanth, Leucrotta, Vermilion and the shareholders of Leucrotta closed the Arrangement whereby Vermilion acquired all of the issued and outstanding common shares of Leucrotta in exchange for \$1.73 cash.

Immediately prior to the closing of the Arrangement, Leucrotta completed a spin-out to its shareholders through a conveyance agreement with Coelacanth. Coelacanth received all assets and liabilities that were not sold to Vermilion, which comprised the Two Rivers Assets, a

net cash amount of approximately \$44.7 million, and \$85.0 million in tax pools. In exchange for the Two Rivers Assets, Coelacanth issued one Coelacanth Share and 0.1917 Arrangement Warrants to the shareholders of Leucrotta for each common share of Leucrotta held.

### Arrangement Warrant Financing

As discussed above, on May 31, 2022, 55.6 million Arrangement Warrants were issued to shareholders of Leucrotta. Each Arrangement Warrant entitled the holder to purchase one Coelacanth Share at an exercise price of \$0.27 per common share expiring on August 2, 2022. 54.2 million of the total 55.6 million were exercised for proceeds of \$14.6 million while 1.3 million expired unexercised.

### Vermilion Financing

Pursuant to and concurrent with the closing of the Arrangement, Vermilion purchased 53.3 million Coelacanth Shares at a price of \$0.27 per Coelacanth Share for total gross proceeds of \$14.4 million.

### Management Financing

On June 10, 2022, Coelacanth closed a non-brokered private placement of 14.0 million Coelacanth Units to certain officers, employees and directors of Coelacanth at a price of \$0.27 per Coelacanth Unit for total gross proceeds of \$3.8 million. Each Coelacanth Unit is comprised of one Coelacanth Share and one Warrant. The Warrants are exercisable at a price of \$0.27 per Coelacanth Share and expire on June 10, 2027.

Concurrently on June 10, 2022, Coelacanth closed a non-brokered private placement of 13.8 million Flow-through Units to certain officers, employees and directors of Coelacanth at a price of \$0.27 per Flow-through Unit for total gross proceeds of \$3.7 million. Each Flow-through Unit is comprised of one Flow-Through Share and one Flow-Through Warrant. The Flow-Through Warrants are exercisable at a price of \$0.27 per Flow-Through Share and expire on June 10, 2027. The Company has until June 10, 2024 to incur the required CDE of \$3.7 million related to the Flow-Through Shares.

Through these three share issuances and Arrangement Warrant exercises the Company raised a total of \$36.5 million.

Management anticipates that the Company will continue to have adequate liquidity to fund budgeted capital investments through a combination of its cash balance, cash flow, equity, and debt if required. Coelacanth's capital program is flexible and can be adjusted as needed based upon the current economic environment. The Company will continue to monitor the economic environment and the possible impact on its business and strategy and will make adjustments as necessary.

### CONTRACTUAL OBLIGATIONS

The following is a summary of the Company's contractual obligations and commitments at September 30, 2022:

(\$000s)	Total	Less than One Year	One to Three Years	After Three Years
Accounts payable and accrued liabilities	1,853	1,853	-	-
Lease obligations	542	74	200	268
Decommissioning obligations	9,191	981	1,033	7,177
Operating commitments	973	165	388	420
Firm transportation agreements	97,517	3,235	13,529	80,753
Firm processing agreements	23	23	-	-
Field equipment lease	1,206	302	804	100
<b>Total contractual obligations</b>	<b>111,305</b>	<b>6,633</b>	<b>15,954</b>	<b>88,718</b>

Operating commitments include the non-lease variable components (operating expenses) of the head office lease.

Transportation commitments include contracts to transport natural gas and NGLs through third-party owned pipeline systems. The Company currently has the following firm transportation commitments:

- 1.5 mmcf/d to deliver natural gas to the Alliance Trading Pool (ATP) through October 31, 2024.
- 1.5 mmcf/d to deliver natural gas to Chicago through October 31, 2024.
- 10.0 mmcf/d to deliver natural gas to Westcoast Station 2 from January 1, 2023 through December 31, 2037.
- 50.0 mmcf/d to deliver natural gas to Westcoast Station 2 from June 1, 2023 through May 31, 2038.

The Company entered into a field equipment lease with payments of \$402 thousand per year for a period of three years commencing January 1, 2023. The Company will recognize a lease liability and related right-of-use asset on commencement of the lease.

The Company has until June 10, 2024 to incur the required CDE expenditures of \$3.7 million related to the issuance of flow-through common shares on June 10, 2022.

### OFF BALANCE SHEET ARRANGEMENTS

The Company has certain lease arrangements, all of which are reflected in the contractual obligations and commitments table, which were entered into in the normal course of operations. All leases other than the fixed payment component of the head office lease have been treated as operating leases whereby the lease payments are included in operating expenses or general and administrative expenses depending on the nature of the lease.

## OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of voting common shares, an unlimited number of non-voting common shares, Class A preferred shares, issuable in series, Class B preferred shares, issuable in series, and Class C preferred shares, issuable in series. The voting common shares of the Company commenced trading on the TSXV on June 20, 2022 under the symbol "CEI". The following table summarizes the common shares outstanding and the number of shares exercisable into common shares from options, warrants, and other instruments:

(000s)	September 30, 2022	November 22, 2022
Voting common shares	425,106	425,106
Warrants and Flow-through Warrants	27,780	27,780
Stock options	6,044	6,044
Restricted share units	3,025	3,025
<b>Total</b>	<b>461,955</b>	<b>461,955</b>

## SUMMARY OF QUARTERLY RESULTS

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
<b>Average Daily Production</b>								
Oil and NGLs (bbls/d)	73	86	91	96	115	140	173	255
Natural gas (mcf/d)	1,567	1,676	1,750	1,993	2,172	2,550	2,942	3,104
Oil equivalent (boe/d)	334	365	383	428	477	565	664	772
<b>(\$000s, except per share amounts)</b>								
Oil and natural gas sales	2,135	2,334	1,688	1,621	1,922	1,666	2,563	1,838
Cash flow used in								
operating activities	(6,732)	(1,713)	(660)	(805)	(625)	(872)	(428)	(1,001)
Per share - basic and diluted <sup>(2)</sup>	(0.02)	(0.01)	(-)	(-)	(-)	(-)	(-)	(-)
Adjusted funds flow (used) <sup>(1)</sup>	161	22	(473)	(816)	(256)	(877)	(436)	(767)
Per share - basic and diluted	-	-	(-)	(-)	(-)	(-)	(-)	(-)
Net loss	(830)	(8,062)	(1,546)	(1,604)	(1,440)	(2,562)	(2,218)	(2,408)
Per share - basic and diluted	(-)	(0.03)	(0.01)	(0.01)	(-)	(0.01)	(0.01)	(0.01)

(1) Adjusted funds flow (used) and adjusted funds flow (used) per share do not have any standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies. Please refer to the "Non-GAAP and Other Financial Measures" section for more details and the "Cash Flow from (Used in) Operating Activities and Adjusted Funds Flow (Used)" section for a reconciliation from cash flow from (used in) operating activities.

(2) Supplemental financial measure. Please refer to the "Non-GAAP and Other Financial Measures" section for more details.

The Company experienced normal production declines from flush production for the Two Rivers property from 2020 to 2022. Oil and natural gas sales, cash flow from (used in) operating activities and adjusted funds flow (used) generally followed the same trend as production with some exceptions based on volatility of commodity prices received. Q2 and Q3 2022 oil and natural gas sales are up significantly due to a sharp increase in commodity prices. Although the Company benefited in the first nine months of 2022 from rising oil, NGLs, and natural gas commodity prices, the Company incurred a one-time share compensation charge of \$4.5 million relating to private placements of Coelacanth Units and Flow-through Units issued to certain officers, directors, and employees of the Company and accelerated share based compensation expense of \$3.3 million on Leucrotta stock options and RSUs that vested in conjunction with the Arrangement.

## CRITICAL ACCOUNTING ESTIMATES

Management is required to make estimates, judgments, and assumptions in the application of IFRS that affect the reported amounts of assets and liabilities at the date of the financial statements and revenues and expenses for the period then ended. Certain of these estimates may change from period to period resulting in a material impact on the Company's results from operations and financial position (see note 2d in the notes to the Company's September 30, 2022 interim financial statements for full descriptions of the use of estimates and judgments).

### Coronavirus disease (COVID-19) estimation uncertainty

During the first quarter of 2020, the World Health Organization declared COVID-19 to be a pandemic. Responses to the spread of COVID-19 resulted in a sudden decline in economic activity and resulted in a significant increase in economic uncertainty. In addition, oil prices declined dramatically due to the global oil price war and decline in demand due to COVID-19. These events resulted in a volatile and challenging economic environment throughout 2020 which adversely affected the Company's operational results and financial position. Throughout 2021, both oil and gas prices improved significantly, largely due to a combination of improved global economic activity combined with reduced oil and natural gas supply, and the roll out of COVID-19 vaccinations. Estimates and judgments made by management in the preparation of the financial statements are increasingly difficult and subject to a higher degree of measurement uncertainty during this volatile period.

## Changing regulation

Emissions, carbon and other regulations impacting climate and climate-related matters are constantly evolving. With respect to environmental, social and governance ("ESG") and climate reporting, the International Sustainability Standards Board has issued an IFRS Sustainability Disclosure Standard with the aim to develop sustainability disclosure standards that are globally consistent, comparable and reliable. In addition, the Canadian Securities Administrators have issued a proposed National Instrument 51-107 *Disclosure of Climate-related Matters*. The cost to comply with these standards, and others that may be developed or evolve over time, has not yet been quantified.

## RISK ASSESSMENT

The acquisition, exploration, and development of oil and natural gas properties involves many risks common to all participants in the oil and natural gas industry. Coelacanth's exploration and development activities are subject to various business risks such as unstable commodity prices, interest rate and foreign exchange fluctuations, the uncertainty of replacing production and reserves on an economic basis, government regulations, taxes, and safety and environmental concerns. While management realizes these risks cannot be eliminated, they are committed to monitoring and mitigating these risks.

### Reserves and reserve replacement

The recovery and reserve estimates on Coelacanth's properties are estimates only and the actual reserves may be materially different from that estimated. The estimates of reserve values are based on a number of variables including price forecasts, projected production volumes and future production and capital costs. All of these factors may cause estimates to vary from actual results.

Coelacanth's future oil and natural gas reserves, production, and adjusted funds flow to be derived therefrom are highly dependent on the Company successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves the Company may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Coelacanth's reserves will depend on its abilities to acquire suitable prospects or properties and discover new reserves.

To mitigate this risk, Coelacanth has assembled a team of experienced technical professionals who have expertise operating and exploring in areas the Company has identified as being the most prospective for increasing reserves on an economic basis. To further mitigate reserve replacement risk, Coelacanth has targeted a majority of its prospects in areas which have multi-zone potential, year-round access, and lower drilling costs and employs advanced geological and geophysical techniques to increase the likelihood of finding additional reserves.

### Operational risks

Coelacanth's operations are subject to the risks normally incidental to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells. Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property.

### Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of foreign currency risk, interest rate risk, and other price risk, such as commodity price risk. The objective of market risk management is to manage and control market price exposures within acceptable limits, while maximizing returns. The Company may use financial derivatives or physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

#### *Foreign exchange risk*

The prices received by the Company for the production of oil, natural gas, and NGLs are primarily determined in reference to US dollars, but are settled with the Company in Canadian dollars. The Company's cash flow from commodity sales will therefore be impacted by fluctuations in foreign exchange rates. The Company currently does not have any foreign exchange contracts in place.

#### *Interest rate risk*

The Company is exposed to interest rate risk on its cash and restricted cash deposit balances. The Company currently does not use interest rate hedges or fixed interest rate contracts to manage the Company's exposure to interest rate fluctuations. The Company does not currently have a credit facility.

#### *Commodity price risk*

Oil and natural gas prices are impacted by not only the relationship between the Canadian and US dollar but also by world economic events that dictate the levels of supply and demand. The Company's oil, natural gas, and NGLs production is marketed and sold on the spot market to area aggregators based on daily spot prices that are adjusted for product quality and transportation costs. The Company's cash flow from product sales will therefore be impacted by fluctuations in commodity prices. In addition, the Company may enter into commodity price contracts to manage future cash flows. The Company does not currently have any commodity price contracts in place.

### Credit risk

Credit risk represents the financial loss that the Company would suffer if the Company's counterparties to a financial asset fail to meet or discharge their obligation to the Company. A substantial portion of the Company's accounts receivable and deposits are with customers and joint interest partners in the oil and natural gas industry and are subject to normal industry credit risks. The Company generally grants unsecured credit but routinely assesses the financial strength of its customers and joint interest partners.

The Company sells the majority of its production to three petroleum and natural gas marketers and therefore is subject to concentration risk. Historically, the Company has not experienced any collection issues with its oil and natural gas marketers. Joint interest receivables are typically collected within one to three months of the joint interest billing being issued to the partner. The Company attempts to mitigate the risk from joint interest receivables by obtaining partner approval for significant capital expenditures prior to the expenditure being

incurred. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint interest partners; however, in certain circumstances, the Company may cash call a partner in advance of expenditures being incurred.

The maximum exposure to credit risk is represented by the carrying amount of cash and cash equivalents, restricted cash deposits, and accounts receivable on the statement of financial position. At September 30, 2022, \$0.8 million (61%) of the Company's outstanding accounts receivable were current and \$0.4 million (27%) were outstanding for more than 90 days. During the nine months ended September 30, 2022, the Company deemed \$38 thousand of outstanding accounts receivable to be uncollectable (September 30, 2021 - \$0.1 million).

Cash and cash equivalents and restricted cash deposits consist of bank balances placed with a financial institution with strong investment grade ratings which management believes the risk of loss to be remote. The Company manages the credit risk exposure related to risk management contracts by selecting investment grade financial institution counterparties and by not entering into contracts for trading or speculative purposes.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's processes for managing liquidity risk include ensuring, to the extent possible, that it will have sufficient liquidity to meet its liabilities when they become due. The Company prepares annual, quarterly, and monthly capital expenditure budgets, which are monitored and updated as required, and requires authorizations for expenditures on projects to assist with the management of capital. In managing liquidity risk, the Company ensures that it has access to additional financing, including potential equity issuances and debt financing. The Company also mitigates liquidity risk by maintaining an insurance program to minimize exposure to insurable losses.

The global impact of COVID-19 has resulted in significant declines in financial markets and has forecasted a great deal of uncertainty. As a result, oil and gas companies are subject to liquidity risks in maintaining their revenues and earnings as well as ongoing and future development and operating expenditure requirements. These and other factors may adversely affect the Company's liquidity and the Company's ability to generate income and cash flows in the future. In light of the current volatility and difficulty in reliably estimating the length or severity of these developments, and hence their financial impact, the preparation of financial forecasts is challenging.

### **Safety and Environmental Risks**

The oil and natural gas business is subject to extensive regulation pursuant to various municipal, provincial, national, and international conventions and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases, or emissions of various substances produced in association with oil and natural gas operations. Coelacanth is committed to meeting and exceeding its environmental and safety responsibilities. Coelacanth has implemented an environmental and safety policy that is designed, at a minimum, to comply with current governmental regulations set for the oil and natural gas industry. Changes to governmental regulations are monitored to ensure compliance. Environmental reviews are completed as part of the due diligence process when evaluating acquisitions. Environmental and safety updates are presented and discussed at each Board of Directors meeting. Coelacanth maintains adequate insurance commensurate with industry standards to cover reasonable risks and potential liabilities associated with its activities as well as insurance coverage for officers and directors executing their corporate duties. To the knowledge of management, there are no legal proceedings to which Coelacanth is a party or of which any of its property is the subject matter, nor are any such proceedings known to Coelacanth to be contemplated.

### **PRODUCT TYPES**

The Company uses the following references to sales volumes in the MD&A:

**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:

<b>Sales Volumes by Product Type</b>	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>
Condensate (bbls/d)	9	9	12	11	13	17	20	18
Other NGLs (bbls/d)	19	16	21	24	26	30	36	39
NGLs (bbls/d)	28	25	33	35	39	47	56	57
Tight oil (bbls/d)	45	61	58	61	76	93	117	198
Condensate (bbls/d)	9	9	12	11	13	17	20	18
Oil and condensate (bbls/d)	54	70	70	72	89	110	137	216
Other NGLs (bbls/d)	19	16	21	24	26	30	36	39
Oil and NGLs (bbls/d)	73	86	91	96	115	140	173	255
Shale gas (mcf/d)	1,567	1,676	1,750	1,993	2,172	2,550	2,942	3,104
Natural gas (mcf/d)	1,567	1,676	1,750	1,993	2,172	2,550	2,942	3,104
Oil equivalent (boe/d)	334	365	383	428	477	565	664	772

#### **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 MD&A 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.

#### **ADDITIONAL INFORMATION**

Additional information related to the Company may be found on the SEDAR website at [www.sedar.com](http://www.sedar.com).