Q3 2022 RESULTS

FINANCIAL AND OPERATING RESULTS FOR THE
THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2022

COELACANTH ENERGY INC.

HIGHLIGHTS

- On May 31, 2022, as a result of the closing of an arrangement agreement between Coelacanth Energy Inc. ("Coelacanth" or the "Company"), Leucrotta Exploration Inc. ("Leucrotta"), Vermilion Energy Inc. ("Vermilion"), and the shareholders of Leucrotta (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 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. Vermilion then acquired all of the issued and outstanding common shares of Leucrotta in exchange for $1.73 cash for each common share of Leucrotta held.
- Received proceeds of $6.8 million in the third quarter of 2022 on exercise of 25.4 million Arrangement Warrants (total proceeds received for nine months ended September 30, 2022 of $14.6 million on exercise of 54.2 million Arrangement Warrants).

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 SEP 30			NINE MONTHS ENDED SEP 30		
($000s, except per share amounts)	2022	2021	% Change	2022	2021	% Change
OIL AND NATURAL GAS SALES	2,135	1,922	11	6,157	6,151	-
CASH FLOW (USED IN) FROM OPERATING ACTIVITIES	(6,732)	(625)	977	(9,105)	(1,925)	373
Per share - basic and diluted [3]	(0.02)	(-)	100	(0.03)	(0.01)	200
ADJUSTED FUNDS FLOW (USED)[1]	161	(256)	(163)	(290)	(1,569)	(82)
Per share - basic and diluted	-	(-)	-	(-)	(0.01)	(100)
NET LOSS	(830)	(1,440)	(42)	(10,438)	(6,220)	68
Per share - basic and diluted	(-)	(-)	-	(0.03)	(0.02)	50
CAPITAL EXPENDITURES [4]	3,861	342	1,029	5,028	669	652
WORKING CAPITAL [2]				77,445	450	17,110
COMMON SHARES OUTSTANDING (000s)						
Weighted average - basic and diluted	418,556	289,792	44	343,064	289,792	18
End of period - basic				425,106	-	na
End of period - fully diluted				461,955	-	na

(1) Adjusted funds flow (used) and adjusted funds flow (used) per share do not have any standardized meaning prescribed by International Financial Reporting Standards ("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 in the MD&A for more details and the "Cash Flow from (Used in) Operating Activities and Adjusted Funds Flow (Used)" section in the MD&A 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 in the MD&A for more details.

(3) Supplemental financial measure. Please refer to the "Non-GAAP and Other Financial Measures" section in the MD&A for more details.

(4) Capital expenditures does 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 in the MD&A for more details.

OPERATING RESULTS (1)	Three Months Ended September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Daily production (2)						
Oil and condensate (bbls/d)	**54**	89	(39)	**65**	112	(42)
Other NGLs (bbls/d)	**19**	26	(27)	**19**	31	(39)
Oil and NGLs (bbls/d)	**73**	115	(37)	**84**	143	(41)
Natural gas (mcf/d)	**1,567**	2,172	(28)	**1,664**	2,552	(35)
Oil equivalent (boe/d)	**334**	477	(30)	**361**	568	(36)
Oil and natural gas sales						
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 ($/bbl)	**94.55**	69.55	36	**104.57**	62.30	68
Natural gas ($/mcf)	**10.39**	5.93	75	**8.32**	5.35	56
Oil equivalent ($/boe)	**69.40**	43.78	59	**62.56**	39.67	58
Royalties						
Oil and NGLs ($/bbl)	**30.44**	23.25	31	**33.03**	21.20	56
Natural gas ($/mcf)	**3.14**	1.36	131	**2.28**	1.19	92
Oil equivalent ($/boe)	**21.37**	11.80	81	**18.17**	10.65	71
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
Oil equivalent ($/boe)	**12.94**	10.11	28	**13.28**	10.33	29
Transportation expenses						
Oil and NGLs ($/bbl)	**1.65**	2.20	(25)	**2.92**	2.37	23
Natural gas ($/mcf)	**1.38**	1.36	1	**1.01**	1.34	(25)
Oil equivalent ($/boe)	**6.81**	6.72	1	**5.35**	6.60	(19)
Operating netback (3)						
Oil and NGLs ($/bbl)	**49.35**	32.47	52	**55.33**	26.58	108
Natural gas ($/mcf)	**3.72**	1.61	131	**2.82**	1.20	135
Oil equivalent ($/boe)	**28.28**	15.15	87	**25.76**	12.09	113
Depletion and depreciation ($/boe)	**(15.41)**	(19.01)	(19)	**(14.95)**	(20.99)	(29)
General and administrative expenses ($/boe)	**(36.07)**	(20.98)	72	**(33.47)**	(22.20)	51
Share based compensation ($/boe)	**(15.99)**	(7.00)	128	**(93.74)**	(8.27)	1,033
Gain on insurance proceeds ($/boe)	**-**	-	-	**6.67**	-	100
Finance expense ($/boe)	**(5.77)**	(0.96)	501	**(3.30)**	(0.73)	352
Finance income ($/boe)	**16.23**	-	100	**5.98**	-	100
Other income ($/boe)	**1.75**	-	100	**1.00**	-	100
Net loss ($/boe)	**(26.98)**	(32.80)	(18)	**(106.05)**	(40.10)	164

(1) "bbls" and "bbls/d" refers to barrels and barrels per day, "mcf" and "mcf/d" refers to thousand cubic feet and thousand cubic feet per day, and "boe" and "boe/d" refers to barrels of oil equivalent and 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.

(2) "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 in the MD&A for a complete breakdown of sales volumes for applicable periods by specific product types of shale gas, tight oil, and NGLs.

(3) Operating netback does 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 in the MD&A for more details and the "Operating Netback" section in the MD&A for reconciliations from net loss per boe.

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:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**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:

	Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**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.(1) 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”).(2)

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

(1) Corporate presentation available at 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 September 30 2022	2021	% Change	Nine Months Ended September 30 2022	2021	% Change
Oil and natural gas sales	**2,135**	1,922	11	**6,157**	6,151	-
Cash flow used in operating activities	**(6,732)**	(625)	977	**(9,105)**	(1,925)	373
Per share - basic and diluted (3)	**(0.02)**	(-)	100	**(0.03)**	(0.01)	200
Adjusted funds flow (used) (1)	**161**	(256)	(163)	**(290)**	(1,569)	(82)
Per share - basic and diluted	**-**	(-)	-	**(-)**	(0.01)	(100)
Net loss	**(830)**	(1,440)	(42)	**(10,438)**	(6,220)	68
Per share - basic and diluted	**(-)**	(-)	-	**(0.03)**	(0.02)	50
Total assets				**109,029**	25,892	321
Total long-term liabilities				**8,861**	9,359	(5)
Adjusted working capital (2)				**77,445**	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 September 30 2022	2021	% Change	Nine Months Ended September 30 2022	2021	% Change
Average Daily Production (1)						
Oil and condensate (bbls/d)	**54**	89	(39)	**65**	112	(42)
Other NGLs (bbls/d)	**19**	26	(27)	**19**	31	(39)
Oil and NGLs (bbls/d)	**73**	115	(37)	**84**	143	(41)
Natural gas (mcf/d)	**1,567**	2,172	(28)	**1,664**	2,552	(35)
Oil equivalent (boe/d)	**334**	477	(30)	**361**	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	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Oil and condensate	**548**	652	(16)	**2,114**	2,169	(3)
Other NGLs	**88**	85	4	**262**	257	2
Oil and NGLs	**636**	737	(14)	**2,376**	2,426	(2)
Natural gas	**1,499**	1,185	26	**3,781**	3,725	2
Total	**2,135**	1,922	11	**6,157**	6,151	-
Average Sales Price						
Oil and condensate ($/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
Oil and NGLs						
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") ($US/bbl)	**91.56**	70.56	30	**98.09**	64.82	51
Natural gas						
Corporate price ($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
Exchange rate						
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	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**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	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Oil and NGLs	**88**	123	(28)	**302**	473	(36)
Natural gas	**310**	320	(3)	**1,005**	1,129	(11)
Operating expenses	**398**	443	(10)	**1,307**	1,602	(18)
Average operating expenses						
Oil and NGLs ($/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	Three Months Ended September 30			Nine Months Ended September 30		
($000s)	**2022**	2021	% Change	**2022**	2021	% Change
Oil and NGLs	**11**	23	(52)	**66**	92	(28)
Natural gas	**199**	272	(27)	**461**	932	(51)
Transportation expenses	**210**	295	(29)	**527**	1,024	(49)
Average transportation expenses						
Oil and NGLs ($/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 September 30			Nine Months Ended September 30		
	2022	2021	% Change	**2022**	2021	% Change
Oil and NGLs ($/bbl)						
Revenue	**94.55**	69.55	36	**104.57**	62.30	68
Royalties	**(30.44)**	(23.25)	31	**(33.03)**	(21.20)	56
Operating expenses	**(13.11)**	(11.63)	13	**(13.29)**	(12.15)	9
Transportation expenses	**(1.65)**	(2.20)	(25)	**(2.92)**	(2.37)	23
Operating netback	**49.35**	32.47	52	**55.33**	26.58	108
Natural gas ($/mcf)						
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
Combined ($/boe)						
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:

	Three Months Ended September 30			Nine Months Ended September 30		
($/boe)	**2022**	2021	% Change	**2022**	2021	% Change
Operating netback	**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
Net loss	**(26.98)**	(32.80)	(18)	**(106.05)**	(40.10)	164

DEPLETION AND DEPRECIATION	Three Months Ended September 30			Nine Months Ended 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 September 30**			**Nine Months Ended 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 September 30**			**Nine Months Ended 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 September 30**			**Nine Months Ended 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 2022	2021	% Change	Nine Months Ended September 30 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 2022	2021	% Change	Nine Months Ended September 30 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
Total contractual obligations	111,305	6,633	15,954	88,718

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
Total	**461,955**	461,955

SUMMARY OF QUARTERLY RESULTS

	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
Average Daily Production								
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
($000s, except per share amounts)								
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 [(2)]	**(0.02)**	(0.01)	(-)	(-)	(-)	(-)	(-)	(-)
Adjusted funds flow (used) [(1)]	**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:

Sales Volumes by Product Type	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021	Q2 2021	Q1 2021	Q4 2020
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.

Coelacanth Energy Inc.
Condensed Interim Statements of Financial Position
(unaudited)

($000s)	Note	September 30 2022	December 31 2021
Assets			
Current assets			
Cash and cash equivalents		**69,499**	-
Current portion of restricted cash deposits	(5)	**941**	-
Accounts receivable		**1,357**	461
Prepaid expenses and deposits		**456**	298
		72,253	759
Restricted cash deposits	(5)	**7,119**	-
Property, plant, and equipment	(6)	**14,589**	12,870
Exploration and evaluation assets	(7)	**15,068**	14,612
		36,776	27,482
		109,029	28,241
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**1,853**	487
Current portion of lease obligations	(8)	**74**	7
Current portion of decommissioning obligations	(9)	**981**	-
		2,908	494
Lease obligations	(8)	**468**	513
Decommissioning obligations	(9)	**8,210**	11,142
Flow-through share premium	(11)	**183**	-
		11,769	12,149
Shareholders' Equity			
Shareholders' capital	(11)	**115,322**	-
Warrants	(11)	**4,272**	-
Contributed surplus		**511**	-
Net investment in Two Rivers Assets	(10)	**-**	16,092
Reserve from common-control transaction	(4,10)	**(18,063)**	-
Deficit		**(4,782)**	-
		97,260	16,092
		109,029	28,241
Commitments	(18)		

The accompanying notes are an integral part of these condensed interim financial statements.

Coelacanth Energy Inc.
Condensed Interim Statements of Operations and Comprehensive Loss
(unaudited)

($000s, except per share amounts)	Note	Three Months Ended September 30 **2022**	2021	Nine Months Ended September 30 **2022**	2021
Revenue					
Oil and natural gas sales	(17)	**2,135**	1,922	**6,157**	6,151
Other income	(9)	**54**	-	**98**	-
Royalties		**(658)**	(519)	**(1,788)**	(1,652)
		1,531	1,403	**4,467**	4,499
Expenses					
Operating		**398**	443	**1,307**	1,602
Transportation		**210**	295	**527**	1,024
Depletion and depreciation	(6)	**474**	834	**1,472**	3,255
General and administrative		**1,110**	921	**3,294**	3,442
Share based compensation	(11,12)	**492**	308	**9,227**	1,283
Gain on insurance proceeds	(6)	**-**	-	**(657)**	-
Finance income		**(500)**	-	**(589)**	-
Finance expense		**177**	42	**324**	113
		2,361	2,843	**14,905**	10,719
Net loss and comprehensive loss		**(830)**	(1,440)	**(10,438)**	(6,220)
Net loss per share					
Basic and diluted	(13)	**(-)**	(-)	**(0.03)**	(0.02)

The accompanying notes are an integral part of these condensed interim financial statements.

Coelacanth Energy Inc.
Condensed Interim Statements of Shareholders' Equity
(unaudited)

($000s)	Note	Share-holders' Capital	Warrants	Net investment in Two Rivers Assets	Contributed Surplus	Reserve from common-control transaction	Deficit	Total Equity
Balance, January 1, 2021		-	-	18,344	-	-	-	18,344
Net loss		-	-	(6,220)	-	-	-	(6,220)
Net contributions from Leucrotta	(10)	-	-	2,616	-	-	-	2,616
Share based compensation	(12)	-	-	1,283	-	-	-	1,283
Balance, September 30, 2021		-	-	16,023	-	-	-	16,023
Net loss		-	-	(1,604)	-	-	-	(1,604)
Net contributions from Leucrotta	(10)	-	-	1,425	-	-	-	1,425
Share based compensation	(12)	-	-	248	-	-	-	248
Balance, December 31, 2021		-	-	16,092	-	-	-	16,092
Net loss		**-**	**-**	**(5,656)**	**-**	**-**	**(4,782)**	**(10,438)**
Net contributions from Leucrotta	(10)	**-**	**-**	**922**	**-**	**-**	**-**	**922**
Cash received from Leucrotta	(4)	**-**	**-**	**44,712**	**-**	**-**	**-**	**44,712**
Accounts receivable from Leucrotta		**-**	**-**	**392**	**-**	**-**	**-**	**392**
Issue of share capital	(4,11)	**78,244**	**556**	**(60,737)**	**-**	**(18,063)**	**-**	**-**
Issue of common shares, flow-through common shares and warrants	(11)	**22,077**	**4,272**	**-**	**-**	**-**	**-**	**26,349**
Exercise of Arrangement Warrants	(11)	**15,184**	**(542)**	**-**	**-**	**-**	**-**	**14,642**
Expiry of Arrangement Warrants	(11)	**-**	**(14)**	**-**	**14**	**-**	**-**	**-**
Flow-through share premium	(11)	**(183)**	**-**	**-**	**-**	**-**	**-**	**(183)**
Share based compensation	(12)	**-**	**-**	**4,275**	**497**	**-**	**-**	**4,772**
Balance, September 30, 2022		**115,322**	**4,272**	**-**	**511**	**(18,063)**	**(4,782)**	**97,260**

The accompanying notes are an integral part of these condensed interim financial statements.

Coelacanth Energy Inc.
Condensed Interim Statements of Cash Flows

(unaudited)		Three Months Ended September 30		Nine Months Ended September 30	
($000s)	**Note**	**2022**	2021	**2022**	2021
Operating Activities					
Net loss		**(830)**	(1,440)	**(10,438)**	(6,220)
Depletion and depreciation	(6)	**474**	834	**1,472**	3,255
Share based compensation	(11,12)	**492**	308	**9,227**	1,283
Finance expense		**177**	42	**324**	113
Interest paid		**(98)**	-	**(120)**	-
Gain on insurance proceeds	(6)	**-**	-	**(657)**	-
Other income	(9)	**(54)**	-	**(98)**	-
Decommissioning expenditures	(9)	**(475)**	(2)	**(654)**	(44)
Change in non-cash working capital	(16)	**(6,418)**	(367)	**(8,161)**	(312)
		(6,732)	(625)	**(9,105)**	(1,925)
Financing Activities					
Cash received from Leucrotta	(4)	**-**	-	**44,712**	-
Net contributions from Leucrotta	(10)	**-**	943	**922**	2,616
Issue of common shares, flow-through shares, and warrants	(11)	**-**	-	**21,894**	-
Exercise of Arrangement Warrants	(11)	**6,850**	-	**14,642**	-
Payment of lease obligations	(8)	**-**	(22)	**-**	(70)
Change in non-cash working capital	(16)	**174**	-	**-**	-
		7,024	921	**82,170**	2,546
Investing Activities					
Capital expenditures - property, plant, and equipment	(6)	**(3,861)**	(188)	**(4,572)**	(413)
Capital expenditures - exploration and evaluation assets	(7)	**-**	(154)	**(456)**	(256)
Insurance proceeds on equipment	(6)	**-**	-	**657**	-
Change in non-cash working capital	(16)	**322**	46	**805**	48
		(3,539)	(296)	**(3,566)**	(621)
Change in cash and cash equivalents		**(3,247)**	-	**69,499**	-
Cash and cash equivalents, beginning of period		**72,746**	-	**-**	-
Cash and cash equivalents, end of period		**69,499**	-	**69,499**	-

The accompanying notes are an integral part of these condensed interim financial statements.

1. REPORTING ENTITY

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 north eastern British Columbia, Canada. Coelacanth was incorporated in Alberta, Canada under the Business Corporations Act (Alberta) on March 24, 2022 under the name of 2418573 Alberta Ltd., and subsequently changed its name to Coelacanth Energy Inc. on April 12, 2022. The Company commenced trading on the TSX Venture Exchange ("TSXV") on June 20, 2022 under the symbol "CEI". The Company's place of business is located at 2110, 530 - 8th Avenue SW, Calgary, Alberta, Canada, T2P 3S8.

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 shares of Leucrotta 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 condensed interim financial statements 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.

The Company conducts many of its activities jointly with others and these financial statements reflect only the Company's proportionate interest in such activities.

2. BASIS OF PRESENTATION

(a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, as prescribed by IAS 34, Interim Financial Reporting. The condensed interim financial statements do not include all of the information and disclosure required in annual financial statements. These condensed interim financial statements should be read in conjunction with the interim financial statements and related notes for the three and six months ended June 30, 2022 which was the Company's initial presentation of the financial position, results of operations and cash flows prepared as a complete set of financial statements in accordance with IFRS Standards.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 22, 2022.

(b) Basis of measurement

The condensed interim financial statements 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 ("carve-out financial statements"). 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 at the net carrying value of the Two Rivers Assets according to historical cost financial records of Leucrotta. The carve-out financial statements have been prepared by management in accordance with IFRS.

In respect of the carve-out financial statements, the basis of allocation for certain assets, liabilities, revenue and expenses are described below:

Accounts receivable attributable to the Two Rivers Assets were estimated based on the last month's accrued revenue for each period end, assuming a 31 day payment cycle.

Prepaid expenses and deposits include amounts directly attributable to the Two Rivers Assets.

Exploration and evaluation assets related to the Two Rivers Assets were carved-out based on historical cost records of Leucrotta directly attributable to the Two Rivers Assets.

Property, plant, and equipment related to the Two Rivers Assets were carved-out based on historical cost records of Leucrotta directly attributable to the Two Rivers Assets.

Accounts payable related to the Two Rivers Assets were estimated based on the last month's operating expenditures for each period end, assuming a 31 day payment cycle. Accrued liabilities include accrued capital expenditures directly attributable to the Two Rivers Assets.

There has been no debt or interest expense allocated to Coelacanth as there is no direct legal agreement providing for lending as specifically relating to the Two Rivers Assets. This is consistent with the Arrangement in that no Leucrotta debt was assumed by Coelacanth.

Decommissioning obligations were derived from the historical records of Leucrotta based on the estimated future abandonment and remediation costs for the wells and facilities directly attributable to the Two Rivers Assets.

Lease obligations and associated right-of-use assets were derived from the historical records of Leucrotta directly attributable to the Two Rivers Assets as Coelacanth assumed the lease obligations from Leucrotta.

The deferred income taxes attributed to the Two Rivers Assets was calculated using tax pools directly associated with the Two Rivers Assets for carve-out purposes and allocated based on the carve-out net income (loss) before tax adjusting for temporary and permanent differences. The Company has not recognized the net deferred income tax asset.

Oil and natural gas sales, royalties, operating and transportation expenses were amounts directly attributable to the Two Rivers Assets.

Depletion and depreciation expense were derived from the historical capital amounts of Leucrotta directly attributable to the Two Rivers Assets and proved and probable reserves for the Two Rivers Assets calculated in accordance with the policy outlined in note 3 of the interim financial statements for the three and six months ended June 30, 2022.

Accretion expense was derived from the historical records of Leucrotta directly attributable to the decommissioning obligations and lease obligations of the Two Rivers Assets.

Impairment was calculated in accordance with the policy outlined in note 3 of the interim financial statements for the three and six months ended June 30, 2022.

General and administrative ("G&A") expenses were allocated to the Two Rivers Assets based on the percentage of employees retained in Coelacanth relative to the overall employee count of Leucrotta.

Share based compensation ("SBC") expense was allocated to the Two Rivers Assets based on the percentage of employees retained in Coelacanth relative to the overall employee count of Leucrotta.

Risk management contracts and related realized and unrealized gains and losses on risk management contracts were not allocated to the Two Rivers Assets.

Equity in the Two Rivers Assets is shown as a net investment in place of Shareholders' Equity because a direct ownership by shareholders in the Two Rivers Assets did not exist. All excess cash flows are assumed to be distributed to Leucrotta and all cash flow deficiencies and capital expenditures are assumed to be funded by Leucrotta through the net investment.

(c) Functional and presentation currency

The condensed interim financial statements are presented in Canadian dollars, which is the functional currency of the Company.

(d) Use of estimates and judgments

The preparation of the interim financial statements in conformity with IFRS requires management to make estimates and use judgment regarding the reported amounts of assets and liabilities as at the date of the interim financial statements and the reported amounts of revenues and expenses during the period. By their nature, estimates are subject to measurement uncertainty and changes in such estimates in future periods could require a material change in the interim financial statements. Accordingly, actual results may differ from the estimated amounts as future confirming events occur.

Significant estimates and judgments made by management in the preparation of these condensed interim financial statements are outlined below.

Carve-out financial statements
The interim financial statements 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 (carve-out financial statements). The preparation of the carve-out financial statements requires the use of significant judgments by management in the allocation of the reported amounts of Leucrotta to the carve-out assets and liabilities. The carve-out financial statements do not necessarily reflect what the financial position, results of operations and cash flows would have been had these net assets been in a separate entity, or the future results of the business, as it exists after the completion of the Arrangement.

Business combinations
Business combinations are accounted for using the acquisition method. Under this method, the consideration transferred is allocated to the assets acquired and the liabilities assumed based on the fair values at the time of acquisition. In determining the fair value of the assets and liabilities, the Company is often required to make assumptions and estimates, such as reserves, future commodity prices, fair value of undeveloped land, discount rates, decommissioning obligations and possible outcome of any assumed contingencies.

Cash-generating units ("CGU")
The Company's assets are aggregated into CGUs for the purposes of calculating depletion and depreciation and impairment. CGUs are determined based on the smallest group of assets that generate cash flows independent of other assets or groups of assets. Determination of the CGUs is subject to the Company's judgment and is based on geographical proximity, shared infrastructure, similar exposure to market risk, and materiality.

Impairment
Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land, and other relevant assumptions.

(i) Reserves – Assumptions that are valid at the time of reserve estimation may change significantly when new information becomes available. Changes in forward price estimates, operating and transportation expenses, or recovery rates may change the economic status of reserves and may ultimately result in reserves being restated.
(ii) Oil and natural gas prices – Forward price estimates are used in the cash flow model. Commodity prices can fluctuate for a variety of reasons including supply and demand fundamentals, inventory levels, exchange rates, weather, and economic and geopolitical factors.
(iii) Discount rate – The discount rate used to calculate the net present value of cash flows is based on estimates of a discount rate specific to the risk of the CGU being assessed for impairment. Changes in the general economic environment could result in significant changes to this estimate.

Exploration and evaluation assets
The application of the Company's accounting policy for exploration and evaluation assets requires the Company to make certain judgments as to future events and circumstances as to whether economic quantities of reserves will be found so as to assess if technical feasibility and commercial viability has been achieved.

Depletion and depreciation
Amounts recorded for depletion and depreciation are based on estimates of total proved and probable oil and natural gas reserves and future development capital. By their nature, the estimates of reserves, including the estimates of future prices, costs, and future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the financial statements in future periods could be material.

Decommissioning obligations
Amounts recorded for decommissioning obligations requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, market conditions, discovery and analysis of site conditions and changes in technology. Other provisions are recognized in the period when it becomes probable that there will be a future cash outflow.

Share based compensation
Compensation costs recognized for share based compensation plans are subject to the estimation of what the ultimate value will be using pricing models such as the Black-Scholes-Merton model which is based on significant assumptions such as volatility, expected term, and forfeiture rate.

Deferred taxes
Deferred taxes are based on estimates as to the timing of the reversal of temporary differences, substantively enacted tax rates, and the likelihood of assets being realized. Tax interpretations, regulations, and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Judgments are also required to determine the likelihood of whether deferred income taxes at the end of the reporting period will be realized from future taxable earnings.

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 and 2022, 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The condensed interim financial statements have been prepared following the same accounting policies as the interim financial statements for the three and six months ended June 30, 2022. The accounting policies have been applied consistently by the Company to all periods presented in these condensed interim financial statements.

4. COMMON-CONTROL TRANSACTION

As described in note 1, on May 31, 2022, as a result of the closing of the Arrangement between Coelacanth, Leucrotta, Vermilion, and the shareholders of Leucrotta, Leucrotta transferred approximately $44.7 million cash, net of transaction costs, and the Two Rivers Assets to Coelacanth in exchange for one Coelacanth Share and 0.1917 of an Arrangement Warrant of Coelacanth for each common share of Leucrotta held. Vermilion then acquired all of the issued and outstanding common shares of Leucrotta in exchange for $1.73 cash.

Since the shareholders of Coelacanth and Leucrotta were the same both before and after the conveyance of the Two Rivers Assets, this transaction was deemed a common-control transaction. As such, the Company elected to recognize the assets and liabilities assumed by Coelacanth, including cash, accounts receivable, prepaid expenses and deposits, property, plant, and equipment, exploration and evaluation assets, accounts payable and accrued liabilities, decommissioning obligations and lease obligations at the carrying amount of the Two Rivers Assets according to historical cost financial records of Leucrotta.

Common shares issued as part of the consideration for the common-control transaction with Leucrotta were valued at $0.27 per common share which was based on the issue price of the public and insider private placements (see note 11). The Arrangement Warrants were valued using the Black-Scholes-Merton model (see note 11). The difference between the value of the Coelacanth Shares and Arrangement Warrants, totaling $78.8 million, and the Net investment in the Two Rivers Assets, which was $60.7 million at May 31, 2022, equated to $18.1 million and has been recognized as a Reserve from common-control transaction within Shareholders' Equity.

5. RESTRICTED CASH DEPOSITS

The Company has $8.1 million in restricted guaranteed investment certificates ("GIC's") with a Canadian chartered bank. These restricted GIC's are being held as security for $8.1 million of letters of guarantee to third parties relating to firm transportation agreements and decommissioning obligations.

	September 30, 2022	December 31, 2021
Current	**941**	-
Long-term	**7,119**	-
	8,060	-

6. PROPERTY, PLANT, AND EQUIPMENT

Cost	Total
Balance, January 1, 2021	55,437
Additions	886
Change in decommissioning obligation estimates (note 9)	1,754
Right-of-use asset additions (note 8)	518
Derecognition of right-of-use asset (note 8)	(254)
Derecognition of office equipment	(545)
Balance, December 31, 2021	57,796
Additions	**4,572**
Change in decommissioning obligation estimates (note 9)	**(1,381)**
Balance, September 30, 2022	**60,987**

Accumulated Depletion, Depreciation, and Impairment	Total
Balance, January 1, 2021	41,875
Derecognition of right-of-use asset (note 8)	(254)
Derecognition of office equipment	(545)
Depletion and depreciation	3,850
Balance, December 31, 2021	44,926
Depletion and depreciation	**1,472**
Balance, September 30, 2022	**46,398**

Net Book Value	Total
December 31, 2021	12,870
September 30, 2022	**14,589**

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.

Depletion and depreciation

The calculation of depletion and depreciation expense for the three months ended September 30, 2022 included an estimated $6.3 million (September 30, 2021 - $nil) for future development costs associated with proved plus probable undeveloped reserves and excluded approximately $1.2 million (September 30, 2021 - $1.2 million) for the estimated salvage value of production equipment and facilities.

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. At September 30, 2022, the net book value of this right-of-use asset is $0.4 million (December 31, 2021 - $0.5 million).

Impairment Assessment

At September 30, 2022, the Company evaluated its property, plant, and equipment Two Rivers CGU for indicators of impairment or impairment reversals. There were no indicators identified and therefore, no impairment or impairment reversal was recognized during the three months ended September 30, 2022.

7. EXPLORATION AND EVALUATION ASSETS

	Total
Balance, January 1, 2021	14,163
Additions	449
Balance, December 31, 2021	14,612
Additions	**456**
Balance, September 30, 2022	**15,068**

Exploration and evaluation ("E&E") assets consist of the Company's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Company's share of costs incurred on E&E assets during the period, consisting primarily of undeveloped land and drilling costs until the drilling of the well is complete and the results have been evaluated.

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

8. LEASE OBLIGATIONS

Leucrotta entered into a new office lease agreement at a new location commencing December 1, 2021 and was transferred to Coelacanth as part of the Arrangement. Lease obligations are discounted with an effective interest rate of 5.5% and the right-of-use asset is amortized based on the lease term. The Company's office lease does not require any lease payments over the first year of the lease and the lease expires November 30, 2027 with a renewal option of an additional five year term. Only the first term of the lease has been recognized as a right-of-use asset and lease obligation. Leucrotta's prior office lease expired October 31, 2021, in which lease obligations were discounted with an effective interest rate of 5.0% and the right-of-use asset was amortized based on the lease term. The right-of-use asset related to the previous office lease has been derecognized.

	Total
Balance, January 1, 2021	78
Additions	518
Lease payments	(80)
Interest expense	2
Accretion	2
Balance, December 31, 2021	520
Accretion	**22**
Balance, September 30, 2022	**542**
Current	**74**
Long-term	**468**
	542

The total undiscounted amount of the estimated future cash flows to settle the lease obligations over the remaining lease term is $0.6 million. The Company's minimum lease payments are as follows:

	September 30, 2022
Within one year	98
Later than one year but not later than two years	118
Later than two years	414
Minimum lease payments	630
Amount representing interest expense	(88)
Present value of net lease payments	**542**

9. DECOMMISSIONING OBLIGATIONS

The Company's decommissioning obligations result from its ownership interest in oil and natural gas assets including well sites and gathering systems. The total decommissioning obligation is estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to abandon and reclaim the wells and facilities, and the estimated timing of the costs to be incurred in future periods. The total undiscounted amount of the estimated cash flows, adjusted for inflation at 1.77% per year (December 31, 2021 - 1.79%) required to settle the decommissioning obligations is approximately $13.4 million (December 31, 2021 - $14.5 million) which is estimated to be incurred over the next 21 years. At September 30, 2022, a risk-free rate of 3.03% (December 31, 2021 – 1.75%) was used to calculate the net present value of the decommissioning obligations.

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Balance, beginning of period	**11,142**	9,496
Provisions settled	**(654)**	(162)
Government subsidies	**(98)**	(103)
Revisions in estimated cash flows	**519**	1,797
Revisions due to change of rates	**(1,900)**	(43)
Accretion	**182**	157
Balance, end of period	**9,191**	11,142
Current	**981**	-
Long-term	**8,210**	11,142
	9,191	11,142

During the three and nine months ended September 30, 2022, the Company benefited from the British Columbia Government's Dormant Sites Reclamation Program resulting in a reduction in decommissioning obligations of $54 thousand and $98 thousand, respectively (September 30, 2021 - $nil and $nil, respectively) with the offset being recorded as other income in the statement of operations and comprehensive loss.

10. NET INVESTMENT IN TWO RIVERS ASSETS

Leucrotta's net investment in the operations of the Two Rivers Assets is presented as net investment in Two Rivers Assets in these condensed interim financial statements because a direct ownership by shareholders in the Two Rivers Assets did not exist. The net investment in Two Rivers Assets is comprised of accumulated net loss of the operations and the accumulated net contributions from and distributions to Leucrotta up to May 31, 2022, the date of the common-control transaction as described in notes 1 and 4.

Net financing transactions with Leucrotta as presented on the statement of cash flows represent the net contributions and distributions related to funding between the Two Rivers Assets and Leucrotta. All share based compensation up to the date of the Arrangement has been included in the net investment in Two Rivers Assets account.

The following table reconciles the net investment in the Two Rivers Assets:

	Nine Months Ended September 30, 2022	Year Ended December 31, 2021
Balance, beginning of period	**16,092**	18,344
Net loss	**(5,656)**	(7,824)
Net contributions from Leucrotta	**922**	4,041
Share based compensation	**4,275**	1,531
Assumption of Leucrotta working capital on common-control transaction	**45,104**	-
Common shares issued on common-control transaction	**(78,244)**	-
Arrangement Warrants issued on common-control transaction	**(556)**	-
Transfer to reserve from common-control transaction	**18,063**	-
Balance, end of period	**-**	16,092

11. SHAREHOLDERS' CAPITAL AND WARRANTS

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. No non-voting common shares or preferred shares have been issued.

Voting Common Shares	**Number**	**Amount**
Balance, January 1, 2021 and December 31, 2021	-	-
Share issuance, Leucrotta common-control transaction	289,792	78,244
Exercise of Arrangement Warrants	54,230	15,184
Issue of common shares and flow-through common shares	81,084	22,077
Flow-through share premium	-	(183)
Balance, September 30, 2022	**425,106**	**115,322**

Warrants	**Number**	**Amount**
Balance, January 1, 2021 and December 31, 2021	-	-
Issue of warrants	27,780	4,272
Balance, September 30, 2022	**27,780**	**4,272**

Arrangement Warrants	**Number**	**Amount**
Balance, January 1, 2021 and December 31, 2021	-	-
Issued upon Arrangement	55,553	556
Exercised	(54,230)	(542)
Expired	(1,323)	(14)
Balance, September 30, 2022	**-**	**-**

As described in notes 1 and 4, 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 and Coelacanth was transferred the Two Rivers Assets from Leucrotta in exchange for one 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.

Common shares issued as part of the consideration for the common-control transaction with Leucrotta were valued at $0.27 per common share which was based on the issue price of the below financings.

Arrangement Warrant Financing

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 Arrangement Warrants were exercised for proceeds of $14.6 million and 1.3 million expired unexercised.

The fair value of the Arrangement Warrants were estimated on the date of issue using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	May 31, 2022
Risk-free interest rate (%)	**1.0**
Expected life (years)	**0.2**
Expected volatility (%)	**14.3**
Expected dividend yield (%)	**-**
Fair value of Arrangement Warrants issued ($ per Arrangement Warrant)	**0.01**

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. The Company has until June 10, 2024 to incur the required CDE of $3.7 million related to the Flow-Through Shares.

The Company recorded a one-time share based compensation 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 Units and Flow-through Units issued to certain officers, employees, and directors of the Company.

The fair value of the Warrants and Flow-through Warrants were estimated on the date of issue using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	June 10, 2022
Risk-free interest rate (%)	**3.3**
Expected life (years)	**4.0**
Expected volatility (%)	**70.1**
Expected dividend yield (%)	**-**
Fair value of Warrants and Flow-Through Warrants issued ($ per Warrant and Flow-Through Warrant)	**0.15**

12. SHARE BASED COMPENSATION PLANS

Stock options

The Company has authorized and reserved for issuance 42.5 million common shares under a stock option plan enabling certain officers, directors, employees, and consultants to purchase common shares. The Company will not issue options exceeding 10% of the shares outstanding at the time of the option grants (any performance share units "PSUs" or restricted share units "RSUs" described below are aggregated with any stock options for the 10% limit). Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of the grant and an option's maximum term is ten years. At September 30, 2022, 6.0 million options were outstanding at an average exercise price of $0.55 per share.

	Number of Options	**Weighted Average Exercise Price ($)**
Balance, January 1, 2021 and December 31, 2021	-	-
Granted	6,044	0.55
Balance, September 30, 2022	**6,044**	**0.55**
Exercisable, September 30, 2022	**-**	**-**

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 granted to officers, directors, employees, and consultants with a corresponding increase to contributed surplus. The stock options granted vest one-third on each of the first, second and third anniversaries of the date of grant.

The fair value of the stock options granted were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	September 30, 2022
Risk-free interest rate (%)	**3.1**
Expected life (years)	**4.0**
Expected volatility (%)	**70.1**
Expected dividend yield (%)	**-**
Forfeiture rate (%)	**1.5**
Weighted average fair value of options granted ($ per option)	**0.30**

During both the three and nine months ended September 30, 2022, the Company recognized $0.3 million of share based compensation related to the stock options ($0.3 million and $nil was recognized as an expense and capital addition, respectively). At September 30, 2022 there was $1.5 million remaining as unrecognized share based compensation related to the stock options.

As described in note 2 (b), for the purposes of the carve-out period Coelacanth allocated a portion of the share based compensation expense associated with granted and outstanding stock options of Leucrotta. The tables below summarize the consolidated information of outstanding stock options of Leucrotta prior to the close of the Arrangement. Coelacanth allocated $2.1 million of share based compensation (including accelerated expense on stock options that vested in conjunction with the Arrangement) to the Two Rivers Assets for the period from January 1, 2022 to May 31, 2022, of which $2.1 million was recognized as an expense and $nil was recognized as a capital addition (September 30, 2021 - $1.3 million and $nil was recognized as an expense and capital addition, respectively).

The closing of the Arrangement represented a change in control event, under which all outstanding stock options immediately vested and were exercised prior to the exchange of Leucrotta shares for cash, Coelacanth Shares and Arrangement Warrants, as described in note 1.

For periods prior to May 31, 2022, Leucrotta had authorized and reserved for issuance 24.9 million common shares of Leucrotta under a stock option plan enabling certain officers, directors, employees, and consultants to purchase common shares. Leucrotta did not issue options exceeding 10% of the shares outstanding at the time of the option grants. Under the plan, the exercise price of each option equalled the market price of Leucrotta's shares on the date of the grant and an option's maximum term was ten years. On May 31, 2022, in conjunction with the Arrangement, all Leucrotta stock options were exercised.

The number and weighted average exercise price of the Leucrotta stock options were as follows:

	Number of Options	Weighted Average Exercise Price ($)
Balance, January 1, 2021	13,607	0.90
Granted	4,830	0.77
Exercised	(221)	0.66
Settled	(1,869)	0.80
Expired	(1,991)	0.93
Forfeited	(758)	0.91
Balance, December 31, 2021	13,598	0.86
Granted	**2,740**	**0.90**
Exercised	**(16,227)**	**0.86**
Expired	**(111)**	**1.16**
Balance, May 31, 2022	**-**	**-**

The fair value of the stock options granted by Leucrotta during periods prior to May 31, 2022 were estimated on the date of grant using the Black-Scholes-Merton option pricing model with the following weighted average assumptions:

	May 31, 2022	September 30, 2021
Risk-free interest rate (%)	**1.3**	0.8
Expected life (years)	**4.0**	4.0
Expected volatility (%)	**66.6**	64.5
Expected dividend yield (%)	**-**	-
Forfeiture rate (%)	**1.8**	0.6
Weighted average fair value of options granted ($ per option)	**0.46**	0.38

Restricted share units

During the nine months ended September 30, 2022, the Company issued 3.0 million RSUs under its performance and restricted share unit plan. Subject to the terms and conditions of the performance and restricted share unit plan, each RSU award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant. For the purpose of calculating share based compensation, the fair value of each award is determined at the grant date using the closing price of the Company's common shares. On the date of exercise, the Company has the option of settling the award value in cash, common shares of the Company, or a combination thereof. The weighted average market price of the Company's common shares used to value the RSUs granted was $0.56. During both the three and nine months ended September 30, 2022, the Company recognized $0.2 million of share based compensation related to the RSUs ($0.2 million and $nil was recognized as an expense and capital addition, respectively).

For periods prior to May 31, 2022, Leucrotta had issued 1.3 million RSUs expiring December 15, 2025 and vesting equally over three years from the date of the grant. Subject to the terms and conditions of the performance and restricted share unit plan, each RSU award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant. The RSUs were granted under, and contingent upon, the adoption of a new performance and restricted share unit plan of Leucrotta that was approved by the Board and then received the TSXV and shareholder approval concurrent with the approval of the Arrangement. For the purpose of calculating share based compensation, the fair value of each award is determined using the closing price of Leucrotta's common shares. On the date of exercise, Leucrotta had the option of settling the award value in cash, common shares of Leucrotta, or a combination thereof. Coelacanth allocated $2.1 million of share based compensation (including accelerated expense on RSUs that vested in conjunction with the Arrangement) to the Two Rivers Assets for the period from January 1, 2022 to May 31, 2022, of which $2.1 million was recognized as an expense and $nil was recognized as a capital addition (September 30, 2021 - $nil and $nil was recognized as an expense and capital addition, respectively).

Performance share units

Subject to the terms and conditions of the performance and restricted share unit plan, each PSU award entitles the holder to an award value to be paid as to one-third on each of the first, second and third anniversaries of the date of grant multiplied by a payout multiplier ranging from 0 to 2.0 times and is dependent on the performance of the Company relative to pre-defined corporate performance measures for a particular period. For the purpose of calculating share based compensation, the fair value of each award is determined at the grant date using the closing price of the Company's common shares. On the date of exercise, the Company has the option of settling the award value in cash, common shares of the Company, or a combination thereof.

To date, no PSUs have been granted under the performance and restricted share unit plan.

13. PER SHARE AMOUNTS

For the purposes of computing per share amounts, the number of shares outstanding for the periods prior to the Arrangement is deemed to be the number of shares issued by the Company to the shareholders of Leucrotta upon closing of the Arrangement. For the period after the Arrangement, the number of shares outstanding in the computation of per share amounts is the total issued shares of the Company on May 31, 2022 and the shares issued subsequent to May 31, 2022.

The following table summarizes the weighted average number of shares used in the basic and diluted net loss per share calculations:

	Three Months Ended September 30		**Nine Months Ended September 30**	
	2022	2021	**2022**	2021
Weighted average number of shares - basic	**418,556**	289,792	**343,064**	289,792
Dilutive effect of share based compensation plans	**-**	-	**-**	-
Weighted average number of shares - diluted	**418,556**	289,792	**343,064**	289,792

For the three and nine months ended September 30, 2022, 6.0 million stock options, 3.0 million RSUs, and 27.8 million warrants were excluded from the weighted-average share calculation because they were anti-dilutive due to the net loss.

14. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities. The Company employs risk management strategies and policies to ensure that any exposure to risk is in compliance with the Company's business objectives and risk tolerance levels. Risk management is ultimately established by the Board of Directors and is implemented by management.

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 does not currently 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 did not enter into commodity price contracts to manage future cash flows as at September 30, 2022.

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 additional 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.

See note 18 for a summary of contractual commitments at September 30, 2022. The Company's accounts payable and accrued liabilities and current portion of lease obligations are all due within the current operating period.

15. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain a flexible capital structure, which optimizes the cost of capital at an acceptable risk, and to maintain investor, creditor, and market confidence to sustain future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. The Company considers its capital structure to include shareholders' equity and adjusted working capital. Adjusted working capital includes current assets and restricted cash deposits less current liabilities, excluding the current portion of decommissioning obligations. To maintain or adjust the capital structure, the Company may, from time to time, issue shares, raise debt, or adjust its capital spending to manage its current and projected debt levels.

	September 30, 2022	December 31, 2021
Shareholders' equity	**97,260**	16,092
Adjusted working capital	**77,445**	265

Management uses adjusted working capital as a measure to assess the Company's financial position and is reconciled as follows:

($000s)	September 30, 2022	December 31, 2021
Current assets	**72,253**	759
Less:		
Current liabilities	**(2,908)**	(494)
Working capital	**69,345**	265
Add: Restricted cash deposits	**7,119**	-
Current portion of decommissioning obligations	**981**	-
Adjusted working capital	**77,445**	265

In addition, management prepares annual, quarterly, and monthly budgets, which are updated depending on varying factors such as general market conditions and successful capital deployment. The Company's share capital is not subject to external restrictions.

16. SUPPLEMENTAL CASH FLOW INFORMATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Restricted cash deposits	**(6,432)**	-	**(8,060)**	-
Accounts receivable	**1,549**	(84)	**(504)**	50
Prepaid expenses and deposits	**26**	(319)	**(158)**	(192)
Accounts payable and accrued liabilities	**(1,065)**	82	**1,366**	(122)
Change in non-cash working capital	**(5,922)**	(321)	**(7,356)**	(264)
Relating to:				
Operating	**(6,418)**	(367)	**(8,161)**	(312)
Financing	**174**	-	**-**	-
Investing	**322**	46	**805**	48
Change in non-cash working capital	**(5,922)**	(321)	**(7,356)**	(264)

17. REVENUE

The Company sells its production pursuant to fixed or variable price contracts. The transaction price for variable priced contracts is based on the commodity price, adjusted for quality, location or other factors, whereby each component of the pricing formula can be either fixed or variable, depending on the contract terms. Commodity prices are based on market indices that are determined on a monthly or daily basis. Under the contracts, the Company is required to deliver variable volumes of oil, NGLs or natural gas to the contract counterparty. Revenue is recognized when a unit of production is delivered to the contract counterparty. The amount of revenue recognized is based on the agreed transaction price, whereby any variability in revenue relates specifically to the Company's efforts to transfer production, and therefore the resulting revenue is allocated to the production delivered in the period during which the variability occurs. As a result, none of the variable revenue is considered constrained.

The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Revenues are typically collected on the 25th day of the month following production.

The following table presents the Company's oil and natural gas revenues disaggregated by revenue source:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Oil and condensate	**548**	652	**2,114**	2,169
Other natural gas liquids	**88**	85	**262**	257
Natural gas	**1,499**	1,185	**3,781**	3,725
Total revenue	**2,135**	1,922	**6,157**	6,151

Under certain marketing arrangements the Company will transfer title of its natural gas production to a third-party marketing company who will subsequently redeliver the natural gas production to an end customer by utilizing the Company's pipeline capacity. This portion representing the sale of transportation services is presented within natural gas revenue which is disaggregated in the below table by type:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Natural gas production sales	**1,301**	916	**3,324**	2,805
Transportation revenue	**198**	269	**457**	920
Natural gas sales	**1,499**	1,185	**3,781**	3,725

The Company's revenue was generated entirely in the province of British Columbia. The majority of revenue resulted from sales whereby the transaction price was based on index prices. Of total oil and natural gas sales, three customers represented combined sales of 95% for the nine month period ended September 30, 2022 (September 30, 2021 - three customers represented combined sales of 95%).

18. COMMITMENTS

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

	2022	2023	2024	2025	2026	Thereafter	Total
Operating commitments	19	194	194	194	194	178	973
Firm transportation agreements	163	4,838	6,955	6,410	6,410	72,741	97,517
Firm processing agreements	23	-	-	-	-	-	23
Field equipment commitment	-	402	402	402	-	-	1,206
	205	5,434	7,551	7,006	6,604	72,919	99,719

Operating commitments include the non-lease variable components (operating expenses) of the head office lease (see note 8).

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.

During the nine months ended September 30, 2022, 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 (note 11).

CORPORATE INFORMATION

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Bret Kimpton P.Eng.
VP Operations

Helmut R. Eckert, P.Land
VP Land

Peter Cochrane, P.Eng.
VP Engineering

John Fur, P.Geo.
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Director (Chair)

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FORWARD-LOOKING STATEMENTS

This Interim Report may contain forward-looking information that involves a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: risks associated with the oil and gas industry (e.g. operational risks in exploration, development and production; changes and/or delays in the development of capital assets; uncertainty of reserve estimates; uncertainty of estimates and projections relating to production and costs; commodity price fluctuations; environmental risks; and industry competition).