

FORM 62-103F1

REQUIRED DISCLOSURE UNDER THE EARLY WARNING REQUIREMENTS

Item 1 – Security and Reporting Issuer

- 1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.

This report relates to the common shares (the “**Common Shares**”) in the capital of:

CGX Energy Inc. (the “**Issuer**”)
333 Bay Street
Suite 1100
Toronto, ON
M5H 2R2

- 1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.

Not applicable.

Item 2 – Identity of the Acquiror

- 2.1 State the name and address of the acquiror.

Frontera Energy Corporation (the “**Acquiror**”)
333 Bay Street
Suite 1100
Toronto, ON
M5H 2R2

The Acquiror is a corporation organized under the laws of the Province of British Columbia. The principal business of the Acquiror is the exploration and production of crude oil and natural gas, with operations focused in Latin America.

- 2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.

Pursuant to a debt settlement agreement between the Issuer and the Acquiror dated December 17, 2018, the Acquiror has agreed to acquire 5,714,285 Common Shares by settling debt with the Issuer in the sum of US\$1,200,000 (approximately CDN\$1,605,480), at the rate of US\$0.21 (or CDN\$0.2775) per Common Share (the “**Acquisition**”). The Acquisition will increase the Acquiror’s holdings of the issued and outstanding Common Shares from 45.61% on a non-diluted basis to 48.29% on a partially-diluted basis. The closing of the Acquisition is subject to the approval of the TSX Venture Exchange and is expected to occur within two business days of obtaining such approval.

- 2.3 State the names of any joint actors.

Not applicable.

Item 3 – Interest in Securities of the Reporting Issuer

- 3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.

See Item 2.2 above.

- 3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file the report.

See Item 2.2 above.

- 3.3 If the transaction involved a securities lending arrangement, state that fact.

Not applicable.

- 3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.

Immediately prior to the Acquisition, the Acquiror beneficially owned and/or exercised control or direction over 50,351,929 Common Shares (representing 45.61% of the issued and outstanding Common Shares on a non-diluted basis).

Immediately after the Acquisition, the Acquiror beneficially owns and/or exercises control or direction over 56,066,214 Common Shares (representing 48.29% of the issued and outstanding Common Shares on a partially-diluted basis).

- 3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which

- (a) the acquiror, either alone or together with any joint actors, has ownership and control,

See Items 2.2 and 3.4 above.

- (b) the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and

Not applicable.

- (c) the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.

Not applicable.

- 3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.

Not applicable.

- 3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.

State if the securities lending arrangement is subject to the exception provided in section 5.7 of NI 62-104.

Not applicable.

- 3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.

Not applicable.

Item 4 – Consideration Paid

- 4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.

See Item 2.2 above.

- 4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities, including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.

See Item 2.2 above.

- 4.3 If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.

See Item 2.2 above.

Item 5 – Purpose of the Transaction

State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:

- (a) the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;
- (b) a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;
- (c) a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;
- (d) a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;
- (e) a material change in the present capitalization or dividend policy of the reporting issuer;
- (f) a material change in the reporting issuer's business or corporate structure;
- (g) a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;
- (h) a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;
- (i) the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;
- (j) a solicitation of proxies from securityholders;
- (k) an action similar to any of those enumerated above.

With respect to Items 5(a) and 5(c), see below.

On December 17, 2018, the Issuer, CGX Resources Inc., a wholly-owned subsidiary of the Issuer (“**CGX Resources**”), and the Acquiror entered into an amended and restated binding letter of intent (the “**LOI**”). The original letter of intent was disclosed in a press release of the Issuer and the Acquiror on December 4, 2018 and filed under the Company's profile at www.sedar.com (the “**December 4 Press Release**”).

As disclosed in the December 4 Press Release, the Issuer and the Acquiror will enter into an agreement to amend and extend the amended and restated bridge loan facility between the Issuer, as borrower, and the Acquiror, as lender, dated April 25, 2018, as extended by a letter agreement between the Issuer and the Acquiror dated July 31, 2018 and further extended by a letter agreement between the Issuer and the Acquiror dated December 10, 2018 (the “**Amended Bridge Loan Agreement**”).

The LOI contemplates that the Acquiror may elect to convert the principal amount then outstanding under the Amended Bridge Loan Agreement, up to a maximum of US\$8,800,000, into Common Shares at any time prior to September 30, 2019 (the “**Conversion Right**”). The conversion price per Common Share is US\$0.22 (or CDN\$0.29).

If the Acquiror elects to exercise the Conversion Right with respect to the maximum convertible amount of US\$8,800,000, the Acquiror will acquire 40,000,000 Common Shares. After exercise

of the Conversion Right and the Acquisition, the Acquiror would be deemed to hold 96,066,214 Common Shares in the aggregate, which would represent 61.54% of the issued and outstanding Common Shares on a partially-diluted basis.

As contemplated in the LOI, the Issuer will undertake a financing to raise gross proceeds of US\$20 million. In connection with the financing, the Acquiror will guarantee the maximum raise or provide a standby commitment. If the Acquiror is required to purchase the full amount of the financing, the Acquiror would be expected to acquire an additional 116,102,318 Common Shares; in which case, the Acquiror would be deemed to have beneficial ownership of a maximum of 212,168,532 Common Shares under section 1.8 of National Instrument 62-104 – *Take-Over Bids and Issuer Bids* in the aggregate, which would represent 77.94% of the issued and outstanding Common Shares on a partially-diluted basis.

As contemplated in the LOI and as disclosed in the December 4 Press Release, CGX Resources and a subsidiary of the Acquiror are entering into joint venture agreements with respect to two shallow water offshore blocks in Guyana, pursuant to which the Acquiror will acquire a 33.33% working interest in each of the two blocks in exchange for a US\$33,333,000 signing bonus paid to the Issuer.

The Acquiror holds Common Shares for investment purposes. The Acquiror may, from time to time and depending on market and other conditions, acquire additional Common Shares and/or other equity, debt or other securities or instruments of the Issuer in the open market or otherwise, and reserve the right to dispose of any or all of the securities in the open market or otherwise at any time and from time to time, and to engage in similar transactions with respect to the securities, the whole depending on market conditions, the business and prospects of the Issuer and other relevant factors.

Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer

Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.

Not applicable.

Item 7 – Change in Material Fact

If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer’s securities.

Not applicable.

Item 8 – Exemption

If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.

Not applicable.

Item 9 – Certification

Certificate

The undersigned, as the Acquiror, certifies to the best of its knowledge, information and belief, that the statements made in this report are true and complete in every respect.

Dated this 17th day of December, 2018.

Frontera Energy Corporation

“ Andy Kent ”

Name: Andy Kent
Title: General Counsel