



**Interim MD&A – Quarterly Highlights (the “Quarterly Highlights”)  
For the three and nine month periods ended September 30, 2019**

**Dated: November 7, 2019**

**INTRODUCTION**

The following Management Discussion & Analysis – Quarterly Highlights (“**Quarterly Highlights**”) of CGX Energy Inc. (the “**Company**” or “**CGX**”) has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis (“**Annual MD&A**”) for the fiscal year ended December 31, 2018. This Quarterly Highlights does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Quarterly Highlights has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with Annual MD&A, the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 and the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2019 and 2018, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three and nine month periods ended September 30, 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at November 2, 2019 unless otherwise indicated.

The unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2019 and 2018, have been prepared using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

For the purposes of preparing this Quarterly Highlights, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of CGX’s common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

**ADDITIONAL INFORMATION**

Additional information is accessible at the Company’s website [www.cgxenergy.com](http://www.cgxenergy.com) or through the Company’s public filings available on SEDAR at [www.sedar.com](http://www.sedar.com).

**CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

This Quarterly Highlights includes “forward-looking statements”, within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as “seek”, “anticipate”, “budget”, “plan”, “continue”,

“estimate”, “expect”, “forecast”, “may”, “will”, “project”, “predict”, “potential”, “targeting”, “intend”, “could”, “might”, “should”, “believe” and other similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the offshore and onshore oil and gas industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of CGX to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the risk of CGX not being able to fund the capital and operating expenses necessary to achieve its business plan, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by CGX. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing to develop such reserves. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of CGX should not place undue reliance on these forward-looking statements. Statements in relation to “reserves” and “resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

Although the forward-looking statements contained in this Quarterly Highlights are based on assumptions that management believes to be reasonable, the Company cannot assure investors that actual results will be consistent with these forward-looking statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this Quarterly Highlights are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

#### *Boe Conversion*

The term “boe” is used in this Quarterly Highlights. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet to barrels is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A we have expressed boe using the conversion standard of 6.0 Mcf: 1 bbl.

#### *Prospective Resources*

Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class. Estimates of remaining recoverable resources (unrisked) include Prospective Resources that have not been adjusted for risk based on the chance of discovery or the chance of development and Contingent Resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered. Actual recovery is likely to be less and may be substantially less or zero.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity. There is no certainty that any portion of the resources will be discovered and they would be technically and economically viable to recover. If discovered, there is no certainty that any discovery will be technically or economically viable to produce any portion of the resources.

## Recent Highlights

Highlights of the Company's recent activities to date include the following:

- On September 24, 2019, Frontera Energy Corporation ("**Frontera**") elected to convert the principal amount outstanding (\$8.8 million) under its bridge loan facility due September 30, 2019 ("**Bridge Loan III**"). The principal amount outstanding under the Bridge Loan was convertible at a price of US\$0.22 per share (being the US dollar equivalent of CDN\$0.29, which was the closing price of the common shares of CGX prior to the December 4, 2018 announcement of the amendment to the Bridge Loan). As a result of conversion of the Bridge Loan, the Company issued 40,000,000 common shares.
- On September 23, 2019, the Company, through its wholly owned subsidiary CGX Resources Inc. ("CRI") as the operator of the Corentyne Block under a Joint Operating Agreement with Frontera Energy Guyana Corp ("**Frontera Guyana**"), executed a contract with PGS Geophysical SA ("PGS") to provide acquisition and processing of a full broadband marine 3D seismic survey, to produce seismic data covering approximately 582 km<sup>2</sup> of the northern portion of the Corentyne Block offshore in Guyana. The seismic acquisition commenced on October 18th, 2019 and was completed on November 2<sup>nd</sup>, 2019.
- In September 2019, CRI also executed a letter of understanding ("**LOU**") with Rowan Rigs S.a.r.l. (the "**Contractor**") regarding the drilling rig contract entered into on December 14<sup>th</sup>, 2018, which required the prepayment of certain costs for the use of the Ralph Coffman offshore jack-up rig. Under the terms of the LOU, CRI has agreed with the Contractor that all operational obligations under the drilling rig contract will be deferred until the parties can enter into an amended agreement due to the resequencing of the commitments in the Corentyne Block and plans to drill in its Demerara Block back-to-back with its Corentyne Block during 2020. CRI will not be entitled to the reimbursement of the mobilization fee under the terms of the LOU and, if an amended agreement is executed by CRI and the Contractor on or before 1 July 2020, CRI will receive a credit towards payments due under the amended agreement.
- In July 2019, the Company received an addendum to the Corentyne Petroleum Agreement ("**PA**") by the Government of the Cooperative Republic of Guyana, South America ("**Guyana**"). Under the addendum, the Company has reversed the order of its next two commitments under the Coentyne PA so that the commitments are now as follows:
  - First Renewal Period, Phase Two (27<sup>th</sup> November 2017 to 27<sup>th</sup> November 2019)  
"During phase two of the first renewal period, the Company shall complete additional seismic acquisition or seismic processing."
  - Second Renewal Period, Phase One (27<sup>th</sup> November 2019 to 27<sup>th</sup> November 2020)  
"During phase one of the second renewal period, the Company shall drill one (1) Exploration Well."
- On March 28, 2019, CGX completed the agreement with Japan Drilling Co., Ltd. ("**JDC**") made on October 30, 2018, and settled all liabilities claimed by JDC from the Company arising from a cancelled drilling contract in 2015. Under the terms of the agreement, the Company paid JDC 45% of the principal amount of the funds claimed and recorded (or \$6,637,537), together with interest accrued on such reduced amount in the sum of \$1,266,500 (or \$7,904,037 in the aggregate) as at October 30, 2018, in order to fully satisfy all liabilities. The company recorded a gain on settlement of debt of approximately \$9,998,862 in the nine month period ended September 30, 2019.
- On March 12, 2019, the Company completed a rights offering (the "**Offering**"). Pursuant to the Offering, the Company issued to holders of its outstanding common shares of record as at the close of business on February 11, 2019 an aggregate of 116,102,318 transferable rights (each, a "**Right**") to subscribe for, until March 12, 2019 (the "**Expiry Date**"), an aggregate of 116,102,318. Each Right entitled the holder thereof to subscribe for one common share upon payment of the subscription price of Canadian dollar ("**C\$**") \$0.25 (equivalent of approximately \$0.1876) per common share prior to the Expiry Date. On March 12, 2019, the Company issued 116,102,318 common shares, the maximum

number of common shares available for issuance under the terms of the Offering, based on shareholders' exercise of the basic subscription privilege and the additional subscription privilege, allocated pro-rata, for aggregate gross proceeds to the Company of C\$29,025,579 (equivalent of approximately \$21,779,530). Frontera provided a standby commitment in connection with the Offering (the "**Standby Commitment**"), in which Frontera would acquire any common shares available as a result of any unexercised Rights under the Rights Offering, such that CGX was guaranteed to issue 116,102,318 common shares in connection with the Offering. Frontera received 5-year warrants to purchase up to 15,009,026 common shares at an exercise price equal to C\$0.415 per common share (a "**Warrant**"). Since the Offering was oversubscribed, Frontera did not acquire any additional shares under the Standby Commitment.

- On February 7, 2019, to pay the required drilling rig minimum obligation fee of \$5,340,000 (covering the Company's share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate), Frontera advanced the Company the full amount. Of this amount the Company signed a promissory note for \$3,115,035 (the "**Promissory Note**"), being the Company's anticipated share pursuant to the terms of the Corentyne block JOA. The Promissory Note carried an interest rate of 7% per annum and matured on the earlier of the closing date of the transactions under the farm-out agreement with Frontera Guyana or May 28, 2019. The amount outstanding under the promissory note was settled on May 28, 2019.
- On January 30, 2019, the Company amended its Bridge Loan III with Frontera to a non-revolving term facility in an amount of up to \$12,939,000, provided that the facility will be automatically reduced by a payment from the Company to a maximum principal amount of \$8,800,000 by May 28, 2019. On May 28, 2019 the Company settled principal of \$4,139,000, plus accrued interest, of the outstanding debt to now owed to Frontera Guyana. This revised term facility carries an interest rate of up to 7% per annum and matures on September 30, 2019. The \$8,800,000 principal amount is convertible at the option of Frontera anytime prior to maturity or repayment at a price of \$0.22 per share.
- On December 20, 2018, the Company entered into an agreement with Frontera to settle various debts of \$1,200,000 by issuing 5,714,285 common shares.
- In December 2018, the Company and Frontera entered into a letter of intent, whereby a Frontera subsidiary and the Company's wholly owned subsidiary, CRI were to enter into a Joint Operating Agreement (the "**JOAs**") covering CRI's two shallow water offshore Petroleum Prospecting Licences ("**PPLs**") and PAs in Guyana, the Corentyne and Demerara PPLs and PAs. On January 30, 2019, CRI and Frontera Guyana executed the JOAs, subject to amendments as agreed upon by both parties. The JOAs provided for Frontera Guyana to acquire a 33.333% interest in each block in exchange for a \$33,333,000 signing bonus. Frontera Guyana agreed to pay one-third of the applicable costs plus an additional 8.333% of CRI's 's direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) \$30,000,000 for drilling the first exploratory well under the Corentyne Petroleum Agreement and (ii) \$40,000,000 for drilling the first exploratory well under the Demerara Petroleum Agreement. On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licence were completed. The transfers are effective May 20, 2019. Additionally, upon completion of the working interest transfers, the Company was due \$8,500,851 on closing, being the net of the \$33,333,000 signing bonus due from Frontera Guyana, less the amount of \$24,832,149 of outstanding debts due to Frontera Guyana from the Company.

## CORPORATE OVERVIEW AND OUTLOOK

CGX is an oil and gas exploration company headquartered in Toronto, Canada. CGX was incorporated in 1998 for the primary purpose of exploring for hydrocarbons in Guyana, South America. As at April 6, 2018, CGX holds an interest in three Petroleum Agreements (known as the Corentyne, Berbice and Demerara Blocks) covering approximately 11,005.2 km<sup>2</sup> (approximately 7,183.0 net km<sup>2</sup>) offshore and onshore Guyana.



CGX has four direct subsidiaries: (i) CGX Resources Inc., a wholly-owned subsidiary, which is incorporated pursuant to the laws of Bahamas; (ii) ON Energy Inc. (“**ON Energy**”), a corporation subsisting under the laws of Guyana, 62% of the voting shares of which are owned by CGX; (iii) GCIE Holdings Limited, a wholly-owned subsidiary, which is incorporated pursuant to the laws of Barbados and owns 100% of the shares of Grand Canal Industrial Estates Inc. (“**Grand Canal**”), a corporation subsisting under the laws of Guyana; and (iv) CGX Energy Management Corp., a wholly owned subsidiary, which is incorporated pursuant to the laws of the State of Delaware, USA.

## **Carrying on Business in Guyana**

The exploration activities of CGX are currently conducted in Guyana through its subsidiaries. The following description of carrying on business in Guyana is taken from publicly available information provided by the Guyana Office for Investment and is available at [www.guyanaconsulate.com](http://www.guyanaconsulate.com) under the heading “Investment Guide”.

Guyana is situated on the northern coast of the South American continent. It is bound on the north by the Atlantic Ocean, on the east by Suriname, on the south-west by Brazil and on the north-west by Venezuela. Guyana's total area is approximately 215,000 km<sup>2</sup>, slightly smaller than Great Britain. Its coastline is approximately 4.5 feet below sea level at high tide, while its hinterland contains mountains, forests, and savannahs. This topography has endowed Guyana with its extensive network of rivers and creeks as well as a large number of waterfalls. Guyana is endowed with natural resources including fertile agricultural land and rich mineral deposits (including gold, diamonds and semi-precious stones, bauxite and manganese).

Guyana is divided into three counties (Demerara, Essequibo and Berbice) and 10 administrative regions. Georgetown is the capital city of Guyana, the seat of government, the main commercial centre, and the principal port. In addition to Georgetown, Guyana has six towns of administrative and commercial importance which are recognized municipal districts; each has its own mayor, council and civic responsibilities.

Guyana is an independent republic headed by the president and National Assembly. Guyana is a member of the British Commonwealth of Nations, with a legal system based for the most part on British Common Law.

## **The Petroleum Regime in Guyana**

Under the *Guyana Petroleum Act of 1986*, petroleum exploration in Guyana is executed by and subject to the approval of the Minister Responsible for Petroleum. Within Guyana, subsurface rights for minerals and petroleum are vested in the state.

The Guyana Geology & Mines Commission (“**GGMC**”) has been charged with the responsibility for managing the nation's mineral resources and is the statutory body responsible for administering PAs and PPLs for petroleum exploration in Guyana.

PAs may address the following matters: (i) granting of requisite licences; (ii) conditions to be included in the granting or renewal of such licences; (iii) procedure and manner with respect to the exercise of Ministerial discretion; and (iv) any matter incidental to or connected with the foregoing.

In order to obtain a PPL, the licensee must:

- submit a prospecting licence application to the Minister Responsible for Petroleum, including a detailed annual work program and budget; and
- agree to comply with licence conditions stipulated by the Minister Responsible for Petroleum, including conditions stipulated in the applicable governing PA.

A PA and an associated PPL enable the holder to conduct prospecting and exploration activities for petroleum on the subject property in accordance with the terms and conditions of such PA and PPL. A PPL is generally issued for an initial period not exceeding four years, and is renewable for up to two additional three-year periods. In the event of a discovery, the holder may apply for a 20 year PPL, renewable for a further 10 years.

## CGX's PAs and PPLs

### Corentyne PA and PPL

On November 27, 2012, the Company was issued a new PA and PPL offshore Guyana. On December 15, 2017, the Company was issued an addendum to the November 27, 2012 PA ("**Addendum I**"). Under the terms of the Addendum I, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block. Effective May 20, 2019, the Corentyne PPL and PA is 66.667% (December 31, 2018 – 100%) owned by CGX Resources. During the nine month period ended September 30, 2019, the Company received an addendum to the Addendum I on the Corentyne PPL, whereby the principal agreement has now been modified as follows, with all other aspects of the Addendum I remaining unchanged:

#### First Renewal Period, Phase Two (27<sup>th</sup> November 2017 to 27<sup>th</sup> November 2019)

"During phase two of the first renewal period, the Company shall complete additional seismic acquisition or seismic processing."

#### Second Renewal Period, Phase One (27<sup>th</sup> November 2019 to 27<sup>th</sup> November 2020)

"During phase one of the second renewal period, the Company shall drill one (1) Exploration Well."

The table below outlines the commitments under the Addendum I as at September 30, 2019:

Period	Phase	Exploration Obligation	Dates
First Renewal Period - 3 Years	Phase One - 12 Months	Commence planning to drill 1 exploration well (Completed)	Nov 27, 2016 - Nov 27, 2017
	- At the end of phase one of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2. (Company has committed to complete work in phase 2)		
	Phase Two - 24 Months	Complete additional seismic acquisition or reprocessing	Nov 27, 2017 - Nov 27, 2019
	- At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.		
Second Renewal Period - 3 Years	Phase One - 12 Months	Drill 1 exploration well	Nov 27, 2019 - Nov 27, 2020
	- At the end of phase one of the second renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.		
	Phase Two - 24 Months	Drill 1 exploration well	Nov 27, 2020 - Nov 27, 2022
	- At the end of the second renewal period of three (3) years, the Company shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Company to conduct further exploration activities.		

## Demerara PA and PPL

On February 12, 2013, the Company entered into the Demerara PA and PPL covering 3,975 km<sup>2</sup>, the same area of the former Annex PPL, which was a subset of the Company's original Corentyne PA. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA. Under the terms of the addendum, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block, now covering 3,001.2 km<sup>2</sup>. Effective May 20, 2019, CRI held a 66.667% (December 31, 2018 – 100%) interest in the Demerara PPL and PA.

The summary of terms of the addendum are as follows:

Period	Phase	Exploration Obligation	Dates
First Renewal Period - 3 Years	Phase One - 12 Months	Conduct additional data processing and planning for 1st exploration well (Conducted)	Feb 12, 2017 - Feb 12, 2018
	- At the end of phase one (1) of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2. (Company has committed to complete work in phase 2)		
	Phase Two - 24 Months	Complete any additional processing and planning, and secure all regulatory approvals for the drilling of 1st exploration well	Feb 12, 2018 - Feb 12, 2020
	- At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.		
Second Renewal Period - 3 Years	Phase One - 12 Months	Drill 1 exploration well	Feb 12, 2020 - Feb 12, 2021
	- At the end of phase one of the second renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.		
	Phase Two - 24 Months	Drill 1 exploration well	Feb 12, 2021 - Feb 12, 2023
	- At the end of the second renewal period of three (3) years, the Company shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Company to conduct further exploration activities.		

## Berbice PA and PPL

On February 12, 2013, ON Energy entered into the Berbice PA and PPL covering 3,295 km<sup>2</sup>, the same area as the former Berbice PA issued on October 1, 2003, combined with the onshore portion of the Company's former Corentyne PA. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA. The Berbice PPL is 100% owned by ON Energy, which is owned 62% by CGX.

The summary terms of the addendum are as follows:

Period	Phase	Exploration Obligation	Dates
First Renewal Period - 3 Years	Phase One - 18 Months	Compile all relevant data, information and budgetary allocations for a geochemical survey and submit to the GGMC for approval (Completed)	Feb 12, 2017 - Aug 12, 2018
	- At the end of phase one (1) of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).		
	Phase Two - 18 Months	(a) Complete a geochemical survey of a minimum 120 sq km (Completed) (b) Commence a seismic program defined by the geochemical survey	Aug 12, 2018 - Feb 12, 2020
	- At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.		
Second Renewal Period - 3 Years	Phase One - 18 Months	Complete seismic program and all associated processing and interpretation	Feb 12, 2020 - Aug 12, 2021
	- At the end of phase one (1) of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).		
	Phase Two - 18 Months	Drill 1 exploration well	Aug 12, 2021 - Feb 12, 2023
	- At the end of the second renewal period of three (3) years, the Company shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Company to conduct further exploration activities.		

## GUYANA OPERATIONS

The original Corentyne PA covered approximately 11,683 km<sup>2</sup> under two separate PPLs. The Annex PPL (4,047 km<sup>2</sup>) was held 100%, as was the offshore portion of the Corentyne PPL (6,070 km<sup>2</sup>), while the onshore portion of the Corentyne PPL (1,566 km<sup>2</sup>) was held net 62% by CGX through ON Energy.

The original Corentyne PA was awarded to CGX in 1998, following which the Company began an active exploration program consisting of a 1,800 kilometre seismic acquisition and preparations to drill the Eagle well. The Eagle drilling location in 2000 was 15 kilometres within the Guyana-Suriname border. However, a border dispute between Guyana and Suriname led to the Company being forced off the Eagle location before drilling could begin. As a result of that incident, all active offshore exploration in Guyana was suspended by CGX and the other operators in the area, including Exxon and Maxus (Repsol, YPF). On September 17, 2007, the International Tribunal on the Law of the Sea ("ITLOS") awarded a maritime boundary between Guyana and Suriname. In the decision, ITLOS determined that it had the jurisdiction to decide on the merits of the dispute and that the line adopted by ITLOS to delimit the parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration was compulsory and binding. CGX financed a significant portion of Guyana's legal expenses at a cost of

\$9.8 million. The decision was beneficial for CGX, as it concluded that 93% of CGX's Corentyne PPL and 100% of the Georgetown PPL would be in Guyana territory.

Because CGX was prevented from gaining unhindered access to a portion of the original Corentyne PPL area during the seven year resolution, the term of the contract was extended to June 2013.

In 2008, CGX was the first company to commit to acquire 3D seismic in Guyana when the Company acquired a 505 square kilometre 3D seismic program to enhance its interpretation of its newly defined Eagle Deep prospect, a large stratigraphic trap in the Cretaceous. The cost of the seismic program was approximately \$8 million. Processing and interpretation of the 3D seismic was completed in 2009.

Based on the interpretation of the 3D seismic volume and concurrent activities on both sides of the Atlantic margin, CGX interpreted numerous prospects on the Corentyne PPL. The Eagle-1 well spudded on February 13, 2012 and was initially budgeted for 60 days of drilling, but experienced weather delays and mechanical issues which extended operations to 107 days. In May 2012, the Company completed the analyses of the results of its Eagle-1 well and was declared a dry-hole having encountering hydrocarbon shows in three formations, but the potential reservoir sands proved to be water-bearing. The Company recognized the total cost of Eagle-1 well as a dry hole expense in the financial statements for the years ended December 31, 2013 and 2012.

On November 27, 2012, the Company received a new Corentyne PA, offshore Guyana, renewable after four years for up to six additional years. The New Corentyne PA applies to the former offshore portion of the Corentyne PPL, covering 6,212 km<sup>2</sup>.

As of March 19, 2013, and effective December 31, 2012, an Independent Resources Evaluation was completed by DeGolyer and MacNaughton of Dallas, Texas, USA (the "**D&M Report**"). In the D&M Report, the total best estimate (P50) of Prospective Resources for six oil and gas prospects within the Corentyne PA are 779 MMbbl of oil, 743 MMbbl of condensate, 6,943 Bcf of sales gas plus 696 billion cubic feet of solution gas. If the estimate of gas resources were converted to oil on a 6:1 btu equivalence, and if the estimate of solution gas resources associated with the oil prospects were converted to sales gas assuming a 5% shrinkage, the arithmetic sum would be 2,664 MMboe. The D&M Report has been filed on CGX's website at [www.cgxenergy.com](http://www.cgxenergy.com). The D&M Report was prepared in accordance with the requirements of Section 5.9 of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

On December 15, 2017, the Company was issued a first addendum to the November 27, 2012 PA. Under the terms of the first addendum to the new Corentyne PA beginning November 27, 2017, the Company's work commitments were modified. At the end of the of the first renewal period on or before November 27, 2019, the Company shall relinquish the entire contract area except for any discovery area and the area contained in any PPL or relinquish twenty-five (25%) percent of the contract area and renew the PPL for a second period of three (3) years. The first addendum to the New Corentyne PA resulted in a reduction of acreage to 4,709 km<sup>2</sup>.

On January 30, 2019, CRI and Frontera Guyana executed the JOAs providing for Frontera Guyana to acquire a 33.333% interest in CRI's Corentyne and Demerara PPLs and PAs, in exchange for a \$33,333,000 signing bonus. Frontera Guyana agreed to pay one-third of the applicable costs plus an additional 8.333% of CRI's 's direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) \$30,000,000 for drilling the first exploratory well under the Corentyne Petroleum Agreement and (ii) \$40,000,000 for drilling the first exploratory well under the Demerara Petroleum Agreement. On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licence were completed. The transfers are effective May 20, 2019.

In July, 2019, the Company was issued a second addendum to the November 27, 2012 PA. Under the terms of the second addendum to the new Corentyne PA beginning November 27, 2017, the Company's

work commitments were modified where by the order of its next two commitments under the new Corentyne PA were reversed.

### **Berbice PA, Guyana**

In 2003, CGX, through its 62% owned subsidiary ON Energy, applied for and was granted the Berbice PPL consisting of approximately 1,566.2 km<sup>2</sup> adjacent to the Corentyne onshore PPL. On the two onshore PPL's, ON Energy completed aeromag re-interpretation, a geochemical sampling program and a 2D seismic program, to fulfill the minimum work obligations, plus drilled three dry-holes.

On February 12, 2013, the Government of Guyana issued a new Berbice PA and PPL to ON Energy, comprising the former Berbice PA and the onshore portion of the former Corentyne PPL, covering 3,295 km<sup>2</sup>. Under the terms of the new Berbice PA, during the initial period of four years, ON Energy had an obligation to conduct an airborne survey comprising a minimum of 1,000 km<sup>2</sup> and either conduct a 2D seismic survey comprising a minimum of 100 km<sup>2</sup> or drill one exploration well.

On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA. Under the terms of the new Berbice PA, during phase two of the first renewal period beginning on August 12<sup>th</sup>, 2018, the Company will (a) complete a geochemical survey of a minimum 120 sq km and (b) Commence a seismic program defined by the geochemical survey. At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire contract area except for any discovery area and the area contained in any PPL or relinquish twenty-five (25%) percent of the contract area and renew the PPL for a second period of three (3) years.

The Company contracted Exploration Technologies Inc., a Houston, Texas based geochemical survey company, to conduct a geochemical survey on its Berbice PPL, onshore Guyana. The field survey started on October 27, 2018 and was completed on November 4, 2018. A total of 317 sample points and 49 blanks were taken. The survey covered a total area of approximately 391 km<sup>2</sup>. This satisfied part (a) of phase 2 of the first renewal period commitment to complete a geochemical survey of a minimum of 120 km<sup>2</sup>.

### **Demerara PA, Guyana**

On February 12, 2013, the Government of Guyana issued the new Demerara PA and PPL to the Company. The Demerara PA and PPL applies to the former offshore portion of the Annex PPL, covering 3,000 km<sup>2</sup>, which was a subset of the Company's original Corentyne PA. Under the terms of the new Demerara PA, during the initial period of four years, CGX has an obligation to conduct a 3D seismic survey of a minimum of 1,000 km<sup>2</sup> (completed in 2014) and to drill one exploration well.

In September 2014, the Company entered into a seismic contract with Prospector PTE. Ltd. ("**Prospector**") to conduct a 3,116.74 km<sup>2</sup> 3D seismic survey on the Company's 100% owned Demerara Block as part of its commitments under the Demerara PA and PPL. The aggregate cost of this seismic survey was approximately \$19 million with \$7 million paid to Prospector by way of issuance of 15,534,310 common shares valued at \$0.49 per share, \$2.5 million paid in cash thirty days after receipt of their invoice and the remainder of approximately \$9.5 million payable in cash twelve months after the conclusion of the seismic survey, being December 2015. As of the date hereof, this amount remains unpaid.

On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA. Under the terms of the addendum to the Demerara PA, during phase two of the first renewal period commencing February 12<sup>th</sup>, 2018, the Company will be required to complete any additional processing and planning, and secure all regulatory approvals for the drilling of first exploration well. At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire contract area except for any discovery area and the area contained in any PPL or relinquish twenty-five (25%) percent of the contract area and renew the PPL for a second period of three (3) years. The addendum to the New Demerara PA resulted in a reduction of acreage to 4,709 km<sup>2</sup>.

On January 30, 2019, CRI and Frontera Guyana executed the JOAs providing for Frontera Guyana to acquire a 33.333% interest in CRI's Corentyne and Demerara PPLs and PAs, in exchange for a \$33,333,000 signing bonus. Frontera Guyana agreed to pay one-third of the applicable costs plus an additional 8.333% of CRI's 's direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) \$30,000,000 for drilling the first exploratory well under the Corentyne Petroleum Agreement and (ii) \$40,000,000 for drilling the first exploratory well under the Demerara Petroleum Agreement. On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licence were completed. The transfers are effective May 20, 2019.

### **Contractual Commitments**

Further details of the Company's contractual commitments are included in the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2019 and 2018.

### **Staging Facility, Logistics Yard and Wharf, Guyana**

The Company signed a 50 year lease commencing January 1, 2010, with an option to renew for an additional 50 years for approximately 55 acres on the Berbice River as this is an ideal location for a staging facility to support off-shore drilling activities. Utilizing a local facility is expected to result in significant savings as compared to running the logistics from Trinidad for future wells.

To date, the Company has fenced in the yard, constructed an office and sanitary services, installed two fuel tanks that can accommodate 20,000 litres, installed 200 metre by 50 metre of vertical drainage and completed an internal access road with crusher run and sand filling. A crusher run has also been placed in the entire yard. A two kilometre long by 5 metre wide access road has been constructed from the main road to the port yard site using Geotextile, reef sand, white sand, crusher run and bauxite capping. The Company's investment in the staging facility and wharf is owned by its wholly-owned subsidiary, Grand Canal Industrial Estates Inc.

For the nine month period ended September 30, 2019, the Company incurred additions of \$439 (year ended December 31, 2018 – \$72,235) with respect to the logistics yard and expenditures on a staging facility. The logistics yard was purchased in 2010 for \$385,000 and the remainder of the balance spent on the wharf to date was expended on planning for the staging area for the shore-based facility.

### **OVERALL PERFORMANCE**

The Company has no revenues, so its ability to ensure continuing operations is its ability to obtain necessary financing to complete the acquisition and development of potential oil and gas properties.

The net income and comprehensive income for the nine month period ended September 30, 2019 was \$8,363,935 (\$0.04 per share) as compared to net loss and comprehensive loss \$4,671,924 ((\$0.04) per share) for the nine month period ended September 30, 2018. Net Income (loss) for the period is consistent with prior periods as expected, except for the following:

Under the terms of an agreement with JDC, the Company paid JDC 45% of the principal amount of the funds claimed and recorded (or \$6,637,537), together with interest accrued on such reduced amount in the sum of \$1,266,500 (or \$7,904,037 in the aggregate). The Company made this payment on March 28, 2019. As a result of this agreement and subsequent payment, the company recorded a gain on settlement of debt of \$9,998,862 (2018 - \$Nil) in the nine month period ended September 30, 2019.

Management and consulting expense decreased by \$350,016 to \$1,328,797 from \$1,678,813 for the same period in 2018. The prior year period was higher as a result of the Company agreeing to make a payment under one of its senior officers' contracts. The Company agreed to the termination payment of \$700,000 and settled this amount by paying \$525,000 and recording a liability of \$175,000 to be settled in

common shares of the Company in the same manner and on the same basis as other debt is ultimately settled for equity under any restructuring. See Note 17 of the unaudited condensed interim consolidated financial statements for the three and nine month periods ended September 30, 2019 and 2018 for further information.

As a result of the proceeds received under the JOAs relating to the Demarara PPL, the accounting value for this licence would have been in a negative position of \$7,600,000 on closing of the transaction. As a result, the Company recorded a reversal of the previously taken impairment in 2014 from the amount of the negative balance, being \$7,600,000 (2018 - \$Nil) during the nine month period ended September 30, 2019.

CGX incurred a loss on revaluation of warrant liability of \$5,529,000 (2018 – \$Nil) for the nine month period ended September 30, 2019. The warrants are recorded as a derivative liability for accounting purposes due to their exercise price being denominated in a currency other than the Company's US dollar functional currency. Warranty liability is booked based on the valuation of warrants using the Black-Scholes model. The liability varies mainly based on the number of warrants outstanding in the period, the current price of the Company's Common Shares, the volatility used in the calculation, the expected remaining life and the remaining underlying assumptions used in the model. Increases or decreases in the value of the warrant liability result in a gain or loss on revaluation of warrant liability.

Foreign exchange loss for nine month period ended September 30, 2019 was \$73,276 (2018 – gain of \$240,918). The loss for the period was mainly due to the weakening of the Canadian dollar on the Company's C\$ cash as compared to the US\$ reporting currency. In the prior year period the Canadian dollar had weakened against the US\$ and therefore resulted in a foreign exchange gain for the period as a result of the C\$ bridge loan outstanding.

## **LIQUIDITY AND FINANCIAL CONDITION**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at September 30, 2019, the Company had a working capital of \$5,145,061 (December 31, 2018 - working capital deficiency of \$55,900,318) and an accumulated deficit of \$293,228,138 (December 31, 2018 - \$301,592,073). In order to meet its short-term and longer-term working capital and property exploration expenditures, the Company must secure further financing through a joint venture, property sale or issuance of equity to ensure that its obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. Please refer to "Going Concern Uncertainty and Management's Plans" for further details.

These unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and the Company's financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

### ***Going Concern Uncertainty and Management's Plans***

The three and nine month periods ended September 30, 2019 and 2018 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has a history of operating losses and as at September 30, 2019, the Company had a working capital of \$5,145,061 (December 31, 2018 - working capital deficiency of \$55,900,318) and an accumulated deficit of \$293,228,138 (December 31, 2018 - \$301,592,073). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity, debt instruments, sale of Company assets or obtaining payments associated with a joint

venture farm-out. Given the Company's capital commitment requirements under the Company's PPLs outlined in Note 10 to the consolidated financial statements, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the balance sheet date. While the Company has been successful in raising financing in the past and believes in the viability of its strategy and that the actions presently being taken provide the best opportunity for the Company to continue as a going concern, there can be no assurances to that effect. As a result there exist material uncertainties which cast significant doubt as to the Company's ability to continue as a going concern.

## PROPOSED TRANSACTIONS

None

## RELATED-PARTY TRANSACTIONS

Under IFRS, parties are considered to be related if one party has the ability to "control" (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions.

In October 2014, the Company entered into a secured bridge loan agreement (the "C\$ Bridge Loan") with Frontera in the aggregate principal amount of C\$7,500,000 (\$6,700,000). The C\$ Bridge Loan was a non-revolving term facility. The C\$ Bridge Loan accrued interest at an annual rate of 5% per annum.

The balances outstanding on the C\$ Bridge Loan from related party as at September 30, 2019 and December 31, 2018 are as follows:

<b>As at,</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Loan from related party	\$ -	\$ 6,682,246
Accrued interest on loan from related party	-	64,076
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 6,746,322</b>

The activity on the C\$ Bridge Loan from related party for the nine month period ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Opening balance at beginning of period/year	\$ 6,746,322	\$ 6,986,933
Loss (gain) on foreign exchange	80,435	(629,001)
Accrued interest on loan from related party	136,745	388,390
Settled against signing bonus under JOAs	(6,963,502)	-
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 6,746,322</b>

In March 2016, the Company entered into a secured bridge loan agreement (the "Bridge Loan I") with Frontera in the aggregate principal amount of up to \$2,000,000. The Bridge Loan I was a non-revolving term facility. The Bridge Loan I accrued interest at an annual rate of 5% per annum.

The balances outstanding on the Bridge Loan I from related party as at September 30, 2019 and December 31, 2018 are as follows:

<b>As at,</b>	<b>September 30, 2019</b>	<b>December 31, 2018</b>
Loan from related party	\$ -	\$ 2,068,547
Accrued interest on loan from related party	-	263,462
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 2,332,009</b>

The activity on the Bridge Loan I from related party for the nine month period ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	<b>September 30, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 2,332,009	\$ 2,228,581
Accrued interest on loan from related party	41,371	103,428
Settled against signing bonus under JOAs	<b>(2,373,380)</b>	-
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 2,332,009</b>

In October 2016, the Company entered into a secured bridge loan agreement (the “**Bridge Loan II**”) with Frontera in the aggregate principal amount of up to \$2,000,000. The Bridge Loan II was a non-revolving term facility. The Bridge Loan II accrued interest at an annual rate of 5% per annum.

The balances outstanding on the Bridge Loan II from related party as at September 30, 2019 and December 31, 2018 are as follows:

<b>As at,</b>	<b>September 30, 2019</b>	December 31, 2018
Loan from related party	\$ -	\$ 1,972,675
Accrued interest on loan from related party	-	195,691
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 2,168,366</b>

The activity on the Bridge Loan II from related party for nine month period ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	<b>September 30, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 2,168,366	\$ 2,069,732
Accrued interest on loan from related party	39,609	98,634
Settled against signing bonus under JOAs	<b>(2,207,975)</b>	-
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 2,168,366</b>

In April 2017, the Company entered into a secured bridge loan agreement (the “**Bridge Loan III**”) with Frontera. On February 1, 2019, the Company and Frontera amended the Bridge Loan III to a non-revolving term facility in an amount of up to \$12,939,000, provided that the facility will be automatically reduced by a payment from the Company to a maximum principal amount of \$8,800,000 by May 28, 2019. This revised term facility carries an interest rate of up to 7% per annum and matures on September 30, 2019. The \$8,800,000 principal amount is convertible into common shares of the Company at the option of Frontera anytime prior to maturity or repayment at a price of \$0.22 per share. The Bridge Loan III accrued interest at an annual rate of 7% (5% prior to February 1, 2019) per annum. On September 24, 2019, Frontera elected to exercise the conversion feature and 40,000,000 common shares of the Company were issued to settle \$8,800,000.

The balances outstanding on the Bridge Loan III from related party as at September 30, 2019 and December 31, 2018 are as follows:

<b>As at,</b>	<b>September 30, 2019</b>	December 31, 2018
Loan from related party – non convertible	\$ -	\$ 11,263,808
Convertible portion of loan from related party	-	-
Unamortized transaction costs and conversion feature	-	-
Accrued interest on loan from related party	-	38,720
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 11,302,528</b>

The activity on the Bridge Loan III from related party for the nine month period ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	<b>September 30, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 11,302,528	\$ 3,753,079
Loan from related party	961,763	7,658,420
Trade and other payables and accrued interest added to loan from related party	712,620	-
Repayment of principal through issuance of shares	-	(61,339)
Conversion component of convertible debentures	(169,000)	-
Interest accretion	169,000	-
Accrued interest on loan from related party	539,355	341,319
Accrued interest added to loan from related party	(86,375)	-
Settled against signing bonus under JOAs	(4,425,579)	-
Exercise of conversion feature	(8,800,000)	-
Cash payment of interest	(204,312)	-
Repayment of interest through issuance of shares	-	(388,951)
<b>Total loan from related party</b>	<b>\$ -</b>	<b>\$ 11,302,528</b>

The Bridge Loan III was classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the Bridge Loan III being less than face value. The discount was accreted over the term of the Bridge Loan III utilizing the effective interest rate method at a 10% discount rate.

The combined balances outstanding on the Bridge Loan I, Bridge Loan II, Bridge Loan III and C\$ Bridge Loan from related party as at September 30, 2019 and December 31, 2018 are as follows:

<b>As at,</b>	<b>September 30, 2019</b>	December 31, 2018
C\$ Bridge Loan	\$ -	\$ 6,746,322
Bridge Loan I	-	2,332,009
Bridge Loan II	-	2,168,366
Bridge Loan III	-	11,302,528
<b>Total loans from related party</b>	<b>\$ -</b>	<b>\$ 22,549,225</b>

In November 2015, the Company entered into a convertible debenture (the “**Debenture**”) with Frontera in the aggregate principal amount of \$1,500,000. The Debenture accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in November 2016. This Debenture was convertible into shares of the Company at the option of Frontera at any time prior to November 15, 2016 at a price of C\$0.335, which lapsed.

The balances outstanding on the Debenture from related party as at September 30, 2019 and December 31, 2018 are as follows:

<b>As at,</b>	<b>September 30, 2019</b>	December 31, 2018
Debenture from related party	\$ -	\$ 1,736,438
Accrued interest on Debenture from related party	-	11,180
<b>Total Debenture from related party</b>	<b>\$ -</b>	<b>\$ 1,747,618</b>

The activity on the Debenture from related party for the nine month period ended September 30, 2019 and the year ended December 31, 2018 is as follows:

	<b>September 30, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 1,747,618	\$ 1,664,397
Accrued interest on loan from related party	32,542	83,221
Settled against signing bonus under JOAs	(1,780,160)	-
<b>Total Debenture from related party</b>	<b>\$ -</b>	<b>\$ 1,747,618</b>

On February 7, 2019, to pay the required drilling rig minimum obligation fee of \$5,340,000 (covering the Company's share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate, see Note 17) Frontera advanced the Company the full amount. Of this amount the Company signed a promissory note for \$3,115,035 (the "**Promissory Note**"), being the Company's anticipated share pursuant to the terms of the JOAs. The Promissory Note bore interest at a rate of 7% per annum and matures on the earlier of Guyanese government approval or May 28, 2019. On May 28, 2019, the Promissory Note principal plus accrued interest of \$63,820 for a total of \$3,178,855 was netted against the \$33.3 million signing bonus on the JOAs.

The Bridge Loan III was secured by a pledge of the shares in the Company's wholly owned subsidiaries – CGX Resources, GCIE Holdings Limited ("**GCIE**") and CGX Energy Management Corp. ("**CGMC**"). In addition, during the year ended December 31, 2017, GCIE and CGMC signed a guarantee with Frontera for the Bridge Loan III.

The following sets out the details of the Company's related party transactions (See also Note 14):

- During the year ended December 31, 2017, the Company entered into a technical service agreement with Frontera whereby Frontera will provide geological and geophysical consulting to the Company. In accordance with the terms of these agreements, the Company recognized an expense of \$Nil (2018 - \$Nil) for the nine month period ended September 30, 2019 and capitalized \$Nil (2018 - \$379,000) to exploration and evaluation expenditures, of which \$Nil (December 31, 2018 - \$2,000) was included in trade and other payables as at September 30, 2019. In addition, Frontera had paid expenses on behalf of the Company, of which \$Nil (December 31, 2018 - \$489,000) was included in trade and other payables as at September 30, 2019. As at September 30, 2019, Frontera owned approximately 72.5% of the common shares and 100% of the outstanding warrants of the Company (See note 14).
- During the year ended December 31, 2017, the Company entered into an exclusivity agreement with Frontera, whereby the Company will negotiate in good faith exclusively with Frontera in respect of completing either a restructuring transaction and/or financing transaction until December 31, 2018 ("**Exclusivity Period**"). If during the Exclusivity Period or during the nine months following the end of the Exclusivity Period the Company enters into an alternative transaction, Frontera will be given five days to match any alternative transaction. In the event that Frontera does not match the alternative transaction, the Company will pay to Frontera a \$5,000,000 work fee, in consideration for the substantial time, effort and expenses that Frontera has undertaken and will undertake in connection with the pursuit of a proposed transaction. As no transaction occurred prior to December 31, 2018, no amount has been recorded in these unaudited condensed interim financial statements related to this contingent payment.

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. Compensation awarded to key management included:

<b>Nine month period ended September 30,</b>	<b>2019</b>		<b>2018</b>	
Short-term employee benefits	<b>\$</b>	<b>1,478,000</b>	<b>\$</b>	436,000
Termination payments		-		700,000
<b>Total compensation paid to key management</b>	<b>\$</b>	<b>1,478,000</b>	<b>\$</b>	<b>1,136,000</b>

At September 30, 2019, included in trade and other payables is \$42,000 (December 31, 2018 - \$188,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

## RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2018, available on SEDAR at [www.sedar.com](http://www.sedar.com).

November 7, 2019

*"signed" Suresh Narine*

Suresh Narine, Executive Chairman  
and Executive Director (Guyana)

*"signed" Tralisa Maraj*

Tralisa Maraj, Chief Financial Officer