



**Unaudited Condensed Interim Consolidated Financial
Statements**

For the three and nine month periods ended

September 30, 2020 and 2019

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited condensed interim consolidated financial statements of CGX Energy Inc. (the "Company") are the responsibility of the management and Board of Directors of the Company.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Toronto, Canada
November 4, 2020

"Suresh Narine"

Suresh Narine
Executive Chairman and Executive Director
(Guyana)

"Tralisa Maraj"

Tralisa Maraj
Chief Financial Officer

CGX Energy Inc.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(US\$'s)

As at,	September 30, 2020	December 31, 2019
	\$	\$
Assets		
Current assets		
Cash and cash equivalents <i>(note 6)</i>	10,047,354	15,821,285
Trade receivables and other assets <i>(note 7)</i>	200,011	188,170
Total current assets	10,247,365	16,009,455
Property, plant and equipment <i>(note 8)</i>	7,988,804	7,185,972
Exploration and evaluation expenditures <i>(notes 9 and 16)</i>	17,960,742	16,737,403
Total assets	36,196,911	39,932,830
Liabilities		
Current liabilities		
Trade and other payables <i>(notes 9, 10, 11 and 16)</i>	14,151,113	15,396,146
Farm in partner advances <i>(note 10)</i>	1,704,048	1,701,409
Warrant liability <i>(note 12)</i>	3,895,000	4,736,000
Total liabilities	19,750,161	21,833,555
Shareholders' equity		
Share capital <i>(note 13)</i>	287,258,904	287,258,904
Reserve for share based payments <i>(note 14)</i>	25,727,999	23,199,999
Deficit	(296,540,153)	(292,359,628)
Total shareholders' equity	16,446,750	18,099,275
Total liabilities and shareholders' equity	36,196,911	39,932,830

Nature of operations and going concern uncertainty (note 1)

Commitments and contingencies (notes 8, 9, 10 and 16)

Subsequent event (note 16)

Approved on behalf of the Board of Directors on November 4, 2020:

("Signed" Suresh Narine)
_____, Director
Suresh Narine

("Signed" Dennis Mills)
_____, Director
Dennis Mills

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

CGX Energy Inc.
Unaudited Condensed Interim Consolidated Statements of Comprehensive Income (Loss)
(US\$'s)

For the periods ended September 30,	Three months		Nine months	
	2020	2019	2020	2019
	\$	\$	\$	\$
Operating expenses				
General and administrative (recovered) <i>(notes 8 and 10)</i>	(106,201)	153,606	375,137	596,972
Management and consulting <i>(note 10)</i>	376,122	285,229	1,202,267	1,328,797
Interest expense <i>(notes 9 and 10)</i>	144,555	355,355	427,449	1,559,805
Professional fees	109,396	40,727	330,060	110,070
Share based payments <i>(notes 13 and 14)</i>	378,000	-	2,528,000	-
Shareholder information	927	4,919	53,433	37,007
Foreign exchange (gain) loss	(110,865)	156,463	117,701	73,276
	(791,934)	(996,299)	(5,034,047)	(3,705,927)
Recovery of previously impaired exploration and evaluation expenditures <i>(note 9)</i>	-	-	-	7,600,000
Gain on settlement of trade and other payables <i>(note 9)</i>	-	-	-	9,998,862
Indirect revenue from farm in partner <i>(note 10)</i>	(12,006)	-	12,522	-
(Loss) gain on revaluation of warrant liability <i>(note 12)</i>	(654,000)	(3,759,000)	841,000	(5,529,000)
Net income (loss) and comprehensive income (loss)	(1,457,940)	(4,755,299)	(4,180,525)	8,363,935
Basic net income (loss) per share	(0.01)	(0.02)	(0.02)	0.04
Diluted net income (loss) per share	(0.01)	(0.02)	(0.02)	0.04
Weighted average number of shares (000's) – basic	272,579	235,248	272,579	203,035
Weighted average number of shares (000's) – diluted	272,579	235,248	272,579	214,251

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

CGX Energy Inc.
Unaudited Condensed Interim Consolidated Statements of Changes in Equity (Deficit)
(US\$'s)

	Share Capital		Reserves		
	Number of Shares	Amount	Share based	Deficit	Total
Balance at December 31, 2018	116,102,318	\$259,034,321	\$21,708,131	\$(301,592,073)	\$ (20,849,621)
Shares issued for rights offering	116,102,318	21,779,530	-	-	21,779,530
Share issue costs	-	(428,823)	-	-	(428,823)
Warrants issued under rights offering	-	(2,259,000)	-	-	(2,259,000)
Shares issued on conversion of convertible debenture	40,000,000	8,800,000	-	-	8,800,000
Equity portion of convertible debenture	-	-	169,000	-	169,000
Transfer of contributed surplus on conversion of convertible debenture	-	169,000	(169,000)	-	-
Share based payments	-	-	1,565,000	-	1,565,000
Shares issued on exercise of options	375,000	90,744	-	-	90,744
Transfer of contributed surplus on exercise of options	-	73,132	(73,132)	-	-
Net income and comprehensive income for the year	-	-	-	9,232,445	9,232,445
Balance at December 31, 2019	272,579,636	\$287,258,904	\$ 23,199,999	\$(292,359,628)	\$ 18,099,275
Share based payments	-	-	2,528,000	-	2,528,000
Net loss and comprehensive loss for the period	-	-	-	(4,180,525)	(4,180,525)
Balance at September 30, 2020	272,579,636	\$287,258,904	\$ 25,727,999	\$(296,540,153)	\$ 16,446,750
<hr/>					
Balance at December 31, 2018	116,102,318	\$259,034,321	\$ 21,708,131	\$(301,592,073)	\$ (20,849,621)
Shares issued for rights offering	116,102,318	21,779,530	-	-	21,779,530
Share issue costs	-	(428,823)	-	-	(428,823)
Warrants issued under rights offering	-	(2,259,000)	-	-	(2,259,000)
Shares issued on conversion of convertible debenture	40,000,000	8,800,000	-	-	8,800,000
Equity portion of convertible debenture	-	-	169,000	-	169,000
Transfer of contributed surplus on conversion of convertible debenture	-	169,000	(169,000)	-	-
Net income and comprehensive income for the period	-	-	-	8,363,935	8,363,935
Balance at September 30, 2019	272,204,636	\$287,095,028	\$ 21,708,131	\$(293,228,138)	\$ 15,575,021

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

CGX Energy Inc.
Unaudited Condensed Interim Consolidated Statements of Cash Flow

(US\$'s)

Nine month periods ended September 30,	2020	2019
Operations	\$	\$
Net (loss) / income for the period	(4,180,525)	8,363,935
Adjustments to reconcile net (loss) / income for the period to cash flow from operating activities:		
Unrealized foreign exchange loss	117,701	73,276
Amortization	6,492	25,953
Share based payments	2,528,000	-
Interest accretion on trade and other payables, loans and convertible debentures payable to related party	427,449	1,146,218
Recovery of previously impaired exploration and evaluation expenditures	-	(7,600,000)
Gain on settlement of trade and other payables	-	(9,998,862)
(Gain) loss on revaluation of warrant liability	(841,000)	5,529,000
Net change in non-cash working capital items:		
Trade receivables and other assets	(11,841)	(1,510,125)
Deferred transaction costs	-	431,500
Trade and other payables	17,408	(8,163,441)
Farm in partner advances	2,639	-
Cash flow (used in) operating activities	(1,933,677)	(11,702,546)
Financing		
Proceeds from shares issued for rights offering	-	21,779,530
Share issue costs for rights offering	-	(428,823)
Proceeds from loans from related party	-	961,763
Cash flow from financing activities	-	22,312,470
Investing		
Purchases of exploration and evaluation expenditures	(2,977,629)	(6,588,060)
Proceeds from disposition of exploration and evaluation expenditures	-	11,615,887
Purchases of property, plant and equipment	(744,924)	(88,318)
Cash flow (used in) provided from investing activities	(3,722,553)	4,939,509
Net (decrease) increase in cash and cash equivalents	(5,656,230)	15,549,433
Effect of exchange rate changes on cash held in foreign currencies	(117,701)	7,159
Cash and cash equivalents at beginning of period	15,821,285	2,842,455
Cash and cash equivalents at end of period	10,047,354	18,399,047
Supplementary Information		
Interest paid	-	204,312
Income tax paid	-	-
Fair value of warrants issued under rights offering	-	2,259,000
Shares issued on conversion of convertible debenture	-	8,800,000
Settlement of related party debt on disposition of exploration and evaluation expenditures	-	21,717,813
Trade and other payables related to investing activities - ending	10,507,985	11,808,886
Trade and other payables related to investing activities - opening	(12,197,875)	(9,515,645)

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

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

General

CGX Energy Inc. (“**CGX**” or the “**Company**”) is incorporated under the laws of Ontario. The Company's head office is located at 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2. Its principal business activity is petroleum and natural gas exploration offshore the Cooperative Republic of Guyana, South America (“**Guyana**”).

1. Nature of operations and going concern uncertainty

The Company is in the process of exploring and evaluating petroleum and natural gas properties in the Guyana Suriname basin in South America. The business of petroleum and natural gas exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable operations. The amounts shown as exploration and evaluation expenditures include acquisition costs and are net of any impairment charges to date; these amounts are not necessarily representative of present or future cash flows. The recoverability of the Company's exploration and evaluation expenditures is dependent upon the discovery of economically recoverable petroleum and natural gas reserves; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals and attaining profitable production or alternatively, upon the Company's ability to farm-out its interest on an advantageous basis; all of which are uncertain.

The Company has a history of operating losses and as at September 30, 2020 had a working capital deficiency of \$9,502,796 (December 31, 2019 - \$5,824,100) and an accumulated deficit of \$296,540,153 (December 31, 2019 - \$292,359,628). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity or debt instruments, the sale of Company assets, or securing an additional joint farm-out for its Petroleum Production Licences (“**PPLs**”). As a result and given the Company's capital commitment requirements under the Company's PPLs outlined in note 9, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the statement of financial position 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.

The Company's PPLs title may be subject to government licensing requirements or regulations, unregistered prior agreements, unregistered claims, and non-compliance with regulatory, environmental and social requirements.

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern. Accordingly, they do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying unaudited condensed interim consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations.

During the nine month period ended September 30, 2020, COVID-19 significantly impacted Canada, Guyana and the global economy, which impact continues after September 30, 2020 as well. If the impacts of COVID-19 continue for a significant extended period, there could be further impacts on the Company. At this time, the full potential impact of COVID-19 on the Company is unknown.

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)
For the Three and Nine Month Periods Ended September 30, 2020 and 2019**

2. Basis of preparation

2.1 Statement of compliance

These unaudited condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards (“IAS”) 34 ‘Interim Financial Reporting’ (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”).

2.2 Basis of presentation

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on October 30, 2020.

The notes herein include only significant transactions and events occurring since the Company’s last fiscal year end and are not fully inclusive of all matters required to be disclosed in the annual audited consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with our most recent annual financial statements for the year ended December 31, 2019.

New standards, interpretations and amendments adopted by the Company

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2019, except for the adoption of new standards and interpretations effective as of January 1, 2020 outlined in note 2.4.

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these unaudited condensed interim consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting years. Such estimates primarily relate to unsettled transactions and events as at the date of the unaudited condensed interim consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to the valuation of exploration and evaluation expenditures, property, plant and equipment (“PP&E”), warrant liability, income tax amounts, determination of cash generating units and impairment testing, functional currency, valuation of share-based payments, and contingencies. Significant estimates and judgments made by management in the preparation of these unaudited condensed interim consolidated financial statements are outlined below:

Exploration and evaluation (“E&E”) expenditures (Note 9) and PP&E (Note 8)

The application of the Company’s accounting policy for exploration and evaluation expenditures requires judgement to determine whether it is probable that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditures. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances; in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

2. Basis of preparation *(continued)*

2.3 Use of management estimates, judgments and measurement uncertainty *(continued)*

Exploration and evaluation (“E&E”) expenditures (Note 9) and PP&E (Note 8) (continued)

If, after an expenditure is capitalised or for PP&E, information becomes available suggesting that the recovery of the expenditure or PP&E is unlikely or if an impairment of the expenditure or PP&E has incurred, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Valuation of share based payments and warrant liability (Notes 12 and 13)

The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrant liability and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

Cash generating units and impairment testing

Cash generating units (“CGU’s”) are identified to be the major producing fields and the wharf project at Berbice, the lowest level at which there are identifiable cash inflows that are largely independent of cash inflows of other groups of assets. The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

At the end of each reporting period, the Corporation reviews the carrying amounts of its long-lived assets to be held and used to determine whether there is any indication that those assets have suffered an impairment loss.

If and when facts and circumstances indicate that the carrying value of an exploration and evaluation asset may exceed its recoverable amount, an impairment review is performed. For exploration and evaluation expenditures, when there are such indications, an impairment test is carried out by grouping the exploration and evaluation expenditures with property, plant and equipment CGU’s to which they belong for impairment testing. The equivalent combined carrying value of the CGU’s is compared against the recoverable amount of the CGU’s and any resulting impairment loss is written off to net income (loss). The recoverable amount is the greater of fair value, less costs to sell, or value-in-use. Impairments of exploration and evaluation expenditures are only reversed when there is significant evidence that the impairment has been reversed, but only to the extent of what the carrying amount would have been, had no impairment been recognized.

Functional currency

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada, United States and Guyana, and sources of financing.

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)
For the Three and Nine Month Periods Ended September 30, 2020 and 2019**

2. Basis of preparation *(continued)*

2.3 Use of management estimates, judgments and measurement uncertainty *(continued)*

Income taxes

The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

Contingencies

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognized because either it is not probable that an outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably. Contingent liabilities are not recognized but are disclosed and described in the notes to the unaudited condensed interim consolidated financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote. In assessing loss contingencies related to any claims that may result in proceedings, the Company, with assistance from its legal counsel, evaluates the perceived merits of any such claims as well as the perceived merits of the amount of relief sought or expected to be sought.

2.4 New and revised standards and interpretations

New standards and interpretations adopted in current year

During the nine-months period ended September 30, 2020, the Company adopted a number of new IFRS standards, interpretations, amendments and improvements of existing standards. These included the amendments to IAS 1, IAS 8 and IFRS 3. These new standards and changes did not have any material impact on the Company's unaudited condensed interim consolidated financial statements:

IAS 1 – Presentation of Financial Statements (“**IAS 1**”) and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (“**IAS 8**”) were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

IFRS 3 – Business Combinations (“**IFRS 3**”) was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

3. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage and the Company's deep water project is under the initial stage of development; as such the Company is dependent on external financing to fund its activities in order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will be required to raise additional funding. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. To effectively manage the Company's capital requirements, the Company monitors capital expenditures and general and administrative expenses. There were no changes in the Company's approach to capital management during the nine month period ended September 30, 2020 and the year ended December 31, 2019.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of September 30, 2020, and the date of these unaudited condensed interim consolidated financial statements, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company considers its capital to be equity, which as at September 30, 2020 totaled \$16,446,750 and was comprised of share capital, reserve for share based payments and deficit (December 31, 2019 – \$18,099,275).

Management plans to secure any necessary future financing through a combination of the issuance of new equity, debt instruments or the sale of Company assets. There is no assurance, however, that these initiatives will be successful.

4. Financial instruments

Fair value

Cash and cash equivalents and trade receivables and other assets are measured at amortized cost which approximates fair value due to their short-term nature. Trade and other payables and farm in partner advances are measured at amortized cost which also approximates fair value due to their short-term nature.

Warrant liability is measured as fair value through profit and loss with Level two classification within the fair value hierarchy.

The fair value hierarchy has the following levels:

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

As at September 30, 2020 and December 31, 2019, the Company does not have any financial assets measured at fair value and that require classification within the fair value hierarchy.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

4. Financial instruments (continued)

These estimates are subject to and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

i) Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position:

- a) **Cash and cash equivalents** – Cash and cash equivalents are held mainly with major Canadian and American financial institutions in Canada and the United States and therefore the risk of loss is minimal. The Company keeps only a minimal amount of cash and cash equivalents in major Guyanese banks to pay only its current month activities.
- b) **Trade receivables and other assets** – The Company is exposed to credit risk attributable to customers or credits from vendors. The Company does not believe that this risk is significant. (See Note 7)

The Company's maximum exposure to credit risk as at September 30, 2020 is the carrying value of cash and cash equivalents and trade receivables and other assets.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at September 30, 2020, the Company had a working capital deficiency of \$9,502,796 (December 31, 2019 - \$5,824,100). In order to meet its working capital and property exploration expenditures, the Company must secure further financing to ensure that those obligations are properly discharged (See Note 1). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

- a) **Interest rate risk**
The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term is invested in short-term guaranteed investment certificates, as appropriate.
- b) **Currency risk**
The Company's exploration and evaluation activities are substantially denominated in US dollars. The Company's funds are predominantly kept in Canadian ("C\$") and US dollars, with major Canadian and US financial Institutions. As at September 30, 2020, the Company had approximately C\$3,977,000 (December 31, 2019 - C\$9,421,000) in Canadian dollar denominated cash deposits.

CGX Energy Inc.

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)
For the Three and Nine Month Periods Ended September 30, 2020 and 2019**

5. Sensitivity analysis

The Company's funds are mainly kept in Canadian and US dollars with major Canadian and US financial institutions. As at September 30, 2020, the Company's exposure to foreign currency balances approximate as follows:

Account	Foreign Currency	Exposure	
		2020	2019
As at September 30,			
Cash and cash equivalents	C \$	\$ 4,000,000	\$ 10,000,000
Trade and other receivables	C \$	100,000	100,000
Trade and other payables	C \$	(200,000)	(200,000)
		\$ 3,900,000	\$ 9,900,000

Based on management's knowledge and experience of the financial markets, the Company believes it is reasonably possible over a one year period that a change of 10% in foreign exchange rates would increase/decrease net loss for the nine month period ended September 30, 2020 by C\$390,000 (2019 - C\$990,000).

6. Cash and cash equivalents

The balance of cash and cash equivalents at September 30, 2020, consisted of \$10,022,354 (December 31, 2019 - \$15,796,285) on deposit with major financial institutions and \$25,000 (December 31, 2019 - \$25,000) in short-term guaranteed investment certificates and fixed instruments with remaining maturities on the date of purchase of less than 90 days.

7. Trade receivables and other assets

The Company's trade receivables and other assets arise from harmonized sales tax ("HST") receivable, trade receivables and prepaid expenses. These are broken down as follows:

As at,	September 30, 2020	December 31, 2019
Trade receivables	\$ 38,955	\$ 25,299
HST	8,760	15,675
Prepaid expenses	152,296	147,196
Total trade receivables and other assets	\$ 200,011	\$ 188,170

Below is an aged analysis of the Company's trade receivables:

As at December 31,	September 30, 2020	December 31, 2019
Less than 90 days	\$ 2,410	\$ -
Over 90 days	36,545	25,299
Total trade receivables	\$ 38,955	\$ 25,299

At September 30, 2020 and December 31, 2019, the Company anticipates full recovery of these amounts receivable and therefore no additional allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4(i). The Company holds no collateral for any receivable amounts outstanding as at September 30, 2020 and December 31, 2019.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)
For the Three and Nine Month Periods Ended September 30, 2020 and 2019

8. Property, plant and equipment

	Wharf Project ⁽¹⁾	Logistics Yard ⁽¹⁾	Vehicles, office furniture and fixtures	Computer, software and equipment	Total
Cost					
As at December 31, 2018	\$ 6,344,167	\$ 705,985	\$ 178,878	\$ 539,637	\$ 7,768,667
Net additions	70,704	199	44,476	-	115,379
As at December 31, 2019	\$ 6,414,871	\$ 706,184	\$ 223,354	\$ 539,637	\$ 7,884,046
Net additions	809,324	-	-	-	809,324
As at September 30, 2020	\$ 7,224,195	\$ 706,184	\$ 223,354	\$ 539,637	\$ 8,693,370
Accumulated amortization					
As at December 31, 2018	\$ -	\$ -	\$ 115,953	\$ 491,616	\$ 607,569
Amortization ⁽²⁾	-	-	42,484	48,021	90,505
As at December 31, 2019	\$ -	\$ -	\$ 158,437	\$ 539,637	\$ 698,074
Amortization ⁽²⁾	-	-	6,492	-	6,492
As at September 30, 2020	\$ -	\$ -	\$ 164,929	\$ 539,637	\$ 704,566
Net book value					
As at December 31, 2019	\$ 6,414,871	\$ 706,184	\$ 64,917	\$ -	\$ 7,185,972
As at September 30, 2020	\$ 7,224,195	\$ 706,184	\$ 58,425	\$ -	\$ 7,988,804

Notes: ⁽¹⁾ No amortization has been recorded on these assets as they are still under construction.

⁽²⁾ Amortization has been recorded within general and administrative expense in the statement of comprehensive income (loss).

The lands upon which the wharf project is located are subject to an industrial lease of State land with the Commissioner of Lands and Surveys in Guyana. The term of the lease is for a period of 50 years commencing in 2010 with an option to renew for an additional 50 years. This land is subject to annual rental commitments relating to this lease.

9. Exploration and evaluation expenditures

	Corentyne	Berbice	Demerara	Total
Balance, December 31, 2018	\$ 17,881,521	\$ 1,364,482	\$ 8,643,596	\$ 27,889,599
Net additions	13,356,008	50,027	799,769	14,205,804
Proceeds on farm-out	(16,666,500)	-	(16,666,500)	(33,333,000)
Transaction costs related to farm-out	187,500	-	187,500	375,000
Recovery of previously impaired exploration and evaluation expenditures	-	-	7,600,000	7,600,000
Balance, December 31, 2019	\$ 14,758,529	\$ 1,414,509	\$ 564,365	\$ 16,737,403
Net additions	562,764	53,100	607,475	1,223,339
Balance, September 30, 2020	\$ 15,321,293	\$ 1,467,609	\$ 1,171,840	\$ 17,960,742

As at September 30, 2020 and December 31, 2019, the expenditures capitalized above include costs for licence acquisitions and maintenance of licences, general exploration, geological and geophysical consulting, surveys, 3D-seismic acquisition, processing and interpretation, drill planning and well exploration costs.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

9. Exploration and evaluation expenditures *(continued)*

The Company's exploration activities are subject to government laws and regulations, including tax laws and laws and regulations governing the protection of the environment. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations. The Company records provisions for any identified obligations, based on management's estimate at the time. Such estimates are, however, subject to changes in laws and regulations.

Corentyne PA, Guyana

The Company's 100% owned subsidiary, CGX Resources Inc. ("**CGX Resources**"), was granted the Corentyne Petroleum Agreement ("**PA**") on June 24, 1998. 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 and as at September 30, 2020 and December 31, 2019, the Corentyne PPL and PA is 66.667% owned by the Company. During the year ended December 31, 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 (27th November 2017 to 27th 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 (27th November 2019 to 27th 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, 2020:

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 (Completed)	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.		

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

The Company has submitted its proposed 25% acreage relinquishment which are required by the Corentyne PA to the Department of Energy (“DOE”) and the Guyana Geology and Mines Commission (“GGMC”) and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Corentyne PA.

If a discovery is made, the Company has the right to apply to the Minister for a Petroleum Production Licence with respect to that portion of the contract area having a significant discovery.

After commercial production begins, the Company is allowed to recover contract costs as defined in the PA from “cost oil” produced and sold from the contract area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the contract area for such month excluding any crude oil and/or natural gas used in petroleum operations or which is lost. The Company’s share of the remaining production or “profit oil” is 47%.

To the extent that in any month recoverable contract costs exceed the value of cost oil and/or cost gas, the unrecoverable amount shall be carried forward and shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The Company has \$155,000,000 of recoverable contract costs brought forward from the original Corentyne licence. This cost can be recovered against any future commercial production.

Annual rental fees of \$100,000 and training fees of \$100,000 are required to be paid under the PA.

Farm-in agreement

In December 2018, the Company and Frontera Energy Corporation (“Frontera”) entered into a letter of intent, whereby a Frontera subsidiary and the Company, were to enter into Joint Operating Agreements (the “JOAs”) covering the Company’s two shallow water offshore Petroleum Prospecting Licences in Guyana, the Corentyne and Demerara PPLs and PAs.

On January 30, 2019, the Company and Frontera Energy Guyana Corp. (“Frontera Guyana”) executed the JOAs, subject to amendments as agreed upon by both parties. The JOAs provided for a transfer of a 33.333% interest in both Corentyne and Demerara Petroleum Prospecting Licences to Frontera Guyana in exchange for a \$33,333,000 signing bonus. Under the JOAs, Frontera Energy Guyana Corp. would pay one-third of the applicable costs plus an additional 8.333% of the Company’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 PA and (ii) \$40,000,000 for drilling the first exploratory well under the Demerara PA. The Company will be the operator.

On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licences were completed. The transfers are effective May 20, 2019. As a result, on May 28, 2019, the Company received \$8,500,851 on closing, being the net of the \$33,333,000 signing bonus due from Frontera Energy Guyana Corp., less the amount of \$24,832,149 of outstanding debts due to Frontera Energy Guyana Corp. by the Company.

The JOAs do not meet the definition of a joint venture under IFRS 11 *Joint Arrangements* (“IFRS 11”) and have thus been accounted for as joint operations in accordance with IFRS 11. The JOAs do not have any assets or liabilities aside from the exploration and evaluation expenditures asset.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

Settlement agreements

In 2014, the Company entered into a definitive rig agreement with Japan Drilling Co., Ltd. (“**JDC**”) (“**Drilling Agreement**”), and a rig sharing agreement (the “**Rig Sharing Agreement**”) with JDC and Teikoku Oil (Suriname) Co., Ltd. (“**INPEX**”) for the shared use of JDC’s HAKURYU-12 drilling rig (the “**Rig**”). This Rig was intended to be used for the first commitment well that is required under the Corentyne PPL. During the year ended December 31, 2015, the Company terminated these agreements.

Upon termination of the Drilling Agreement, the total amount payable to JDC was approximately \$20.35 million (the “**JDC Payable**”). Pursuant to the terms of the definitive agreement entered into with JDC with an effective date of November 30, 2015, the JDC Payable was to be paid as follows: (i) \$5.5 million payable in common shares; (ii) \$500,000 on or before December 1, 2015; (iii) approximately \$7.18 million on or before March 25, 2016; and (iv) approximately \$7.18 million on or before June 15, 2016. During the year ended December 31, 2016, JDC was issued 16,522,500 common shares at a price of C\$0.44 per share as per the terms of the definitive agreement.

Per the definitive agreement, the payments not paid in full, totaling \$14.76 million, incur interest at a rate of 8% per annum.

In October 2018, the Company entered into an agreement with JDC to settle all liabilities claimed by JDC under the JDC Payable, by proposing to pay 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), in order to fully satisfy all liabilities.

The completion of this transaction was conditional on the Company successfully completing a financing, which condition may be waived by the Company. The agreement between JDC and the Company would have terminated if the closing of the transaction was not completed on or before March 31, 2019. On March 28, 2019, the Company made the agreed settlement payment of \$7,904,037 and as a result recorded a gain on settlement of trade and other payables of \$9,998,862 during the nine month period ended September 30, 2019.

Under the Rig Sharing Agreement, the Company owed approximately \$2.9 million to INPEX for shared costs incurred in the utilization of the Rig. INPEX agreed to allow the Company to defer payment until December 1, 2015. In accordance with the Rig Sharing Agreement, since the amount was not paid in full by December 1, 2015, amounts outstanding shall accrue interest at a rate of Libor plus 7% per annum. During the year ended December 31, 2018, Frontera in a transaction separate from the Company purchased the rights to the amounts owing to INPEX by the Company directly from INPEX. On May 28, 2019, this amount including all accrued interest and other assumed payables for a total of \$3,902,698 was settled as partial payment for the signing bonus under the JOAs.

Rig agreement

During the year ended December 31, 2019, the Company on behalf of the JOA executed a letter of understanding (“**LOU**”) with Rowan Rigs S.a.r.l. (“**Rowan**”) regarding the drilling rig contract entered into on December 14, 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, the Company and Rowan agreed that all operational obligations under the drilling rig contract were deferred until the parties could enter into an amended agreement. The Company and Rowan did not enter into an amended agreement by the specified date, and as such, on August 10, 2020 the amount of \$1.17 million was returned to the JOA parties, of which, the Company’s net share was \$0.7 million.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana

The Company, through its 62% owned subsidiary ON Energy Inc., acquired the Berbice PA in October 2003. The Berbice PA was renewable for up to two three-year periods.

On February 12, 2013, the Company entered into a new Berbice PA and PPL, which applies to the former Berbice licence and the former onshore portion of the Company's original Corentyne PA. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA ("**Addendum II**"). Under the terms of the Addendum II, the Company's work commitments were modified.

The table below outlines the commitments under the Addendum II as at September 30, 2020:

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 (Completed)	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.		

The Company has submitted its proposed 25% acreage relinquishment which are required by the Berbice PA to the DOE and GGMC and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Berbice PA.

After commercial production begins, the Company is allowed to recover contract costs as defined in the PA from "cost oil" produced and sold from the contract area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the contract area for such month excluding any crude oil and/or natural gas used in petroleum operations or which is lost. The Company's share of the remaining production or "profit oil" is 47%.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana *(continued)*

To the extent that in any month recoverable contract costs exceed the value of cost oil and/or cost gas, the unrecoverable amount shall be carried forward and shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The Company has \$500,000 of recoverable costs brought forward from the original Berbice licence. This cost can be recovered against any future commercial production.

Annual rental fees of \$25,000 and training fees of \$25,000 are required to be paid under the PA.

Demerara PA, Guyana

On February 12, 2013, the Company entered into the Demerara PA and PPL. The new PPL applies to the former offshore portion of the 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 ("**Addendum III**").

Under the terms of the Addendum III, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block. Effective May 20, 2019 and as at September 30, 2020 and December 31, 2019, the Demerara PPL and PA is 66.667% owned by the Company. The table below outlines the commitments under the Addendum III as at September 30, 2020:

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 (Completed)	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.		

The Company has submitted its proposed 25% acreage relinquishment which are required by the Demerara PA to the DOE and GGMC and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Demerara PA.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

9. Exploration and evaluation expenditures *(continued)*

Demerara PA, Guyana *(continued)*

If a discovery is made, the Company has the right to apply to the Minister for a PPL with respect to that portion of the contract area having a significant discovery.

After commercial production begins, the Company is allowed to recover contract costs as defined in the PA from “cost oil” produced and sold from the contract area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the contract area for such month excluding any crude oil and/or natural gas used in petroleum operations or which is lost. The Company’s share of the remaining production or “profit oil” is 47%.

To the extent that in any month recoverable contract costs exceed the value of cost oil and/or cost gas, the unrecoverable amount shall be carried forward and shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The Company has \$1,000,000 of recoverable contract costs brought forward from the original Annex licence. This cost can be recovered against any future commercial production.

Annual rental fees of \$100,000 and training fees of \$100,000 are required to be paid under the PA.

Farm-in agreement

On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licences to Frontera were completed with an effective date of May 20, 2019. See further discussion under Corentyne PA, Guyana – *Note 9*.

As a result of the proceeds received under the JOAs relating to the Demerara PPL and PA, 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 during the year ended December 31, 2019.

Demerara Seismic agreement

In September 2014, the Company entered into a contract with Prospector PTE. Ltd. (“**Prospector**”) to conduct a 3D seismic survey on the Company’s previously 100% owned Demerara Block as part of its commitments under the Demerara PA. 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, \$2.5 million paid in cash in 2014 and the remainder of approximately \$9.5 million payable in cash twelve months after the conclusion of the seismic survey (December 2015), which is included in trade and other payables as at September 30, 2020 and December 31, 2019. In accordance with the contract with Prospector, the amounts outstanding twelve months after the conclusion of the seismic survey shall accrue interest at a rate of 12% per annum. On October 3, 2016, the Company renegotiated the interest rate down from 12% per annum to 6% per annum and agreed to have Prospector complete the seismic processing of the seismic survey. In exchange, CGX has agreed to be responsible under certain circumstances to Prospector for up to a maximum of \$500,000. The processing began in late 2016 and was substantially completed in 2017 and as a result, the Company has recorded a provision of \$500,000 recorded in trade and other payables as at September 30, 2020 and December 31, 2019.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

10. Compensation of key management personnel and 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 activity on the C\$ Bridge Loan from related party for the nine month period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Opening balance at beginning of period/year	\$ -	\$ 6,746,322
Loss on foreign exchange	-	80,435
Accrued interest on loan from related party	-	136,745
Settled against signing bonus under JOAs	-	(6,963,502)
Total loan from related party	\$ -	\$ -

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 activity on the Bridge Loan I from related party for the nine month period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Opening balance at beginning of period/year	\$ -	\$ 2,332,009
Accrued interest on loan from related party	-	41,371
Settled against signing bonus under JOAs	-	(2,373,380)
Total loan from related party	\$ -	\$ -

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 activity on the Bridge Loan II from related party for the nine month period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Opening balance at beginning of period/year	\$ -	\$ 2,168,366
Accrued interest on loan from related party	-	39,609
Settled against signing bonus under JOAs	-	(2,207,975)
Total loan from related party	\$ -	\$ -

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 carried an interest rate of up to 7% per annum and were to mature on September 30, 2019. The \$8,800,000 principal amount was 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.

CGX Energy Inc.

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$’s)
For the Three and Nine Month Periods Ended September 30, 2020 and 2019**

10. Compensation of key management personnel and related party transactions *(continued)*

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 activity on the Bridge Loan III from related party for the nine month period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Opening balance at beginning period/year	\$ -	\$ 11,302,528
Loan from related party	-	961,763
Trade and other payables and accrued interest added to loan from related party	-	712,620
Conversion component of convertible debentures	-	(169,000)
Interest accretion	-	169,000
Accrued interest on loan from related party	-	539,355
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)
Total loan from related party	\$ -	\$ -

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.

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 activity on the Debenture from related party for the nine month period ended September 30, 2020 and year ended December 31, 2019 is as follows:

	September 30, 2020	December 31, 2019
Opening balance at beginning of period/year	\$ -	\$ 1,747,618
Accrued interest on loan from related party	-	32,542
Settled against signing bonus under JOAs	-	(1,780,160)
Total Debenture from related party	\$ -	\$ -

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 JOAs.

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 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.

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

10. Compensation of key management personnel and related party transactions *(continued)*

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.

As at September 30, 2020 and December 31, 2019, Frontera owned approximately 72.4% of the common shares of the Company.

Farm in partner advances

Under the JOAs, the Company is operator on both the Corentyne and Demerara licences. As operator, the Company makes cash calls from its partner to pay for future licence expenditures. As at September 30, 2020, the Company had cash called and received \$1,704,048 (December 31, 2019 - \$1,701,409) in advances for future exploration on the Corentyne and Demerara licences.

In addition, as operator of the Corentyne and Demerara licences, the Company receives a fee from its partner to reimburse its indirect costs related to operating the licence. This fee is based on total expenditures under the JOAs. During the nine month period ended at September 30, 2020, the Company received fees from its farm in partner of \$12,522 (year ended December 31, 2019 - \$348,621).

Key management

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:

Nine month period ended September 30,	2020	2019
Short-term employee benefits	\$ 934,000	\$1,478,000
Share based payments	1,912,000	-
Total compensation paid to key management	\$ 2,846,000	\$ 1,478,000

At September 30, 2020, included in trade and other payables is \$187,000 (December 31, 2019 - \$112,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand. See also Note 16.

11. Trade and other payables

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days. The following is an aged analysis of the trade and other payables:

As at,	September 30, 2020	December 31, 2019
Less than one month, accruals and accrued interest	\$ 4,695,426	\$ 5,930,264
One month to three months	-	2,426
Over three months	9,455,687	9,463,456
Total trade and other payables	\$ 14,151,113	\$ 15,396,146

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12. Warrant liability

As at September 30, 2020 and December 31, 2019, the warrant liability was comprised of the following:

As at,	September 30, 2020	December 31, 2019
Warrant liability	\$ 3,895,000	\$ 4,736,000

Each warrant entitles the holder to purchase a common share at C\$0.415 until March 13, 2024. The Company recorded the warrants issued as a derivative liability due to their exercise price being denominated in a currency other than the Company's US dollar functional currency.

The warrant liability was re-valued at the end of the reporting period with the change in fair value of the warrant liability recorded as a gain or loss in the Company's condensed interim consolidated statements of comprehensive income. The warrant liability was accounted for at its fair value as follows for the nine month period ended September 30, 2020 and year ended December 31, 2019:

	September 30, 2020	December 31, 2019
Warrant liability, beginning of period/year	\$ 4,736,000	\$ -
Grant date fair value of warrants issued during the year (note 13)	-	2,259,000
Change in fair value	(841,000)	2,477,000
Warrant liability, end of period/year	\$ 3,895,000	\$ 4,736,000

The Company utilized the Black-Scholes valuation model to estimate the fair value of the warrants at September 30, 2020 and December 31, 2019 using the following assumptions:

As at,	September 30, 2020	December 31, 2019
Number of warrants outstanding	15,009,026	15,009,026
Exercise price	C\$0.415	C\$0.415
Risk-free interest rate	0.25%	1.68%
Expected life (years)	3.45	4.20
Expected volatility	116%	104%
Expected dividends	0%	0%
Market price per share	C\$0.47	C\$0.54
Fair value of warrants	\$ 3,895,000	\$ 4,736,000

Volatility for these warrants has been calculated using the historical volatility of the Company.

CGX Energy Inc.

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13. Capital stock

Share capital

The Company is authorized to issue an unlimited number of common shares without par value. Changes in the issued and outstanding common shares are as follows:

	Number of Shares	\$
Balance at December 31, 2018	116,102,318	259,034,321
Shares issued for rights offering	116,102,318	21,779,530
Share issue costs	-	(428,823)
Warrants issued under rights offering	-	(2,259,000)
Shares issued on conversion of convertible debt	40,000,000	8,800,000
Value of contributed surplus transferred on conversion of convertible debt	-	169,000
Shares issued on exercise of options ¹	375,000	90,744
Value of contributed surplus transferred on exercise of options	-	73,132
Balance at December 31, 2019 and September 30, 2020	272,579,636	287,258,904

¹ The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2019 was \$0.46.

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 common shares. Each Right entitled the holder thereof to subscribe for one common share upon payment of the subscription price of C\$0.25 (equivalent of approximately \$0.1876) per common share prior to the Expiry Date. 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. In consideration for the Standby Commitment, 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 (each a “**Warrant**”). Since the Offering was oversubscribed, Frontera did not acquire any additional shares under the Standby Commitment.

Frontera acquired an aggregate of 101,316,916 common shares in connection with the Offering pursuant to the exercise of Rights under the Offering for cash consideration of C\$25,329,229 (equivalent of approximately \$19,005,950). Officers and directors of the Company acquired an aggregate of 202,859 common shares in connection with the Offering pursuant to the exercise of Rights under the Offering for cash consideration of C\$50,715 (equivalent of approximately \$38,054).

The grant date fair value of the 15,009,026 Warrants was estimated at \$2,259,000 using the Black-Scholes pricing model with the following assumptions: exercise price C\$0.415; expected dividend yield 0%; expected forfeiture rate 0%; risk free interest 1.65%; expected volatility 117%, an expected life of 5 years and market price of shares on date of issuance of C\$0.26.

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13. Capital Stock (continued)

Share Capital (continued)

On September 24, 2019, Frontera exercised the conversion feature on its Bridge Loan III and 40,000,000 common shares of the Company were issued at a conversion price of \$0.22 (C\$0.29) to settle \$8,800,000 in convertible debentures. The fair value share price on the date of exercise was C\$0.77.

Common share purchase warrants

The exercise price and expiry date of the warrants outstanding at September 30, 2020 are as follows:

Warrants	Exercise Price	Expiry Date
15,009,026	C\$0.415	March 13, 2024

Changes in the number of common share purchase warrants outstanding are as follows:

As at,	September 30, 2020		December 31, 2019	
	Weighted Average Exercise Price (\$)	No. of Warrants	Weighted Average Exercise Price (\$)	No. of Warrants
Outstanding at beginning of period/year	C\$0.415	15,009,026	-	-
Transactions during the period/year:				
Issued	-	-	C\$0.415	15,009,026
Outstanding at end of period/year	C\$0.415	15,009,026	C\$0.415	15,009,026

Options

The Company established a share option plan to provide additional incentive to its directors, officers, employees and consultants for their efforts on behalf of the Company in the conduct of its affairs. The maximum number of common shares reserved for issuance under the share option plan comprising part of the share incentive plan may not exceed 10% of the number of common shares outstanding. Under the terms of the plan, all options vest immediately, unless otherwise specified. All options granted under the plan expire no later than the tenth anniversary of the grant date. As at September 30, 2020, the Company had 12,297,963 (December 31, 2019 – 13,257,963) options available for issuance under the plan.

Changes in the number of stock options outstanding are as follows:

As at,	September 30, 2020		December 31, 2019	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period/year	C\$0.43	14,000,000	C\$0.15	1,375,000
Transactions during the period/year:				
Granted	C\$0.71	1,510,000	C\$0.46	13,000,000
Exercised	-	-	C\$0.32	(375,000)
Forfeited	C\$0.46	(550,000)	-	-
Outstanding at end of period/year	C\$0.46	14,960,000	C\$0.43	14,000,000
Exercisable at end of period/year	C\$0.44	10,055,000	C\$0.39	5,333,333

CGX Energy Inc.

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13. Capital stock (continued)

Options (continued)

The following table provides additional outstanding stock option information as at September 30, 2020:

Exercise Price	No. of Options Outstanding	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price	No. of Options Exercisable	Weighted Average Exercise Price
C\$ 0.085	1,000,000	1.59	C\$0.085	1,000,000	C\$0.085
C\$ 0.46	12,450,000	4.18	C\$0.46	8,300,000	C\$0.46
C\$ 0.71	1,510,000	4.30	C\$0.71	755,000	C\$0.71
C\$ 0.085 - 0.71	14,960,000	4.01	C\$0.46	10,055,000	C\$0.44

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share based compensation for the stock options granted and/or vested during the nine month period ended September 30, 2020:

	Vesting of prior year issued options	January 17, 2020	Totals
Number of options granted		1,510,000	
Exercise price		C\$0.71	
Risk-free interest rate		1.58%	
Expected life (years)		5.0	
Expected volatility		120.57%	
Market price per share		C\$0.71	
Expected dividends and forfeiture rate		-	
Vesting		1/3 immediately, 1/3 in 6 months and 1/3 in 12 months	
Fair value of grant		\$ 681,000	\$ 681,000
Share based compensation	\$ 1,915,000	\$ 613,000	\$ 2,528,000

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share based compensation for the stock options granted and/or vested during the year ended December 31, 2019:

	December 2, 2019	Totals
Number of options granted	13,000,000	
Exercise price	C\$0.46	
Risk-free interest rate	1.54%	
Expected life (years)	5.0	
Expected volatility	124.66%	
Market price per share	C\$0.46	
Expected dividends and forfeiture rate	-	
Vesting	1/3 immediately, 1/3 in 6 months and 1/3 in 12 months	
Fair value of grant	\$ 3,790,000	\$ 3,790,000
Share based compensation	\$ 1,565,000	\$ 1,565,000

Volatility for all option grants has been calculated using the Company's historical information.

CGX Energy Inc.

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13. Capital stock (continued)

Options (continued)

The weighted average grant-date fair value of options granted during the nine month period ended September 30, 2020 was \$0.45 (year ended December 31, 2019 – \$0.29) per option issued.

14. Reserve for share based payments

A summary of the changes in the Company's reserve for share based payments for the nine month period ended September 30, 2020 and year ended December 31, 2019 is set out below:

As at,	September 30, 2020	December 31, 2019
Balance at beginning of period/year	\$ 23,199,999	\$ 21,708,131
Share based payments (note 13)	2,528,000	1,565,000
Equity portion of convertible debenture (note 10)	-	169,000
Value transferred on exercise of convertible debenture (note 13)	-	(169,000)
Value transferred on exercise of stock options	-	(73,132)
Balance at end of period/year	\$ 25,727,999	\$ 23,199,999

15. Segmented information

Operating and geographic segments

At September 30, 2020 and December 31, 2019, the Company's current operations are comprised of a single reporting operating segment engaged in petroleum and natural gas exploration in Guyana. The Company expects that once the wharf project is constructed that it will have two operating segments. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 'Operating Segments'.

As the operations comprise a single reporting segment, amounts disclosed in the unaudited condensed interim consolidated financial statements also represent operating segment amounts.

The following is a detailed breakdown of the Company's assets by geographical location:

As at,	September 30, 2020	December 31, 2019
Total current assets		
Canada	\$ 9,868,113	\$ 15,813,054
Guyana	379,252	196,401
	\$ 10,247,365	\$ 16,009,455
Total non-current assets		
Canada	\$ -	\$ -
Guyana	25,949,546	23,923,375
	\$ 25,949,546	\$ 23,923,375
Total Identifiable assets		
Canada	\$ 9,868,113	\$ 15,813,054
Guyana	26,328,798	24,119,776
	\$ 36,196,911	\$ 39,932,830

CGX Energy Inc.

Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three and Nine Month Periods Ended September 30, 2020 and 2019

16. Commitments and contingencies

Contractual obligations

The Company has entered into agreements for service contracts. The future minimum consultancy commitments and contract commitments over the next five years are as follows:

<i>Fiscal Year Ended December 31,</i>	Contractual Obligations
2020	\$ 105,000

The Company has entered into several contracts with various suppliers for services including the following:

The Company has entered into contracts for a Pore Study and Resource Studies over the Corentyne and Demerara Block to complete its requirement under the Corentyne and Demerara PPLs and an agreement for a rip rap sea wall protection for the wharf project. Aggregate minimum future obligation still outstanding under these agreements is \$105,000, all expected to be paid in 2020.

Subsequent to September 30, 2020 the Company entered into a contract for the upgrading of a 3.1 km access roadway from Seawell Bridge to the deep water port site for the wharf project. The total contract value is approximately \$703,000 and construction is expected to take place from October 2020 to April 2021. In addition, the Company entered into an agreement with WesternGeco LLC for reprocessing of the 3D seismic over the Demerara Block. The reprocessing is expected to take approximately seven months to complete and will cost approximately \$1,065,000.

Contingencies

As at September 30, 2020, the Company is party to three (December 31, 2019 – three) separate written management agreements with certain senior officers of the Company. The three contracts currently require a total payment of up to \$2,005,000 (December 31, 2019 – \$2,030,000) be made upon the occurrence of certain events such as termination and change in control. As the likelihood of these events taking place was not determinable as at September 30, 2020, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.