



**Unaudited Interim Condensed Consolidated Financial Statements**

**For the three and nine month periods ended**

**September 30, 2022 and 2021**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The Interim Financial Statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Accounting Standards 34 'Interim Financial Reporting' ("**IAS 34**") using accounting policies consistent with International Financial Reporting Standards ("**IFRS**"). Accordingly, these Interim Financial Statements should be read in conjunction with our most recent annual audited financial statements for the year ended December 31, 2021 (the "**2021 Annual 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 Interim Financial Statements have been prepared within acceptable limits of materiality.

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 Interim Financial Statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. The 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 Interim 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 Interim 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

October 31, 2022

*"Suresh Narine"*

Suresh Narine  
Executive Chairman and Executive Director  
(Guyana)

*"Daniel Sanchez"*

Daniel Sanchez  
Chief Financial Officer

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

| As at,                                            | Notes | 2022                  | 2021                  |
|---------------------------------------------------|-------|-----------------------|-----------------------|
| <b>Assets</b>                                     |       |                       |                       |
| <b>Current</b>                                    |       |                       |                       |
| Cash and cash equivalents                         | 6     | \$ 10,411,554         | \$ 17,243,017         |
| Trade receivables and other assets                | 7     | 6,123,408             | 4,209,823             |
| Farm in partner receivable                        | 10    | —                     | 7,838,911             |
| <b>Total current assets</b>                       |       | <b>\$ 16,534,962</b>  | <b>\$ 29,291,751</b>  |
| <b>Non-current</b>                                |       |                       |                       |
| Property, plant and equipment                     | 8     | 17,894,430            | 14,695,222            |
| Exploration and evaluation assets                 | 9,14  | 142,396,752           | 90,074,979            |
| <b>Total Non-current assets</b>                   |       | <b>\$ 160,291,182</b> | <b>\$ 104,770,201</b> |
| <b>Total assets</b>                               |       | <b>\$ 176,826,144</b> | <b>\$ 134,061,952</b> |
| <b>Liabilities</b>                                |       |                       |                       |
| <b>Current liabilities</b>                        |       |                       |                       |
| Trade and other payables                          | 11    | \$ 27,225,367         | \$ 41,910,361         |
| Farm in partner advances                          | 10    | 30,863,843            | —                     |
| Convertible loan from related party               | 10    | 52,312,628            | 18,527,722            |
| <b>Total liabilities</b>                          |       | <b>\$ 110,401,838</b> | <b>\$ 60,438,083</b>  |
| <b>Shareholders' equity</b>                       |       |                       |                       |
| Share capital                                     | 12    | \$ 356,041,589        | \$ 356,041,589        |
| Reserve for share based payments                  | 13    | 31,071,000            | 28,133,000            |
| Accumulated deficit                               |       | (320,688,283)         | (310,550,720)         |
| <b>Total shareholders' equity</b>                 |       | <b>\$ 66,424,306</b>  | <b>\$ 73,623,869</b>  |
| <b>Total liabilities and shareholders' equity</b> |       | <b>\$ 176,826,144</b> | <b>\$ 134,061,952</b> |

*Nature of operations and going concern uncertainty (note 1)*

*Commitments and contingencies (notes 9, and 14)*

*Subsequent events (notes 9)*

Approved on behalf of the Board of Directors on October 31, 2022:

(“Signed” Suresh Narine)  
\_\_\_\_\_, Director  
Suresh Narine

(“Signed” Dennis Mills)  
\_\_\_\_\_, Director  
Dennis Mills

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

| For the periods ended September 30,                 | Notes    | Three months       |                    | Nine months         |                    |
|-----------------------------------------------------|----------|--------------------|--------------------|---------------------|--------------------|
|                                                     |          | 2022               | 2021               | 2022                | 2021               |
| <b>Operating expenses</b>                           |          |                    |                    |                     |                    |
| General and administrative                          | 8,10     | <b>243,922</b>     | 309,369            | <b>1,563,341</b>    | 1,303,076          |
| Management and consulting                           | 10       | <b>633,821</b>     | 401,991            | <b>1,732,893</b>    | 1,405,491          |
| Interest expense                                    | 9,10     | <b>1,955,860</b>   | 677,691            | <b>4,594,168</b>    | 1,053,299          |
| Shareholder information                             |          | <b>67,770</b>      | 35,036             | <b>195,471</b>      | 94,255             |
| Professional fees                                   |          | <b>365,315</b>     | 16,641             | <b>1,404,027</b>    | 885,310            |
| Share based payments                                | 10,12,13 | <b>81,000</b>      | 179,000            | <b>607,000</b>      | 711,000            |
| Foreign exchange loss (gain)                        |          | <b>(87,746)</b>    | (13,942)           | <b>54,021</b>       | (59,822)           |
| <b>Total operating expenses</b>                     |          | <b>3,259,942</b>   | <b>1,605,786</b>   | <b>10,150,921</b>   | <b>5,392,609</b>   |
| Indirect revenue from farm in partner               | 10       | <b>(36,639)</b>    | (554,952)          | <b>(176,764)</b>    | (884,235)          |
| Impairment of exploration and evaluation assets     | 9        | <b>100,000</b>     | —                  | <b>163,406</b>      | —                  |
| <b>Net loss and comprehensive loss</b>              |          | <b>(3,323,303)</b> | <b>(1,050,834)</b> | <b>(10,137,563)</b> | <b>(4,508,374)</b> |
| Loss per share                                      |          |                    |                    |                     |                    |
| Basic net loss per share                            |          | <b>0.01</b>        | —                  | <b>0.03</b>         | 0.02               |
| Diluted net loss per share                          |          | <b>0.01</b>        | —                  | <b>0.03</b>         | 0.02               |
| Weighted average number of shares (000's) – basic   |          | <b>334,509</b>     | 287,588            | <b>334,509</b>      | 287,588            |
| Weighted average number of shares (000's) – diluted |          | <b>334,509</b>     | 287,588            | <b>334,509</b>      | 287,588            |

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

|                                                | Share Capital       |                       | Reserves             | Accumulated             |                      |
|------------------------------------------------|---------------------|-----------------------|----------------------|-------------------------|----------------------|
|                                                | Number of<br>Shares | Amount                | Share based payments | Deficit                 | Total                |
| Balance at December 31, 2021                   | 334,509,000         | \$ 356,041,589        | \$ 28,133,000        | \$ (310,550,720)        | \$ 73,623,869        |
| Share based payments                           | –                   | –                     | 607,000              | –                       | 607,000              |
| Equity portion of convertible loan             | –                   | –                     | 2,331,000            | –                       | 2,331,000            |
| Net loss and comprehensive loss for the period | –                   | –                     | –                    | (10,137,563)            | (10,137,563)         |
| <b>Balance at September 30, 2022</b>           | <b>334,509,000</b>  | <b>\$ 356,041,589</b> | <b>\$ 31,071,000</b> | <b>\$ (320,688,283)</b> | <b>\$ 66,424,306</b> |
| Balance at December 31, 2020                   | 287,588,662         | \$ 296,458,932        | \$ 25,993,000        | \$ (297,856,008)        | \$ 24,595,924        |
| Share based payments                           | –                   | –                     | 711,000              | –                       | 711,000              |
| Equity portion of convertible loan             | –                   | –                     | 835,000              | –                       | 835,000              |
| Net loss and comprehensive loss for the period | –                   | –                     | –                    | (4,508,374)             | (4,508,374)          |
| <b>Balance at September 30, 2021</b>           | <b>287,588,662</b>  | <b>\$ 296,458,932</b> | <b>\$ 27,539,000</b> | <b>\$ (302,364,382)</b> | <b>\$ 21,633,550</b> |

**CGX Energy Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Cash Flow**  
*(US\$'s)*

|                                                                                                            | Notes | Three Months Ended |                | Nine Months Ended |                |
|------------------------------------------------------------------------------------------------------------|-------|--------------------|----------------|-------------------|----------------|
|                                                                                                            |       | September 30       |                | September 30      |                |
|                                                                                                            |       | 2022               | 2021           | 2022              | 2021           |
| <b>Operating Activities</b>                                                                                |       |                    |                |                   |                |
| Net loss for the period                                                                                    |       | \$ (3,323,303)     | \$ (1,050,834) | \$ (10,137,563)   | \$ (4,508,374) |
| Items not affecting cash:                                                                                  |       |                    |                |                   |                |
| Amortization                                                                                               | 8     | 10,100             | 2,810          | 30,299            | 8,493          |
| Impairment of exploration and evaluation expenditures                                                      | 9     | 100,000            | –              | 163,406           | –              |
| Unrealized foreign exchange (gain) / loss                                                                  |       | (104,296)          | (13,942)       | 37,471            | (59,822)       |
| Share-based payments                                                                                       |       | 81,000             | 179,000        | 607,000           | 711,000        |
| Interest accretion on trade and other payables, loans, and convertible debentures payable to related party |       | 1,234,674          | 349,676        | 2,664,070         | 819,553        |
| Net change in non-cash working capital items:                                                              |       |                    |                |                   |                |
| Trade receivables and other assets                                                                         |       | (171,034)          | (3,125,214)    | 3,586,416         | (3,525,430)    |
| Trade and other payables                                                                                   |       | (765,425)          | (427,898)      | 1,050,423         | 508,523        |
| Net cash used in operating activities                                                                      |       | \$ (2,938,284)     | \$ (4,086,402) | \$ (1,998,478)    | \$ (6,046,057) |
| <b>Investing Activities</b>                                                                                |       |                    |                |                   |                |
| Purchases of exploration and evaluation expenditures                                                       |       | (7,926,236)        | (1,099,697)    | (70,467,152)      | (6,329,113)    |
| Purchases of property, plant and equipment                                                                 |       | (285,678)          | (1,622,945)    | (2,365,420)       | (2,968,568)    |
| Cash advances for E&E investments                                                                          | 7     | (5,500,000)        | –              | (5,500,000)       | –              |
| Farm in partner advances                                                                                   |       | 15,178,584         | (650,617)      | 38,702,754        | 310,495        |
| Net cash provided from (used in) investing activities                                                      |       | \$ 1,466,670       | \$ (3,373,259) | \$ (39,629,818)   | \$ (8,987,186) |
| <b>Financing Activities</b>                                                                                |       |                    |                |                   |                |
| Proceeds from convertible loan from related party                                                          | 10    | –                  | 11,236,629     | 35,000,000        | 19,000,000     |
| Transaction costs on convertible loan from related party                                                   |       | 11,063             | –              | (76,765)          | (59,971)       |
| Net cash provided from financing activities                                                                |       | \$ 11,063          | \$ 11,236,629  | \$ 34,923,235     | \$ 18,940,029  |
| Net increase (decrease) in cash and cash equivalents                                                       |       | \$ (1,460,551)     | \$ 3,776,968   | \$ (6,705,061)    | \$ 3,906,786   |
| Effect of exchange rate changes                                                                            |       | 15,365             | 13,942         | (126,402)         | 59,822         |
| Cash and cash equivalents at beginning of period                                                           |       | 11,856,740         | 11,995,757     | 17,243,017        | 11,820,059     |
| Cash and cash equivalents at end of period                                                                 |       | \$ 10,411,554      | \$ 15,786,667  | \$ 10,411,554     | \$ 15,786,667  |

**CGX Energy Inc.**  
**Notes to the Unaudited Interim Condensed Consolidated Financial Statements – (US\$’s)**  
**For the Three and Nine Months Ended September 30, 2022 and 2021**

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**GENERAL**

CGX Energy Inc. (“CGX” or the “Company”) is incorporated under the laws of Ontario. The Company’s common shares (“Common Shares”) are listed and publicly traded on the TSX Venture Exchange (“TSXV”) under the trading symbol “OYL”. The Company’s head office is located at 333 Bay Street, Suite 2400, Toronto, Ontario, M5H 2T6. Its principal business activities are petroleum and natural gas exploration offshore the Cooperative Republic of Guyana, South America (“Guyana”) and construction of a deepwater port on the Berbice river in Guyana.

The following table summarizes the Company’s subsidiaries, the location of their registered offices, and the Company’s percentage interest.

| <b>Company</b>                                 | <b>Registered Office</b> | <b>Percentage of Interest (%)</b> |
|------------------------------------------------|--------------------------|-----------------------------------|
| CGX Resources Inc. (“CRI”)                     | Bahamas                  | 100%                              |
| GCIE Holdings Limited (“GCIE Holding”)         | Barbados                 | 100%                              |
| Grand Canal Industrial Estates Inc. (“GCIE”) * | Guyana                   | 100%                              |
| CGX Energy Management Corp. (“CGMC”)           | United States            | 100%                              |
| ON Energy Inc. (“ON Energy”)                   | Guyana                   | 62%                               |

\*Owned 100% by GCIE Holding

**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 and construction of a deepwater port on the Berbice river in Guyana. 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. In addition, there is no guarantee that the Company will be able to secure the necessary financing to complete the deepwater port project or be able to operate it profitably. 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’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.

The Company has a history of operating losses and as at September 30, 2022 had a working capital deficiency of \$93,866,876 (December 31, 2021: \$31,146,332) and an accumulated deficit of \$320,688,283 (December 31, 2021: \$310,550,720). 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, securing a joint farm-out for its Petroleum Production Licences (“PPLs”), the sale of Company assets, or securing a partner for the deepwater port project. 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 current date of its statement of financial position. 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 by management of CGX provide the best opportunity for the Company to continue as a going concern, but there can be no assurances to that effect. As a result there exist material uncertainties that may cast significant doubt as to the Company's ability to continue as a going concern.

These Interim 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 Interim 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.

### **COVID-19**

Since March 2020, COVID-19 significantly impacted Canada, Guyana and the global economy, which impact continues after September 30, 2022 as well. If the impacts of COVID-19 continue for a significant extended period, there could be further impacts on the Company. Currently, the full potential impact of COVID-19 on the Company is unknown.

### **The Russia-Ukraine War**

The Company does not have sales, production, or operations within Russia or Ukraine, and it is not expected that the war will directly impact its operations. Nevertheless, the ongoing war induces greater uncertainties in global financial markets and supply chain systems, which could lead to volatility in oil prices, inflation, interest rates, financing costs, and shortage or delays for certain goods or services. The Company continues assessing its exposure.

## **2. Basis of Preparation**

### **2.1 Statement of compliance**

These Interim Financial Statements, including comparatives, have been prepared in accordance with IAS 34 'Interim Financial Reporting' using accounting policies consistent with the 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 Interim Financial Statements were authorized by the Board of Directors of the Company on October 31, 2022.

These Interim Financial Statements 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 and should be read in conjunction with the 2021 Annual Financial Statements. In preparing these Interim Financial Statements, the significant judgments made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those applied to the 2021 Annual Financial Statements.

### **2.3 Use of management estimates, judgments, and measurement uncertainty**

The preparation of the Interim Financial Statements requires management of CGX 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. Such estimates primarily relate to unsettled transactions and events as at the date of CGX's 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 Covid-19 outbreak and the Russia-Ukraine war has resulted in a challenging economic environment globally, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. It remains difficult to reliably estimate the length or severity of these developments and their impact on the global supply and demand in the oil and gas industry, it is not possible to precisely estimate the potential impact of these events on the Company's financial condition and operations. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that affect the application of accounting policies.

The most significant estimates and judgements relate to the valuation of exploration and evaluation expenditures, property, plant and equipment (“**PP&E**”), warrant liability, taxes, 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 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 E&E 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 capitalizes E&E expenditures as assets. The accounting 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.

If any facts and circumstances indicate an E&E asset or PP&E is carried at more than its recoverable amount, the E&E asset or PP&E is impaired, and recognizing an impairment loss is required.

#### ***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 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.

***Cash generating units and impairment testing***

Cash generating units and impairment testing Cash generating units (“CGU’s”) are identified to be the exploration and evaluation licenses and the deep water port 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 for major producing fields are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The Company monitors internal and external indicators of impairment relating to its properties, plant and equipment, and E&E assets. External sources of information include changes in the economic and legal environment in Guyana. In assessing impairment for E&E assets, the Company applies judgment in considering various factors that determine technical feasibility and commercial viability.

The Company 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 expenditures or the deep water port may exceed its recoverable amount, an impairment review is performed.

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 of disposal 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.

***Contingencies***

Contingent gains or liabilities are possible receipts or 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 inflow or outflow of economic benefits would be required to settle the obligation or the amount cannot be measured reliably. Contingent gains or liabilities are not recognized but are disclosed and described in the notes to its unaudited interim condensed 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.

***Valuation of share based payments and warrant liability***

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.

### **Valuation of convertible loans from related party (Note 10)**

Convertible loans issued by the Company are compound financial instruments containing both a liability and equity component. The Company first calculates the fair value of the liability component at the time of issue using a discounted cash flow for the convertible loan based on the estimated market interest rate for debt financing without a conversion feature. The fair value of the equity component (conversion feature) is then determined at the time of issue as the difference between the fair value of the compound convertible loan and the fair value of the liability component. The Company uses its best estimates in determining market interest rates and cash flow periods. Discrepancies in these input assumptions can significantly affect the fair value estimate of the initial valuation of the liability and equity components.

### **3. Capital Management**

The Company manages its capital structure and makes adjustments to, based on the funds available to the Company, in order to support the 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 property in which the Company currently has an interest is in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration, deepwater port development and pay for administrative costs, the Company will spend its existing funds available 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. There were no changes in the Company's approach to capital management during the nine month period ended September 30, 2022 and the year ended December 31, 2021.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the 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, 2022 and the date of these Interim 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, 2022 totaled \$66,424,306 and was comprised of share capital, reserve accounts and deficit (December 31, 2021: \$73,623,869).

### **4. Financial Instruments**

#### **Fair value**

Cash and cash equivalents, trade receivables and other assets, and farm in partner receivable 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, 2022 and December 31, 2021, the Company does not have any financial assets measured at fair value and that require classification within the fair value hierarchy.

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:

### 1) 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:

- 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.
- 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)
- Farm in partner advances:** The Company is exposed to credit risk attributable to its farm in partner. The Company does not believe that this risk is significant as these are short term in nature. (See Note 10)

The Company's maximum exposure to credit risk as at September 30, 2022 is the carrying value of cash and cash equivalents and trade receivables and other assets.

### 2) 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, 2022, the Company had a working capital deficiency of \$93,866,876 (December 31, 2021: \$31,146,332). 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.

### 3) 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).

#### 1) 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 and in high interest saving accounts, as appropriate.

#### 2) Currency risk

The Company's E&E activities are substantially denominated in US dollars. The Company's funds are predominantly kept in Canadian ("C\$") and US dollars, with major Canadian and United States financial Institutions. As at September 30, 2022, the Company had approximately C\$234,000 (December 31, 2021: C\$16,437,000) in Canadian dollars denominated cash deposits.

### 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, 2022, the Company's exposure to foreign currency balances approximate as follows:

| Account                     | Foreign<br>Currency | Exposure     |            |
|-----------------------------|---------------------|--------------|------------|
|                             |                     | 2022         | 2021       |
| <b>September 30,</b>        |                     |              |            |
| Cash and cash equivalents   | C \$                | \$ 234,000   | \$ –       |
| Trade and other receivables | C \$                | 433,000      | 600,000    |
| Trade and other payables    | C \$                | (773,000)    | (400,000)  |
|                             |                     | \$ (106,000) | \$ 200,000 |

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, 2022 by C\$10,600 (September 30, 2021: C\$20,000).

### 6. Cash and Cash Equivalents

Cash and cash equivalents at September 30, 2022, consisted of \$10,411,554 (December 31, 2021: \$17,243,017) on deposit with major financial institutions, including \$40,000 (December 31, 2021: \$40,000) 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, 2022 | December 31, 2021  |
|-------------------------------------------------|--------------------|--------------------|
| Trade receivables                               | \$202,115          | \$761,749          |
| HST                                             | 36,364             | 40,596             |
| Prepaid expenses                                | 5,884,929          | 3,407,478          |
| <b>Total trade receivables and other assets</b> | <b>\$6,123,408</b> | <b>\$4,209,823</b> |

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

| As at,                         | September 30, 2022 | December 31, 2021 |
|--------------------------------|--------------------|-------------------|
| 1 -90 days                     | \$8,895            | \$269,332         |
| Over 90 days                   | 193,220            | 492,417           |
| <b>Total trade receivables</b> | <b>\$202,115</b>   | <b>\$761,749</b>  |

At September 30, 2022 and December 31, 2021, the Company anticipates full recovery of these amounts receivable and therefore no additional allowance has been recorded against these receivables. Of the trade receivable amount outstanding as at September 30, 2022, \$201,310 (December 31, 2021: \$735,000) relates to amounts owed from Frontera Energy Corporation ("Frontera").

Prepaid expenses as of September 30, 2022, includes \$5.5 million paid in advance mainly to Schlumberger Guyana Inc. as part of the services required for the Wei-1 well.

The Company holds no collateral for any receivable amounts outstanding as at September 30, 2022 and December 31, 2021. The credit risk on the receivables has been further discussed in Note 4.3 (i).

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**8. Property, Plant and Equipment**

|                                 | Staging Facility <sup>(1)</sup> | Logistics Yard <sup>(1)</sup> | Vehicles, office furniture and fixtures | Computer, software and equipment | Total                |
|---------------------------------|---------------------------------|-------------------------------|-----------------------------------------|----------------------------------|----------------------|
| <b>Cost</b>                     |                                 |                               |                                         |                                  |                      |
| As at December 31, 2020         | \$ 7,597,099                    | \$ 706,184                    | \$ 223,354                              | \$ 539,637                       | \$ 9,066,274         |
| Net additions                   | 6,255,754                       | –                             | 103,334                                 | –                                | 6,359,088            |
| As at December 31, 2021         | \$ 13,852,853                   | \$ 706,184                    | \$ 326,688                              | \$ 539,637                       | \$ 15,425,362        |
| Net additions                   | 3,229,507                       | –                             | –                                       | –                                | 3,229,507            |
| <b>As at September 30, 2022</b> | <b>\$ 17,082,360</b>            | <b>\$ 706,184</b>             | <b>\$ 326,688</b>                       | <b>\$ 539,637</b>                | <b>\$ 18,654,869</b> |
| <b>Accumulated amortization</b> |                                 |                               |                                         |                                  |                      |
| As at December 31, 2020         | \$ –                            | \$ –                          | \$ 167,114                              | \$ 539,637                       | \$ 706,751           |
| Amortization <sup>(2)</sup>     | –                               | –                             | 23,389                                  | –                                | 23,389               |
| As at December 31, 2021         | \$ –                            | \$ –                          | \$ 190,503                              | \$ 539,637                       | \$ 730,140           |
| Amortization <sup>(2)</sup>     | –                               | –                             | 30,299                                  | –                                | 30,299               |
| <b>As at September 30, 2022</b> | <b>\$ –</b>                     | <b>\$ –</b>                   | <b>\$ 220,802</b>                       | <b>\$ 539,637</b>                | <b>\$ 760,439</b>    |
| <b>Net book value</b>           |                                 |                               |                                         |                                  |                      |
| As at December 31, 2021         | \$ 13,852,853                   | \$ 706,184                    | \$ 136,185                              | \$ –                             | \$ 14,695,222        |
| <b>As at September 30, 2022</b> | <b>\$ 17,082,360</b>            | <b>\$ 706,184</b>             | <b>\$ 105,886</b>                       | <b>\$ –</b>                      | <b>\$ 17,894,430</b> |

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.

As part of the COR addendum III on the Petroleum Agreement (“PA”) on Corentyne during the year ended December 31, 2020, the Company has agreed to amend its 54.96 acres lease on the staging facility to reflect acreage containing no more than 30 acres. See also Note 9.

**9. Exploration and Evaluation Assets**

|                                    | Corentyne             | Berbice      | Demerara     | Total                 |
|------------------------------------|-----------------------|--------------|--------------|-----------------------|
| Balance, December 31, 2020         | \$ 15,732,529         | \$ 1,467,609 | \$ 1,424,641 | \$ 18,624,779         |
| Additions                          | 74,342,450            | 430,105      | 1,235,631    | 76,008,186            |
| Impairment of E&E                  | –                     | (1,897,714)  | (2,660,272)  | (4,557,986)           |
| Balance, December 31, 2021         | \$ 90,074,979         | \$ –         | \$ –         | \$ 90,074,979         |
| Additions                          | 52,321,773            | 8,796        | 154,610      | 52,485,179            |
| Impairment of E&E                  | –                     | (8,796)      | (154,610)    | (163,406)             |
| <b>Balance, September 30, 2022</b> | <b>\$ 142,396,752</b> | <b>\$ –</b>  | <b>\$ –</b>  | <b>\$ 142,396,752</b> |

As at September 30, 2022 and December 31, 2021, 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.

During the year ended December 31, 2021, the Company reviewed its E&E expenditures for impairment and considering the Company prioritizes its work plans on the Corentyne Petroleum Prospecting Licences (“PPL”), the likelihood of being able to meet its current commitments under the Demerara and Berbice PPLs were reduced. The Company recorded an impairment of exploration and evaluation expenditures of \$163,406 during the nine month period ended September 30, 2022 (December 31, 2021: \$4,557,986). Subsequent to September 30, 2022, the Joint Venture signed the surrender deed of the Demerara block, and ON Energy signed the surrender deed of the Berbice block as described below.

### **Farm-in agreements**

#### *2019 Joint Operating Agreements (the “2019 JOAs”)*

On January 30, 2019, the Company and Frontera Energy Guyana Corp. (“**Frontera Guyana**“) executed the Joint Operating Agreements (the “2019 JOAs”). The 2019 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 \$33.3 million signing bonus. Under the 2019 JOAs, Frontera Guyana 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) \$30.0 million for drilling the first exploratory well under the Corentyne PA and (ii) \$40.0 million for drilling the first exploratory well under the Demerara PA. CGX Resources remains as operator under the 2019 JOA’s.

On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licences were completed. The transfers were effective May 20, 2019. As a result, on May 28, 2019, the Company received \$8.5 million on closing, being the net of the \$33.3 million signing bonus due from Frontera Guyana, less the amount of \$24.8 million of outstanding debts due to Frontera Guyana by the Company.

#### *2022 Joint Operating Agreement*

On July 21, 2022, CGX and Frontera entered into an agreement (the “**2022 JOA Amendment**”) to amend the joint operation agreement (“**JOA**”). As part of the 2022 JOA Amendment, CGX will transfer 29.73% of its participating interest in the Corentyne block to Frontera in exchange for Frontera funding the joint venture's costs associated with the Wei-1 exploration well for up to \$130.0 million and up to an additional \$28.8 million of certain Kawa-1 exploration well, Wei-1 pre-drill costs, and other costs. In addition, CGX shall assign an additional 4.94% of its participating interest in the Corentyne block to Frontera as consideration for the repayment of the outstanding principal amounts under (i) \$19.0 million convertible loan dated May 28, 2021, as amended, and (ii) \$35.0 million convertible loan dated March 10, 2022, as amended, and a cash payment of \$3.8 million. CGX retains a 32.00% participating interest in the Corentyne block and Frontera will have a 68.00% participating interest in the Corentyne block. The 2022 JOA Amendment remains subject to certain conditions precedent and regulatory approvals.

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

**Corentyne Petroleum Agreements ("Corentyne PA") Commitment, Guyana**

The Company through its wholly owned subsidiary CGX Resources Inc. (“CRI”), has held a Corentyne PA since June 24, 1998. On November 27, 2012, the Company was issued a new PA and PPL offshore Guyana.

The Company was issued three addendums, (i) COR Addendum I on November 27, 2012 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, (ii) COR Addendum II in 2019 where the Company’s work commitments were modified, and (iii) the Company received the COR Addendum III in 2020, modifying the Company’s work commitments. The table below outlines the current commitments under the COR Addendum III as of September 30, 2022:

| <b>Period</b>                   | <b>Phase</b>          | <b>Exploration obligation</b> | <b>Dates</b>                |
|---------------------------------|-----------------------|-------------------------------|-----------------------------|
| Second renewal period (3 years) | Phase two - 12 months | Drill 1 exploration well      | Nov 27, 2021 - Nov 26, 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 PPL and any other portion of the contract area on which the Minister Responsible for the Petroleum agrees to permit the Company to conduct further exploration activities.*

In 2020, the Company submitted its proposed 25% acreage relinquishment which are required by the Corentyne PA to the Ministry of Natural Resources (“MNR”) 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 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 Corentyne 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 hydrocarbon 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 hydrocarbons, 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 \$155.0 million 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 \$0.1 million and training fees of \$0.1 million 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 PPL applies to the former offshore portion of the Annex PPL, which was a subset of the Company's original Corentyne PA.

The Company was issued two addendums, (i) On December 15, 2017, under the terms of the addendum, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block, and (ii) on February 12, 2021, the Company received an addendum, subject to final documentation, modifying the timing of the commitments.

As of December 31, 2021, the Company reviewed its E&E expenditures for impairment and determined that the carrying value of the Demerara PPL was fully impaired and remains fully impaired as at September 30, 2022.

On September 20, 2022, the Government of Guyana provided CGX a surrender deed to formalize relinquishment of the Demerara block. Subsequent to September 30, 2022, the Joint Venture signed the surrender of the Demerara PPL, and as of October 31, 2022, was in process of being finalized. The Joint Venture's relinquishment of the block allows the people of Guyana to benefit from exploration activities under the stewardship of interested parties.

### **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. The Company was issued two addendum in 2017 and 2021 respectively modifying the timing of the commitments.

As of December 31, 2021, the Company reviewed its exploration and evaluation expenditures for impairment and the carrying value of the Berbice PPL was fully impaired and remains fully impaired as at September 30, 2022.

On September 20, 2022, the Government of Guyana provided ON Energy a surrender deed to formalize relinquishment of the Berbice PPL. Subsequent to September 30, 2022, ON Energy signed the surrender deed of the Berbice PPL, and as of October 31, 2022, was in process of being finalized. The Company's relinquishment of the block deed allows the people of Guyana to benefit from exploration activities under the stewardship of interested parties.

## **10. Related Party Transactions and Compensation of Key Management**

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.

### **Frontera**

Frontera holds approximately 76.97% of the issued and outstanding Common Shares of CGX on an undiluted basis and has the voting power to influence the outcome of all corporate transactions. Frontera consolidates the financials statements of the Company and is listed and publicly traded on the Toronto Stock Exchange under the trading symbol "FEC".

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| <b>Convertible loan</b>        | <b>Maturity</b> | <b>Principal</b> | <b>Interest Rate</b> |    | <b>September 30, 2022</b> | <b>December 31, 2021</b> |
|--------------------------------|-----------------|------------------|----------------------|----|---------------------------|--------------------------|
| 2021 Convertible Loan          | Nov 2022        | 19,000,000       | 9.70%                | \$ | <b>19,000,000</b>         | \$ 18,527,722            |
| 2022 Convertible Loan          | Sep 2023        | 35,000,000       | 9.70%                |    | <b>33,312,628</b>         | –                        |
| <b>Total convertible loans</b> |                 |                  |                      | \$ | <b>52,312,628</b>         | \$ <b>18,527,722</b>     |

*2021 Convertible Loan*

On May 28, 2021, the Company entered into a secured convertible bridge loan agreement (the “**2021 Convertible Loan**”) with Frontera in the aggregate principal amount of \$19.0 million. The 2021 Convertible Loan, including all amendments, is a non-revolving term facility and together with all interest accrued, will be due and payable on November 30, 2022, or such later date as determined by Frontera, at its sole discretion.

Interest payable on the principal amount outstanding will accrue at a rate of 9.7% per annum payable monthly in cash, with interest on overdue interest. The 2021 Convertible Loan agreement includes a standby fee of 2% multiplied by the daily average amount of unused commitment under the 2021 Convertible Loan payable quarterly in arrears during the drawdown period.

Under the original terms of the 2021 Convertible Loan, Frontera at its sole discretion, had the option to elect to convert all or a portion of the principal amount of the 2021 Convertible Loan outstanding into Common Shares of the Company at a conversion price per Common Share equal to \$0.712 at any time in certain circumstances. On October 28, 2021, the Company completed a rights offering (See Note 12), and due to an anti-dilution clause in the 2021 Convertible Loan, the conversion price per Common Share was reduced to \$0.69743. On June 30, 2022, this option expired unexercised and the 2021 Convertible Loan is now no longer convertible in common shares. The 2021 Convertible Loan is expected to be settled as part of the 2022 JOA Amendment, when it is concluded.

The 2021 Convertible Loan is secured by all of the assets of the Company. In addition, as of September 30, 2022, CGX Resources and GCIE signed a guarantee with Frontera for the 2021 Convertible Loan.

The 2021 Convertible Loan was classified as a liability, with the exception of the portion relating to the original conversion feature, resulting in the carrying value of the 2021 Convertible Loan being less than face value. The discount was accreted over the term of the 2021 Convertible Loan utilizing the effective interest rate method at a 15% discount rate.

The activity on the 2021 Convertible Loan from related party for the nine month period ended September 30, 2022 and year ended December 31, 2021 is as follows:

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|                                               | September 30,<br>2022 | December 31,<br>2021 |
|-----------------------------------------------|-----------------------|----------------------|
| Opening balance                               | \$ 18,527,722         | \$ –                 |
| Loan advance                                  | –                     | 19,000,000           |
| Equity portion of the convertible loan        | –                     | (835,000)            |
| Transaction costs                             | –                     | (59,971)             |
| Interest accretion                            | 472,278               | 422,693              |
| Accrued and or paid interest on loan          | 1,378,464             | 905,520              |
| Interest paid                                 | (1,019,963)           | (592,463)            |
| Interest recorded in trade and other payables | (358,501)             | (313,057)            |
| <b>Total 2021 Convertible Loan</b>            | <b>\$ 19,000,000</b>  | <b>\$ 18,527,722</b> |

*2022 Convertible Loan*

On April 8, 2022, the Company completed a financing agreement for a \$35.0 million loan (the “**2022 Convertible Loan**”) with Frontera, which was first agreed on March 10, 2022, and then amended; to finance part of its share of costs related to the Corentyne block, the Berbice Deepwater Port and other budgeted costs as agreed to with Frontera.

The 2022 Convertible Loan will be available for drawdown in tranches on a non-revolving basis until the earlier of September 10, 2023, or the date on which CGX has drawn down the maximum amount of the 2022 Convertible Loan. The loan was fully drawn in one tranche on April 13, 2022. The 2022 Convertible Loan, together with all interest accrued, shall be due and payable on September 10, 2023, or such later date as determined by Frontera, at its sole discretion. Interest payable on the principal amount outstanding shall accrue at a rate of 9.7% per annum, with interest on overdue interest. If the Loan is extended by Frontera past September 10, 2023, in its sole discretion, the new interest rate will be 15% per annum. A standby fee of 2% per annum multiplied by the daily average amount of unused commitment under the 2022 Convertible Loan in excess of \$19 million shall be payable quarterly in arrears by CGX, on the last business day of each fiscal quarter, during the drawdown period.

Frontera in its sole discretion, any time after July 31, 2022, up to and including September 10, 2023, may elect to convert all or a portion of the principal amount of the 2022 Convertible Loan outstanding, into Common Shares of CGX at a conversion price equal to \$2.42 per Common Share (being the U.S. dollar equivalent of CDN \$ 3.10 per Common Share), provided Frontera provides CGX with 15 business days notice of such conversion. CGX has the right to prepay all or any portion of the Loan, including any unpaid interest, on 15 business days notice to Frontera before September 10, 2023.

The Company is also required to repay all of the 2022 Convertible Loan that is outstanding in the event that without the consent of Frontera, it issues any security that would dilute Frontera’s current ownership of CGX, or any of its subsidiaries enters into any transaction the proceeds of which are used by CGX to pay its part of the authorized costs of the Wei-1 exploration well. The maximum number of common shares of CGX which may be acquired by Frontera upon the conversion of the principal amount of the 2022 Convertible Loan is 14,462,809 common shares of CGX. If the 2022 Convertible Loan principal is converted in full, Frontera will hold approximately 77.93% of the currently issued and

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outstanding common shares of CGX (compared to its current ownership of 76.97%). The 2022 Convertible Loan is expected to be settled as part of the 2022 JOA Amendment, when it is concluded

During the nine month period ended September 30, 2022, transaction costs total \$98,891 (December 31, 2021: Nil) and were recorded against the 2022 Convertible Loan on the date of completion, being April 8, 2022.

The activity on the 2022 Convertible Loan from related party for the nine month period ended September 30, 2022 and year ended December 31, 2021 is as follows:

|                                               | September 30,<br>2022 | December 31,<br>2021 |
|-----------------------------------------------|-----------------------|----------------------|
| Opening balance                               | \$ –                  | \$ –                 |
| Loan advances                                 | 35,000,000            | –                    |
| Equity portion of the convertible loan        | (2,331,000)           | –                    |
| Transaction costs                             | (98,891)              | –                    |
| Interest accretion                            | 742,518               | –                    |
| Accrued and or paid interest on loan          | 1,581,231             | –                    |
| Interest paid on loan                         | (920,834)             | –                    |
| Interest recorded in trade and other payables | (660,397)             | –                    |
| <b>Total 2022 Convertible Loan</b>            | <b>\$ 33,312,628</b>  | <b>\$ –</b>          |

*Rights Offering Bridge Loan Facility*

On October 8, 2021, the Company received a \$20.0 million Rights Offering Bridge Loan Facility (the “**Rights Loan**”) from Frontera. This Rights Loan was made available for drawdown in tranches on a non-revolving basis until October 31, 2021. The Rights Loan, together with all interest accrued, was due and payable on October 31, 2021 (the “**Maturity Date**”) or such later date as determined by Frontera, at its sole discretion. The Company and Frontera agreed that the acquisition cost of any securities acquired by Frontera pursuant to the exercise of Rights Offering would be satisfied by the reduction of the amounts payable to Frontera under the Rights Loan. Interest payable on the principal amount outstanding accrued at a rate of 9.7% per annum payable monthly in cash, with interest on overdue interest. The Rights Loan was fully drawn on October 25, 2021 and fully settled upon closing of the right issue on October 28, 2021.

On October 28, 2021 the Company completed an Offering. Pursuant to the Offering, the Company issued to holders of its outstanding Common Shares of record as at the close of business on October 1, 2021 an aggregate of 45,151,338 Rights. Each Right entitled the holder thereof to subscribe for one Common Share upon payment of the subscription price of C\$1.63 (equivalent of approximately \$1.32) per Common Share until October 28, 2021. The Company issued 45,151,338 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\$73,596,681 (equivalent of approximately \$59,451,865).

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Frontera provided a standby commitment, in which Frontera would acquire any Common Shares available as a result of any unexercised rights under the Offering, such that CGX was guaranteed to issue 45,151,338 Common Shares in connection with the Offering. In consideration for the standby commitment, Frontera received 5-year warrants to purchase up to 1,173,774 Common Shares at an exercise price equal to \$1.51 per Common Share. Frontera acquired an additional 11,737,747 Common Shares under the standby commitment. Frontera acquired an aggregate of 45,083,314 Common Shares in connection with the Offering pursuant to the exercise of rights and the standby commitment under the Offering for cash consideration of C\$73,485,802 (equivalent of approximately \$59,362,296).

The grant date fair value of the warrants issued on the rights offering of \$917,000 (note 13) was estimated using the Black-Scholes option pricing model with the following assumptions:

|                                        |         |
|----------------------------------------|---------|
| Risk-free interest rate                | 1.50%   |
| Expected volatility                    | 111%    |
| Expected life of warrants              | 5 years |
| Expected dividend yield                | Nil     |
| Common share price value on issue date | C\$1.29 |

*Farm-in partner cash call balances*

Under the JOAs, the Company is operator on the Corentyne licences. As operator, the Company makes cash calls from its Joint Venture partner to pay for future licence expenditures. As at September 30, 2022, CGX's farm-in-partner has a balance of \$30,863,843 payable (December 31, 2021: \$7,838,911 receivable) for future exploration on the Corentyne licence.

In addition, as operator of the Corentyne and Demerara licences, the Company receives a fee from its joint Venture 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 September 30, 2022, the Company received fees from its farm in joint venture partner of \$176,764 (2021: \$884,235).

**Key Management Personnel**

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>2022</b>         | <b>2021</b>         |
|--------------------------------------------------|---------------------|---------------------|
| Short-term employee benefits                     | \$ 2,593,152        | \$ 948,000          |
| Share based payments                             | 414,000             | 257,000             |
| <b>Total compensation paid to key management</b> | <b>\$ 3,007,152</b> | <b>\$ 1,205,000</b> |

During the nine month period ended September 30, 2022, key management exercised Nil (year ended December 31, 2021: 1,050,000) stock options at a weighted average exercise price of \$Nil (year ended December 31, 2021: C\$0.46 (\$0.37)). The weighted average trading price on date of exercise for the stock options exercised during the nine month period ended September 30, 2022 was \$Nil (year ended December 31, 2021: C\$1.31 (\$1.06)).

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At September 30, 2022, included in trade and other payables is \$454,000 (December 31, 2021: \$300,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

### **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:

| <b>As at,</b>                                      | <b>September 30, 2022</b> | <b>December 31, 2021</b> |
|----------------------------------------------------|---------------------------|--------------------------|
| Less than one month, accruals and accrued interest | \$ <b>11,960,028</b>      | \$ 30,787,052            |
| One month to three months                          | <b>270,893</b>            | 1,601,557                |
| Over three months                                  | <b>14,994,446</b>         | 9,521,752                |
| <b>Total trade and other payables</b>              | <b>\$ 27,225,367</b>      | \$ 41,910,361            |

### **12. Capital Stock**

#### **Common share purchase warrants**

The exercise price and expiry date of the warrants outstanding at September 30, 2022 are as follows:

| <b>Warrants</b> | <b>Exercise Price</b> | <b>Expiry Date</b> |
|-----------------|-----------------------|--------------------|
| 1,173,774       | \$1.51                | October 28, 2026   |

There are no changes in the number of common share purchase warrants outstanding for the nine months ended September 30, 2022. The grant date fair value of the warrants issued on the rights offering was \$917,000 (Note 13), and recorded as Reserve for share based payments.

#### **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, 2022, the Company had 17,259,900 (December 31, 2021: 17,259,900) options available for issuance under the plan.

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
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Changes in the number of stock options outstanding are as follows:

| For the period/year ended                   | Nine months ended September<br>30, 2022    |                   | Year ended December 31,<br>2021               |                   |
|---------------------------------------------|--------------------------------------------|-------------------|-----------------------------------------------|-------------------|
|                                             | Weighted<br>Average<br>Exercise Price (\$) | No. of<br>Options | Weighted<br>Average<br>Exercise Price<br>(\$) | No. of<br>Options |
| Outstanding at beginning of period/<br>year | <b>C\$0.59</b>                             | <b>16,191,000</b> | C\$0.46                                       | 14,360,000        |
| Transactions during the period/year:        |                                            |                   |                                               |                   |
| Granted                                     | -                                          | -                 | C\$1.05                                       | 3,600,000         |
| Exercised                                   | -                                          | -                 | C\$0.51                                       | (1,769,000)       |
| Outstanding at end of period/year           | <b>C\$0.59</b>                             | <b>16,191,000</b> | C\$0.59                                       | 16,191,000        |
| Exercisable at end of period/year           | <b>C\$0.49</b>                             | <b>14,391,000</b> | C\$0.48                                       | 13,790,999        |

The following table provides additional outstanding stock option information as at September 30, 2022:

| Exercise Price           | No. of Options<br>Outstanding | Weighted Average<br>Remaining<br>Life (Years) | Weighted Average<br>Exercise Price | No. of Options<br>Exercisable | Weighted Average<br>Exercise Price |
|--------------------------|-------------------------------|-----------------------------------------------|------------------------------------|-------------------------------|------------------------------------|
| C\$ 0.085 <sup>(1)</sup> | 1,000,000                     | 0.01                                          | C\$0.085                           | 1,000,000                     | C\$0.085                           |
| C\$ 0.460 – 0.495        | 10,741,000                    | 2.47                                          | C\$0.461                           | 10,741,000                    | C\$0.461                           |
| C\$ 0.710 – 0.820        | 2,650,000                     | 3.06                                          | C\$0.757                           | 2,650,000                     | C\$0.757                           |
| C\$ 1.360                | 1,800,000                     | 4.32                                          | C\$1.360                           | —                             | -                                  |
| <b>C\$ 0.085 – 0.820</b> | <b>16,191,000</b>             | <b>2.62</b>                                   | <b>C\$0.586</b>                    | <b>14,391,000</b>             | <b>C\$0.490</b>                    |

<sup>(1)</sup> On July 29, 2022, at the Company's annual and special meeting of shareholders, the option expiry date of these options held by key management was extend from May 3, 2022 to May 3, 2023. All other terms of the options remained the same. The fair value of the modification of this award calculated as \$Nil, using the Black-Scholes valuation model on this date.

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 months ended September 30, 2021:

**Notes to the Unaudited Interim Condensed Consolidated Financial Statements  
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|                                        | Vesting of prior year | March 23, 2021                                                 | January 5, 2021                                                | Totals     |
|----------------------------------------|-----------------------|----------------------------------------------------------------|----------------------------------------------------------------|------------|
| Number of options granted              |                       | 1,400,000                                                      | 400,000                                                        | 1,800,000  |
| Exercise price                         |                       | C\$0.82                                                        | C\$0.495                                                       |            |
| Risk-free interest rate                |                       | 0.95%                                                          | 0.39%                                                          |            |
| Expected life (years)                  |                       | 5                                                              | 5                                                              |            |
| Expected volatility                    |                       | 106.77%                                                        | 101.58%                                                        |            |
| Market price                           |                       | C\$0.82                                                        | C\$0.495                                                       |            |
| Expected dividends and forfeiture rate |                       | —                                                              | —                                                              |            |
| Vesting                                |                       | 1/3 immediately,<br>1/3 in 6 months<br>and 1/3 in 12<br>months | 1/3 immediately,<br>1/3 in 6 months<br>and 1/3 in 12<br>months |            |
| Fair value of grant                    |                       | \$ 703,000                                                     | \$ 116,000                                                     | \$ 819,000 |
| Share based compensation               | \$ 11,000             | \$ 594,000                                                     | \$ 106,000                                                     | \$ 711,000 |

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

The weighted average grant-date fair value of options granted during the nine month period ended September 30, 2022 was \$Nil (nine months ended September 30, 2021: \$0.45) per option issued.

### 13. 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, 2022 and year ended December 31, 2021 is set out below:

| As at,                                             | September 30,<br>2022 | December 31,<br>2021 |
|----------------------------------------------------|-----------------------|----------------------|
| Balance at beginning of period/year                | \$ 28,133,000         | \$ 25,993,000        |
| Share based payments (note 12)                     | 607,000               | 959,000              |
| Equity portion of convertible debt (note 10)       | 2,331,000             | 835,000              |
| Value transferred on exercise of options (note 12) | -                     | (571,000)            |
| Warrants issued under rights offering (note 12)    | -                     | 917,000              |
| Balance at end of period/year                      | \$ 31,071,000         | \$ 28,133,000        |

### 14. Commitments and Contingencies

#### Contractual obligations

The Company has entered into contracts for the Corentyne block and the Berbice Deepwater Port to complete its requirement under the Corentyne PPL mainly related to the drilling of the Wei-1 well, and agreements for the Port Project. As at September 30, 2022, the Company Purchase Orders issued and contracts under these agreements are \$111.6 million for the years 2022 and 2023, of which the Company's share of these costs is \$37.0 million, with the major portion funded by the farm-in partner according to the 2022 JOA Amendment.

## Contingencies

### 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 \$19.0 million with \$7.0 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, 2022 and December 31, 2021. 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 \$0.5 million.

The processing began in late 2016 and was substantially completed in 2017 (albeit there is an ongoing dispute as to the quality – see below) and as a result, the Company has recorded a provision of \$0.6 million in trade and other payables as at September 30, 2022 (December 31, 2021: \$0.5 million).

In July 2018, Prospector filed a request for arbitration against CGX and CRI in the International Chamber of Commerce (“**ICC**”) for repayment of the debt accrued under Seismic Acquisition dated September 2014 contract (and the addendum thereto) for the acquisition of 3D seismic data on the Demerara block. Prospector requested that the International Court of Arbitration of the ICC constitute the arbitral tribunal (the “**Tribunal**”) and requested that the Tribunal award to Prospector the relief of (i) the amount \$12.4 million being the amount Prospector alleged it was owed as at May 1, 2018, (ii) any interest that will have accrued from May 1, 2018 until the date of the award in the amount of 6% per annum based on the Deed of Addendum 1 (the “**Addendum**”) between CGX and Prospector dated October 3, 2016, (iii) post-award interest in the amount of 6% per annum until payment as per the Addendum, and (iv) costs and reasonable and necessary attorney’s fees incurred by Prospector in bringing the arbitration (the “**Arbitration**”). It was subsequently agreed that the Tribunal had no jurisdiction over CRI.

On January 15, 2019, Prospector and CGX agreed to a one (1) year suspension of the Arbitration. The Tribunal indicated that the Arbitration would be stayed for 12 months from January 22, 2019 until January 22, 2020. The parties subsequently agreed to extend the suspension for a further year until January 22, 2021.

On January 23, 2021, Prospector formally gave notice of the end of the suspension and recommencement of the Arbitration. On April 23, 2021, the Company filed its Defence and Counterclaim (along with supporting factual, witness and expert evidence) in the Arbitration against Prospector at the ICC for \$26.1 million, plus interest and costs, for damages it claims to have suffered as a result of the unsatisfactory processing of the 3D seismic data.

The Arbitration hearing was conducted at the end of March 2022 in London, UK. On September 13, 2022, the International Court of Arbitration released its Partial Final Award in the amounts of \$9.5 million and \$0.6 million in favour of Prospector and denied the Company’s counterclaim. The

Company had previously recorded in trade and other payables \$9.5 million and \$0.5 million, respectively and had no recorded amount for its counterclaim. The Company is expecting the release of the Final Award shortly, which will include a decision on out of pocket costs and interest. In October 2022, the Company initiated a challenge to the Partial Final Award and is awaiting the results of such challenge. Prospector has also commenced proceedings against the Company to enforce the Partial Final Award of the International Court of Arbitration of the ICC in Ontario. The Company intends to oppose that proceeding, including because there is an ongoing challenge of the award.

As at September 30, 2022, the Company has a provision for the amounts claimed by Prospector plus accrued interest, being \$14.4 million, as trade and other payables (December 31, 2021: \$13.9 million), even though the Company contests liability. The contingent gains, if any, are not recorded as at September 30, 2022 (December 31, 2021: Nil) as the outcome of the proceedings is still unknown and there can be no assurances that the Company will be successful in its challenge.

### **Management Agreements**

As at September 30, 2022, the Company is party to three (December 31, 2021: two) separate written management agreements with certain senior officers of the Company. The three contracts currently require a total payment of up to \$1.3 million (December 31, 2021: \$2.1 million) be made upon the occurrence of certain events such as termination and change in control.

During the year ended December 31, 2021 and on November 8, 2021, the Company terminated one of these such agreements for a termination payment of \$0.8 million and settled this amount by paying \$0.4 million during the year end December 31, 2021 and recording a liability of \$0.4 million in trade and other payables as at December 31, 2021. The amount in trade and other payables is to be settled in 12 equal monthly installments of \$33 thousand ending on November 15, 2022. As at September 30, 2022, the balance in trade and other payables was \$62 thousand.