



Consolidated Financial Statements

For the Years Ended

December 31, 2022 and 2021

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with International Financial Reporting Standards ("**IFRS**"). When alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

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 Consolidated 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 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 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

February 28, 2023

"Suresh Narine"

Suresh Narine
Executive Chairman and Executive Director
(Guyana)

"Daniel Sanchez"

Daniel Sanchez
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the shareholders of CGX Energy Inc.

Opinion

We have audited the consolidated financial statements of CGX Energy Inc. (the Company), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has history of operating losses and as at December 31, 2022 had a working capital deficiency of \$2,641,926 and an accumulated deficit of \$320,568,941. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. In addition to the matters described in the Material uncertainty related to going concern section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in *the Auditor's responsibilities* for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
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Valuation of convertible loan from related party

As discussed in Note 10 to the consolidated financial statements, the Company executed a convertible loan agreement (the "Convertible Loan") with a related party under which the Company borrowed \$35 million. The Company's policy for valuation and accounting for the Convertible Loan is described in Note 2 to the consolidated financial statements. The Convertible Loan issued by the Company is a compound financial instrument containing both a liability and equity component. The Convertible Loan was subsequently amended for the conversion rights to include conversion into participating interest into Corentyne block in addition to existing rights to convert in equity shares and was settled as part of 2022 JOA Amendment as described in Note 9 to the financial statements. The Company determined the fair value of the Convertible Loan on extinguishment using estimates relating to market interest rates for the determination of the fair value of the liability component and expected stock volatility as the key estimate in the determination of fair value of the equity component using Black-Scholes method. Fair value of liability component was compared with the carrying amount of liability on extinguishment, resulting in a gain of \$159,543 recorded in the income statement and the fair value of equity component of \$1,505,199 is recognised in equity. Discrepancies in these input assumptions could significantly affect the fair value estimate of the Convertible Loan on extinguishment, as well as the resulting gain on extinguishment.

We considered this a key audit matter due to the significant judgement required in determining inputs and assumptions used in the fair valuation of the Convertible Loan.

Our approach to addressing the matter included the following procedures, among others:

- We inspected the executed Convertible Loan agreement along with subsequent amendments and assessed whether the terms and conditions are appropriately considered in the valuation of the compound financial instrument.
- With the support of a valuation specialist, we evaluated the Company's valuation methodologies including reasonableness of significant inputs and assumptions used by comparing those to observable market data and evaluated the sensitivities of these significant inputs and assumptions.
- We recalculated the fair values of the liability and equity components and compared them to the Company's determination of fair values for reasonableness.
- We also evaluated the Company's disclosures in the consolidated financial statements related to the Convertible Loan.

Other information

Management is responsible for the other information. The other information comprises:

- Management's discussion and analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ryan MacDonald.

Ernst + Young LLP

Chartered Professional Accountants

Calgary, Canada
February 28, 2023

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

As at December 31,	Notes	2022	2021
Assets			
Current			
Cash and cash equivalents	6	\$ 12,390,419	\$ 17,243,017
Trade receivables and other assets	7	7,114,286	4,209,823
Farm in partner receivable	10	5,518,818	7,838,911
Total current assets		\$ 25,023,523	\$ 29,291,751
Non-current			
Property, plant and equipment	8	18,028,479	14,695,222
Exploration and evaluation assets	9	49,955,896	90,074,979
Total Non-current assets		\$ 67,984,375	\$ 104,770,201
Total assets		\$ 93,007,898	\$ 134,061,952
Liabilities			
Current liabilities			
Trade and other payables	11	\$ 27,665,449	\$ 41,910,361
Convertible loan from related party	10	—	18,527,722
Total liabilities		\$ 27,665,449	\$ 60,438,083
Shareholders' equity			
Share capital	12	\$ 356,041,589	\$ 356,041,589
Reserve for share based payments	13	29,869,801	28,133,000
Accumulated deficit		(320,568,941)	(310,550,720)
Total shareholders' equity		\$ 65,342,449	\$ 73,623,869
Total liabilities and shareholders' equity		\$ 93,007,898	\$ 134,061,952

Nature of operations and going concern uncertainty (note 1)
Commitments and contingencies (notes 9, and 16)
Subsequent events (notes 9 and 17)

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board of Directors on February 28, 2023:

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

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

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

For the year ended December 31	Notes	2022	2021
Operating expenses			
General and administrative	8	1,636,723	1,873,840
Management and consulting	10	2,095,818	2,646,964
Interest expense	10	4,202,438	1,911,765
Shareholder information		251,758	98,164
Professional fees		2,036,537	1,157,224
Share based payments	10,12,13	911,000	959,000
Foreign exchange loss		27,092	668,143
Total operating expenses		(11,161,366)	(9,315,100)
Gain on settlement of convertible loan	10	159,543	—
Indirect revenue from farm in partner	10	1,147,008	1,178,374
Impairment of exploration and evaluation assets	9	(163,406)	(4,557,986)
Net loss and comprehensive loss		(10,018,221) \$	(12,694,712)
Loss per share			
Basic net loss per share		(0.03)	(0.04)
Diluted net loss per share		(0.03)	(0.04)
Weighted average number of shares (000's) – basic		334,509	334,509
Weighted average number of shares (000's) – diluted		334,509	334,509

The accompanying notes are an integral part of these consolidated financial statements

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

	Share Capital		Reserves	Accumulated	Total
	Number of Shares	Amount	Share based payments	Deficit	
Balance at December 31, 2020	287,588,662	\$ 296,458,932	\$ 25,993,000	\$ (297,856,008)	\$ 24,595,924
Shares issued for rights offering	45,151,338	59,451,865	–	–	59,451,865
Share issue costs	–	(258,205)	–	–	(258,205)
Warrants issued under rights offering	–	(917,000)	917,000	–	–
Share based payments	–	–	959,000	–	959,000
Equity portion of convertible loan	–	–	835,000	–	835,000
Shares issued on exercise of options	1,769,000	734,997	–	–	734,997
Transfer of contributed surplus on exercise of options	–	571,000	(571,000)	–	–
Net loss and comprehensive loss for the year	–	–	–	(12,694,712)	(12,694,712)
Balance at December 31, 2021	334,509,000	\$ 356,041,589	\$ 28,133,000	\$ (310,550,720)	\$ 73,623,869
Share based payments (Note 12)	–	–	911,000	–	911,000
Equity portion of convertible loan (Note 10)	–	–	825,801	–	825,801
Net loss and comprehensive loss for the year	–	–	–	(10,018,221)	(10,018,221)
Balance at December 31, 2022	334,509,000	\$ 356,041,589	\$ 29,869,801	\$ (320,568,941)	\$ 65,342,449

The accompanying notes are an integral part of these consolidated financial statements

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

	Notes	Year Ended December 31	
		2022	2021
Operating Activities			
Net loss for the year		\$ (10,018,221)	\$ (12,694,712)
Items not affecting cash:			
Amortization	8	40,399	23,389
Impairment of exploration and evaluation expenditures	9	163,406	4,557,986
Unrealized foreign exchange (gain) / loss		(51,460)	668,143
Share-based payments	12	911,000	959,000
Interest accretion on trade and other payables, loans, and convertible debentures payable to related party		3,055,801	1,319,302
Gain on settlement of convertible loan	10	(159,543)	—
Net change in non-cash working capital items:			
Trade receivables and other assets		(2,904,463)	(3,986,977)
Trade and other payables		469,200	767,149
Net cash used in operating activities		\$ (8,493,881)	\$ (8,386,720)
Investing Activities			
Purchases of exploration and evaluation expenditures		(54,181,288)	(51,518,206)
Purchases of property, plant and equipment		(2,509,569)	(5,183,054)
Proceeds from 2022 JOA Amendment	9	23,215,214	—
Farm in partner advances		2,320,093	(7,689,605)
Net cash used in investing activities		\$ (31,155,550)	\$ (64,390,865)
Financing Activities			
Proceeds from convertible loan from related party	10	35,000,000	19,000,000
Transaction costs on convertible loan from related party		(76,765)	(59,971)
Proceeds from shares issued for rights offering		—	59,451,865
Proceeds from stock option exercises		—	734,997
Share issue costs for rights offering		—	(258,205)
Net cash provided from financing activities		\$ 34,923,235	\$ 78,868,686
Net (decrease) increase in cash and cash equivalents		(4,726,196)	\$ 6,091,101
Effect of exchange rate changes		(126,402)	(668,143)
Cash and cash equivalents at beginning of year		17,243,017	11,820,059
Cash and cash equivalents at end of year		\$ 12,390,419	\$ 17,243,017
Supplementary Information			
Interest paid		\$ 1,940,797	\$ 608,773
Income tax paid		\$ —	\$ —
Settlement of convertible loan from related party	9,10	\$ 54,000,000	\$ —

The accompanying notes are an integral part of these consolidated financial statements

Notes to the Consolidated Financial Statements – (US\$’s)
For the Years Ended December 31, 2022 and 2021

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.

Company	Registered Office	Percentage of Interest (%)
CGX Resources Inc. (“CRI”)	Bahamas	100%
GCIE Holdings Limited (“GCIE Holding”)	Barbados	100%
Grand Canal Industrial Estates Inc. (“GCIE”) ¹	Guyana	100%
CGX Energy Management Corp. (“CGMC”)	United States	100%
ON Energy Inc. (“ON Energy”) ²	Guyana	62%

1. Owned 100% by GCIE Holding

2. Subsequent to December 31, 2022, ON Energy started the process of being dissolved. The Company holds no assets, and this process is expected to be completed during the year ended December 31, 2023 with no impact on the Consolidated Financial Statements.

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 Petroleum Production Licences (“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 December 31, 2022 had a working capital deficiency of \$2,641,926 (December 31, 2021: \$31,146,332) and an accumulated deficit of \$320,568,941 (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 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

Notes to the Consolidated Financial Statements – (US\$’s)
For the Years Ended December 31, 2022 and 2021

under the Company’s PPLs outlined in Note 16, 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 (see 2022 JOA Amendment in Note 9), 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 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 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.

COVID-19

Since March 2020, COVID-19 significantly impacted Canada, Guyana and the global economy, which impact continues after December 31, 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

The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (“IASB”). These Consolidated Financial Statements were approved and authorized by the Board of Directors of the Company on February 28, 2023.

2.2 Basis of presentation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 3.

2.3 Use of management estimates, judgments, and measurement uncertainty

The preparation of the Consolidated 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.

Notes to the Consolidated Financial Statements – (US\$’s)
For the Years Ended December 31, 2022 and 2021

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.

Farm-in / Farm out

A farm-out is effectively a disposal and farm-in is an acquisition by the farmee of part of the farmor’s working interest, with the consideration being the fair value of the future expenditure undertaken by the farmee. The Company does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the Company as a gain on disposal.

Deep water port assets under construction and useful economic life Assets in the course of construction are carried at cost.

These assets are not amortized until they are available for use in commercial operation. Management reviews progress reports to determine when the deep water port is ready for commercial operation and will begin amortizing the port over the useful economic life of the deep water port. Once available for use, the annual depreciation charge for the deep water port is sensitive to changes in the estimated

Notes to the Consolidated Financial Statements – (US\$’s)
For the Years Ended December 31, 2022 and 2021

useful economic lives and residual values of the assets. The useful economic lives and residual values will be re-assessed annually and amended where necessary.

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 (“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.

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

Notes to the Consolidated Financial Statements – (US\$'s)
For the Years Ended December 31, 2022 and 2021

will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

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 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 (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.

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.

On subsequent amendment and extinguishment before maturity, the Company determines the fair value of convertible loan using estimated market interest rates for the determination of the fair value of the liability component and expected stock volatility as the key estimate in the determination of fair value of the equity component using Black-Scholes method. The difference between the fair value of the liability component and the carrying amount of the liability on extinguishment is recognised in profit or loss and the amount of fair value of equity component is recognised in equity

3. Summary of significant accounting policies

3.1 Basis of Consolidation

Subsidiaries consist of entities over which the Company is expected to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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All inter-company and intra-company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company’s equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests’ share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the Company’s interest in the subsidiary’s equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses. As at December 31, 2022 and 2021, the non-controlling interests were immaterial and recorded as \$Nil.

3.2 Exploration and evaluation expenditures

All licence acquisition, exploration and appraisal costs of technical services and studies, seismic acquisition, exploratory drilling and testing are initially capitalized by well, field, unit of account or specific exploration unit as appropriate, with the exception of share based payments related to option grants for those involved in exploration and evaluation activities, which are expensed. Expenditures directly associated with an exploration well are capitalized as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include material and fuel used, rig costs and payments made to contractors. If no commercial reserves are found, the exploration asset is written off. Expenditures incurred during the various exploration and appraisal phases, excluding dry hole costs, are carried forward until the existence of commercial reserves and when the technical feasibility and commercial viability are demonstrable and approved by the regulator. If commercial reserves have been discovered and technical feasibility and commercial viability are demonstrable, the carrying value of the exploration and evaluation assets, after any impairment loss, is reclassified as oil and gas properties. If technical feasibility and commercial viability cannot be demonstrated upon completion of the exploration phase, the carrying value of the exploration and evaluation costs incurred are expensed in the period this determination is made.

Exploration and evaluation assets are tested for impairment when indicators of impairment are present and when exploration and evaluation assets are transferred to oil and gas properties. The Company has determined the level for assessing for impairment at the CGU level. 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.

3.3 Decommissioning, restoration and similar liabilities (“Asset retirement obligation” or “ARO”)

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of petroleum and natural gas and PP&E, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred.

Upon initial recognition of the liability, the corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the

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passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

3.4 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. The Company uses the “treasury stock method” where assumed proceeds upon the exercise of the options, warrants and convertible debentures that are used to purchase common shares at the average market price during the year. During the years ended December 31, 2022 and 2021 all the outstanding stock options and warrants were antidilutive.

3.5 Share based payments

Employees (including directors, officers and senior executives) and certain consultants of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees and consultants render services as consideration for equity instruments (“equity-settled transactions”).

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

The costs of equity-settled transactions with employees and consultants are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees and consultants become fully entitled to the award (the “vesting date”).

The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee or consultant as measured at the date of modification.

Any dilutive effect of outstanding options is reflected as additional dilution in the computation of loss per share.

3.5 Property, plant and equipment

PP&E are stated at cost less accumulated amortization and accumulated impairment losses. The cost of an item of PP&E consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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Amortization is provided at rates calculated to write off the cost of PP&E, less their estimated residual value, using the declining balance method at the following rates:

Office, furniture and fixtures	20 %
Vehicles	20 %
Computer, software and equipment	30 %

An item of PP&E is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and amortization methods being used for PP&E and any changes arising from the assessment are applied by the Company prospectively.

Where an item of PP&E comprises major components with different useful lives, the components are accounted for as separate items of PP&E. Expenditures incurred to replace a component of an item of PP&E that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

3.6 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- a. where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- b. in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

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- a. where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- b. in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

3.7 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand, and short term deposits with a remaining maturity of 90 days or less on the date of acquisition and which are readily convertible into a known amount of cash.

3.8 Financial assets

Financial assets classified as fair value through profit or loss (“FVTPL”) are measured at fair value with realized and unrealized gains and losses recognized in the statement of comprehensive loss. As at December 31, 2022 and 2021 the Company does not have any financial assets classified as FVTPL.

Financial assets measured at amortized cost include the Company’s cash and cash equivalents, trade receivables and other assets and farm in partner receivable. As at December 31, 2022 and 2021, the carrying amounts for these assets approximate their fair value due to their short-term nature.

Financial assets classified as fair value through other comprehensive income (“FVOCI”) are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). As at December 31, 2022 and 2021, the Company has not classified any financial assets as FVOCI.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

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Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

3.9 Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or at amortized cost.

Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company's trade and other payables and convertible loan from related party are recorded at amortized cost. As at December 31, 2022 and 2021, the carrying amounts for trade and other payables and convertible loan from related party approximate their fair value due to their short-term nature.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss. During the year ended December 31, 2021, the Company had classified the warrant liability as FVTPL.

3.10 Impairment of assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an expected credit losses account. Impaired debts are written off against the expected credit losses account when they are assessed as uncollectible.

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Impairment of non-financial assets

At each date of the statement of financial position, the Company reviews the carrying amounts of its intangible E&E and PP&E assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the CGU to which the assets belong.

Recoverable amount is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years.

3.11 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

3.12 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence; related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3.13 Foreign currency transactions

Items included in the financial statements of each of the Company’s consolidated entities are measured using the currency of the primary economic environment in which each entity operates (the “functional currency”). The functional currency of the Company and each of its subsidiaries is the US\$. The consolidated financial statements are presented in US\$, which is the Company’s presentation currency.

3.14 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end

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exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive loss.

Foreign-currency-denominated warrants, outside of the scope of IFRS 2, which will be settled by the Company delivering a variable number of its shares for a fixed amount of foreign currency are classified as a financial liability. Changes in the fair value of the liability are recorded in profit or loss.

3.15 Revenue recognition

CGX recognizes interest revenue and fees from farm in partner as earned on an accrual basis, when collection is reasonably assured.

3.16 Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control and must act together to direct the activities that significantly affect the returns of the arrangement. Under IFRS 11 joint arrangements, the Company classifies its interest in joint arrangements as either joint operations or joint ventures. When making this assessment, the Company considers the structure and contractual terms of the arrangement, as well as the legal form of any separate vehicles, in addition to all other relevant facts and circumstances. Joint operations are recognized on a proportionate consolidation basis by including the Company’s share of assets, liabilities, revenues and expenses and other comprehensive income in each of the respective consolidated accounts. Joint ventures are recognized using the equity method of accounting. The Company’s share of individual assets and liabilities are recognized as an investment in the joint venture account on the consolidated statements of financial position, and revenues and expenses are recognized with net earnings as a gain/loss from investment in joint venture account on the consolidated statements of operations and comprehensive income.

As described in Note 9, CGX Resources entered into Joint Operating Agreements with a subsidiary of Frontera Energy Corporation (“Frontera”). The Company reviewed the legal form and contractual terms of this arrangement and concluded that it would be classified as a joint operations. Based on this assessment, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses. The Company recognizes its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

3.17 New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) amendment. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – ie. a full-cost approach. Such costs include both the incremental costs of the contract (ie. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – ie. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The

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amendment was effective for annual periods beginning on January 1, 2022. There was no impact to the Company due to the adoption of this amendment.

IAS 16 – Property, Plant and Equipment (“IAS 16”) amendment. The amendment introduce new guidance, such that the proceeds from selling items before the related property, plant and equipment is available for its intended use can no longer be deducted from the cost. Instead, such proceeds are to be recognized in profit or loss, together with the costs of producing those items. The amendments are effective for annual periods beginning on January 1, 2022. There was no impact to the Company due to the adoption of this amendment.

The Company has assessed the impact of the application of the standards or amendments below on the consolidated financial statements of the Company and does not expect them to have a material impact on the consolidated financial statements of the Company once adopted.

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or non-current is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023, with early adoption permitted.

4. 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 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 years ended December 31, 2022 and 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 December 31, 2022 and the date of these 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 December 31, 2022 totaled \$65,342,449 and was comprised of share capital, reserve accounts and deficit (December 31, 2021: \$73,623,869).

5. 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 December 31, 2022 and 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:

- i. **Cash and cash equivalents:** Cash and cash equivalents are held mainly with major Canadian and American financial institutions in Canada, Guyana and the United States, and therefore the risk of loss is minimal.
- ii. **Trade receivables and other assets:** The Company is exposed to credit risk attributable to cash advances to suppliers, prepaid expenses, or credits from vendors. The Company does not believe that this risk is significant, prepaid expenses are mainly related to contracts with major vendors and will be settled through deliver of goods and services. (See Note 7)
- iii. **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 December 31, 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 December 31, 2022, the Company had a working capital deficiency of \$2,641,926 (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

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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 December 31, 2022, the Company had approximately C\$100,000 (December 31, 2021: C\$16,400,000) in Canadian dollars denominated cash deposits.

Sensitivity Analysis

The Company's funds are mainly kept in Canadian and US dollars with major Canadian and US financial institutions. As at December 31, 2022, the Company’s exposure to foreign currency balances approximate as follows:

Account	Foreign Currency	Exposure	
		2022	2021
December 31,			
Cash and cash equivalents	C \$	\$ 100,000	\$ 16,400,000
Trade and other receivables	C \$	400,000	900,000
Trade and other payables	C \$	(500,000)	(400,000)
		\$ –	\$ 16,900,000

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 year ended December 31, 2022 by C\$Nil (December 31, 2021: C\$1,690,000).

6. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2022, consisted of \$12,390,419 (December 31, 2021: \$17,243,017) on deposit with major financial institutions, of which \$50,000 (December 31, 2021: \$40,000) was in short-term guaranteed investment certificates with remaining maturities on the date of purchase of less than 90 days.

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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,	December 31, 2022	December 31, 2021
Trade receivables	\$211,939	\$761,749
HST	45,582	40,596
Prepaid expenses	6,856,765	3,407,478
Total trade receivables and other assets	\$7,114,286	\$4,209,823

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

As at,	December 31, 2022	December 31, 2021
1 -90 days	\$140,974	\$269,332
Over 90 days	70,965	492,417
Total trade receivables	\$211,939	\$761,749

At December 31, 2022 and 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 December 31, 2022, \$140,974 (December 31, 2021: \$735,000) relates to amounts owed from Frontera Energy Corporation ("**Frontera**").

Prepaid expenses as of December 31, 2022, includes \$6.5 million paid in advance, mainly to suppliers as part of the services required for the Wei-1 well.

The Company holds no collateral for any receivable amounts outstanding as at December 31, 2022 and 2021. The credit risk on the receivables has been further discussed in Note 5 (i).

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8. Property, Plant and Equipment

	Staging Facility ⁽¹⁾	Logistics Yard ⁽¹⁾	Vehicles, office furniture and fixtures	Computer, software and equipment	Total
Cost					
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
Additions	3,245,855	1,046	126,755	–	3,373,656
As at December 31, 2022	\$ 17,098,708	\$ 707,230	\$ 453,443	\$ 539,637	\$ 18,799,018
Accumulated amortization					
As at December 31, 2020	\$ –	\$ –	\$ 167,114	\$ 539,637	\$ 706,751
Amortization ⁽²⁾	–	–	23,389	–	23,389
As at December 31, 2021	\$ –	\$ –	\$ 190,503	\$ 539,637	\$ 730,140
Amortization⁽²⁾	–	–	40,399	–	40,399
As at December 31, 2022	\$ –	\$ –	\$ 230,902	\$ 539,637	\$ 770,539
Net book value					
As at December 31, 2021	\$ 13,852,853	\$ 706,184	\$ 136,185	\$ –	\$ 14,695,222
As at December 31, 2022	\$ 17,098,708	\$ 707,230	\$ 222,541	\$ –	\$ 18,028,479

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	37,096,131	8,796	154,610	37,259,537
2022 JOA Amendment	(77,215,214)	–	–	(77,215,214)
Impairment of E&E	–	(8,796)	(154,610)	(163,406)
Balance, December 31, 2022	\$ 49,955,896	\$ –	\$ –	\$ 49,955,896

As at December 31, 2022 and December 31, 2021, the expenditures capitalized above include costs for license acquisitions and maintenance of licences, general exploration, geological and geophysical

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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 year ended December 31, 2022 (December 31, 2021: \$4,557,986). During the year ended December 31, 2022, the Joint Venture signed the surrender deed of the Demerara block, and ON Energy signed the surrender deed of the Berbice block. Subsequent to the year ended December 31, 2022, the Company received acknowledgement on the surrender of the Berbice block and Demerara block.

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 (the “2022 JOA Amendment”)

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 propose to 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 costs, Wei-1 pre-drill costs, and other costs. In addition, CGX proposed to 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 retains a 68.00% participating interest in the Corentyne block.

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The 2022 JOA Amendment was completed during the fourth quarter of 2022, a reconciliation of the impact in the consolidated financial statements is presented below.

2022 JOA Amendment	Amount
2021 Convertible Loan	\$ 19,000,000
2022 Convertible Loan	35,000,000
JOA cash advance June 2022	19,800,000
Cash payment	3,800,000
Transaction cost	(384,786)
Total	\$ 77,215,214

The remaining amount will be received through Frontera funding the joint venture's costs associated with the Wei-1 exploration well for up to \$130.0 million and additional \$9.0 million of other costs.

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 December 31, 2022:

Period	Phase	Exploration obligation	Dates
Second renewal period (3 years)	Phase two - 12 months	Drill 1 exploration well	Nov 27, 2021 - Nov 26, 2022. Extended until January 31, 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 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 as 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.

On January 23, 2023, the Company and Frontera announced the spud of the Wei-1, approximately 200 kilometres offshore from Georgetown, Guyana. The Joint Venture also announced that the Government of Guyana approved an Appraisal Plan for the northern section of the Corentyne block which commenced with the Wei-1 well. Following completion of Wei-1 drilling operations and upon detailed analysis of the results, the Joint Venture may consider future wells per its appraisal program to evaluate

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possible development feasibility in the Kawa-1 discovery area and throughout the northern section of the Corentyne block. Any future drilling is contingent on positive results at Wei-1 and the Joint Venture has no further drilling obligations beyond the Wei-1 well. The appraisal programme was approved for a period of 24 months from June 29, 2022 to June 28, 2024.

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 December 31, 2022.

On September 20, 2022, the Government of Guyana provided CGX a surrender deed to formalize relinquishment of the Demerara block. The Joint Venture signed the surrender of the Demerara PPL, which was finalized in 2023.

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 December 31, 2022.

On September 20, 2022, the Government of Guyana provided ON Energy a surrender deed to formalize relinquishment of the Berbice PPL which was finalized in 2023.

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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

As at December 31, 2022, Frontera held approximately 76.97% of the issued and outstanding Common Shares of CGX on an undiluted basis and as a result 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”.

Convertible loan	Maturity	Principal	Interest Rate	December 31, 2022	December 31, 2021
2021 Convertible Loan	Nov 2022	19,000,000	9.70%	\$ –	\$ 18,527,722
2022 Convertible Loan	Sep 2023	35,000,000	9.70%	–	–
Total convertible loans				\$ –	\$ 18,527,722

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, was 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. The 2021 Convertible Loan was secured by all of the assets of the Company.

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 10), 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. The 2021 Convertible Loan was settled as part of the 2022 JOA Amendment (see note 9).

The 2021 Convertible Loan was classified as a liability at the inception, 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 years ended December 31, 2022 and 2021 is as follows:

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	December 31, 2022	December 31, 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	1,019,963	905,520
JOA Amendment 2022	(19,000,000)	–
Interest paid	(1,019,963)	(592,463)
Interest recorded in trade and other payables	–	(313,057)
Total 2021 Convertible Loan	\$ –	\$ 18,527,722

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; 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 was 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 \$19.0 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. The Convertible Loan was amended for the conversion rights to include conversion into participating interest into Corentyne block in addition to existing rights to convert in equity shares and was then settled as part of the 2022 JOA Amendment. The Company fair valued the convertible loan on extinguishment determining the fair value of liability component using an estimated market interest rate of 16% and fair value of equity component using Black-Scholes method with 125% expected stock volatility. The difference between the fair value of the liability component and the carrying amount of the liability on extinguishment of

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\$159,543 is recognised in profit or loss and the amount of fair value of equity component of \$1,505,199 is recognised in equity. The 2022 Convertible Loan was settled as part of the 2022 JOA Amendment.

During the year ended December 31, 2022, transaction costs total \$65,347 (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 years ended December 31, 2022 and 2021 is as follows:

	December 31, 2022	December 31, 2021
Opening balance	\$ –	\$ –
Loan advances	35,000,000	–
Equity portion on initial recognition	(2,331,000)	–
Fair value of equity component on extinguishment	1,505,199	–
Transaction costs	(65,347)	–
Interest accretion	1,050,691	–
Accrued and or paid interest on loan	920,834	–
Gain on settlement of convertible loan	(159,543)	–
2022 JOA Amendment	(35,000,000)	–
Interest paid on loan	(920,834)	–
Total 2022 Convertible Loan	\$ –	\$ –

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).

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

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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 JOA, 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 December 31, 2022, CGX's farm-in-partner has a balance of \$5,518,818 receivable (December 31, 2021: \$7,838,911 receivable) related to capital expenditures on the Corentyne licence.

In addition, as operator of the Corentyne licence, 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 JOA. During the year ended December 31, 2022, the Company recorded fees from Frontera of \$1,147,008 (2021: \$1,178,374).

The Company completed the 2022 JOA Amendment with Frontera during the year 2022, for further details see Note 9.

Other related party transactions

On November 22, 2022, the Company entered into a contract with Gaico Construction and General Services Inc. ("**Gaico**"), Gaico was contracted through a bid to construct the Company's access trestle and wharf as well as to perform required dredging operations for Port Operations, the contract price is \$2.5 million. Gaico is controlled by a family member of the Executive Chairman and Executive Director of the Company. The transaction is in the normal course of operations.

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:

Year Ended December 31	2022	2021
Short-term employee benefits	\$ 2,721,277	\$ 2,192,000
Share based payments	896,000	772,000
Termination payments	–	754,000
Total compensation paid to key management	\$ 3,617,277	\$ 3,718,000

During the year ended December 31, 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

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exercised during the year ended December 31, 2022 was \$Nil (year ended December 31, 2021: C\$1.31 (\$1.06)).

At December 31, 2022, included in trade and other payables is \$560,000 (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:

As at,	December 31, 2022	December 31, 2021
Less than one month, accruals and accrued interest	\$ 11,257,602	\$ 30,787,052
One month to three months	826,962	1,601,557
Over three months ⁽¹⁾	15,580,885	9,521,752
Total trade and other payables	\$ 27,665,449	\$ 41,910,361

(1) Includes \$15.2 million provision related to the Prospector claim, refer to Note 16 Contingencies.

12. 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, 2020	287,588,662	\$ 296,458,932
Shares issued for rights offering (Note 10)	45,151,338	59,451,865
Share issue costs	–	(258,205)
Warrants issued under rights offering	–	(917,000)
Shares issued on exercise of options ⁽¹⁾	1,769,000	734,997
Value of contributed surplus transferred on exercise of options	–	571,000
Balance at December 31, 2022 and December 31, 2021	334,509,000	\$ 356,041,589

⁽¹⁾ The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2022 was \$Nil (C\$Nil) (year ended December 31, 2021: \$1.12 (C\$1.39)).

Common share purchase warrants

The exercise price and expiry date of the warrants outstanding at December 31, 2022 are as follows:

Warrants	Exercise Price	Expiry Date
1,173,774	\$1.51	October 28, 2026

There are no changes in the number of common share purchase warrants outstanding for the year ended December 31, 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.

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For the year ended	December 31, 2022		December 31, 2021	
	Weighted Average Exercise Price (\$)	No. of Warrants	Weighted Average Exercise Price (\$)	No. of Warrants
Outstanding at beginning of the year	\$1.51	1,173,774	-	-
Transactions during the year:				
Issued	-	-	\$1.51	1,173,774
Outstanding at end of the year	\$1.51	1,173,774	\$1.51	1,173,774

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

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

For the year ended	December 31, 2022		December 31, 2021	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of year	C\$0.59	16,191,000	C\$0.46	14,360,000
Transactions during the year:				
Granted	-	-	C\$1.05	3,600,000
Exercised	-	-	C\$0.51	(1,769,000)
Outstanding at end of year	C\$0.59	16,191,000	C\$0.59	16,191,000
Exercisable at end of year	C\$0.52	14,991,000	C\$0.48	13,790,999

The following table provides additional outstanding stock option information as at December 31, 2022:

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⁾	1,000,000	0.33	C\$0.085	1,000,000	C\$0.085
C\$ 0.460 – 0.495	10,741,000	1.61	C\$0.46	10,741,000	C\$0.46
C\$ 0.710 – 0.820	2,650,000	2.38	C\$0.76	2,650,000	C\$0.76
C\$ 1.360	1,800,000	3.82	C\$1.36	600,000	C\$1.36
C\$ 0.085 – 0.820	16,191,000	1.91	C\$0.59	14,991,000	C\$0.52

⁽¹⁾ 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.

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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, 2022:

	Vesting of prior year	Totals
Number of options granted		
Exercise price		
Risk-free interest rate		
Expected life (years)		
Expected volatility		
Market price		
Expected dividends and forfeiture rate		
Vesting		
Fair value of grant	\$	-
Share based compensation	\$ 911,000	\$ 911,000

The following table provides additional outstanding stock option information as at December 31, 2021:

As of December 31, 2021	Vesting of prior year issued options	January 5, 2021	March 23, 2021	October 25, 2021	Totals
Number of options granted		400,000	1,400,000	1,800,000	3,600,000
Exercise price		C\$0.495	C\$0.82	\$1.36	
Risk-free interest rate		0.39%	0.95%	1.34%	
Expected life (years)		5	5	5	
Expected volatility		101.58%	106.77%	110.55%	
Market price		C\$0.495	C\$0.82	\$1.36	
Expected dividends and forfeiture rate		—	—	—	
Vesting		1/3 immediately, 1/3 in 6 months and 1/3 in 12 months	1/3 immediately, 1/3 in 6 months and 1/3 in 12 months	1/3 on anniversary of year 1, year 2 and year 3	
Fair value of grant	\$	116,000	\$ 706,000	\$ 1,564,000	\$ 2,386,000
Share based compensation	\$ 11,000	\$ 116,000	\$ 654,000	\$ 178,000	\$ 959,000

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 year ended December 31, 2022 was \$Nil (December 31, 2021: \$0.66) 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 years ended December 31, 2022 and December 31, 2021 is set out below:

Notes to the Consolidated Financial Statements – (US\$'s)
For the Years Ended December 31, 2022 and 2021

As at,	December 31, 2022	December 31, 2021
Balance at beginning of year	\$ 28,133,000	\$ 25,993,000
Share based payments (note 12)	911,000	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 10)	-	917,000
Balance at end of year	\$ 31,375,000	\$ 28,133,000

14. Income Tax

The following table reconciles the income tax provision from the expected amount based on statutory rates to the amount reported:

	<u>2022</u>	<u>2021</u>
Loss before Income Tax	(10,018,221)	(12,694,712)
Combined statutory rate	26.5 %	26.50 %
Estimated income tax recovery	(2,655,000)	(3,365,000)
Difference between Canadian and foreign tax rates	313,000	1,759,000
Difference between current and deferred tax and foreign exchange rates	1,028,000	(50,000)
Other permanent differences	520,000	285,000
Deferred tax assets not recognized	794,000	1,371,000
Deferred income tax recovery	<u>—</u>	<u>—</u>

The Canadian statutory income tax rate of 26.5% (2021: 26.5%) is comprised of the federal income tax rate of approximately 15.0% (2021: 15.0%) and the provincial income tax rate of approximately 11.5% (2021: 11.5%). The United States income tax rate is approximately 21% (2021: 21%). The Guyanese income tax rate is approximately 25.0% (2021: 25.0%).

Deferred income tax recoverable

The primary differences which give rise to the deferred income tax recoveries at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Deferred income tax assets		
Temporary differences	183,000	216,000
Losses carried forward	16,410,000	15,583,000
	16,593,000	15,799,000
Less: deferred tax assets not recognized	(16,593,000)	(15,799,000)
Net deferred income tax assets	<u>—</u>	<u>—</u>
Deferred tax liabilities		
Deferred income tax liabilities	<u>—</u>	<u>—</u>
Net deferred income tax assets	<u>—</u>	<u>—</u>

Notes to the Consolidated Financial Statements – (US\$'s)
For the Years Ended December 31, 2022 and 2021

As at December 31, 2022, the Company had United States non-capital loss carry-forwards of \$3,423,000 (2021: \$3,381,000). Of these tax benefits, which have not been recognized in the accounts, \$492,000 expire in 2032, \$704,000 expire in 2033, \$594,000 expire in 2034, \$508,000 expire in 2035, \$359,000 expire in 2036, \$124,000 expire in 2037, \$275,000 expire in 2038, \$212,000 expire in 2039, \$29,000 expire in 2040, \$81,000 expire in 2041 and \$44,000 expire in 2042.

As at December 31, 2022, the Company had Canadian non-capital loss carry-forwards of C\$80,202,000 (2021: C\$71,153,000). Some of these non-capital loss carry-forwards may be restricted against certain types of income, and which under certain circumstances, may be utilized to reduce taxable income in future years.

As at December 31, 2022, the Canadian non-capital loss carry-forwards expire as follows:

December 31,	<u>C\$ 2022</u>
2024	1,043,000
2025	948,000
2027	3,396,000
2028	4,566,000
2029	5,027,000
2030	9,597,000
2031	1,568,000
2032	7,732,000
2033	6,965,000
2034	5,219,000
2035	3,668,000
2036	3,877,000
2037	4,654,000
2038	778,000
2039	3,826,000
2040	2,294,000
2041	5,995,000
2042	9,049,000
	<u><u>80,202,000</u></u>

15. Segmented Information

Operating and geographic segments

At December 31, 2022 and 2021, the Company's current operations are comprised of two reporting operating segment engaged in petroleum and natural gas exploration in Guyana, and the Berbice Deep Water Port project. The Company currently has no revenues.

Notes to the Consolidated Financial Statements – (US\$’s)
For the Years Ended December 31, 2022 and 2021

The following is a detailed breakdown of the Company’s non-current assets by geographical location:

As at,	December 31, 2022	December 31, 2021
Non-Current Assets		
Guyana	67,984,375	104,770,201
Total Non-Current Assets	\$ 67,984,375	\$ 104,770,201

16. 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 December 31, 2022, the Company Purchase Orders issued and contracts under these agreements are \$99.9 million for the year 2023, of which the Company’s share of these costs is \$34.3 million, with the major portion funded by the farm-in partner according to the 2022 JOA Amendment.

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 December 31, 2022 and December 31, 2021. In accordance with the contract with Prospector, the amounts outstanding twelve months after the conclusion of the seismic survey accrued 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 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 December 31, 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 the seismic acquisition contract (and the addendum thereto) dated September 2014 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.

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For the Years Ended December 31, 2022 and 2021

On January 15, 2019, Prospector and CGX agreed to a one 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 of the ICC 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.

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.

On November 30, 2022, the Tribunal released its Final Award, which awarded Prospector \$4.3 million in pre-award interest; post-award interest at the rate of 6% per annum (simple) on the principal sum of \$9.5 million from September 14, 2022 until payment in full of the principal sum; and \$0.7 million for its legal costs and expenses.

As at December 31, 2022, the Company has a provision for the amounts claimed by Prospector plus accrued interest, being \$15.2 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 December 31, 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.

Other Contingencies

Subsequent to December 31, 2022, the Company received an invoice for approximately \$1.9 million, to which the Company believes all obligations were settled in full as per the terms of the agreements (the "Claim"). The Company has rejected this Claim and has assessed that it is lower than probable that any material negative outcome will be realized as a result of the Claim. Therefore, as at December 31, 2022, no provision has been recorded in the consolidated financial statements relating to this Claim.

Management Agreements

As at December 31, 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 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 and recording a liability of \$0.4 million in trade and other payables. As at December 31, 2022 the amount in trade and other payables was fully paid.

17. Subsequent events

Option Exercises

Subsequent to December 31, 2022, 4,040,000 options were exercised for cash proceeds of \$1,157,528 (C\$1,547,800) at a weighted average exercise price of \$0.29 (C\$0.38).

Option Grants

Subsequent to December 31, 2022, and on January 25, 2023 the Company granted a total of 800,000 incentive stock options (“Options”). The Options were granted pursuant to the Company’s stock option plan and are exercisable at a price of Canadian \$1.49 per share and expire on January 25, 2028. 400,000 Options vest nine months after grant date and the remaining 400,000 vest as follows: (a) 1/3 of the Options granted immediately; (b) 1/3 of the Options granted on the six month anniversary of the Option grant; and (c) 1/3 of the Options granted, being the remaining amount, on the first anniversary of the Option grant, subject to a vesting acceleration clause under certain events.

Options Expiry

Subsequent to December 31, 2022, 676,667 options were expired unexercised at a weighted average exercise price of \$1.00 (C\$1.35).

Corentyne License

On, January 23, 2023 the Company and Frontera, announced the spud of the Wei-1 well, on the Corentyne block. The Joint Venture also announced that the Government of Guyana has approved an Appraisal Plan for the northern section of the Corentyne block which commenced with the Wei-1 well. Following completion of Wei-1 drilling operations and upon detailed analysis of the results, the Joint Venture may consider future wells per its appraisal program to evaluate possible development feasibility in the Kawa-1 discovery area and throughout the northern section of the Corentyne block. Any future drilling is contingent on positive results at Wei-1 and the Joint Venture has no further drilling obligations beyond the Wei-1 well. The appraisal programme was approved for a period of 24 months from June 29, 2022 to June 28, 2024.