



Consolidated Financial Statements

For the Years Ended

December 31, 2023 and 2022

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

March 7, 2024

"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, 2023 and 2022, 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 material accounting policy information.

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, 2023 and 2022, 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 a history of operating losses and as at December 31, 2023 had a working capital deficiency of \$12,548,095 and an accumulated deficit of \$323,762,518. 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 |
|---|--|
| <p data-bbox="203 510 722 573"><i>Indicators of impairment of exploration and evaluation assets ("E&E")</i></p> <p data-bbox="203 604 803 1113">As at December 31, 2023, the carrying value of E&E assets was \$56,277,570. Refer to Note 9 of the consolidated financial statements for the Company's E&E disclosures and Note 3 for Company's policy on impairment assessment. Cash-generating units ("CGUs") are assessed by management for indicators of impairment or impairment reversal at each reporting date. The Company concluded that no indicators of impairment or impairment reversal were present as at December 31, 2023. Auditing the Company's assessment of indicators of impairment or impairment reversal involved significant judgement due to the uncertainty that the Company's activities and exploration programs will result in commercial development.</p> | <p data-bbox="820 604 1404 667">Our approach to addressing the matter included the following procedures, among others:</p> <ul data-bbox="868 699 1404 1621" style="list-style-type: none"><li data-bbox="868 699 1404 825">• Read the Board of Director's meeting minutes and obtained budget approvals as evidence for continued and planned expenditure.<li data-bbox="868 825 1404 951">• Assessed whether there were indications of decline in asset value or changes in the extent or manner in which the asset was expected to be used.<li data-bbox="868 951 1404 1119">• Assessed the competence, capability, objectivity, and independence of the management experts engaged to evaluate resources in the specific areas, and the methodology they adopted.<li data-bbox="868 1119 1404 1266">• Analysed the financial and operating commitments of the licenses to identify whether sufficient expenditure has been included in the cash flow forecast to ensure license conditions are met.<li data-bbox="868 1266 1404 1434">• Assessed the Company's rights to the exploration areas by obtaining the license agreements and considering the conditions and term of the license and expectations of renewal.<li data-bbox="868 1434 1404 1621">• Assessed the ability and actions of the Company to finance future development activity and whether exploration and evaluation in a specific area has not led to commercially viable quantities of resources. |

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
March 7, 2024

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

| As at, December 31 | Notes | 2023 | 2022 |
|---|-------|----------------------|----------------------|
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | 6 | \$ 6,414,819 | \$ 12,390,419 |
| Trade receivables and other assets | 7 | 2,214,842 | 7,114,286 |
| Farm in partner receivable | 10 | — | 5,518,818 |
| Total current assets | | \$ 8,629,661 | \$ 25,023,523 |
| Non-current | | | |
| Property, plant and equipment | 8 | 19,974,249 | 18,028,479 |
| Exploration and evaluation assets | 9 | 56,277,570 | 49,955,896 |
| Total non-current assets | | \$ 76,251,819 | \$ 67,984,375 |
| Total assets | | \$ 84,881,480 | \$ 93,007,898 |
| Liabilities | | | |
| Current | | | |
| Trade and other payables | 11 | \$ 20,293,347 | \$ 27,665,449 |
| Farm in partner payable | 10 | 884,409 | — |
| Total current liabilities | | \$ 21,177,756 | \$ 27,665,449 |
| Non-current | | | |
| Other payables | 11 | \$ 276,000 | \$ — |
| Total non-current liabilities | | 276,000 | — |
| Total liabilities | | \$ 21,453,756 | \$ 27,665,449 |
| Shareholders' equity | | | |
| Share capital | 12 | \$ 358,163,441 | \$ 356,041,589 |
| Reserve for share based payments | 13 | 29,026,801 | 29,869,801 |
| Accumulated deficit | | (323,762,518) | (320,568,941) |
| Total shareholders' equity | | \$ 63,427,724 | \$ 65,342,449 |
| Total liabilities and shareholders' equity | | \$ 84,881,480 | \$ 93,007,898 |

Nature of operations and going concern uncertainty (note 1)

Commitments and contingencies (note 16)

Approved on behalf of the Board of Directors on March 7, 2024:

("Signed" Suresh Narine)

_____, Director

Suresh Narine

("Signed" Dennis Mills)

_____, Director

Dennis Mills

The accompanying notes are an integral part of these consolidated Financial Statements

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

| For the year ended December 31, | Notes | 2023 | 2022 |
|--|--------------|-----------------------|------------------------|
| Operating expenses | | | |
| Management and consulting | 10 | \$ 2,847,043 | \$ 2,095,818 |
| General and administrative | 8 | 925,515 | 1,636,723 |
| Professional fees | | 860,179 | 2,036,537 |
| Interest expense | 10 | 567,341 | 4,202,438 |
| Shareholder information | | 140,429 | 251,758 |
| Share based expense | 12,13 | 122,000 | 911,000 |
| Foreign exchange loss | | 64,350 | 27,092 |
| Total operating expenses | | \$ (5,526,857) | \$ (11,161,366) |
| Gain on settlement of convertible loan from related party | | — | 159,543 |
| Indirect revenue from farm in partner | 10 | 2,333,280 | 1,147,008 |
| Impairment of exploration and evaluation assets | 9 | — | (163,406) |
| Net loss and comprehensive loss | | \$ (3,193,577) | \$ (10,018,221) |
| Loss per share | | | |
| Basic net loss per share | | \$(0.01) | \$(0.03) |
| Diluted net loss per share | | \$(0.01) | \$(0.03) |
| Weighted average number of shares (000's) – basic | | 338,227 | 334,509 |
| Weighted average number of shares (000's) – diluted | | 338,227 | 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 | | Total |
|--|--------------------|-----------------------|----------------------|-------------------------|----------------------|
| | Number of Shares | Amount | Share based payments | Accumulated Deficit | |
| Balance at December 31, 2022 | 334,509,000 | \$ 356,041,589 | \$ 29,869,801 | \$ (320,568,941) | \$ 65,342,449 |
| Share based payments (Note 12) | — | — | 122,000 | — | 122,000 |
| Shares issued on exercise of options (Note 12) | 4,040,000 | 1,156,852 | — | — | 1,156,852 |
| Transfer of contributed surplus on exercise of options (Note 12) | — | 965,000 | (965,000) | — | — |
| Net loss and comprehensive loss for the year | — | — | — | (3,193,577) | (3,193,577) |
| Balance at December 31, 2023 | 338,549,000 | \$ 358,163,441 | \$ 29,026,801 | \$ (323,762,518) | \$ 63,427,724 |
| 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)

| For the Year ended December 31, | Notes | 2023 | 2022 |
|--|--------------|-----------------------|------------------------|
| Operating Activities | | | |
| Net loss for the year | | \$ (3,193,577) | \$ (10,018,221) |
| <u>Items not affecting cash:</u> | | | |
| Amortization | 8 | 27,991 | 40,399 |
| Impairment of exploration and evaluation expenditures | | — | 163,406 |
| Share-based expense | 13 | 122,000 | 911,000 |
| Unrealized foreign exchange gain | | (21,089) | (51,460) |
| Interest accretion on trade and other payables, loans, and convertible debentures payable to related party | | 560,134 | 3,055,801 |
| Gain on settlement of convertible loan | 10 | — | (159,543) |
| Net change in non-cash working capital items: | | | |
| Trade receivables and other assets | | (1,203,332) | (2,904,463) |
| Trade and other payables | | 40,505 | 469,200 |
| Net cash used in operating activities | | \$ (3,667,368) | \$ (8,493,881) |
| Investing Activities | | | |
| Purchases of exploration and evaluation expenditures | 9 | — | (54,181,288) |
| Purchases of property, plant and equipment | 8 | (1,974,357) | (2,509,569) |
| Proceeds from 2022 JOA Amendment | 9 | — | \$ 23,215,214 |
| Farm in partner advances | | (1,485,455) | 2,320,093 |
| Net cash used in investing activities | | \$ (3,459,812) | \$ (31,155,550) |
| Financing Activities | | | |
| Proceeds from convertible loan from related party | 10 | — | 35,000,000 |
| Transaction costs on convertible loan from related party | | — | (76,765) |
| Proceeds from share options exercises | 12 | 1,156,852 | — |
| Net cash provided from financing activities | | \$ 1,156,852 | \$ 34,923,235 |
| Net decrease in cash and cash equivalents | | (5,970,328) | (4,726,196) |
| Effect of exchange rate changes | | (5,272) | (126,402) |
| Cash and cash equivalents at beginning of year | | 12,390,419 | 17,243,017 |
| Cash and cash equivalents at end of year | | \$ 6,414,819 | \$ 12,390,419 |
| Supplementary Information | | | |
| Interest paid | | \$ — | \$ 1,940,797 |
| 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 year ended December 31, 2023 and 2022

GENERAL

CGX Energy Inc. (“**CGX**” or the “**Company**”) is incorporated under the laws of Ontario, Canada in 1998. 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, Delaware | 100% |

1. Owned 100% by GCIE Holding

Note: During the year ended December 31, 2023, the Company completed the liquidation of ON Energy Inc. There was 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 Licence (“**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, 2023 had a working capital deficiency of \$12,548,095 (December 31, 2022: \$2,641,926) and an accumulated deficit of \$323,762,518 (December 31, 2022: \$320,568,941). 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 PPL, the sale of Company assets, or securing a partner for the deepwater port project. As a result and given the Company’s capital commitment requirements under

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

the Company’s PPL 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, 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.

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 March 7, 2024.

2.2 Basis of presentation

The consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measure at fair value, as explained in the accounting policies 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.

On an ongoing basis, Management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions.

The most significant estimates and judgements relate to the valuation of exploration and evaluation expenditures, functional currency, determination of cash generating units and impairment testing, taxes, valuation of share-based payments and warrant liabilities, 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

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

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 capitalized 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 capitalized 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 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 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

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

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 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.

3 Material Accounting Policy Information

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.

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

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 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, 2023 and 2022 all the outstanding stock options and warrants were antidilutive.

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

3.4 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.

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

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

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:

- 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.

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

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, 2023 and 2022 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, 2023 and 2022, 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, 2023 and 2022, 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.

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, 2023 and 2022, 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, 2023, 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.

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.

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

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 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 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.

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

3.18 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 2023 (unless otherwise stated). The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Definition of Accounting Estimates - Amendments to IAS 8. The amendments to IAS 8 clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments had no impact on the Company’s consolidated financial statements.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2. The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments had no impact on the Company’s consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12. The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments had no impact on the Company’s consolidated financial statements.

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 year ended December 31, 2023.

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) C\$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of six months. As of December 31, 2023, 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, 2023 totaled \$63,427,724 and was comprised of share capital, reserve accounts and deficit (December 31, 2022: \$65,342,449).

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, 2023 and December 31, 2022 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 Company's maximum exposure to credit risk as at December 31, 2023 is the carrying value of cash and cash equivalents, trade receivables and other assets and farm-in partner balances.

- 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. The Company keeps cash and cash equivalents in major Guyanese banks to pay its current month activities.
- 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 delivery of goods and services. (See Note 7)
- iii. **Farm in partner balances:** 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)

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

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, 2023, the Company had a working capital deficiency of \$12,548,095 (December 31, 2022: \$2,641,926). In order to meet its working capital and property exploration expenditures, the Company must secure further financing to ensure that those obligations are properly discharged (See Note 1). There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.

3) Market risk

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

1) Interest rate risk

The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term is invested in short-term guaranteed investment certificates and in high interest saving accounts, as appropriate.

2) Currency risk

The Company's E&E activities are substantially denominated in US dollars. The Company's funds are predominantly kept in US and Canadian (“C\$”) dollars, with major Canadian, Guyanese and United States financial Institutions. As at December 31, 2023, the Company had approximately C\$62,000 (December 31, 2022: C\$100,000) in Canadian dollar denominated cash deposits.

Sensitivity Analysis

As at December 31, 2023, the carrying amount of the Company’s financial assets and financial liabilities exposure to foreign currency balances approximate as follows:

| Account | Foreign Currency | Exposure | |
|-----------------------------|------------------|-------------------------|-------------------------|
| | | As at December 31, 2023 | As at December 31, 2022 |
| Cash and cash equivalents | C \$ | \$ 62,000 | \$ 100,000 |
| Trade and other receivables | C \$ | 191,000 | 400,000 |
| Trade and other payables | C \$ | (1,343,000) | (500,000) |
| Other payables | C \$ | (364,000) | – |
| | | \$ (1,454,000) | \$ – |

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, 2023 by C\$145,400 (December 31, 2022: C\$ Nil).

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

6. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2023, consisted of \$6,414,819 (December 31, 2022: \$12,390,419) on deposit with major financial institutions, of which \$50,000 (December 31, 2022: \$50,000) was in short-term guaranteed investment certificates with remaining maturities on the date of purchase of less than 90 days.

7. Trade Receivables and Other Assets

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

| As at, | December 31, 2023 | December 31, 2022 |
|---|--------------------------|--------------------------|
| Trade receivables | \$ 1,514,406 | \$ 211,939 |
| HST | 24,932 | 45,582 |
| Prepaid expenses | 675,504 | 6,856,765 |
| Total trade receivables and other assets | \$ 2,214,842 | \$ 7,114,286 |

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

| As at, | December 31, 2023 | December 31, 2022 |
|--------------------------------|--------------------------|--------------------------|
| 1 -90 days | \$ 1,514,406 | \$ 140,974 |
| Over 90 days | — | 70,965 |
| Total trade receivables | \$ 1,514,406 | \$ 211,939 |

At December 31, 2023, the Company anticipates full recovery of these amounts receivable and therefore no allowance was recorded against these receivables. Of the trade receivable amount outstanding as at December 31, 2023, \$1,514,406 (December 31, 2022: \$140,974) relates to amounts owed from Frontera.

Prepaid expenses as of December 31, 2023, includes \$0.7 million (December 31, 2022: \$6.9 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, 2023 and December 31, 2022. The credit risk on the receivables has been further discussed in Note 5 (ii).

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

8. Property, Plant and Equipment

| | Port (staging facility) ⁽¹⁾ | Logistics Yard ⁽¹⁾ | Vehicles, office furniture and fixtures | Computer, software & equipment | Total |
|---------------------------------|---|--|--|---|----------------------|
| Cost | | | | | |
| 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 |
| Additions | 1,952,694 | — | 21,663 | — | 1,974,357 |
| Disposal | — | — | (24,564) | — | (24,564) |
| As at December 31, 2023 | \$ 19,051,402 | \$ 707,230 | \$ 450,542 | \$ 539,637 | \$ 20,748,811 |
| Accumulated amortization | | | | | |
| 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 |
| Amortization ⁽²⁾ | — | — | 27,991 | — | 27,991 |
| Disposal | — | — | (23,968) | — | (23,968) |
| As at December 31, 2023 | \$ — | \$ — | \$ 234,925 | \$ 539,637 | \$ 774,562 |
| Net book value | | | | | |
| As at December 31, 2022 | \$ 17,098,708 | \$ 707,230 | \$ 222,541 | \$ — | \$ 18,028,479 |
| As at December 31, 2023 | \$ 19,051,402 | \$ 707,230 | \$ 215,617 | \$ — | \$ 19,974,249 |

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 loss.

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

9. Exploration and Evaluation Assets

| | Corentyne | Berbice | Demerara | Total |
|-----------------------------------|----------------------|----------------|-----------------|----------------------|
| 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 |
| Additions | 22,296,783 | — | — | 22,296,783 |
| 2023 JOA Amendment | (15,975,109) | — | — | (15,975,109) |
| Balance, December 31, 2023 | \$ 56,277,570 | \$ — | \$ — | \$ 56,277,570 |

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

As at December 31, 2023 the expenditures capitalized above include costs for license acquisitions and maintenance of licences, general exploration, geological and geophysical consulting, surveys, 3D-seismic acquisition, processing and interpretation, drill planning and well exploration costs.

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 and the acres lease reduction on the Port staging facility.

On January 23, 2023, the Joint Operations announced that the Government of Guyana approved an Appraisal Plan (“**AAP**”) 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 Operations 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 well and the Joint Operations has no further drilling obligations beyond the Wei-1 well. The appraisal program 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 Joint Operations’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.

Farm-in agreement

The Company is the operator of the Corentyne block and currently holds a 27.48% (2022: 32%) working interest while Frontera Guyana holds the remaining 72.52% (2022: 68%) interest in the block, considering the transfer of 4.52% of CGX's participating interest pursuant to the 2023 JOA Amending Agreement.

2023 Joint Operating Agreement Amendment (the “2023 JOA Amendment”)

On August 9, 2023, CRI and Frontera Energy Guyana Corp (“**Frontera Guyana**”) a wholly-owned subsidiary of Frontera, entered into an agreement to further amend the joint operation agreement (“**JOA**”) dated January 30, 2019 and subsequently amended (the “**2023 JOA Amendment**”).

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

Pursuant to the 2023 JOA Amendment, the Company agreed to transfer an additional 4.7% participating interest in the Corentyne block to Frontera Guyana, in exchange for Frontera Guyana funding CGX’s participating interest share of the costs associated with the Wei-1 well for up to approximately \$16.5 million.

Pursuant to the 2023 JOA Amendment, if the final amount paid by Frontera Guyana as a carry towards CGX’s participating interest share of Wei-1 expenses is less than \$16.5 million, the Company has the right to receive from Frontera Guyana a re-assignment of a portion of said 4.7% interest equivalent to the portion of the consideration that is not used towards the payment of CGX’s participating interest share of costs associated with the Wei-1 well. The 2023 JOA Amendment was completed during the fourth quarter of 2023, pending approval from the Government of Guyana.

According to the final cost of the Wei-1 well, the Company would have the right to receive from Frontera Guyana a reassignment of 0.78% participating interest in the Corentyne block. However, pursuant to that certain Closing Letter dated March 7, 2024 (“**Closing Letter**”) between the Company and Frontera Guyana, the Company has instead agreed to receive from Frontera Guyana (i) the re-assignment of a 0.18% participating interest in the Corentyne block, (ii) \$1.5 million cash consideration to cover certain other operating expenses of the Company, and (iii) \$0.6 million in settlement of other accounts payable related to the Joint Operations. As of December 31, 2023, the Company recorded the transaction considering the final transfer of interest of 4.52%.

2022 Joint Operating Agreement Amendment (the “2022 JOA Amendment”)

On July 21, 2022, CGX and Frontera Guyana entered into an agreement (the “**2022 JOA Amendment**”) to amend the JOA. The JOA Amendment transferred 29.73% of its participating interest in the Corentyne block to Frontera Guyana in exchange for Frontera Guyana funding the joint operations 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 assigned an additional 4.94% of its participating interest in the Corentyne block to Frontera Guyana 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.

The 2022 JOA Amendment was completed during the fourth quarter of 2022, pending approval from the Government of Guyana. 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 |

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

The JOA does 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.

Berbice and Demerara Blocks Relinquishment's Complete

On February 3, 2023 and February 27, 2023, the Company and the Joint Operations completed the process of relinquishing the Berbice and Demerara blocks, respectively, through mutual termination agreements with the Government of Guyana.

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, 2023 Frontera held approximately 76.05% of the issued and outstanding Common Shares of CGX on an undiluted basis and has the voting power to influence the outcome of all corporate transactions. Frontera consolidates the financials statements of the Company and is listed and publicly traded on the Toronto Stock Exchange under the trading symbol “FEC”.

Convertible Loans

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. 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 was classified as a liability, with the exception of the portion relating to the 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. During the year ended December 31, 2023 the Company paid interest of \$Nil (year ended December 31, 2022: \$1,019,963). The 2021 Convertible Loan was settled during the fourth quarter of 2022 as part of the 2022 JOA Amendment (For further information see Note 9).

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 fully drawn on April 13, 2022. Interest payable on the principal amount outstanding shall accrue at a rate of 9.7% per annum, with interest on overdue interest.

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 \$159,543 was recognised in profit or loss and the amount of fair value of equity component of \$1,505,199 is recognised in equity.

During the year ended December 31, 2023 the Company paid interest of \$Nil (year ended December 31, 2022: \$920,834). The 2022 Convertible Loan was settled during the fourth quarter of 2022 as part of the 2022 JOA Amendment.

Notes to the Consolidated Financial Statements – (US\$’s)
For the year ended December 31, 2023 and 2022

Farm-in partner cash call balances

Under the JOA, the Company is the operator of the Corentyne licence. As operator, the Company makes cash calls from its partner to pay for future licence expenditures. As at December 31, 2023, Frontera has a balance of \$884,409 payable (December 31, 2022: \$5,518,818 receivable) related to capital expenditures on the Corentyne licence.

In addition, as operator of the Corentyne licence, the Company receives a fee from its partner to reimburse its indirect costs related to operating the licence. This fee is based on total expenditures under the JOA. During the year ended December 31, 2023, the Company recorded fees from Frontera of \$2,333,280 (2022: \$1,147,008).

As of December 31, 2023, the Company has accounts receivable from Frontera of \$Nil related to its portion of the University program funding, and other operational costs (December 31, 2022: \$140,974).

See further information of JOA related party transactions with Frontera on Note 9 Exploration and evaluation assets.

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 \$2.1 million, subsequent to a reduction of the scope in 2023 (2022: \$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. During the year ended December 31, 2023, the Company paid \$2.1 million as part of the contract (2022: Nil). The payments were recorded as Property, plant and equipment in the consolidated Financial Statements.

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 | 2023 | 2022 |
|--|---------------------|---------------------|
| Short-term employee benefits | \$ 2,875,500 | \$ 2,721,200 |
| Share based (recovery) expense | (116,000) | 896,000 |
| Total compensation paid to key management | \$ 2,759,500 | \$ 3,617,200 |

During the year ended December 31, 2023, key management personnel exercised 1,400,000 (year ended December 31, 2022: Nil) stock options at a weighted average exercise price of C\$0.20 (\$0.15) (year ended December 31, 2022: \$Nil). The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2023 was C\$1.28 (\$0.96) (year ended December 31, 2022: \$Nil).

During the second quarter of 2023, the Company, as per approvals by the Board of Directors of the Company, recorded incentive remuneration of \$894,000 (2022: \$Nil) for services related to the years 2020 to 2022. Of this amount, approximately \$414,000 will be paid in three annual installments of \$138,000 in August of 2024, 2025, and 2026, respectively. Included as Other Payables non-current liabilities is \$276,000 (December 31, 2022: \$Nil). These amounts are ranked as senior obligations.

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

As of December 31, 2023, key management outstanding compensation included in trade and other payables is \$660,000 (December 31, 2022: \$560,000). These amounts are unsecured, non-interest-bearing, and due upon demand.

Management Agreements

As at December 31, 2023, the Company is party to three (December 31, 2022: three) separate written management agreements with certain senior officers of the Company. The three contracts currently require a total payment of up to \$1.9 million (December 31, 2022: \$1.3 million) be made upon the occurrence of certain events such as termination and change in control.

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, 2023 | December 31, 2022 |
|---------------------------------------|--------------------------|--------------------------|
| Less than one month, accruals | \$ 2,571,978 | \$ 11,257,602 |
| One month to three months | 937,227 | 826,962 |
| Over three months ⁽¹⁾ | 16,784,142 | 15,580,885 |
| Total trade and other payables | \$ 20,293,347 | \$ 27,665,449 |

(1) Includes approximately \$15.9 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:

| As at, | Number of Shares | \$ |
|--|-------------------------|-----------------------|
| Balance at December 31, 2022, and December 31, 2021 | 334,509,000 | \$ 356,041,589 |
| Shares issued on exercise of options ⁽¹⁾ | 4,040,000 | 1,156,852 |
| Transfer of contributed surplus on exercise of options | — | 965,000 |
| Balance at December 31, 2023 | 338,549,000 | \$ 358,163,441 |

⁽¹⁾ The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2023 was C\$1.28 (\$0.96) (year ended December 31, 2022: \$Nil).

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

Common share purchase warrants

The exercise price and expiry date of the warrants outstanding at December 31, 2023 are as follows:

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

On October 28, 2021, as part of an offering transaction, Frontera received 5-year warrants to purchase up to 1,173,774 Common shares at an exercise price equal to \$1.51 per Common Share. There are no changes in the number of common share purchase warrants outstanding for the year ended December 31, 2023 and 2022.

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, 2023, the Company had 22,113,901 (December 31, 2022: 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, 2023 | | December 31, 2022 | |
|----------------------------------|---|-----------------------|---|-----------------------|
| | 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\$0.59 | 16,191,000 |
| Transactions during the year: | | | | |
| Granted | \$1.49 | 800,000 | — | — |
| Exercised | \$0.38 | (4,040,000) | — | — |
| Expired or retracted | \$1.41 | (1,210,001) | — | — |
| Outstanding at end of year | \$0.63 | 11,740,999 | C\$0.59 | 16,191,000 |
| Exercisable at end of year | \$0.62 | 11,474,332 | C\$0.52 | 14,991,000 |

The following table provides additional outstanding stock option information as at December 31, 2023:

| Exercise Price | No. of Options Outstanding | Weighted Average Remaining Life (Years) | Weighted Average Exercise Price | No. of Options Exercisable | Weighted Average Exercise Price |
|------------------------|-----------------------------------|--|--|-----------------------------------|--|
| C\$ 0.46 | 7,841,000 | 0.92 | 0.46 | 7,841,000 | 0.46 |
| C\$ 0.710 - 0.82 | 2,500,000 | 1.52 | 0.75 | 2,500,000 | 0.75 |
| C\$ 1.360 - 1.49 | 1,399,999 | 1.72 | 1.38 | 1,133,332 | 1.39 |
| C\$ 0.46 - 1.49 | 11,740,999 | 1.15 | 0.63 | 11,474,332 | 0.62 |

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, 2023 was \$0.89 (December 31, 2022: \$Nil) per option issued.

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

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, 2023:

| | Vesting of prior year issued options | January 25, 2023 | January 25, 2023 (*) | Totals |
|--|---|--|--|-------------------|
| Number of options granted | | 400,000 | 400,000 | 800,000 |
| Exercise price | | C\$1.49 | C\$1.49 | |
| Risk-free interest rate | | 2.88% | 2.88% | |
| Expected life (years) | | 5 | 5 | |
| Expected volatility | | 111.22% | 111.22% | |
| Market price | | C\$1.49 | C\$1.49 | |
| Expected dividends and forfeiture rate | | — | — | |
| Vesting | | 1/3 immediately, 1/3 in 6 months and 1/3 in 12 months | vest 9 months from the date of grant | |
| Fair value of grant | | \$ 357,000 | \$ 357,000 | \$ 714,000 |
| Share based compensation | \$ (116,000) | \$ 238,000 | \$ - | \$ 122,000 |

* The service contract was terminated before the options reached the vesting date, therefore no expense was recorded.

No options were granted and/or vested during the year ended December 31, 2022:

| | Vesting of prior year issued options | Totals |
|--------------------------|---|------------------|
| Share based compensation | \$911,000 | \$911,000 |

13. Reserve for Share Based Payments

A summary of the changes in the Company's reserve for share based payments for the year ended December 31, 2023 and 2022 is set out below:

| As at, | December 31, 2023 | December 31, 2022 |
|--|--------------------------|--------------------------|
| Balance at beginning of year | \$ 29,869,801 | \$ 28,133,000 |
| Share based payments (note 12) | 122,000 | 911,000 |
| Equity portion of convertible debt (note 10) | — | 825,801 |
| Value transferred on exercise of options (note 12) | (965,000) | — |
| Balance at end of year | \$ 29,026,801 | \$ 29,869,801 |

14. Income Tax

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

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

| | 2023 | 2022 |
|--|--------------------|--------------|
| Loss before Income Tax | (3,193,577) | (10,018,221) |
| Combined statutory rate | 26.5 % | 26.5 % |
| Estimated income tax recovery | (846,000) | (2,655,000) |
| Difference between Canadian and foreign tax rates | 234,000 | 313,000 |
| Difference between current and deferred tax and foreign exchange rates | (392,000) | 1,028,000 |
| Other permanent differences | 81,000 | 520,000 |
| Deferred tax assets not recognized | 923,000 | 794,000 |
| Deferred income tax recovery | — | — |

The Canadian statutory income tax rate of 26.5% (2022: 26.5%) is comprised of the federal income tax rate of approximately 15.0% (2022: 15.0%) and the provincial income tax rate of approximately 11.5% (2022: 11.5%). The United States income tax rate is approximately 21% (2022: 21%). The Guyanese income tax rate is approximately 25.0% (2022: 25.0%).

Deferred income tax recoverable

The primary differences which give rise to the deferred income tax recoveries at December 31, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|--|---------------------|--------------|
| Deferred income tax assets | | |
| Temporary differences | 143,000 | 183,000 |
| Losses carried forward | 17,373,000 | 16,410,000 |
| | 17,516,000 | 16,593,000 |
| Less: deferred tax assets not recognized | (17,516,000) | (16,593,000) |
| Net deferred income tax assets | — | — |
| | 2023 | 2022 |
| Deferred tax liabilities | | |
| Deferred income tax liabilities | — | — |
| Net deferred income tax assets | — | — |

As at December 31, 2023, the Company had United States non-capital loss carry-forwards of \$3,453,000 (2022: \$3,423,000). 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, \$82,000 expire in 2041, \$43,000 expire in 2042 and \$31,000 expire in 2043.

As at December 31, 2023, the Company had Canadian non-capital loss carry-forwards of C\$83,090,000 (2022: C\$80,202,000). 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.

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

As at December 31, 2023, the Canadian non-capital loss carry-forwards expire as follows:

| December 31, | C\$ 2023 |
|---------------------|-----------------|
| 2024 | 1,043,000 |
| 2025 | 948,000 |
| 2027 | 3,396,000 |
| 2028 | 4,566,000 |
| 2029 | 5,028,000 |
| 2030 | 9,597,000 |
| 2031 | 1,568,000 |
| 2032 | 7,732,000 |
| 2033 | 6,965,000 |
| 2034 | 5,220,000 |
| 2035 | 3,668,000 |
| 2036 | 3,877,000 |
| 2037 | 4,653,000 |
| 2038 | 778,000 |
| 2039 | 3,826,000 |
| 2040 | 2,294,000 |
| 2041 | 5,995,000 |
| 2042 | 9,049,000 |
| 2043 | 2,887,000 |
| | 83,090,000 |

15. Segmented Information

Operating and geographic segments

At December 31, 2023 and December 31, 2022, 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.

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

| As at, | December 31, 2023 | December 31, 2022 |
|--------------------------|--------------------------|--------------------------|
| Non-Current Assets | | |
| Guyana | \$ 76,251,819 | \$ 67,984,375 |
| Total Non-Current Assets | \$ 76,251,819 | \$ 67,984,375 |

16. Commitments and Contingencies

Contractual obligations

The Company entered into contracts for the Corentyne block to complete its requirement under the Corentyne PPL. As of December 31, 2023, the outstanding purchase orders and contracts under these agreements amount to \$0.8 million for the year 2024, with the funding provided by the farm-in partner in accordance with the 2023 JOA Amendment.

Demerara Seismic agreement - Prospector

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, 2023 and December 31, 2022. 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 50% of the processing costs, which were estimated to be in the region of \$1.0 million.

The processing began in late 2016 and was substantially completed in 2017 (albeit there was a 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, 2023 (December 31, 2022: \$0.6 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.

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.

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

Notes to the Consolidated Financial Statements – (US\$'s)
For the year ended December 31, 2023 and 2022

\$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.

In October 2022, the Company initiated a challenge to the Partial Final Award. On November 15, 2022, Prospector requested that the UK High Court dismiss CGX's challenge without a hearing. On December 19, 2022, the UK High Court dismissed CGX's challenge without a hearing. On January 6, 2023, CGX applied to the UK High Court for an order setting aside the dismissal of its challenge to the Partial Final Award without a hearing. On March 3, 2023, the UK High Court dismissed CGX's application.

Prospector also brought an application against the Company to recognize and enforce the Partial Final Award and the Final Award of the International Court of Arbitration of the ICC in Ontario. The Company opposed that application. The hearing took place on March 29, 2023. On July 17, 2023, the Ontario Superior Court of Justice issued its decision granting Prospector's application, confirming that the Partial Final Award and the Final Award are recognized and enforceable by the Ontario Superior Court of Justice in Ontario.

In December 2023, the Company received a Notice of Garnishment for the bank accounts in Canada, the balance as of December 31, 2023 of those bank accounts were immaterial.

As at December 31, 2023, the Company has a provision of approximately \$15.9 million for the amounts claimed by Prospector plus accrued interest, legal costs and expenses recorded within trade and other payables (December 31, 2022: \$15.2 million).

Other Contingencies

During the first quarter of 2023, 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, 2023 no provision has been recorded in the consolidated Financial Statements relating to this Claim (December 31, 2022: \$Nil).