



## **Interim MD&A – Quarterly Highlights (the “Quarterly Highlights”) For the three month period ended March 31, 2019**

**Dated: May 28, 2019**

### **INTRODUCTION**

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

This Quarterly Highlights has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with Annual MD&A, the audited consolidated financial statements of the Company for the years ended December 31, 2018 and 2017 and the unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2019 and 2018, together with the notes thereto. Results are reported in United States dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2019 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at May 28, 2019 unless otherwise indicated.

The unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2019 and 2018, have been prepared using accounting policies consistent with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

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

### **ADDITIONAL INFORMATION**

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

### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

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

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

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

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

#### *Boe Conversion*

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

#### *Prospective Resources*

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

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

## Recent Highlights

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

- In December 2018, the Company and Frontera Energy Corporation ("**Frontera**") entered into a letter of intent, whereby a Frontera subsidiary and the Company's wholly owned subsidiary, CGX Resources Inc, ("**CRI**")., were to enter into a Joint Operating Agreement (the "**JOAs**") covering CRI's two shallow water offshore Petroleum Prospecting Licences ("**PPLs**") in the Cooperative Republic of Guyana, South America ("**Guyana**"), the Corentyne and Demerara PPLs. On January 30, 2019, CRI and Frontera Energy Guyana Corp. executed the JOAs, subject to amendments as agreed upon by both parties. The JOAs provided for Frontera Energy Guyana Corp. to acquire a 33.333% interest in each block in exchange for a \$33,333,000 signing bonus. Frontera Energy Guyana Corp. agreed to pay one-third of the applicable costs plus an additional 8.333% of CRI's 's direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) \$30,000,000 for drilling the first exploratory well under the Corentyne Petroleum Agreement (such well named Utakwaaka) and (ii) \$40,000,000 for drilling the first exploratory well under the Demerara Petroleum Agreement. As at March 31, 2019, the JOAs were still subject to Guyanese government approval. This approval was received on April 30, 2019.
- On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licence were completed. The transfers are effective May 20, 2019. Additionally, upon completion of the working interest transfers, the Company was due \$8,500,851 on closing, being the net of the \$33,333,000 signing bonus due from Frontera Energy Guyana Corp., less the amount of \$24,832,149 of outstanding debts due to Frontera Energy Guyana Corp. from the Company.
- On March 28, 2019, CGX completed the agreement with Japan Drilling Co., Ltd. ("**JDC**") made on October 30, 2018, and settled all liabilities claimed by JDC from the Company arising from a cancelled drilling contract in 2015. Under the terms of the agreement, the Company paid JDC 45% of the principal amount of the funds claimed and recorded (or \$6,637,537), together with interest accrued on such reduced amount in the sum of \$1,266,500 (or \$7,904,037 in the aggregate) as at October 30, 2018, in order to fully satisfy all liabilities. The company recorded a gain on settlement of debt of approximately \$9,998,862 in the three month period ended March 31, 2019.
- On March 12, 2019, the Company completed a rights offering (the "**Offering**"). Pursuant to the Offering, the Company issued to holders of its outstanding common shares of record as at the close of business on February 11, 2019 an aggregate of 116,102,318 transferable rights (each, a "**Right**") to subscribe for, until March 12, 2019 (the "**Expiry Date**"), an aggregate of 116,102,318. Each Right entitled the holder thereof to subscribe for one common share upon payment of the subscription price of Canadian dollar ("**C\$**") \$0.25 (equivalent of approximately \$0.1876) per common share prior to the Expiry Date. On March 12, 2019, the Company issued 116,102,318 common shares, the maximum number of common shares available for issuance under the terms of the Offering, based on shareholders' exercise of the basic subscription privilege and the additional subscription privilege, allocated pro-rata, for aggregate gross proceeds to the Company of C\$29,025,579 (equivalent of approximately \$21,779,530). Frontera provided a standby commitment in connection with the Offering (the "**Standby Commitment**"), in which Frontera would acquire any common shares available as a result of any unexercised Rights under the Rights Offering, such that CGX was guaranteed to issue 116,102,318 common shares in connection with the Offering. In consideration for the Standby Commitment, Frontera received 5-year warrants to purchase up to 15,009,026 common shares at an exercise price equal to C\$0.415 per common share (a "**Warrant**"). Since the Offering was oversubscribed, Frontera did not acquire any additional shares under the Standby Commitment.
- On February 7, 2019, to pay the required drilling rig minimum obligation fee of \$5,340,000 (covering the Company's share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate), Frontera advanced the Company the full amount. Of this amount the Company signed a promissory note for \$3,115,035 (the "**Promissory Note**"), being the Company's anticipated share

pursuant to the terms of the Corentyne block JOA. The Promissory Note carried an interest rate of 7% per annum and matured on the earlier of the closing date of the transactions under the farm-out agreement with Frontera Energy Guyana Corp. or May 28, 2019. The amount outstanding under the promissory note was settled on May 28, 2019.

- On January 30, 2019, the Company amended its Bridge Loan III with Frontera to a non-revolving term facility in an amount of up to \$12,939,000, provided that the facility will be automatically reduced by a payment from the Company to a maximum principal amount of \$8,800,000 by May 28, 2019. On May 28, 2019 the Company settled principal of \$4,139,000, plus accrued interest, of the outstanding debt to now owed to Frontera Energy Guyana Corp. This revised term facility carries an interest rate of up to 7% per annum and matures on September 30, 2019. The \$8,800,000 principal amount is convertible at the option of Frontera anytime prior to maturity or repayment at a price of \$0.22 per share. As of May 28, 2019, the Company has fully drawn the available amounts from the facility.
- On December 20, 2018, the Company entered into an agreement with Frontera to settle various debts of \$1,200,000 by issuing 5,714,285 common shares.
- On August 10, 2018, at a naming ceremony held in Georgetown, Guyana presided by the Indigenous Peoples of that country, the Company announced that its well proposed to test the first prospect on its Corentyne Petroleum Prospecting Licence (“PPL”) will be named Utakwaaka, meaning New day or New Dawn.

## CORPORATE OVERVIEW AND OUTLOOK

CGX is an oil and gas exploration company headquartered in Toronto, Canada. CGX was incorporated in 1998 for the primary purpose of exploring for hydrocarbons in Guyana, South America. As at April 6, 2018, CGX holds an interest in three Petroleum Agreements (known as the Corentyne, Berbice and Demerara Blocks) covering approximately 11,005.2 km<sup>2</sup> (approximately 9,748.2 net km<sup>2</sup>) offshore and onshore Guyana.

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

### Carrying on Business in Guyana

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

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

Guyana is divided into three counties (Demerara, Essequibo and Berbice) and 10 administrative regions. Georgetown is the capital city of Guyana, the seat of government, the main commercial centre, and the

principal port. In addition to Georgetown, Guyana has six towns of administrative and commercial importance which are recognized municipal districts; each has its own mayor, council and civic responsibilities.

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

### **The Petroleum Regime in Guyana**

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

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

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

In order to obtain a PPL, the licensee must:

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

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

### **CGX's PAs and PPLs**

#### ***Corentyne PA and PPL***

On November 27, 2012, the Company was issued a new Corentyne PA and PPL covering 6,212 km<sup>2</sup>, the same area as the offshore portion of the former Corentyne PPL that had been issued on June 24, 1998. On December 15, 2017, the Company was issued an addendum to the 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, now covering 4,709 km<sup>2</sup>. Under the addendum to the PA, during the period November 27<sup>th</sup>, 2017 to November 27<sup>th</sup>, 2019, CGX Resources is required to drill one (1) exploration well. The Corentyne PPL is 100% owned by CGX Resources. The summary terms of the addendum are as follows:

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

### **Demerara PA and PPL**

On February 12, 2013, the Company entered into the Demerara PA and PPL covering 3,975 km<sup>2</sup>, the same area of the former Annex PPL, which was a subset of the Company's original Corentyne PA. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA. Under the terms of the addendum, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block, now covering 3,001.2 km<sup>2</sup>. The Demerara PPL is 100% owned by CGX Resources.

The summary of terms of the addendum are as follows:

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

## Berbice PA and PPL

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

The summary terms of the addendum are as follows:

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

## GUYANA OPERATIONS

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

The original Corentyne PA was awarded to CGX in 1998, following which the Company began an active exploration program consisting of a 1,800 kilometre seismic acquisition and preparations to drill the Eagle well. The Eagle drilling location in 2000 was 15 kilometres within the Guyana-Suriname border. However, a border dispute between Guyana and Suriname led to the Company being forced off the Eagle location before drilling could begin. As a result of that incident, all active offshore exploration in Guyana was suspended by CGX and the other operators in the area, including Exxon and Maxus (Repsol, YPF). On September 17, 2007, the International Tribunal on the Law of the Sea ("ITLOS") awarded a maritime boundary between Guyana and Suriname. In the decision, ITLOS determined that it had the jurisdiction to decide on the merits of the dispute and that the line adopted by ITLOS to delimit the parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration was compulsory and binding. CGX financed a significant portion of Guyana's legal expenses at a cost of \$9.8 million. The decision was beneficial for CGX, as it concluded that 93% of CGX's Corentyne PPL and 100% of the Georgetown PPL would be in Guyana territory.

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

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

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

Based on the results of the CGX wells, CGX re-evaluated the prospectivity of the block identifying the Utakwaaka prospect. CGX plans to drill the Utakwaaka exploration well in Q3 2019.

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

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

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

On August 10, 2018, the Company announced that its well proposed to test the first prospect on its Corentyne Petroleum Prospecting Licence (“**PPL**”) Utakwaaka. This well will satisfy the first renewal period, phase 2 work commitment under the PPL.

### **Berbice PA, Guyana**

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

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

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

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

### **Demerara PA, Guyana**

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

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

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

### **Contractual Commitments**

Further details of the Company's contractual commitments are included in the unaudited condensed interim consolidated financial statements for the periods ended March 31, 2019 and 2018.

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

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

To date, the Company has fenced in the yard, constructed an office and sanitary services, installed two fuel tanks that can accommodate 20,000 litres, installed 200 metre by 50 metre of vertical drainage and completed an internal access road with crusher run and sand filling. A crusher run has also been placed

in the entire yard. A two kilometre long by 5 metre wide access road has been constructed from the main road to the port yard site using Geotextile, reef sand, white sand, crusher run and bauxite capping. The Company's investment in the staging facility and wharf is owned by its wholly-owned subsidiary, Grand Canal Industrial Estates Inc.

For the three month period ended March 31, 2019, the Company incurred additions of \$1,055 (year ended December 31, 2018 – \$72,235) with respect to the logistics yard and expenditures on a staging facility. The logistics yard was purchased in 2010 for \$385,000 and the remainder of the balance spent on the wharf to date was expended on planning for the staging area for the shore-based facility.

## **OVERALL PERFORMANCE**

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

The net income and comprehensive income for the three months ended March 31, 2019 was \$8,750,386 (\$0.06 per share) as compared to net loss and comprehensive loss \$1,806,849 ((\$0.02) per share) for the three months ended March 31, 2018. Net Income (loss) for the period is consistent with prior periods as expected, except for the following:

Under the terms of an agreement with JDC, the Company paid JDC 45% of the principal amount of the funds claimed and recorded (or \$6,637,537), together with interest accrued on such reduced amount in the sum of \$1,266,500 (or \$7,904,037 in the aggregate). The Company made this payment on March 28, 2019. As a result of this agreement and subsequent payment, the company recorded a gain on settlement of debt of \$9,998,862 (2018 - \$Nil) in the three month period ended March 31, 2019.

Management and consulting expense decreased by \$659,025 to \$372,509 from \$1,031,534 for the same period in 2018. The prior year period was higher as a result of the Company agreeing to make a payment under one of its senior officers' contracts. The Company agreed to the termination payment of \$700,000 and settled this amount by paying \$525,000 and recording a liability of \$175,000 to be settled in common shares of the Company in the same manner and on the same basis as other debt is ultimately settled for equity under any restructuring. See Note 17 of the unaudited condensed interim consolidated financial statements for the three month periods ended March 31, 2019 and 2018 for further information.

CGX incurred a gain on revaluation of warrant liability of \$352,000 (2018 – \$Nil); the warrants are recorded as a derivative liability for accounting purposes due to their exercise price being denominated in a currency other than the Company's US dollar functional currency. Warranty liability is booked based on the valuation of warrants using the Black-Scholes model. The liability varies mainly based on the number of warrants outstanding in the period, the current price of the Company's Common Shares, the volatility used in the calculation, the expected remaining life and the remaining underlying assumptions used in the model. Increases or decreases in the value of the warrant liability result in a gain or loss on revaluation of warrant liability.

Foreign exchange loss for the period was \$238,316 (2018 – gain of \$200,877). The loss for the period was mainly due to the strengthening of the Canadian dollar on the Company's C\$ Bridge loan as compared to the US\$ reporting currency. In the prior year period the Canadian dollar had weakened against the US\$ and therefore resulted in a foreign exchange gain for the period.

## **LIQUIDITY AND FINANCIAL CONDITION**

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2019, the Company had a working capital deficiency of \$33,552,492 (December 31, 2018 - \$55,900,318), consisting of current assets of \$15,577,468 (December 31, 2018 - \$3,414,689) to settle current liabilities of \$49,129,960 (December 31, 2018 - \$59,315,007). In order to meet its short-term and longer-term working capital and property exploration expenditures, the Company must secure further financing through a joint venture, property sale or issuance of equity to ensure that its

obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. Please refer to “Going Concern Uncertainty and Management’s Plans” for further details.

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

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

The three month periods ended March 31, 2019 and 2018 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has a history of operating losses and as at March 31, 2019 had an excess of current liabilities over current assets of \$33,552,492 (December 31, 2018 - \$55,900,318) and an accumulated deficit of \$292,841,687 (December 31, 2018 - \$301,592,073). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity, debt instruments, sale of Company assets or obtaining payments associated with a joint venture farm-out. Given the Company’s capital commitment requirements under the Company’s PPLs outlined in Note 10 to the consolidated financial statements, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the balance sheet date. While the Company has been successful in raising financing in the past and believes in the viability of its strategy and that the actions presently being taken provide the best opportunity for the Company to continue as a going concern, there can be no assurances to that effect. As a result there exist material uncertainties which cast significant doubt as to the Company’s ability to continue as a going concern.

### **PROPOSED TRANSACTIONS**

None

### **RELATED-PARTY TRANSACTIONS**

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

In October 2014, the Company entered into a secured bridge loan agreement (the “**C\$ Bridge Loan**”) with Frontera in the aggregate principal amount of C\$7,500,000 (\$6,700,000). The C\$ Bridge Loan was a non-revolving term facility. As at March 31, 2019, the Company has drawn upon all of the facility. The C\$ Bridge Loan accrues interest at an annual rate of 5% per annum and was repayable in full, including all accrued interest, in October 2015. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Loan from related party	<b>\$ 6,821,725</b>	\$ 6,682,246
Accrued interest on loan from related party	<b>149,518</b>	64,076
<b>Total loan from related party</b>	<b>\$ 6,971,243</b>	<b>\$ 6,746,322</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 6,746,322	\$ 6,986,933
Loss (gain) on foreign exchange	140,817	(629,001)
Accrued interest on loan from related party	84,104	388,390
<b>Total loan from related party</b>	<b>\$ 6,971,243</b>	<b>\$ 6,746,322</b>

In March 2016, the Company entered into a secured bridge loan agreement (the “**Bridge Loan I**”) with Frontera in the aggregate principal amount of up to \$2,000,000. The Bridge Loan I was a non-revolving term facility. The Bridge Loan I accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in March 2017. As at March 31, 2019, the Company has drawn upon all of the facility. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Loan from related party	\$ 2,068,547	\$ 2,068,547
Accrued interest on loan from related party	288,964	263,462
<b>Total loan from related party</b>	<b>\$ 2,357,511</b>	<b>\$ 2,332,009</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 2,332,009	\$ 2,228,581
Accrued interest on loan from related party	25,502	103,428
<b>Total loan from related party</b>	<b>\$ 2,357,511</b>	<b>\$ 2,332,009</b>

In October 2016, the Company entered into a secured bridge loan agreement (the “**Bridge Loan II**”) with Frontera in the aggregate principal amount of up to \$2,000,000. The Bridge Loan II is a non-revolving term facility. The Bridge Loan II accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in October 2017. As at March 31, 2019, the Company has drawn upon all of the facility. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Loan from related party	\$ 1,972,675	\$ 1,972,675
Accrued interest on loan from related party	220,167	195,691
<b>Total loan from related party</b>	<b>\$ 2,192,842</b>	<b>\$ 2,168,366</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 2,168,366	\$ 2,069,732
Accrued interest on loan from related party	24,476	98,634
<b>Total loan from related party</b>	<b>\$ 2,192,842</b>	<b>\$ 2,168,366</b>

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

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Loan from related party – non convertible	<b>\$ 4,138,191</b>	\$ 11,263,808
Convertible portion of loan from related party	<b>8,800,000</b>	-
Unamortized transaction costs and conversion feature	<b>(128,900)</b>	-
Accrued interest on loan from related party	<b>104,340</b>	38,720
<b>Total loan from related party</b>	<b>\$ 12,913,631</b>	<b>\$ 11,302,528</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	<b>\$ 11,302,528</b>	\$ 3,753,079
Loan from related party	<b>961,763</b>	7,658,420
Trade and other payables and accrued interest added to loan from related party	<b>712,620</b>	-
Repayment of principal through issuance of shares	-	(61,339)
Conversion component of convertible debentures	<b>(169,000)</b>	-
Amortization of conversion feature	<b>40,100</b>	-
Accrued interest on loan from related party	<b>151,995</b>	341,319
Accrued interest added to loan from related party	<b>(86,375)</b>	-
Repayment of interest through issuance of shares	-	(388,951)
<b>Total loan from related party</b>	<b>\$ 12,913,631</b>	<b>\$ 11,302,528</b>

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

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
C\$ Bridge Loan	<b>\$ 6,971,243</b>	\$ 6,746,322
Bridge Loan I	<b>2,357,511</b>	2,332,009
Bridge Loan II	<b>2,192,842</b>	2,168,366
Bridge Loan III	<b>12,913,631</b>	11,302,528
<b>Total loans from related party</b>	<b>\$ 24,435,227</b>	<b>\$ 22,549,225</b>

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

2016 at a price of C\$0.335, which has now lapsed. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Debenture from related party	\$ 1,736,438	\$ 1,736,438
Accrued interest on Debenture from related party	31,035	11,180
<b>Total Debenture from related party</b>	<b>\$ 1,767,473</b>	<b>\$ 1,747,618</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 1,747,618	\$ 1,664,397
Accrued interest on loan from related party	19,855	83,221
<b>Total Debenture from related party</b>	<b>\$ 1,767,473</b>	<b>\$ 1,747,618</b>

On February 7, 2019, to pay the required drilling rig minimum obligation fee of \$5,340,000 (covering the Company's share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate, see Note 17) Frontera advanced the Company the full amount. Of this amount the Company signed a Promissory Note for \$3,115,035, being the Company's anticipated share pursuant to the terms of the JOAs. The Promissory Note bears interest at a rate of 7% per annum and matures on the earlier of Guyanese government approval or May 28, 2019 and will be netted against the \$33.3 million signing bonus on the JOA Agreement. In the event that the JOAs do not receive Guyanese government approval, the full amount of \$5,340,000 will be required to be repaid.

The activity on the Promissory Note from related party for the three month period ended March 31, 2019 and the year ended December 31, 2018 is as follows:

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Promissory note from related party	\$ 5,340,000	\$ -
Accrued interest on promissory note from related party	30,468	-
<b>Total promissory note from related party</b>	<b>\$ 5,370,468</b>	<b>\$ -</b>

The activity on the Promissory Note from related party for the three month period ended March 31, 2019 and the year ended December 31, 2018 is as follows:

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ -	\$ -
Promissory note from related party	5,340,000	-
Accrued interest on promissory note from related party	30,468	-
<b>Total promissory note from related party</b>	<b>\$ 5,370,468</b>	<b>\$ -</b>

The C\$ Bridge Loan, Bridge Loan I, Bridge Loan II, Bridge Loan III, Debenture and Promissory Note (the "Frontera Loans") are secured by a pledge of the shares in the Company's wholly owned subsidiaries – CGX Resources, GCIE Holdings Limited ("GCIE") and CGX Energy Management Corp. ("CGMC"). In addition, during the year ended December 31, 2017, GCIE and CGMC signed a guarantee with Frontera for the Frontera Loans.

The following sets out the details of the Company's related party transactions:

- During the year ended December 31, 2017, the Company entered into a technical service agreement with Frontera whereby Frontera will provide geological and geophysical consulting to the Company. In

accordance with the terms of these agreements, the Company recognized an expense of \$Nil (2018 - \$Nil) for the three month period ended March 31, 2019 and capitalized \$Nil (2018 - \$379,000) to exploration and evaluation expenditures, of which \$Nil (December 31, 2018 - \$2,000) was included in trade and other payables as at March 31, 2019. In addition, Frontera had paid expenses on behalf of the Company, of which \$Nil (December 31, 2018 - \$489,000) was included in trade and other payables as at March 31, 2019. As at March 31, 2019, Frontera owned approximately 67.8% of the common shares of the Company on a non-diluted basis and approximately 74% on a partially-diluted basis. In addition, the Company has significant liabilities owing to Frontera (See Notes 10 and 11).

- During the year ended December 31, 2017, the Company entered into an exclusivity agreement with Frontera, whereby the Company will negotiate in good faith exclusively with Frontera in respect of completing either a restructuring transaction and/or financing transaction until December 31, 2018 (“**Exclusivity Period**”). If during the Exclusivity Period or during the six months following the end of the Exclusivity Period the Company enters into an alternative transaction, Frontera will be given five days to match any alternative transaction. In the event that Frontera does not match the alternative transaction, the Company will pay to Frontera a \$5,000,000 work fee, in consideration for the substantial time, effort and expenses that Frontera has undertaken and will undertake in connection with the pursuit of a proposed transaction. As no transaction occurred prior to December 31, 2018, no amount has been recorded in these unaudited condensed interim financial statements related to this contingent payment.

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

<b>Three month period ended March 31,</b>	<b>2019</b>		<b>2018</b>
Short-term employee benefits	<b>\$ 227,000</b>	\$	220,000
Termination payments	-		700,000
<b>Total compensation paid to key management</b>	<b>\$ 227,000</b>	\$	<b>920,000</b>

At March 31, 2019, included in trade and other payables is \$56,000 (December 31, 2018 - \$188,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

## **RISKS AND UNCERTAINTIES**

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

May 28, 2019

*“signed” Suresh Narine*

Suresh Narine, Executive Chairman  
and Executive Director (Guyana)

*“signed” Tralisa Maraj*

Tralisa Maraj, Chief Financial Officer



**Unaudited Condensed Interim Consolidated Financial  
Statements**

**For the three month periods ended**

**March 31, 2019 and 2018**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

Toronto, Canada  
May 28, 2019

*"Suresh Narine"*

Suresh Narine  
Executive Chairman and Executive Director  
(Guyana)

*"Tralisa Maraj"*

Tralisa Maraj  
Chief Financial Officer

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

As at,	March 31, 2019	December 31, 2018
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>(note 6)</i>	15,060,170	2,842,455
Trade receivables and other assets <i>(note 7)</i>	132,748	140,734
Deferred transaction costs <i>(note 8)</i>	384,550	431,500
<b>Total current assets</b>	<b>15,577,468</b>	<b>3,414,689</b>
<b>Property, plant and equipment</b> <i>(note 9)</i>	<b>7,154,244</b>	<b>7,161,098</b>
<b>Exploration and evaluation expenditures</b> <i>(note 10)</i>	<b>35,466,720</b>	<b>27,889,599</b>
<b>Total assets</b>	<b>58,198,432</b>	<b>38,465,386</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables <i>(notes 10, 11, 12 and 17)</i>	17,556,792	35,018,164
Loans from related party <i>(notes 10 and 11)</i>	24,435,227	22,549,225
Debentures from related party <i>(note 11)</i>	1,767,473	1,747,618
Promissory note payable from related party <i>(note 11)</i>	5,370,468	-
<b>Total current liabilities</b>	<b>49,129,960</b>	<b>59,315,007</b>
<b>Warrant liability</b> <i>(note 13)</i>	<b>1,907,000</b>	<b>-</b>
<b>Total liabilities</b>	<b>51,036,960</b>	<b>59,315,007</b>
<b>Shareholders' equity (deficiency)</b>		
Share capital <i>(note 14)</i>	278,126,028	259,034,321
Reserve for share based payments <i>(note 15)</i>	21,877,131	21,708,131
Deficit	(292,841,687)	(301,592,073)
<b>Total shareholders' equity (deficiency)</b>	<b>7,161,472</b>	<b>(20,849,621)</b>
<b>Total liabilities and shareholders' equity (deficiency)</b>	<b>58,198,432</b>	<b>38,465,386</b>

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

*Commitments and contingencies (notes 9, 10, 11 and 17)*

*Subsequent events (notes 8, 10, 11 and 18)*

Approved on behalf of the Board of Directors on May 28, 2019:

("Signed" Erik Lyngberg)  
\_\_\_\_\_, Director  
Erik Lyngberg

("Signed" Dennis Mills)  
\_\_\_\_\_, Director  
Dennis Mills

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

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

Three month periods ended March 31,	2019	2018
	\$	\$
<b>Operating expenses</b>		
General and administrative <i>(notes 9 and 11)</i>	<b>364,191</b>	225,539
Management and consulting <i>(note 11)</i>	<b>372,509</b>	1,031,534
Interest expense <i>(notes 10 and 11)</i>	<b>585,246</b>	708,474
Professional fees	<b>29,998</b>	9,858
Shareholder information	<b>10,216</b>	32,321
Foreign exchange loss (gain)	<b>238,316</b>	(200,877)
	<b>(1,600,476)</b>	(1,806,849)
Gain on settlement of trade and other payables (note 10)	<b>9,998,862</b>	-
Gain on revaluation of warrant liability (note 13)	<b>352,000</b>	-
<b>Net income (loss) and comprehensive income (loss)</b>	<b>8,750,386</b>	(1,806,849)
<b>Basic net income (loss) per share</b>	<b>0.06</b>	(0.02)
<b>Diluted net income (loss) per share</b>	<b>0.06</b>	(0.02)
<b>Weighted average number of shares (000's) – basic</b>	<b>140,613</b>	110,388
<b>Weighted average number of shares (000's) – diluted</b>	<b>147,544</b>	110,388

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

**CGX Energy Inc.**  
**Unaudited Condensed Interim Consolidated Statements of Changes in Equity (Deficit)**

(US\$'s)

	Share Capital		Reserves		Total
	Number of Shares	Amount	Share based	Deficit	
Balance at December 31, 2017	110,388,033	\$257,864,691	\$21,708,131	\$(295,535,712)	\$ (15,962,890)
Shares issued for debt	5,714,285	1,200,000	-	-	1,200,000
Share issue costs	-	(30,370)	-	-	(30,370)
Net loss and comprehensive loss for the year	-	-	-	(6,056,361)	(6,056,361)
<b>Balance at December 31, 2018</b>	<b>116,102,318</b>	<b>\$259,034,321</b>	<b>\$21,708,131</b>	<b>\$(301,592,073)</b>	<b>\$ (20,849,621)</b>
Shares issued for rights offering	116,102,318	21,779,530	-	-	21,779,530
Share issue costs	-	(428,823)	-	-	(428,823)
Warrants issued under rights offering	-	(2,259,000)	-	-	(2,259,000)
Equity portion of convertible debenture	-	-	169,000	-	169,000
Net income and comprehensive income for the period	-	-	-	8,750,386	8,750,386
<b>Balance at March 31, 2019</b>	<b>232,204,636</b>	<b>\$278,126,028</b>	<b>\$21,877,131</b>	<b>\$(292,841,687)</b>	<b>\$ 7,161,472</b>
Balance at December 31, 2017	110,388,033	\$257,864,691	\$21,708,131	\$(295,535,712)	\$ (15,962,890)
Net loss and comprehensive loss for the period	-	-	-	(1,806,849)	(1,806,849)
Balance at March 31, 2018	110,388,033	\$257,864,691	\$21,708,131	\$(297,342,561)	\$ (17,769,739)

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

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

(US\$'s)

Three month period ended March 31,	2019	2018
<b>Operations</b>	<b>\$</b>	<b>\$</b>
Net income (loss) for the period	8,750,386	(1,806,849)
Adjustments to reconcile net income (loss) for the period to cash flow from operating activities:		
Unrealized foreign exchange loss (gain)	238,316	(200,877)
Amortization	7,909	9,106
Interest accretion on trade and other payables, loans and convertible debentures payable to related party	585,246	708,425
Gain on settlement of trade and other payables	(9,998,862)	-
Gain on revaluation of warrant liability	(352,000)	-
Net change in non-cash working capital items:		
Trade receivables and other assets	7,986	21,661
Deferred transaction costs	46,950	-
Trade and other payables	(8,302,990)	288,929
<b>Cash flow (used in) operating activities</b>	<b>(9,017,059)</b>	<b>(979,605)</b>
<b>Financing</b>		
Proceeds from shares issued for rights offering	21,779,530	-
Share issue costs for rights offering	(428,823)	-
Proceeds from loans from related party	961,763	1,941,675
Proceeds from promissory note payable from related party	5,340,000	-
<b>Cash flow from financing activities</b>	<b>27,652,470</b>	<b>1,941,675</b>
<b>Investing</b>		
Purchases of exploration and evaluation expenditures	(6,276,739)	(551,742)
Purchases of property, plant and equipment	(43,458)	(7,575)
<b>Cash flow (used in) investing activities</b>	<b>(6,320,197)</b>	<b>(559,317)</b>
<b>Net increase in cash and cash equivalents</b>	<b>12,315,214</b>	<b>402,753</b>
Effect of exchange rate changes on cash held in foreign currencies	(97,499)	10,772
Cash and cash equivalents at beginning of period	2,842,455	416,676
<b>Cash and cash equivalents at end of period</b>	<b>15,060,170</b>	<b>830,201</b>
<b>Supplementary Information</b>		
Interest paid	-	-
Income tax paid	-	-
Fair value of warrants issued under rights offering	2,259,000	-

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

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#### General

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

#### 1. Nature of operations and going concern uncertainty

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

The Company has a history of operating losses and as at March 31, 2019 had an excess of current liabilities over current assets of \$33,552,492 (December 31, 2018 - \$55,900,318) and an accumulated deficit of \$292,841,687 (December 31, 2018 - \$301,592,073). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity or debt instruments, the sale of Company assets, or securing a joint venture farm-out for its Petroleum Production Licences (“**PPLs**”). As a result and given the Company’s capital commitment requirements under the Company’s PPLs outlined in note 10, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the statement of financial position date. While the Company has been successful in raising financing in the past and believes in the viability of its strategy and that the actions presently being taken provide the best opportunity for the Company to continue as a going concern, there can be no assurances to that effect. As a result there exist material uncertainties which cast significant doubt as to the Company’s ability to continue as a going concern.

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

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

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
For the Three Month Periods Ended March 31, 2019 and 2018**

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**2. Basis of Preparation**

**2.1 Statement of compliance**

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

**2.2 Basis of presentation**

These unaudited condensed interim consolidated financial statements were authorized by the Board of Directors of the Company on May 28, 2019.

The notes herein include only significant transactions and events occurring since the Company’s last fiscal year end and are not fully inclusive of all matters required to be disclosed in the annual audited consolidated financial statements. Accordingly, these unaudited condensed interim consolidated financial statements should be read in conjunction with our most recent annual audited financial statements for the year ended December 31, 2018.

***New standards, interpretations and amendments adopted by the Company***

The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company’s annual consolidated financial statements for the year ended December 31, 2018, except for the adoption of new standards and interpretations effective as of January 1, 2019 outlined in note 2.4.

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

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

***Exploration and evaluation (“E&E”) expenditures (Note 10) and PP&E (Note 9)***

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

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#### 2. Basis of Preparation *(continued)*

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

###### ***Exploration and evaluation (“E&E”) expenditures (Note 10) and PP&E (Note 9) (continued)***

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

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

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

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

Cash generating units (“CGU’s”) are identified to be the major producing fields, 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 prepares and reviews separate detailed budgets and forecast calculations for each of the CGUs. Impairment assessment is generally carried out separately for each CGU based on cash flow forecasts calculated based on proven reserves for each CGU (value in use).

###### ***Functional currency***

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

###### ***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.

2. Basis of Preparation *(continued)*

2.4 New and revised standards and interpretations

***New standards and interpretations adopted in current year***

At January 1, 2019, the Company adopted the following standards:

- IFRS 16 Leases (“**IFRS 16**”), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and nonlease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. The adoption of this standard had no material impact on the unaudited condensed interim consolidated financial statements of the Company.

3. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business. The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and will be required to raise additional funding. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company’s approach to capital management during the three month period ended March 31, 2019 and the year ended December 31, 2018.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange (“**TSXV**”) which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2019 and the date of these unaudited condensed interim consolidated financial statements, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, deficit, debentures from related party and loans from related party, which as at March 31, 2019 totaled \$38,734,640 (December 31, 2018 – \$3,447,222).

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, short-term guarantee deposits, all held with major Canadian financial institutions and Canadian or United States government treasury bills.

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

#### 4. Financial instruments

##### Fair value

Cash and cash equivalents and trade receivables and other assets are measured at amortized cost which approximates fair value due to their short-term nature. Trade and other payables, loans from related party and debentures from related party 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 March 31, 2019 and December 31, 2018, 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:

##### i) Credit risk

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

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

The Company's maximum exposure to credit risk as at March 31, 2019 is the carrying value of cash and cash equivalents and trade receivables and other assets.

##### ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at March 31, 2019, the Company had a working capital deficiency of \$33,552,492 (December 31, 2018 - \$55,900,318). 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.

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

#### 4. Financial instruments (continued)

##### iii) Market risk

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

##### a) Interest rate risk

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

##### b) Currency risk

The Company's exploration and evaluation activities are substantially denominated in US dollars. The Company's funds are predominantly kept in Canadian ("C\$") and US dollars, with major Canadian and US financial Institutions. As at March 31, 2019, the Company had approximately C\$18,235,000 (December 31, 2018 - C\$1,000) in Canadian dollar denominated cash deposits. The Company has one significant C\$ Bridge Loan from related party payable, which as at March 31, 2019 had a principal balance of C\$9,200,000 (December 31, 2018 - C\$9,200,000).

#### 5. Sensitivity analysis

The Company's funds are mainly kept in Canadian and US dollars with major Canadian and US financial institutions. As at March 31, 2019, the Company's exposure to foreign currency balances approximate as follows:

Account	Foreign Currency	Exposure	
		2019	2018
March 31,			
Cash and cash equivalents	C \$	\$ 18,200,000	\$ -
Current assets	C \$	100,000	200,000
Trade and other payables	C \$	(300,000)	(600,000)
Loans from related party	C \$	(9,300,000)	(8,900,000)
		\$ 8,700,000	\$ (9,300,000)

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 three month period ended March 31, 2019 by \$870,000 (2018 - \$930,000).

#### 6. Cash and cash equivalents

The balance of cash and cash equivalents at March 31, 2019, consisted of \$15,035,170 (December 31, 2018 - \$2,817,455) on deposit with major financial institutions and \$25,000 (December 31, 2018 - \$25,000) in short-term guaranteed investment certificates and fixed instruments with remaining maturities on the date of purchase of less than 90 days.

**CGX Energy Inc.**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
For the Three Month Periods Ended March 31, 2019 and 2018**

**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:

<b>As at,</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Trade receivables	\$ 35,120	\$ 37,575
HST	44,645	18,063
Prepaid expenses	52,983	85,096
<b>Total trade receivables and other assets</b>	<b>\$ 132,748</b>	<b>\$ 140,734</b>

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

<b>As at,</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
1 -90 days	\$ -	\$ 37,575
Over 90 days	35,120	-
<b>Total trade receivables</b>	<b>\$ 35,120</b>	<b>\$ 37,575</b>

At March 31, 2019 and December 31, 2018, the Company anticipates full recovery of these amounts receivable and therefore no additional allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4(i). The Company holds no collateral for any receivable amounts outstanding as at March 31, 2019 and December 31, 2018.

**8. Deferred transaction costs**

As at March 31, 2019, the Company has incurred legal and regulatory costs of \$384,550 (December 31, 2018 - \$431,500) related to transactions that provide future economic benefit to the Company through a potential farm-in agreement on two of its Petroleum Prospecting Licences ("PPL") completed subsequent to March 31, 2019 (see note 18). These costs are recorded as an asset until the transaction is completed.

**CGX Energy Inc.**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
For the Three Month Periods Ended March 31, 2019 and 2018**

**9. Property, plant and equipment**

	Staging Facility <sup>(1)</sup>	Logistics Yard <sup>(1)</sup>	Vehicles, office furniture and fixtures	Computer, software and equipment	Total
<b>Cost</b>					
As at December 31, 2017	\$ 6,291,806	\$ 686,111	\$ 178,878	\$ 539,637	\$ 7,696,432
Net additions	52,361	19,874	-	-	72,235
<b>As at December 31, 2018</b>	<b>\$ 6,344,167</b>	<b>\$ 705,985</b>	<b>\$ 178,878</b>	<b>\$ 539,637</b>	<b>\$ 7,768,667</b>
<b>Net additions</b>	<b>1,000</b>	<b>55</b>	<b>-</b>	<b>-</b>	<b>1,055</b>
<b>As at March 31, 2019</b>	<b>\$ 6,345,167</b>	<b>\$ 706,040</b>	<b>\$ 178,878</b>	<b>\$ 539,637</b>	<b>\$ 7,769,722</b>
<b>Accumulated amortization</b>					
As at December 31, 2017	\$ -	\$ -	\$ 98,947	\$ 472,205	\$ 571,152
Amortization <sup>(2)</sup>	-	-	17,006	19,411	36,417
<b>As at December 31, 2018</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 115,953</b>	<b>\$ 491,616</b>	<b>\$ 607,569</b>
<b>Amortization <sup>(2)</sup></b>	<b>-</b>	<b>-</b>	<b>4,473</b>	<b>3,436</b>	<b>7,909</b>
<b>As at March 31, 2019</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 120,426</b>	<b>\$ 495,052</b>	<b>\$ 615,478</b>
<b>Net book value</b>					
As at December 31, 2018	\$ 6,344,167	\$ 705,985	\$ 62,925	\$ 48,021	\$ 7,161,098
<b>As at March 31, 2019</b>	<b>\$ 6,345,167</b>	<b>\$ 706,040</b>	<b>\$ 58,452</b>	<b>\$ 44,585</b>	<b>\$ 7,154,244</b>

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

<sup>(2)</sup> Amortization has been recorded within general and administrative expense in the statement of comprehensive loss.

The lands upon which the staging facility 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.

**10. Exploration and evaluation expenditures**

	Corentyne	Berbice	Demerara	Total
Balance, December 31, 2017	\$ 16,090,096	\$ 1,086,732	\$ 8,264,094	\$ 25,440,922
Net additions	1,791,425	277,750	379,502	2,448,677
<b>Balance, December 31, 2018</b>	<b>\$ 17,881,521</b>	<b>\$ 1,364,482</b>	<b>\$ 8,643,596</b>	<b>\$ 27,889,599</b>
<b>Net additions</b>	<b>7,288,377</b>	<b>50,027</b>	<b>238,717</b>	<b>7,577,121</b>
<b>Balance, March 31, 2019</b>	<b>\$ 25,169,898</b>	<b>\$ 1,414,509</b>	<b>\$ 8,882,313</b>	<b>\$ 35,466,720</b>

As at March 31, 2019 and December 31, 2018, the expenditures capitalized above include costs for licence acquisitions and maintenance of licences, general exploration, geological and geophysical consulting, surveys, 3D-seismic acquisition, processing and interpretation, drill planning and well exploration costs.

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

#### 10. Exploration and evaluation expenditures *(continued)*

##### Corentyne PA, Guyana

The Company's 100% owned subsidiary, CGX Resources Inc. ("**CGX Resources**"), was granted the Corentyne Petroleum Agreement ("**PA**") on June 24, 1998. On November 27, 2012, the Company was issued a new PA and PPL offshore Guyana. On December 15, 2017, the Company was issued an addendum to the November 27, 2012 PA ("**Addendum I**"). Under the terms of the Addendum I, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block. The table below outlines the commitments under the Addendum I:

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

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

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

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

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

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

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#### 10. Exploration and evaluation expenditures *(continued)*

##### Corentyne PA, Guyana *(continued)*

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

During the year ended December 31, 2015, the Company terminated these agreements.

Upon termination of the Drilling Agreement, the total amount payable to JDC was approximately \$20.35 million (the “**JDC Payable**”). Pursuant to the terms of the definitive agreement entered into with JDC with an effective date of November 30, 2015, the JDC Payable was to be paid as follows: (i) \$5.5 million payable in common shares; (ii) \$500,000 on or before December 1, 2015; (iii) approximately \$7.18 million on or before March 25, 2016; and (iv) approximately \$7.18 million on or before June 15, 2016. The amounts payable were included in trade and other payables as at December 31, 2018. During the year ended December 31, 2016, JDC was issued 16,522,500 common shares at a price of C\$0.44 per share as per the terms of the definitive agreement resulting in JDC owning approximately 15% of the Company on a non-diluted basis. During the year ended December 31, 2016, the Company made a payment of \$100,000 as part of the \$500,000 payment due on December 1, 2015 with both parties agreeing to defer the remaining payment of \$400,000 to March 25, 2016. Per the definitive agreement, the payments not paid in full, totaling \$14.76 million, incur interest at a rate of 8% per annum.

In October 2018, the Company entered into an agreement with JDC to settle all liabilities claimed by JDC under the JDC Payable, by proposing to pay JDC 45% of the principal amount of the funds claimed and recorded (or \$6,637,537), together with interest accrued on such reduced amount in the sum of \$1,266,500 (or \$7,904,037 in the aggregate), in order to fully satisfy all liabilities. The completion of this transaction was conditional on the Company successfully completing a financing, which condition may be waived by the Company. The agreement between JDC and the Company would have terminated if the closing of the transaction was not completed on or before March 31, 2019. On March 28, 2019, the Company made the agreed settlement payment of \$7,904,037 and as a result recorded a gain on settlement of trade and other payables of \$9,998,862 during the three month period ended March 31, 2019 (2018 - \$Nil).

Under the Rig Sharing Agreement, the Company owes approximately \$2.9 million to INPEX for shared costs incurred in the utilization of the Rig. INPEX agreed to allow the Company to defer payment until December 1, 2015. This amount is included in trade and other payables as at March 31, 2019 and December 31, 2018. In accordance with the Rig Sharing Agreement, since the amount was not paid in full by December 1, 2015, amounts outstanding shall accrue interest at a rate of Libor plus 7% per annum. During the year ended December 31, 2018, Frontera Energy Corporation (*formerly Pacific Exploration and Production Corp.*) (“**Frontera**”) in a transaction separate from the Company purchased the rights to the amounts owing to INPEX by the Company directly from INPEX. As at March 31, 2019, the total amount in trade and others payables owing now to Frontera for principal and interest related to the cancelled rig agreements was \$3,860,982 (December 31, 2018 - \$3,792,968).

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

#### 10. Exploration and evaluation expenditures *(continued)*

##### Berbice PA, Guyana

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

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

The table below outlines the commitments under the Addendum II:

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

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

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

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

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

#### 10. Exploration and evaluation expenditures *(continued)*

##### Berbice PA, Guyana *(continued)*

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

##### Demerara PA, Guyana

On February 12, 2013, the Company entered into the Demerara PA and PPL. The new PPL applies to the former offshore portion of the Annex PPL, which was a subset of the Company's original Corentyne Petroleum Agreement. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA ("**Addendum III**").

Under the terms of the Addendum III, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block. The table below outlines the commitments under the Addendum III:

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

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

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

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

#### 10. Exploration and evaluation expenditures (continued)

##### Demerara PA, Guyana (continued)

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

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

In September 2014, the Company entered into a contract with Prospector PTE. Ltd. (“**Prospector**”) to conduct a 3D seismic survey on the Company’s 100% owned Demerara Block as part of its commitments under the Demerara PA. The aggregate cost of this seismic survey was approximately \$19 million with \$7 million paid to Prospector by way of issuance of 15,534,310 common shares, \$2.5 million paid in cash in 2014 and the remainder of approximately \$9.5 million payable in cash twelve months after the conclusion of the seismic survey (December 2015), which is included in trade and other payables as at March 31, 2019 and December 31, 2018. In accordance with the contract with Prospector, the amounts outstanding twelve months after the conclusion of the seismic survey shall accrue interest at a rate of 12% per annum. On October 3, 2016, the Company renegotiated the interest rate down from 12% per annum to 6% per annum and agreed to have Prospector complete the seismic processing of the seismic survey. In exchange, CGX has agreed to be responsible under certain circumstances to Prospector for up to a maximum of \$500,000. The processing began in late 2016 and was substantially completed in 2017 and as a result, the Company has recorded a provision of \$500,000 recorded in trade and others payables as at March 31, 2019 and December 31, 2018.

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

#### 11. Compensation of key management personnel and related party transactions

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

In October 2014, the Company entered into a secured bridge loan agreement (the “**C\$ Bridge Loan**”) with Frontera in the aggregate principal amount of C\$7,500,000 (\$6,700,000). The C\$ Bridge Loan was a non-revolving term facility. As at March 31, 2019, the Company has drawn upon all of the facility. The C\$ Bridge Loan accrues interest at an annual rate of 5% per annum and was repayable in full, including all accrued interest, in October 2015. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

As at,	March 31, 2019	December 31, 2018
Loan from related party	\$ 6,821,725	\$ 6,682,246
Accrued interest on loan from related party	149,518	64,076
<b>Total loan from related party</b>	<b>\$ 6,971,243</b>	<b>\$ 6,746,322</b>

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

**CGX Energy Inc.**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
For the Three Month Periods Ended March 31, 2019 and 2018**

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 6,746,322	\$ 6,986,933
Loss (gain) on foreign exchange	140,817	(629,001)
Accrued interest on loan from related party	84,104	388,390
<b>Total loan from related party</b>	<b>\$ 6,971,243</b>	<b>\$ 6,746,322</b>

In March 2016, the Company entered into a secured bridge loan agreement (the “**Bridge Loan I**”) with Frontera in the aggregate principal amount of up to \$2,000,000. The Bridge Loan I was a non-revolving term facility. The Bridge Loan I accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in March 2017. As at March 31, 2019, the Company has drawn upon all of the facility. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Loan from related party	\$ 2,068,547	\$ 2,068,547
Accrued interest on loan from related party	288,964	263,462
<b>Total loan from related party</b>	<b>\$ 2,357,511</b>	<b>\$ 2,332,009</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 2,332,009	\$ 2,228,581
Accrued interest on loan from related party	25,502	103,428
<b>Total loan from related party</b>	<b>\$ 2,357,511</b>	<b>\$ 2,332,009</b>

In October 2016, the Company entered into a secured bridge loan agreement (the “**Bridge Loan II**”) with Frontera in the aggregate principal amount of up to \$2,000,000. The Bridge Loan II is a non-revolving term facility. The Bridge Loan II accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in October 2017. As at March 31, 2019, the Company has drawn upon all of the facility. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Loan from related party	\$ 1,972,675	\$ 1,972,675
Accrued interest on loan from related party	220,167	195,691
<b>Total loan from related party</b>	<b>\$ 2,192,842</b>	<b>\$ 2,168,366</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 2,168,366	\$ 2,069,732
Accrued interest on loan from related party	24,476	98,634
<b>Total loan from related party</b>	<b>\$ 2,192,842</b>	<b>\$ 2,168,366</b>

**CGX Energy Inc.**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
For the Three Month Periods Ended March 31, 2019 and 2018**

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

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

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Loan from related party – non convertible	\$ 4,138,191	\$ 11,263,808
Convertible portion of loan from related party	8,800,000	-
Unamortized transaction costs and conversion feature	(128,900)	-
Accrued interest on loan from related party	104,340	38,720
<b>Total loan from related party</b>	<b>\$ 12,913,631</b>	<b>\$ 11,302,528</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 11,302,528	\$ 3,753,079
Loan from related party	961,763	7,658,420
Trade and other payables and accrued interest added to loan from related party	712,620	-
Repayment of principal through issuance of shares	-	(61,339)
Conversion component of convertible debentures	(169,000)	-
Interest accretion	40,100	-
Accrued interest on loan from related party	151,995	341,319
Accrued interest added to loan from related party	(86,375)	-
Repayment of interest through issuance of shares	-	(388,951)
<b>Total loan from related party</b>	<b>\$ 12,913,631</b>	<b>\$ 11,302,528</b>

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

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
C\$ Bridge Loan	\$ 6,971,243	\$ 6,746,322
Bridge Loan I	2,357,511	2,332,009
Bridge Loan II	2,192,842	2,168,366
Bridge Loan III	12,913,631	11,302,528
<b>Total loans from related party</b>	<b>\$ 24,435,227</b>	<b>\$ 22,549,225</b>

**CGX Energy Inc.**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
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**11. Compensation of key management personnel and related party transactions** *(continued)*

In November 2015, the Company entered into a convertible debenture (the “**Debenture**”) with Frontera in the aggregate principal amount of \$1,500,000. The Debenture accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in November 2016. This Debenture was convertible into shares of the Company at the option of Frontera at any time prior to November 15, 2016 at a price of C\$0.335, which has now lapsed. The Company and Frontera have agreed to extend the maturity until May 28, 2019.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Debenture from related party	\$ 1,736,438	\$ 1,736,438
Accrued interest on Debenture from related party	31,035	11,180
<b>Total Debenture from related party</b>	<b>\$ 1,767,473</b>	<b>\$ 1,747,618</b>

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

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ 1,747,618	\$ 1,664,397
Accrued interest on loan from related party	19,855	83,221
<b>Total Debenture from related party</b>	<b>\$ 1,767,473</b>	<b>\$ 1,747,618</b>

On February 7, 2019, to pay the required drilling rig minimum obligation fee of \$5,340,000 (covering the Company’s share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate, see Note 17) Frontera advanced the Company the full amount. Of this amount the Company signed a promissory note for \$3,115,035 (the “**Promissory Note**”), being the Company’s anticipated share pursuant to the terms of the Joint Operating Agreements (the “**JOAs**”). The Promissory Note bears interest at a rate of 7% per annum and matures on the earlier of Guyanese government approval or May 28, 2019 and will be netted against the \$33.3 million signing bonus on the JOAs. In the event that the JOAs do not receive Guyanese government approval, the full amount of \$5,340,000 will be required to be repaid.

The activity on the Promissory Note from related party for the three month period ended March 31, 2019 and the year ended December 31, 2018 is as follows:

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Promissory note from related party	\$ 5,340,000	\$ -
Accrued interest on promissory note from related party	30,468	-
<b>Total promissory note from related party</b>	<b>\$ 5,370,468</b>	<b>\$ -</b>

The activity on the Promissory Note from related party for the three month period ended March 31, 2019 and the year ended December 31, 2018 is as follows:

	<b>March 31, 2019</b>	December 31, 2018
Opening balance at beginning of period/year	\$ -	\$ -
Promissory note from related party	5,340,000	-
Accrued interest on promissory note from related party	30,468	-
<b>Total promissory note from related party</b>	<b>\$ 5,370,468</b>	<b>\$ -</b>

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

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

The C\$ Bridge Loan, Bridge Loan I, Bridge Loan II, Bridge Loan III, Debenture and Promissory Note (the “**Frontera Loans**”) are secured by a pledge of the shares in the Company’s wholly owned subsidiaries – CGX Resources, GCIE Holdings Limited (“**GCIE**”) and CGX Energy Management Corp. (“**CGMC**”). In addition, during the year ended December 31, 2017, GCIE and CGMC signed a guarantee with Frontera for the Frontera Loans.

The following sets out the details of the Company’s related party transactions (See also Note 14 and 18):

- During the year ended December 31, 2017, the Company entered into a technical service agreement with Frontera whereby Frontera will provide geological and geophysical consulting to the Company. In accordance with the terms of these agreements, the Company recognized an expense of \$Nil (2018 - \$Nil) for the three month period ended March 31, 2019 and capitalized \$Nil (2018 - \$379,000) to exploration and evaluation expenditures, of which \$Nil (December 31, 2018 - \$2,000) was included in trade and other payables as at March 31, 2019. In addition, Frontera had paid expenses on behalf of the Company, of which \$Nil (December 31, 2018 - \$489,000) was included in trade and other payables as at March 31, 2019. As at March 31, 2019, Frontera owned approximately 67.8% of the common shares of the Company. In addition, the Company has significant liabilities owing to Frontera (See Notes 10 and 11).
- During the year ended December 31, 2017, the Company entered into an exclusivity agreement with Frontera, whereby the Company will negotiate in good faith exclusively with Frontera in respect of completing either a restructuring transaction and/or financing transaction until December 31, 2018 (“**Exclusivity Period**”). If during the Exclusivity Period or during the six months following the end of the Exclusivity Period the Company enters into an alternative transaction, Frontera will be given five days to match any alternative transaction. In the event that Frontera does not match the alternative transaction, the Company will pay to Frontera a \$5,000,000 work fee, in consideration for the substantial time, effort and expenses that Frontera has undertaken and will undertake in connection with the pursuit of a proposed transaction. As no transaction occurred prior to December 31, 2018, no amount has been recorded in these unaudited condensed interim financial statements related to this contingent payment.

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

Three month period ended March 31,	2019	2018
Short-term employee benefits	\$ 227,000	\$ 220,000
Termination payments	-	700,000
Total compensation paid to key management	\$ 227,000	\$ 920,000

At March 31, 2019, included in trade and other payables is \$56,000 (December 31, 2018 - \$188,000) due as a result of deferred payment of directors’ fees. These amounts are unsecured, non-interest bearing and due on demand.

#### 12. 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:

**CGX Energy Inc.**

**Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s)  
For the Three Month Periods Ended March 31, 2019 and 2018**

**12. Trade and other payables** *(continued)*

<b>As at,</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Less than one month, accruals and accrued interest	\$ 4,974,616	\$ 7,743,561
One month to three months	57,675	808
Over three months	12,524,501	27,273,795
<b>Total trade and other payables</b>	<b>\$ 17,556,792</b>	<b>\$ 35,018,164</b>

**13. Warrant liability**

As at March 31, 2019 and December 31, 2018, the warrant liability was comprised of the following:

<b>As at,</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
<b>Warrant liability</b>	<b>\$ 1,907,000</b>	<b>\$ -</b>

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

The warrant liability was re-valued at the end of the reporting period with the change in fair value of the warrant liability recorded as a gain or loss in the Company's Consolidated Statements of Income (Loss). The warrant liability was accounted for at its fair value as follows:

	<b>Three month period ended March 31, 2019</b>	<b>Year ended December 31, 2018</b>
Warrant liability, beginning of period/year	\$ -	\$ -
Fair value of warrants issued during the year (note 14)	2,259,000	
Change in fair value	(352,000)	-
<b>Warrant liability, end of year</b>	<b>\$ 1,907,000</b>	<b>\$ -</b>

The Company utilized the Black-Scholes valuation model to estimate the fair value of the warrants at March 31, 2019 and December 31, 2018 using the following assumptions:

	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Number of warrants outstanding	15,009,026	-
Exercise price	C\$0.415	-
Risk-free interest rate	1.52%	-
Expected life (years)	4.96	-
Expected volatility	118%	-
Expected dividends	-	-
Market price of shares	C\$0.225	-
Fair value of warrants	\$ 1,907,000	\$ -

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

#### 14. Capital stock

##### Share capital

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

	Number of Shares	\$
Balance at December 31, 2017	110,388,033	257,864,691
Shares issued for debt	5,714,285	1,200,000
Share issue costs	-	(30,370)
<b>Balance at December 31, 2018</b>	<b>116,102,318</b>	<b>259,034,321</b>
Shares issued for rights offering	116,102,318	21,779,530
Share issue costs	-	(428,823)
Warrants issued under rights offering	-	(2,259,000)
<b>Balance at March 31, 2019</b>	<b>232,204,636</b>	<b>\$278,126,028</b>

#### 2019

On March 12, 2019, the Company completed a rights offering (the “**Offering**”). Pursuant to the Offering, the Company issued to holders of its outstanding common shares of record as at the close of business on February 11, 2019 an aggregate of 116,102,318 transferable rights (each, a “**Right**”) to subscribe for, until March 12, 2019 (the “**Expiry Date**”), an aggregate of 116,102,318 common shares. Each Right entitled the holder thereof to subscribe for one common share upon payment of the subscription price of C\$0.25 (equivalent of approximately \$0.1876) per common share prior to the Expiry Date. The Company issued 116,102,318 common shares, the maximum number of common shares available for issuance under the terms of the Offering, based on shareholders’ exercise of the basic subscription privilege and the additional subscription privilege, allocated pro-rata, for aggregate gross proceeds to the Company of C\$29,025,579 (equivalent of approximately \$21,779,530).

Frontera provided a standby commitment in connection with the Offering (the “**Standby Commitment**”), in which Frontera would acquire any common shares available as a result of any unexercised Rights under the Rights Offering, such that CGX was guaranteed to issue 116,102,318 common shares in connection with the Offering. In consideration for the Standby Commitment, Frontera received 5-year warrants to purchase up to 15,009,026 common shares at an exercise price equal to C\$0.415 per common share (each a “**Warrant**”). Since the Offering was oversubscribed, Frontera did not acquire any additional shares under the Standby Commitment.

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

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

#### 2018

On December 20, 2018, the Company entered into an agreement with Frontera to settle various debts of \$1,200,000 by issuing 5,714,285 common shares.

**CGX Energy Inc.**

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For the Three Month Periods Ended March 31, 2019 and 2018**

**14. Capital stock (continued)**

**Common share purchase warrants**

The exercise price and expiry date of the warrants outstanding at March 31, 2019 are as follows:

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

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

As at,	March 31, 2019		December 31, 2018	
	Weighted Average Exercise Price (\$)	No. of Warrants	Weighted Average Exercise Price (\$)	No. of Warrants
Outstanding at beginning of period/year	-	-	C\$1.70	37,008,900
Transactions during the period/year:				
Issued	<b>C\$0.415</b>	<b>15,009,026</b>		
Expired	-	-	C\$1.70	(37,008,900)
Outstanding at end of period/year	<b>C\$0.415</b>	<b>15,009,026</b>	-	-

**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 March 31, 2019, the Company had 21,895,463 (December 31, 2018 – 10,285,231) options available for issuance under the plan.

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

As at,	March 31, 2019		December 31, 2018	
	Weighted Average Exercise Price (\$)	No. of Options	Weighted Average Exercise Price (\$)	No. of Options
Outstanding at beginning of period/year	<b>0.10</b>	<b>1,325,000</b>	0.40	4,170,000
Transactions during the period/year:				
Expired/Forfeited	-	-	0.52	(2,845,000)
Outstanding/Exercisable at end of period/year	<b>0.11</b>	<b>1,325,000</b>	0.10	1,325,000

The following table provides additional outstanding stock option information as at March 31, 2019:

Exercise Price	No. of Options Outstanding and Exercisable	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
\$ 0.06	1,000,000	3.09	\$0.06
\$ 0.24	325,000	0.72	\$0.24
<b>\$ 0.06 - \$0.24</b>	<b>1,325,000</b>	<b>2.51</b>	<b>\$0.11</b>

**CGX Energy Inc.**

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**15. Reserve for share based payments**

A summary of the changes in the Company's reserve for share based payments for the three month period ended March 31, 2019 and year ended December 31, 2018 is set out below:

	<b>March 31, 2019</b>	December 31, 2018
Balance at beginning of period/year	\$ 21,708,131	\$ 21,708,131
Equity portion of convertible debenture (note 11)	<b>169,000</b>	-
Balance at end of period/year	\$ <b>21,877,131</b>	\$ 21,708,131

**16. Segmented information**

**Operating segments**

At March 31, 2019 and December 31, 2018, the Company's operations comprised a single reporting operating segment engaged in petroleum and natural gas exploration in Guyana. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 'Operating Segments'.

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

**Geographic segments**

The Company currently has one reportable segment as at March 31, 2019 and December 31, 2018, being the exploration, development and production of petroleum and natural gas in Guyana.

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

<b>As at,</b>	<b>March 31, 2019</b>	December 31, 2018
Identifiable assets		
Canada	\$ 15,010,104	\$ 2,767,020
Guyana	<b>43,188,328</b>	35,698,366
	\$ <b>58,198,432</b>	\$ 38,465,386

**17. Commitments and contingencies**

**Contractual obligations**

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

<b><i>Fiscal Year Ended December 31,</i></b>	<b>Contractual Obligations</b>
<b>2019</b>	<b>\$ 805,000</b>

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

## CGX Energy Inc.

### Notes to the Unaudited Condensed Interim Consolidated Financial Statements – (US\$'s) For the Three Month Periods Ended March 31, 2019 and 2018

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#### 17. Commitments and contingencies *(continued)*

The Company has entered into a drilling contract for the use of a drilling rig in 2019. This rig is intended to be used for the first commitment well that is required under the Corentyne PPL. The well is to be drilled no later than November 27, 2019. Aggregate minimum future obligations under this agreement totals \$5,340,000 of which the full amount was paid during the three month period ended March 31, 2019.

The Company has also entered into agreements for shallow hazard and soil boring surveys and processing. Aggregate future obligations under these agreements total \$805,000 million as at March 31, 2019, of which the full amount is expected to be incurred in 2019.

#### Contingencies

As at March 31, 2019, the Company is party to two (December 31, 2018 – two) separate written management agreements with certain senior officers of the Company. The two contracts currently require a total payment of up to \$1,170,000 (December 31, 2018 – \$1,170,000) be made upon the occurrence of certain events such as termination and change in control. As the likelihood of these events taking place was not determinable as at March 31, 2019, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.

In January 2018, the Company agreed to make a payment under a previous management contract. The Company agreed to the termination payment of \$700,000 and settled this amount by paying \$525,000 and recording a liability of \$175,000 to be settled in common shares of the Company in the same manner and on the same basis as other debt is ultimately settled for equity under any restructuring. As at March 31, 2019, the \$175,000 to be settled in common shares of the Company is recorded in trade and other payables.

#### 18. Subsequent events

##### Farm-in joint venture agreement

In December 2018, the Company and Frontera entered into a letter of intent, whereby a Frontera subsidiary and CGX Resources Inc (“CRI”), a wholly owned subsidiary of the Company, were to enter into JOAs covering CRI’s two shallow water offshore Petroleum Prospecting Licences in Guyana, the Corentyne and Demerara PPLs. On January 30, 2019, CRI and Frontera Energy Guyana Corp. executed the JOAs, subject to amendments as agreed upon by both parties. The JOAs provided for a transfer of a 33.333% interest in both Corentyne and Demerara Petroleum Prospecting Licences in exchange for a \$33,333,000 signing bonus. Under the JOAs, Frontera Energy Guyana Corp. would pay one-third of the applicable costs plus an additional 8.333% of the Company’s direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) \$30,000,000 for drilling the first exploratory well under the Corentyne Petroleum Agreement (such well named Utaakwaaka) and (ii) \$40,000,000 for drilling the first exploratory well under the Demerara Petroleum Agreement. CRI will be the operator.

As at March 31, 2019, the JOAs were still subject to approval from the Government of The Cooperative Republic of Guyana. This approval was received on April 30, 2019.

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