cgx energy inc

Consolidated Financial Statements

For the years ended

December 31, 2019 and 2018

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

The Company maintains systems of internal controls that are designed by management to provide reasonable assurance that its assets are safeguarded from loss or unauthorized use and to produce reliable accounting records for financial reporting purposes.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. 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 consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

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

Toronto, Canada
March 2, 2020

"Suresh Narine"

Suresh Narine
Executive Chairman and Executive Director (Guyana)

"Tralisa Maraj"

Tralisa Maraj
Chief Financial Officer

McGovern Hurley

Audit. Tax. Advisory.

Independent Auditor's Report

To the Shareholders of CGX Energy Inc.

Opinion

We have audited the consolidated financial statements of CGX Energy Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of comprehensive income (loss), consolidated statements of changes in equity (deficit) and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has an accumulated deficit of $292,359,628 as at December 31, 2019 and, as of that date, the Company's current liabilities exceeded its current assets by $1,088,100. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that material uncertainties exist that cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risks of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

The engagement partner of the audit resulting in this independent auditor's report is Chris Milios.

McGovern Hurley LLP

McGovern Hurley LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Ontario
March 2, 2020

CGX Energy Inc.
Consolidated Statements of Financial Position

(US$'s)

As at December 31,	**2019**	2018
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	**15,821,285**	2,842,455
Trade receivables and other assets *(note 7)*	**188,170**	140,734
Deferred transaction costs *(note 8)*	**-**	431,500
Total current assets	**16,009,455**	3,414,689
Property, plant and equipment *(note 9)*	**7,185,972**	7,161,098
Exploration and evaluation expenditures *(notes 10 and 17)*	**16,737,403**	27,889,599
Total assets	**39,932,830**	38,465,386
Liabilities		
Current liabilities		
Trade and other payables *(notes 10, 11, 12 and 17)*	**15,396,146**	35,018,164
Farm in partner advances *(note 11)*	**1,701,409**	-
Loans from related party *(notes 10 and 11)*	**-**	22,549,225
Debentures from related party *(note 11)*	**-**	1,747,618
Warrant liability *(note 13)*	**4,736,000**	-
Total liabilities	**21,833,555**	59,315,007
Shareholders' equity (deficiency)		
Share capital *(note 14)*	**287,258,904**	259,034,321
Reserve for share based payments *(note 15)*	**23,199,999**	21,708,131
Deficit	**(292,359,628)**	(301,592,073)
Total shareholders' equity (deficiency)	**18,099,275**	(20,849,621)
Total liabilities and shareholders' equity (deficiency)	**39,932,830**	38,465,386

Nature of operations and going concern uncertainty (note 1)
Commitments and contingencies (notes 9, 10, 11 and 19)
Subsequent events (notes 19 and 20)

Approved on behalf of the Board of Directors on March 2, 2020:

("Signed" Duncan Nightingale)
__________________________, Director
Duncan Nightingale

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

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

CGX Energy Inc.
Consolidated Statements of Comprehensive Income (Loss)

(US$'s)

Year ended December 31,	**2019**	2018
	$	$
Operating expenses		
General and administrative *(note 9)*	**1,125,767**	1,154,189
Management and consulting *(note 11)*	**1,683,431**	2,068,439
Interest expense *(notes 10 and 11)*	**1,704,468**	3,008,841
Professional fees	**176,983**	392,188
Share based payments *(notes 14 and 15)*	**1,565,000**	-
Shareholder information	**53,609**	63,467
Foreign exchange (gain)	**(71,220)**	(630,763)
Total operating expenses	**(6,238,038)**	(6,056,361)
Recovery of previously impaired exploration and evaluation expenditures *(note 10)*	**7,600,000**	-
Gain on settlement of trade and other payables *(note 10)*	**9,998,862**	-
Fees from farm in partner *(note 11)*	**348,621**	-
(Loss) on revaluation of warrant liability *(note 13)*	**(2,477,000)**	-
Net income (loss) and comprehensive income (loss)	**9,232,445**	(6,056,361)
Basic net income (loss) per share	**0.04**	(0.05)
Diluted net income (loss) per share	**0.04**	(0.05)
Weighted average number of shares (000's) – basic	**220,506**	110,576
Weighted average number of shares (000's) – diluted	**230,320**	110,576

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

CGX Energy Inc.
Consolidated Statements of Changes in Equity (Deficit)

(US$'s)

	Share Capital		Reserves		
	Number of Shares	Amount	Share based	Deficit	Total
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)
Balance at December 31, 2018	**116,102,318**	**$259,034,321**	**$21,708,131**	**$(301,592,073)**	**$ (20,849,621)**
Shares issued for rights offering	**116,102,318**	**21,779,530**	**-**	**-**	**21,779,530**
Share issue costs	**-**	**(428,823)**	**-**	**-**	**(428,823)**
Warrants issued under rights offering	**-**	**(2,259,000)**	**-**	**-**	**(2,259,000)**
Shares issued on conversion of convertible debenture	**40,000,000**	**8,800,000**	**-**	**-**	**8,800,000**
Equity portion of convertible debenture	**-**	**-**	**169,000**	**-**	**169,000**
Transfer of contributed surplus on conversion of convertible debenture	**-**	**169,000**	**(169,000)**	**-**	**-**
Share based payments	**-**	**-**	**1,565,000**	**-**	**1,565,000**
Shares issued on exercise of options	**375,000**	**90,744**	**-**	**-**	**90,744**
Transfer of contributed surplus on exercise of options	**-**	**73,132**	**(73,132)**	**-**	**-**
Net income and comprehensive income for the year	**-**	**-**	**-**	**9,232,445**	**9,232,445**
Balance at December 31, 2019	**272,579,636**	**$287,258,904**	**$23,199,999**	**$(292,359,628)**	**$ 18,099,275**

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

CGX Energy Inc.
Consolidated Statements of Cash Flow

(US$'s)

Year ended December 31,	2019	2018
Operations	**$**	$
Net income (loss) for the year	**9,232,445**	(6,056,361)
Adjustments to reconcile net income (loss) for the year to cash flow from operating activities:		
Unrealized foreign exchange gain	**(71,220)**	(630,763)
Amortization	**90,505**	36,417
Interest accretion on trade and other payables, loans and convertible debentures payable to related party	**1,496,040**	3,008,841
Share based payments	**1,565,000**	-
Recovery of previously impaired exploration and evaluation expenditures	**(7,600,000)**	-
Gain on settlement of trade and other payables	**(9,998,862)**	-
Loss on revaluation of warrant liability	**2,477,000**	-
Net change in non-cash working capital items:		
Trade receivables and other assets	**(47,436)**	(93,419)
Deferred transaction costs	**431,500**	(431,500)
Trade and other payables	**(8,410,951)**	962,031
Farm in partner advances	**1,701,409**	-
Cash flow (used in) operating activities	**(9,134,570)**	(3,204,754)
Financing		
Proceeds from shares issued for rights offering	**21,779,530**	-
Proceeds from stock option exercises	**90,744**	-
Share issue costs for rights offering	**(428,823)**	(30,370)
Proceeds from loans from related party	**961,763**	7,658,420
Cash flow from financing activities	**22,403,214**	7,628,050
Investing		
Purchases of exploration and evaluation expenditures	**(11,916,574)**	(1,970,447)
Proceeds from disposition of exploration and evaluation expenditures	**11,615,887**	-
Purchases of property, plant and equipment	**(140,782)**	(28,832)
Cash flow (used in) investing activities	**(441,469)**	(1,999,279)
Net increase in cash and cash equivalents	**12,827,175**	2,424,017
Effect of exchange rate changes on cash held in foreign currencies	**151,655**	1,762
Cash and cash equivalents at beginning of year	**2,842,455**	416,676
Cash and cash equivalents at end of year	**15,821,285**	2,842,455

Supplementary Information

Interest paid	**204,312**	-
Income tax paid	**-**	-
Grant date fair value of warrants issued under rights offering	**2,259,000**	-
Shares issued on conversion of convertible debenture	**8,800,000**	-
Shares issued for debt	**-**	1,200,000
Settlement of related party debt on disposition of exploration and evaluation expenditures	**21,717,813**	-

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

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 December 31, 2019 had a working capital deficiency of $5,824,100 (2018 - $55,900,318) and an accumulated deficit of $292,359,628 (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 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 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 consolidated financial statements. Such adjustments could be material. It is not possible to predict whether the Company will be able to raise adequate financing or to ultimately attain profitable levels of operations.

2. Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

These consolidated financial statements were approved and authorized by the Board of Directors of the Company on March 2, 2020.

2.2 Basis of measurement

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

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these consolidated financial statements requires management to make judgments and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting years. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to the valuation of exploration and evaluation expenditures, property, plant and equipment ("**PP&E**"), warrant liability, income tax amounts, determination of cash generating units and impairment testing, functional currency, valuation of share-based payments, and contingencies. Significant estimates and judgments made by management in the preparation of these 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 judgment 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. 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 (Note 14)

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.

2. Basis of preparation *(continued)*

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

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.

Contingencies

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

3. Summary of significant accounting policies

3.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company together with its wholly owned subsidiaries CGX Resources Inc., a Bahamian registered company ("**CGX Resources**"), GCIE Holdings Limited, a Barbados registered company, CGX Energy Management Corp., a US registered company, as well as its 62% interest in ON Energy Inc., a Guyana registered company ("**ON Energy**").

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

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

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the Company's interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses. As at December 31, 2019 and 2018, the non-controlling interests were immaterial and recorded as $Nil.

3.2 Exploration and evaluation expenditures

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

Exploration and evaluation assets are tested for impairment when indicators of impairment are present and when exploration and evaluation assets are transferred to oil and gas properties. The Company has determined the level for assessing for impairment at the CGU level. The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

3. Summary of significant accounting policies *(continued)*

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

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of petroleum and natural gas and PP&E, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding amount is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

3.4 Income (loss) per share

The basic income (loss) per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted income (loss) per share reflects the potential dilution of common share equivalents, such as outstanding stock options, in the weighted average number of common shares outstanding during the year, if dilutive. The Company uses the "treasury stock method" where assumed proceeds upon the exercise of the options, warrants and convertible debentures that are used to purchase common shares at the average market price during the year. For the year ended December 31, 2019, diluted net income per share includes the effect of "in-the-money" stock options, warrants and convertible debentures outstanding throughout the year (see note 14). During the year ended December 31, 2018 all the outstanding stock options, warrants and convertible debentures were antidilutive.

3.5 Share based payments

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

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

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

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees and consultants become fully entitled to the award (the "**vesting date**"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

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

3. Summary of significant accounting policies *(continued)*

3.5 Share based payments *(continued)*

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

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

3.6 Property, plant and equipment

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

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

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

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

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

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

3.7 Taxation

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

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

3. **Summary of significant accounting policies** *(continued)*

3.7 Taxation *(continued)*

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies *(continued)*

3.8 Cash and cash equivalents

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

3.9 Financial assets

Financial assets classified as fair value through profit or loss ("FVTPL") are measured at fair value with realized and unrealized gains and losses recognized in the statement of income (loss). As at December 31, 2019 and 2018 the Company does not have any financial assets classified as FVTPL.

Financial assets measured at amortized cost include the Company's cash and cash equivalents, and trade receivables and other assets. As at December 31, 2019 and 2018, the carrying amounts for these assets approximate their fair value due to their short-term nature.

Financial assets classified as fair value through other comprehensive income ("FVOCI") are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). As at December 31, 2019 and 2018, the Company has not classified any financial assets as FVOCI.

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

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

3.10 Financial liabilities

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

Financial liabilities classified at amortized cost are initially recognized at fair value less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period. The Company's trade and other payables and farm in partner advances are recorded at amortized cost. As at December 31, 2019 and 2018, the carrying amounts for trade and other payables, farm in partner advances, loans from related party and debentures from related party approximate their fair value due to their short-term nature.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives, are also classified as FVTPL unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of income (loss). As at December 31, 2019, the Company has classified the warrant liability as FVTPL. As at December 31, 2018, the Company has not classified any financial liabilities as FVTPL.

3. Summary of significant accounting policies *(continued)*

3.11 Impairment of assets

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

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

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

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

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

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

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

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

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

3. Summary of significant accounting policies *(continued)*

3.12 Provisions

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

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

3.13 Related party transactions

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

3.14 Foreign currency transactions

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive loss.

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

3.15 Revenue recognition

CGX recognizes interest revenue and fees from farm in partner as earned on an accrual basis.

3. Summary of significant accounting policies *(continued)*

3.16 Joint arrangements

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

As described in note 10, CGX Resources entered into Joint Operating Agreements with a subsidiary of Frontera Energy Corporation. The Company reviewed the legal form and contractual terms of this arrangement and concluded that it would be classified as a joint operations. Based on this assessment, the Company accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRS applicable to the particular assets, liabilities, revenues and expenses. The Company recognizes its:

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

3.17 New and 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 consolidated financial statements of the Company.

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, farm in partner advances, 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.

4. Financial instruments *(continued)*

The fair value hierarchy has the following levels:
- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

As at December 31, 2019 and 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 December 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 December 31, 2019, the Company had a working capital deficiency of $5,824,100 (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.

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).

4. Financial instruments *(continued)*

iii) Market risk *(continued)*

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 December 31, 2019, the Company had approximately C$9,421,000 (2018 - C$1,000) in Canadian dollar denominated cash deposits. The Company had one significant C$ Bridge Loan from related party payable, which as at December 31, 2019 had a principal balance of C$Nil (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 December 31, 2019, the Company's exposure to foreign currency balances approximate as follows:

Account	**Foreign Currency**	**Exposure**	
December 31,		**2019**	2018
Cash and cash equivalents	C $	**$ 9,400,000**	$ -
Trade and other receivables	C $	**100,000**	100,000
Trade and other payables	C $	**(100,000)**	(300,000)
Loans from related party	C $	**-**	(9,200,000)
		$ 9,400,000	$ (9,400,000)

Based on management's knowledge and experience of the financial markets, the Company believes it is reasonably possible over a one year period that a change of 10% in foreign exchange rates would increase/decrease net loss for the year ended December 31, 2019 by $940,000 (2018 - $940,000).

6. Cash and cash equivalents

The balance of cash and cash equivalents at December 31, 2019, consisted of $15,796,285 (2018 - $2,817,455) on deposit with major financial institutions and $25,000 (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.

7. Trade receivables and other assets

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

As at December 31,	**2019**	2018
Trade receivables	**$ 25,299**	$ 37,575
HST	**15,675**	18,063
Prepaid expenses	**147,196**	85,096
Total trade receivables and other assets	**$ 188,170**	$ 140,734

7. Trade receivables and other assets *(continued)*

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

As at December 31,	2019	2018
1 -90 days	$ -	$ 37,575
Over 90 days	25,299	-
Total trade receivables	**$ 25,299**	**$ 37,575**

At December 31, 2019 and 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 December 31, 2019 and 2018.

8. Deferred transaction costs

As at December 31, 2019, the Company has incurred legal and regulatory costs of $Nil (2018 - $431,500) related to transactions that provided future economic benefit to the Company through a farm-in agreement on two of its PPLs and Petroleum Agreements ("**PAs**") and a rights offering completed in the year ended December 31, 2019 (See Notes 10 and 14). These costs were recorded as an asset until the transactions were completed and these costs were recorded against the proceeds received as transaction costs.

9. Property, plant and equipment

	Staging Facility[(1)]	Logistics Yard[(1)]	Vehicles, office furniture and fixtures	Computer, software and equipment	Total
Cost					
As at December 31, 2017	$ 6,291,806	$ 686,111	$ 178,878	$ 539,637	$ 7,696,432
Net additions	52,361	19,874	-	-	72,235
As at December 31, 2018	**$ 6,344,167**	**$ 705,985**	**$ 178,878**	**$ 539,637**	**$ 7,768,667**
Net additions	**70,704**	**199**	**44,476**	**-**	**115,379**
As at December 31, 2019	**$ 6,414,871**	**$ 706,184**	**$ 223,354**	**$ 539,637**	**$ 7,884,046**
Accumulated amortization					
As at December 31, 2017	$ -	$ -	$ 98,947	$ 472,205	$ 571,152
Amortization [(2)]	-	-	17,006	19,411	36,417
As at December 31, 2018	**$ -**	**$ -**	**$ 115,953**	**$ 491,616**	**$ 607,569**
Amortization [(2)]	**-**	**-**	**42,484**	**48,021**	**90,505**
As at December 31, 2019	**$ -**	**$ -**	**$ 158,437**	**$ 539,637**	**$ 698,074**
Net book value					
As at December 31, 2018	$ 6,344,167	$ 705,985	$ 62,925	$ 48,021	$ 7,161,098
As at December 31, 2019	**$ 6,414,871**	**$ 706,184**	**$ 64,917**	**$ -**	**$ 7,185,972**

Notes: (1) No amortization has been recorded on these assets as they are still under construction.
(2) Amortization has been recorded within general and administrative expense in the statement of comprehensive income (loss).

9. Property, plant and equipment *(continued)*

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
Balance, December 31, 2018	**$ 17,881,521**	**$ 1,364,482**	**$ 8,643,596**	**$ 27,889,599**
Net additions	**13,356,008**	**50,027**	**799,769**	**14,205,804**
Proceeds on farm-out	**(16,666,500)**	**-**	**(16,666,500)**	**(33,333,000)**
Transaction costs related to farm-out	**187,500**	**-**	**187,500**	**375,000**
Recovery of previously impaired exploration and evaluation expenditures	**-**	**-**	**7,600,000**	**7,600,000**
Balance, December 31, 2019	**$ 14,758,529**	**$ 1,414,509**	**$ 564,365**	**$ 16,737,403**

As at December 31, 2019 and 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.

Corentyne PA, Guyana

The Company's 100% owned subsidiary, CGX Resources Inc. ("**CGX Resources**"), was granted the Corentyne PA on June 24, 1998. On November 27, 2012, the Company was issued a new PA and PPL offshore Guyana. On December 15, 2017, the Company was issued an addendum to the November 27, 2012 PA ("**Addendum I**"). Under the terms of the Addendum I, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block. Effective May 20, 2019 and as at December 31, 2019, the Corentyne PPL and PA is 66.667% (2018 – 100%) owned by CGX Resources. During the year ended December 31, 2019, the Company received an addendum to the Addendum I on the Corentyne PPL, whereby the principal agreement has now been modified as follows, with all other aspects of the Addendum I remaining unchanged:

First Renewal Period, Phase Two (27th November 2017 to 27th November 2019)

"During phase two of the first renewal period, the Company shall complete additional seismic acquisition or seismic processing."

Second Renewal Period, Phase One (27th November 2019 to 27th November 2020)

"During phase one of the second renewal period, the Company shall drill one (1) exploration well."

10. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

The table below outlines the commitments under the Addendum I as at December 31, 2019:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Commence planning to drill 1 exploration well (Completed)</td><td>Nov 27, 2016 - Nov 27, 2017</td></tr>
<tr><td colspan="3">- 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 commited to complete work in phase 2)</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Complete additional seismic acquisition or reprocessing (Completed)</td><td>Nov 27, 2017 - Nov 27, 2019</td></tr>
<tr><td colspan="3">- 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.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Drill 1 exploration well</td><td>Nov 27, 2019 - Nov 27, 2020</td></tr>
<tr><td colspan="3">- 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.</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Drill 1 exploration well</td><td>Nov 27, 2020 - Nov 27, 2022</td></tr>
<tr><td colspan="3">- 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.</td></tr>
</table>

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.

Farm-in agreement

In December 2018, the Company and Frontera Energy Corporation ("**Frontera**") entered into a letter of intent, whereby a Frontera subsidiary and CGX Resources, were to enter into Joint Operating Agreements (the "**JOAs**") covering CGX Resources' two shallow water offshore Petroleum Prospecting Licenses in Guyana, the Corentyne and Demerara PPLs and PAs.

10. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

Farm-in agreement *(continued)*

On January 30, 2019, CGX Resources and Frontera Energy Guyana Corp. ("**Frontera Guyana**") executed the JOAs, subject to amendments as agreed upon by both parties. The JOAs provided for a transfer of a 33.333% interest in both Corentyne and Demerara Petroleum Prospecting Licences to Frontera Guyana in exchange for a $33,333,000 signing bonus. Under the JOAs, Frontera Energy Guyana Corp. would pay one-third of the applicable costs plus an additional 8.333% of the Company's direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) $30,000,000 for drilling the first exploratory well under the Corentyne Petroleum Agreement and (ii) $40,000,000 for drilling the first exploratory well under the Demerara Petroleum Agreement. CGX Resources will be the operator.

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

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

Settlement agreements

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

Upon termination of the Drilling Agreement, the total amount payable to JDC was approximately $20.35 million (the "**JDC Payable**"). Pursuant to the terms of the definitive agreement entered into with JDC with an effective date of November 30, 2015, the JDC Payable was to be paid as follows: (i) $5.5 million payable in common shares; (ii) $500,000 on or before December 1, 2015; (iii) approximately $7.18 million on or before March 25, 2016; and (iv) approximately $7.18 million on or before June 15, 2016. 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.

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.

10. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

Settlement agreements *(continued)*

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 year ended December 31, 2019 (2018 - $Nil).

Under the Rig Sharing Agreement, the Company owed approximately $2.9 million to INPEX for shared costs incurred in the utilization of the Rig. INPEX agreed to allow the Company to defer payment until December 1, 2015. This amount was included in trade and other payables as at 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 in a transaction separate from the Company purchased the rights to the amounts owing to INPEX by the Company directly from INPEX. On May 28, 2019, this amount including all accrued interest and other assumed payables for a total of $3,902,698 was settled as partial payment for the signing bonus under the JOAs and as a result at December 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 $Nil (2018 - $3,792,968).

Rig agreement

During the year ended December 31, 2019, the Company executed a letter of understanding ("**LOU**") with Rowan Rigs S.a.r.l. (the "**Contractor**") regarding the drilling rig contract entered into on December 14, 2018, which required the prepayment of certain costs for the use of the Ralph Coffman offshore jack-up rig. Under the terms of the LOU, the Company has agreed with the Contractor that all operational obligations under the drilling rig contract will be deferred until the parties can enter into an amended agreement. The Company will not be entitled to the reimbursement of the mobilization fee under the terms of the LOU of approximately $1.17 million and, if an amended agreement is executed by CRI and the Contractor on or before July 1, 2020, the Company will receive a credit of up to $4.17 million towards payments due under the amended agreement.

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.

10. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana *(continued)*

The table below outlines the commitments under the Addendum II as at December 31, 2019:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 18 Months</td><td>Compile all relevant data, information and budgetary allocations for a geochemical survey and submit to the GGMC for approval (Completed)</td><td>Feb 12, 2017 - Aug 12, 2018</td></tr>
<tr><td colspan="3">- 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).</td></tr>
<tr><td>Phase Two - 18 Months</td><td>(a) Complete a geochemical survey of a minimum 120 sq km (Completed)
(b) Commence a seismic program defined by the geochemical survey (Completed)</td><td>Aug 12, 2018 - Feb 12, 2020</td></tr>
<tr><td colspan="3">- 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.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 18 Months</td><td>Complete seismic program and all associated processing and interpretation</td><td>Feb 12, 2020 - Aug 12, 2021</td></tr>
<tr><td colspan="3">- 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).</td></tr>
<tr><td>Phase Two - 18 Months</td><td>Drill 1 exploration well</td><td>Aug 12, 2021 - Feb 12, 2023</td></tr>
<tr><td colspan="3">- 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.</td></tr>
</table>

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.

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"**).

10. Exploration and evaluation expenditures *(continued)*

Demerara PA, Guyana *(continued)*

Under the terms of the Addendum III, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block. Effective May 20, 2019 and as at December 31, 2019, the Demerara PPL and PA is 66.667% (2018 – 100%) owned by CRI. The table below outlines the commitments under the Addendum III as at December 31, 2019:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Conduct additional data processing and planning for 1st exploration well (Conducted)</td><td>Feb 12, 2017 - Feb 12, 2018</td></tr>
<tr><td colspan="3">- 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 commited to complete work in phase 2)</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Complete any additional processing and planning, and secure all regulatory approvals for the drilling of 1st exploration well (Completed)</td><td>Feb 12, 2018 - Feb 12, 2020</td></tr>
<tr><td colspan="3">- 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.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2020 - Feb 12, 2021</td></tr>
<tr><td colspan="3">- 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.</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2021 - Feb 12, 2023</td></tr>
<tr><td colspan="3">- 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.</td></tr>
</table>

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 $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.

Farm-in agreement

On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licences to Frontera were completed with an effective date of May 20, 2019. See further discussion under Corentyne PA, Guyana – *Note 10.*

10. Exploration and evaluation expenditures *(continued)*

Demerara PA, Guyana *(continued)*

Farm-in agreement *(continued)*

As a result of the proceeds received under the JOAs relating to the Demarara PPL and PA, the accounting value for this licence would have been in a negative position of $7,600,000 on closing of the transaction. As a result, the Company recorded a reversal of the previously taken impairment in 2014 from the amount of the negative balance, being $7,600,000 (2018 - $Nil) during the year ended December 31, 2019.

Demerara Seismic agreement

In September 2014, the Company entered into a contract with Prospector PTE. Ltd. ("**Prospector**") to conduct a 3D seismic survey on the Company's 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 December 31, 2019 and 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 other payables as at December 31, 2019 and 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. The C$ Bridge Loan accrued interest at an annual rate of 5% per annum.

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

As at December 31,	**2019**	2018
Loan from related party	**$ -**	$ 6,682,246
Accrued interest on loan from related party	**-**	64,076
Total loan from related party	**$ -**	$ 6,746,322

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

The activity on the C$ Bridge Loan from related party for the years ended December 31, 2019 and 2018 is as follows:

Year ended December 31,	2019	2018
Opening balance at beginning of year	**$ 6,746,322**	$ 6,986,933
Loss (gain) on foreign exchange	**80,435**	(629,001)
Accrued interest on loan from related party	**136,745**	388,390
Settled against signing bonus under JOAs	**(6,963,502)**	-
Total loan from related party	**$ -**	$ 6,746,322

In March 2016, the Company entered into a secured bridge loan agreement (the "**Bridge Loan I**") with Frontera in the aggregate principal amount of up to $2,000,000. The Bridge Loan I was a non-revolving term facility. The Bridge Loan I accrued interest at an annual rate of 5% per annum.

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

As at December 31,	2019	2018
Loan from related party	**$ -**	$ 2,068,547
Accrued interest on loan from related party	**-**	263,462
Total loan from related party	**$ -**	$ 2,332,009

The activity on the Bridge Loan I from related party for the years ended December 31, 2019 and 2018 is as follows:

Year ended December 31,	2019	2018
Opening balance at beginning of year	**$ 2,332,009**	$ 2,228,581
Accrued interest on loan from related party	**41,371**	103,428
Settled against signing bonus under JOAs	**(2,373,380)**	-
Total loan from related party	**$ -**	$ 2,332,009

In October 2016, the Company entered into a secured bridge loan agreement (the "**Bridge Loan II**") with Frontera in the aggregate principal amount of up to $2,000,000. The Bridge Loan II was a non-revolving term facility. The Bridge Loan II accrued interest at an annual rate of 5% per annum.

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

As at December 31,	2019	2018
Loan from related party	**$ -**	$ 1,972,675
Accrued interest on loan from related party	**-**	195,691
Total loan from related party	**$ -**	$ 2,168,366

The activity on the Bridge Loan II from related party for the years ended December 31, 2019 and 2018 is as follows:

Year ended December 31,	2019	2018
Opening balance at beginning of year	**$ 2,168,366**	$ 2,069,732
Accrued interest on loan from related party	**39,609**	98,634
Settled against signing bonus under JOAs	**(2,207,975)**	-
Total loan from related party	**$ -**	$ 2,168,366

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 carried an interest rate of up to 7% per annum and were to mature on September 30, 2019. The $8,800,000 principal amount was convertible into common shares of the Company at the option of Frontera anytime prior to maturity or repayment at a price of $0.22 per share. The Bridge Loan III accrued interest at an annual rate of 7% (5% prior to February 1, 2019) per annum. On September 24, 2019, Frontera elected to exercise the conversion feature and 40,000,000 common shares of the Company were issued to settle $8,800,000.

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

As at December 31,	**2019**	2018
Loan from related party – non convertible	**$ -**	$ 11,263,808
Accrued interest on loan from related party	**-**	38,720
Total loan from related party	**$ -**	$ 11,302,528

The activity on the Bridge Loan III from related party for the years ended December 31, 2019 and 2018 is as follows:

Year ended December 31,	**2019**	2018
Opening balance at beginning of 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	**169,000**	-
Accrued interest on loan from related party	**539,355**	341,319
Accrued interest added to loan from related party	**(86,375)**	-
Settled against signing bonus under JOAs	**(4,425,579)**	-
Exercise of conversion feature	**(8,800,000)**	-
Cash payment of interest	**(204,312)**	-
Repayment of interest through issuance of shares	**-**	(388,951)
Total loan from related party	**$ -**	$ 11,302,528

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

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

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

As at December 31,	**2019**	2018
C$ Bridge Loan	**$ -**	$ 6,746,322
Bridge Loan I	**-**	2,332,009
Bridge Loan II	**-**	2,168,366
Bridge Loan III	**-**	11,302,528
Total loans from related party	**$ -**	$ 22,549,225

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

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

As at December 31,	**2019**	2018
Debenture from related party	**$ -**	$ 1,736,438
Accrued interest on Debenture from related party	**-**	11,180
Total Debenture from related party	**$ -**	$ 1,747,618

The activity on the Debenture from related party for the years ended December 31, 2019 and 2018 is as follows:

Year ended December 31,	**2019**	2018
Opening balance at beginning of year	**$ 1,747,618**	$ 1,664,397
Accrued interest on loan from related party	**32,542**	83,221
Settled against signing bonus under JOAs	**(1,780,160)**	-
Total Debenture from related party	**$ -**	$ 1,747,618

On February 7, 2019, to pay the required drilling rig minimum obligation fee of $5,340,000 (covering the Company's share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate) Frontera advanced the Company the full amount. Of this amount the Company signed a promissory note for $3,115,035 (the "**Promissory Note**"), being the Company's anticipated share pursuant to the terms of the JOAs. The Promissory Note carried an interest rate of 7% per annum and matured on the earlier of the closing date of the transactions under the farm-out agreement with Frontera or May 28, 2019. On May 28, 2019, the Promissory Note principal plus accrued interest of $63,820 for a total of $3,178,855 was netted against the $33.3 million signing bonus on the JOAs.

The Bridge Loan III was secured by a pledge of the shares in the Company's wholly owned subsidiaries – CGX Resources, GCIE and CGMC. In addition, during the year ended December 31, 2017, GCIE and CGMC signed a guarantee with Frontera for the Bridge Loan III.

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

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

- 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 year ended December 31, 2019 and capitalized $Nil (2018 - $379,000) to exploration and evaluation expenditures, of which $Nil (2018 - $2,000) was included in trade and other payables as at December 31, 2019. In addition, Frontera had paid expenses on behalf of the Company, of which $Nil (2018 - $489,000) was included in trade and other payables as at December 31, 2019. As at December 31, 2019, Frontera owned approximately 72.4% of the common shares of the Company.

- 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 nine 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 consolidated financial statements related to this contingent payment.

Farm in partner advances

Under the JOAs, the Company is operator on both the Corentyne and Demarara licences. As operator, the Company makes cash calls from its partner to pay for future licence expenditures. As at December 31, 2019, the Company had cash called and received $1,701,409 (2018 - $Nil) in advances for future exploration on the Corentyne and Demarara licences.

In addition, as operator of the Corentyne and Demarara licences, the Company receives a fee from its partner to reimburse its indirect costs related to operating the licence. This fee is based on total expenditures under the JOAs. During the year ended December 31, 2019, the Company received fees from its farm in partner of $348,621 (2018 - $Nil).

Key Management

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

Year ended December 31,		**2019**		2018
Short-term employee benefits	**$**	**2,015,000**	$	872,000
Termination payments		**-**		700,000
Share based payments		**1,113,000**		-
Total compensation paid to key management	**$**	**3,128,000**	$	1,572,000

At December 31, 2019, included in trade and other payables is $112,000 (2018 - $188,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand. See also Notes 19 and 20.

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:

As at December 31,		2019		2018
Less than one month, accruals and accrued interest	**$**	**5,930,264**	$	7,743,561
One month to three months		**2,426**		808
Over three months		**9,463,456**		27,273,795
Total trade and other payables	**$**	**15,396,146**	$	35,018,164

13. Warrant liability

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

As at December 31,		2019		2018
Warrant liability	**$**	**4,736,000**	$	-

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

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

Year ended December 31,		2019		2018
Warrant liability, beginning of year	**$**	**-**	**$**	**-**
Grant date fair value of warrants issued during the year (note 14)		**2,259,000**		
Change in fair value		**2,477,000**		**-**
Warrant liability, end of year	**$**	**4,736,000**	**$**	**-**

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

As at December 31,		2019		2018
Number of warrants outstanding		**15,009,026**		**-**
Exercise price		**C$0.415**		**-**
Risk-free interest rate		**1.68%**		**-**
Expected life (years)		**4.20**		**-**
Expected volatility		**104%**		**-**
Expected dividends		**-**		**-**
Market price of shares		**C$0.54**		**-**
Fair value of warrants	**$**	**4,736,000**	**$**	**-**

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

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

[1] The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2019 was $0.46 (2018 - $Nil).

2019

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

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

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

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

14. Capital stock *(continued)*

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

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.

Common share purchase warrants

The exercise price and expiry date of the warrants outstanding at December 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 December 31,	**2019**		2018	
	Weighted Average Exercise Price ($)	**No. of Warrants**	Weighted Average Exercise Price ($)	No. of Warrants
Outstanding at beginning of year	**-**	**-**	C$1.70	37,008,900
Transactions during the year:				
Issued	**C$0.415**	**15,009,026**		
Expired	**-**	**-**	C$1.70	(37,008,900)
Outstanding at end of year	**C$0.415**	**15,009,026**	-	-

Options

The Company established a share option plan to provide additional incentive to its directors, officers, employees and consultants for their efforts on behalf of the Company in the conduct of its affairs. The maximum number of common shares reserved for issuance under the share option plan comprising part of the share incentive plan may not exceed 10% of the number of common shares outstanding. Under the terms of the plan, all options vest immediately, unless otherwise specified. All options granted under the plan expire no later than the tenth anniversary of the grant date. As at December 31, 2019, the Company had 13,257,963 (2018 – 10,235,231) options available for issuance under the plan.

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

As at December 31,	**2019**		2018	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of year	**0.11**	**1,375,000**	0.40	4,220,000
Transactions during the year:				
Granted	**0.35**	**13,000,000**	-	-
Exercised	**0.24**	**(375,000)**	-	-
Expired/Forfeited	**-**	**-**	0.52	(2,845,000)
Outstanding/Exercisable at end of year	**0.33**	**14,000,000**	0.11	1,375,000

14. Capital stock *(continued)*

Options *(continued)*

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

Exercise Price	No. of Options Outstanding and Exercisable	Weighted Average Remaining Life (Years)	Weighted Average Exercise Price
$ 0.07	1,000,000	2.34	$0.07
$ 0.35	13,000,000	4.93	$0.35
$ 0.07 - $0.35	**14,000,000**	**4.74**	**$0.33**

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

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

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

The weighted average grant-date fair value of options granted during the year ended December 31, 2019 was $0.29 (2018 – $Nil) per option issued.

15. Reserve for share based payments

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

As at December 31,	2019	2018
Balance at beginning of year	**$ 21,708,131**	$ 21,708,131
Share based payments (note 14)	**1,565,000**	-
Equity portion of convertible debenture (note 11)	**169,000**	-
Value transferred on exercise of convertible debenture (note 14)	**(169,000)**	-
Value transferred on exercise of stock options	**(73,132)**	-
Balance at end of year	**$ 23,199,999**	$ 21,708,131

16. Income tax

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

	2019	2018
	$	$
Income (loss) before income tax	**9,232,445**	(6,056,361)
Combined statutory rate	**26.50%**	26.50%
Estimated income tax expense (recovery)	**2,445,000**	(1,606,000)
Difference between Canadian and foreign tax rates	**(4,369,000)**	752,000
Difference between current and deferred tax and foreign exchange rates	**874,000**	967,000
Other permanent differences	**(593,000)**	(164,000)
Deferred tax assets not recognized	**1,643,000**	51,000
Deferred income tax recovery	**-**	-

The Canadian statutory income tax rate of 26.5% (2018 - 26.5%) is comprised of the federal income tax rate of approximately 15.0% (2018 – 15.0%) and the provincial income tax rate of approximately 11.5% (2018 – 11.5%). The United States income tax rate is approximately 21% (2018 - 21%). The Guyanese income tax rate is approximately 27.5% (2018 – 27.5%).

Deferred income tax recoverable

The primary differences which give rise to the deferred income tax recoveries at December 31, 2019 and 2018 are as follows:

	2019	2018
Deferred income tax assets	$	$
Temporary differences	**195,000**	104,000
Losses carried forward	**13,514,000**	11,962,000
	13,709,000	12,066,000
Less : deferred tax assets not recognized	**(13,709,000)**	(12,066,000)
Net deferred income tax assets	**-**	-
Deferred tax liabilities		
Deferred income tax liabilities	**-**	-
Net deferred income tax assets	**-**	-

As at December 31, 2019, the Company had Canadian capital losses of C$Nil (2018 - C$26,000). These tax benefits have not been recognized in the accounts and are available to carry forward indefinitely.

As at December 31, 2019, the Company had United States non-capital loss carry-forwards of $3,273,000 (2018 - $3,060,000). Of these tax benefits, which have not been recognized in the accounts, $492,000 expire in 2032, $704,000 expire in 2033, $594,000 expire in 2034, $508,000 expire in 2035, $359,000 expire in 2036, $124,000 expire in 2037, $275,000 expire in 2038 and $217,000 expire in 2039.

As at December 31, 2019, the Company had Canadian non-capital loss carry-forwards of C$62,864,000 (2018 - C$58,261,000). Some of these non-capital loss carry-forwards may be restricted against certain types of income, and which under certain circumstances, may be utilized to reduce taxable income in future years.

16. Income tax *(continued)*

As at December 31, 2019, the Canadian non-capital loss carry-forwards expire as follows:

December 31,	C$
2024	**1,043,000**
2025	**948,000**
2027	**3,396,000**
2028	**4,566,000**
2029	**5,027,000**
2030	**9,597,000**
2031	**1,568,000**
2032	**7,732,000**
2033	**6,965,000**
2034	**5,219,000**
2035	**3,668,000**
2036	**3,877,000**
2037	**4,654,000**
2038	**778,000**
2039	**3,826,000**
	62,864,000

17. 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 years ended December 31, 2019 and 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 December 1 2019 and the date of these consolidated financial statements, the Company may not be compliant with the policies of the TSXV. The impact of this violation is not known and is ultimately dependent on the discretion of the TSXV.

The Company considers its capital to be equity, which as at December 31, 2019 totaled $18,099,275 and was comprised of share capital, reserve accounts and deficit (2018 – $3,447,222, comprised of share capital, reserve accounts, deficit, debentures from related party and loans from related party).

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.

18. Segmented information

Operating and Geographic segments

At December 31, 2019 and 2018, the Company's operations comprised of 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 consolidated financial statements also represent operating segment amounts.

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

As at December 31,	**2019**	2018
Total current assets		
Canada	**$ 15,813,054**	$ 3,145,194
Guyana	**196,401**	269,495
	$ 16,009,455	$ 3,414,689
Total non-current assets		
Canada	**$ -**	$ 53,326
Guyana	**23,923,375**	34,997,371
	$ 23,923,375	$ 35,050,697
Total Identifiable assets		
Canada	**$ 15,813,054**	$ 3,198,520
Guyana	**24,119,776**	35,266,866
	$ 39,932,830	$ 38,465,386

19. 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:

Fiscal Year Ended December 31,	**Contractual Obligations**
2020	**$ 1,330,000**

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

The Company has entered into a seismic contract for 3D seismic acquisition in the fall of 2019 to complete its requirement under the Corentyne PPL and subsequent seismic processing. Aggregate minimum future obligations still outstanding under this agreement totals $625,000 related to seismic processing, expected to be paid in 2020.

19. Commitments and contingencies *(continued)*

Contingencies

As at December 31, 2019, the Company is party to three (2018 – two) separate written management agreements with certain senior officers of the Company. The three contracts currently require a total payment of up to $2,030,000 (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 December 31, 2019, the contingent payments have not been reflected in these 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.

During the year ended December 31, 2019, the Company received a claim from this former officer suing for damages of over $1,000,000 and claiming that the $175,000 should have been settled in shares on December 31, 2018 at the same price of the debt settlement with Frontera, being $0.21. CGX is contesting that the settlement of debt with Frontera in December 2018 constituted a restructuring and that any shares are owed at this time pursuant to the agreement. As at December 31, 2019 and 2018, $175,000 is included in trade and other payables.

Subsequent to December 31, 2019, the Company entered into a settlement on this claim for a cash payment of $167,500.

20. Subsequent events

Subsequent to December 31, 2019, the Company granted 1,510,000 stock options to a director and an employee of the Company at an exercise price of C$0.71 that expire on January 17, 2025. These options vest as follows: (a) 1/3 of the options granted immediately; (b) 1/3 of the options granted on the six month anniversary of the option grant; and (c) 1/3 of the options granted, being the remaining amount, on the first anniversary of the option grant, subject to a vesting acceleration clause under certain events.