MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Three month period and year ended December 31, 2020

*This management's discussion and analysis ("**MD&A**") is current to March 18, 2021 and is management's assessment of the operations and the financial results of CGX Energy Inc. ("**CGX**" or the "**Company**"). All figures are in United States dollars, unless otherwise stated. This MD&A should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the years ended December 31, 2020 and 2019.*

*Unless indicated otherwise, all financial data in this MD&A has been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**").*

Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.cgxenergy.com.

Forward-Looking Statements

This MD&A contains forward-looking statements that are not historical in nature and involve risks and uncertainties. Forward-looking statements are not guarantees as to CGX's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements.

This MD&A contain certain statements or disclosures relating to the Company that are based on the expectations of its management as well as assumptions made by and information currently available to the Company which may constitute forward-looking statements or information ("**forward-looking statements**") under applicable securities laws. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that the Company anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking statements. In some cases, forward-looking statements can be identified by the use of the words "assume", "believe", "continue", "estimate", "expect", "forward", "future", "lead", "may", "plan", "potential", "prospect", "will", "would" and other similar words suggesting future outcomes or statements regarding an outlook.

In particular, but without limiting the foregoing, this MD&A contains forward-looking statements pertaining to the following: the Company's exploration and development activities; expenditures; infrastructure projects, including road refurbishment and the Port and Logistics Yard (each as defined herein); the Company's leads and drilling prospects in respect of its various oil and natural gas interests; governmental and regulatory approvals and agreements; global coronavirus pandemic ("**COVID-19**"); trends in financial and commodities markets; the Company's future performance, operations, liquidity and financial condition, including its ability to continue as a going concern; and the scope, duration, and reoccurrence of any epidemics or pandemics (including specifically the coronavirus disease 2019 (COVID-19) pandemic) and the actions taken by third parties, including, but not limited to, governmental authorities, contractors, and suppliers, in response to such epidemics or pandemics.

In addition, statements relating to resources are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions, that the resources described exist in the quantities predicted or estimated and can be profitably produced in the future.

The forward-looking statements contained in this MD&A reflect several material factors and expectations and assumptions of the Company including, without limitation: prevailing and future commodity prices and currency exchange rates; applicable royalty rates and tax laws; interest rates; future well production rates and reserve volumes; operating costs, the timing of receipt of regulatory approvals; success obtained in exploration, development and production activities; anticipated timing and results of capital expenditures; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing, location and extent of future drilling operations; the state of the global, Guyanese, Surinamese and other economies; the state of the oil and natural gas exploration and production industry; the availability and cost of financing, labour and services; and ability to market crude oil and natural gas.

In particular, except where otherwise stated, the Company has assumed a continuation of existing business operations on substantially the same basis as exists at the time of filing of this MD&A.

The Company believes the material factors, expectations and assumptions reflected in the forward-looking statements are reasonable at this time but no assurance can be given that these factors, expectations and assumptions will prove to be correct. The forward-looking statements included in this MD&A are not guarantees of future performance and should not be unduly relied upon. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements including, without limitation: risks associated with the onshore and offshore oil and natural gas industry in general such as operational risks in development, exploration and production; risks associated with international operations; delays or changes in plans with respect to exploration or development projects or capital expenditures; uncertainty of estimates and projections relating to reserves, resources, production, revenues, costs and expenses; risks associated with the construction, development and operations of a deep water port; health, safety and environmental risks; commodity price and exchange rate fluctuations; interest rate fluctuations; marketing and transportation; environmental risks; competition; incorrect assessment of the value of acquisitions; ability to access sufficient capital from internal and external sources; failure to obtain required regulatory and other approvals; changes in legislation, including but not limited to tax laws, royalties and environmental regulations; and the effects and impacts of the COVID-19 pandemic as further described herein and supply conflicts among the Organization of Petroleum Exporting Countries and other oil producing countries over production restrictions which impact crude oil prices, the extent and duration of which are uncertain at this time, on the Company's business, general economic and business conditions and markets.

The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligations to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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

Boe Conversion

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

For further information regarding the presentation of the Company's resource disclosure, please see "Resource Definitions" herein.

OVERVIEW

Company Profile

CGX is an oil and gas exploration company headquartered in Toronto, Canada. CGX was incorporated in 1998 for the primary purpose of exploring for hydrocarbons in Guyana, South America. CGX through its subsidiaries holds an interest in three Petroleum Prospecting Licences ("**PPLs**") and related Petroleum Agreements ("**PAs**") (known as the Corentyne, Berbice and Demerara Blocks) and a deep water harbor project in Guyana. Upon approval of the Company's proposed relinquishments discussed below, the PPLs will cover approximately 8,138.0 km^2 (approximately 5,311,6 net km^2) offshore and onshore Guyana.

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

Recent Highlights

Highlights of the recent activities to date of the Company and its subsidiaries include the following:

- In February 2021, CRI received an addendum to the Demerara PA, subject to final documentation, extending the February 12, 2021 deadline for drilling an exploration well on the Demerara block to no later than February 11, 2022.

- In February 2021, ON Energy received an addendum to the Berbice PA, subject to final documentation, constituting an extension and modification to the workplan on the Berbice block, from completing a seismic program by August 12, 2021 to completing a seismic program and commencement of drilling an exploration well no later than June 15, 2022.

- In November 2020, CRI received an addendum to the Corentyne PA extending the November 27, 2020 deadline for drilling an exploration well on the Corentyne block to no later than November 26, 2021.

- CRI as Operator of the Corentyne and Demerara blocks, contracted McDaniel and Associates Consultants Ltd. ("**McDaniel**"), an independent qualified reserves evaluator, on September 10, 2020 to complete an independent Prospective Resource study and report (the "**Resource Report**") in respect of the Corentyne North Area, Corentyne Main Area and Demerara Block. The Resource Report was prepared as of August 31, 2020 in accordance with the resource definitions and standards set out in National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("**NI 51-101**") and the Canadian Oil and Gas Evaluation Handbook ("**COGEH**").

  A total of 32 prospects have been identified in both blocks (5 in the Demerara block and 27 in the Corentyne block) with CRI's Net Prospective Resources mean volume of 4,940 MMboe unrisked and 884 MMboe risked.

The independent external Resource Report was completed on October 21, 2020 and certain information contained in the Resource Report related to CRI's Net Prospective Resources is summarized below:

Product by Block/Area (4)(5)	CRI's Working Interest Prospective Resources Unrisked (1)(2)					Risked Resources
	WI, %	Low	Median	Mean	High	Mean (3)
Sub-Total Corentyne North Area						
Crude Oil, Mbbl	66.667%	822,253	1,869,504	2,240,604	4,153,754	396,141
Natural Gas, MMcf	66.667%	1,799,515	4,013,660	4,749,552	8,680,777	1,000,776
Condensate, Mbbl	66.667%	58,260	143,657	176,935	339,980	41,697
Barrel of Oil Equivalent, Mboe (6)		**1,180,432**	**2,682,105**	**3,209,130**	**5,940,530**	**604,634**
Sub-Total Corentyne Main Area						
Crude Oil, Mbbl	66.667%	76,820	328,187	500,251	1,153,101	86,703
Natural Gas, MMcf	66.667%	611,173	2,109,047	2,993,385	6,554,714	401,008
Condensate, Mbbl	66.667%	38,495	141,307	210,048	473,256	26,719
Barrel of Oil Equivalent, Mboe (6)		**217,177**	**821,001**	**1,209,196**	**2,718,809**	**180,257**
Sub-Total Demerara Block						
Crude Oil, Mbbl	66.667%	126,933	359,434	438,962	857,028	83,347
Natural Gas, MMcf	66.667%	136,849	397,947	500,033	999,333	95,213
Condensate, Mbbl	66.667%	0	0	0	0	0
Barrel of Oil Equivalent, Mboe (6)		**149,741**	**425,759**	**522,301**	**1,023,583**	**99,216**
Total Prospective Resources, Mboe (6)		**1,547,350**	**3,928,865**	**4,940,628**	**9,682,922**	**884,106**

Notes:

1) There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.
(2) The Unrisked Total is not representative of the Portfolio Unrisked Total and is provided to give an indication of the resources range assuming all of the prospects are successful.
(3) All of the prospective resources assigned as part of this assessment have been estimated probabilistically as this is the most appropriate method given the high degree of uncertainty in the various input parameters. Distributions of the various reservoir and fluid parameters were determined, based on parameters from existing wells/discoveries in the area or general worldwide data, and probabilistic calculations of the unrisked OOIP/original gas-in-place ("**OGIP**") and recoverable resources were prepared for each prospect.
(4) The risked resources have been risked for chance of discovery and chance of development. The chance of development is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution.
(5) McDaniel has determined that the chance of discovery is estimated to be between 18% and 51% and the chance of development between 50% and 70%, based on an evaluation of the risks relevant to the blocks.
(6) Sub-Total and Total are based on the probabilistic aggregation of zones within a prospect and arithmetic aggregation of the individual prospects to the Sub-Total and Total level.
(7) Volumes listed are full life volumes, prior to any cut-offs due to economics.
(8) Based on a Mcf to BOE conversion of 6 to 1.

Resource Definitions

Resource definitions, including those set out below, are as specified by NI 51-101, and the COGEH.

"**Resources**" encompasses all petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced.

"**Prospective Resources**" are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be sub-classified based on project maturity.

The chance of development is defined as the probability of a project being commercially viable. Quantifying the chance of development requires consideration of both economic contingencies and other contingencies, such as legal, regulatory, market access, political, social license, internal and external approvals and commitment to project finance and development timing. As many of these factors are extremely difficult to quantify, the chance of development is uncertain and must be used with caution.

Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project. Consequently, estimates of resources should generally be quoted as a range according to the level of confidence associated with the estimates. An understanding of statistical concepts and terminology is essential to understanding the confidence associated with resources definitions and categories.

The range of uncertainty of estimated recoverable volumes may be represented by either deterministic scenarios or a probability distribution. Resources are provided as low, median, mean and high estimates, as follows:

- **Low Estimate -** This is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.

- **Median Estimate** - Management believes that the median estimate is the best approximation for 'best estimate', which is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.

- **Mean Estimate** - represents the arithmetic average of the expected recoverable volume and is synonymous with expected value. It is the most accurate single point representation of the volume distribution.

- **High Estimate -** This is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.

There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

- CRI contracted a pore pressure analysis of the Corentyne Kawa-1 prospect and the Demerara Makarapan-1 prospect, which was completed by Baker Hughes in September 2020 and October 2020, respectively.

- CRI contracted a Quantitative Interpretation study to further high grade the prospect inventory on the Corentyne block. It was completed in Q3 2020.

- In October 2020, CRI entered into an agreement with WesternGeco LLC for reprocessing of 3D seismic acquired over the Demerara Block. The project commenced on November 6, 2020 and is expected to be completed by the end of May 2021. The project is currently 50% complete. The total cost is expected to be $1,065,000.

- Starting in October 2020, Grand Canal, a wholly-owned subsidiary of the Company, entered into various contracts to recommence work on its Berbice Deep Water Port project. Currently, Grand Canal is completely renovating a 3.1 km road leading from the Corentyne Highway to the port. The contract for the road commenced on October 18, 2020 and is expected to be completed at a cost of approximately $703,000. A contract for the construction of a bridge connecting the Corentyne Highway to the road being renovated will be awarded in February 2021 and is expected to be completed at a cost of approximately $450,000. Grand Canal has also entered into contracts for the relocation of utility services along the renovated roadway. Updated engineering designs for the port yard along the Berbice River have been completed, at a cost of $34,840. The tendering of the port yard civil work, restricted to local contractors, has begun. A contract, at a cost of $27,200, has been awarded for the re-design of the dredging of the harbor to enable both Handymax Vessels and Offshore Support Vessels to access the port, so that the expanded port project can handle both oil and gas offshore operations support as well as agricultural and general cargo. A contract at a cost of $42,500 has been awarded for an updated marketing study and revenue model for the expanded scope of the port project. A contract at a cost of approximately $25,000 has been awarded for the review of the engineering design of the laydown yard, new road and new bridge. Engineering design of a new alternate access road from the Eastern Access Roadway of the Berbice Bridge to the port site and new connecting bridge across the Grand Canal is expected to be completed by mid-2021.

- CRI contracted PGS Geophysical AS ("**PGS**") to provide acquisition and processing of a full broadband marine 3D seismic survey over a northern segment of the Corentyne Block located offshore Guyana. The seismic acquisition was completed on November 2, 2019 and produced seismic data covering approximately 582 km^2 of the northern portion of the Corentyne Block. PGS completed Time (PreStack Time Migration) and Depth (PreStack Depth Migration) processing of these data on June 5, 2020.

- CRI has completed a preliminary evaluation of the recently processed 3D seismic data and has identified two highly prospective large channel/fan complexes. These complexes are located in the northern region of the Corentyne Block and interpreted to contain multiple high potential prospects. These prospects are in close proximity to the Stabroek Block, offshore Guyana and Block 58, offshore Suriname. Exxon and partners have announced discoveries in the Stabroek block, including Pluma, Haimara, Tilapia, Yellowtail, Tripletail, Mako, Uaru, and Redtail, all between 2 and 10 miles from the North Corentyne prospects. In Block 58, Apache and partners have announced the Maka Central, Kwaskwasi, Sapakara West and Keskesi East discoveries which lie 7 to 20 miles from the border of the northern region of the Corentyne Block.

- The prospects mapped in the Northern Corentyne Block are interpreted to be at the same geological interval as the nearby significant discoveries already proven in the Stabroek Block and Block 58. The discoveries in Stabroek and Block 58 are largely stratigraphic, and the same holds true for the Corentyne prospects. These prospects also share the same proven, hydrocarbon source kitchen as recent discoveries, greatly reducing the source and migration risk into Northern Corentyne. The prospects in Northern Corentyne have been mapped across the Upper Cretaceous, Santonian, and Miocene intervals. Work is ongoing to rank these prospects and to further reduce geological risk when possible. These prospects are located in 500 to 3,600 feet of water and at drilling depths of 11,000 to 21,700 feet True Vertical Depth Subsea (**"TVDSS"**).

- The current high-graded prospect identified in the northern region of the Corentyne Block, Kawa, has been named after the iconic Kawa Mountain which overlooks the village of Paramakatoi in the Pakaraima Mountains of Guyana. The primary target is a Santonian age, stratigraphic trap, interpreted to be analogous to the discoveries immediately to the east on Block 58 in Suriname. The Kawa-1 well is anticipated to be drilled to a total depth of approximately 6,500 meters ("**m**") in a water depth of approximately 370 m. Numerous additional prospects on the northern portion of Corentyne have been identified and are being matured by the Company.

- The Company has identified an Aptian stratigraphic prospect on the Demerara Block, named Makarapan, for the Precambrian mountain overlooking the Rupununi Savannahs. The Makarapan-1 well is expected to be drilled in to a total depth of approximately 3,500 meters ("**m**") in a water depth of approximately 1,000 m. Additional prospects on the Demerara Block are being matured by the company.

- The Company has submitted its proposed 25% acreage relinquishments which are required on each of the Berbice, Corentyne and Demerara blocks to the Guyana Geology and Mines Commission ("**GGMC**") and the Ministry of Natural Resources and is therefore awaiting the agreement of these agencies on the proposed relinquishment and the final instruments to formally move into the Second Renewal Period of all three Blocks.

- The Company continued to strengthen its board of directors with the additions of Mr. Gabriel de Alba in January 2020 and Professor Mark D. Zoback in February 2021.

- In September 2019, CRI also 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 could enter into an amended agreement. The Company and Rowan did not enter into an amended agreement by the specified date, and as such, on August 10, 2020 the amount of $1.17 million was returned to the JOA parties, of which CRI's net share is approximately $0.7 million.

Update on COVID-19 and Recent Trends

As COVID-19 continues, CGX has continued with its plan to protect the health and safety of its employees and all stakeholders. The Company's alternative working arrangements for employees to work from home in Canada, Guyana and the USA are still in place as countries continue to take measures to limit or reduce spread of the COVID-19.

The Company continues to monitor the COVID-19 related situation and act in accordance with the advice provided by regulatory authorities in all the countries within which it operates.

Financial markets may continue to be volatile in Canada in 2021, reflecting ongoing concerns about the stability of the global economy in light of the COVID-19 global pandemic. Additionally, the global economy and the energy industry have been deeply impacted by the effects of the COVID-19 pandemic and related governmental actions. The COVID-19 pandemic and its unprecedented consequences have amplified, and may continue to amplify, risks related to the market prices of and supply and demand for oil and gas, currency exchange rates; inflation rates; the availability of goods and services; legislative, regulatory, or policy changes or cyberattacks; the impact of health and safety and other governmental regulations; deterioration of the economic, and social conditions in Guyana; the ability to access the capital markets and market-related risks. Given the uncertainty regarding the duration and scope of the COVID-19 pandemic and its prolonged impact on the global economy and the oil and gas industry, there can be no assurance that the pandemic will not materially and adversely affect the Company's business, financial condition, cash flows, and results of operations in the future. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing and or raising funds. The Company continues to be affected by these trends. Given the uncertainty around the future spread or mitigation of COVID-19, the Company cannot reasonably estimate the impact to its future results of operations, cash flows or financial condition. The risk of a resurgence remains high and its potential impact on oil prices and the global economy could result in an economic downturn that could have a material adverse effect on its operations and financial results, cash flow and financial condition of the Company.

The future performance of the Company will depend on the exploration and development of its properties in Guyana. The Company may have difficulties raising equity for the purpose of carrying out exploration and development activities with respect to its Guyana properties, particularly without excessively diluting present shareholders of the Company. See "Risks and Uncertainties".

Carrying on Business in Guyana

The exploration activities of CGX are currently conducted in Guyana through its subsidiaries.

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

Guyana is divided into three counties (Demerara, Essequibo and Berbice) and 10 administrative regions. Georgetown is the capital city of Guyana, the seat of government, the main commercial center, and the principal port. In addition to Georgetown, Guyana has six towns of administrative and commercial importance which are recognized municipal districts; each has its own mayor, council and civic responsibilities.

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

The Petroleum Regime in Guyana

Under the Guyana Petroleum Act, PAs, and associated PPLs, for petroleum exploration in Guyana are executed by, and subject to the approval of, the Minister Responsible for Petroleum. Within Guyana, subsurface rights for minerals and petroleum are vested in the state. PAs may address the following matters: (i) granting of requisite licences; (ii) conditions to be included in the granting or renewal of such licences; (iii) procedure and manner with respect to the exercise of Ministerial discretion; and (iv) any matter incidental to or connected with the foregoing.

The GGMC is the statutory body responsible for administering PAs and PPLs for petroleum exploration in Guyana. The GGMC has been charged with the responsibility for managing the nation's mineral resources. In order to obtain a PPL, the licensee must:

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

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

CGX's PAs and PPLs

Corentyne PA and PPL

On November 27, 2012, CRI was issued a new PPL and PA for the Corentyne block offshore Guyana. On December 15, 2017, the Company was issued an addendum to the November 27, 2012 PA ("**COR Addendum I**"). Under the terms of the COR 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, 2020 and 2019, the Corentyne PPL and PA is 66.667% owned by CGX Resources. During the year ended December 31, 2019, the CGX Resources received an addendum ("**COR Addendum II**") to the COR Addendum I on the Corentyne PPL as follows:

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 26th November 2020)

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

During the year ended December 31, 2020, the Company received a third addendum ("**COR Addendum III**") whereby the principal agreement has now been modified as follows:

Second Renewal Period, Phase One (27th November 2019 to 26th November 2021)

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

As part of the COR Addendum III during the year ended December 31, 2020, the Company has agreed to amend its 54.96 acres lease on the staging facility to reflect acreage containing no more than 30 acres.

The table below outlines CRI's commitments under the Corentyne PA as of the date of the MD&A:

<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 26, 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>Nov 26, 2021 - 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>

In 2020, CRI submitted its proposed 25% acreage relinquishment which are required by the Corentyne PA to the GGMC and the Ministry of Natural Resources and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Corentyne PA.

Demerara PA and PPL

On February 12, 2013, CRI entered into the Demerara PPL and PA covering 3,975 km^2, the same area of the former Annex PPL, which was a subset of the Company's original Corentyne PA. On December 15, 2017, CRI was issued an addendum to the February 12, 2013 PA (**"DEM Addendum I"**).

Under the terms of the DEM Addendum I, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block.

Subsequent to the year ended December 31, 2020, the Company received an addendum, subject to final documentation, (**"DEM Addendum II"**), whereby the principal agreement has now been modified as follows:

<u>Second Renewal Period, Phase One (12th February 2020 to 11th February 2022)</u>
"During phase one of the second renewal period, the Company shall drill one (1) exploration well."

The table below outlines CRI's commitments under the Demerara PA as of the date of the MD&A:

<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 - 24 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2020 - Feb 11, 2022</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 - 12 Months</td><td>Drill 1 exploration well</td><td>Feb 11, 2022 - 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>

In 2020, CRI submitted its proposed 25% acreage relinquishment which is required by the Demerara PA to the GGMC and Ministry of Natural Resources and is awaiting the agreement from these agencies on the proposed relinquishment and final instruments to formally move into the Second Renewal Period of the PA.

Berbice PA and PPL

On February 12, 2013, ON Energy entered into the Berbice PPL and PA covering 3,295 km^2, the same area as the former Berbice PA issued on October 1, 2003, combined with the onshore portion of the Company's former Corentyne PA. The Berbice PPL is 100% owned by ON Energy, which is owned 62% by CGX. On December 15, 2017, ON Energy was issued an addendum to the February 12, 2013 PA (**"BER Addendum I"**). Under the terms of the BER Addendum I, the Company's work commitments were modified.

Subsequent to the year ended December 31, 2020, the Company received an addendum, subject to final documentation, (**"BER Addendum II"**), whereby the principal agreement has now been modified as follows:

<u>Second Renewal Period, Phase One (12th February 2020 to 11th August, 2022)</u>
"During phase one of the second renewal period, the Company shall complete a seismic program and complete all processing and interpretation so as to inform and lead to the drilling of at least one (1) Exploration Well by the June 15, 2022."

The table below outlines ON Energy's commitments under the Berbice PA as at of the date of the MD&A:

<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 - 30 Months</td><td>Complete seismic program and all associated processing and interpretation and drill 1 exploration well by June 15, 2022</td><td>Feb 12, 2020 - August 12, 2022</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 - 6 Months</td><td>Drill 1 exploration well</td><td>August 12, 2022 - 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>

In 2020, ON Energy submitted its proposed 25% acreage relinquishment which is required by the Berbice PA to the GGMC and Ministry of Natural Resources and is awaiting the agreement from these agencies on the proposed relinquishment and final instruments to formally move into the Second Renewal Period of the PA.

Recent Financings

On December 29, 2020, Frontera Energy Corporation (**"Frontera")** exercised its 15,009,026 warrants received in connection with the February 2019 Offering for proceeds to the Company of $4,864,028 (C$6,228,746), and as a result of this exercise, 15,009,026 common shares of the Company were issued.

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.

On February 1, 2019, the Company began an Offering. Pursuant to the Offering, the Company issued to holders of its outstanding common shares of record as at the close of business on February 11, 2019 an aggregate of 116,102,318 transferable Rights to subscribe for, until March 12, 2019, 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. On March 12, 2019, the Company issued 116,102,318 common shares, the maximum number of common shares available for issuance under the terms of the Offering, based on shareholders' exercise of the basic subscription privilege and the additional subscription privilege, allocated pro-rata, for aggregate gross proceeds to the Company of C$29,025,579 (equivalent of approximately $21,779,530). Frontera provided a Standby Commitment in connection with the Offering, 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.

On February 7, 2019, to pay the required drilling rig minimum obligation fee of $5,340,000 (covering 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, being CRI's share pursuant to the terms of the JV Agreement. The Promissory Note bore interest at a 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 and was netted against the $33.3 million signing bonus on the JV Agreement.

On January 30, 2019, the Company amended its Bridge Loan III with Frontera into 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 matured on September 30, 2019. The $8,800,000 principal amount was convertible at the option of Frontera any time prior to maturity or repayment at a price of $0.22 per share. This conversion option was exercised on September 24, 2019.

GUYANA OPERATIONS

Corentyne PA, Guyana

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

The original Corentyne PA was awarded to CRI in 1998, following which CRI began an active exploration program consisting of an 1,800 km 2D seismic acquisition and preparations to drill the Eagle well. The Eagle drilling location in 2000 was inside of Guyana,15 km from the Guyana-Suriname border. However, a border dispute between Guyana and Suriname led to CRI being forced off the Eagle location before drilling could begin. As a result of that incident, all active offshore exploration in Guyana was suspended by CGX and the other operators in the area. On September 17, 2007, the International Tribunal on the Law of the Sea ("**ITLOS**") awarded a maritime boundary between Guyana and Suriname. In the decision, ITLOS determined that it had the jurisdiction to decide on the merits of the dispute and that the line adopted by ITLOS to delimit the parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration was compulsory and binding. CGX financed a significant portion of Guyana's legal expenses at a cost of $9.8 million. The decision was beneficial for CGX, as it concluded that 93% of CRI's Corentyne PPL would be in Guyana territory.

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

In 2008, CRI was the first company to commit to acquire 3D seismic in Guyana when it acquired a 505 km^2 3D seismic program to enhance its interpretation of its newly defined Eagle Deep prospect, a large stratigraphic trap in the Cretaceous. The cost of the seismic program was approximately $8 million. Processing and interpretation of the 3D seismic was completed in 2009.

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

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

On December 15, 2017, CRI was issued COR Addendum I to the November 27, 2012 PA. Under the terms of the COR Addendum I to the new Corentyne PA beginning November 27, 2017, the Company's work commitments were modified. At the end of the of the first renewal period on or before November 27, 2019, the Company shall relinquish the entire contract area except for any discovery area and the area contained in any PPL or relinquish twenty-five (25%) percent of the contract area and renew the PPL for a second period of three (3) years. CRI relinquished 25% of the area of the Corentyne PPL as a result of entering into COR Addendum I, resulting in a reduction of acreage to 4,709 km^2.

On January 30, 2019, CRI and Frontera Energy Guyana Corp ("**FEGC**') executed Joint Operating Agreements ("**JOAs**") providing for FEGC to acquire a 33.333% interest in CRI's Corentyne and Demerara PPLs and PAs, in exchange for a $33,333,000 signing bonus. FEGC agreed to pay one-third of the applicable costs plus an additional 8.333% of CRI'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 PA and (ii) $40,000,000 for drilling the first exploratory well under the Demerara PA. On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara PPL and PA were completed. The transfers are effective May 20, 2019.

In August 2019, CRI was issued COR Addendum II to the November 27, 2012 PA. Under the terms COR Addendum II to the new Corentyne PA beginning November 27, 2017, the work commitments were modified where by the order of its next two commitments under the new Corentyne PA were reversed.

Commencing in October 2019, a 3D seismic survey of 582 km^2 was shot on the northern portion of the Corentyne PPL to image an area not previously covered by 3D seismic data adjacent to the recent Pluma and Haimara discoveries on the Stabroek block.

On November 26, 2020, CRI received COR Addendum III whereby the principal agreement has now been modified as follows:

<u>Second Renewal Period, Phase One (27th November 2019 to 26th November 2021)</u>
"During phase one of the second renewal period, the Company shall drill one (1) exploration well."

CRI contracted McDaniel and Associates Consultants Ltd. to complete an independent resource report on September 10, 2020. The resource estimates were prepared in accordance with the resource definitions and standards set out in the NI 51-101 and the COGEH. The report was completed on October 21, 2020. In the McDaniel Report, Net Unrisked Mean of Prospective Resources for 27 oil and gas prospects within the Corentyne PA are 4,418 Mboe and the Net Unrisked Mean of Prospective Resources for 5 oil and gas prospects within the Demerara PA are 522 Mboe.

In 2020, CRI submitted its proposed 25% acreage relinquishment which are required by the Corentyne PA to the GGMC and the Ministry of Natural Resources and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Corentyne PA.

Berbice PA, Guyana

In 2003, CGX, through its 62% owned subsidiary ON Energy, applied for and was granted the Berbice PPL and PA consisting of approximately 1,566.2 km^2 adjacent to the Corentyne onshore PPL. On the two onshore PPLs, ON Energy completed aeromag re-interpretation, a geochemical sampling program and a 2D seismic program, to fulfill the minimum work obligations, plus drilled three exploration wells which were assessed to be dry-holes.

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

On December 15, 2017, the Company was issued BER Addendum I to the February 12, 2013 PA. Under the terms of the new Berbice PA, during phase two of the first renewal period beginning on August 12, 2018, the Company will (a) complete a geochemical survey of a minimum 120 sq km and (b) commence a seismic program defined by the geochemical survey. In 2018, the Company contracted Exploration Technologies Inc., a Houston, Texas based geochemical survey company, to conduct a geochemical survey on its Berbice PPL, onshore Guyana. The field survey started on October 27, 2018 and was completed on November 4, 2018. A total of 317 sample points and 49 blanks were taken. The survey covered a total area of approximately 391 km^2. This satisfied part (a) of phase 2 of the first renewal period commitment to complete a geochemical survey of a minimum of 120 km^2.

On February 12, 2021, the Company received BER Addendum II, subject to final documentation, whereby the principal agreement has now been modified as follows:

<u>Second Renewal Period, Phase One (12th February 2020 to 11th August, 2022)</u>
"During phase one of the second renewal renewal period, the Company shall complete a seismic program and complete all processing and interpretation so as to inform and lead to the drilling of at least one (1) Exploration Well by the June 15, 2022."

ON Energy has submitted its proposed 25% acreage relinquishment which is required by the Berbice PA to the GGMC and Ministry of Natural Resources and is awaiting the agreement from these agencies on the proposed relinquishment and final instruments to formally move into the Second Renewal Period of the PA.

Demerara PA, Guyana

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

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

On December 15, 2017, CRI was issued Dem Addendum I to the February 12, 2013 PA. Under the terms of Dem Addendum I to the Demerara PA, during phase two of the first renewal period commencing February 12, 2018, the Company will be required to complete any additional processing and planning, and secure all regulatory approvals for the drilling of first exploration well. At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire contract area except for any discovery area and the area contained in any PPL or relinquish twenty-five (25%) percent of the contract area and renew the PPL for a second period of three (3) years. CRI relinquished 25% of the area of the Demerara PPL as a result of entering into Demerara Addendum I, resulting in a reduction of acreage to 3,001 km^2.

On January 30, 2019, CRI and FEGC executed the JOAs providing for FEGC to acquire a 33.333% interest in CRI's Corentyne and Demerara PPLs and PAs, in exchange for a $33,333,000 signing bonus. FEGC agreed to pay one-third of the applicable costs plus an additional 8.333% of CRI'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 PA and (ii) $40,000,000 for drilling the first exploratory well under the Demerara PA. On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara PPL were completed. The transfers are effective May 20, 2019.

On February 12, 2021, CRI received Dem Addendum II, subject to final documentation, whereby the principal agreement has now been modified as follows:

Second Renewal Period, Phase One (12th February 2020 to 11th February 2022)

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

In 2020, CRI submitted its proposed 25% acreage relinquishment which is required by the Demerara PA to the GGMC and Ministry of Natural Resources and is awaiting the agreement from these agencies on the proposed relinquishment and final instruments to formally move into the Second Renewal Period of the PA.

Contractual Commitments

Further details of the Company's contractual commitments are included in the audited consolidated financial statements for the years ended December 31, 2020 and 2019.

Deep Water Port Facility and Logistics Yard, Guyana

Deep Water Port Facility

CRI acquired a 50 year lease in 2010 (the "**Lease"**), renewable for an additional term of 50 years, of approximately 55 acres of land situated close to the mouth of the Berbice River on its eastern bank (the **"Leased Land"**). On November 26, 2020, the Company agreed to amend the Lease to reflect acreage containing no more than 30 acres as part of overall negotiations on COR Addendum III. The relinquishment did not affect Grand Canal's plans for the development of its deep water harbor project.

The lease was originally acquired in 2010 by CRI and was transferred in 2012 to Grand Canal. Grand Canal plans to build a deep water port on the Leased Land (the **"Port"**). Grand Canal believes that the Leased Land is the most strategic for a deep water port facility servicing the oil and gas and agricultural industries in Guyana and that the port will benefit from its proximity to the oil and gas industry in Guyana and Suriname. The Port, which is located adjacent to Crab Island on the Eastern Bank of the Berbice River, is 4.8 km from the Atlantic Ocean.

Grand Canal expects that the Port will significantly boost local content engagement in the oil and gas sector and add enhanced logistics capacity for import and export, including expandable capacity to accommodate the possibility of increased product flow to and from the southern states of Brazil. Due to its location close to Suriname, the Port's oil and gas support functions will also help to serve the rapidly growing offshore exploration and development activities in that country's oil and gas sector. The Port will also add significant capacity to the agricultural sector, supporting rice, sugar, agro-processing and agricultural materials.

Grand Canal has performed various developmental works on the site, including the installation of vertical drains and geotechnical treatment of the land, the building of access roads and the construction of bridges. Grand Canal has updated engineering designs and is in the bidding process to start civil works in the second quarter of 2021.

The project, with current estimates for a fully developed port involving investment in the range of US$130MM, targets full operation of the oil and gas support base in early 2022 and full operation of the cargo terminal aspects of the port in 2023.

For the year ended December 31, 2020, Grand Canal incurred additions of $1,182,228 (2019 – $70,704) with respect to expenditures to the Port. The funds spent in the current period were $372,904.

Logistics yard

CRI owns a 16 acre plot of land which is accessible to the Deep Water Port site detailed above via approximately 4.5 km of roadway, 3.2 km of which was built and will be renovated including a new bridge in 2021 by Grand Canal. The plot of land has been developed by CRI as a functional, fenced logistics yard, with compacted soil, installation of geotextiles and coverage with gravel and other foundational material. The Logistics Yard is functional and will service the Port until its functions are relocated to the Port a later date.

For the year ended December 31, 2020, CRI incurred additions of $Nil (2019 – $199) with respect to expenditures on the logistics yard.

Social Corporate Responsibility

The Company is committed to meeting the highest standards of Environmental, Social and Governance ("**ESG**") practices across all aspects of the business. In the countries it operates in, CGX is dedicated to promoting sustainable growth as well as support to local communities in Guyana. CGX has begun implementing early-stage social responsibility programs focused on education in Guyana. The Company firmly believes that by providing the younger generation with the valuable skills and education tools needed to succeed, the whole country will benefit from growth and prosperity. CGX's primary ESG goal is to contribute to a sustainable future Guyana. As the petroleum sector continues to develop and thrive, the country will inevitably benefit from the creation of new jobs, economic growth, infrastructure development and education. Within this context, CGX will continue to demonstrate its support and participation through proactive social and corporate responsibility.

RESULTS OF OPERATIONS

Three month period ended December 31, 2020

The Company recorded a net loss of $1,315,855 or $0.00 a share for the three month period ended December 31, 2020, compared with net income of $868,510 or $0.00 a share for the same period in 2019. The differences in the period are as follows:

CGX incurred a foreign exchange gain of $138,520 for the three month period ended December 31, 2020, compared to a gain of $144,496 for the same period in 2019. The difference is due to the changes in the foreign exchange rates from the beginning of the quarter to the end of the quarter on the cash held in Canadian dollars as the Canadian dollar strengthened significantly against the US dollar during the three month periods ended December 31, 2020 and 2019. The exchange rate for Canadian dollars to US dollars at December 31, 2020 was $0.7854 ($0.7699 at December 31, 2019) and $0.7497 at September 31, 2020 ($0.7551 at September 30, 2019).

General and administrative costs decreased by $317,885 to $210,910 in the three month period ended December 31, 2020 from $528,795 for the same period in 2019. These costs decreased primarily as a result of reductions in donations of $250,838. This reduction is donations is due to timing of donation commitments. In December 2019, the Company made a $350,000 donation that will now be made in early 2021.

The Company earned indirect charges from its Joint Venture Partner during the three month period ended December 31, 2020 of $120,811, compared to $348,621 for the same period in 2019. As Operator of the Corentyne and Demerara PPLs starting in 2019, the Company charges the Joint Account to reimburse its indirect costs representing the cost of general assistance and support services provided by the Operator and its Affiliates to the Corentyne and Demerara PAs. The charges are based on total expenditures under the JOAs, with a minimum annual assessment of $200,000 per licence ($166,667 net to CGX).

The Company incurred stock-based compensation during the three month period ended December 31, 2020 of $265,001 compared to $1,565,000 for the same period in 2019. Stock-based compensation expenses are recorded based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and/or vested in the period and the underlying assumptions used in the model.

CGX incurred a loss on revaluation of warrant liability of $441,000 (2019 – gain of $3,052,000) for the three month period ended December 31, 2020. The warrants are recorded as a derivative liability for accounting purposes due to their exercise price being denominated in a currency other than CGX's US dollar functional currency. Warranty liability is booked based on the valuation of warrants using the Black-Scholes model. The liability varies mainly based on the number of warrants outstanding in the period, the current price of CGX's common shares, the volatility used in the calculation, the expected remaining life and the remaining underlying assumptions used in the model. Increases or decreases in the value of the warrant liability result in a gain or loss on revaluation of warrant liability.

Year ended December 31, 2020

The Company recorded net loss of $5,496,380 or $0.02 a share for the year ended December 31, 2020, compared with net income $9,232,445 or $0.04 a share for the year ended December 31, 2019. The differences in the period are as follows:

CGX incurred a foreign exchange gain of $20,819 for the year ended December 31, 2020, compared to a gain of $71,220 for the same period in 2019. The difference is due to the lower balances held in Canadian dollars during 2020 compared to 2019 as the Canadian dollar strengthened slightly against the US dollar during the years ended December 31, 2020 and 2019. The exchange rate for Canadian dollars to US dollars at December 31, 2020 was $0.7854 ($0.7699 at December 31, 2019).

General and administrative costs decreased by $539,720 to $586,047 in the year ended December 31, 2020 from $1,125,767 for the same period in 2019. The reduction in general and administrative costs relates to a one-time payment received of $250,000 from a third party to cover reimbursement of costs incurred for storage of property since 2011 and reductions in donations of $354,084 due to timing of donation commitments.

Interest expense decreased by $1,135,572 to $568,896 in the year ended December 31, 2020 from $1,704,468 for the same period in 2019. The interest cost decreased from prior year due to lower balances on related party loans and trade and other payables as a result of the settlement in March 2019 of approximately $18 million with Japan Drilling Co, Ltd and the repayments or conversion of all the Frontera loans during the second and third quarter in 2019. Interest expense in 2020 is related to the agreement with Prospector (see **Contingencies, Contractual Obligations, Guarantees and Commitments**). This expense is expected to be consistent in the coming year.

Professional fees for the year ended December 31, 2020 were $439,043 compared to $176,983 in the same period in 2019. These fees were higher primarily due to higher legal fees relating to ON Energy, license renewals and general corporate matters in 2020.

Management and consulting fees were comparable, decreasing by $74,527 to $1,608,904 during the year ended December 31, 2020 compared to $1,683,431 for the same period in 2019. These costs are expected to be consistent in the coming year.

The Company earned indirect charges from its Joint Venture Partner during the year ended December 31, 2020 of $133,333 compared to $348,621 for the same period in 2019. As Operator of the Corentyne and Demerara PPLs starting in 2019, the Company charges the Joint Account to reimburse its indirect costs representing the cost of general assistance and support services provided by the Operator and its Affiliates to the Corentyne and Demerara PAs. The charges are based on total expenditures under the JOAs, with a minimum annual assessment of $200,000 ($166,667 net to CGX). These fees are expected to increase in the coming year as a result of expected exploration on the Corentyne and Demerara licences in 2021.

The Company incurred stock-based compensation during year ended December 31, 2020 of $2,793,001 compared to $1,565,000 for the same period in 2019. Stock-based compensation expenses are recorded based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and/or vested in the period and the underlying assumptions used in the model.

CGX incurred a gain on revaluation of warrant liability of $400,000 (2019 – loss of $2,477,000) for the year ended December 31, 2020. The warrants are recorded as a derivative liability for accounting purposes due to their exercise price being denominated in a currency other than CGX's US dollar functional currency. Warrant liability is booked based on the valuation of warrants using the Black-Scholes model. The liability varies mainly based on the number of warrants outstanding in the period, the current price of CGX's common shares, the volatility used in the calculation, the expected remaining life and the remaining underlying assumptions used in the model. Increases or decreases in the value of the warrant liability result in a gain or loss on revaluation of warrant liability. This revaluation is not expected to occur again in 2021.

Selected Consolidated Annual Financial Information

The information below should be read in conjunction with the financial statements for the years ended December 31, 2020, 2019 and 2018 and related notes and other financial information.

Year ended December 31,	**2020**	2019	2018
	$	$	$
Net Income (Loss)	**(5,496,380)**	9,232,445	(6,056,361)
Basic and Diluted Income (Loss) Per Share	**(0.02)**	0.04	(0.05)
Total Assets	**39,176,513**	39,932,830	38,465,386
Liabilities	**14,580,589**	21,833,555	59,315,007

Results for the three months ended:

	December 31, 2020	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
	$	$	$	$
Net Income (Loss)	(1,315,855)	(1,457,940)	(2,785,246)	62,661
Basic and Diluted Income (Loss) Per Share	(0.00)	(0.01)	(0.01)	0.00
	December 31, 2019	**September 30, 2019**	**June 30, 2019**	**March 31, 2019**
	$	$	$	$
Net Loss	868,510	(4,755,299)	4,368,848	8,750,386
Basic and Diluted Loss Per Share	0.00	(0.02)	0.02	0.06

CAPITAL RESOURCES, CAPITAL EXPENDITURES AND LIQUIDITY

As at December 31, 2020, the Company's working capital deficiency decreased to $2,388,378 compared to $5,824,100 as at December 31, 2019. In order to meet its short-term and longer-term working capital and property exploration expenditures, the Company must secure further financing through a joint venture, property sale or issuance of equity to ensure that its obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. Please refer to "Going Concern Uncertainty and Management's Plans" for further details.

PROPOSED TRANSACTIONS

None

Going Concern Uncertainty and Management's Plans

The audited consolidated financial statements for the years ended December 31, 2020 and 2019 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has a history of operating losses and as at December 31, 2020 had a working capital deficiency of $2,388,378 (2019 - $5,824,100) and an accumulated deficit of $297,856,008 (2019 - $292,359,628). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity, debt instruments, sale of Company assets, obtaining payments associated with a joint venture farm-out, or otherwise. Given the Company's capital commitment requirements under the Company's PPLs outlined in Note 9 to the consolidated financial statements, the Company will not have sufficient cash flow to meet its operating requirements for the 12 month period from the balance sheet date. While the Company has been successful in meeting its working capital requirements in the past, believes in the viability of its strategy and that the actions presently being taken will 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.

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.

The Board approves all related party transactions prior to implementation, engages independent legal counsel, as needed, and meets to deliberate. The Board also reviews the business rationale for any proposed related party transaction and ensures that the transaction is in compliance with applicable securities laws.

The related party transactions listed below were in the normal course of operations and were measured at the exchange amount, which are the amounts of consideration established and agreed to by the related parties.

As at December 31, 2020, Frontera owned approximately 73.85% of the common shares of the Company. Frontera currently holds 212,392,155 common shares of the issued and outstanding shares in the capital of the Company on a non-diluted basis as of March 18, 2021.

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 activity on the C$ Bridge Loan from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning of year	**$ -**	$ 6,746,322
Loss (gain) on foreign exchange	**-**	80,435
Accrued interest on loan from related party	**-**	136,745
Settled against signing bonus under JOAs	**-**	(6,963,502)
Total loan from related party	**$ -**	$ -

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 activity on the Bridge Loan I from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning of year	**$ -**	$ 2,332,009
Accrued interest on loan from related party	**-**	41,371
Settled against signing bonus under JOAs	**-**	(2,373,380)
Total loan from related party	**$ -**	**$ -**

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 activity on the Bridge Loan II from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	2020	2019
Opening balance at beginning of year	$ -	$ 2,168,366
Accrued interest on loan from related party	-	39,609
Settled against signing bonus under JOAs	-	(2,207,975)
Total loan from related party	**$ -**	**$ -**

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 any time 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 activity on the Bridge Loan III from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	2020	2019
Opening balance at beginning year	$ -	$ 11,302,528
Loan from related party	-	961,763
Trade and other payables and accrued interest added to loan from related party	-	712,620
Conversion component of convertible debentures	-	(169,000)
Interest accretion	-	169,000
Accrued interest on loan from related party	-	539,355
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)
Total loan from related party	**$ -**	$ -

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.

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 activity on the Debenture from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	2020	2019
Opening balance at beginning of year	$ -	$ 1,747,618
Accrued interest on loan from related party	-	32,542
Settled against signing bonus under JOAs	-	(1,780,160)
Total Debenture from related party	**$ -**	$ -

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, 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 – CRI, GCIE and GGMC. In addition, during the year ended December 31, 2017, GCIE and CGMC signed a guarantee with Frontera for the Bridge Loan III.

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

- 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).

- 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.

- On December 29, 2020, Frontera exercised all the 15,009,026 warrants for proceeds to the Company of $4,864,028 (C$6,228,746), and as a result of this exercise, 15,009,026 common shares of the Company were issued.

Farm in partner over/under call

Under the JOAs, the Company is operator on both the Corentyne and Demerara licences. As operator, the Company makes cash calls from its partner to pay for future licence expenditures. As at December 31, 2020, the Company had a receivable of $149,306 (2019 - $1,701,409 advance) for future exploration on the Corentyne and Demerara licences.

In addition, as operator of the Corentyne and Demerara 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, 2020, the Company received fees from its farm in partner of $133,333 (2019 - $348,621).

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,	**2020**	2019
Short-term employee benefits	**$ 1,475,000**	$ 2,015,000
Share based payments	**2,240,000**	1,113,000
Total compensation paid to key management	**$ 3,715,000**	$ 3,128,000

At December 31, 2020, included in trade and other payables is $246,000 (2019 - $112,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand.

CONTINGENCIES, CONTRACTUAL OBLIGATIONS, GUARANTEES AND COMMITMENTS

In the normal course of business, the Company and its subsidiaries have entered into arrangements and incurred obligations that will affect the Company's future operations and liquidity. These commitments primarily relate to work commitments including seismic and drilling activities under the terms of the PPLs. The Company has discretion regarding the timing of capital spending for work commitments, provided that the work is completed within the periods specified in the PPLs or CRI can negotiate extensions of such periods. Details of these commitments and obligations are discussed above under each of the respective PAs. See notes 8, 9, 10, and 18 to the consolidated financial statements for the years ended December 31, 2020 and 2019 for a complete listing of commitments.

ON Energy

On May 20, 2019, the GGMC informed ON Energy that in accordance with Section (11), Section 15 (2) and 15(2A) of the *Anti-Money Laundering and Countering the Financing of Terrorism Act* Chapter 10:11 of the Laws of Guyana, all transactions between the GGMC and ON Energy must cease until and unless information of the ownership of GGC Resources Inc. is provided to the Guyana Securities Council ("**GSC**"). GGC Resources holds 30% of the issued and outstanding shares of ON Energy. The GSC had made prior requests from ON Energy for details on the directors and ownership of GGC Resources. CGX and ON Energy have confirmed previously to the GSC information that was readily available to both entities. However, the matter had not been resolved as at December 31, 2019 as the information was not deemed adequate by the GSC.

As result, on January 22, 2020, ON Energy applied the High Court of the Supreme Court of Judicature of Guyana (the "**Court**") to convene a meeting of the holders of the ordinary shares of ON Energy. The application to the Court for an order that such meetings be convened was done pursuant to Section 217 of the *Companies Act*, Cap. 89:01. ON Energy proposed to present to holders of ordinary shares at the Court-ordered meeting a plan to address the shareholding of GGC Resources Inc. to satisfy the requirements of the GGMC and GSC.

On February 28, 2020, the High Court of the Supreme Court of Judicature of Guyana granted the order for ON Energy to convene the meeting of the holders of the ordinary shares of ON Energy.

As per the order granted, a meeting of shareholders of ON Energy was held on May 14, 2020. At this meeting, the shareholders of ON Energy resolved that the issued share capital be reduced from 211,920,000 ordinary shares to 148,110,000 ordinary shares by cancelling the 63,810,000 ordinary shares of ON Energy registered in the name of GGC Resources for a sum equal to the fair value of such shares, which would be deposited into the Account.

On May 20, 2020, an application for court approval of the scheme of arrangement and the cancellation of the ordinary shares of ON Energy held by GGC Resources was made. The matter was heard before the Honourable Justice F. Holder on May 20, 2020, June 30, 2020, August 6, 2020, and September 10, 2020 with his decision reserved. ON Energy is still waiting for the judge's decision, and there is no fixed date as to when that may occur.

Prospector

In July 2018, Prospector filed a request for arbitration against CGX and CRI in the International Chamber of Commerce ('**ICC**") for repayment of the debt accrued under Seismic Acquisition contract dated September 2014 (and the addendum thereto) for the acquisition of 3D seismic data over a 3,116.74 km^2 area in the Demerara Block. Prospector requested that the International Court of Arbitration of the ICC constitute the arbitral tribunal and requested that the tribunal award to Prospector the relief of (i) the amount $12,420,442 being the amount Prospector alleged it was owed as at May 1, 2018, (ii) any interest that will continue to accrue from May 1, 2018 until the date of the award in the amount of 6% per annum based on the Deed of Addendum 1 Agreement (the "**Addendum**") between CGX Energy and Prospector dated October 3, 2016, (iii) post- award interest in the amount of 6% per annum until payment as per the Addendum, and (iv) cost and reasonable and necessary attorney's fees incurred by Prospector in bringing forward the arbitration (the "**Arbitration**"). It was subsequently agreed that the Tribunal had no jurisdiction over CRI.

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

On January 23, 2021, Prospector formally provided notice of the end of the suspension and recommencement of the arbitration. The Company plans on bringing a significant counterclaim for breaches of contract. The hearing is scheduled to be held late first quarter 2022 and the award will follow thereafter. If the Company is not successful in defending the claim, and the counterclaim fails, then the Company may be liable for the sums sought, and, possibly, costs. See Note 9 to the consolidated financial statements for the years ended December 31, 2020 and 2019 for further information.

DIVIDENDS

The Company has neither declared nor paid any dividends on its common shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its common shares in the foreseeable future.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following table sets forth information concerning the outstanding securities of the Company as at March 18, 2021:

Share Capital	**Number**
Shares	287,588,662
Options	14,760,000

See notes 13 and 19 to the consolidated financial statements for the years ended December 31, 2020 and 2019 for more detailed disclosure of outstanding share data.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As at December 31,	2020	2019
	($)	($)
Exploration and evaluation expenditures:		
Capitalized exploration costs (cumulative)	**18,624,779**	16,737,403
Total Assets	**39,176,513**	39,932,830

For the years ended December 31,	2020	2019
	($)	($)
Land & lease costs	**316,653**	450,000
Exploration: Intangible, drilling and other	**(57,754)**	7,167,168
Geophysical and administrative	**1,628,477**	6,588,636
Exploration and evaluation expenditures net additions for the year	**1,887,376**	14,205,804

Corporate Expenses for the years ended December 31,	2020	2019
	($)	($)
General and administrative	**586,047**	1,125,767
Interest expense	**568,896**	1,704,468
Management and consulting	**1,608,904**	1,683,431
Professional fees	**439,043**	176,983
Shareholders' information	**54,641**	53,609
Share based payments	**2,793,001**	1,565,000
Foreign exchange (gain)	**(20,819)**	(71,220)
	6,029,713	6,238,038

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

The Company has no off-statement of financial position arrangements.

RISKS AND UNCERTAINTIES

This section discusses risk and uncertainties of CGX, the parent company and all its subsidiaries. “CGX” and “the Company” or “the Corporation” in this section is therefore used in the context to the overall operations of the Parent and all subsidiaries.

Overview

The business of the Company consists of oil and gas exploration in Guyana, South America. There are a number of inherent risks associated with oil and gas exploration and development, as well as local, national and international economic and political conditions that may affect the success of CGX which are beyond CGX’s control, particularly since its operations are located in a foreign country. Many of these factors involve a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome.

CGX has prioritized these risk factors. Readers are cautioned that this categorization is a subjective view of the Company and the categorization of these risk factors could change because of future events.

If any of the following risks materialize into actual events or circumstances or other possible additional risks and uncertainties of which the Company is currently unaware, or which it considers not to be material in relation to the Company’s business, actually occur, the Company’s assets, liabilities, financial condition, results of operations (including future results of operations), business and business prospects, are likely to be materially and adversely affected. In such circumstances, the price of the Company’s securities could decline and investors may lose all or part of their investment.

Nature of Business and Stage of Development

An investment in CGX is subject to certain risks related to the nature of CGX's business and its early stage of development. There are numerous factors which may affect the success of CGX's business which are beyond CGX's control including local, national and international economic and political conditions. CGX's business involves a high degree of risk, which even a combination of experience, knowledge, and careful evaluation may not overcome. CGX's operations in Guyana have exposed CGX to risks that may not exist in domestic operations such as political, regulatory, contractual and currency risks. CGX has a limited history of operations and there can be no assurance that CGX's business will be successful or profitable or that commercial quantities of oil and/or natural gas will be discovered by CGX.

Going Concern

Given the uncertainty associated with the nature of offshore drilling activities, the cost associated with such activities and the Corporation's ability to obtain financing, the Corporation may not have sufficient cash flow to meet its operating requirements for a minimum of one year. The ability of the Corporation to continue as a going concern is dependent on securing additional financing, either through issuing additional equity and/or payments associated with a joint venture farm-out in the near future. There can be no assurance that the Corporation will be successful in obtaining the required financing as and when needed. The audited consolidated financial statements of CGX for the year ended December 31, 2020, which are filed on SEDAR, have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The going concern basis of presentation assumes that CGX will continue in operation for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. Should CGX be unable to continue as a going concern, realization of assets and settlement of liabilities other than in the normal course of business may be at amounts significantly different from those in the financial statements and could cause the Corporation to reduce or terminate its proposed operations and cause the loss of some or all of the value of an investment in the Common Shares. **While the Corporation believes in the viability of its strategy and, in its ability to raise additional funds, there can be no assurances to that effect.**

Financing

The Corporation's future capital requirements on its existing assets exceed existing cash resources, which will require CGX to raise additional financing. The ability of CGX to arrange financing in the future will depend in part upon the prevailing capital market conditions, risks associated with international operations, as well as the business performance of CGX. This in turn could limit growth prospects in the short term or may require CGX to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, poor drilling results, or economic or political dislocation in foreign countries. There can be no assurance that CGX will be successful in its efforts to arrange additional financing on terms satisfactory to CGX. This may be further complicated by the limited market liquidity for shares of smaller companies, such as CGX, which restricts access to investments by some institutional investors. If additional financing is raised by the issuance of shares from the treasury of CGX, control of CGX may change or be consolidated and/or shareholders may suffer additional dilution.

From time to time, CGX may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase CGX's debt levels above industry standards.

COVID-19

In March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The spread of COVID-19 has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. As there are many variables and uncertainties regarding the COVID-19 pandemic it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Company's financial condition and operations. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that affect the application of accounting policies.

The risk of a resurgence remains high and could result in continued fluctuations in the price of oil and natural gas products. The extent to which such events impact the Company's business and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with any degree of confidence. Such events have had and could continue to have a material adverse effect on the Company's business and financial condition. Even after the COVID-19 pandemic has subsided, the Company may continue to experience materially adverse impacts to its business as a result of the pandemic's global economic impact

Exploration Risk

An investment in CGX is subject to certain risks related to the nature of CGX's business as an oil and gas exploration company. Petroleum exploration involves a high degree of risk and there is no assurance that expenditures made on exploration activities by CGX will result in the discoveries that are commercially or economically feasible or ultimately in production of hydrocarbons.

There is also no assurance that the Company will discover commercial quantities of oil and natural gas. Oil and natural gas exploration may involve unsuccessful efforts from dry wells or wells that are not economic for development and production. Completion of a well does not ensure a profit on the investment or recovery of drilling, completion and operating costs. The Company is exposed to a high level of exploration risk. The business of exploring for, developing or acquiring reserves is capital-intensive and is subject to numerous estimates and interpretations of geological and geophysical data. There can be no assurance the Company's exploration will result in proved reserves.

Drilling Risks and Other Operating Risks

CGX's operations are subject to all the operational risks inherent to offshore exploration and development of hydrocarbons and the drilling of wells, including, unsatisfactory performance of service providers engaged to carry out operations required for the drilling and analysis of wells, natural disasters, encountering unexpected formations or pressures, premature declines of reservoirs, invasion of water into producing formations, formations with abnormal pressures, mechanical problems with equipment, potential for substantial environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to the property of CGX and others. In accordance with industry practice, CGX has normal and customary insurance coverage to address certain of these risks; however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation may incur significant costs. Additionally, such insurance may not be available in the future, may be price-prohibitive or contain limitations on liability that may not be sufficient to cover the full extent of such liabilities. There can be no assurance that CGX will be able to obtain the insurance coverage that it believes is appropriate. In addition, the risks to which CGX's operations are subject may not in all circumstances be insurable or, in certain circumstances, CGX may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to CGX for other purposes. CGX obtains insurance for its operations that it believes are appropriate for each specific activity, however, there can be no assurance that proceeds from such insurance will be sufficient to cover CGX's related losses.

The occurrence of a significant event that CGX is not fully insured against, or the non-payment by the insurer in connection with such event, could have a material adverse effect on CGX's financial position and/or its results of operations.

Offshore Operations

CGX is actively exploring for hydrocarbons off the coast of Guyana. Offshore operations involve a higher degree of risk than onshore operations due to the remoteness. Oil and natural gas exploration involve many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Fires and explosions on drilling rigs and other offshore platforms are more likely to result in personal injury, loss of life and damage to property due to the remote locations and time required for rescue personnel to get to the location. Blow-outs and spills are more likely to result in significant environmental damage to the marine environment and can be difficult to contain and difficult and expensive to remediate. There can be no assurance that these risks can be avoided. The occurrence of any of these events may have a materially adverse effect on the Corporation.

Seismic Data and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond the control of the Corporation. When properly used and interpreted, seismic data and visualization techniques are important tools used to assist geoscientists in identifying sub-surface structures and indicators of hydrocarbons; however, these data do not allow the Corporation to know whether the hydrocarbons are present in the structures. Estimates of resources depend largely upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign resource volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate resources discovered by the Corporation may be significantly less than its estimates.

There is also no guarantee that the Prospective Resources attributed to each of the Corporation’s PPLs will be discovered or become commercially viable. The Corporation's drilling activities may not be successful or may not be economically viable which may have a material adverse effect on the price of the Corporation's securities.

Reserves and Prospective Resources involve different risks associated with achieving commerciality. To be classified as reserves, estimated recoverable quantities must be associated with a project that has demonstrated commercial viability. In estimating reserves, proved reserves can be estimated with a high degree of certainty to be recoverable, while Prospective Resources are only potentially recoverable. For Prospective Resources, the chance of commerciality will be the product of the chance that a project will result in the discovery of petroleum multiplied by the chance that an accumulation will be commercially developed. By definition, reserves are commercially (and hence economically) recoverable. There is no guarantee that the Prospective Resources attributed to each of the Corporation’s PPLs will be discovered, converted into reserves or become commercially viable.

Significant Capital Investments and Expenses

The oil and gas exploration and production industry is capital intensive and as accordingly the Corporation expects to have substantial expenditures as it continues to fulfill its commitments and explore for petroleum reserves. CGX has financed its prior exploration activities with funds obtained from offerings of securities completed in 2010 through 2014 as well as the Bridge Loan. CGX continues to explore financing mechanisms to allow the Corporation to meet future work commitments and to allow it to fully explore its existing petroleum prospecting licenses.

CGX's future cash flow for operations and financing is subject to a number of variables, including among others: (i) the Corporation's ability to locate or acquire reserves; (ii) the Corporation's ability to extract oil from such reserves; (iii) the ability to secure additional joint venture partners (iv) current financial market conditions and available liquidity in markets in which Common Shares are traded (see the "Financing" risk factor above); and (v) the prices for which any produced oil is sold.

Regulatory

Petroleum operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time such as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of petroleum and many other aspects of the petroleum business. CGX's operations may require licences and permits from various governmental authorities. There can be no assurance CGX will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its projects. It is not expected that any of these controls or regulations will affect the operations of CGX in a manner materially different than they would affect other petroleum companies of similar size.

Environmental Regulation and Risks

Extensive national, state and local environmental laws and regulations in foreign jurisdictions affect nearly all of the operations of CGX. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that CGX will not incur substantial financial obligations in connection with environmental compliance and that the cost of such compliance will not have a material adverse effect on CGX.

Significant liability could be imposed on CGX for damages, cleanup costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by CGX or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on CGX. Moreover, CGX cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by CGX for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on CGX.

Environmental Protection

All phases of CGX's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

In particular, CGX is subject to the Environmental Protection Act (Guyana) which provides for the management, conservation, protection and improvement of the environment, the prevention/control of pollution, the assessment of the impact of economic development on the environment and the sustainable use of natural resources and the matters incidental thereto or connected therewith. This legislation also mandates the creation of the Guyana Environmental Protection Agency (the "EPA") to implement compliance with the Environmental Protection Act (Guyana).

The Environmental Protection Act (Guyana) establishes a wide range of sanctions and penalties, both criminal and civil, for violations of the provisions of the Environmental Protection Act (Guyana). These sanctions and penalties include, but are not limited to:

- varying monetary fines or imprisonment depending on the gravity of the offence (if the offender has been convicted of an offence under the Environmental Protection Act (Guyana) and has benefited monetarily from the violation, a court may order a fine in an amount equal to the court's estimation of the amount of monetary benefits notwithstanding the maximum fine that may be imposed. To expedite settlement, authorized officers of the EPA, may by notice, offer the option of discharging liabilities in consideration of the offender making immediate payment to the EPA equal to two-thirds of the minimum penalty prescribed within 28 days of the date of the notice sent by the officer);
- suspension, cancellation or revocation of a permit or authorization;
- order to cease (or make no changes to) construction, operation, or other activities;
- prohibition notices (similar to an injunction);
- enforcement notices;
- mandating actions to prevent, ameliorate, correct, mitigate, restore or otherwise address environmental harm within a specified time;
- community service;
- order compensation to aggrieved persons; and
- injunctions (upon application to the High Court of Guyana).

To date, applicable environmental legislation has had no material financial or operational effects upon the operations of CGX.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to the potential impact of climate change, such as regulation relating to emission levels. If the current regulatory trend continues, this may result in increased cost at some of CGX's operations. In addition, the physical effect of climate change, such as extreme weather conditions, natural disasters, resource shortages, changing sea levels and changing temperatures, could have an adverse financial impact on operations located in the regions where these conditions occur.

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.

Litigation

In the normal course of the Corporation operations, it may become involved in, named as a party to, or be the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions. The outcome of outstanding, pending or future proceedings cannot be predicted with certainty and may be determined adversely to the Corporation and, as a result, could have a material adverse effect on the Corporation's assets, liabilities, business, financial condition and results of operations. Even if the Corporation prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from business operations, which could have an adverse affect on the Corporation's financial condition.

Availability of Equipment

Petroleum exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for a rig suitable for the contemplated drilling activities of the Corporation or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Industry Conditions

The marketability and price of oil and natural gas which may be acquired or discovered by CGX will be affected by numerous factors beyond the control of CGX. The ability of CGX to market any oil or natural gas discovered by it may depend upon its ability to access third party transportation, processing facilities and acquiring space on pipelines which deliver oil and natural gas to commercial markets. CGX is also subject to market fluctuations in the prices of petroleum, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities, operational problems with such pipelines and facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of petroleum and many other aspects of the petroleum business.

The petroleum industry is subject to varying environmental regulations in each of the jurisdictions in which CGX may operate. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with petroleum and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures.

CGX may be responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines which are used for production of oil and gas reserves. Abandonment and reclamation of these facilities and the costs associated therewith if often referred to as "decommissioning." If decommissioning is required before economic depletion of the properties or if the estimates of the costs of decommissioning exceed the value of the reserves remaining at any particular time to cover such decommissioning costs, CGX may have to draw on funds from other sources to satisfy such costs. The use of other funds to satisfy such decommissioning costs could impair the ability to focus capital investment in other areas of the business.

Common Share Price Volatility

Many factors influence the volatility in the trading price of the common shares, including changes in the economy or in the financial markets, industry related developments, and the impact of changes in CGX's daily operations. Changes in each of these factors could lead to increased volatility in the market price of the common shares. In addition, variations in earnings estimates by securities analysts and the market prices of the securities of CGX's competitors may also lead to fluctuations in the trading price of the common shares.

To the extent that any issued and outstanding common shares are sold into the market, there may be an oversupply of shares and an undersupply or purchasers. If this occurs, the market price for the common shares may decline significantly and investors may be unable to sell their share as a profit, or at all.

Fluctuations in Foreign Currency Exchange Rates

All of CGX's operations are located in foreign jurisdictions. Fluctuations in the United States dollar and the Guyanese dollar exchange rates may cause a negative impact on revenue and costs and could have a material adverse impact on CGX's operations.

Expiry and/or Termination of Petroleum Agreements and Licenses

CGX's interests are held by way of participating interests in PPLs governed by PAs. If CGX, or its joint licensees under an applicable PA or PPL, fail to meet the specific requirement(s) of a particular PA or PPL its interest may terminate or expire. There can be no assurance that any of the obligations required to maintain the Corporation's interests will be met or that CGX will not lose any of its participating interests in such petroleum agreements and licenses. While CGX believes it has reviewed and evaluated all licenses in a manner consistent with industry practices of foreign subsidiaries, such reviews and evaluations may not necessarily reveal all existing potential liabilities beforehand, causing CGX to incur losses.

Political Risks

The majority of CGX's current operations are presently conducted in Guyana, South America and as such, CGX's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from country to country and include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; border disputes between countries; renegotiation or nullification of existing concessions, licences, permits and contracts; changes in taxation policies; restrictions on foreign exchange; changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political actions cannot be predicted and may adversely affect CGX. Changes, if any, in petroleum or investment policies or shifts in political attitude in the country of Guyana and border disputes affecting CGX's rights to explore and develop for oil and gas may adversely affect CGX's business, results of operations and financial condition. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people and water use. The possibility that future governments may adopt substantially different policies, which may extend to the expropriation of assets, cannot be ruled out.

Failure to comply strictly with applicable laws or regulations relating to the petroleum regime could result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on CGX's consolidated business, results of operations and financial condition.

Further risks include, but are not limited to, changes in mining or investment policies, corruption, hostage takings, opposition to mining from environmental or other non-governmental organizations or shifts in political attitude that may adversely affect the business. While CGX works to mitigate its exposure to potential country risk events, the impact of any such event is mostly not under CGX's control, is highly uncertain and unpredictable and will be based on specific facts and circumstances. As a result, CGX can give no assurance that it will not be subject to any political or country risk event, directly or indirectly, in the jurisdictions in which it operates.

CGX's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, investment, and taxation.

Risks of Foreign Operations

CGX's material petroleum assets and operations are located in Guyana. As such, CGX is subject to political, economic, contractual, regulatory and social uncertainties or social instability, including, but not limited to, renegotiation or nullification of existing agreements and licenses, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases, changes in taxation policies, economic sanctions, social instability and other risks arising out of foreign governmental sovereignty over the areas in which CGX's operations are conducted. These uncertainties, all of which are beyond CGX's control, could have a material adverse effect on CGX's business, prospects and results of operations.

Infrastructure development in Guyana where the Corporation operates is limited. If any infrastructure or systems failures occur or do not meet the requirements of CGX, CGX's operations may be significantly hampered which could result in delayed, postponed or cancelled petroleum operations, lower production and sales and/or higher costs. These factors may affect the Corporation's ability to explore and develop its properties in a timely manner and to store and transport its petroleum production if reserves are located.

Different Legal System and Litigation

CGX's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, investment, and taxation, including proposed amendments to the Income Tax Act (Canada) relating to the taxation of foreign affiliates announced on August 19, 2011.

CGX's oil production and exploration activities are located in countries with legal systems that in various degrees, differ from that of Canada. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. This means that CGX's ability to exercise or enforce its rights and obligations may differ between countries and also from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction.

In the event of a dispute arising in connection with CGX's operations in Guyana, CGX may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. CGX may also be hindered or prevented from enforcing its rights with respect to a governmental entity because of the doctrine of sovereign immunity. Accordingly, CGX's exploration and development activities in Guyana could be substantially affected by factors beyond CGX's control, any of which could have a material adverse effect on CGX.

Cost Overruns

Projecting the costs of exploratory drilling programs is difficult due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions (such as over-pressured zones and tools lost in the hole), weather related factors and changes in drilling plans and locations as a result of prior exploratory wells or additional technical data and interpretations. Accordingly, there may be changes in estimated costs associated with drilling projects.

In addition, due to the stage of development of the oil and gas industry in Guyana, it is difficult to estimate costs, including infrastructure improvement costs, transportation costs (including truck, river barge and helicopter costs) and production costs for CGX's exploration and development plans for some of its properties.

CGX’s difficulty estimating these costs could affect the commerciality of the resources and reserves discovered on its properties or any other properties CGX may acquire from time to time, the economic viability of CGX’s products and the ability of CGX to transport its products to market.

No Reserves

CGX does not know if any of its exploration prospects will contain petroleum in quantities or quality that are sufficient to recover the costs of drilling and exploration, or to be economically viable. Currently there are no reserves associated with CGX’s petroleum licenses in Guyana. CGX has identified exploration prospects based on seismic and geological information that indicates the possible presence of petroleum. However, the areas in which CGX has decided to drill may not produce petroleum in commercial quantities or quality, or may not contain petroleum at all. The future value of CGX is dependent on the success or otherwise of CGX's activities which are principally directed toward the further exploration, appraisal and development of its assets in Guyana. CGX has a right to explore and appraise such assets in Guyana but does not have a right to produce the same until such time as reserves discovered thereon are determined to be commercial. Exploration for and appraisal and development of petroleum reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the Guyana assets will lead to a commercial discovery or, if there is commercial discovery, that CGX will be able to realize such reserves as intended. Few properties that are explored are ultimately produced. If at any stage CGX is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, CGX's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares, is likely to be materially adversely affected.

Future Drilling and Development

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Development of any potential discovery may be affected by increased costs, the cost of capital and other political or environmental factors. For example, the unavailability or high cost of drilling rigs, or other essential equipment, material or personnel could have a negative impact on the ability of the Corporation to economically develop future reserves. Additionally, engineering complications, political events, social unrest or natural disasters could delay or prevent a development project. Additionally, the cost of budgeting for such projects may be difficult.

Negative Operating Cash Flow

The Corporation had negative operating cash flow for its financial years ended December 31, 2020 and 2019 and for all years since inception in 1998. Until such time as the Corporation is able to produce oil and gas from its interest in PPLs, the Corporation does not expect to have any positive cash flow. To the extent that the Corporation has negative cash flow in future periods, the Corporation will need to deploy a portion of its cash reserves to fund such negative cash flow.

Financial Markets

In the future, the Corporation may require further debt financing to grow its business. Distress in financial markets could diminish the amount of financing available to companies and could significantly increase the Corporation's costs associated with borrowing. The Corporation's liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy and could make it more difficult for the Corporation to access capital, sell assets, refinance existing indebtedness, enter into agreements for new indebtedness or obtain funding through the issuance of securities.

Foreign Subsidiaries

CGX conducts operations through its Bahamian, Guyanese and Barbadian subsidiaries. Therefore, to the extent of operations conducted by such subsidiaries, CGX will be dependent on the cash flows of these subsidiaries to meet its obligations. The ability of its subsidiaries to make payments to CGX may be constrained by: (i) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which the subsidiary operates and any changes in tax laws or treaties; and (ii) the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

Need to Discover or Acquire Reserves

CGX's ability to achieve commercial production, and therefore its cash flows and earnings, are highly dependent upon CGX discovering or acquiring reserves through acquisitions, joint ventures or investments. To the extent that cash flow from operations is insufficient and external sources of capital become limited or unavailable, CGX's ability to make the necessary capital investments to expand its petroleum reserves will be impaired. There can be no assurance that CGX will be able to find and develop or acquire reserves at commercially feasible costs. Even if such acquisitions, joint ventures or investments are consummated, CGX may not realize any anticipated benefits from them.

Future acquisitions, joint ventures and investments may result in the incurrence of additional debt, contingent liabilities and amortization expenses related to goodwill and other intangible assets and increased capital expenditures, interest and other costs, any of which could have a material adverse effect on CGX’s financial condition and operating results by reducing its net profit, or increasing its total liabilities, or both. Any of these factors could adversely affect CGX’s business, financial condition, results of operations or prospects.

Assessments of Value of Acquisitions

Acquisitions of petroleum companies and petroleum assets are typically based on engineering and economic assessments made by independent engineers and the acquiror’s own assessments. These assessments will include a series of assumptions regarding such factors as recoverability and marketability of petroleum, future prices of petroleum and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond CGX’s control. In particular, the prices of, and markets for, petroleum products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that CGX may use for its year-end resource and reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by CGX. Any such instance may offset the return on and value of the offered shares.

Operational Dependence

Other companies in future may operate some of the PPLs in which the Corporation has an interest in order to share risks associated with those operations. As a result, the Corporation may have limited ability to exercise influence over the operation of those activities or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on interests operated by others therefore depends upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices. Additionally, fraud, misconduct, lack of compliance with applicable laws and regulations by or on behalf of one or more of our partners or co-working interest owners could potentially have a negative impact on CGX’s business and reputation.

Tax Risks

CGX operates in several countries and is therefore subject to different forms of taxation in various jurisdictions throughout the world, including but not limited to, property tax, income tax, withholding tax, commodity tax, social security and other payroll related taxes, foreign currency and capital repatriation laws. An unfavorable interpretation of the current tax legislation could have a material adverse effect on the profitability of CGX or may lead to disagreements with tax authorities regarding the interpretation of tax law.

Tax law and administration is extremely complex and often requires CGX to make subjective determinations. CGX must make assumptions about, but not limited to, the tax rates in various jurisdictions, the effect of tax treaties between jurisdictions and taxable income projections due to tax law and its administration which are extremely complex. To the extent that such assumptions differ from actual results, or if such jurisdictions were to change or modify such laws or the current interpretation thereof, CGX may have to record additional tax expenses and liabilities, including interest and penalties. Moreover, there is a risk in which the countries where CGX operates may change their current tax regime with little prior notice or that the tax authorities in these jurisdictions may attempt to claim tax on the global revenues of CGX.

Title to Properties and Assets

Title reviews have been conducted on CGX's existing properties and to the knowledge of CGX, CGX has good title to its existing properties and in accordance with industry standards, title reviews are conducted prior to the purchase of most petroleum producing properties or the commencement of drilling wells. Such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of CGX which could result in the loss of title and a reduction of the revenue received by CGX.

Third Party Credit Risk

CGX is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, or other parties. In the event such entities fail to meet their contractual obligations to CGX, such failures could have a material adverse effect on CGX and its cash flow from operations.

Competition

Competition could adversely affect CGX's performance. The petroleum industry is characterized by intense competition and CGX competes directly with other companies that have greater technical and financial resources. Many of these competitors not only explore for and produce petroleum but also carry on refining operations and market petroleum and other products on an international basis. The industry also competes with other industries who supply non-petroleum energy products.

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation does. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of CGX will be subject in connection with the operations of CGX. Some of the directors and officers are engaged and will continue to be engaged in the search of petroleum interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with CGX. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the OBCA which requires a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person or company who is a party to a material contract or proposed material contract with CGX, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the OBCA.

Reliance on and Availability of Personnel

The Corporation is dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals.

The competition for qualified personnel in the petroleum industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of CGX, as the case may be.

Ability to Sustain and Manage Growth

CGX's ability to grow depends on a number of factors, many of which are beyond CGX's control, such as commodity prices, the ability of mining companies to raise financing and the demand for raw materials from large, emerging economies. CGX is also subject to a variety of business risks generally associated with growing companies. Future growth and expansion could place a strain on the management team and will likely require the recruitment of additional management resources.

There is no guarantee that CGX will be able to:

- manage expanding operations (including any acquisitions) effectively;
- sustain or accelerate growth or ensure that growth results in profitable operations;
- attract and retain sufficient management resources necessary for continued growth; or
- complete successful strategic investments and acquisitions.

The failure to accomplish any of these goals could have an adverse effect on our business and growth prospects.

Business Interruptions

Business interruptions may result from a variety of factors, including regulatory intervention, delays in necessary approvals and permits, health and safety issues, personnel issues or logistics issues. Any business interruptions could have an adverse impact on CGX's business.

Reputational Risk

Any negative publicity, whether true or not, would be a risk to our reputation, and could cause a decline in our customer base, with an adverse impact on our business. As every risk we face could have an impact on our reputation, reputational risk cannot be managed in isolation from other types of risk. It is vital that every employee and representative of CGX upholds our strong reputation by complying with all applicable policies, legislation and regulations as well as by creating positive experiences with our customers, stakeholders and the public.

Corruption, Bribery and Fraud

CGX is required to comply with applicable laws in other jurisdictions, which prohibit companies from engaging in bribery or other prohibited payments or gifts to foreign public officials for the purpose of retaining or obtaining business. CGX's policies mandate compliance with these laws. However, there can be no assurance that the policies and procedures and other safeguards that CGX has implemented in relation to its compliance with these laws will be effective or that CGX employees, agents, suppliers or other industry partners have not engaged or will not engage in such illegal conduct for which CGX may be held responsible. Violations of these laws could disrupt CGX's business and result in a material adverse effect on its business and operations.

Breach of Confidentiality

While discussing potential business relationships or other transactions with third parties, CGX may disclose confidential information relating to CGX's business, operations or affairs. Although confidentiality agreements are generally signed by third parties prior to the disclosure of confidential information, a breach could put CGX at competitive risk and may cause significant damage to CGX's business. The harm to CGX's business from a breach of confidentiality cannot presently be quantified, but may be material and may not be compensable in damages. There is no assurance that, in the event of a breach of confidentiality, CGX will be able to obtain equitable remedies, such as injunctive relief, from a court of competent jurisdiction in a timely manner, if at all, in order to prevent or mitigate any damage to CGX 's business that such a breach of confidentiality may cause.

Cyber-Security Risk

While information systems are integral to supporting CGX's business, due to the nature of CGX's services, it is not considered to be subject to the same level of cyber security risks as companies operating in sectors where sensitive information is at the core of their business. Nevertheless, CGX is potentially exposed to risks ranging from internal human error to uncoordinated individual attempts to gain unauthorized access to its information technology systems, to sophisticated and targeted measures directed at CGX and its systems, clients or service providers. Any such disruptions in CGX's systems or the failure of the systems to operate as expected could, depending on the magnitude of the problem, result in the loss of client information, a loss of current or future business, reputational harm and/or potential claims against CGX, all of which could have an adverse effect on CGX's business, financial condition and operating results. CGX continues to enhance its efforts to mitigate these risks.

Dilutive Effects on Holders of Common Shares

The Corporation expects to issue common shares and warrants that will entitle the holder thereof to purchase common shares pursuant to the subscription agreements referred to above. Accordingly, holders of common shares may suffer dilution.

Significant Shareholders

Frontera holds 212,392,155 common shares representing approximately 73.85% of the issued and outstanding common shares on an undiluted basis. Frontera has the voting power to influence the outcome of all corporate transactions or other matters requiring the approval of CGX's shareholders, including a merger, a business combination or the sale of all or substantially all of CGX's assets. This influence may limit the price that investors are willing to pay for common shares or discourage third parties from making a tender offer or takeover bid to acquire any or all of the outstanding common shares. In addition, there exists the potential that Frontera may sell its common shares in the public market (commonly referred to as "market overhang"), these shares as well as any actual sales of such common shares in the public market, could adversely affect the market price of the common shares.

Enforcement of Civil Liabilities

Substantially all of the assets of the Corporation are located outside of Canada and certain of the directors and officers of the Corporation are currently resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Corporation or the directors and officers of the Corporation residing outside of Canada.

No Record of Dividends

CGX has not paid dividends and it is unlikely to pay dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Board and will depend upon, among other things, CGX's results of operations, financial condition, contractual restrictions, capital expenditure and working capital requirements, restrictions imposed by applicable law and other factors the Board deems relevant.

Geographic Concentration

CGX's assets are in the Guyana Suriname Basin in Guyana. As a result of this geographic concentration, CGX may be disproportionately exposed to the effect of regional supply and demand factors and delays or interruptions in exploration in this area caused by changes in governmental regulation, political or social conditions or weather or other localized events.

Alternatives to and Changing Demand for Hydrocarbon Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

Forward-Looking Statements May Prove Inaccurate

Shareholders and investor are cautioned not to place undue reliance on forward-looking statements and other future looking financial information. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or information or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure controls and procedures ("**DC&P**"), as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*, are designed to provide reasonable assurance that information required to be disclosed in its annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal control over financial reporting ("**ICFR**"), as defined in National Instrument 52-109, includes those policies and procedures that:

1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets of CGX;

2) Are designed to provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the accounting principles used to prepare CGX's financial statements and that receipts and expenditures of CGX are being made only in accordance with authorizations of management and directors of CGX; and

3) Are designed to provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial reports.

Management assessed the effectiveness of the design of the Company's internal controls over financial reporting as of December 31, 2020.

Based on this assessment, the officers concluded that as of December 31, 2020, CGX maintained effectively designed ICFR. It should be noted that while CGX's officers believe that the Company's controls provide a reasonable level of assurance with regard to their effectiveness, they do not expect that the DC&P and ICFR will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, but not absolute, assurance that the objectives of the control system are met.

There have been no significant changes to the Company's DC&P and ICFR for the year ended December 31, 2020.

OTHER INFORMATION

This MD&A of the financial position and results of operation as at December 31, 2020, should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2020 and 2019. Additional information is accessible at the Company's website www.cgxenergy.com or through the Company's public filings available on SEDAR at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this MD&A. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the audited consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

March 18, 2021

"signed" Suresh Narine

Suresh Narine, Executive Chairman
and Executive Director (Guyana)

"signed" Tralisa Maraj

Tralisa Maraj, Chief Financial Officer

Consolidated Financial Statements

For the years ended

December 31, 2020 and 2019

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 18, 2021

"Suresh Narine"	*"Tralisa Maraj"*
Suresh Narine Executive Chairman and Executive Director (Guyana)	Tralisa Maraj Chief Financial Officer

Independent Auditor's Report

To the Shareholders of CGX Energy Inc.

Opinion

We have audited the consolidated financial statements of CGX Energy Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive (loss) income, consolidated statements of changes in equity (deficit) and consolidated statements of cash flow 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, 2020 and 2019 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 as at December 31, 2020 and, as of that date, the Company's current liabilities exceeded its current assets. 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.

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- 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 18, 2021

CGX Energy Inc.
Consolidated Statements of Financial Position

(US$'s)

As at December 31,	**2020**	2019
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	**11,820,059**	15,821,285
Trade receivables and other assets *(note 7)*	**222,846**	188,170
Farm in partner receivable *(note 10)*	**149,306**	-
Total current assets	**12,192,211**	16,009,455
Property, plant and equipment *(note 8)*	**8,359,523**	7,185,972
Exploration and evaluation expenditures *(notes 9 and 18)*	**18,624,779**	16,737,403
Total assets	**39,176,513**	39,932,830
Liabilities		
Current liabilities		
Trade and other payables *(notes 9, 10, and 11)*	**14,580,589**	15,396,146
Farm in partner advances *(note 10)*	**-**	1,701,409
Warrant liability *(note 12)*	**-**	4,736,000
Total liabilities	**14,580,589**	21,833,555
Shareholders' equity		
Share capital *(note 13)*	**296,458,932**	287,258,904
Reserve for share based payments *(note 14)*	**25,993,000**	23,199,999
Deficit	**(297,856,008)**	(292,359,628)
Total shareholders' equity	**24,595,924**	18,099,275
Total liabilities and shareholders' equity	**39,176,513**	39,932,830

Nature of operations and going concern uncertainty (note 1)
Commitments and contingencies (notes 8, 9, and 18)
Subsequent event (notes 9 and 19)

Approved on behalf of the Board of Directors on March 18, 2021:

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

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

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

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

(US$'s)

Year ended December 31,	2020	2019
	$	$
Operating expenses		
General and administrative *(note 8 and 10)*	**586,047**	1,125,767
Management and consulting *(note 10)*	**1,608,904**	1,683,431
Interest expense *(notes 9 and 10)*	**568,896**	1,704,468
Professional fees	**439,043**	176,983
Share based payments *(notes 10, 13 and 14)*	**2,793,001**	1,565,000
Shareholder information	**54,641**	53,609
Foreign exchange (gain)	**(20,819)**	(71,220)
Total operating expenses	**(6,029,713)**	(6,238,038)
Recovery of previously impaired exploration and evaluation expenditures *(note 9)*	**-**	7,600,000
Gain on settlement of trade and other payables *(note 9)*	**-**	9,998,862
Indirect revenue from farm in partner *(note 10)*	**133,333**	348,621
Gain (loss) on revaluation of warrant liability *(note 12)*	**400,000**	(2,477,000)
Net (loss) income and comprehensive (loss) income	**(5,496,380)**	9,232,445
Basic net (loss) income per share	**(0.02)**	0.04
Diluted net (loss) income per share	**(0.02)**	0.04
Weighted average number of shares (000's) – basic	**272,703**	220,506
Weighted average number of shares (000's) – diluted	**272,703**	230,320

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, 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**
Shares issued on exercise of warrants	**15,009,026**	**4,864,028**	**-**	**-**	**4,864,028**
Fair value of warrant liability transferred on exercise of warrants	**-**	**4,336,000**	**-**	**-**	**4,336,000**
Share based payments	**-**	**-**	**2,793,001**	**-**	**2,793,001**
Net loss and comprehensive loss for the year	**-**	**-**	**-**	**(5,496,380)**	**(5,496,380)**
Balance at December 31, 2020	**287,588,662**	**$296,458,932**	**$ 25,993,000**	**$ (297,856,008)**	**$ 24,595,924**

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,	2020	2019
Operations	**$**	$
Net (loss) / income for the year	**(5,496,380)**	9,232,445
Adjustments to reconcile net (loss) / income for the year to cash flow from operating activities:		
Unrealized foreign exchange (gain)	**(20,819)**	(71,220)
Amortization	**8,677**	90,505
Share based payments	**2,793,001**	1,565,000
Interest accretion on trade and other payables, loans and convertible debentures payable to related party	**568,896**	1,496,040
Recovery of previously impaired exploration and evaluation expenditures	**-**	(7,600,000)
Gain on settlement of trade and other payables	**-**	(9,998,862)
(Gain) loss on revaluation of warrant liability	**(400,000)**	2,477,000
Net change in non-cash working capital items:		
Trade receivables and other assets	**(34,676)**	(47,436)
Deferred transaction costs	**-**	431,500
Trade and other payables	**204,803**	(8,410,951)
Farm in partner advances	**(1,850,715)**	1,701,409
Cash flow (used in) operating activities	**(4,227,213)**	(9,134,570)
Financing		
Proceeds from shares issued for rights offering	**-**	21,779,530
Proceeds from warrant exercises	**4,864,028**	-
Proceeds from stock option exercises	**-**	90,744
Share issue costs for rights offering	**-**	(428,823)
Proceeds from loans from related party	**-**	961,763
Cash flow from financing activities	**4,864,028**	22,403,214
Investing		
Purchases of exploration and evaluation expenditures	**(3,589,250)**	(11,916,574)
Proceeds from disposition of exploration and evaluation expenditures	**-**	11,615,887
Purchases of property, plant and equipment	**(1,069,610)**	(140,782)
Cash flow (used in) investing activities	**(4,658,860)**	(441,469)
Net (decrease) increase in cash and cash equivalents	**(4,022,045)**	12,827,175
Effect of exchange rate changes on cash held in foreign currencies	**20,819**	151,655
Cash and cash equivalents at beginning of year	**15,821,285**	2,842,455
Cash and cash equivalents at end of year	**11,820,059**	15,821,285
Supplementary Information		
Interest paid	**-**	204,312
Income tax paid	**-**	-
Fair value of warrant liability transferred on exercise of warrants	**4,336,000**	-
Fair value of warrants issued under rights offering	**-**	2,259,000
Shares issued on conversion of convertible debenture	**-**	8,800,000
Settlement of related party debt on disposition of exploration and evaluation	**-**	21,717,813
Trade and other payables related to investing activities - ending	**10,608,619**	12,197,875
Trade and other payables related to investing activities - opening	**(12,197,875)**	(9,515,645)

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 farm-out its interest on an advantageous basis; all of which are uncertain.

The Company has a history of operating losses and as at December 31, 2020 had a working capital deficiency of $2,388,378 (2019 - $5,824,100) and an accumulated deficit of $297,856,008 (2019 - $292,359,628). 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 an additional 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 9, 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, 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.

During the year ended December 31, 2020, COVID-19 significantly impacted Canada, Guyana and the global economy, which impact continues after December 31, 2020 as well. If the impacts of COVID-19 continue for a significant extended period, there could be further impacts on the Company. At this time, the full potential impact of COVID-19 on the Company is unknown.

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 18, 2021.

2.2 Basis of presentation

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

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of 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.

Additionally, in March 2020, the World Health Organization declared the coronavirus outbreak a pandemic. The spread of COVID-19 has resulted in a challenging economic environment, with more volatile commodity prices, foreign exchange rates, and long-term interest rates. It remains difficult to reliably estimate the length or severity of these developments and their financial impact. As there are many variables and uncertainties regarding the COVID-19 pandemic, as well as its impact on the global demand in the oil and gas industry, it is not possible to precisely estimate the potential impact of the COVID-19 pandemic on the Company's financial condition and operations. This presents uncertainty and risk with respect to management's judgments, estimates and assumptions that affect the application of accounting policies.

The most significant estimates 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 9) and PP&E (Note 8)
The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement to determine whether it is probable that future economic benefits are likely, from either future exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditures. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances; in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available.

2. Basis of preparation *(continued)*

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

Exploration and evaluation ("E&E") expenditures (Note 9) and PP&E (Note 8) *(continued)*

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

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.

Cash generating units and impairment testing
Cash generating units ("**CGU's**") are identified to be the major producing fields and the deep water harbor at Berbice, the lowest level at which there are identifiable cash inflows that are largely independent of cash inflows of other groups of assets. The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs for major producing fields are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

At the end of each reporting period, the Company reviews the carrying amounts of its long-lived assets to be held and used to determine whether there is any indication that those assets have suffered an impairment loss.

If and when facts and circumstances indicate that the carrying value of an exploration and evaluation asset may exceed its recoverable amount, an impairment review is performed. For exploration and evaluation expenditures, when there are such indications, an impairment test is carried out by grouping the exploration and evaluation expenditures with property, plant and equipment CGU's to which they belong for impairment testing. The equivalent combined carrying value of the CGU's is compared against the recoverable amount of the CGU's and any resulting impairment loss is written off to net income (loss). The recoverable amount is the greater of fair value, less costs to sell, or value-in-use. Impairments of exploration and evaluation expenditures are only reversed when there is significant evidence that the impairment has been reversed, but only to the extent of what the carrying amount would have been, had no impairment been recognized.

Income taxes
The Company is subject to income, value added, withholding and other taxes. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting period. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

2. Basis of preparation *(continued)*

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

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.

Valuation of share based payments and warrant liability (Notes 12 and 13)

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

3. 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, Grand Canal Industrial Estates Inc. (**Grand Canal"**), 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, 2020 and 2019, the non-controlling interests were immaterial and recorded as $Nil.

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

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.

3.3 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. During the year ended December 31, 2020 all the outstanding stock options and warrants were antidilutive. 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 13). The dilutive number of shares for "in-the-money" stock options, warrants and convertible debentures was 1,052,000, 1,399,000 and 7,363,000, respectively.

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

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.

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.

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

3.6 Property, plant and equipment *(continued)*

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.

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.

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

3.7 Taxation *(continued)*

Deferred income tax *(continued)*

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.

3.8 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, 2020 and 2019 the Company does not have any financial assets classified as FVTPL.

Financial assets measured at amortized cost include the Company's cash and cash equivalents, trade receivables and other assets and farm in partner receivable. As at December 31, 2020 and 2019, 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, 2020 and 2019, 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. Summary of significant accounting policies *(continued)*

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, 2020 and 2019, 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, 2020, the Company has not classified any financial liabilities as FVTPL. As at December 31, 2019, the Company had classified the warrant liability as FVTPL.

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 expected credit losses account. Impaired debts are written off against the expected credit losses account when they are assessed as uncollectible.

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

3.11 Impairment of assets (continued)

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.

3.12 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

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

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

3.14 Foreign currency transactions *(continued)*

Transactions and balances

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

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

3.15 Revenue recognition

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

3.16 Joint arrangements

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

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

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

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

3.17 New and revised standards and interpretations

New standards and interpretations adopted in current year

At January 1, 2020, the Company adopted the following standards:

IAS 1 – Presentation of Financial Statements ("**IAS 1**") and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("**IAS 8**") were amended in October 2018 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

IFRS 3 – Business Combinations ("**IFRS 3**") was amended in October 2018 to clarify the definition of a business. This amended definition states that a business must include inputs and a process and clarified that the process must be substantive and the inputs and process must together significantly contribute to operating outputs. In addition it narrows the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs and added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The above changes did not have any material impact on the Company's financial statements.

3.18 Future accounting policies

At the date of authorization of these consolidated financial statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted. However, the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

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

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets ("**IAS 37**") was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – ie. a full-cost approach. Such costs include both the incremental costs of the contract (ie. costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – ie. contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

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

3.18 Future accounting policies *(continued)*

IFRS 3 – Business Combinations ("**IFRS 3**") was amended. The amendments introduce new exceptions to the recognition and measurement principles in IFRS 3 to ensure that the update in references to the revised conceptual framework does not change which assets and liabilities qualify for recognition in a business combination. An acquirer should apply the definition of a liability in IAS 37 – rather than the definition in the Conceptual Framework – to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy in the scope of IFRIC 21, the acquirer should apply the criteria in IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. In addition, the amendments clarify that the acquirer should not recognize a contingent asset at the acquisition date. The amendments are effective for annual periods beginning on January 1, 2022.

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

4. Financial instruments

Fair value

Cash and cash equivalents, trade receivables and other assets and farm in partner receivable are measured at amortized cost which approximates fair value due to their short-term nature. Trade and other payables and farm in partner advances are measured at amortized cost which also approximates fair value due to their short-term nature.

Warrant liability is measured as fair value through profit and loss with Level two classification within the fair value hierarchy.

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

As of December 31, 2020 and 2019, 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:

4. Financial instruments *(continued)*

i) Credit risk *(continued)*

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, 2020 is the carrying value of cash and cash equivalents, trade receivables and other assets and farm in partner receivable.

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, 2020, the Company had a working capital deficiency of $2,388,378 (2019 - $5,824,100). 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).

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, 2020, the Company had approximately C$3,416,000 (2019 - C$9,421,000) in Canadian dollar denominated cash deposits.

5. Sensitivity analysis

The Company's funds are mainly kept in Canadian and US dollars with major Canadian and US financial institutions. As at December 31, 2020, the Company's exposure to foreign currency balances approximate as follows:

Account	Foreign Currency	Exposure	
As at December 31,		**2020**	2019
Cash and cash equivalents	C $	**$ 3,400,000**	$ 9,400,000
Trade and other receivables	C $	**100,000**	100,000
Trade and other payables	C $	**(300,000)**	(100,000)
		$ 3,200,000	$ 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, 2020 by $320,000 (2019 - $940,000).

6. Cash and cash equivalents

The balance of cash and cash equivalents at December 31, 2020, consisted of $11,795,059 (2019 - $15,796,285) on deposit with major financial institutions and $25,000 (2019 - $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,	**2020**	2019
Trade receivables	**$ 60,379**	$ 25,299
HST	**11,625**	15,675
Prepaid expenses	**150,842**	147,196
Total trade receivables and other assets	**$ 222,846**	$ 188,170

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

As at December 31,	**2020**	2019
Less than 90 days	**$ 37,053**	$ -
Over 90 days	**23,326**	25,299
Total trade receivables	**$ 60,379**	$ 25,299

At December 31, 2020 and 2019, the Company anticipates full recovery of these amounts receivable and therefore no expected credit losses have 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, 2020 and 2019.

8. Property, plant and equipment

	Staging Facility(1)	Logistics Yard(1)	Vehicles, office furniture and fixtures	Computer, software and equipment	Total
Cost					
As at December 31, 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**
Net additions	**1,182,228**	**-**	**-**	**-**	**1,182,228**
As at December 31, 2020	**$ 7,597,099**	**$ 706,184**	**$ 223,354**	**$ 539,637**	**$ 9,066,274**
Accumulated amortization					
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**
Amortization (2)	**-**	**-**	**8,677**	**-**	**8,677**
As at December 31, 2020	**$ -**	**$ -**	**$ 167,114**	**$ 539,637**	**$ 706,751**
Net book value					
As at December 31, 2019	$ 6,414,871	$ 706,184	$ 64,917	$ -	$ 7,185,972
As at December 31, 2020	**$ 7,597,099**	**$ 706,184**	**$ 56,240**	**$ -**	**$ 8,359,523**

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

The lands upon which the wharf project is located are subject to an industrial lease of state land with the Commissioner of Lands and Surveys in Guyana. The term of the lease is for a period of 50 years commencing in 2010 with an option to renew for an additional 50 years. This land is subject to annual rental commitments relating to this lease. See also note 9.

9. Exploration and evaluation expenditures

	Corentyne	Berbice	Demerara	Total
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**
Net additions	**974,000**	**53,100**	**860,276**	**1,887,376**
Balance, December 31, 2020	**$ 15,732,529**	**$ 1,467,609**	**$ 1,424,641**	**$ 18,624,779**

As at December 31, 2020 and 2019, 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.

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.

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana

The Company's 100% owned subsidiary, CGX Resources Inc. ("**CGX Resources**"), was granted the Corentyne Petroleum Agreement ("**PA**") on June 24, 1998. On November 27, 2012, the Company was issued a new PA and PPL offshore Guyana. On December 15, 2017, the Company was issued an addendum to the November 27, 2012 PA ("**COR Addendum I**"). Under the terms of the COR 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, 2020 and 2019, the Corentyne PPL and PA is 66.667% owned by CGX Resources. During the year ended December 31, 2019, the CGX Resources received an addendum ("**COR Addendum II**") to the COR Addendum I on the Corentyne PPL as follows:

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 26th November 2020)
"During phase one of the second renewal period, the Company shall drill one (1) exploration well."

During the year ended December 31, 2020, the Company received a third addendum ("**COR Addendum III**") whereby the principal agreement has now been modified as follows:

Second Renewal Period, Phase One (27th November 2019 to 26th November 2021)
"During phase one of the second renewal period, the Company shall drill one (1) exploration well."

As part of the COR Addendum III during the year ended December 31, 2020, the Company has agreed to amend its 54.96 acres lease on the staging facility to reflect acreage containing no more than 30 acres.

The table below outlines the current commitments as of March 18, 2021 under the Corentyne PA:

<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 - 24 Months</td><td>Drill 1 exploration well</td><td>Nov 27, 2019 - Nov 26, 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 - 12 Months</td><td>Drill 1 exploration well</td><td>Nov 26, 2021 - Nov 26, 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>

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

The Company has submitted its proposed 25% acreage relinquishment which are required by the Corentyne PA to the Department of Energy ("**DOE**") and the Guyana Geology and Mines Commission ("**GGMC**") and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Corentyne PA.

If a discovery is made, the Company has the right to apply to the Minister for a 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 PA.

Farm-in agreement

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

On January 30, 2019, the Company 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 Guyana would pay one-third of the applicable costs plus an additional 8.333% of the Company's direct drilling costs for the initial exploratory commitment wells in the two blocks. The additional 8.333% carry provided shall be subject to a maximum gross amount (including tax and all costs) of (i) $30,000,000 for drilling the first exploratory well under the Corentyne PA and (ii) $40,000,000 for drilling the first exploratory well under the Demerara PA. CGX Resources is the operator of under the JOA's.

On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licences were completed. The transfers 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 Guyana, less the amount of $24,832,149 of outstanding debts due to Frontera Guyana 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.

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

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. 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.

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.

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. 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.

Rig agreement

During the year ended December 31, 2019, the Company on behalf of the JOA executed a letter of understanding ("**LOU**") with Rowan Rigs S.a.r.l. ("**Rowan**") 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 and Rowan agreed that all operational obligations under the drilling rig contract were deferred until the parties could enter into an amended agreement. The Company and Rowan did not enter into an amended agreement by the specified date, and as such, on August 10, 2020 the amount of $1.17 million was returned to the JOA parties, of which, the Company's net share was $0.7 million.

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana

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

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

Subsequent to the year ended December 31, 2020, the Company received an addendum, subject to final documentation, (**"BER Addendum II"**), whereby the principal agreement has now been modified as follows:

<u>Second Renewal Period, Phase One (12th February 2020 to 11th August, 2022)</u>

"During phase one of the second renewal period, the Company shall complete a seismic program and complete all processing and interpretation so as to inform and lead to the drilling of at least one (1) Exploration Well by the June 15, 2022."

The table below outlines the current commitments as of March 18, 2021 under the Berbice PA:

<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 - 30 Months</td><td>Complete seismic program and all associated processing and interpretation and drill 1 exploration well by June 15, 2022</td><td>Feb 12, 2020 - August 12, 2022</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 - 6 Months</td><td>Drill 1 exploration well</td><td>August 12, 2022 - 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>

The Company has submitted its proposed 25% acreage relinquishment which are required by the Berbice PA to the DOE and GGMC and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Berbice PA.

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.

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana *(continued)*

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 PA.

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 PA. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA (**"DEM Addendum I"**).

Under the terms of the DEM Addendum I, the Company's work commitments were modified and the Company relinquished 25% of the original contract area block.

Subsequent to the year ended December 31, 2020, the Company received an addendum, subject to final documentation, (**"DEM Addendum II"**), whereby the principal agreement has now been modified as follows:

Second Renewal Period, Phase One (12th February 2020 to 11th February 2022)

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

The table below outlines the current commitments as of March 18, 2021 under the Demerara PA:

<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 - 24 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2020 - Feb 11, 2022</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 - 12 Months</td><td>Drill 1 exploration well</td><td>Feb 11, 2022 - 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>

9. Exploration and evaluation expenditures *(continued)*

Demerara PA, Guyana *(continued)*

The Company has submitted its proposed 25% acreage relinquishment which are required by the Demerara PA to the DOE and GGMC and is now awaiting the agreement of these agencies on the acceptance of the proposed relinquishment and final instruments to formally move into the second renewal period of the Demerara PA.

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

After commercial production begins, the Company is allowed to recover contract costs as defined in the 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 PA.

Farm-in agreement

On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara Prospecting Licences to Frontera Guyana were completed with an effective date of May 20, 2019. See further discussion under Corentyne PA, Guyana – *Note 9.*

As a result of the proceeds received under the JOAs relating to the Demerara 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 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 previously 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, 2020 and 2019. 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, 2020 and 2019.

9. Exploration and evaluation expenditures *(continued)*

Demerara Seismic agreement *(continued)*

In July 2018, Prospector filed a request for arbitration against CGX and CGX Resources in the International Chamber of Commerce ('**ICC**") for repayment of the debt accrued under Seismic Acquisition dated September 2014 contract (and the addendum thereto) for the acquisition of 3D seismic data on the Demerara Block. Prospector requested that the International Court of Arbitration of the ICC constitute the arbitral tribunal and requested that the tribunal award to Prospector the relief of (i) the amount $12,420,442 being the amount Prospector alleged it was owed as at May 1, 2018, (ii) any interest that will continue to accrue from May 1, 2018 until the date of the award in the amount of 6% per annum based on the Deed of Addendum 1 (the "**Addendum**") between CGX and Prospector dated October 3, 2016, (iii) post- award interest in the amount of 6% per annum until payment as per the Addendum, and (iv) cost and reasonable and necessary attorney's fees incurred by Prospector in bringing forward the arbitration (the "**Arbitration**"). It was subsequently agreed that the Tribunal had no jurisdiction over CGX Resources.

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

On January 23, 2021, Prospector formally gave noticed of the end of the suspension and recommencement of the arbitration. The Company plans on bringing a significant counterclaim for breaches of contract. The hearing is scheduled to be held late first quarter 2022 and the award will follow thereafter. If the Company is not successful in defending the claim, and the counterclaim fails, then the Company may be liable for the sums sought, and, possibly, costs. As at December 31, 2020, the Company has included the amounts it calculates as owing, plus accrued interest, being $13,305,332 in trade and other payables (2019 - $12,736,437). This amount does not include any amounts CGX may seek in a counter claim.

10. 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 activity on the C$ Bridge Loan from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning of year	**$ -**	$ 6,746,322
Loss on foreign exchange	**-**	80,435
Accrued interest on loan from related party	**-**	136,745
Settled against signing bonus under JOAs	**-**	(6,963,502)
Total loan from related party	**$ -**	$ -

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.

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

The activity on the Bridge Loan I from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning of year	**$ -**	$ 2,332,009
Accrued interest on loan from related party	**-**	41,371
Settled against signing bonus under JOAs	**-**	(2,373,380)
Total loan from related party	**$ -**	$ -

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 activity on the Bridge Loan II from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning of year	**$ -**	$ 2,168,366
Accrued interest on loan from related party	**-**	39,609
Settled against signing bonus under JOAs	**-**	(2,207,975)
Total loan from related party	**$ -**	$ -

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 activity on the Bridge Loan III from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning year	**$ -**	$ 11,302,528
Loan from related party	**-**	961,763
Trade and other payables and accrued interest added to loan from related party	**-**	712,620
Conversion component of convertible debentures	**-**	(169,000)
Interest accretion	**-**	169,000
Accrued interest on loan from related party	**-**	539,355
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)
Total loan from related party	**$ -**	$ -

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

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.

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 activity on the Debenture from related party for the years ended December 31, 2020 and 2019 is as follows:

Year ended December 31,	**2020**	2019
Opening balance at beginning of year	**$ -**	$ 1,747,618
Accrued interest on loan from related party	**-**	32,542
Settled against signing bonus under JOAs	**-**	(1,780,160)
Total Debenture from related party	**$ -**	$ -

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 Holdings Limited ("**GCIE**") and CGX Energy Management Corp. ("**CGMC**"). In addition, during the year ended December 31, 2017, GCIE and CGMC signed a guarantee with Frontera for the Bridge Loan III.

As at December 31, 2020, Frontera owned approximately 73.85% (2019 – 72.41%) of the common shares of the Company.

Farm in partner over/under call

Under the JOAs, the Company is operator on both the Corentyne and Demerara licences. As operator, the Company makes cash calls from its partner to pay for future licence expenditures. As at December 31, 2020, the Company had a receivable of $149,306 (2019 - $1,701,409 advance payable) for future exploration on the Corentyne and Demerara licences.

In addition, as operator of the Corentyne and Demerara 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, 2020, the Company received fees from its farm in partner of $133,333 (2019 - $348,621).

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

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,		2020		2019
Short-term employee benefits	**$**	**1,475,000**	$	2,015,000
Share based payments		**2,240,000**		1,113,000
Total compensation paid to key management	**$**	**3,715,000**	$	3,128,000

At December 31, 2020, included in trade and other payables is $246,000 (2019 - $112,000) due as a result of deferred payment of directors' fees. These amounts are unsecured, non-interest bearing and due on demand. See also Note 18.

11. Trade and other payables

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days. The following is an aged analysis of the trade and other payables:

As at December 31,		2020		2019
Less than one month, accruals and accrued interest	**$**	**5,042,901**	$	5,930,264
One month to three months		**47,465**		2,426
Over three months		**9,490,223**		9,463,456
Total trade and other payables	**$**	**14,580,589**	$	15,396,146

12. Warrant liability

As at December 31, 2020 and 2019, the warrant liability was comprised of the following:

As at December 31,		2020		2019
Warrant liability	**$**	**-**	$	4,736,000

Each warrant entitled 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). On December 29, 2020, Frontera exercised all the 15,009,026 warrants for proceeds to the Company of $4,864,028 (C$6,228,746), and as a result of this exercise, 15,009,026 common shares of the Company were issued. The warrant liability was accounted for at its estimated fair value as follows:

12. Warrant liability *(continued)*

As at December 31	2020	2019
Warrant liability, beginning of year	**$ 4,736,000**	$ -
Grant date fair value of warrants issued during the year (note 13)	**-**	2,259,000
Change in fair value	**(400,000)**	2,477,000
Fair value of warrant liability transferred on exercise of warrants	**(4,336,000)**	-
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 29, 2020 and December 31, 2019 using the following assumptions:

As at,	December 29, 2020	December 31, 2019
Number of warrants outstanding	**15,009,026**	15,009,026
Exercise price	**C$0.415**	C$0.415
Risk-free interest rate	**0.27%**	1.68%
Expected life (years)	**3.21**	4.20
Expected volatility	**119%**	104%
Expected dividends	**0%**	0%
Market price per share	**C$0.50**	C$0.54
Fair value of warrants	**$ 4,336,000**	$ 4,736,000

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

13. 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, 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**
Shares issued on exercise of warrants[2] (***Note 12***)	**15,009,026**	**4,864,028**
Fair value of warrant liability transferred on exercise of warrants	**-**	**4,336,000**
Balance at December 31, 2020	**287,588,662**	**296,458,932**

[1] The weighted average trading price on date of exercise for the stock options exercised during the year ended December 31, 2020 was $Nil (2019 – C$0.46).
[2] The weighted average trading price on date of exercise for the warrants exercised during the year ended December 31, 2020 was C$0.50 (2019 – $Nil).

13. Capital stock *(continued)*

Share capital *(continued)*

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.

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.

Common share purchase warrants

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

As at December 31,	**2020**		2019	
	Weighted Average Exercise Price ($)	**No. of Warrants**	Weighted Average Exercise Price ($)	No. of Warrants
Outstanding at beginning of year	**C$0.415**	**15,009,026**	-	-
Transactions during the year:				
Issued	**-**	**-**	C$0.415	15,009,026
Exercised	**C$0.415**	**(15,009,026)**	-	-
Outstanding at end of year	**-**	**-**	C$0.415	15,009,026

13. Capital stock *(continued)*

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, 2020, the Company had 14,398,866 (2019 – 13,257,963) options available for issuance under the plan.

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

As at December 31,	**2020**		2019	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of year	**C$0.43**	**14,000,000**	C$0.15	1,375,000
Transactions during the year:				
Granted	**C$0.71**	**1,510,000**	C$0.46	13,000,000
Exercised	**-**	**-**	C$0.32	(375,000)
Forfeited	**C$0.46**	**(1,150,000)**	-	-
Outstanding at end of year	**C$0.46**	**14,360,000**	C$0.43	14,000,000
Exercisable at end of year	**C$0.45**	**13,856,666**	C$0.39	5,333,333

The following table provides additional outstanding stock option information as at December 31, 2020:

Exercise Price	**No. of Options Outstanding**	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**No. of Options Exercisable**	**Weighted Average Exercise Price**
C$ 0.085	1,000,000	1.33	C$0.085	1,000,000	C$0.085
C$ 0.46	11,850,000	3.92	C$0.46	11,850,000	C$0.46
C$ 0.71	1,510,000	4.05	C$0.71	1,006,666	C$0.71
C$ 0.085 - 0.71	**14,360,000**	**3.76**	**C$0.46**	**13,856,666**	**C$0.45**

13. Capital stock *(continued)*

Options *(continued)*

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, 2020:

	Vesting of prior year issued options	January 17, 2020	Totals
Number of options granted		1,510,000	
Exercise price		C$0.71	
Risk-free interest rate		1.58%	
Expected life (years)		5.0	
Expected volatility		120.57%	
Market price per share		C$0.71	
Expected dividends and forfeiture rate		-	
Vesting		1/3 immediately, 1/3 in 6 months and 1/3 in 12 months	
Fair value of grant		$ 681,000	$ 681,000
Share based compensation	**$ 2,123,001**	**$ 670,000**	**$ 2,793,001**

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	
Exercise price	C$0.46	
Risk-free interest rate	1.54%	
Expected life (years)	5.0	
Expected volatility	124.66%	
Market price per share	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, 2020 was $0.45 (2019 – $0.29) per option issued.

14. 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, 2020 and 2019 is set out below:

As at December 31,		2020		2019
Balance at beginning of year	$	**23,199,999**	$	21,708,131
Share based payments (note 13)		**2,793,001**		1,565,000
Equity portion of convertible debenture (note 10)		**-**		169,000
Value transferred on exercise of convertible debenture (note 13)		**-**		(169,000)
Value transferred on exercise of stock options		**-**		(73,132)
Balance at end of year	$	**25,993,000**	$	23,199,999

15. Income tax

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

	2020	2019
	$	$
Income (loss) before income tax	**(5,496,380)**	9,232,445
Combined statutory rate	**26.50%**	26.50%
Estimated income tax expense (recovery)	**(1,458,000)**	2,445,000
Difference between Canadian and foreign tax rates	**373,000**	(4,369,000)
Difference between current and deferred tax and foreign exchange rates	**(273,000)**	874,000
Other permanent differences	**639,000**	(593,000)
Deferred tax assets not recognized	**719,000**	1,643,000
Deferred income tax recovery	**-**	-

The Canadian statutory income tax rate of 26.5% (2019 - 26.5%) is comprised of the federal income tax rate of approximately 15.0% (2019 – 15.0%) and the provincial income tax rate of approximately 11.5% (2019 – 11.5%). The United States income tax rate is approximately 21% (2019 - 21%). The Guyanese income tax rate is approximately 27.5% (2019 – 27.5%).

Deferred income tax recoverable

The primary differences which give rise to the deferred income tax recoveries at December 31, 2020 and 2019 are as follows:

	2020	2019
Deferred income tax assets	**$**	$
Temporary differences	**174,000**	195,000
Losses carried forward	**14,254,000**	13,514,000
	14,428,000	13,709,000
Less : deferred tax assets not recognized	**(14,428,000)**	(13,709,000)
Net deferred income tax assets	**-**	-
Deferred tax liabilities		
Deferred income tax liabilities	**-**	-
Net deferred income tax assets	**-**	-

15. Income tax *(continued)*

As at December 31, 2020, the Company had United States non-capital loss carry-forwards of $3,297,000 (2019 - $3,273,000). Of these tax benefits, which have not been recognized in the accounts, $492,000 expire in 2032, $704,000 expire in 2033, $594,000 expire in 2034, $508,000 expire in 2035, $359,000 expire in 2036, $124,000 expire in 2037, $275,000 expire in 2038, $212,000 expire in 2039 and $29,000 expire in 2040.

As at December 31, 2020, the Company had Canadian non-capital loss carry-forwards of C$65,158,000 (2019 - C$62,864,000). Some of these non-capital loss carry-forwards may be restricted against certain types of income, and which under certain circumstances, may be utilized to reduce taxable income in future years.

As at December 31, 2020, 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**
2040	**2,294,000**
	65,158,000

16. 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 and the Company's deep water project is under the initial stage of development; 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. To effectively manage the Company's capital requirements, the Company monitors capital expenditures and general and administrative expenses. There were no changes in the Company's approach to capital management during the year ended December 31, 2020 and 2019.

16. Capital management *(continued)*

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 31, 2020, 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, 2020 totaled $24,595,924 and was comprised of share capital, reserve for share based payments and deficit (2019 – $18,099,275).

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.

17. Segmented information

Operating and geographic segments

At December 31, 2020 and 2019, the Company's current operations are comprised of a single reporting operating segment engaged in petroleum and natural gas exploration in Guyana. The Company expects that once the wharf project is constructed that it will have two operating segments. 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,	**2020**	2019
Total current assets		
Canada	**$ 11,673,425**	$ 15,813,054
Guyana	**518,786**	196,401
	$ 12,192,211	$ 16,009,455
Total non-current assets		
Canada	**$ -**	$ -
Guyana	**26,984,302**	23,923,375
	$ 26,984,302	$ 23,923,375
Total Identifiable assets		
Canada	**$ 11,673,425**	$ 15,813,054
Guyana	**27,503,088**	24,119,776
	$ 39,176,513	$ 39,932,830

18. 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
2021	**$**	**1,160,000**

The Company has entered into contracts for a Pore Study, Modeling and 3D Reprocessing over the Corentyne and Demerara Block to complete its requirement under the Corentyne and Demerara PPLs and agreements for a road construction, road and bridge construction supervision and laydown design for the wharf project. Aggregate minimum future obligation still outstanding under these agreements is $1,160,000, of which the Company's share of these costs is $715,000, with the remainder to be collected from its farm-in partner. All these amounts are expected to be paid in 2021.

Contingencies

As at December 31, 2020, the Company is party to three (2019 – three) separate written management agreements with certain senior officers of the Company. The three contracts currently require a total payment of up to $2,056,000 (2019 – $2,030,000) 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, 2020, the contingent payments have not been reflected in these consolidated financial statements.

19. Subsequent events

Subsequent to December 31, 2020, the Company granted 400,000 stock options to a contractor of the Company at an exercise price of C$0.495 that expire on January 5, 2026. 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.