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

Three month period and year ended December 31, 2019

*This management's discussion and analysis ("**MD&A**") is current to March 5, 2020 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, 2019 and 2018.*

*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 includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and other similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the offshore and onshore oil and gas industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of CGX to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the risk of CGX not being able to fund the capital and operating expenses necessary to achieve its business plan, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by CGX. The ability of the Company to carry out its business plan is primarily dependent upon the continued support of its shareholders, the discovery of economically recoverable reserves and the ability of the Company to obtain financing to develop such reserves. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of CGX should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources and reserves described can be profitably produced in the future.

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

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this 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.

Prospective Resources

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

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

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. As at April 6, 2018, 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) covering approximately 11,005.2 km^2 (approximately 7,183.0 net km^2) offshore and onshore Guyana and a deep water harbor project in 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, 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 Company's recent activities to date include the following:

- The Company continued to strengthen its board of directors with the additions of Mr. Gabriel De Alba in January 2020 and an independent Director, Dr. Hermann Tribukait in November 2019.

- On September 24, 2019, Frontera Energy Corporation ("**Frontera**") elected to convert the principal amount outstanding ($8,800,000) under its bridge loan facility due September 30, 2019 ("**Bridge Loan III**"). The principal amount outstanding under Bridge Loan III was convertible at a price of US$0.22 per share (being the US dollar equivalent of CDN$0.29, which was the closing price of the common shares of CGX prior to the December 4, 2018 announcement of the amendment to the Bridge Loan). As a result of conversion of the Bridge Loan, the Company issued 40,000,000 common shares to Frontera.

- On September 23, 2019, the Company, through its wholly owned subsidiary CRI as the operator of the Corentyne Block under a Joint Operating Agreement with Frontera Energy Guyana Corp ("**Frontera Guyana**"), executed a contract with PGS Geophysical SA ("PGS") to provide acquisition and processing of a full broadband marine 3D seismic survey, to produce seismic data covering approximately 582 km^2 of the northern portion of the Corentyne Block offshore in Guyana. The seismic acquisition commenced on October 18th, 2019 and was completed on November 2, 2019. The processing of the data is ongoing and expected to be completed during second quarter 2020.

- In September 2019, CRI also 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, CRI has agreed with Rowan that all operational obligations under the drilling rig contract will be deferred until the parties can enter into an amended agreement due to the resequencing of the commitments in the Corentyne Block. CRI will not be entitled to the reimbursement of the mobilization fee under the terms of the LOU and, if an amended agreement is executed by CRI and Rowan on or before July 1, 2020, CRI will receive a credit towards payments due under the amended agreement.

- In July 2019, CRI received an addendum to the Corentyne PA by the Government of the Cooperative Republic of Guyana, South America ("**Government**"). Under the addendum, CRI reversed the order of its next two commitments under the Corentyne PA so that the commitments were as follows:

  - <u>First Renewal Period, Phase Two (27th November 2017 to 27th November 2019)</u>

    During phase two of the first renewal period, CRI shall complete additional seismic acquisition or seismic processing.
  - <u>Second Renewal Period, Phase One (27th November 2019 to 27th November 2020)</u>

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

- On May 28, 2019, the transfers of the 33.333% interest in both the Corentyne and Demerara PA and associated Petroleum Prospecting Licences ("**PPLs**") to Frontera Guyana were completed. The transfers were effective May 20, 2019. As a result, on May 28, 2019, the Company received $8,500,851, 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 Energy Guyana Corp. from CGX.

- On May 3, 2019, the Government approved the farm-in joint venture agreements ("**JOAs**") covering the two offshore PAs and associated PPLs for the Corentyne and Demerara blocks, between CRI and Frontera Guyana.

- On March 28, 2019, CGX completed the agreement with Japan Drilling Co., Ltd. ("**JDC**") made on October 30, 2018, and settled all liabilities claimed by JDC from the Company arising from a cancelled drilling contract in 2015. Under the terms of the agreement, the Company paid JDC 45% of the principal amount of the funds claimed and recorded (or $6,637,537), together with interest accrued on such reduced amount in the sum of $1,266,500 (or $7,904,037 in the aggregate) as at October 30, 2018, in order to fully satisfy all liabilities. The company recorded a gain on settlement of debt of approximately $9,998,862 in the year ended December 31, 2019.

- On March 12, 2019, the Company completed a rights offering ("**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 ("**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 Canadian dollar ("**C$**") 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 ("**Standby Commitment**"), in which Frontera would acquire any common shares available as a result of any unexercised Rights under the Offering, such that CGX was guaranteed to issue 116,102,318 common shares in connection with the Offering. Frontera received 5-year warrants to purchase up to 15,009,026 common shares at an exercise price equal to C$0.415 per common share (a "**Warrant**"). Since the Offering was oversubscribed, Frontera did not acquire any additional shares under the Standby Commitment.

- On February 7, 2019, to pay the required drilling rig minimum obligation fee of $5,340,000 (covering CRI'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 CRI's anticipated share pursuant to the terms of the Corentyne block JOA. The Promissory Note carried an interest rate of 7% per annum and matured on the earlier of the closing date of the transactions under the farm-out agreement with Frontera Guyana or May 28, 2019. The amount outstanding under the promissory note was settled on May 28, 2019.

- On January 30, 2019, the Company amended its Bridge Loan III with Frontera to a non-revolving term facility in an amount of up to $12,939,000, provided that the facility will be automatically reduced by a payment from the Company to a maximum principal amount of $8,800,000 by May 28, 2019. On May 28, 2019 the Company settled principal of $4,139,000, plus accrued interest, of the outstanding debt now owed to Frontera. 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 anytime prior to maturity or repayment at a price of $0.22 per share.

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

- In December 2018, the Company and Frontera entered into a binding letter of intent, whereby a Frontera subsidiary and the Company's wholly owned subsidiary, CRI were to enter into JOAs covering CRI's two offshore PA and associated PPLs in Guyana, the Corentyne and Demerara blocks. On January 30, 2019, CRI and Frontera Guyana executed the JOAs, subject to amendments as agreed upon by both parties. The JOAs provided for Frontera Guyana to acquire a 33.333% interest in each block in exchange for a $33,333,000 signing bonus. Frontera Guyana 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 is 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.

Carrying on Business in Guyana

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

Guyana is situated on the northern coast of the South American continent. It is bound on the north by the Atlantic Ocean, on the east by Suriname, on the south-west by Brazil and on the north-west by Venezuela. Guyana's total area is approximately 215,000 km^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 centre, and the principal port. In addition to Georgetown, Guyana has six towns of administrative and commercial importance which are recognized municipal districts; each has its own mayor, council and civic responsibilities.

The Co-operative Republic of 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 Guyana Geology and Mines Commission (“**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 Petroleum Production Licence, 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, CRI was issued an addendum to the November 27, 2012 PA ("**Addendum I**"). Under the terms of the Addendum I, CRI's work commitments were modified and CRI relinquished 25% of the original contract area block. Effective May 20, 2019 and as at December 31, 2019, the Corentyne PPL and PA is 66.667% (2018 – 100%) owned by CRI. During the year ended December 31, 2019, CRI received an addendum to the Addendum I on the Corentyne PPL, whereby the principal agreement has now been modified as follows, with all other aspects of the Addendum I remaining unchanged:

<u>First Renewal Period, Phase Two (27th November 2017 to 27th November 2019)</u>
"During phase two of the first renewal period, the Company shall complete additional seismic acquisition or seismic processing."
<u>Second Renewal Period, Phase One (27th November 2019 to 27th November 2020)</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 Addendum I as at December 31, 2019:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Commence planning to drill 1 exploration well (Completed)</td><td>Nov 27, 2016 - Nov 27, 2017</td></tr>
<tr><td colspan="3">- At the end of phase one of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2. (Company has commited to complete work in phase 2)</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Complete additional seismic acquisition or reprocessing (Completed)</td><td>Nov 27, 2017 - Nov 27, 2019</td></tr>
<tr><td colspan="3">- At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Drill 1 exploration well</td><td>Nov 27, 2019 - Nov 27, 2020</td></tr>
<tr><td colspan="3">- At the end of phase one of the second renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Drill 1 exploration well</td><td>Nov 27, 2020 - Nov 27, 2022</td></tr>
<tr><td colspan="3">- At the end of the second renewal period of three (3) years, the Company shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Company to conduct further exploration activities.</td></tr>
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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. Under the terms of the addendum, CRI's work commitments were modified and CRI relinquished 25% of the original contract area block, now covering 3,001.2 km^2. Effective May 20, 2019 and as at December 31, 2019, CRI held a 66.667% (2018 – 100%) interest in the Demerara PPL and PA.

The table below outlines CRI's commitments under the Addendum as at December 31, 2019:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Conduct additional data processing and planning for 1st exploration well (Conducted)</td><td>Feb 12, 2017 - Feb 12, 2018</td></tr>
<tr><td colspan="3">- At the end of phase one (1) of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2. (Company has commited to complete work in phase 2)</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Complete any additional processing and planning, and secure all regulatory approvals for the drilling of 1st exploration well (Completed)</td><td>Feb 12, 2018 - Feb 12, 2020</td></tr>
<tr><td colspan="3">- At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 12 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2020 - Feb 12, 2021</td></tr>
<tr><td colspan="3">- At the end of phase one of the second renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2021 - Feb 12, 2023</td></tr>
<tr><td colspan="3">- At the end of the second renewal period of three (3) years, the Company shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Company to conduct further exploration activities.</td></tr>
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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. On December 15, 2017, the Company was issued an addendum to the February 12, 2013 PA. The Berbice PPL is 100% owned by ON Energy, which is owned 62% by CGX.

The table below outlines ON Energy's commitments under the Addendum as at December 31, 2019:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 18 Months</td><td>Compile all relevant data, information and budgetary allocations for a geochemical survey and submit to the GGMC for approval (Completed)</td><td>Feb 12, 2017 - Aug 12, 2018</td></tr>
<tr><td colspan="3">- At the end of phase one (1) of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).</td></tr>
<tr><td>Phase Two - 18 Months</td><td>(a) Complete a geochemical survey of a minimum 120 sq km (Completed)
(b) Commence a seismic program defined by the geochemical survey (Completed)</td><td>Aug 12, 2018 - Feb 12, 2020</td></tr>
<tr><td colspan="3">- At the end of the first renewal period of three (3) years, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 18 Months</td><td>Complete seismic program and all associated processing and interpretation</td><td>Feb 12, 2020 - Aug 12, 2021</td></tr>
<tr><td colspan="3">- At the end of phase one (1) of the first renewal period, the Company shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).</td></tr>
<tr><td>Phase Two - 18 Months</td><td>Drill 1 exploration well</td><td>Aug 12, 2021 - Feb 12, 2023</td></tr>
<tr><td colspan="3">- At the end of the second renewal period of three (3) years, the Company shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Company to conduct further exploration activities.</td></tr>
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Recent Financings

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 anytime prior to maturity or repayment at a price of $0.22 per share. This conversion option was exercised on September 24, 2019.

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

GUYANA OPERATIONS

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 the Company began an active exploration program consisting of a 1,800 km seismic acquisition and preparations to drill the Eagle well. The Eagle drilling location in 2000 was 15 kms within the Guyana-Suriname border. However, a border dispute between Guyana and Suriname led to the Company being forced off the Eagle location before drilling could begin. As a result of that incident, all active offshore exploration in Guyana was suspended by CGX and the other operators in the area, including Exxon and Maxus (Repsol, YPF). On September 17, 2007, the International Tribunal on the Law of the Sea ("**ITLOS**") awarded a maritime boundary between Guyana and Suriname. In the decision, ITLOS determined that it had the jurisdiction to decide on the merits of the dispute and that the line adopted by ITLOS to delimit the parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration was compulsory and binding. CGX financed a significant portion of Guyana's legal expenses at a cost of $9.8 million. The decision was beneficial for CGX, as it concluded that 93% of 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 the Company acquired a 505 square kilometre 3D seismic program to enhance its interpretation of its newly defined Eagle Deep prospect, a large stratigraphic trap in the Cretaceous. The cost of the seismic program was approximately $8 million. Processing and interpretation of the 3D seismic was completed in 2009.

Based on the interpretation of the 3D seismic volume and concurrent activities on both sides of the Atlantic margin, CRI interpreted numerous prospects on the Corentyne PPL. The Eagle-1 well spudded on February 13, 2012 and was initially budgeted for 60 days of drilling, but experienced weather delays and mechanical issues which extended operations to 107 days. In May 2012, the Company completed the analyses of the results of its Eagle-1 well and was declared a dry-hole having encountering hydrocarbon shows in three formations, but the potential reservoir sands proved to be water-bearing. 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 PPL and PA, offshore Guyana, renewable after four years for up to six additional years. The New Corentyne PPL applies to the former offshore portion of the Corentyne PPL, covering 6,212 km^2.

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

On December 15, 2017, CRI was issued a first addendum to the November 27, 2012 PA. Under the terms of the first addendum 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. The first addendum to the new Corentyne PA resulted in a reduction of acreage to 4,709 km^2.

On January 30, 2019, CRI and Frontera Guyana executed the JOAs providing for Frontera Guyana to acquire a 33.333% interest in CRI's Corentyne and Demerara PPLs and PAs, in exchange for a $33,333,000 signing bonus. Frontera Guyana 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.

In August, 2019, CRI was issued a second addendum to the November 27, 2012 PA. Under the terms of the second addendum 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 Exxon's recent Pluma and Haimara discoveries.

Berbice PA, Guyana

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

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

ON Energy 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 Energy used the results from the analyzed samples to design a 2D seismic survey, thereby commencing its upcoming seismic program and fulfilling the remainder of the second license commitment for Phase Two of the First Renewal Period.

Demerara PA, Guyana

On February 12, 2013, the Government issued the new Demerara PPL and PA 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 Company's original Corentyne PA. Under the terms of the new Demerara PA, during the initial period of four years, CRI has an obligation to conduct a 3D seismic survey of a minimum of 1,000 km^2 (completed in 2014) 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 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 an addendum to the February 12, 2013 PA. Under the terms of the addendum to the Demerara PA, during phase two of the first renewal period commencing February 12, 2018, CRI 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, CRI shall elect either to relinquish the entire contract area except for any discovery area and the area contained in any PPL or relinquish twenty-five (25%) percent of the contract area and renew the PPL for a second period of three (3) years. The addendum to the New Demerara PA resulted in a reduction of acreage to 4,709 km^2.

On January 30, 2019, CRI and Frontera Guyana executed the JOAs providing for Frontera Guyana to acquire a 33.333% interest in CRI's Corentyne and Demerara PPLs and PAs, in exchange for a $33,333,000 signing bonus. Frontera Guyana 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.

Contractual Commitments

Further details of the Company's contractual commitments are included in the audited consolidated financial statements for the years ended December 31, 2019 and 2018.

Deep Water Port Facility and Logistics Yard, Guyana

The Company acquired a lease of approximately 55 acres of land situated on the eastern bank of the Berbice river, close to the mouth of the river. The lease was acquired in 2010 by CRI and transferred in 2012 to GCIE, and is for 50 years, renewable for a second period of 50 years. The location has been cited as the most strategic for a Deep Water Port facility servicing the oil and gas and agricultural industries in Guyana by a number of international studies. The location also has the advantage of being very close to the rapidly developing offshore oil and gas industry in Suriname. The Company has over the past years 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 maintenance of bridges. In addition the Company has articulated a phased approach to the full development of the facility and has engaged in detailed engineering design and permitting of Phase 1a of the facility. In 2020, the Company will begin the construction of Phase 1a.

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 in 2020 by the Company. The plot of land has been developed by the Company 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 Phase 1a of the Deep Water Port Facility until its functions are relocated to the 55 acre plot on the bank of the Berbice River at a later date.

For the year ended December 31, 2019, the Company incurred additions of $70,903 (2018 – $72,235) with respect to expenditures on the logistics yard and the Deep Water Port Facility. The bulk of the monies spent were on planning for a full service Deep Water Port Facility.

TRENDS

Financial markets are likely to continue to be volatile in Canada in 2020, reflecting ongoing concerns about the stability of the global economy, United States protectionism policy and continued instability in Africa and the Middle East. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide continue to be affected by these trends.

The future performance of the Company is largely tied to 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 “Risk Factors”.

RESULTS OF OPERATIONS

Three month period ended December 31, 2019

The Company recorded net income of $868,510 or $0.00 a share for the three month period ended December 31, 2019, compared with a net loss $1,384,437 or $0.01 a share for the same period in 2018. The differences in the period are as follows:

CGX incurred a foreign exchange gain of $144,496 for the three month period ended December 31, 2019, compared to a gain of $389,845 for the same period in 2018. 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 (2018 - related party loan due in Canadian dollars, with a principal of $9,116,000) as the Canadian dollar strengthened significantly (2018 - weakened significantly) against the US dollar during the three month period ended December 31, 2019.

General and administrative costs increased by $242,341 to $528,795 in the three month period ended December 31, 2019 from $286,364 for the same period in 2018. These costs increased as a result of increased overall activity by the Company as it prepares to drill its commitments wells under CRI’s Corentyne and Demerara PAs. .

Interest expense decreased by $652,337 to $144,663 in the three month period ended December 31, 2019 from $797,000 for the same period in 2018. 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 of approximately $18 million in JDC debt and the repayments or conversion of all the Frontera loans during the second and third quarter in 2019.

Professional fees for the three month period ended December 31, 2019 were $66,913 compared to $298,071 in the same period of 2019. These fees in 2018 were higher primarily due to higher legal fees relating to debt negotiations with various suppliers, joint venture negotiation and general corporate matters in 2018.

Management and consulting fees decreased by $34,992 to $354,634 during the three month period ended December 31, 2019 compared to $389,626 for the same period in 2018. Management and consulting fees are expected to increase in the coming quarters as a result of increased level of activities related to CRI's PPLs.

The Company earned fees from its farm in partner during the three month period ended December 31, 2019 of $348,621, compared to $Nil, for the same period in 2018. As operator of the Corentyne and Demarara licences starting in 2019, the Company receives a fee from its partner to reimburse its indirect costs related to operating the Corentyne and Demerara PPLs. This fee is based on total expenditures under the JOAs.

The Company incurred stock-based compensation during the three month period ended December 31, 2019 of $1,565,000, compared to $Nil, for the same period in 2018. 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 $3,052,000 (2018 – $Nil) for the three month period ended December 31, 2019. 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, 2019

CGX recorded net income of $9,232,445 or $0.04 a share for the year ended December 31, 2019, compared with net loss of $6,056,361 or $0.05 a share for the same period in 2018. The differences in the year are as follows:

CGX incurred a foreign exchange gain of $71,220 for the year ended December 31, 2019, compared to a $630,763 for the same period in 2018. The significant change is due to the changes in the foreign exchange rates as the Canadian dollar strengthened slightly against the US dollar after the company received a significant amount of Canadian dollars from the rights offering and settled its related party loan due in Canadian dollars (2018 - weakened significantly).

General and administrative costs decreased by $28,422 to $1,125,767 in the year ended December 31, 2019 from $1,154,189 for the same period in 2018. General and administration costs are expected to increase in the coming year as a result of increased activities related to CRI's PPL.

Interest expense decreased by $1,304,373 to $1,704,468 in the year ended December 31, 2019 from $3,008,841 for the same period in 2018. These costs are lower than the prior year due to interest costs incurred on lower related party loans and trade and other payables as a result of settlement of approximately $18 million in JDC debt and the repayments or conversion of all the Frontera loans. These costs are expected to be lower in the coming year as a result of lower balances subject to interest starting from the beginning of the year.

Professional fees for the year ended December 31, 2019 were $176,983 compared to $392,188 in the same period of 2018. These fees in 2018 were higher primarily due to higher legal fees relating to debt negotiations with various suppliers and general corporate matters in 2018.

Management and consulting fees decreased by $385,008 to $1,683,431 during the year ended December 31, 2019 compared to $2,068,439 for the same period in 2018. The Company expects management and consulting fees to increase in the coming year.

The Company earned fees from its farm in partner during the year ended December 31, 2019 of $348,621, compared to $Nil, for the same period in 2018. As operator of the Corentyne and Demarara licences starting in 2019, 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.

The Company incurred stock-based compensation during the year December 31, 2019 of $1,565,000, compared to $Nil, for the same period in 2018. Stock-based compensation expenses are booked 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 $2,477,000 (2018 – $Nil) for the year ended December 31, 2019. The warrants are recorded as a derivative liability for accounting purposes due to their exercise price being denominated in a currency other than the Company's US dollar functional currency. Warranty liability is booked based on the valuation of warrants using the Black-Scholes model. The liability varies mainly based on the number of warrants outstanding in the period, the current price of 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.

As a result of the proceeds received under the JOAs relating to the Demarara PPL, 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, CGX recorded a reversal of the previously taken impairment in 2014 from the amount of the negative balance, being $7,600,000 (2018 - $Nil) during the year ended December 31, 2019.

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

Selected Consolidated Annual Financial Information

The information below should be read in conjunction with the financial statements for the years ended December 31, 2019, 2018 and 2017 and related notes and other financial information.

Year ended December 31,	**2019**	2018	2017
	$	$	$
Net Income (Loss)	**9,232,445**	(6,056,361)	(5,707,590
Basic and Diluted Income (Loss) Per Share	**0.04**	(0.05)	(0.05)
Total Assets	**39,932,830**	38,465,386	33,030,193
Liabilities	**21,833,555**	59,315,007	48,993,083

Results for the three month periods ended:

	December 31, 2019 $	September 30, 2019 $	June 30, 2019 $	March 31, 2019 $
Net Income (Loss)	868,510	(4,755,299)	4,368,848	8,750,386
Basic and Diluted Income (Loss) Per Share	0.00	(0.02)	0.02	0.06
	December 31, 2018 $	**September 30, 2018** $	**June 30, 2018** $	**March 31, 2018** $
Net Loss	(1,384,437)	(1,608,557)	(1,256,518)	(1,806,849)
Basic and Diluted Loss Per Share	(0.01)	(0.01)	(0.01)	(0.02)

CAPITAL RESOURCES, CAPITAL EXPENDITURES AND LIQUIDITY

As at December 31, 2019, the Company's working capital deficiency decreased to a working capital deficiency of $5,824,100 compared to $55,900,318 as at December 31, 2018. 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, 2019 and 2018 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

CGX has a history of operating losses and as at December 31, 2019 had a working capital deficiency of $5,824,100 (2018 - $55,900,318) and an accumulated deficit of $292,359,628 (2018 - $301,592,073). The ability of CGX to continue as a going concern is dependent on securing additional required financing through issuing additional equity, debt instruments, sale of Company assets or securing a second joint venture farm-out for CRI's PPLs. Given the Company's capital commitment requirements under CRI's and On Energy's PPLs outlined in Note 10 to the consolidated financial statements, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the balance sheet date. While the Company has been successful in raising financing in the past and believes in the viability of its strategy and that the actions presently being taken provide the best opportunity for the Company to continue as a going concern, there can be no assurances to that effect. As a result, there exist material uncertainties which cast significant doubt as to the Company's ability to continue as a going concern.

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, 2019, Frontera owned approximately 72.4% of the common shares of the Company. Frontera currently holds 197,383,129 common shares of the issued and outstanding shares in the capital of the Company on a non-diluted basis as of March 5, 2020. If Frontera exercises all of its 15,009,026 Warrants at an exercise price equal to C$0.415 it would hold a total of 212,392,155 common shares representing approximately 73.85% of the common shares on a partially diluted basis.

In October 2014, the Company entered into a secured bridge loan agreement (the "**C$ Bridge Loan**") with Frontera in the aggregate principal amount of C$7,500,000 ($6,700,000). The C$ Bridge Loan was a non-revolving term facility. The C$ Bridge Loan accrued interest at an annual rate of 5% per annum.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In April 2017, the Company entered into a secured bridge loan agreement (the "**Bridge Loan III**") with Frontera. On February 1, 2019, the Company and Frontera amended the Bridge Loan III to a non-revolving term facility in an amount of up to $12,939,000, provided that the facility will be automatically reduced by a payment from the Company to a maximum principal amount of $8,800,000 by May 28, 2019. This revised term facility carried an interest rate of up to 7% per annum and were to mature on September 30, 2019. The $8,800,000 principal amount was convertible into common shares of the Company at the option of Frontera anytime prior to maturity or repayment at a price of $0.22 per share. The Bridge Loan III accrued interest at an annual rate of 7% (5% prior to February 1, 2019) per annum. On September 24, 2019, Frontera elected to exercise the conversion feature and 40,000,000 common shares of the Company were issued to settle $8,800,000.

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

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

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

Year ended December 31,	**2019**	2018
Opening balance at beginning of year	**$ 11,302,528**	$ 3,753,079
Loan from related party	**961,763**	7,658,420
Trade and other payables and accrued interest added to loan from related party	**712,620**	-
Repayment of principal through issuance of shares	**-**	(61,339)
Conversion component of convertible debentures	**(169,000)**	-
Interest accretion	**169,000**	-
Accrued interest on loan from related party	**539,355**	341,319
Accrued interest added to loan from related party	**(86,375)**	-
Settled against signing bonus under JOAs	**(4,425,579)**	-
Exercise of conversion feature	**(8,800,000)**	-
Cash payment of interest	**(204,312)**	-
Repayment of interest through issuance of shares	**-**	(388,951)
Total loan from related party	**$ -**	$ 11,302,528

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

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

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

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

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

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

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

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

On February 7, 2019, to pay the required drilling rig minimum obligation fee of $5,340,000 (covering the Company's share of the mobilization fee, demobilization fee and 30-days of rig time charged at the stand-by rate) Frontera advanced the Company the full amount. Of this amount the Company signed a promissory note for $3,115,035 (the "**Promissory Note**"), being the Company's anticipated share pursuant to the terms of the JOAs. The Promissory Note carried an interest rate of 7% per annum and matured on the earlier of the closing date of the transactions under the farm-out agreement with Frontera Guyana 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 CGMC. 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:

- During the year ended December 31, 2017, the Company entered into a technical service agreement with Frontera whereby Frontera will provide geological and geophysical consulting to the Company. In accordance with the terms of these agreements, the Company recognized an expense of $Nil (2018 -

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

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

- 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.

Farm in partner advances

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

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

Key Management

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

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

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

CONTINGENCIES, CONTRACTUAL OBLIGATIONS, GUARANTEES AND COMMITMENTS

In the normal course of business, the Company and its subsidiaries has 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 9, 10, 11 and 19 to the consolidated financial statements for the years ended December 31, 2019 and 2018 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 has 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 hold 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 proposes 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 hold the meeting of the holders of the ordinary shares of ON Energy.

Prospector

In July 2018, Prospector filed a request for arbitration against CGX and CRI in the International Chamber of Commerce ('**ICC**"). 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 US$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**").

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. Prospector and CGX are currently in the process of negotiating another one (1) year suspension of the Arbitration.

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 5, 2020:

Share Capital	Number
Shares	272,579,636
Warrants	15,009,026
Options	15,510,000

See notes 14 and 20 to the consolidated financial statements for the years ended December 31, 2019 and 2018 for more detailed disclosure of outstanding share data.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

As at December 31,	2019	2018
	($)	($)
Exploration and evaluation expenditures:		
Capitalized exploration costs (cumulative)	**16,737,403**	27,889,599
Total Assets	**39,932,830**	38,465,386

For the years ended December 31,	2019	2018
	($)	($)
Land & lease costs	**450,000**	450,000
Exploration: Intangible, drilling and other	**7,167,168**	50,506
Geophysical and administrative	**6,588,636**	1,948,171
Exploration and evaluation expenditures net additions for the year	**14,205,804**	2,448,677

Corporate Expenses for the years ended December 31,	2019	2018
	($)	($)
General and administrative	**1,125,767**	1,154,189
Interest expense	**1,704,468**	3,008,841
Management and consulting	**1,683,431**	2,068,439
Professional fees	**176,983**	392,188
Shareholders' information	**53,609**	63,467
Share based payments	**1,565,000**	0
Foreign exchange (gain)	**(71,220)**	(630,763)
	6,238,038	6,056,361

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, 2019, 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

CGX'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.

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 recent 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 cost and the time frames for government authorizations and/or license extensions; (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.

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. 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.

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.

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.

Petroleum Exploration Operations

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 discovery or ultimate production of hydrocarbons.

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 of 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 PAs and PPLs

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 PAs and PPLs.

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, military repression, changes in mining or investment policies, corruption, hostage takings, opposition to mining form 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, 2019 and 2018 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.

Recent Distress in Financial Markets

In the future, the Corporation may require further debt financing to grow its business. The recent distress affecting the financial markets and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets. This could diminish the amount of financing available to companies. In addition, such turmoil in the financial markets 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. Continuing turmoil in the financial markets 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. In addition, there could be a number of follow-on effects from the credit crisis on the Corporation, including insolvency of customers, key suppliers and other counterparties to the Corporation and foreign exchange derivative instruments.

Banks have been adversely affected by the worldwide economic crisis and have severely curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, with extremely limited access to new facilities or for new borrowers. These factors could negatively impact the Corporation's ability to access liquidity needed for the Corporation's business in the longer term.

Global Pandemic

A global pandemic could cause temporary interruptions in operations if there is an outbreak in areas in which the Company operates. In addition, governments may take preventative measures such as imposing travel restrictions and closing points of entry which may impact the Company's ability to operate. These preventive measures along with market uncertainty could cause economic uncertainty, resulting in a decrease in the demand for oil and natural gas. The outbreak of the novel coronavirus at the end of 2019 has had an adverse effect on the price of oil and natural gas.

Global Economic Downturn

In the event of a continued general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Corporation would not be materially adversely affected.

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. These conditions have caused a decrease in confidence in the global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. This volatility may in the future affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns. No assurance can be given that oil and natural gas prices will be sustained at levels which will enable the Corporation to achieve profitability.

These factors may impact the Corporation's ability to obtain equity, debt or bank financing on terms commercially reasonable to the Corporation, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these increased levels of volatility and market turmoil continue, the

Corporation's operations could be adversely impacted and the trading price of the Corporation's securities could continue to be adversely affected.

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.

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.

When bidding on an underground drilling contract, the cost of sourcing materials and supplies is a key consideration in deciding upon the pricing. Underground drilling contracts expose CGX to the risk of increased costs over the time period. An unanticipated increase in the cost of labor or materials and supplies during that period could reduce our profit margins with an adverse impact on our financial performance, financial condition, cash flows and growth prospects.

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 has or may issue Options and Warrants that will entitle the holder thereof to purchase common shares or may issue new common shares from treasury. Accordingly, current holders of common shares may suffer dilution.

Significant Shareholders

Frontera holds 197,383,129 common shares representing approximately 72.41% of the issued and outstanding common shares on an undiluted basis. In addition, the Company holds 15,009,026 Warrants and if exercised, the Company would have 73.85% of the issued and outstanding common shares on a partially diluted 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.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Company's 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 period. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to exploration and evaluation expenditures, warrant liability, valuation of deferred income tax amounts, cash generating units and impairment testing, functional currency and the calculation of share-based payments. Significant estimates and judgments made by management in the preparation of the Company's consolidated financial statements are outlined below:

Exploration and evaluation

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

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.

Cash generating units

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

The Company prepares and reviews separate detailed budgets and forecast calculations for each of the CGUs. Impairment assessment is generally carried out separately for each CGU based on cash flow forecasts calculated based on proven reserves for each CGU (value in use).

Share based payments and warrant liability

The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrants 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.

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 equity financing.

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.

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, 2019.

Based on this assessment, the officers concluded that as of December 31, 2019, 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, 2019.

OTHER INFORMATION

This MD&A of the financial position and results of operation as at December 31, 2019, should be read in conjunction with the Company's audited consolidated financial statements and related notes for the years ended December 31, 2019 and 2018. 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 5, 2020

"signed" Suresh Narine

Suresh Narine, Executive Chairman
and Executive Director (Guyana)

"signed" Tralisa Maraj

Tralisa Maraj, Chief Financial Officer