FORM 51-102F3

MATERIAL CHANGE REPORT

Item 1. <u>Name and Address of Company</u>

CGX Energy Inc. ("**CGX**" or the "**Company**")
333 Bay Street, Suite 1100
Toronto, Ontario
M5H 2R2

Item 2. <u>Date of Material Change</u>

February 1, 2019.

Item 3. <u>News Releases</u>

On February 1, 2019, the Company issued a news release with respect to certain matters of this material change report through Canada Newswire.

On February 1, 2019, the Company and Frontera Energy Corporation ("**Frontera**") issued a further news release with respect to certain other matters contained in this material change report through Newsfile Corp.

The Company has filed both news releases on the System for Electronic Document Analysis and Retrieval.

Item 4. <u>Summary of Material Change</u>

On February 1, 2019, the Company announced that it will be offering transferable rights (each, a "**Right**") to holders of common shares in the capital of CGX (the "**Common Shares**") on the basis of one Right for each Common Share held at the close of business (Toronto time) on February 11, 2019 (the "**Record Date**"). In addition, the Company and Frontera announced the execution of a farm-in joint venture agreement (the "**JV Agreement**") and of an amended and restated bridge loan agreement (the "**Bridge Loan Agreement**") previously announced on December 4, 2018.

Item 5. <u>5.1 - Full Description of Material Change</u>

On February 1, 2019, CGX and Frontera announced the execution of the JV Agreement covering CGX's two shallow water offshore Petroleum Prospecting Licenses in Guyana, the Corentyne and Demerara Blocks. The JV Agreement remains subject to Guyanese government approval and remain held in escrow until such time.

CGX and Frontera also announced that they had entered into the Bridge Loan Agreement, pursuant to which Frontera has agreed to extend the term of CGX's April 25, 2018 bridge loan (the "**Amended Bridge Loan**") to September 30, 2019 and to update certain other terms and conditions. Under the Amended Bridge Loan, Frontera has the option to convert up to US$8.8 million principal amount of the loan into Common Shares at a conversion 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 on the last trading day prior to the announcement of the Amended Bridge Loan on December 4, 2018), at any point on or before maturity of the loan.

Concurrent with the announcement of the execution of the JV Agreement and the Bridge Loan Agreement, CGX announced that it will issue to the holders of Common Shares (the

“**Shareholders**”) an aggregate of 116,102,318 Rights to subscribe for an aggregate of 116,102,318 Common Shares, on the basis of one Right for every one Common Share held on the Record Date (the “**Offering**”). Each Right will entitle the holder to purchase one Common Share upon payment of a subscription price of $0.25. In connection with the Offering, Frontera and CGX have entered into a standby commitment agreement (the “**Standby Agreement**”) whereby Frontera committed to purchase all Common Shares not subscribed for by other Shareholders under the Offering, such that CGX will be guaranteed to issue 116,102,318 Common Shares in connection with the Offering, for aggregate gross proceeds of $29,025,579.50. In consideration for the commitment under the Standby Agreement, Frontera will receive common share purchase warrants to purchase 25% of the Common Shares that Frontera has agreed to acquire under the standby commitment, at an exercise price equal to $0.415 per Common Share.

Frontera and JDC Drilling Co. Ltd. (“**JDC**”) are “related parties” of CGX under Multilateral Instrument 61-101-*Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The transactions in respect of the JV Agreement and the Bridge Loan Agreement between CGX and Frontera are “related party transactions” within the meaning of MI 61-101, and the Offering is a “related party transaction” within the meaning of MI 61-101 in respect of JDC. Each of such related party transactions is exempted from the formal valuation requirement of MI 61-101 pursuant to the exemption provided in section 5.5(b) of MI 61-101, as the Common Shares are listed only on the TSX Venture Exchange and not on any of the markets specified in section 5.5(b) of MI 61-101. CGX is exempted from the minority approval requirements pursuant to section 5.7(l)(e) of MI 61-101 on the basis that: (i) CGX is in serious financial difficulty; (ii) the transactions contemplated by the JV Agreement, the Bridge Loan Agreement, and the Offering are designed to improve the financial position of CGX; (iii) section 5.5(f) of MI 61-101 is not applicable to transactions contemplated by the JV Agreement, the Bridge Loan Agreement and the Offering; (iv) CGX has one independent director in respect of the transactions contemplated by the JV Agreement, the Bridge Loan Agreement and the Offering; (v) the CGX board of directors and its independent director, acting in good faith, have determined that items (i) and (ii) above apply and that the terms of the JV Agreement, the Bridge Loan Agreement and the Offering are reasonable under the circumstances of CGX, and (vi) there is no other requirement to hold a meeting of Shareholders to approve the transactions contemplated by the JV Agreement, the Bridge Loan Agreement and the Offering.

As disclosed in the Amended and Restated Material Change Report of the Company dated February 11, 2019 (the “**Amended and Restated MCR**”), CGX’s board of directors and special committee held several meetings to consider JV Agreement, the Amended Bridge Loan, the Standby Agreement and the Offering before their approval. Management and the Board considered various forms of financing alternatives in order to improve the financial condition of the Company. As disclosed in the Amended and Restated MCR, the transactions described herein are reasonable in the circumstances because, among other things, they are (i) generally less costly; (ii) the Offering provides for a back-stop; (iii) permit the Company to reduce its indebtedness; and (iv) the JV Agreement provides a signing bonus to the Company benchmarked against a similar agreement in comparable circumstances. All decisions of the special committee were made by the independent director, Mr. Dennis Mills. Frontera’s representative on the Company’s board of directors declared a conflict of interest and abstained from voting at the directors’ meeting approving the JV Agreement, the Bridge Loan Agreement, the Standby Agreement and the Offering. No contrary views were expressed by any director, nor were there any abstentions by any director of CGX, other than the Frontera representative, and there were no material disagreements between the board of directors and the independent director.

Neither the Company nor any director or senior officer of the Company know, after reasonable inquiry, of the existence of any prior valuations, as such term is defined in MI 61-101, in the 24 months prior to the date of this Material Change Report.

5.2 - Disclosure for Restructuring Transactions

Not applicable.

Item 6. Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7. Omitted Information

Not applicable.

Item 8. Executive Officer

The following officer of the Company may be contacted for further information:

Tralisa Maraj, Chief Financial Officer (416) 364-5569

Item 9. Date of Report

This report is dated this 11th day of February, 2019