FORM 51-102F3

AMENDED AND RESTATED MATERIAL CHANGE REPORT

Item 1. **Name and Address of Company**

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

Item 2. **Date of Material Change**

December 4, 2018;
December 17, 2018; and
January 11, 2019

Item 3. **News Releases**

A news release disclosing each of the material changes was issued by the Company on December 4, 2018, December 17, 2018 and January 11, 2019, respectively, through Newsfile Corp. and filed on the System for Electronic Document Analysis and Retrieval.

Item 4. **Summary of Material Change**

On December 4, 2018, CGX and Frontera Energy Corporation ("**Frontera**") announced that they entered into a binding letter agreement (the "**Letter Agreement**") to enable CGX to finance the drilling costs related to two shallow water offshore blocks in Guyana, the Corentyne and Demerara blocks, and to provide financial support as a critical step in a series of transactions that CGX is seeking to undertake in order to restructure its liabilities and provide for sufficient working capital to enable it to advance its offshore exploration projects in Guyana.

Under the terms of the Letter Agreement, CGX, CGX Resources Inc., a wholly-owned subsidiary of CGX, and Frontera agreed to, among other things, (i) enter into a farm-in agreement and joint operating agreement for the exploration of CGX's two offshore Petroleum Prospecting Licenses in Guyana, the Corentyne and Demerara blocks, subject to regulatory approvals, pursuant to which Frontera would acquire a 33.33% working interest in each of the offshore blocks (the "**Joint Venture Agreement**"); (ii) amend the terms of the amended and restated bridge loan facility between CGX as borrower and Frontera as lender (the "**Amended Bridge Loan**"), including to provide Frontera with a conversion right in respect of the principal amount at a conversion price of the U.S. dollar equivalent of CDN$0.29 per share; and (iii) undertaken an equity financing of approximately US$20 million which Frontera would act as a guarantor ("**Equity Financing**").

On December 17, 2018, the Company and Frontera announced that they entered into a debt settlement agreement which settles US$1,200,000 of debt owing by CGX to Frontera through the issuance of 5,714,285 common shares of CGX ("**Common Shares**") to Frontera at a deemed price of US$0.21 (or CDN$0.2775) per Common Share. CGX and Frontera also announced that the amendment to the terms of Amended Bridge Loan would provide Frontera with 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 U.S. dollar equivalent of the closing price of the Common Shares on the TSX Venture Exchange (the "**TSXV**") on December 4, 2018), at any point on or before maturity of the loan.

On January 11, 2019, CGX and Frontera announced an extension of time to permit the Equity Financing and for the time in respect of entering into the Joint Venture Agreement.

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

Please refer to the press releases dated December 4, 2018, December 17, 2018 and January 11, 2019 which provide a description of the transactions.

Overview

Frontera is a "related party" of CGX under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**"). Certain of the transactions between CGX and Frontera are "related party transactions" within the meaning of MI 61-101, and all such transactions are 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 TSXV 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 Joint Venture Agreement, the Amended Bridge Loan, and the Equity Financing 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 Joint Venture Agreement, the Amended Bridge Loan and the Equity Financing; (iv) CGX has an independent director in respect of the transactions contemplated by the Joint Venture Agreement, the Amended Bridge Loan and the Equity Financing; (v) the CGX board of directors (the "**Board**") and its special committee consisting of an independent director, acting in good faith, have determined that items (i) and (ii) above apply and that the terms of the Joint Venture Agreement, the Amended Bridge Loan and the Equity Financing 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 Joint venture Agreement, the Amended Bridge Loan and the Equity Financing.

Background

As at September 30, 2018, CGX had an accumulated deficit of US$300,207,636. Based on the interim financial statements of the Company as at September 30, 2018, CGX had approximately $56,322,827 in current liabilities versus only $1,338,420 in current assets, which amounts to current liabilities being approximately $54.9 million in excess of current assets. In addition, the Company indicated in the interim financial statements as at September 30, 2018, that its continuation as a going concern is dependent on securing additional required financing. The Company did not have sufficient cash to meet its operating requirements.

The Letter Agreement was a critical step in a series of transactions to restructure CGX's liabilities and provide for sufficient capital to enable it to develop its oil and gas assets.

Frontera currently owns 56,066,214 Common Shares, which represents approximately 48.3% of the issued and outstanding Common Shares. Frontera also has a right to convert up to US$8.8 million of the principal amount of the Amended Bridge Loan, which if converted would result in Frontera increasing its ownership of the outstanding Common Shares to approximately 61.5%. As a result of the Equity Financing, Frontera could increase its ownership of outstanding common shares of CGX from its current ownership of approximately 48.3% to up to approximately 77.9% if no other Shareholder participates in the Equity Financing and Frontera elects to exercise the foregoing conversion right.

As at December 4, 2018, the total debt owed by the Company to Frontera was US$26,866,565.33, and all such debt was in default.

Review and Approval Process

The Special Committee

The Company established a special committee on May 7, 2018, comprised of Mr. Dennis Mills who is an independent director. The Company determined that Mr. Mills is an independent director within the meaning of Part 7 of MI 61-101 as Mr. Mills: (i) is not and has not been in the past 12 months, an employee, associated entity or an insider of Frontera, or of an affiliate of Frontera; (ii) is not and has not been in the past 12 months, an adviser to Frontera or an employee or associated entity of an adviser of Frontera; (iii) has no material financial interest in Frontera or an affiliated entity of Frontera; (iv) would not reasonably be expected to receive a benefit as a consequence of the transactions that is not available on a pro rata basis to the general body of Shareholders in Canada of CGX. Further, Mr. Mills is not an interested party as that term is defined in MI 61-101 as Mr. Mills is not a party to any of the transactions in question and is not entitled to receive (directly or indirectly) as a consequence of any of such transactions any collateral benefit. Finally, Mr. Mills as a member of the special committee will not receive any payment or other benefit from CGX, Frontera or any successor thereof that is contingent on completing the transactions.

Mandate of the Special Committee

All decisions of the special committee were made by the independent director. The responsibilities of the special committee were to:

- consider, evaluate and make a recommendation to the Board concerning any proposal (including any terms and conditions thereof) to be made to CGX's creditors in order to address the Company's debt and the Equity Financing (including any terms and conditions thereof, including but not limited to any stand-by commitment to be provided by Frontera). The special committee was also to identify, consider, evaluate and make a recommendation to the Board concerning any strategic alternatives to any proposal that was to be made, and to the Equity Financing, that may be available to the Company;
- oversee: (i) the Company's proposal to be made to its creditors, including Frontera and Japan Drilling Co., Ltd ("**JDC**"); (ii) the Company's Equity Financing, and to negotiate the terms and conditions thereof with Frontera, including any stand-by commitment by Frontera; (iii) the Company's identification, consideration, review and evaluation of any strategic alternatives that may be identified to the proposal to be made to creditors and the Equity Financing; (iv) any negotiations by the Company with Frontera, JDC and the other creditors and to undertake such negotiations itself; and (v) the preparation of any legal agreements, applications for approval, offering materials for the Equity Financing, and any other documentation;
- consider and advise the Board whether, in the opinion of the special committee, each of the proposal to creditors, the Equity Financing, or any other strategic alternative identified by the special committee, is fair and reasonable in the circumstances and in the best interests of the Company and its shareholders;
- issue such press releases or other information as the special committee considers appropriate; and
- consider such other matters as the special committee considers relevant in connection with the foregoing.

Meetings of the Board and of the Special Committee

On November 14, 2018, the Board convened a meeting to discuss a proposed deal from Frontera. At this meeting, the proposed terms of the deal were outlined for a detailed discussion. A decision was made by the Board based on the Company's current level of debt and market conditions that the proposed deal terms from Frontera were reasonable in the circumstances and that a deal should be pursued. Mr. Mills, the independent board member, recommended the pursuit of the proposed deal exercising his business judgement.

On November 23, 2018, the Board held a meeting to provide an update on the deal negotiations with Frontera. Revised deal terms were provided to the Board and which were discussed at the meeting. The Board concluded that the terms of the revised proposed deal were reasonable in the circumstances given the Company's financial condition. It was agreed that CGX would be open to receiving a letter of intent from Frontera (being the Letter Agreement).

On November 29, 2018, the Board met to discuss the Letter Agreement received from Frontera. The Board was of the view that the Letter Agreement laid out a fair deal.

On December 2, 2018, the Board met to discuss matters around debt conversion and financial hardship. The Board concluded that based on various factors and given the Company's inability to raise funds in the open market considering the Company's high level of debt, the Company was in a positon of financial hardship.

On December 3, 2018, upon resolution at the meeting, the Letter Agreement was approved for execution.

At meetings on January 28, 30 and 31, 2019, the special committee considered the terms of the definitive agreements. These deliberations of the special committee resulted in certain revisions to the definitive agreements.

Additional Disclosure Pursuant to MI 61-101

Prior Valuations

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.

Reasonableness of the Transactions

Management of CGX and the Board considered various forms of financing alternatives in order to improve the financial condition of the Company, including whether CGX could obtain cash flows to fund its ongoing operations and capital by entering into additional joint venture agreements, re-structuring certain debt including conversion of certain debt into equity and other financing alternatives. In light of the foregoing alternatives, the transactions contemplated in the Letter Agreement were reasonable in the circumstances because:

- the transactions are generally less costly (including the Equity Financing as opposed to other traditional forms of equity offerings through an agent or underwriter);

- the Equity Financing is less risky than other forms of equity financing as it provides for a back-stop by Frontera in case the existing shareholders do not exercise their subscription rights;

- the Equity Financing permits existing shareholders to retain their proportionate interest in the Company if they wish to exercise their rights, or to trade their rights for consideration;

- the Joint Venture Agreement provides for a signing bonus in the amount of US$33,333,000 which would permit CGX to reduce its indebtedness to Frontera and improve capital. The upfront payment of US$33,333,000 by

Frontera in exchange for a one-third interest in each of the Corentyne block and Demerara block, together with Frontera's agreement to pay one-third of the applicable costs plus an additional 8.333% of CGX's direct drilling costs for the initial exploratory commitment wells in the two blocks, is fair and reasonable. The signing bonus is equivalent to US$0.5 million per 1% working interest per offshore block (two blocks, $0.5 million, for 33.3% working interest). The price is benchmarked against similar agreements in comparable circumstances;

- the Joint Venture Agreement permits additional parties to participate in the future;
- the amendments to the Amended Bridge Loan are fair and reasonable because they provide for an extension of the maturity date of the bridge loan agreement as well as the ability to remove certain debt of the Company off its balance sheet by issuing Common Shares, thereby improving CGX's capital. In the view of the Board, the extension of the maturity date of the bridge loan agreement and settlement of current debt owed to Frontera in the amount of approximately $17 million would allow the Company to have a stronger balance sheet position. In the Board's view, the settlement of this historic debt and the other transactions announced on December 4, 2018 would also assist the Company in a successful Equity Financing; and
- the market's reaction to these transactions has been overwhelmingly positive. The near 100% increase in the stock price, even after the announcement of the Equity Financing with a dramatic discount to the current stock price, is further evidence (albeit in hindsight) as to the reasonableness of the transactions.

The Company has also filed a material change report today in respect of the launch of the Equity Financing, and the entering into the of Joint Venture Agreement and the Amended Bridge Loan.

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.