Cuda Oil and Gas Inc.
Management Discussion and Analysis
For the Years Ended December 31, 2019 and 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") for Cuda Oil and Gas Inc., ("COGI" or the "Company"), is prepared as of July 4, 2020. This MD&A should be read in conjunction with the Company's audited consolidated financial statements together with the notes thereto for years ended December 31, 2019 and 2018 (the "Financial Statements").

The Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial data presented is in Canadian dollars, except where indicated otherwise. These documents and additional information about Cuda Oil and Gas Inc. are available under the Company's profile on the SEDAR website at www.sedar.com.

DESCRIPTION OF BUSINESS

Cuda Oil and Gas Inc., is a company incorporated under the *Business Corporations Act (Quebec)*.

On June 8, 2018, Junex Inc. ("Junex") entered into an arrangement agreement with Cuda Energy Inc. ("CEI") providing for Junex's acquisition of CEI by way of plan of arrangement under the *Business Corporations Act (Quebec)* (the "Arrangement"). On August 14, 2018, the Arrangement was completed and Junex acquired all of the issued and outstanding Class "A" common shares of CEI. Pursuant to the Arrangement, Junex consolidated its outstanding share capital on a 10 to 1 basis and changed its name to Cuda Oil and Gas Inc.

The business combination resulting from the Arrangement has been accounted for as a reverse acquisition of Junex by CEI. As a result, the historic financial information presented prior to August 14, 2018 is a continuation of the financial statements of CEI, except for the number of common shares issued and outstanding which reflects the legal share capital of Junex.

Concurrent with the Arrangement, the Company also completed the acquisition of certain oil and natural gas properties in the state of Wyoming, United States for $50.3 million (the "Asset Acquisition") and a $35.0 million debt issuance.

With a strategy to focus on the development of its Alberta and Wyoming oil and gas properties, on July 23, 2019, the Company entered into a series of binding Asset Purchase Agreements ("APAs") to sell all of its oil and gas assets and related decommissioning liabilities in Quebec, Canada for cash consideration of $4,290,003; net proceeds of $3,787,659 after costs to sell of $502,344. On September 4, 2019, the Company closed the APAs and disposed of all of its land permits, licenses, production rights and interests in Quebec, Canada, including the restricted cash and deposits and obligation for exploration work related to the Galt oil and gas project in the Gaspe Peninsula of Quebec, as well as all associated drilling and field equipment and other tangible assets (the "Quebec Assets"). The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of $3,116,750.

Currently, the main activity of COGI is oil and natural gas exploration, development and production in the Province of Alberta, Canada, and in the State of Wyoming in the United States. COGI's principal place of business is located at 1930, 440 2 Avenue SW, Calgary, Canada T2P 5E9. COGI's common shares are listed under the symbol "CUDA" on the TSX Venture Exchange ("TSXV").

GOING CONCERN

These consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and payment of liabilities in the ordinary course of business and under the macro economic conditions described earlier. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

At December 31, 2019 the Company has credit facilities (see Note 12) outstanding with a principal balance of approximately $41.7 million which are due on July 30, 2020 and convertible debentures (see Note 14) with a principal balance of $1,5 million which are due on July 21, 2020. Upon maturity of the credit facilities the Company is also required to pay a financing fee of $1,4 million. The Company had a reporting covenant to deliver audited consolidated financial statements within 120 days to the lender of the credit facilities. The Company was unable to meet this deadline however the Company received a waiver relating to this covenant violaton. At December 31, 2019 the Company has a working capital deficiency (including the credit facilities and convertible debentures) of approximately $46.5 million and an accumulated deficit of approximately $61.8 million. Capital commitments in Wyoming, U.S. for 2020 include costs of approximately $9.1 million (USD $7.0 million) to complete the drilling program, a gas gathering and processing facility, gas injection facilities, the makeup gas pipeline and an electrical powerline. Further, for the years ended December 31, 2019 and 2018, the Company reported net losses of approximately $41.9 million and approximately $7.7 million, respectively and used cash flows in operating activities of approximately $5.7 million and approximately $5.2 million, respectively.

The Company currently has no ability to settle any of the credit facilities, the convertible debentures, its ongoing commitments in Wyoming, U.S. or its working capital deficiency. The Company will need to raise significant additional financing in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard and the current macro-environment as a result of the coronavirus (“COVID-19”) health pandemic and price volatility arising from OPEC+ disputes (discussed further below) have created further significant challenges to the Company in this regard. As such a material uncertainty exists that casts significant doubt on the Company’s ability to continue as a going concern.

Subsequent to December 31, 2019, global oil prices declined considerably caused by reduced demand driven by the COVID-19 health pandemic and over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments. While the OPEC+ countries have now reached an agreement on production cuts, the macro economic environment remains weak and considerable uncertainty exists regarding the duration and extent of oil demand destruction from the COVID-19 pandemic. The current challenging economic climate may have significant adverse impacts on the Company, including, but not limited to:

- material declines in revenue and cash flows due to reduced commodity prices,
- declines in future revenue, which could result in increased impairment charges on long-term assets,
- prolonged demand destruction, which could continue to negatively impact the Company’s ability to maintain liquidity.

The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time. Estimates and judgments made by management in the preparation of these consolidated financial statements are subject to a higher degree of measurement uncertainty during this volatile period.

Further rationalization of assets and/or funding through share issuances, private placements, restructuring of existing or new credit facilities, non-core property sales, increased production from core properties combined with improvements in realized oil and gas prices received and/or a combination of these alternatives will be required to continue as a going concern. There is no assurance the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. There is no certainty that these and/or other strategies will be sufficient to enable the Company to continue as a going concern. The consolidated financial statements do not reflect the adjustments or reclassifications of assets and liabilities which would be necessary if the Company were unable to continue its operations. Such adjustments could be material.

FORWARD LOOKING STATEMENTS

This MD&A contains forward–looking statements and information. Please see “Forward–Looking Statements and Information” included in the “Advisories” section at the end of this MD&A.

FINANCIAL PERFORMANCE MEASURES

The selected financial information and discussion also refers to certain measures to assist in assessing financial performance. These “Non–GAAP Measures” such as “adjusted funds flows from (used in) operations”, “adjusted funds flows from (used in) operations per share”, “operating netback”, and “working capital surplus (deficit)”, should not be construed as alternatives to net income (loss) or other comparable measures determined in accordance with IFRS as an indicator of performance or as a measure of liquidity and cash flows. The Company uses these measures to assist in understanding the Company’s ability to generate positive cash flows from operating activities at current commodity prices and they provide an analytical tool to benchmark changes in operational performance against prior periods. Non–GAAP measures do not have standard meanings prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other issuers. Definitions of each measure used are provided in “Non–GAAP Measures” included in the “Advisories” section at the end of this MD&A.

FINANCIAL AND OPERATING HIGHLIGHTS[1]

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($, except per share)				
Financial				
Revenue	2,292,586	3,013,933	9,352,720	6,533,743
Cash flows from (used in) operating activities	(2,079,184)	284,841	(5,726,806)	(5,171,984)
Adjusted funds flows used in operations[2]	(1,924,147)	(1,040,478)	(5,692,271)	(3,558,829)
Per share – basic and diluted	(0.05)	(0.05)	(0.20)	(0.29)
Loss from continuing operations[3]	(10,404,427)	(408,056)	(20,394,844)	(5,416,721)
Per share – basic and diluted	(0.29)	(0.02)	(0.73)	(0.44)
Loss from discontinued operations	(371,152)	(2,146,002)	(21,506,140)	(2,328,163)
Per share – basic and diluted	(0.01)	(0.18)	(0.76)	(0.19)
Capital expenditures and acquisitions	6,685,379	8,380,974	13,537,859	52,770,010
Working capital deficit[2]	(46,462,202)	(36,609,132)	(46,462,202)	(36,609,132)
Total assets	80,064,333	114,726,838	80,064,333	114,726,838
Operating				
Average daily production volumes (boe/d)				
Canada	**457**	555	**281**	460
United States[1]	**246**	341	**282**	114
Average realized price ($/boe)				
Canada	**17.50**	15.16	**21.18**	20.36
United States[1]	**68.82**	71.33	**69.69**	74.89
Company operating netback ($/boe)[2]	**15.71**	15.95	**17.52**	14.24

Notes:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.
(2) See "Non–GAAP Measures".
(3) Excludes amounts related to discontinued operation (see Discontinued Operation).

SUMMARY PERFORMANCE REVIEW

2019 proved to be a year of significant growth for the Company.

- On June 26, 2019, the Company amended its $35 million credit facility to extend the maturity of this facility from June 29, 2019 to June 27, 2020. The Company also issued 1,500,000 common share purchase warrants to the lender where each warrant entitles the holder to purchase one COGI share at a price of $0.65 per share until June 26, 2021.

- On July 30, 2019, the Company completed a private placement, and issued 14,282,000 units for gross proceeds of $7,141,000; net proceeds of $6,675,056 after share issuance costs of $465,944. Each unit ("Unit") consists of one common share plus one-half of a common share purchase warrant. Each purchase warrant is exercisable for one common share at a price of $0.60 per share for a term of 24 months from closing.

- On September 4, 2019, the Company disposed of all of its Quebec assets through a series of Asset Purchase Agreements (“APAs”) for cash consideration of $4,290,003 net proceeds of $3,787,659 after costs to sell of $502,344. The Company used the net proceeds to repay a portion of its credit facilities. The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of $3,116,750.
- On September 13, 2019, the Wyoming Oil and Gas Conservation Commission approved the Shannon secondary recovery and unitization application at the Barron Flats Shannon unit, a miscible gas flood project in the Cretaceous Shannon Sand in Converse County, Wyoming, United States. On November 27, 2019, the Company announced that the miscible gas flood facility and central delivery point has been commissioned and brought on-line at the Company’s Barron Flats Shannon unit in the Powder River Basin.

- On October 1, 2019, the Company closed the acquisition of certain undeveloped lands in the Barron Flats (Deep) Federal Unit in Wyoming, United States, for total consideration of USD $384,772 (CAD $509,554). The consideration was comprised of USD $341,217 (CAD $451,874) in cash, and exploration and evaluation assets with an attributed value of USD $43,555 (CAD $57,680).

- On November 29 2019, the Company amended its Additional Facility whereby the maturity of the Additional Facility was extended and $4.5 million of additional funding was made available to the Company by the Lender. The Company issued 885,000 common share purchase warrants to the Lender and each warrant will entitle the holder to purchase one COGI share at the price of $0.45 per share for a period of 12 months. On June 26, 2019 the Company issued to the Lender, 1,500,000 common share purchase warrants related to issuance of the Additional Facility. Each warrant entitles the holder to purchase one COGI share at a price of $0.65 per share for a period of 24 months.

- In December, 2020, the Company commenced full scale injection operations at the Barron Flats Shannon Unit in Converse County, Wyoming. The full-scale optimized gas flood development program will increase reservoir pressure and result in higher production. The Company expects to develop 8 gas-flood patterns.

REVIEW OF FINANCIAL RESULTS

Production

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
Crude oil (bbls/d)				
Canada	**15**	35	**17**	55
United States(1)	**246**	341	**282**	114
Natural gas (mcf/d)				
Canada	**2,443**	2,911	**1,453**	2,288
Natural gas liquids ("NGLs")(bbls/d)				
Canada	**35**	35	**21**	23
Total (boe/d)				
Canada	**457**	555	**281**	460
United States(1)	**246**	341	**282**	114
	703	896	**563**	574

Note: (1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

Production for the three months ended December 31, 2019 was 22 percent lower than the same period in 2018, primarily driven by lower crude oil volumes from the Powder River Basin of Wyoming, where certain oil and natural gas properties in the Barron Flats Shannon unit were converted to full scale injection operations to increase reservoir pressure and higher production; and lower crude oil production in Canada. The added production volumes from the Powder River Basin of Wyoming, United States, where certain oil and gas properties were acquired on August 14, 2018 and October 5, 2018, reflect twelve months of operations in 2019, were offset by lower crude oil production and natural gas production in Canada, resulting in total production of 563 boe/d compared to 574 boe/d for the same period in 2018.

In 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Federal Unit in the Powder River Basin of Wyoming, United States, to create liquids production and build out the facilities for a planned miscible flood in the Shannon formation.

Less attractive investment economics from lower Canadian crude oil prices relative to WTI prices resulted in the deferral of capital spending in Canada in the 2019 capital program. As a result, crude oil production in Canada dropped to 15 bbls/d, and 17 bbls/d for the three months and year ended December 31, 2019, respectively, from 35 bbls/d, and 55 bbls/d for the three months and year ended December 31, 2018, respectively.

Depressed natural gas prices during the year ended December 31, 2019, was the primary factor in reduced natural gas production volumes for the year ended December 31, 2019, compared to the same period in 2018. The Company continues to maximize the reserve value by producing natural gas into high price environments and restricting production during periods of price volatility.

Revenue

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($)				
Crude oil				
Canada	**87,925**	115,698	**384,672**	1,307,212
United States[(1)]	**1,556,188**	2,239,897	**7,184,126**	3,118,660
	1,644,113	2,355,595	**7,568,798**	4,425,872
Natural gas				
Canada	**497,133**	462,472	**1,371,868**	1,623,610
NGLs				
Canada	**151,340**	195,866	**412,054**	484,261
Total	**2,292,586**	3,013,933	**9,352,720**	6,533,743

Note:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

Petroleum and natural gas revenue totalled $2,292,586 for the fourth quarter of 2019, compared to $3,013,933 for the fourth quarter of 2018. The change was primarily driven by lower crude oil production volumes in Wyoming, United States and Canada, partially offset by higher natural gas revenue in Canada.

Similarly, petroleum and natural gas revenue increased to $9,352,720 for the year ended December 31, 2019, from $6,533,743 for the year ended December 31, 2018, primarily driven by added crude oil production volumes following the asset acquisitions in Wyoming, United States. This was partially offset by lower crude oil revenue in Canada as a result of lower production volumes and lower realized prices, and lower natural gas revenue in Canada due to lower production volumes, partially offset by higher realized prices.

Commodity Prices

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
Average Realized Prices				
Crude oil ($/bbl)				
Canada	**63.92**	36.17	**62.01**	64.83
United States(1)	**68.82**	71.33	**69.69**	74.89
	68.54	68.08	**69.25**	71.61
Natural gas ($/mcf)				
Canada	**2.21**	1.73	**2.59**	1.94
NGLs ($/bbl)				
Canada	**46.67**	60.61	**52.80**	57.61
Company average realized price ($/boe)				
Canada	**17.50**	15.16	**21.18**	20.36
United States(1)	**68.82**	71.33	**69.69**	74.89
	35.44	36.55	**45.52**	31.20
Average Benchmark Prices				
WTI crude oil (US$/bbl)	**56.96**	59.08	**56.98**	64.94
Exchange rate (US$/Cdn$)	**1.32**	1.32	**1.33**	1.30
Edmonton light oil (Cdn$/bbl)	**68.06**	42.48	**69.16**	69.22
AECO, daily (5A)(Cdn$/GJ)	**2.35**	1.49	**1.66**	1.44

Note:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

Average global crude oil prices remained consistent in the fourth quarter of 2019 compared to the third quarter of 2019, US$56.96 versus US$56.37 respectively, as weak global macroeconomic sentiment and global trade uncertainty continue to elevate concerns of an economic slowdown. In the fourth quarter of 2019, WTI prices decreased 4 percent, averaging US$56.96/bbl compared to US$59.08/bbl in the fourth quarter of 2018. In the year ended December 31, 2019, WTI prices decreased 9 percent, averaging US$56.98/bbl compared to US$64.94/bbl in the same period in 2018.

Differentials between WTI prices and prices received in Alberta are volatile due to factors including refining demand and pipeline capacity. During the fourth quarter of 2019, Canadian crude averaged $63.92/bbl compared to $36.17/bbl for the same quarter of 2018. During the fourth quarter of 2018, congestion on major export pipelines, rising local supply and high western Canadian crude oil inventories resulted in extremely wide Canadian crude oil prices relative to global benchmarks. With incremental export capacity not slated to come on-line until the fourth quarter of 2019, the Alberta government mandated province-wide crude oil curtailments beginning in January 2019. The differentials between WTI and Edmonton light oil have since tightened significantly, returning to more historically normal levels over the course of 2019 as Canadian crude averaged $62.01/bbl for twelve months in 2019 compared to $64.83/bbl the same period of 2018.

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark. The increase in AECO, daily (5A) prices in the fourth quarter of 2019 compared to the fourth quarter of 2018, $2.35/GJ versus $1.49/GJ, primarily reflects third-party maintenance activities and stronger seasonal demand factors. The AECO, daily (5A) benchmark for the year ended December 31, 2019 was $1.66/GJ, an improvement from $1.44/GJ for the comparable period in 2018.

Royalties and Production taxes

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($, except % and per boe)				
Royalties and Production taxes				
Canada	**135,879**	112,727	**366,230**	577,562
United States(1)	**500,406**	663,404	**2,204,096**	932,068
	636,285	776,131	**2,570,326**	1,509,630
As a % of Revenue				
Canada	**18%**	15%	**17%**	17%
United States(1)	**32%**	30%	**31%**	30%
	28%	26%	**27%**	23%
Per boe				
Canada	**3.23**	2.21	**3.58**	3.44
United States(1)	**22.13**	21.12	**21.38**	22.38
	9.84	9.41	**12.51**	7.21

Note:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

The royalties and production taxes rate increased to 28 percent and 27 percent, for the three months and year ended December 31, 2019, respectively, from 26 percent and 23 percent, for the three months and year ended December 31, 2018, respectively, primarily driven by added crude oil production volumes following the asset acquisitions in Wyoming, United States. Similarly, the added crude oil production volumes following the asset acquisitions in Wyoming, United States, during the year ended December 31, 2019, resulted in a higher royalties and production taxes expense of $12.51 per boe, compared to $7.21 per boe, for the same period in 2018.

Higher average realized prices in Canada during the three months ended December 31, 2019, resulted in higher royalty and production tax expense of $3.23 per boe, compared to $2.21 per boe, for the same period in 2018 in spite of lower crude oil and natural gas production during the fourth quarter of 2019.

Operating and Transportation expenses

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($, except per boe)				
Operating and Transportation expenses				
Canada	**337,171**	481,323	**995,412**	1,451,672
United States(1)	**302,621**	441,307	**2,187,225**	589,130
	639,792	922,630	**3,182,637**	2,040,802
Per boe				
Canada	**8.01**	9.43	**9.72**	8.65
United States(1)	**13.38**	14.05	**21.22**	14.15
	9.89	11.19	**15.49**	9.75

Note:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

Operating and transportation expenses decreased to $9.89 per boe, for the three months ended December 31, 2019, compared to $11.19 for the same period in 2018, due to lower production of crude oil and natural gas. However, for the year ended December 31, 2019, operating and transportation expenses increased to $15.49 per boe compared to $9.75 per boe for the year ended December 31, 2018, primarily driven by added crude oil production volumes following the asset acquisitions in Wyoming, United States but offset by lower crude oil production and natural gas production volumes in Canada in 2019, compared to the same period in 2018.

Delays in field electrification and additional workover costs on new wells in the Barron Flats (Deep) Federal Unit and initial workover costs to restart several shut-in wells on the Cole Creek property in the first nine months of 2019, contributed to operating and transportation expenses of $21.22 per boe for the year ended December 31, 2019, compared to $14.15 per boe for the year ended December 31, 2018.

Company Operating Netback[1]

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($ per boe)				
Canada				
Average realized price	**17.50**	15.16	**21.18**	20.36
Royalties	**(3.23)**	(2.21)	**(3.58)**	(3.44)
Operating and transportation	**(8.01)**	(9.43)	**(9.72)**	(8.65)
Operating netback	**6.26**	3.52	**7.88**	8.27
United States[2]				
Average realized price	**68.82**	71.33	**69.69**	74.89
Royalties and production taxes	**(22.13)**	(21.12)	**(21.38)**	(22.38)
Operating and transportation	**(13.38)**	(14.05)	**(21.22)**	(14.15)
Operating netback[1]	**33.31**	36.16	**27.09**	38.36
Company				
Average realized price	**35.44**	36.55	**45.52**	31.20
Royalties and production taxes	**(9.84)**	(9.41)	**(12.51)**	(7.21)
Operating and transportation	**(9.89)**	(11.19)	**(15.49)**	(9.75)
Operating netback[1]	**15.71**	15.95	**17.52**	14.24

Notes:
(1) See "Non–GAAP Measures".
(2) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

The Company's operating netback slightly decreased to $15.71 per boe for the three months ended December 31, 2019, from $15.95 per boe for the three months ended December 31, 2018, primarily due to lower average US crude oil prices per boe, offset by lower and operating and transportation expenses per boe.

The Company's operating netback increased to $17.52 per boe for the year ended December 31, 2019, from $14.24 per boe for the year ended December 31, 2018, primarily due to the added crude oil production volumes following the asset acquisitions in Wyoming, United States. This added crude oil production increased the Company's average realized price to $45.52 per boe for the year ended December 31, 2019, from $31.20 per boe for the same period in 2018. This was partially offset by higher combined royalty and production tax and operating and transportation expenses per boe, for the year ended December 31, 2019, compared to same period in 2018.

Depletion and Depreciation ("D&D")[1]

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($, except per boe)				
D&D				
Canada	**273,885**	271,820	**776,303**	982,652
United States[2]	**400,420**	523,792	**1,746,812**	792,465
	674,305	795,612	**2,523,115**	1,775,117
Per boe				
Canada	**6.51**	5.32	**7.58**	5.86
United States[2]	**17.71**	16.68	**16.95**	19.03
	10.42	9.65	**12.28**	8.48

Notes:
(1) Excludes amounts related to discontinued operation (see Discontinued Operation).
(2) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.

Depletion and depreciation expense decreased to $674,305 for the three ended December 31, 2019, compared to $795,612 for the three months ended December 31, 2018, primarily due to the decrease in production of crude oil and natural in the quarter. For the year ended December 31, 2019, D&D expense increased to $2,523,115 from $1,775,117, for the year ended December 31, 2018, primarily due to the increase in carrying costs of property and equipment, and added production volumes, following completion the asset acquisitions in Wyoming, United States.

In Canada, D&D expense increased to $6.51 per boe and $7.58 per boe, for the three months and year ended December 31, 2019, respectively, from $5.32 per boe and $5.86 per boe, for the three months and year ended December 31, 2018, respectively, primarily due to lower production in 2019, and higher depreciation expense, which includes $35,737, and $177,022, for the three months and year ended December 31, 2019, respectively, related to a right-of-use asset, recognized by the Company in Canada, in conjunction with the adoption of IFRS 16, (see Adoption of New Accounting Policies). No depreciation expense related to right-of-use assets was recognized for the year ended December 31, 2018.

Exploration and Evaluation expense

During the year ended December 31, 2019, the Company expensed $nil of costs related to exploration projects as the Company continues to focus on exploration in the Powder River Basin in Wyoming. During the year ended December 31, 2018, the Company expensed $2,200,565 of costs in: (i) its Quebec CGU, where management made the decision not to renew certain permits and/or properties for a total of $1,896,207; and (ii) Alberta, where management made the decision to discontinue exploration activities for a total of $304,358.

Impairment

At December 31, 2019, indicators of impairment were determined to exist in each of the Company's cash generating units ("CGU"), as a result of a sustained decline in forward commodity benchmark prices for oil, natural gas and natural gas liquids. In addition, the Company's strategy was to focus more on exploration in the Powder River Basin in Wyoming. As such impairment tests were carried out on each of the Company's CGUs, the Alberta CGU and the Wyoming CGU. In the impairment test conducted on the Wyoming CGU, the recoverable amount was determined to exceed the carrying value and as such no impairment charge was recorded at December 31, 2019. However, for the Alberta CGU it was determined that the carrying value exceeded the recoverable amount for both exploration and evaluation ("E&E") and property and equipment ("PP&E") assets. At December 31, 2019, the Company recognized a total impairment of $5,902,999 resulting from impairments of $4,776,654 on Alberta E&E assets and an impairment of $1,126,345 on Alberta PP&A assets at . There were no impairments recorded during 2018.

General and Administrative ("G&A") expenses[1]

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($)				
Gross G&A	**896,733**	1,226,338	**4,038,484**	4,587,540
Capitalized G&A	**326,007**	-	**(130,137)**	(255,064)
Net G&A	**1,222,740**	1,226,338	**3,908,347**	4,332,476

Note:
(1) Excludes amounts related to discontinued operation (see Discontinued Operation).

During the three months and year ended December 31, 2019, net G&A expenses decreased to $1,222,740 and $3,908,347, respectively, from $1,226,338 and $4,332,476 for the three months and year ended December 31, 2018, respectively.

The Company incurred higher salary costs, higher legal and professional fees, and higher consulting costs, mostly attributable to integration activities and public company compliance, during the three months and year ended December 31, 2019, compared to the same periods in 2018. However, G&A expenses for the three months and year ended December 31, 2018, included transaction costs of $913,780 and $1,658,343, respectively, related to the Arrangement and Asset Acquisition that closed on August 14, 2018. No comparable costs were incurred by the Company in 2019.

The Company's policy of allocating and capitalizing costs directly attributable to investments in exploration and evaluation assets remained unchanged for the year ended December 31, 2019. However, for the three months ended December 31, 2019, the Company reviewed and adjusted the G&A amounts previously capitalized in 2019 to its Wyoming E&E assets, resulting in higher net G&A expense.

Share-Based Compensation ("SBC")

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($)				
Gross SBC	**444,689**	422,862	**1,883,604**	973,439
Capitalized SBC	**334,860**	(104,987)	**(29,594)**	(185,715)
Net SBC	**779,549**	317,875	**1,854,010**	787,724

The stock options granted to officers, directors, employees and consultants of the Company, in August 2018, resulted in higher SBC expense, for the year ended December 31, 2019, compared to the same periods in 2018 as the stock option expense was recognized for twelve months.

In addition, 2,310,000 stock options were granted to officers, directors and employees on August 6, 2019, at an exercise price of $0.50 per share, of which 1,585,000 were approved on this date. The balance, 725,000, were approved by COGI shareholders at a special meeting on November 6, 2019. This also contributed to a higher SBC expense for the three months and year ended December 31, 2019, compared to the same periods in 2018.

The Company's policy to capitalize costs that are directly attributable to investments in exploration and evaluation assets remained unchanged for the year ended December 31, 2019.

Finance Costs[(1)]

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($)				
Interest on credit facilities	**1,971,614**	1,511,414	**7,459,554**	2,754,271
Interest on lease obligations	**1,718**	-	**14,260**	-
Interest on convertible debentures	**55,477**	33,407	**216,940**	69,803
Other	**1,994**	917	**12,205**	3,393
	2,030,803	1,545,738	**7,702,959**	2,827,467
Interest income	**1,188**	13,955	**(7,349)**	(19,704)
	2,031,991	1,559,693	**7,695,610**	2,807,763

Note:
(1) Excludes amounts related to discontinued operation (see Discontinued Operation).

Finance costs include interest and accretion expense on the credit facilities, interest on lease obligations, and interest and accretion expense on the convertible debentures acquired from Junex, offset by interest income. Comparing the three months ended December 31, 2019 and 2018, finance costs increased due to the $8.0 million Additional Facility which was made available June 26, 2019. Finance costs increased for the year ended December 31, 2019, compared to same period of 2018 due to interest on the Additional Facility, and a full year of interest on the $35 million credit facility that became available in August 2018.

Foreign Exchange (Gain) Loss

The Company recorded a net foreign exchange loss of $800,341 and $2,070,545 for the three months and year ended December 31, 2019, respectively, compared to a net foreign exchange gain of $2,168,629 and $1,627,372 respectively, for the three months and year ended December 31, 2018.

A significant portion of the foreign exchange (gain) / loss relates to an intercompany loan to a foreign subsidiary that is denominated in USD. During 2019, the Canadian dollar appreciated in value against the US dollar. Using Bank of Canada foreign exchange rates, the exchange rates for 1 US dollar at these dates was as follows: the exchange rate at January 1, 2019 was 1.3600 Cdn$; the exchange rate at September 30, 2019 was 1.3243 Cdn$: and the exchange rate at December 31, 2019 was 1.2988 Cdn$.

Income Taxes

The Company is not currently cash taxable. The Company has $36.5 million in Canadian non-capital losses at December 31, 2019, which expire between 2026 and 2039. The Company acquired non-capital losses of $22.5 million from the 2018 Arrangement. The Company has $12.0 million in U.S. non-capital losses at December 31, 2019 which expire in 2038 and 2039.

Discontinued Operation

On July 23, 2019, the Company entered into a series of binding Asset Purchase Agreements ("APAs") to sell all of its oil and gas assets and related decommissioning liabilities in Quebec, Canada which closed on

September 4, 2019. Gross proceeds of disposition on the sale of the Company's Quebec oil and gas assets were $4,290,003. Operating results related to the Quebec Assets have been included in net loss from discontinued operation for the period of ownership. Comparative periods have been re-presented to show the discontinued operation separately from continuing operations. Please refer to note 8 of the Financial Statements.

Net loss from discontinued operation is comprised of the following:

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($)				
Revenue	**-**	29,567	**39,660**	45,745
Expenses and other items	**(30,534)**	(2,175,569)	**(831,146)**	(2,373,908)
Loss from discontinued operation	**(30,534)**	(2,146,002)	**(791,486)**	(2,328,163)
Loss on disposal of discontinued operation	**(340,618)**	-	**(20,714,654)**	-
Net loss from discontinued operation	**(371,152)**	(2,146,002)	**(21,506,140)**	(2,328,163)

The cash flows from discontinued operation, including changes in related non-cash working capital items, are as follows:

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($)				
Cash flows used in operating activities	**(48,136)**	(350,571)	**(932,280)**	(464,387)
Cash flows from (used in) investing activities	**(153,613)**	50,830	**4,067,810**	17,663
Cash flows from (used in) financing activities	**14,281**	-	**(38,638)**	-
	(187,468)	(299,741)	**3,096,892**	(444,622)

Capital Expenditures[1]

($)	Three months ended December 31 2019	Three months ended December 31 2018	Years ended December 31 2019	Years ended December 31 2018
Exploration and Evaluation				
Acquisitions – United States	**-**	1,204,563	**509,554**	1,204,563
Additions – United States	**578,646**	803,720	**549,624**	823,422
Transfer to Property & Equipment	**(453,422)**	-	**(453,422)**	-
Additions – Canada	**-**	114,790	**551,072**	813,057
	125,224	2,123,073	**1,156,828**	2,841,042
Property and Equipment				
Acquisitions – United States	**-**	333,255	**-**	40,999,450
Additions – United States	**6,560,155**	5,918,487	**12,381,031**	8,851,513
Additions – Canada	**-**	6,159	**-**	78,005
	6,560,155	6,257,901	**13,381,031**	49,928,968
Total	**6,685,379**	8,380,974	**13,537,859**	52,770,010

Note:
(1) Includes $464,799 related to discontinued operation for the year ended December 31, 2019, and $127,654 for the year ended December 31, 2018.

During the three months and year ended December 31, 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Federal Unit in the Powder River Basin of Wyoming, United States, to create liquids production and build out the facilities for a planned miscible flood in the Shannon formation. The Company's strategy continues to focus more on exploration in the Powder River Basin of Wyoming. During the fourth quarter of 2019, $453,522, was transferred from E&E to Property and Equipment.

In 2018, the Company's capital expenditures were focused on the acquisition of certain oil and natural gas properties in the Powder River Basin of Wyoming. On August 14, 2018, the Company acquired a 27.75 percent working interest in the Barron Flats (Deep) Unit, and subsequently on October 5, 2018 a 33.33 percent working interest in the Cole Creek Unit.

LIQUIDITY

At December 31 2019, the Company has an approximately $46.5 million (2018 – $36.7 million) working capital deficiency, and credit facilities outstanding with a principle balance of approximately $41.7 million which mature on July 30, 2020 and convertible debentures with a principle balance of approximately $1,5 million which are due on July 21, 2020 and capital commitments in Wyoming, U.S. for 2020 include estimated costs totaling approximately $9.1 million (USD $7.0 million) to complete a gas gathering and processing facility, gas injection facilities and electrical powerline.

Currently, The Company currently has no ability to settle any of the credit facilities, the convertible debentures, its ongoing commitments in Wyoming, U.S. or its working capital deficiency The Company will need to raise significant additional financing in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard and the current macro-environment as a result of the COVID-19 health pandemic and price volatility arising from OPEC+

disputes have created further significant challenges to the Company in this regard. As such a material uncertainty exists that casts significant doubt on the Company's ability to continue as a going concern.

For additional information regarding risks impacting the Company, refer to "Risk Factors and Risk Management" included in the "Advisories" section at the end of this MD&A.

Management uses adjusted funds flows from (used in) operations to analyze operating performance and considers adjusted funds flows from (used in) operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to manage working capital and future capital expenditures. Adjusted funds flows from (used in) operations and adjusted funds flows from (used in) operations per share should not be considered as an alternative to, or more meaningful than, cash flows from (used in) operating activities presented on the statements of cash flows which is considered the most directly comparable measure under IFRS.

Cash Flows and Adjusted Funds Flows from (used in) Operations[1]

	Three months ended December 31		Years ended December 31	
	2019	2018	**2019**	2018
($, except per share)				
Cash flows from (used in) operating activities	**(2,079,184)**	284,841	**(5,726,806)**	(5,171,984)
Decommissioning liabilities settled	**-**	-	**-**	3,788
Changes in non-cash operating working capital	**155,037**	(1,325,319)	**34,535**	1,609,367
Adjusted funds flows used in operations[1]	**(1,924,147)**	(1,040,478)	**(5,692,271)**	(3,558,829)
Per share – basic and diluted	**(0.05)**	(0.05)	**(0.20)**	(0.29)

Note:
(1) See "Non–GAAP Measures".

In the fourth quarter of 2019, adjusted funds flows used in operations increased to $1,924,147 compared to $1,040,478 in the fourth quarter of 2018. The increase primarily reflects lower production during the quarter and higher finance and G&A costs which were offset by lower Operating and Transportation.

In the year ended December 31, 2019, adjusted funds flows used in operations increased to $5,692,271 compared to $3,558,829 for the same period in 2018. The increase primarily reflects lower crude oil prices, partially offset by higher natural gas prices, resulting in lower operating netbacks. The Company also had higher interest expense on the Company's credit facilities, convertible debentures and lease obligations which impacted adjusted funds flows used in operations.

CAPITAL RESOURCES

The Company considers its capital structure to include shareholders' equity, convertible debentures, credit facilities, bank debt, if any, and working capital deficit. In order to maintain or adjust the capital structure, the Company may from time to time issue shares or debt and adjust its capital spending to manage current and projected debt levels. To facilitate the management of the capital expenditures and level of debt the Company prepares annual budgets, which are regularly monitored and updated as considered necessary. The annual and updated budgets are approved by the board of director

Credit Facilities
At December 31, 2019 the Company had $41.7 million outstanding under two credit facilities as further described below.

On June 26, 2019, the Company amended its $35 million credit facility (the "**Facility**") with an institutional lender (the "**Lender**") to extend the maturity of the Facility from June 29, 2019 to June 27, 2020. The Facility is non-revolving, payable on demand, and interest compounds monthly at a rate of 10.5% per annum which is payable monthly. On May 5, 2020 the maturity date was further extended to July 30, 2020 (refer to Going Concern).

In addition, a new $8 million credit facility (the "**Additional Facility**") was made available to the Company by the Lender. The Additional Facility is non-revolving, payable on demand, and interest compounds monthly at a rate of 10.75% per annum which is payable monthly. On November 29, 2019, the Company amended the Additional Facility whereby the maturity date was extended from December 31, 2019 to March 31, 2020, and on May 5, 2020 the maturity date was further extended to July 30, 2020. In addition, the interest rate on the additional facility was amended from 10.75% to 18.0%. As of December 31, 2019, $6.7 million was outstanding on the Additional Facility.

The Facility and the Additional Facility are collectively the "**Credit Facilities**". The Company may re-pay the Credit Facilities in whole or in part and all accrued interest at any time prior with 90 days notice. The Credit Facilities are secured by a first priority floating charge over the consolidated assets of the Company. Covenants include reporting requirements, permitted encumbrances, other standard business operating covenants and the Company must maintain producing petroleum and natural gas reserves with respect to its U.S. assets in an amount of at least $50 million, as evidenced by an external reserve report to be prepared as of December 31, 2019; the Company is not subject to any financial covenants. On May 5, 2020, the Company agreed to pay $25,000 per month toward interest accruing on the Credit Facilities for the months of April, May, June and July 2020.

Refinancing costs for the Credit Facilities of $1,613,126 were recorded as a reduction against the liability, and include the cost of 2,385,000 share purchase warrants issued to the Lender with a fair value of $340,067. In addition, finance costs include the amortization of fees which are required to be paid upon maturity of the facilities totaling $1,400,000. The terms and conditions of and determination of fair value for the share purchase warrants are described in Note 16. The accretion charge on the Credit Facilities for the year ended December 31, 2019 was $3,460,294 (December 31, 2018 – $861,369), and the balance of unamortized costs as at December 31, 2019 was $1,236,743 (2018 – $1,113,911).

Convertible Debentures
The series A and series B convertible debentures bear interest at a rate of 12 percent per annum, payable semi-annually, are unsecured and are scheduled to mature on July 21, 2020. The Company may, at its option, pay up to 50 percent of the semi-annual interest payments by issuing common shares. The convertible debentures can be repaid at the Company's option at any time for an amount equal to the principal amount plus 10 percent, and accrued and unpaid interest at the time of repayment with 30 days notice. In addition, the series B convertible debentures provide the Company with the option to convert the debentures into common shares of the Company at the conversion price of $11.70, if certain conditions are met.

The holder of the convertible debentures may, at its option and at any time, convert the debentures into common shares of the Company at the conversion price of $11.70.

At December 31, 2019, the principal amount of the convertible debentures outstanding was $1,500,000; comprised of series A principal amount of $750,000 and series B principal amount of $750,000.

Shareholders' Equity

Common Shares

As at December 31, 2019, there were 36,329,139 common shares outstanding.

The common shares do not have a par value and all issued shares are fully paid.

	Number of Common Shares
Balance at December 31, 2018	21,929,855
Issued in exchange for interest on convertible debentures	117,284
Private placement	14,282,000
Balance at December 31, 2019	36,329,139

In March 2019, the Company issued 33,541 common shares at a price of $1.36 per share in exchange for the payment of interest on convertible debentures in the amount of $45,619. In August 2019, the Company issued 83,743 common shares at a price of $0.53 per share in exchange for the payment of interest on convertible debentures in the amount of $44,384.

In June 2019, the Company entered into an agreement with a syndicate of investment dealers in connection with a commercially reasonable efforts agency private placement of up to 16,000,000 Units at a price of $0.50 per Unit for gross proceeds of up to $8 million. Each Unit consists of one common share plus one-half of a common share purchase warrant. Each warrant is exercisable for one common share at a price of $0.60 per share for a term of 24 months from closing. On July 30, 2019, the Company issued 14,282,000 Units for gross proceeds of $7,141,000; net proceeds of $6,675,056 after share issuance costs of $465,944. The lead agent of the offering subscribed for 2,500,000 Units and agreed to cancel its entitlement to the associated 1,250,000 common share purchase warrants.

In February 2020, the Company issued 107,081 common shares at a price of $0.43 per share in exchange for the payment of interest on convertible debentures in the amount of $45,616.

As at July 4, 2020, there were 36,436,220 common shares outstanding.

Warrants

Warrants which entitle their holders to subscribe to an equivalent number of common shares as at December 31, 2019:

- 954,546 warrants exercisable at a price of $5.30 per share until August 4, 2020
- 999,907 warrants exercisable at a price of $4.00 per share until August 14, 2020
- 885,000 warrants exercisable at a price of $0.45 per share until November 29, 2020
- 1,500,000 warrants exercisable at a price of $0.65 per share until June 26, 2021
- 5,891,000 warrants exercisable at a price of $0.60 per share until July 30, 2021
- 437,500 warrants exercisable at a price of $5.90 per share until October 20, 202

On June 26, 2019, in connection with refinancing the Credit Facilities, 1,500,000 warrants were issued to the Lender. Each warrant entitles the holder to purchase one COGI common share at a price of $0.65 per common shareuntil June 26, 2021. .

On July 30, 2019, in connection with the private placement, the Company issued 5,891,000 warrants. Each warrant entitles the holder to purchase one COGI common share at a price of $0.60 per common shareuntil July 30, 2021..

On November 29, 2019, 885,000 warrants were issued to the Lender. Each warrant entitles the holder to purchase one COGI common share at a price of $0.45 per common share until November 26, 2020.

In connection with the Arrangement, 999,907 arrangement warrants were issued. Each whole arrangement warrant will entitle the holder thereof to purchase one COGI common share at a price of $4.00 per common share for a period of 24 months. The arrangement warrants will vest upon the earlier of (i) the date on which the COGI common shares achieve a 20-day weighted average price of $6.40 per common share; and (ii) the date on which COGI completes an equity financing of a minimum of $10 million at a price of at least $6.00 per common share. As at December 31, 2019, no arrangement warrants have vested.

As at July 4, 2020, there were 10,667,953 warrants outstanding.

Stock Options
The Company has a stock option plan for directors, officers, employees and service providers. Under the plan, stock options may be granted to purchase up to 4,349,477 common shares of COGI and the maximum term of stock options granted is 10 years. Unless otherwise determined by the Board of Directors at the time of grant, stock options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

Outstanding stock options at December 31, 2019, are presented below:

	Options	Weighted average exercise price
		$
Balance at December 31, 2018	2,168,214	4.34
Granted	2,350,000	0.50
Expired	(337,787)	0.50
Forfeited	(96,667)	0.50
Balance at December 31, 2019	4,083,760	0.50

As at December 31, 2019 the Company had 4,083,760 stock options outstanding, of which 877,093 were vested and exercisable under the terms of the Company's stock option plan. As a result of the August 6, 2019 granting of 2,310,000 stock options at $0.50 and the November 6, 2019 amendment of the exercise price of 1,762,445 stock options to $0.50, the outstanding stock options at December 31, 2019 have a weighted average exercise price of $0.50.

On August 6, 2019, the Company amended the stock option plan to increase the number of common shares that may be issued pursuant to stock options from 2,226,032 common shares to 4,349,477 common shares. The Company also amended 1,762,445 stock options that were previously granted at exercise prices ranging from $3.71 to $7.10, by changing the exercise price on those stock options from their respective grant date price per share to $0.50 per share. These stock option amendments were approved by COGI shareholders at a special meeting on November 6, 2019.

On August 6, 2019, the Company granted 2,310,000 stock options to officers, directors and employees at an exercise price of $0.50 per share, of which 725,000 were approved by COGI shareholders at a special meeting on November 6, 2019.

On November 21, 2019, the Company granted 40,000 stock options at an exercise price of $0.50 per share to former employees associated with the Quebec Assets, as a condition of their severance arrangements. These stock options vested immediately and expire on August 31, 2020.

Dividends

The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future.

COMMITMENTS AND CONTRACTUAL OBLIGATIONS

As of December 31, 2019, the Company's commitments are as follows:

($)	2020	2021	2022	2023	2024	Thereafter	Total
Lease rentals[1]	29,315	29,315	28,419	27,523	29,671	29,671	173,914
Office lease obligation	178,078	173,496	173,496	173,496	28,916	-	727,482
Credit facilities	41,653,865	-	-	-	-	-	41,653,865
Interest on credit facilities	2,141,018	-	-	-	-	-	2,141,018
Convertible debentures	1,500,000	-	-	-	-	-	1,500,000
Interest on convertible debentures	99,836	-	-	-	-	-	99,836
Decommissioning liability[2]	24,000	-	-	-	-	2,020,753	2,044,753
Financing fees	1,400,000						1,400,000
Capital commitment[3]	9,091,600		-	-	-	-	9,091,600
Total	56,117,712	202,811	201,915	201,019	58,587	2,020,753	58,832,468

Notes:

(1) Includes the Company's mineral and surface lease rental obligations.

(2) At December 31, 2019, the total undiscounted future cash flows required to settle its decommissioning obligations was approximately $2,471,612. The estimated present value of these obligations is $2,044,753 (see note 15 to the Financial Statements). The timing of any payments is difficult to determine with certainty and have been included in the table above using best estimates.

(3) Includes the Company's capital commitments in Wyoming, United States for 2020, to complete USD $7.0 million, (CAD $9,091,600.

The Company's office leases have been accounted for as right-of-use assets and lease obligations on transition to IFRS 16, "Leases" ("IFRS 16"), (see Adoption of New Accounting Policies).

OFF BALANCE SHEET ARRANGEMENTS

As at December 31, 2019, the Company did not have any material off–balance sheet arrangements, other than those previously discussed.

RELATED PARTY TRANSACTIONS

The Company had no related party transactions for the year ended December 31, 2019 and 2018 except for shares acquired by related parties from the private placements as described in Note 16 of Financial Statements.

SELECTED ANNUAL INFORMATION[1]

	Years ended December 31,		
	2019	2018	2017
($, except per share)			
Financial			
Total revenue	9,352,720	6,533,743	4,542,003
Adjusted funds flow from (used in) operations[2]	(5,692,271)	(3,558,829)	1,069,685
Exploration and evaluation	-	(2,200,565)	(5,236,079)
Share-based compensation	(1,854,010)	(787,724)	(372,292)
Depletion and depreciation	(2,691,384)	(1,921,947)	(1,178,849)
Impairment	(5,902,999)	-	(550,378)
Accretion of credit facilities and convertible debentures	(2,887,977)	(863,408)	-
Accretion of decommissioning liability	(71,717)	(39,783)	(7,312)
Foreign exchange gain (loss)	(2,085,972)	1,627,372	-
Deferred tax recovery	-	-	341,053
Discontinued operations	(20,714,654)	-	-
Net loss	(41,900,984)	(7,744,884)	(5,934,172)
Per share – basic and diluted	(1.49)	(0.63)	(0.82)
Capital expenditures and acquisitions	13,537,859	52,770,010	6,383,698
Working capital surplus (deficit)[2]		(36,609,13	
	(46,462,202)	2)	2,823,459
Credit facilities	41,687,121	33,886,089	-
Convertible debentures - liability	1,477,444	1,439,763	-
Total assets		114,726,83	
	80,064,333	8	13,217,082
Operating			
Average daily production volumes (boe/d)			
Canada	281	460	482
United States[1]	282	114	-
Average realized price ($/boe)	45.52	31.20	25.82
Operating netback ($/boe)[2]	17.52	14.24	13.56

Notes:

(1) Results contributed since the asset acquisitions in Wyoming on August 14, 2018, and October 5, 2018.

(2) See "Non–GAAP Measures".

SUMMARY OF QUARTERLY INFORMATION[1]

The following summary information for each of the eight most recently completed quarters reflects the current period presentation of the results of continuing and discontinued operations (see Discontinued Operation).

	December 30, 2019	September 30, 2019	June 30, 2019	March 31, 2019
($, except per share)				
Financial				
Total revenue	2,292,586	1,672,886	2,101,657	3,285,591
Adjusted funds flows used in operations[2]	(1,924,147)	(1,793,713)	(1,594,930)	(379,481)
Share-based compensation	(779,549)	(318,096)	(373,012)	(383,353)
Depletion and depreciation	(666,194)	(453,193)	(512,593)	(883,024)
Impairment	(5,902,999)	-	-	-
Accretion of credit facilities and convertible debentures	(305,200)	(751,032)	(1,262,810)	(568,935)
Accretion of decommissioning liability	(9,011)	(8,730)	(10,898)	(11,336)
Foreign exchange gain (loss)	(798,670)	460,175	(856,475)	(891,002)
Discontinued operation	(389,809)	(190,372)	(20,250,048)	(92,547)
Net loss	(10,775,579)	(3,054,961)	(24,860,766)	(3,209,678)
Per share – basic and diluted	(0.30)	(0.10)	(1.13)	(0.15)
Capital expenditures and acquisitions	6,685,379	2,169,323	1,170,017	3,513,140
Cash flows (used) from in operating activities	(2,079,184)	(4,220,307)	372,119	200,566
Operating				
Average daily production volumes (boe/d)				
Canada	457	29	32	609
United States	246	251	292	343
Average realized price ($/boe)	35.44	65.00	71.36	38.39
Operating netback ($/boe)[2]	15.71	22.67	24.31	15.01

SUMMARY OF QUARTERLY INFORMATION (Continued)

($,except per share)	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
Financial				
Total revenue	3,013,933	1,120,993	748,261	1,650,556
Adjusted funds flows from (used in) operations(2)	(1,040,478)	(1,939,251)	(999,211)	420,111
Exploration and evaluation	-	(269,294)	(35,064)	-
Share-based compensation	(317,875)	(237,661)	(167,590)	(64,598)
Depletion and depreciation	(795,612)	(300,587)	(214,430)	(464,488)
Accretion of credit facilities and convertible debentures	(561,146)	(302,262)	-	-
Accretion of decommissioning liability	(10,594)	(4,543)	(2,401)	(2,428)
Foreign exchange gain (loss)	2,168,629	(541,257)	-	-
Discontinued operation	(1,996,982)	(65,872)	-	-
Net loss	(2,554,058)	(3,660,727)	(1,418,696)	(111,403)
Per share – basic and diluted	(0.12)	(0.26)	(0.19)	(0.02)
Capital expenditures and acquisitions	8,380,974	43,718,175	185,694	485,167
Cash flows (used) from in operating activities	284,841	(4,736,151)	(588,336)	(132,338)
Operating				
Average daily production volumes (boe/d)				
Canada	555	50	382	860
United States(1)	341	111	-	-
Average realized price ($/boe)	36.55	75.59	21.54	21.33
Operating netback ($/boe)(2)	15.95	40.70	8.35	10.01

Notes:
(1) Results contributed since the asset acquisitions in Wyoming, United States, on August 14, 2018, and October 5, 2018.
(2) See "Non–GAAP Measures".

SUBSEQUENT EVENTS

- On February 11, 2020, the Company amended its Additional Facility whereby the remaining balance of available funding of $1,500,000 would be advanced to the Company to provide financing for the Wyoming capital program, payment of overdue interest and for general operating purposes.

- On May 5, 2020, the Company amended its Facility and Additional Facilities where by the maturity of the Facility and the Additional facility has been extended from June 27, 2020 and March 31, 2020, respectively, to July 30, 2020. In addition, the interest rate on the Additional facility was amended from 10.75 percent to 18.0 percent. The Company also agreed to pay $25,000 per month toward interest accruing on the Credit Facilities for the months of April, May, June and July 2020.

- On May 5, 2020, the Company granted an unsecured promissory note, with the approval of the Lender, in favour of a third-party advisor in the amount of $100,000 to be held for future interest payments for the months of April through July 2020. The promissory note bears interest at 2.0 percent per month and is payable quarterly in arrears at the end of each quarter on which the note is outstanding. The maturity date is the earlier of the refinancing of the Company of the Company or the date of occurrence of an event of default on the Credit Facilities.

CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Company's significant accounting policies are disclosed in note 5 to the Financial Statements. The preparation of consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reporting period. Actual results could differ as a result of using estimates.

Critical judgments in applying accounting policies:

The following are critical judgments that management has made in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the Financial Statements.

The determination of a cash generating unit ("CGU") is subject to management judgment. The recoverability of property and equipment and exploration and evaluation assets is assessed at the CGU level. A CGU is the lowest level at which there are identifiable cash inflows that are largely independent of the cash inflows of other CGUs. The determination of these CGUs was based on management's judgment in regards to shared infrastructure, geographical proximity, petroleum type and similar exposure to market risk and materiality.

Management applies judgment in assessing the existence of indicators of impairment and impairment recovery based on various internal and external factors. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, operating costs, income taxes, market value of land and other relevant assumptions.

The application of the Company's accounting policy for exploration and evaluation assets requires management to make certain judgments regarding future events and circumstances as to whether economic quantities of reserves will be found and whether technical feasibility and commercial viability has been achieved.

Each acquisition transaction is reviewed by management and judgment is used to determine if the transaction meets the definition of a business combination in accordance with IFRS.

The functional currency of the Company's subsidiaries is the currency of the primary economic environment in which the entity operates. The designation of a subsidiary's functional currency is a management judgment based on the currency of the primary economic environment in which the subsidiary operates.

Key sources of estimation uncertainty:

The following are key estimates and the assumptions made by management affecting the measurement of balances and transactions in the Financial Statements.

Estimation of recoverable quantities of proved and probable reserves includes estimates regarding future commodity prices, exchange rates, discount rates, future development costs and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in expected future cash flows in reported reserves can affect the impairment of assets, the decommissioning liability, the economic feasibility of exploration and evaluation assets, the amounts reported for depletion and depreciation of property and equipment, the recognition of deferred tax assets and estimates of fair value determined in accounting for business combinations. These reserve estimates are prepared in accordance with the Canadian Oil and Gas Evaluation Handbook and are verified by independent qualified reserve evaluators, who work with information provided by the Company to establish reserve determinations in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Accordingly, the impact on the consolidated financial statements of future periods could be material.

The decommissioning liability amounts recorded are based on estimates of inflation rates, risk-free rates, timing of abandonments and future abandonment costs, all of which are subject to uncertainty. Actual abandonment and reclamation costs could differ as a result of using estimates.

The determination of fair value for assets and liabilities acquired in a business combination often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of oil and gas properties and exploration and evaluation assets acquired generally require the most judgment and include estimates of proved and probable reserves acquired, forecast benchmark commodity prices and discount rates. Changes in any of the assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities, goodwill or a bargain purchase gain. Future net income (loss) can be affected as a result of changes in future depletion, depreciation, and asset or goodwill impairment.

Share-based compensation expense involves the estimate of the fair value of stock options and warrants at the time of issue. The estimate involves assumptions regarding the life of the option or warrant, dividend yields, risk-free interest rates, share price, and volatility of the security subject to the option. The expense is measured using the Black-Scholes option pricing model, and using an alternate pricing model could produce different results.

Deferred income tax liabilities and assets are recognized for the estimated tax consequences attributable to differences between the amounts reported in the Financial Statements and their respective tax bases, using enacted or substantively enacted income tax rates. The effect of a change in income tax rates on deferred income tax liabilities and assets is recognized in income (loss) in the period that the change occurs. In addition, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change. The actual amount of income tax may be greater than or less than the estimates and the differences could be material.

Judgments are made by management to determine the likelihood of whether deferred income tax assets at the end of the reporting period will be realized from future taxable earnings.

The Company follows the accrual method of accounting, making estimates in its financial and operating results. This may include estimates of revenues, royalties, operating, transportation and other expenses and capital items related to the period being reported, for which actual results have not yet been received. It is expected that these accrual estimates will be revised, upwards or downwards, based on the receipt of actual results.

As part of its capital management process, the Company prepares budgets and forecasts, which are used by management and the Board of Directors to direct and monitor the strategy and ongoing operations and liquidity of the Company. Budgets and forecasts are subject to significant judgement and estimates relating to activity levels, future cash flows and the timing thereof and other factors which may or may not be within the control of the Company (see Liquidity).

ADOPTION OF NEW ACCOUNTING POLICIES

Effective January 1, 2019, the Company has applied IFRS 16 "Leases" using the modified retrospective approach. IFRS 16 replaces IFRS 17. The modified retrospective approach does not require restatement of comparative financial information as the cumulative effect of initially applying IFRS 16 is recognized on transition as an adjustment to opening deficit, and therefore IFRS 16 has been applied prospectively. Comparative information has not been restated and continues to be reported under IAS 17, "Leases" ("IAS 17") and IFRIC 4. The impact of the changes is disclosed in Note 13 of the Financial Statements.

On initial adoption of IFRS 16, the Company elected to apply the practical expedient to retain the assessment of which transactions are leases. IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the requirements in IFRS 16 regarding the identification of a lease were applied only to contracts entered into, or modified, after January 1, 2019.

FUTURE ACCOUNTING PRONOUNCEMENTS

Business Combinations

On October 22, 2018, the ISA issued amendments to the guidance in IFRS 3 – Business Combinations ("IFRS 3"), revising the definition of a business and providing for the addition of an optional "concentration test" to determine if the acquisition is a business. To be considered a business under the amendments to IFRS 3, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs. The three elements of a business are defined as follows:

- Input – Any economic resource that creates outputs, or has the ability to contribute to the creation of outputs, when one or more processes are applied to it.
- Process – Any system, standard, protocol, convention or rule that, when applied to an input or inputs, creates outputs or has the ability to contribute to the creation of outputs.
- Output – The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income or generate other income from ordinary activities.

The optional "concentration test" permits a simplified assessment that results in an asset acquisition if substantially all the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. An entity may elect to apply, or not apply, the test. An entity may make such an election separately for each transaction or other event. If the concentration test is met, the sets of activities and assets is determined not to be a business and no further assessment is needed.

The amendments to IFRS 3 apply to businesses acquired in annual reporting periods beginning on or after January 1, 2020, with early adoption permitted. The Company has chosen to adopt the amendments to IFRS 3 effective January 1, 2020.

ADVISORIES

Non-GAAP Measures

This MD&A contains the terms “adjusted funds flows from (used in) operations”, “adjusted funds flows from (used in) operations per share”, “operating netback”, and “working capital surplus (deficit)”, which do not have standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures presented by other issuers. Management uses these non-GAAP measures to analyze operating performance and considers these non-GAAP measures to be a key measure as it demonstrates the Company’s ability to generate the cash flow necessary to manage working capital and future capital expenditures and profitability.

- ***Adjusted funds flows from (used in) operations*** denotes cash flows from (used in) operating activities as it appears on the Company’s consolidated statement of cash flows before decommissioning expenditures, if any, and changes in non-cash operating working capital.
- ***Adjusted funds flows from (used in) operations per share*** is calculated as adjusted funds flows from (used in) operations divided by the weighted average number of basic and diluted common shares outstanding.
- ***Operating netback*** denotes total revenue less royalty and production tax expenses, and operating and transportation costs calculated on a per boe basis. Management uses operating netback on a per boe basis in operational and capital allocation decisions.
- ***Working capital surplus (deficit)*** is calculated as current assets less current liabilities.

Forward–Looking Statements and Information

This MD&A contains forward-looking information. All statements other than statements of historical fact included in this MD&A are forward-looking statements that involve various risks and uncertainties and are based on forecasts of future operational or financial results, estimates of amounts not yet determinable and assumptions of management. Risk factors that could prevent forward looking statements from being realized include market conditions, ongoing permitting requirements, the actual results of current exploration and development activities, operational risks, risks associated with drilling and completions, uncertainty of geological and technical data, conclusions of economic evaluations and changes in project parameters as plans continue to be refined as well as future oil and gas prices. Although the Company has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Risk Factors

COGI is exposed to a number of risks inherent in exploring for, developing and producing crude oil, natural gas and NGLs, some that impact the oil and gas industry as a whole and others that are unique to COGI's operations. This section describes the important risks and other matters that could cause actual results of COGI to differ materially from those reflected in forward-looking statements. The impact of any risk or a combination of risks may adversely affect, among other things, COGI's business, reputation, financial condition, results of operations and cash flows. The risks described below may not be the only risks that COGI faces, as COGI's business and operations may also be subject to risks that COGI does not yet know of, or that COGI currently believes are immaterial. When assessing the materiality of the following risk factors, COGI takes into account a number of qualitative and quantitative factors, including, among others, financial, operational, environmental, regulatory, reputation and safety aspects of the identified risk factor. Events or circumstances described below could materially and adversely affect COGI's business, financial condition, results of operations or cash flows. The risks described below are interconnected, and more than one of these risks could materialize simultaneously or in short sequence if certain events or circumstances described below actually occur. If any of the following risks develop into actual events, COGI's business, financial condition, cash flows or results of operations could be materially and adversely affected.

Liquidity

At December 31 2019, the Company has a working capital deficiency of approximately $46.5 million which includes credit facilities outstanding with a principle balance of approximately $41.7 which mature on July 30, 2020 and convertible debentures with a principle balance of $1.5 million which are due on July 21, 2020 and capital commitments in Wyoming, U.S. for 2020 totaling approximately $9.1 million (USD $7.0 million) to complete a gas gathering and processing facility, gas injection facilities and electrical powerline.

The Company currently has no ability to settle any of the payments required upon maturity of the credit facilities, the convertible debentures, its ongoing commitments in Wyoming, U.S. or its working capital deficiency. The Company will need to raise significant additional financing in order to be able to meet both its existing and future obligations. There is no guarantee that the Company will be successful in this regard and the current macro-environment as a result of the COVID-19 health pandemic and price volatility arising from OPEC+ disputes have created further significant challenges to the Company in this regard. As such a material uncertainty exists that casts significant doubt on the Company’s ability to continue as a going concern.

Volatility of Crude Oil, Natural Gas and NGL Price

COGI's financial performance and condition are highly sensitive to the prevailing prices of crude oil, natural gas and NGL. Fluctuations in these prices could have a material effect on COGI's operations and financial condition, the value of its oil and natural gas reserves and its level of expenditure for oil and gas exploration and development. Prices for liquids and natural gas fluctuate in response to changes in the supply of and demand for liquids and natural gas, market uncertainty and a variety of additional factors that are largely beyond COGI's control. Fluctuations in crude oil and gas prices could have a material effect on the volatility of COGI's earnings. Oil prices are largely determined by international supply and demand. Factors which affect crude oil prices include, among others, the actions of the Organization of Petroleum Exporting Countries, world economic conditions, government regulation, political stability throughout the world, the foreign supply of crude oil, the price of foreign imports, the ability to secure adequate transportation for products which could be affected by pipeline constraints, the availability of alternative fuel sources, technological advances affecting energy production and consumption, and weather conditions. Historically, NGLs prices have generally been correlated with oil prices, and are determined based on supply and demand in international and domestic NGLs markets. Natural gas prices are impacted by North American inventory levels which have increased year-over-year due to production growth in North America.

The substantial and extended decline in the prices of crude oil, natural gas and NGLs have resulted in delay or cancellation of drilling, development or construction programs, and curtailment in production and/or unutilized long-term transportation and drilling commitments, all of which could have a material adverse impact on COGI. Natural gas and oil producers in Canada currently receive discounted prices for their production relative to certain international prices due to constraints on their ability to transport and sell such production to international markets. A failure to resolve such constraints may result in continued discounted or reduced commodity prices realized by natural gas and oil producers, including COGI. Poor economics for developing assets have resulted in an industry-wide reduction of drilling activity which may lead to loss of leases and skilled workers. Moreover, changes in commodity prices may result in COGI making downward adjustments to COGI's estimated reserves. If this occurs, or if COGI's estimates of production or economic factors change, accounting rules may require COGI to impair, as a non-cash charge to earnings, the carrying value of COGI's oil and gas properties. COGI is required to perform impairment tests on oil and gas properties whenever events or changes in circumstances indicate that the carrying value of properties may not be recoverable. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of COGI's oil and gas properties, the carrying value may not be recoverable and, therefore, an impairment charge will be required to reduce the carrying value of the properties to their estimated fair value. COGI may incur impairment charges in the future, which could materially affect COGI's results of operations, and its balance sheet, in the period incurred.

The continued low commodity price environment affects COGI's ability to access capital. COGI cannot be certain that funding will be available, if needed and to the extent required, on acceptable terms, or at all. If funding is not available when needed, or if funding is available only on unfavorable terms, COGI may be unable to meet its obligations as they come due or be required to post collateral to support its obligations, or COGI may be unable to meet its drilling commitments, implement its development plans, enhance its existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on COGI's production, revenues, results of operations or financial condition. Moreover, if COGI is unable to obtain funding to make acquisitions of additional properties containing proved oil or natural gas reserves, its total level of estimated oil and natural gas reserves may decline, and COGI may be unable to maintain its level of production and cash flow.

Subsequent to December 31, 2019, global oil prices declined considerably caused by reduced demand driven by the COVID-19 health pandemic and over supply concerns stemming from failed negotiations between OPEC+ countries on production curtailments. While the OPEC+ countries have now reached an agreement on production cuts, the macro economic environment remains weak and considerable uncertainty exists regarding the duration and extent of oil demand destruction from the COVID-19 pandemic. The current challenging economic climate may have significant adverse impacts on the Company, including, but not limited to:

- material declines in revenue and cash flows due to reduced commodity prices,
- declines in future revenue, which could result in increased impairment charges on long-term assets,
- prolonged demand destruction, which could continue to negatively impact the Company’s ability to maintain liquidity.

The current situation is dynamic and the ultimate duration and magnitude of the impact on the economy and the financial effect on the Company is not known at this time.

Uncertainty of Reserve Estimates

The process of estimating oil and gas reserves is complex and involves a significant number of assumptions in evaluating available geological, geophysical, engineering and economic data. In addition, the process requires future projections of reservoir performance and economic conditions; therefore, reserves estimates are inherently uncertain. Since all reserves estimates are, to some degree, uncertain, reserves classification attempts to qualify the degree of uncertainty involved.

Since the evaluation of reserves involves the evaluator's interpretation of available data and projections of price and other economic factors, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, the classification of such reserves based on estimated uncertainty, and the estimates of future net revenue or future net cash flows prepared by different evaluators or by the same evaluators at different times may vary substantially. COGI's actual production, revenues, royalties, taxes, and development and operating expenditures with respect to its reserves will likely vary from such estimates and such variances could be material.

The estimates contained herein are based in part on the timing and success of activities COGI intends to undertake in future years. The reserves and estimated future net revenues contained herein will be reduced in future years to the extent that such activities do not achieve the production performance set forth herein.

Estimates of reserves that may be developed in the future are often based upon volumetric calculations and upon analogy to actual production history from similar reservoirs and wells, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history will result in variations, which may be material, in the previously estimated reserves.

Operational Risks

COGI's business is subject to all of the operating risks normally associated with the exploration for, development of and production of natural gas, oil and NGLs. These risks include blowouts, explosions, fire, gaseous leaks, migration of harmful substances and liquid spills, acts of vandalism and terrorism, any of which could cause personal injury, result in damage to, or destruction of, natural gas and oil wells or formations or production facilities and other property, equipment and the environment, as well as interrupt operations.

In addition, all of COGI's operations will be subject to all of the risks normally incident to the transportation, processing, storing and marketing of natural gas, oil, NGLs and other related products, drilling and completion of natural gas and oil wells, and the operation and development of natural gas and oil properties, including encountering unexpected formations or pressures, premature declines of reservoir pressure or productivity, blowouts, equipment failures and other accidents, sour gas releases, uncontrollable flows of natural gas, oil or well fluids, adverse weather conditions, pollution and other environmental risks.

If any of these industry-operating risks occur, COGI could have substantial losses. Substantial losses may be caused by injury or loss of life, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Consistent with industry practice, COGI maintains insurance against some, but not all, of the risks described above. Generally, pollution-related environmental risks are not fully insurable. There can be no assurances that insurance maintained by COGI will be adequate to fully cover COGI's losses or liabilities. Also, COGI cannot predict the continued availability of insurance at premium levels that justify its purchase. The occurrence of a significant event against which COGI is not fully insured could have a material adverse effect on COGI's financial position.

Risks Related to Mergers and Acquisitions

COGI believes that possible future mergers or acquisitions may strengthen its position and create the opportunity to realize certain benefits, including, among other things, operational synergies and potential cost savings. Achieving the benefits of mergers or acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner, as well as being able to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations. Mergers and acquisitions could also result in difficulties in being able to hire, train or retain qualified personnel to manage and operate such properties.

Acquiring oil and natural gas properties requires COGI to assess reservoir and infrastructure characteristics, including estimated recoverable reserves, type curve performance and future production, commodity prices, revenues, development and operating costs and potential environmental and other liabilities. Such assessments are inexact and inherently uncertain and, as such, the acquired properties may not produce as expected, may not have the anticipated reserves and may be subject to increased costs and liabilities.

Although the acquired properties are reviewed prior to completion of an acquisition, such reviews are not capable of identifying all existing or potentially adverse conditions. This risk may be magnified where the acquired properties are in geographic areas where COGI has not historically operated or in new or emerging formations. New or emerging formations and areas often have limited or no production history and COGI may be less able to predict future drilling and production results over the life-cycles of the wells in such areas.

Further, COGI also may not be able to obtain or realize upon contractual indemnities from the seller for liabilities created prior to an acquisition and it may be required to assume the risk of the physical condition of the properties that may not perform in accordance with its expectations.

Capital Allocation and Project Decisions

COGI's long-term financial performance is sensitive to the capital allocation decisions taken and the underlying performance of the projects undertaken. Capital allocation and project decisions are undertaken after assessing reserve and production projections, capital and operating cost estimates and applicable fiscal regimes that govern the respective government take from any project. All of these factors are evaluated against common commodity pricing assumptions and the relative risks of projects.

These factors are used to establish a relative ranking of projects and capital allocation, which is then calibrated to ensure the debt and liquidity of COGI is not compromised. However, material changes to project outcomes and deviation from forecasted assumptions, such as production volumes and rates, realized commodity price, cost or tax and/or royalties, could have a material impact on COGI's cash flow and financial performance as well as assessed impacts of impairments on COGI's assets. Adverse economic and/or fiscal conditions could impact the prioritization of projects and capital allocation to these projects, which in turn could lead to adverse effects such as asset under investment, asset performance impairments or land access expiries.

Project Delivery

COGI's ability to operate, generate sufficient cash flows, and complete projects depends upon numerous factors beyond COGI's control. In addition to commodity prices and continued market demand for its products, these non-controllable factors include, among others, general business and market conditions, economic recessions and financial market turmoil, the overall state of the capital markets, including investor appetite for investments in the oil and gas industry generally and COGI's securities in particular, the ability to secure and maintain cost effective financing for its commitments, legislative, environmental and regulatory matters, reliance on industry partners and service providers, unexpected cost increases, royalties, taxes, and volatility in oil, natural gas or NGLs prices. The global demand for project resources can impact the access to appropriately competent contractors and construction yards as well as to raw products, such as steel. Typical execution risks include, among others, the availability of seismic data, the availability of pipeline and processing capacity, transportation interruptions and constraints, technology failures, accidents, reservoir quality, the availability and proximity of pipeline capacity, the availability of drilling and other equipment, the ability to access water for hydraulic fracturing operations, the ability to access lands, weather, unexpected cost increases, accidents, the availability of skilled labour, including engineering and project planning personnel, the need for government approvals and permits, and regulatory matters. Subsurface challenges can also result in additional risk of cost overruns and scheduling delays if conditions are not typical of historical experiences. COGI utilizes materials and services which are subject to general industry-wide conditions. Cost escalation for materials and services may be unrelated to commodity price changes and may continue to have a significant impact on project planning and economics. In addition, some of these risks may be magnified due to the concentrated nature of funding certain assets within COGI's portfolio of oil and natural gas properties that are operated within limited geographic areas. As a result, a number of COGI's assets could experience any of the same risks and conditions at the same time, resulting in a relatively greater impact on COGI's financial condition and results of operations compared to other companies that may have a more geographically diversified portfolio of properties.

Declines in oil, natural gas or NGLs prices or a continued low-price environment for natural gas, oil or NGLs create fiscal challenges for the oil and gas industry. These conditions have impacted companies in the oil and gas industry and COGI's spending and operating plans and may continue to do so in the future. There may be unexpected business impacts from market uncertainty, including volatile changes in currency exchange rates, inflation, interest rates, defaults of suppliers and general levels of investing and consuming activity.

COGI manages a variety of projects, including exploration and development projects. Project delays may impact expected revenues and project cost overruns could make projects uneconomic. All of COGI's operations are subject to regulation and intervention by governments that can affect or prohibit the drilling, completion and tie-in of wells, production, the construction or expansion of facilities and the operation and abandonment of fields. Contract rights can be cancelled or expropriated. Changes to government regulation could impact COGI's existing and planned projects.

Egress and Gas & Liquid Buyers

COGI delivers its products through gathering, processing and pipeline systems (some of which COGI does not own). The amount of oil and natural gas that COGI can sell is subject to the accessibility, availability, proximity and capacity of these systems. This access to market affects regional price differentials, which could result in the inability to realize the full economic potential of COGI's production. Although transportation systems are expanding, the lack of firm transportation capacity continues to affect the industry and has the potential to limit the ability to produce and to market COGI's production. In addition, the pro-rationing of capacity on inter-provincial pipeline systems also continues to affect the ability to export oil. North America has an integrated network of natural gas pipelines; however regional restrictions can arise resulting in curtailments. Any significant change in market factors, infrastructure regulation or other conditions affecting these infrastructure systems and facilities, as well as any delays in constructing new infrastructure systems and facilities, could negatively impact COGI's business and, in turn, its financial condition, results of operations and funds from operations. A portion of COGI's production is processed through third-party owned facilities which COGI does not control. From time-to-time these facilities may discontinue or decrease operations either as a result of normal servicing requirements or as a result of unexpected events. A discontinuance or decrease of operations could adversely affect COGI's ability to process its production and to deliver the same for sale.

Credit and Liquidity

Market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels, may cause significant volatility of the credit markets, which may then restrict timely access and limit COGI's ability to secure and maintain cost effective financing on acceptable terms and conditions.

COGI's ability to access the private and public equity and debt markets and complete future asset monetization transactions is also dependent upon oil, natural gas and NGL prices, in addition to a number of other factors, some of which are outside COGI's control. These factors include, among others:

- the value and performance of COGI's debt and equity securities;
- domestic and global economic conditions; and
- conditions in the domestic and global financial markets.

Recent credit concerns and related turmoil in the energy sector have had an impact on COGI's business and its access to capital, and COGI may face additional challenges if economic and financial market conditions worsen. The weakened economic conditions also may adversely affect the collectability of COGI's trade receivables. For example, COGI's accounts receivable are primarily from purchasers of COGI's oil, natural gas and NGL production and other exploration and production companies operating in the oil and gas industry. This industry concentration could adversely impact COGI's overall credit risk because COGI's customers may be similarly affected by changes in economic and financial market conditions, commodity prices and other conditions.

Due to these factors, COGI cannot be certain that funding, if needed, will be available to the extent required, or on acceptable terms, or at all. If COGI is unable to access funding when needed on acceptable terms, COGI may not be able to implement its business plans, meet its capital commitments, take advantage of business opportunities, respond to competitive pressures or refinance debt obligations, if any, as they come due, any of which could have a material adverse effect on COGI's business, financial condition, cash flows and results of operations.

Ability to Find, Develop or Acquire Additional Reserves

COGI's future oil, natural gas and NGLs reserves and production, and therefore its cash flows, are highly dependent upon its success in exploiting its current reserves base and acquiring, discovering or developing additional oil and gas reserves that are economically recoverable. Without additions to reserves through exploration, acquisition or development activities, COGI's production will decline over time as reserves are depleted.

The business of exploring for, developing or acquiring reserves is capital intensive. To the extent COGI's cash flows from operations are insufficient to fund capital expenditures and external sources of capital become limited or unavailable, COGI's ability to make the necessary capital investments to maintain and expand its oil, natural gas and NGLs reserves will be impaired. In addition, there can be no certainty that

COGI will be able to find and develop or acquire additional reserves to replace its production at acceptable costs.

Hydrocarbons are a limited resource, and COGI is subject to increasing competition from other companies. Exploration and development drilling may not result in commercially productive reserves and, if production begins, reservoir performance may be less than projected. Successful acquisitions require an assessment of a number of factors, many of which are uncertain. These factors include recoverable reserves, development potential, future oil and gas prices, operating costs and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. If a high impact prospect identified by COGI fails to materialize in a given year, COGI's multi-year exploration and/or development portfolio may be compromised. See "Risk Factors – Volatility of Crude Oil, Natural Gas and NGL Prices". The recent decline in commodity prices, if sustained, may result in promising exploration and development projects being deemed uneconomic. Continued failure to achieve anticipated reserve and resource addition targets may result in COGI's withdrawal from an area, which in turn may result in a write-down of any associated reserves and/or resources for that area.

Major Incident, Major Spill / Loss of Well Control

Oil and gas drilling and producing operations are subject to many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome, including, among others, the risk of fire, explosions, mechanical failure, pipe or well cement failure, well casing collapse, pressure or irregularities in formations, chemical and other spills, unauthorized access to hydrocarbons, illegal tapping of pipelines, accidental flows of oil, natural gas or well fluids, sour gas releases, contamination, vessel collision, structural failure, loss of buoyancy, storms or other adverse weather conditions and other occurrences. If any of these should occur, COGI could incur legal defence costs and remedial costs and could suffer substantial losses due to injury or loss of life, human health risks, severe damage to or destruction of property, natural resources and equipment, pollution or other environmental damage, unplanned production outage, cleanup responsibilities, regulatory investigation and penalties, increased public interest in COGI's operational performance and suspension of operations. COGI's application of horizontal and multi-stage hydraulic fracture stimulation techniques involve greater risk of mechanical problems than vertical and shallow drilling operations.

Health Hazards and Personal Safety Incidents

The employee and contractor personnel involved in exploration and production activities and operations of COGI are subject to many inherent health and safety risks and hazards, which could result in occupational illness or health issues, personal injury, and loss of life, facility quarantine and/or facility and personnel evacuation.

Regulatory Approvals / Compliance and Changes to Laws and Regulations

COGI's exploration and production operations are subject to extensive regulation at many levels of government, including municipal, state, provincial and federal governments, and operations are subject to interruption or termination by governmental and regulatory authorities based on environmental or other considerations. Moreover, COGI has incurred and will continue to incur costs in COGI's efforts to comply with the requirements of environmental, safety and other regulations. Further, the regulatory environment in the oil and gas industry could change in ways that COGI cannot predict and that might substantially increase COGI's costs of compliance and, in turn, materially and adversely affect COGI's business, results of operations and financial condition.

Failure to comply with the applicable laws or regulations may result in significant increases in costs, fines or penalties and even shutdowns or losses of operating licenses or criminal sanctions. If regulatory approvals or permits required for operations are delayed or not obtained, COGI could experience delays or abandonment of projects, decreases in production and increases in costs. This could result in an inability of COGI to fully execute its strategy and adverse impacts on its financial condition. See "Risk Factors – Socio-Political Risks".

Changes to existing laws and regulations or new laws could have an adverse effect on COGI's business by increasing costs, impacting development schedules, reducing revenue and cash flow from natural gas and oil sales, reducing liquidity or otherwise altering the way COGI conducts business. There have been various proposals to enact new, or amend existing, laws and regulations relating to greenhouse gas emissions, hydraulic fracturing (including associated additives, water use, induced seismicity, and disposal) and shale gas development generally. See "Risk Factors – Environmental Risks".

COGI continues to monitor and assess any new policies, legislation or regulations in the areas where COGI operates to determine the impact on COGI's operations. Governmental organizations unilaterally control the timing, scope and effect of any currently proposed or future laws or regulations, and such enactments are subject to a myriad of factors, including political, monetary and social pressures. COGI acknowledges that the direct and indirect costs of such laws and regulations (if enacted) could materially and adversely affect COGI's business, results of operations and financial condition.

Fiscal Stability

Governments may amend or create new legislation that could impact COGI's operations and that could result in increased capital, operating and compliance costs. Moreover, COGI's operations are subject to various levels of taxation in the jurisdictions in which COGI operates. Federal, provincial and territorial income tax rates or incentive programs relating to the oil and gas industry in the jurisdictions where COGI operates may in the future be changed or interpreted in a manner that could materially affect the economic value of the respective assets.

Stakeholder Opposition

COGI's planned activities may be adversely affected if there is strong community opposition to its operations. For example, there is heightened public concern regarding hydraulic fracturing in parts of North America, which could materially affect COGI's shale operations. In some circumstances, this risk of community opposition may be higher in areas where COGI operates alongside indigenous communities who may have additional concerns regarding land ownership, usage or claim compensation.

Non-Operatorship and Partners Relations

COGI may have future projects that are conducted through, joint ventures, partnerships or other arrangements, where COGI has a limited ability to influence or control operations (or their associated costs) or future development, safety and environmental standards and amount of capital expenditures. Companies which operate these properties may not necessarily share COGI's health, safety and environmental standards or strategic or operational goals or approach to partner relationships, which may result in accidents, regulatory noncompliance, project delays or unexpected future costs, all of which may affect the viability of these projects and COGI's standing in the external market. The Alberta properties are currently operated by the Company and the Wyoming, U.S. properties are operated by a partner. The partner can elect to apply penalties which are contracted under operating agreements should the Company breach such agreements. COGI may have dependence on the operator and other working interest owners for these properties and assets, and its limited ability to influence operations and associated costs, could materially adversely affect COGI's financial performance. The success and timing of COGI's activities on assets operated by others therefore will depend upon a number of factors that are outside of COGI's control, including timing and amount of capital expenditures, timing and amount of operating and maintenance expenditures, the operator's expertise and financial resources, approval of other participants, selection of technology and risk management practices.

In circumstances where co-participants do not approve or are unable to fund their contractual share of certain capital or operating expenditures, suspend or terminate such arrangements or otherwise fulfill their obligations, this may result in project delays or additional future costs to COGI, all of which may affect the viability of such projects.

Co-participants may also have strategic plans, objectives and interests that do not coincide with and may conflict with those of COGI. While certain operational decisions may be made solely at the discretion of COGI in its capacity as operator of certain projects, major capital and strategic decisions affecting such projects may require agreement among the co-participants. COGI generally seeks consensus with co-participants with respect to major decisions concerning the direction and operation of project assets, however no assurance can be provided that the future demands or expectations of any party, including COGI, relating to such assets will be met satisfactorily or in a timely manner. Failure to satisfactorily meet such demands or expectations may affect COGI's or co-participants' participation in the operation of such assets or the timing for undertaking various activities, which could negatively affect COGI's operations and financial results. Further, COGI may be involved from time to time in disputes with its co-participants and, as such, it may be unable to dispose of assets or interests in certain arrangements if such disputes cannot be resolved in a satisfactory or timely manner.

Attraction, Retention and Development of Personnel
Successful execution of COGI's plans is dependent on COGI's ability to attract and retain talented personnel who have the skills necessary to deliver on COGI's strategy and maintain safe operations. This includes not only key talent at a senior level, but also individuals with the professional and technical skill sets critical for COGI's business, particularly geologists, geophysicists, engineers, accountants and other specialists. Any deterioration of COGI's corporate culture or loss of key talent could adversely affect COGI's operations and long-term success.

Information Systems
COGI has become increasingly dependent upon the availability, capacity, reliability and security of COGI's information technology ("IT") infrastructure and COGI's ability to expand and continually update this infrastructure, to conduct daily operations. COGI depends on various IT systems to estimate reserve quantities, process and record financial and operating data, analyze seismic and drilling information, and communicate with employees and any future third-party partners. COGI's IT systems are increasingly integrated in terms of geography, number of systems, and key resources supporting the delivery of IT systems. The performance of COGI's key suppliers is critical to ensure appropriate delivery of key services. Any failure to manage, expand and update COGI's IT infrastructure, any failure in the extension or operation of this infrastructure, or any failure by COGI's key resources or service providers in the performance of their services could materially and adversely harm COGI's business.

The ability of the IT function to support COGI's business in the event of a disaster such as fire, flood or loss/denial of any of COGI's data centres or major office locations and COGI's ability to recover key systems from unexpected interruptions cannot be fully tested. There is a risk that, if such an event actually occurs, the business continuity plan may not be adequate to immediately address all repercussions of the disaster.

In the event of a disaster affecting a data centre or key office location, key systems may be unavailable for a number of days, leading to inability to perform some business processes in a timely manner.

Unauthorized access to these systems by employees or third parties could lead to corruption or exposure of confidential, fiduciary or proprietary information, interruption to communications or operations or disruption to COGI's business activities or its competitive position. Further, disruption of critical IT services, or breaches of information security, could have a negative effect on COGI's operational performance and earnings, as well as on COGI's reputation.

COGI applies technical and process controls in line with industry-accepted standards to protect its information assets and systems; however these controls may not adequately prevent cyber-security breaches. There is no assurance that COGI will not suffer losses associated with cyber-security breaches in the future, and COGI may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities.

Claims, Litigation, Administrative Proceedings and Regulatory Actions

COGI may be subject to claims, litigation, administrative proceedings and regulatory actions. The outcome of these matters may be difficult to assess or quantify, and there cannot be any assurance that such matters will be resolved in COGI's favour. If COGI is unable to resolve such matters favourably, COGI or its directors, officers or employees may become involved in legal proceedings that could result in an onerous or unfavourable decision, including fines, sanctions, monetary damages or the inability to engage in certain operations or transactions. The defense of such matters may also be costly and time consuming, and could divert the attention of management and key personnel from COGI's operations. COGI may also be subject to adverse publicity associated with such matters, regardless of whether such allegations are valid or whether COGI is ultimately found liable. As a result, such matters could have a material adverse effect on COGI's reputation, financial position, results of operations or liquidity.

Securing and Maintaining Title to Properties

COGI's properties are held in the form of licenses and leases and working interests in licenses and leases. If COGI or the holder of the license or lease fails to meet the specific requirement of a license or lease, the license or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each license or lease will be met. The termination or expiration of a license or lease or the working interest relating to a license or lease may have a material adverse effect on COGI's results of operations and business. In addition, title to the properties can become subject to dispute and defeat COGI's claim to title over certain of its properties. Furthermore, there may be legislative changes which affect title to the oil and natural gas properties COGI controls that, if successful or made into law, could impair its activities on them and result in a reduction of the revenue received.

Socio-Political Risks

COGI's operations may be adversely affected by political or economic developments or social instability in the jurisdictions in which it operates, which are not within the control of COGI, including, among other things, a change in crude oil, natural gas or NGL pricing policy and/or related regulatory delays, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, difficulties in enforcing contractual terms, a change in taxation policies, economic sanctions, the imposition of specific drilling obligations, the imposition of rules relating to development and abandonment of fields, access to or development of infrastructure, jurisdictional boundary disputes, and currency controls.

Future Changes in Laws

Income tax laws, royalty regimes (including as contemplated in the recently announced Alberta royalty framework), environmental laws or other laws and regulations may in the future be changed or interpreted in a manner that adversely affects COGI or its security holders. Tax authorities having jurisdiction over COGI or its shareholders could change their administrative practices, or may disagree with the manner in which COGI calculates its tax liabilities or structures its arrangements, to the detriment of COGI or its security holders. Changes to existing laws and regulations or the adoption of new laws and regulations could also increase COGI's cost of compliance and adversely affect COGI's business, financial position, cash flows or results of operations.

Exchange Rate Fluctuations

Worldwide prices for natural gas and oil are set in U.S. dollars, and COGI's expenses are denominated in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar could impact COGI's revenue and expenses and have an adverse effect on COGI's financial performance and condition.

Counterparty Risk

COGI is exposed to the risks associated with counterparty performance including credit risk and performance risk. COGI may experience material financial losses in the event of customer payment default for commodity sales. Performance risk can impact COGI's operations by the non-delivery of contracted products or services by counterparties, which could impact project timelines or operational efficiency. Fluctuations in prevailing prices of crude oil, natural gas and NGLs could have a material adverse effect on the operations and financial condition of counterparties. COGI also has credit risk arising from cash and cash equivalents held with banks and financial institutions.

Competitive Risk

The global oil and gas industry is highly competitive. COGI faces significant competition and many of COGI's competitors have resources in excess of COGI's available resources. COGI actively competes for the acquisition and divestment of properties, the exploration for and development of new sources of supply, the contractual services for oil and gas drilling and production equipment and services, the transportation and marketing of current production, and industry personnel, including, but not limited to, geologists, geophysicists, engineers and other specialists that enable the business. Many of COGI's competitors have the ability to pay more for seismic and lease rights in crude oil and natural gas properties and exploratory prospects. They can define, evaluate, bid for and purchase a greater number of properties and prospects than COGI's financial or human resources permit. If COGI is not successful in the competition for oil and gas reserves or in the marketing of production, COGI's financial condition and results of operations may be adversely affected. Many of COGI's competitors have resources substantially greater than COGI's and, as a consequence, COGI may be at a competitive disadvantage.

Income Taxes

Income tax laws, other laws or government incentive programs relating to the oil and gas industry may in the future be changed or interpreted in a manner that adversely affects COGI and its shareholders. Tax authorities having jurisdiction over COGI or its shareholders may disagree with how the COGI calculates its income for tax purposes or could change administrative practices to its detriment or the detriment of its shareholders. COGI is also subject to income tax audit and reassessment risks, the outcome of which may result in reduction in COGI's tax pools, loss carry forwards, or even cash tax liabilities.

Environmental Risks

General

All phases of COGI's oil, natural gas and NGLs business are subject to environmental regulation pursuant to a variety of laws and regulations in the jurisdictions in which COGI does business (collectively, "environmental regulation").

Environmental regulation imposes, among other things, restrictions, liabilities and obligations in connection with the use, generation, handling, storage, transportation, treatment and disposal of chemicals, hazardous substances and waste associated with the finding, production, transmission and storage of COGI's products, including the hydraulic fracturing of wells, the decommissioning of facilities and in connection with spills, releases and emissions of various substances to the environment. It also imposes restrictions, liabilities and obligations in connection with the management of fresh or potable water sources that are being used, or whose use is contemplated, in connection with oil and natural gas operations.

Environmental regulation also requires that wells, facility sites and other properties associated with COGI's operations be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. In addition, certain types of operations including exploration and development projects and changes to certain existing projects may require the submission and approval of environmental impact assessments or permit applications. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties.

Although COGI currently believes that the costs of complying with environmental legislation and dealing with environmental civil liabilities will not have a material adverse effect on COGI's financial condition or results of operations, there can be no assurance that such costs will not have such an effect in the future.

COGI's business is subject to the trend toward increased rigour in regulatory compliance and civil or criminal liability for environmental matters in Canada. Compliance with environmental legislation can require significant expenditures, and failure to comply with environmental legislation may result in the assessment of administrative, civil and criminal penalties, the cancellation or suspension of regulatory permits, the imposition of investigatory or remedial obligations or the issuance of injunctions restricting or prohibiting certain activities. Under existing environmental laws and regulations, COGI could be held strictly liable for the remediation of previously released materials or property contamination resulting from its operations, regardless of whether those operations were in compliance with all applicable laws at the time they were performed. Regulatory delays, legal proceedings and reputational impacts from an environmental incident could result in a material adverse effect on COGI's business. Increased stakeholder concerns and regulatory actions regarding shale gas development could lead to third party or governmental claims, and could adversely affect COGI's business and financial condition.

A number of federal, provincial and territorial governments have announced intentions to regulate greenhouse gases and certain air pollutants. These governments are currently developing the regulatory and policy frameworks to deliver on their announcements. The Canadian federal government has announced it will work with the provinces and territories to establish a pan-Canadian climate change framework that is consistent with the outcome reached at the 21st Conference of the Parties in Paris. The Alberta government outlined its Climate Leadership Plan which includes four (4) key areas, one of which is targeting a 45 percent reduction in methane gas emissions from oil and gas operations by 2025.

Additionally, the Canadian federal government and certain Canadian provincial governments continue to review certain aspects of the scientific, regulatory and policy framework under which hydraulic fracturing operations are conducted. At present, most of these governments are primarily engaged in the collection, review and assessment of technical information regarding the hydraulic fracturing process and have not provided specific details with respect to any significant actual, proposed or contemplated changes to the hydraulic fracturing regulatory construct. However, certain environmental and other groups have suggested that additional federal, provincial, territorial and municipal laws and regulations may be needed to more closely regulate the hydraulic fracturing process, and have made claims that hydraulic fracturing techniques are harmful to surface water and drinking water sources.
Further, certain governments in jurisdictions where COGI does not currently operate have considered or implemented moratoriums on hydraulic fracturing until further studies can be completed and some governments have adopted, and others have considered adopting, regulations that could impose more stringent permitting, disclosure and well construction requirements on hydraulic fracturing operations. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs or third party or governmental claims, and could increase COGI's cost of compliance and doing business as well as reduce the amount of natural gas and oil that COGI is ultimately able to produce from its reserves.

COGI is unable to predict the total impact of the potential regulations upon its business. Therefore, it is possible that COGI could face increases in operating costs or curtailment of production in order to comply with legislation governing emissions and hydraulic fracturing.

Hydraulic Fracturing

COGI utilizes horizontal drilling, multi-stage hydraulic fracturing, specially formulated drilling fluids and other technologies in its drilling and completion activities. Hydraulic fracturing is a method of increasing well production by injecting fluid under high pressure down a well, which causes the surrounding rock to crack or fracture. The fluid typically consists of water, sand, chemicals and other additives and flows into the cracks where the sand remains to keep the cracks open and enable natural gas or liquids to be recovered. Fracturing fluids flow back to the surface through the wellbore and are stored for reuse or future disposal in accordance with regional regulations, which may include injection into underground wells. The design of the well bores protects groundwater aquifers from the fracturing process.

Hydraulic fracturing has been in use for some time in the oil and gas industry; however, the proliferation of fracturing in recent years to access hydrocarbons in unconventional reservoirs, such as shale formations, has given rise to public concerns about the environmental impacts of this technology. Public concern over the environmental impacts of the hydraulic fracturing process has focused on a number of issues, including water aquifer contamination; other qualitative and quantitative effects on water resources as large quantities of water are used and injected fluids either remain underground or flow back to the surface to be collected, treated and disposed; and the potential for fracturing activities to induce seismic events. Regulatory authorities in certain jurisdictions have announced initiatives in response to such concerns. Federal, provincial, territorial and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities, could result in increased costs, additional operating restrictions or delays, and adversely affect COGI's production. Public perception of environmental risks associated with hydraulic fracturing can further increase pressure to adopt new laws, regulation or permitting requirements, or lead to regulatory delays, legal proceedings and/or reputational impacts. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs and third party or governmental claims. They could also increase COGI's costs of compliance and doing business as well as delay the development of hydrocarbon (natural gas and oil) resources from shale formations, which may not be commercial without the use of hydraulic fracturing.

If legal restrictions are adopted in jurisdictions in which COGI is currently conducting or in the future plans to conduct operations, COGI may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling of wells. In addition, if hydraulic fracturing becomes more regulated, COGI's fracturing activities could become subject to additional permitting requirements and result in permitting delays as well as potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that COGI is ultimately able to produce from its reserves. It is anticipated that federal, provincial and territorial regulatory frameworks to address concerns related to hydraulic fracturing will continue to emerge. While COGI is unable to predict the impact of any potential regulations upon its business, the implementation of new regulations with respect to water usage or hydraulic fracturing generally could increase COGI's costs of compliance, operating costs, the risk of litigation and environmental liability, or negatively impact COGI's prospects, any of which may have a material adverse effect on COGI's business, financial condition and results of operations.

Greenhouse Gas Emissions ("GHG")

COGI is subject to various GHG emissions-related legislation. COGI operates in jurisdictions with existing GHG legislation as well as in regions which currently do not have GHG emissions legislation and jurisdictions where GHG emissions legislation is emerging or is subject to change. COGI monitors GHG legislative developments in all areas in which COGI operates. Potential new or additional GHG legislation and associated compliance costs, in particular in association with the adoption of the Paris Agreement under the United Nations Framework Convention on Climate Change, may have a material impact on COGI.

In particular, key unresolved issues in relation to Canadian federal and provincial GHG regulatory requirements include the form of regulation, an appropriate common facility emissions level, availability and duration of compliance mechanisms and resolution of federal/provincial harmonization agreements. In November 2015, the Government of Alberta announced a Climate Leadership Plan, including measures to reduce methane emissions, implement an emissions limit for oil sands, introduce a broad based carbon price (with phase-in for the upstream industry), and modify the existing regulatory system for large emitting facilities.

Current GHG emissions legislation does not result in material compliance costs, but compliance costs may increase in the future and may impact COGI's operations and financial results. Given the evolving nature of the debate related to climate change and the control of GHG and resulting requirements, it is not possible to predict the impact of such matters on COGI's operations and financial condition.

Environmental and Decommissioning Liabilities

Despite COGI's implementation of health, safety and environmental standards, there is a risk that accidents or regulatory non-compliance can occur, the outcomes of which, including remedial work or regulatory intervention, cannot be foreseen or planned for. COGI expects to incur site restoration costs over a prolonged period as existing fields are depleted. The process of estimating decommissioning abilities is complex and involves significant uncertainties concerning the timing of the decommissioning activity; legislative changes; technological advancement; regulatory, environmental and political changes;

and the appropriate discount rate used in estimating the liability. Any change to these assumptions could result in a change to the decommissioning liabilities to which COGI is subject.

Alberta has developed liability management programs designed to prevent taxpayers from incurring costs associated with suspension, abandonment, remediation and reclamation of wells, facilities and pipelines in the event that a licensee or permit holder becomes defunct. These programs generally involve an assessment of the ratio of a licensee's deemed assets to deemed liabilities. If a licensee's deemed liabilities exceed its deemed assets, a security deposit is required. Changes of the ratio of COGI's deemed assets to deemed liabilities or changes to the requirements of liability management programs may result in significant increases to the security that must be posted.

GLOSSARY

AECO	Alberta Energy Company, a grade or heating content of natural gas used as benchmark pricing in Alberta, Canada
bbl	barrel
bbl/d	barrels per day
boe [(1)]	barrels of oil equivalent
boe/d	barrels of oil equivalent per day
CAD or Cdn$	Canadian dollar
GAAP	generally accepted accounting principles
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
USD or US$	United States dollar
WTI	West Texas Intermediate, a grade of light sweet crude oil used as benchmark pricing in the United States

Note:

(1) COGI has adopted the standard of 6 Mcf:1 bbl when converting natural gas to boe. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of six Mcf per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil, compared to natural gas is significantly different than the energy equivalency of the 6:1 conversion ratio, utilizing the 6:1 conversion ratio may be misleading as an indication of value.