Cuda Oil and Gas Inc.

Interim Condensed Consolidated Financial Statements
Three and Six Months Ended June 30, 2020 and 2019
(Unaudited)

The unaudited interim condensed consolidated financial statements of Cuda Oil and Gas Inc. for the three and six months ended June 30, 2020 and 2019 were not subject to a review by the Company's auditor.

Cuda Oil and Gas Inc.

Interim Condensed Consolidated Statements of Financial Position

As at June 30, 2020 and December 31, 2019

(Unaudited)

(in Canadian dollars)

	June 30, 2020	December 31, 2019
	$	$
ASSETS		
Current		
Cash	**201,194**	207,166
Accounts receivable (Note 17)	**709,589**	4,341,801
Inventory	**199,251**	71,111
Prepaid expenses and deposits	**136,171**	151,951
Assets associated with discontinued operation (Note 6)	**150,000**	415,623
	1,396,205	5,187,652
Non-current		
Exploration and evaluation assets (Note 7)	**2,810,975**	2,678,966
Property and equipment (Note 8)	**83,275,309**	72,197,715
	87,482,489	80,064,333
LIABILITIES		
Current		
Credit facilities (Note 9)	**46,663,470**	41,687,121
Promissory note (Note 10)	**100,000**	-
Convertible debentures (Note 12)	**1,498,138**	1,477,444
Accounts payable and accrued liabilities	**12,125,793**	8,268,852
Lease obligation (Note 11)	**56,614**	33,048
Decommissioning liability (Note 13)	**5,992**	24,000
Liabilities associated with discontinued operation (Note 6)	**-**	159,389
	60,450,007	51,649,854
Non-current		
Term loans (Note 10)	**80,000**	-
Lease obligation (Note 11)	**183,375**	-
Decommissioning liability (Note 13)	**2,660,984**	2,020,753
	63,374,366	53,670,607
SHAREHOLDERS' EQUITY		
Share capital (Note 14)	**79,770,167**	79,724,551
Warrants (Note 14)	**5,294,360**	5,294,360
Contributed surplus (Note 14)	**4,215,363**	3,558,145
Accumulated other comprehensive income (loss)	**1,138,027**	(343,655)
Deficit	**(66,309,794)**	(61,839,675)
	24,108,123	26,393,726
	87,482,489	80,064,333

Going Concern (Note 2)

Commitments (Note 15)

Subsequent Events (Notes 2, 9, 12, 14 and 23)

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Cuda Oil and Gas Inc.

Interim Condensed Consolidated Statements of Loss and Comprehensive Loss

Three and Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
		(restated - Note 6)		(restated - Note 6)
	$	$	**$**	$
REVENUE				
Petroleum and natural gas sales (Note 18)	**1,428,068**	2,101,657	**3,466,537**	5,387,248
Royalties	**(286,502)**	(411,813)	**(689,756)**	(1,014,859)
Production taxes	**(95,341)**	(194,076)	**(254,182)**	(393,282)
Net revenue from petroleum and natural gas sales	**1,046,225**	1,495,768	**2,522,599**	3,979,107
EXPENSES				
Operating and transportation	**602,540**	779,825	**1,204,461**	1,979,158
Exploration and development expense	**10,556**	-	**10,556**	-
General and administrative	**804,510**	1,305,765	**1,485,155**	1,862,577
Share-based compensation (Note 14)	**328,609**	373,012	**657,218**	756,365
Depletion and depreciation (Note 8)	**730,197**	512,593	**1,434,015**	1,395,617
Accretion of decommissioning liability (Note 13)	**5,555**	10,898	**15,838**	22,234
Finance costs, net (Note 19)	**2,165,638**	2,254,112	**4,135,716**	3,791,499
Foreign exchange loss (gain) (Note 20)	**1,785,965**	850,895	**(1,950,241)**	1,723,158
	6,433,570	6,087,100	**6,992,718**	11,530,608
LOSS FROM CONTINUING OPERATIONS	**(5,387,345)**	(4,591,332)	**(4,470,119)**	(7,551,501)
DISCONTINUED OPERATION				
Loss from discontinued operation (Note 6)	**-**	(20,269,434)	**-**	(20,518,943)
NET LOSS	**(5,387,345)**	(24,860,766)	**(4,470,119)**	(28,070,444)
Other comprehensive income (loss)	**(1,193,428)**	(407,523)	**1,481,682**	(792,806)
NET LOSS AND COMPREHENSIVE LOSS	**(6,580,773)**	(25,268,289)	**(2,988,437)**	(28,863,250)
Basic and diluted net loss per share (Note 14)				
Continuing operations	**(0.15)**	(0.21)	**(0.12)**	(0.34)
Discontinued operation	**-**	(0.92)	**-**	(0.94)
Total basic and diluted net loss per share	**(0.15)**	(1.13)	**(0.12)**	(1.28)
Weighted average number of common shares outstanding (Note 14)	**36,436,220**	21,963,396	**36,423,865**	21,952,463

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Cuda Oil and Gas Inc.
Interim Condensed Consolidated Statements of Cash Flows
Three and Six months ended June 30, 2020 and 2019
(Unaudited)
(in Canadian dollars)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
OPERATING ACTIVITIES				
Net loss for the year	**(5,387,345)**	(24,860,766)	**(4,470,119)**	(28,070,444)
Non-cash items				
Depletion and depreciation	**730,197**	590,763	**1,434,015**	1,551,236
Share-based compensation	**328,609**	373,012	**657,218**	756,365
Finance costs - interest expense	**2,186,329**	934,574	**2,644,390**	1,899,758
Accretion of credit facilities and convertible debentures	**701,956**	1,262,810	**1,491,326**	1,831,745
Interest paid	**(81,533)**	(934,574)	**(493,978)**	(1,899,758)
Accretion of decommissioning liabilities	**5,555**	20,782	**15,838**	47,216
Foreign exchange loss (gain)	**1,785,956**	856,475	**(1,952,889)**	1,747,477
Loss on disposal of discontinued operation	**-**	20,211,185	**-**	20,211,185
Decommissioning obligation settled	**-**	-	**(22,630)**	-
Gain on disposal of property and equipment	**-**	(49,191)	**-**	(49,191)
Net change in working capital items (Note 22)	**118,224**	1,967,049	**2,043,639**	2,547,096
Cash flows from operating activities	**387,948**	372,119	**1,346,810**	572,685
INVESTING ACTIVITIES				
Property and equipment expenditures (Note 8)	**(883,762)**	(872,099)	**(8,221,206)**	(3,952,110)
Exploration and evaluation asset expenditures and acquisitions (Note 7)	**-**	(297,918)	**(54,600)**	(731,047)
Proceeds on disposal of property and equipment	**80,000**	49,191	**80,000**	49,191
Proceeds on disposal of discontinued operation (Note 6)	**150,000**	-	**150,000**	-
Reduction of restricted cash and deposits	**-**	77,175	**-**	769,281
Reduction of obligation for exploration work	**-**	(77,175)	**-**	(174,281)
Refund of guarantee deposits	**-**	-	**-**	303,000
Net change in working capital items (Note 22)	**611,596**	(432,661)	**5,037,405**	1,071,911
Cash flows used in investing activities	**(42,166)**	(1,553,487)	**(3,008,401)**	(2,664,055)
FINANCING ACTIVITIES				
Proceeds from credit facilities, net of repayments	**(377,029)**	3,500,000	**1,500,000**	3,500,000
Credit facilities refinancing costs	**-**	(2,965,165)	**-**	(2,965,165)
Proceeds from promissory note (Note 10)	**100,000**	-	**100,000**	-
Proceeds from term loans (Note 10)	**80,000**	-	**80,000**	-
Payments on lease obligations	**(19,785)**	(63,691)	**(59,428)**	(125,740)
Net change in working capital items (Note 22)	**(8,294)**	2,661,562	**20,452**	2,637,711
Cash flows from (used in) financing activities	**(225,108)**	3,132,706	**1,641,024**	3,046,806
Effect of foreign currency translation on cash	**2,714**	(31,252)	**14,595**	(44,806)
NET CHANGE IN CASH	**123,388**	1,920,086	**(5,972)**	910,630
Cash, beginning of period	**77,806**	521,470	**207,166**	1,530,926
Cash, end of period	**201,194**	2,441,556	**201,194**	2,441,556
Cash interest paid	**81,533**	934,574	**493,978**	1,899,758

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

Cuda Oil and Gas Inc.

Interim Condensed Consolidated Statements of Changes in Shareholders' Equity

Six months ended June 30, 2020 and 2019

(Unaudited)

(in Canadian dollars)

	Share capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total equity
	$	$	$	$	$	$
Balance at December 31, 2019	79,724,551	5,294,360	3,558,145	(343,655)	(61,839,675)	26,393,726
Issued in exchange for interest on convertible debentures	45,616	-	-	-	-	45,616
Share-based compensation	-	-	657,218	-	-	657,218
Net loss	-	-	-	-	(4,470,119)	(4,470,119)
Other comprehensive income	-	-	-	1,481,682	-	1,481,682
Balance at June 30, 2020	79,770,167	5,294,360	4,215,363	1,138,027	(66,309,794)	24,108,123
Balance at December 31, 2018	73,957,687	3,956,098	1,674,541	712,635	(19,938,691)	60,362,270
Issued in exchange for interest on convertible debentures	45,619	-	-	-	-	45,619
Share-based compensation	-	283,737	1,077,654	-	-	1,361,391
Net loss	-	-	-	-	(28,070,444)	(28,070,444)
Other comprehensive loss	-	-	-	(792,806)	-	(792,806)
Balance at June 30, 2019	74,003,306	4,239,835	2,752,195	(80,171)	(48,009,135)	32,906,030

The accompanying notes are an integral part of the interim condensed consolidated financial statements.

1. NATURE OF BUSINESS

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

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**").

2. GOING CONCERN

These interim condensed 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. 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 June 30, 2020 the Company had $46.7 million outstanding under the "**Facility**" and the "**Additional Facility**" (collectively, the "**Credit Facilities**") with an institutional lender (the "**Lender**") as further described in Note 9. The Credit Facilities with a balance of approximately $46.7 million, including accrued but unpaid interest to June 30, 2020 and a financing fee of $1.4 million matured on July 30, 2020. The Credit Facilities, the accrued interest and the financing fee have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default, however, the Company is working with the Lender to amend key terms of the Credit Facilities, including the maturity date.

At June 30, 2020, the Company has convertible debentures with a principal balance of $1.5 million which matured on July 21, 2020, as further described in Note 12. The convertible debentures and accrued interest thereon to July 21, 2020 have not been repaid. On July 21, 2020, the Company notified the debenture holder that it was not in a position to honour the obligations under the convertible debentures security agreement. On July 22, 2020, the debenture holder provided the Company with a 20-day notice period as per the convertible debentures security agreement to proceed with the payment of the principal and accrued and unpaid interest to avoid a situation of default. On August 7, 2020, the Company requested a 30-day extension to the original 20-day notice period. On August 24, 2020, the debenture holder notified the Company that it would extend the notice period for 30 days to September 23, 2020 to avoid a situation of default.

At June 30, 2020, the Company has US $6.7 million in outstanding joint interest billings with the operator of the Company's exploration, development and production assets in Wyoming**.** On July 22, 2020, the Company received formal notification (the "**Notice**") from the operator that it is in default of its payment obligations under the Unit Operating Agreement (the "**UOA**") in respect of the outstanding joint interest billings. The Notice demands the Company pay the outstanding amounts in full within 30 days of the date of the letter. The Company has been unable to pay the outstanding amounts in the time period set out in the Notice and has requested that the operator extend the period of time to cure the UOA default. On August

26, 2020, the Company received notification from the operator that it has granted the Company a 60-day extension from July 22, 2020 to September 20, 2020 to cure the default.

At June 30, 2020, the Company has a working capital deficiency (including the credit facilities and convertible debentures) of approximately $59.1 million and an accumulated deficit of $66.3 million. Capital commitments in Wyoming, United States, for the remainder of 2020 include costs of approximately USD $1.2 million for makeup gas and liquids to be injected into the field as part of the miscible gas flood project to enhance the recovery of oil.

Further, for the three and six months ended June 30, 2020, the Company reported net losses of $5,387,345 and $4,470,119, respectively, and cash flows from operating activities of $387,947, and $1,346,809 respectively. The Company currently has no ability to settle any of the credit facilities, the convertible debentures, and its outstanding commitments in Wyoming, United States, 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.

Global oil prices have declined considerably caused by reduced demand driven by the COVID-19 health pandemic and continuing over supply concerns 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 interim condensed 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. These interim condensed 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.

3. BASIS OF PRESENTATION

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. They do not include all of the information required in annual financial statements prepared in accordance with International Financial Reporting Standards ("**IFRS**"), and should be read in conjunction with COGI's audited consolidated financial statements for the year ended December 31, 2019.

Except as outlined in Note 5, these interim condensed consolidated financial statements were prepared using the same accounting policies as described in Note 5 of COGI's audited consolidated financial statements for the year ended December 31, 2019.

These interim condensed consolidated financial statements were authorized for issuance by the Board of Directors on August 31, 2020.

4. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

These interim condensed consolidated financial statements were prepared using the same judgments, estimates and assumptions as described in Note 4 of COGI's audited consolidated financial statements for the year ended December 31, 2019.

5. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

a) Business Combinations

Effective January 1, 2020, the Company has adopted amendments defining a business from IFRS 3 – Business Combinations. The amendments are intended to provide additional guidance to determine if a transaction should be recorded as a business combination or an asset acquisition. The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess if an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.

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 optional concentration test permits a simplified assessment that results in an asset acquisition if substantially all of 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.

No business combinations were transacted during the six months ended June 30, 2020.

b) Government Grants

The Company has applied IAS 20 effective for the six months ended June 30, 2020. The Company may receive government grants or assistance which provides financial assistance as compensation for costs or expenditures to be incurred. Government grants are accounted for when there is reasonable assurance that conditions attached to the grants are met and that the grants will be received. Grants that compensate the Company for expenses incurred are recognized in profit or loss on a systematic basis in the periods in which the expenses are recognized.

6. 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 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 its land permits, licenses, production rights and interests in Quebec, 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 COGI to be released and discharged from a claim associated with the exercise of dissent rights in connection with the in the amount of $3,116,750. Loss on disposal of the discontinued operation amounted to $20,714,654 for the year ended December 31, 2019.

As at June 30, 2020, $150,000 of the cash consideration is being held in escrow (the "**Escrow Amount**") in a lawyer's trust account and may be released to the Company after an assessment is performed regarding the costs to complete the closure and site restoration work for a specific suspended well (the "**Well Liabilities**"). If the Well Liabilities exceed a specified amount, then COGI will receive the Escrow Amount less the amount by which the actual cost of the Well Liabilities exceeds the specified amount. As at June 30, 2020 assets associated with the discontinued operation are comprised of the Escrow Amount of $150,000.

Operating results related to the Quebec Assets have been included in loss from discontinued operation for the period of ownership. Comparative period balances in the Interim Condensed Consolidated Statements of Loss and Comprehensive Loss have been restated to show the discontinued operation separately from continuing operations.

Loss from discontinued operation is comprised of the following:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Revenue	**-**	10,691	**-**	30,202
Expenses and other items	**-**	(20,280,125)	**-**	(20,549,145)
Loss from discontinued operation	**-**	(20,269,434)	**-**	(20,518,943)

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

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash flows used in operating activities	**(42,496)**	(37,464)	**(38,290)**	(302,712)
Cash flows (used in) from investing activities	**150,000**	(104,986)	**150,000**	457,475
Cash flows used in financing activities	**-**	(17,636)	**-**	(34,817)
	107,504	(160,086)	**111,710**	119,946

7. EXPLORATION AND EVALUATION (“E&E”) ASSETS

The following table reconciles COGI's E&E assets:

($)	Total
Balance December 31, 2019	2,678,966
Additions	54,600
Transfer to developed and producing assets	(55,538)
Foreign currency translation	132,947
Balance June 30, 2020	**2,810,975**

E&E assets consist of the Company's exploration projects exclusively in the Wyoming cash generating unit ("**CGU**"), which are pending the determination of proved or probable reserves. The Company capitalized general and administrative and share based compensation costs directly attributable to E&E additions of $Nil in the six months ended June 30, 2020 (June 30, 2019 – $707,101).

During the three months ended June 30, 2020, the Company recognized $10,554 in unrecoverable E&E expenses, related to the Alberta CGU, as the Company has discontinued E&E activity in Alberta.

There were no indicators of impairment identified as at June 30, 2020 for the Company’s Wyoming E&E assets. Accordingly, an impairment test was not required.

8. PROPERTY AND EQUIPMENT

The following table reconciles COGI's property and equipment:

Cost ($)	Developed and Producing Assets	Right-Of-Use and Administrative Assets	Total
Balance December 31, 2019	78,608,946	317,523	78,926,469
Additions	8,221,206	257,583	8,478,789
Disposals	(160,050)	-	(160,050)
Transfer from E&E assets	55,538	-	55,538
Change in decommissioning cost	565,206	-	565,206
Foreign currency translation	3,597,913	-	3,597,913
Balance June 30, 2020	90,888,759	575,106	91,463,865
Accumulated depletion, depreciation and impairment ($)			
Balance December 31, 2019	(6,464,112)	(264,642)	(6,728,754)
Depletion and depreciation	(1,377,533)	(56,482)	(1,434,015)
Disposals	80,050	-	80,050
Foreign currency translation	(105,837)	-	(105,837)
Balance June 30, 2020	(7,867,432)	(321,124)	(8,188,556)
Carrying amounts ($)			
As at December 31, 2019	72,144,834	52,881	72,197,715
As at June 30, 2020	**83,021,327**	**253,982**	**83,275,309**

Included in property and equipment at June 30, 2020 are right-of-use assets related to Canadian office space with a cost of $257,583, accumulated depreciation of $52,861 and a carrying amount of $204,722.

At June 30, 2020, estimated future development costs of $173,874,041 (December 31 2019 – $157,955,000) associated with the development of the Company's proved and probable reserves were added to the Company's net book value in the depletion calculation. Developed and producing assets includes costs of facilities under construction that were not included in the depletion calculation in the amount of $Nil (December 31, 2019 – $1,901,286).

During the second quarter of 2020, the operator of the Company's oil and gas operations in Wyoming notified the Company that certain of the Company's property and equipment had liens placed on them by two suppliers. The operator is currently working to have these liens removed.

Impairment Assessment 2020

As at June 30, 2020, indicators of impairment were determined to exist in each of COGI's CGUs, as a result of a sustained decline in forward commodity benchmark prices for oil, natural gas and natural gas liquids. As such impairment tests were carried out on each of COGI's CGUs, the Alberta CGU and the Wyoming CGU. In the impairment tests conducted on both CGUs, the recoverable amounts were determined to exceed the carrying values and as such no impairment charge was recorded at June 30, 2020.

9. CREDIT FACILITIES

At June 30, 2020, the Company had $46.7 million outstanding under two credit facilities as further described below.

The Facility, which matured on July 30, 2020 (see Note 2), is non-revolving, payable on demand, and interest compounds monthly at a rate of 10.5% per annum which is payable monthly. The Facility, the financing fee and the accrued interest thereon have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is currently working with the Lender to amend key terms of the Facility, including the maturity date.

The Additional Facility, which matured on July 30, 2020 (see Note 2), is non-revolving, payable on demand, and interest compounds monthly at a rate of 18.0% per annum which is payable monthly. The Additional Facility and the accrued and unpaid interest thereon have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is currently working with the Lender to amend key terms of the Additional Facility, including the maturity date.

As stated in Note 2, the Facility and the Additional Facility are collectively referred to as 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 assets in the United States, in an amount of at least $50 million, as evidenced by an external reserve report to be prepared as of December 31, 2020; 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 $233,888 were recorded during the six months ended June 30, 2020. The accretion charge for the six months ended June 30, 2020 was $1,470,632 (June 30, 2019 – $1,813,911), and the balance of unamortized costs as at June 30, 2020 was $Nil (December 31, 2019 – $1,236,743).

10. OTHER DEBT

Promissory note

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. The promissory note bears interest at 2.0% 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 or the date of occurrence of an event of default on the Credit Facilities. The Company has triggered an event of default on the Credit Facilities (see Note 9) therefore the maturity date on the promissory note is deemed to be July 30, 2020. However, the promissory note holder has provided a notice of waiver of the event of default and the terms associated with maturity date remain unchanged.

Term loans

In May 2020 and June 2020, the Company received $80,000 Canada Emergency Business Account ("**CEBA**") loans under the Government of Canada's COVID-19 response plan. The loans are interest free, and repaying the balance of the loans on or before December 31, 2022 will result in loan forgiveness of 25%.

11. LEASE OBLIGATION

On March 1, 2020, the Company entered into a new four year lease for its Calgary office space. The Company recognized a right-of-use asset and lease liability based on IFRS 16, of $257,583. Initial measurement of the office lease obligation was determined based on the remaining lease payments at March 1, 2020, and the Company discounted the lease payments using the incremental borrowing rate at March 1, 2020 of 10.5%.

The Company had the following future commitments associated with its lease obligation at June 30, 2020:

($)	**June 30, 2020**
Less than 1 year	79,140
1 – 3 years	158,280
3 – 5 years	52,760
Total lease payments	290,180
Amounts representing interest over the term of the lease	(50,191)
Present value of net lease payments	239,989
Current portion of lease obligation	56,614
Long-term portion of lease obligation	183,375

For the three and six months ended June 30, 2020, the Company recorded interest expense of $6,533 and $9,237, respectively, (three and six months ended June 30, 2019 – $11,762 and $25,166, respectively) and lease payments of $19,785 and $59,428, respectively, (three and six months ended June 30, 2019 – $75,453 and $150,906, respectively) related to its lease obligations.

12. CONVERTIBLE DEBENTURES

As of June 30, 2020, convertible debentures with a stated value of $1,500,000 are outstanding, comprised of series A with a stated value of $750,000 and series B with a stated value of $750,000. The series A and series B convertible debentures bear interest at a rate of 12% per annum which is payable semi-annually, are unsecured and matured on July 21, 2020. The convertible debentures and accrued interest thereon to July 21, 2020 have not been repaid.

On July 21, 2020, the Company notified the debenture holder that it was not in a position to honour the obligations under the convertible debentures security agreement. On July 22, 2020, the debenture holder provided the Company with a 20-day notice period as per the convertible debentures security agreement to proceed with the payment of the principal and accrued and unpaid interest to avoid a situation of default. On August 7, 2020, the Company requested a 30-day extension to the original 20-day notice period. On August 24, 2020, the debenture holder notified the Company that it would extend the notice period for 30 days to September 23, 2020 to avoid a situation of default.

The Company may, at its option, pay up to 50% 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% 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.

	Amount ($)
Balance, December 31, 2019	1,477,444
Accretion on debentures	20,694
Balance, June 30, 2020	**1,498,138**

13. DECOMMISSIONING LIABILITY

The Company's decommissioning liability results from ownership interests in petroleum and natural gas properties and equipment including well sites and facilities and management's estimates of costs to abandon and reclaim those well sites and facilities as well as an estimate of the future timing of these costs. COGI estimates the total undiscounted future cash flows required to settle its decommissioning obligations as at June 30, 2020 to be approximately $2,523,498 (December 31, 2019 – $2,471,612) with the costs anticipated to be incurred between 2020 and 2075. The net present value of the decommissioning liability was calculated using risk-free discount rates of 0.66 percent to 0.99 percent (December 31, 2019 – 1.76 percent to 1.92 percent) based on the timing to abandon and an inflation rate of 0.90 percent (December 31, 2019 – 2.0 percent).

A reconciliation of the decommissioning liability is provided below:

($)	**Total**
Balance December 31, 2019	2,044,753
Change in estimtes	565,206
Decommissioning liabilities settled	(22,630)
Accretion	15,838
Foreign currency translation	63,809
Balance June 30, 2020	**2,666,976**
Current portion of decommissioning liability	(5,992)
Long-term portion of decommissioning liability	2,660,984

14. SHARE CAPITAL

Authorized

Unlimited number of shares without par value

Common shares, voting and participating;

Class "B" shares, non-voting and non-participating, preferential non-cumulative dividend varying between 1% and 12%, redeemable at the paid-up capital amount;

Class "C" shares, non-voting and non-participating, preferential non-cumulative monthly dividend of 1% calculated on the redemption price, redeemable or retractable at the fair value of the consideration received upon issuance under certain conditions. The maximum redemption cannot exceed one third of the shares held, provided that the Company's working capital is greater than $1,000,000.

Issued and outstanding

	Number of Common Shares	**Amount ($)**
Balance, December 31, 2019	36,329,139	79,724,551
Issued in exchange for interest on debentures	107,081	45,616
Balance, June 30, 2020	**36,436,220**	**79,770,167**

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

In January 2020, the Company issued 107,081 common shares at a price of $0.426 per share in exchange for the payment of interest on convertible debentures in the amount of $45,616.

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 options granted is 10 years. Unless otherwise determined by the Board of Directors at the time of grant, options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

A summary of the Company's outstanding stock options at June 30, 2020 is presented below:

	Number of Options	Weighted average exercise price
Balance, December 31, 2019	4,083,760	$0.50
Balance, June 30, 2020	**4,083,760**	$0.50

The exercise prices for the Company's stock options outstanding and exercisable under the plan at June 30, 2020 for employees, officer and directors, is as follows:

Outstanding options			Exercisable options	
Number	Weighted average remaining contractual life	Weighted average exercise price	Number	Weighted average exercise price
	Years	$		$
85,750	0.3	0.50	85,750	0.50
279,677	3.0	0.50	93,226	0.50
37,500	4.3	0.50	37,500	0.50
1,333,333	5.3	0.50	444,444	0.50
2,310,000	6.3	0.50	-	0.50
37,500	7.3	0.50	25,000	0.50
4,083,760	5.6	0.50	685,920	0.50

No stock options were granted during the six months ended June 30, 2020. Subsequent to June 30, 2020, 85,750 stock options with an exercise price of $0.50 expired.

The Company's share-based compensation relating to stock options for the three and six months ended June 30, 2020 was $328,609 and $657,218, respectively, (June 30, 2019 – $529,945 and $1,077,654, respectively), of which $Nil and $Nil, respectively (June 30, 2019 – $156,933 and $321,289, respectively) was capitalized.

Warrants

Outstanding warrants as at June 30, 2020, that entitle their holders to subscribe to an equivalent number of common shares, are as follows:

Number of warrants	Exercise Price ($)	Expiry Date
954,546	5.30	August 4, 2020
999,907	4.00	August 14, 2020
885,000	0.45	November 29, 2020
1,500,000	0.65	June 26, 2021
5,891,000	0.60	July 30, 2021
437,500	5.90	October 20, 2021
10,667,953		

No warrants were issued during the six months ended June 30, 2020. Subsequent to June 30, 2020, 954,546 warrants with an exercise price of $5.30, and 999,907 warrants with an exercise price of $4.00, expired.

Weighted average number of common shares

For the three and six months ended June 30, 2020 and 2019, the stock options, warrants and convertible debentures were not included in the calculation of diluted loss per share as their inclusion would have an antidilutive effect.

15. COMMITMENTS

Capital commitments in Wyoming, United States, for the remainder of 2020 include costs of approximately USD $1.2 million for makeup gas and liquids to be injected into the field as part of the miscible gas flood project to enhance the recovery of oil. All other future capital expenditures are considered discretionary.

16. RELATED PARTY TRANSACTIONS

The Company had no related party transactions for the six months ended June 30, 2020 and 2019.

17. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

The Company is exposed to credit risk, liquidity risk and market risk as part of its normal course of business. The board of directors has overall responsibility for the establishment and oversight of the Company's financial risk management framework and periodically reviews the results of all risk management activities and all outstanding positions. Management identifies and analyzes the risks faced by the Company, sets appropriate risk limits and controls, and monitors risks and market conditions and the Company's activities.

Financial instruments comprise cash, accounts receivable, accounts payable and accrued liabilities, credit facilities, convertible debentures, promissory note and term loans.

The carrying amounts for cash, accounts receivable, accounts payable and accrued liabilities, credit facilities and convertible debentures, are reasonable approximations of their respective fair values due to the short-term maturities of these instruments. The carrying amount of the promissory note and term loans approximate their respective fair values.

Credit risk

Credit risk arises from the potential for non-performance by counterparties of contractual financial obligations. The Company's maximum exposure to credit risk is equal to the carrying amounts of cash, and accounts receivable. The Company reduces its credit risk on cash by maintaining its bank accounts at large international financial institutions. Accounts receivable consists of amounts due from petroleum and natural gas marketers, capital and revenue (net of royalties and production taxes) amounts due from joint operations partners.

The Company mitigates collection risk from petroleum and natural gas marketers by reviewing the credit risk of these entities and by entering into agreements only with parties that meet certain credit tests. The Company mitigates collection risk from the joint operations receivables by requiring partner approval of significant capital expenditures prior to expenditure. Joint operation receivables are from partners in the petroleum and natural gas industry who are subject to the risks and conditions of the industry. Significant changes in industry conditions and risks that negatively impact the partners' ability to generate cash flow will increase the risk of not collecting joint operations receivables.

The Company's accounts receivable as at June 30, 2020, which includes amounts associated with continuing and discontinued operations (see Note 6), and December 31, 2019 are as follows:

	June 30, 2020	December 31, 2019
	$	$
Trade accounts receivable	**113,517**	59,850
Joint operations receivable	**488,335**	4,066,055
Escrow Amount	**150,000**	300,000
Other	**85,412**	87,580
Tax credits receivable	**-**	114,498
Commodity taxes receivable	**22,325**	129,441
	859,589	4,757,424

The accounts receivable balance as at June 30, 2020 is primarily comprised of: 57% due from one joint operations partner in the United States (December 31, 2019 – 86%); 17% associated with the discontinued operation; and 13% due from three purchasers of petroleum and natural gas in Canada. The accounts receivable balance of $150,000 associated with the discontinued operation (see Note 6) is comprised of the Escrow Amount of $150,000.

The Company's trade receivables (excluding cash call payments made) have been aged as follows:

	June 30, 2020	December 31, 2019
	$	$
Current	**637,877**	532,976
31 – 60 Days	**-**	329,568
61 – 90 Days	**-**	36,489
> 90 Days	**221,712**	584,391
	859,589	1,483,424

When determining whether amounts that are past due are collectable, management assesses the credit worthiness and past payment history of the counterparty, as well as the nature of the past due amount. The

Company considers all amounts greater than 90 days to be past due. No allowance for doubtful accounts has been recorded by the Company as all amounts have either been collected to date or have been assessed by management as fully collectable.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's objective is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. To achieve this objective, the Company prepares annual budgets for operating cashflows and capital expenditures, which are regularly monitored and updated as considered necessary.

The following are the contractual maturities of financial liabilities based on the earliest date on which the Company can be required to repay such liabilities:

	Less than one year	Beyond one year
	$	**$**
Credit facilities	46,663,470	-
Accounts payable and accrued liabilities	12,125,793	-
Convertible debentures	1,500,000	-
Promissory note	100,000	-
Term loans	-	80,000
	60,389,263	80,000

As discussed in Note 2, the Company currently has no ability to settle any of the credit facilities, the convertible debentures, and its ongoing commitments in Wyoming, United States, 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 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.

Market risk

Market risk is the risk or uncertainty arising from possible price movements and their impact on the future performance of the business. The Company is exposed to market risks resulting from fluctuations in commodity prices, foreign exchange rates and interest rates. Derivative instruments may be used to reduce exposure to these risks.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. A significant change in commodity prices can materially impact the Company's cash flows. Lower commodity prices may also reduce the Company's ability to raise capital. Commodity prices for petroleum and natural gas are not only influenced by supply and demand in Canada and the United States, but also by world events that dictate the levels of supply and demand. The Company had no risk management contracts that would be affected by commodity prices in place at June 30, 2020.

Foreign currency risk
Foreign currency risk is the risk that future cash flows will fluctuate as a result of changes in foreign currency exchange rates. Approximately 75% and 25% of the Company's petroleum and natural gas sales were denominated in United States dollars and in Canadian dollars, respectively, for the six months ended June 30, 2020. While the market prices in Canada for petroleum and natural gas are impacted by changes in the exchange rate between the Canadian dollar and the United States dollar, the exchange rate effect cannot be quantified. Generally, an increase in the value of the Canadian dollar as compared to the United States dollar will reduce the prices received by the Company for its Canadian petroleum and natural gas sales.

The Company had no risk management contracts that would be affected by foreign currency changes in place at June 30, 2020.

Interest rate risk
Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk through its fixed-rate credit facilities and convertible debentures. The Company had no risk management contracts that would be affected by interest rates in place at June 30, 2020.

Capital management

The Company actively manages its capital structure in response to changes in economic conditions and the risk characteristics of its petroleum and natural gas properties. The Company considers its capital structure to include shareholders' equity, promissory note, term loans, convertible debentures, credit facilities, and working capital (deficiency). 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 directors. The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the foreseeable future. See further discussions in Note 2, Going Concern and Note 17, Liquidity risk.

The Company's capital structure is summarized below:

	June 30, 2020	December 31, 2019
	$	$
Cash	**(201,194)**	(207,166)
Current assets, excluding cash	**(1,195,011)**	(4,980,486)
Current liabilities(1)	**12,188,399**	8,485,259
Credit facilities	**46,663,470**	41,687,121
Promissory note	**100,000**	-
Convertible debentures	**1,498,138**	1,477,444
Term loans	**80,000**	-
Shareholders' equity	**24,108,123**	26,393,726
	83,241,925	72,855,898

(1) Balance excludes credit facilities, promissory note, and convertible debentures.

There have been no changes in the Company's approach to capital management in 2020.

18. REVENUE

The Company sells its Canadian production pursuant to variable-price contracts. The transaction price for variable priced contracts is based on the benchmark commodity prices, adjusted for quality, location or other factors. The contracts generally have a term of one year or less, whereby delivery takes place throughout the contract period. Receivables from petroleum and natural gas sales are normally collected on the 25th day of the month following production.

The Company's production in the United States is from interests in non-operated petroleum and natural gas properties. The operator of the petroleum and natural gas properties in the United States enters into contracts with customers, conducts the activities to transfer control of production volumes to the customer, and collects and remits payments from the customer to COGI.

The following table details the Company's petroleum and natural gas sales by product:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Crude oil	**960,462**	2,086,016	**2,633,085**	4,263,187
Natural gas	**394,658**	10,354	**664,164**	866,438
Natural gas liquids	**72,948**	5,287	**169,288**	257,623
	1,428,068	2,101,657	**3,466,537**	5,387,248

Sales in the United States are predominantly made to one customer and sales in Canada are made to predominantly three customers, representing approximately 77%, 20% and 3% of Canadian sales for the six months ended June 30, 2020.

19. FINANCE COSTS(1)

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Interest on credit facilities	**2,002,226**	2,189,257	**3,913,510**	3,668,088
Interest on convertible debentures	**55,101**	53,101	**110,202**	106,353
Interest on promissory note	**3,712**	-	**3,712**	-
Interest on lease obligations	**6,533**	4,265	**9,237**	9,569
Finance charges	**98,066**	-	**98,066**	-
Other	**-**	7,489	**989**	7,489
	2,165,638	2,254,112	**4,135,716**	3,791,499

(1) Balance excludes $25,316 and $57,806 of interest income, net of interest expense, for the three and six months ended June 30, 2019, respectively, related to the discontinued operation.

20. FOREIGN EXCHANGE LOSS (GAIN)

The Company recorded a net foreign exchange loss of $1,785,965 for the three months ended June 30, 2020, ($850,895 for the three months ended June 30, 2019), and a net foreign exchange gain of $1,950,241 for the six months ended June 30, 2020, (net foreign exchange loss of $1,723,158 for the six months ended June 30, 2019). A significant portion of the foreign exchange (gain) loss relates to an intercompany loan to a foreign subsidiary that is denominated in United States dollar

21. SEGMENT INFORMATION

The Company and its wholly owned subsidiaries are engaged in the exploration, development and production of oil and natural gas in western Canada and the United States and are viewed as one operating segment by management for the purpose of resource allocation and assessing performance.

Geographical information

The Company conducts operations in the following geographic areas:

	Revenues			
	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Canada	**467,606**	104,463	**863,565**	1,341,364
United States	**960,462**	1,997,194	**2,602,972**	4,045,884
	1,428,068	2,101,657	**3,466,537**	5,387,248

	Non-current assets	
	As at June 30, 2020	As at December 31, 2019
	$	$
Canada	**2,248,942**	2,328,363
United States	**83,837,342**	72,548,318
	86,086,284	74,876,681

22. SUPPLEMENTAL CASH FLOW INFORMATION(1)

The net change in working capital items is detailed as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Provided by (used in)				
Accounts receivable	**929,953**	543,554	**3,897,835**	528,189
Inventory	**(83,267)**	2,193	**(128,140)**	4,410
Prepaid expenses and deposits	**14,598**	(7,546)	**15,780**	24,170
Accounts payable and accrued liabilities	**(274,968)**	3,512,545	**3,697,552**	5,559,920
Effect of foreign exchange on working capital	**135,210**	145,204	**(381,531)**	140,029
	721,526	4,195,950	**7,101,496**	6,256,718

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	**2020**	2019
	$	$	**$**	$
Provided by (used in)				
Operating activities	**118,224**	1,967,049	**2,043,639**	2,547,096
Investing activities	**611,596**	(432,661)	**5,037,405**	1,071,911
Financing activities	**(8,294)**	2,661,562	**20,452**	2,637,711
	721,526	4,195,950	**7,101,496**	6,256,718

(1) Includes amounts related to the discontinued operation.

23. SUBSEQUENT EVENTS

a) The convertible debentures and the accrued and unpaid interest thereon matured on July 21, 2020. On July 21, 2020, the Company notified the debenture holder that it was not in a position to honour the obligations under the convertible debentures security agreement. On July 22, 2020, the debenture holder provided the Company with a 20-day notice period as per the convertible debentures security agreement to proceed with the payment of the principal and accrued and unpaid interest to avoid a situation of default. On August 7, 2020, the Company requested a 30-day extension to the original 20-day notice period. On August 24, 2020, the debenture holder notified the Company that it would extend the notice period for 30 days to September 23, 2020 to avoid a situation of default.

b) On July 22, 2020, the Company received Notice from the operator that it is in default of its payment obligations under the UOA in respect of the outstanding joint interest billings. The Notice demands the Company pay the outstanding amounts in full within 30 days of the date of the letter. The Company has been unable to pay the outstanding amounts in the time period set out in the Notice and has requested that the operator extend the period of time to cure the UOA default. On August 26, 2020, the Company received notification from the operator that it has granted the Company a 60-day extension from July 22, 2020 to September 20, 2020 to cure the default.

c) On July 30, 2020, the Credit Facilities, related financing fees and accrued and unpaid interest matured. These amounts have not been repaid which constitutes an event of default under the loan agreement. No waiver has been obtained for the event of default; however, the Company is currently working with the Lender to amend key terms of the Credit Facilities, including the maturity date.

d) As a result of the event of default on the Credit Facilities described above, the maturity date on the promissory note, as described in Note 10, is deemed to be July 30, 2020. However, the promissory note holder has provided a notice of waiver of the event of default and the terms associated with maturity date remain unchanged.

e) Subsequent to June 30, 2020, 85,750 stock options with an exercise price of $0.50 expired.

f) Subsequent to June 30, 2020, 954,546 warrants with an exercise price of $5.30, and 999,907 warrants with an exercise price of $4.00, expired.