Cuda Oil and Gas Inc.

Interim Condensed Consolidated Financial Statements
Three Months Ended March 31, 2020 and 2019
(Unaudited)

The unaudited interim condensed consolidated financial statements of Cuda Oil and Gas Inc. for the three months ended March 31, 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

(Unaudited)

As at March 31, 2020 and December 31, 2019

(in Canadian dollars)

	March 31, 2020	December 31, 2019
	$	$
ASSETS		
Current		
Cash	**77,806**	207,166
Accounts receivable (Note 16)	**1,385,044**	4,341,801
Inventory	**115,984**	71,111
Prepaid expenses and deposits	**150,769**	151,951
Assets associated with discontinued operation (Note 6)	**404,498**	415,623
	2,134,101	5,187,652
Non-current		
Exploration and evaluation assets (Note 7)	**2,984,093**	2,678,966
Property and equipment (Note 8)	**86,214,709**	72,197,715
	91,332,903	80,064,333
LIABILITIES		
Current		
Credit facilities (Note 9)	**44,343,173**	41,687,121
Accounts payable and accrued liabilities	**12,248,291**	8,268,852
Lease obligation (Note 10)	**55,154**	33,048
Convertible debentures (Note 11)	**1,487,791**	1,477,444
Decommissioning liability (Note 12)	**5,997**	24,000
Liabilities associated with discontinued operation (Note 6)	**152,470**	159,389
	58,292,876	51,649,854
Non-current		
Lease obligation (Note 10)	**198,088**	-
Decommissioning liability (Note 12)	**2,481,652**	2,020,753
	60,972,616	53,670,607
SHAREHOLDERS' EQUITY		
Share capital (Note 13)	**79,770,167**	79,724,551
Warrants (Note 13)	**5,294,360**	5,294,360
Contributed surplus (Note 13)	**3,886,754**	3,558,145
Accumulated other comprehensive income (loss)	**2,331,455**	(343,655)
Deficit	**(60,922,449)**	(61,839,675)
	30,360,287	26,393,726
Going Concern (Note 2)		
Commitments (Note 14)		
Subsequent Events (Notes 2, 9 and 22)		
	91,332,903	80,064,333

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

Cuda Oil and Gas Inc.
Interim Condensed Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)
Three months ended March 31, 2020 and 2019
(Unaudited)
(in Canadian dollars)

	March 31, 2020	March 31, 2019
		(restated - Note 6)
	$	$
REVENUE		
Petroleum and natural gas sales (Note 17)	**2,038,469**	3,285,591
Royalties	**(403,254)**	(603,046)
Production taxes	**(158,841)**	(199,206)
Net revenue from petroleum and natural gas sales	**1,476,374**	2,483,339
EXPENSES		
Operating and transportation	**601,921**	1,199,333
General and administrative	**680,645**	556,812
Share-based compensation (Note 13)	**328,609**	383,353
Depletion and depreciation (Note 8)	**703,818**	883,024
Accretion of decommissioning liability (Note 12)	**10,283**	11,336
Finance costs, net (Note 18)	**1,970,078**	1,537,387
Foreign exchange loss (gain) (Note 19)	**(3,736,206)**	872,263
	559,148	5,443,508
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**917,226**	(2,960,169)
DISCONTINUED OPERATION		
Net loss from discontinued operation (Note 6)	**-**	(249,509)
NET INCOME (LOSS)	**917,226**	(3,209,678)
Other comprehensive income (loss)	**2,675,110**	(385,283)
NET INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)	**3,592,336**	(3,594,961)
Basic and diluted net income (loss) per share (Note 13)		
Continuing operations	**0.03**	(0.13)
Discontinued operation	**-**	(0.01)
Total basic and diluted net income (loss) per share	**0.03**	(0.14)
Weighted average number of common shares outstanding (Note 13)	**36,411,509**	21,941,408

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 months ended March 31, 2020 and 2019
(Unaudited)
(in Canadian dollars)

	March 31, 2020	March 31, 2019
	$	$
OPERATING ACTIVITIES		
Net income (loss) for the year	**917,226**	(3,209,678)
Non-cash items		
Depletion and depreciation	**703,818**	960,473
Share-based compensation	**328,609**	383,353
Accretion of credit facilities and convertible debentures	**789,370**	568,935
Accretion of decommissioning liabilities	**10,283**	26,434
Foreign exchange (gain) loss	**(3,738,845)**	891,002
Interest on convertible debentures paid with shares	**45,616**	-
Decommissioning obligation settled	**(22,630)**	-
Net change in working capital items (Note 21)	**1,925,415**	580,047
Cash flows from operations	**958,862**	200,566
INVESTING ACTIVITIES		
Property and equipment expenditures (Note 8)	**(7,337,444)**	(3,080,011)
Exploration and evaluation asset expenditures and acquisitions (Note 7)	**(54,600)**	(433,129)
Refund of guarantee deposits	**-**	303,000
Reduction of restricted cash and deposits	**-**	692,106
Reduction of obligation for exploration work	**-**	(97,106)
Net change in working capital items (Note 21)	**4,425,809**	1,504,572
Cash flows used in investing activities	**(2,966,235)**	(1,110,568)
FINANCING ACTIVITIES		
Proceeds from credit facilities, net of repayments	**1,877,029**	-
Payments on lease obligations	**(39,643)**	(62,049)
Net change in working capital items (Note 21)	**28,746**	(23,851)
Cash flows from (used in) financing activities	**1,866,132**	(85,900)
Effect of foreign currency translation on cash	**11,881**	(13,554)
NET CHANGE IN CASH	**(129,360)**	(1,009,456)
Cash, beginning of period	**207,166**	1,530,926
Cash, end of period	**77,806**	521,470
Cash interest paid	**796,126**	965,184

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
Three months ended March 31, 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	-	-	328,609	-	-	328,609
Net income	-	-	-	-	917,226	917,226
Other comprehensive income	-	-	-	2,675,110	-	2,675,110
Balance at March 31, 2020	79,770,167	5,294,360	3,886,754	2,331,455	(60,922,449)	30,360,287
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	-	-	547,709	-	-	547,709
Net loss	-	-	-	-	(3,209,678)	(3,209,678)
Other comprehensive loss	-	-		(385,283)	-	(385,283)
Balance at March 31, 2019	74,003,306	3,956,098	2,222,250	327,352	(23,148,369)	57,360,637

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 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 March 31, 2020 the Company has credit facilities (see Note 9) outstanding with a principal balance of approximately $44.3 million which are due on July 30, 2020 and convertible debentures (see Note 11) 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 unaudited consolidated financial statements for the three months ended March 31, 2020, within 60 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 violation. At March 31, 2020, the Company has a working capital deficiency (including the credit facilities and convertible debentures) of approximately $56.2 million and an accumulated deficit of approximately $60.9 million. Capital commitments in Wyoming, United States, for 2020 include costs of approximately $2.5 million (USD $1.9 million) to complete the first quarter drilling program and facilities projects in process at December 31, 2019. Further, for the three months ended March 31, 2020 and March 31, 2019, the Company reported net income (loss) of $917,226, and ($3,209,678), respectively and cash flows from operating activities of $958,862, and $200,566 respectively. 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 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 July 17, 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

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 three months ended March 31, 2020.

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.

$300,000 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.

($)	**Total**
Quebec Assets	
Restricted cash and deposits	7,163,918
Accounts receivable	384,143
Property and equipment – cost	2,332,144
Property and equipment – accumulated depletion and depreciation	(301,323)
Exploration and evaluation assets	28,184,947
Balance	37,763,829
Liabilities associated with disposition of Quebec Assets	
Obligation for exploration work	7,163,918
Lease obligation	183,546
Due to partner	90,000
Decommissioning liabilities	2,707,302
Obligation for purchase of shares	3,116,750
Balance	13,261,516
Net assets	24,502,313
Proceeds of disposition, net of disposal costs	3,787,659
Loss on disposal of discontinued operation	20,714,654

As at March 31, 2020, assets associated with the discontinued operation are comprised of the Escrow Amount of $300,000, and accounts receivable of $104,498 (Note 16), and liabilities associated with the discontinued operation are comprised of accounts payable and accrued liabilities of $152,470.

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

Net loss from discontinued operation is comprised of the following:

	Three months ended March 31,	
	2020	2019
	$	$
Revenue	**-**	19,511
Expenses and other items	**-**	(269,020)
Loss from discontinued operation	**-**	(249,509)

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

	Year ended December 31,	
	2020	2019
	$	$
Cash flows from (used in) operating activities	**4,206**	(265,248)
Cash flows from investing activities	**-**	562,461
Cash flows used in financing activities	**-**	(17,181)
	4,206	280,032

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
Foreign currency translation	250,527
Balance, March 31, 2020	2,984,093

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 three months ended March 31, 2020 (March 31, 2019 – $354,828).

There were no indicators of impairment identified as at March 31, 2020 for the Company’s E&E assets. Accordingly, an impairment test was not required.

8. PROPERTY AND EQUIPMENT

The following table reconciles COGI's property and equipment:

Cost ($)	Developed and Producing Assets	Right-Of-Use and Administrative Assets	Total
Balance December 31, 2019	78,608,946	317,523	78,926,469
Additions	7,337,444	257,583	7,595,027
Change in decommissioning cost	331,604	-	331,604
Foreign currency translation	7,040,197	-	7,040,197
Balance March 31, 2020	93,318,191	575,106	93,893,297
Accumulated depletion, depreciation and impairment ($)			
Balance, December 31, 2019	(6,464,112)	(264,642)	(6,728,754)
Depletion and depreciation	(664,867)	(38,951)	(703,818)
Foreign currency translation	(246,016)	-	(246,016)
Balance March 31, 2020	(7,374,995)	(303,593)	(7,678,588)
Carrying amounts ($)			
As at December 31, 2019	72,144,834	52,881	72,197,715
As at March 31, 2020	85,943,196	271,513	86,214,709

Included in property and equipment at March 31, 2020 are right-of-use assets related to Canadian office space with a cost of $257,583, accumulated depreciation of $5,366 and a carrying amount of $252,217.

At March 31, 2020, estimated future development costs of $150,655,002 (December 31 2019 – $157,937,000) 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).

Subsequent to March 31, 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 a single supplier.

Impairment Assessment 2020

As at March 31, 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 March 31, 2020.

9. CREDIT FACILITIES

At March 31, 2020 the Company had $44.3 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 Note 2).

On June 26, 2019 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%.

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 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 $85,000 were recorded during the three months ended March 31, 2020. The accretion charge for the three months ended March 31, 2020 was $779,022 (March 31, 2019 – $560,067), and the balance of unamortized costs as at March 31, 2020 was $542,721 (December 31, 2019 – $1, 236,743).

10. 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 March 31, 2020:

($)	**March 31, 2020**
Less than 1 year	79,140
1 – 3 years	158,280
3 – 5 years	72,545
Total lease payments	309,965
Amounts representing interest over the term of the lease	(56,723)
Present value of net lease payments	253,242
Current portion of lease obligation	55,154
Long-term portion of lease obligation	198,088

For the three months ended March 31, 2020, the Company recorded interest expense of $2,704 (March 31, 2019 – $13,404) and lease payments of $39,643 (March 31, 2019 – $75,453) related to its lease obligations.

11. CONVERTIBLE DEBENTURES

As of March 31, 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 mature on July 21, 2020. 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	10,347
Balance, March 31, 2020	1,487,791

12. 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 March 31, 2020 to be approximately $2,607,245 (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 0.70 percent to 1.32 percent (December 31, 2019 – 1.63 percent to 1.67 percent) based on the timing to abandon and an inflation rate of 0.66 percent (December 31, 2019 – 2.0 percent).

A reconciliation of the decommissioning liability is provided below:

	Amount ($)
Balance, December 31, 2019	2,044,753
Change in estimates	331,604
Decommissioning liabilities settled	(22,630)
Accretion	10,283
Foreign currency translation	123,639
Balance, March 31, 2020	2,487,649
Current portion of decommissioning liability	5,997
Long-term portion of decommissioning liability	2,481,652

13. 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, March 31, 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 $0.43 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 March 31, 2020 is presented below:

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

The exercise prices for the Company's stock options outstanding and exercisable under the plan at March 31, 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	0.5	0.50	85,750	0.50
279,677	3.3	0.50	93,226	0.50
37,500	4.5	0.50	37,500	0.50
1,333,333	5.5	0.50	444,444	0.50
2,310,000	6.5	0.50	-	0.50
37,500	7.5	0.50	25,000	0.50
4,083,760	5.8	0.50	685,920	0.50

The Company's share-based compensation relating to stock options for the three months ended March 31, 2020 was $328,609 (March 31, 2019 – $547,709), of which $Nil was capitalized (March 31, 2019 – $164,356).

Warrants

Outstanding warrants as at March 31, 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		

Weighted average number of common shares

For the three months ended March 31, 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.

14. COMMITMENTS

Capital commitments in Wyoming, Unites States, for 2020 include estimated costs totaling approximately $2.5 million (USD $1.9 million) to complete the 2020 drilling program, a gas gathering and processing facility, gas injection facilities, the makeup gas pipeline and an electrical powerline. Otherwise, all future capital expenditures are considered restricted.

15. RELATED PARTY TRANSACTIONS

The Company had no related party transactions for the period ended March 31, 2020 and 2019.

Compensation of key management personnel(1)

Key management personnel are persons who have the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. This includes all directors and executives of the Company. Short-term compensation includes salaries, bonuses and short-term benefits paid to executives and fees paid to directors. Share-based compensation represents amortization of the expense associated with stock options, granted to executives and directors.

	Three months ended March 31,	
	2020	2019
	$	$
Short-term compensation	**311,531**	336,253
Share-based compensation	**280,276**	447,277
Total compensation	**591,807**	783,530

(1) Balance includes $Nil related to the discontinued operation for the three months ended March 31, 2020 (March 31, 2019 – $116,035).

16. 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, and convertible debentures.

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

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 March 31, 2020, which includes amounts associated with continuing and discontinued operations (Note 6), and December 31, 2019 are as follows:

	March 31, 2020	December 31, 2019
	$	$
Trade accounts receivable	**104,240**	59,850
Joint operations receivable	**1,142,339**	4,066,055
Escrow Amount	**300,000**	300,000
Other	**90,986**	87,580
Tax credits receivable	**114,498**	114,498
Commodity taxes receivable	**37,479**	129,441
	1,789,542	4,757,424

The accounts receivable balance as at March 31, 2020 is primarily comprised of: 64% due from one joint operations partner in the United States; and 23% associated with the discontinued operation. Of the amount due from the joint operations partner, approximately $801,522 relates to payments made by the Company for capital cash calls by the joint operations partner in Wyoming. This amount is used by the joint operations partner to fund the Company's proportionate share of future property and equipment expenditures. The accounts receivable balance of $404,498 associated with the discontinued operation (Note 6) is comprised of the Escrow Amount of $300,000, $59,987 of other receivables, and $44,511 of tax credits receivable.

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

	March 31, 2020	December 31, 2019
	$	$
Current	**425,384**	532,976
31 – 60 Days	**5,716**	329,568
61 – 90 Days	**-**	36,489
> 90 Days	**556,920**	584,391
	988,020	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. The capital cash call payment made to the joint operations partner in Wyoming will be used to fund property and equipment expenditures in 2020.

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[(1)]	**43,550,894**	**-**
Accounts payable and accrued liabilities	**12,400,761**	**-**
Convertible debentures [(1)]	**1,500,000**	**-**
	57,451,655	**-**

(1) Amount does not include the $1,400,000 fee due upon the maturity of the credit facilities.

Financial liabilities as at March 31, 2020 include $152,470 associated with the discontinued operation (Note 6) which is comprised of $152,470 of accounts payable and accrued liabilities.

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, Unites 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 (see Note 2).

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 March 31, 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 80% and 20% of the Company's petroleum and natural gas sales were denominated in United States dollars and in Canadian dollars, respectively, for the three months ended March 31, 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 March 31, 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 March 31, 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, 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 16, Liquidity risk.

The Company's capital structure is summarized below:

	March 31, 2020	December 31, 2019
	$	$
Cash	**(77,806)**	(207,166)
Current assets, excluding cash	**(2,056,295)**	(4,980,486)
Current liabilities, excluding credit facilities and convertible debentures	**12,461,912**	8,485,259
Credit facilities	**44,343,173**	41,687,121
Convertible debentures	**1,487,791**	1,477,444
Shareholders' equity	**30,360,287**	26,393,726
	86,519,062	72,855,898

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

17. 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 March 31,	
	2020	2019
	$	$
Crude oil	**1,672,623**	2,177,171
Natural gas	**269,506**	856,084
Natural gas liquids	**96,340**	252,336
	2,038,469	3,285,591

Sales in the United States are predominantly made to one customer and sales in Canada are made to predominantly three customers, representing approximately 8%, 68% and 24% of Canadian sales for the three months ended March 31, 2020.

18. FINANCE COSTS[(1)]

	Three months ended March 31,	
	2020	2019
	$	$
Interest on credit facilities	**1,911,284**	1,478,831
Interest on convertible debentures	**55,101**	53,252
Interest on lease obligations	**2,704**	5,304
Other	**989**	-
	1,970,078	1,537,387

(1) Balance excludes $32,490 of interest income, net of interest expense, related to the discontinued operation for the three months ended March 31, 2019.

19. FOREIGN EXCHANGE (GAIN) LOSS

The Company recorded a net foreign exchange gain of $3,736,206 for the three months ended March 31, 2020 (net foreign exchange loss of $872,263 – March 31, 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 dollars.

20. 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		Non-current assets	
	Three months ended March 31,		**As at**	As at
	March 31, 2020	March 31, 2019	**March 31, 2020**	December 31, 2019
	$	$	**$**	$
Canada	**395,959**	1,236,901	**2,459,831**	2,328,363
United States	**1,642,510**	2,048,690	**86,738,971**	72,548,318
	2,038,469	3,285,591	**89,198,802**	74,876,681

21. SUPPLEMENTAL CASH FLOW INFORMATION[1]

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

	Three months ended March 31,	
	2020	2019
	$	$
Provided by (used in):		
Accounts receivable	**2,967,882**	(15,365)
Inventory	**(44,873)**	2,217
Prepaid expenses and deposits	**1,182**	31,716
Accounts payable and accrued liabilities	**3,972,520**	2,047,375
Effect of foreign exchange on working capital	**(516,741)**	(5,175)
	6,379,970	2,060,768

	Three months ended March 31,	
	2020	2019
	$	$
Provided by (used in):		
Operating activities	**1,925,415**	580,047
Investing activities	**4,425,809**	1,504,572
Financing activities	**28,746**	(23,851)
	6,379,970	2,060,768

(1) Includes amounts related to the discontinued operation.

22. SUBSEQUENT EVENTS

a) On May 5, 2020, the Company amended the Credit Facilities whereby 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% to 18.0%. 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.

b) 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 noted in (b). 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.