

**Cuda Oil and Gas Inc.**  
**Management Discussion and Analysis**  
**For the Three Months Ended March 31, 2019 and 2018**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following management's discussion and analysis ("MD&A") for Cuda Oil and Gas Inc., ("COGI" or the "Company"), is prepared as of May 30, 2019. This MD&A should be read in conjunction with the unaudited interim condensed consolidated financial statements of the Company together with the notes thereto for three months ended March 31, 2019 and 2018 (the "Financial Statements"), and the audited consolidated financial statements of the Company for the year ended December 31, 2018, prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial data presented is in Canadian dollars, except where indicated otherwise. These documents and additional information about Cuda Oil and Gas Inc. are available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## **DESCRIPTION OF BUSINESS**

Cuda Oil and Gas Inc., is a company incorporated under the *Business Corporations Act (Quebec)*. On June 8, 2018, Junex Inc. ("Junex") entered into an arrangement agreement with Cuda Energy Inc. ("CEI") providing for Junex's acquisition of CEI by way of plan of arrangement under the *Business Corporations Act (Quebec)* (the "Arrangement"). On August 14, 2018, the Arrangement was completed and Junex acquired all of the issued and outstanding Class "A" common shares of CEI. Pursuant to the Arrangement, Junex consolidated its outstanding share capital on a 10 to 1 basis and changed its name to Cuda Oil and Gas Inc. Concurrent with the Arrangement, the Company also completed the acquisition of certain oil and natural gas properties in the state of Wyoming, United States for \$50.3 million (the "Asset Acquisition") and a \$35.0 million debt issuance. The business combination resulting from the Arrangement has been accounted for as a reverse acquisition of Junex by CEI. As a result, the historic financial information presented prior to August 14, 2018 is a continuation of the financial statements of CEI, except for the number of common shares issued and outstanding which reflects the legal share capital of Junex.

Subsequently on October 5, 2018, the Company completed the acquisition of certain oil and natural gas properties in the state of Wyoming, United States for \$1.5 million.

The main activity of COGI is oil and natural gas exploration, development and production in the Provinces of Alberta and Quebec in Canada, and in the State of Wyoming in the United States. COGI's principal place of business is located at 2110, 440 2 Avenue SW, Calgary, Canada T2P 5E9. COGI's common shares are listed under the symbol "CUDA" on the TSX Venture Exchange ("TSXV").

## **GOING CONCERN**

For the three months ended March 31, 2019, and 2018, the Company reported net losses of \$3,209,678 and \$111,403, respectively, and generated (used) cash flows from operating activities of \$200,566 and (\$132,338), respectively. Further, as at March 31, 2019, the Company has a deficit of \$23,148,369 and a working capital deficiency of \$41,345,294, which includes a credit facility in the amount of \$35,000,000, payable on demand and maturing on June 29, 2019, and \$3,116,750 related to an obligation to purchase shares from a dissenting shareholder. These conditions indicate the existence of a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. Capital commitments in Wyoming, United States for 2019 include estimated costs totalling approximately \$6,890,836 to complete a gas gathering and processing facility, gas injection facilities and electrical powerline facilities, plus approximately \$308,230 in Quebec, Canada for regulatory and other commitments. Otherwise, all future capital expenditures are considered discretionary.

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

#### **FORWARD LOOKING STATEMENTS**

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

#### **FINANCIAL PERFORMANCE MEASURES**

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

## FINANCIAL AND OPERATING HIGHLIGHTS<sup>(1)</sup>

	Three months ended March 31	
	2019	2018
(\$, except per share)		
<b>Financial</b>		
Revenue	<b>3,285,591</b>	1,650,556
Cash flows from (used in) operating activities	<b>200,566</b>	(132,338)
Adjusted funds flows from (used in) operations <sup>(2)</sup>	<b>(379,481)</b>	420,111
Per share – basic	<b>(0.02)</b>	0.06
Per share – diluted	<b>(0.02)</b>	0.05
Net loss	<b>(3,209,678)</b>	(111,403)
Capital expenditures	<b>3,513,140</b>	485,167
Working capital surplus (deficit) <sup>(2)</sup>	<b>(41,345,294)</b>	2,757,915
Total assets	<b>114,826,150</b>	12,884,644
<b>Operating</b>		
<i>Average daily production volumes (boe/d)</i>		
Canada	<b>609</b>	860
United States <sup>(1)</sup>	<b>343</b>	-
<i>Average realized price (\$/boe)</i>		
Canada	<b>22.59</b>	21.33
United States <sup>(1)</sup>	<b>66.46</b>	-
Company operating netback (\$/boe) <sup>(2)</sup>	<b>15.01</b>	10.01

*Notes:*

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

(2) See "Non-GAAP Measures".

- In the first quarter of 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Unit in the Powder River Basin of Wyoming, United States, to process liquids production and build out the facilities for a planned miscible flood in the Shannon formation.
- On May 23, 2019, the Company announced the natural gas plant and associated facilities in the Barron Flats (Deep) Unit have been commissioned to process rich Shannon field solution gas.
- Other recent developments include the successful acquisition of a pipeline right of way from the Barron Flats (Deep) Unit gas facility to the interstate pipeline system at Parkerton, Wyoming, United States.

The natural gas plant and associated facilities, and the pipeline advancements are integral milestones in the 2019 capital plan to develop the significant increases in reserves assigned to the Company at December 31, 2018, by the Company's independent reserves evaluator, Ryder Scott.

## REVIEW OF FINANCIAL RESULTS

### Production

	Three months ended March 31	
	2019	2018
<b>Crude oil (bbls/d)</b>		
Canada	26	91
United States <sup>(1)</sup>	343	-
<b>Natural gas (mcf/d)</b>		
Canada	3,204	4,383
<b>Natural gas liquids (“NGLs”)(bbls/d)</b>		
Canada	49	39
<b>Total (boe/d)</b>		
Canada	609	860
United States <sup>(1)</sup>	343	-
	<u>952</u>	<u>860</u>

Note:

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

Production for the three months ended March 31, 2019 was 11 percent higher than the same period in 2018, primarily as a result of the added production volumes in the Powder River Basin of Wyoming, United States, following the acquisition of certain oil and natural gas properties on August 14, 2018, and October 5, 2018, partially offset by lower crude oil production and natural gas production in Canada.

In the first quarter of 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Unit in the Powder River Basin of Wyoming, United States, to create liquids production and build out the facilities for a planned miscible flood in the Shannon formation. At March 31, 2019, the Company achieved exit production of approximately 900 boe/d.

Less attractive investment economics from lower Canadian crude oil prices relative to WTI prices resulted in the deferral of capital spending in Canada in the 2019 capital program. As a result, crude oil production in Canada dropped to 26 bbls/d for the three months ended March 31, 2019, from 91 bbls/d for the same period in 2018.

Natural gas production was 3,204 mcf/d for the three months ended March 31, 2019, 27 percent lower than production of 4,383 mcf/d, for the three months ended March 31, 2018. The Company continues to maximize the reserve value by producing natural gas into high price environments and restricting production during periods of price volatility.

## Revenue

	Three months ended March 31	
	2019	2018
(\$)		
<b>Crude oil</b>		
Canada	128,481	537,743
United States <sup>(1)</sup>	2,048,690	-
	<b>2,177,171</b>	<b>537,743</b>
<b>Natural gas</b>		
Canada	856,084	921,991
<b>NGLs</b>		
Canada	252,336	190,822
<b>Total</b>	<b>3,285,591</b>	<b>1,650,556</b>

Note:

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

Petroleum and natural gas revenue totalled \$3,285,591 for the three months ended March 31, 2019, compared to \$1,650,556 for the first quarter of 2018. The change was primarily driven by higher crude oil production volumes following the asset acquisitions in Wyoming, United States, partially offset by lower crude oil revenue in Canada as a result of lower production volumes and lower realized prices.

## Commodity Prices

	Three months ended March 31	
	2019	2018
<b>Average Realized Prices</b>		
<b>Crude oil (\$/bbl)</b>		
Canada	55.16	65.94
United States <sup>(1)</sup>	66.46	-
	<b>65.66</b>	<b>65.94</b>
<b>Natural gas (\$/mcf)</b>		
Canada	2.97	2.34
<b>NGLs (\$/bbl)</b>		
Canada	57.73	54.88
<b>Company average realized price (\$/boe)</b>		
Canada	22.59	21.33
United States <sup>(1)</sup>	66.46	-
	<b>38.39</b>	<b>21.33</b>
<b>Average Benchmark Prices</b>		
WTI crude oil (US\$/bbl)	54.83	62.89
Exchange rate (US\$/Cdn\$)	1.33	1.26
Edmonton light oil (Cdn\$/bbl)	66.40	72.13
AECO, daily (5A)(Cdn\$/GJ)	2.46	1.97

Note:

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

Global crude oil prices weakened further in the first quarter of 2019, with the WTI benchmark price averaging seven percent lower than the fourth quarter of 2018, and 13 percent lower than the first quarter of 2018. Concerns of lower demand due to the ongoing trade war between China and the United States, coupled with the supply impact of the waivers granted by the United States for Iranian imports resulted in lower crude oil prices at the end of 2018. Benchmark prices improved over the course of the first quarter of 2019 as expected and unexpected crude oil supply disruptions resulted in an undersupplied global market. OPEC cut production to support prices, and crude oil prices were further supported by turmoil in Venezuela which has reduced the country's crude oil supply.

Differentials between WTI prices and prices received in Alberta are volatile due to factors including refining demand and pipeline capacity. During the fourth quarter of 2018, congestion on major export pipelines, rising local supply and high western Canadian crude oil inventories resulted in extremely wide Canadian crude oil prices relative to global benchmarks. With incremental export capacity not slated to come on-line until the fourth quarter of 2019, the Alberta government mandated province-wide crude oil curtailments beginning in January 2019. The differentials between WTI and Edmonton light oil have since tightened significantly, returning to more historically normal levels during the first quarter of 2019.

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark. The AECO, daily (5A) benchmark strengthened during the three months ended March 31, 2019 to \$2.46 /GJ, compared to \$1.97/GJ for the three months ended March 31, 2018, due to lower temperatures offset by higher natural gas supply in Alberta and constrained export capabilities.

#### Royalties and Production taxes

	Three months ended March 31	
	2019	2018
(\$, except % and per boe)		
<b>Royalties and Production taxes</b>		
Canada	201,388	284,307
United States <sup>(1)</sup>	600,864	-
	<b>802,252</b>	<b>284,307</b>
<b>As a % of Revenue</b>		
Canada	16%	17%
United States <sup>(1)</sup>	29%	-
	<b>24%</b>	<b>17%</b>
<b>Per boe</b>		
Canada	3.68	3.67
United States <sup>(1)</sup>	19.49	-
	<b>9.37</b>	<b>3.67</b>

Note:

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

The addition of crude oil production following the asset acquisitions in Wyoming, United States, resulted in a higher royalties and production taxes rate of 24 percent, and a higher royalties and production taxes expense of \$9.37 per boe for the three months ended March 31, 2019, compared to a royalties and production taxes rate of 17 percent, and a royalties and production taxes expense of \$3.67 per boe for the three months ended March 31, 2018.

## Operating and Transportation expenses

	Three months ended March 31	
	2019	2018
(\$, except per boe)		
<b>Operating and Transportation expenses</b>		
Canada	447,844	592,027
United States <sup>(1)</sup>	751,489	-
	<b>1,199,333</b>	592,027
<b>Per boe</b>		
Canada	8.18	7.65
United States <sup>(1)</sup>	24.38	-
	<b>14.01</b>	7.65

Note:

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

Operating and transportation expenses of \$14.01 per boe for the three months ended March 31, 2019, increased from \$7.65 per boe for the three months ended March 31, 2018, primarily due to higher crude oil production in the United States, following the asset acquisitions in Wyoming, and lower crude oil and natural gas production in Canada during the first quarter of 2019, compared to the same period in 2018.

Delays in field electrification, and additional workover costs on new wells in the Barron Flats (Deep) Unit and initial workover costs to restart several shut-in wells on the Cole Creek property, contributed to operating and transportation expenses of \$24.38 per boe on production in the United States for the three months ended March 31, 2019.

## Company Operating Netback<sup>(1)</sup>

	Three months ended March 31	
	2019	2018
(\$ per boe)		
<b>Canada</b>		
Average realized price	22.59	21.33
Royalties	(3.68)	(3.67)
Operating and transportation	(8.18)	(7.65)
Operating netback	<b>10.73</b>	10.01
<b>United States<sup>(2)</sup></b>		
Average realized price	66.46	-
Royalties and production taxes	(19.49)	-
Operating and transportation	(24.38)	-
Operating netback	<b>22.59</b>	-
<b>Company</b>		
Average realized price	38.39	21.33
Royalties and production taxes	(9.37)	(3.67)
Operating and transportation	(14.01)	(7.65)
Operating netback	<b>15.01</b>	10.01

Notes:

(1) See “Non-GAAP Measures”.

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

The Company’s operating netback increased to \$15.01 per boe for the three months ended March 31, 2019, from \$10.01 per boe for the three months ended March 31, 2018, primarily due to the addition of crude oil production following the asset acquisitions in Wyoming, United States. Higher average realized prices per boe on this additional crude oil production, and on natural gas production in Canada, was partially offset by lower average realized prices on crude oil production in Canada and higher combined royalties and production taxes and operating and transportation expenses per boe, for the three months ended March 31, 2019, compared to the same period in 2018.

### Depletion and Depreciation (“D&D”)

	Three months ended March 31	
	2019	2018
(\$, except per boe)		
<b>D&amp;D</b>		
Canada	444,114	464,488
United States <sup>(1)</sup>	516,359	-
	<b>960,473</b>	<b>464,488</b>
<b>Per boe</b>		
Canada	8.11	6.00
United States <sup>(1)</sup>	16.75	-
	<b>11.22</b>	<b>6.00</b>

Note:

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

Depletion and depreciation expense increased to \$960,473 for the three months ended March 31, 2019, compared to \$464,488 for the same period in 2018, primarily due to the increase in the carrying costs of property and equipment, following completion the asset acquisitions in Wyoming, United States.

Lower D&D expense in Canada for the three months ended March 31, 2019, compared to the same period in 2018, primarily reflects lower production in the first quarter of 2019. This change was partially offset by D&D expense of \$67,860, recognized by the Company in Canada for the three months ended March 31, 2019, in conjunction with the adoption of IFRS 16, (see Adoption of New Accounting Policies), related to its right-of-use assets. No D&D expense related to right-of-use assets was recognized for the three months ended March 31, 2018.

### General and Administrative (“G&A”) expenses

	Three months ended March 31	
	2019	2018
(\$)		
Gross G&A	956,247	568,547
Capitalized G&A	(190,472)	(214,436)
Net G&A	<b>765,775</b>	<b>354,111</b>

During the three months ended March 31, 2019, net G&A expenses increased to \$765,775 compared to \$354,111, for the same period in 2018, primarily due to higher salary costs, higher legal and professional

fees, and higher consulting costs, mostly attributable to integration activities following completion of the Arrangement and the asset acquisitions in Wyoming, United States.

The Company's policy of allocating and capitalizing costs directly attributable to investments in exploration and evaluation assets remained unchanged for the three months ended March 31, 2019.

#### Share-Based Compensation ("SBC")

	Three months ended March 31	
	2019	2018
(\$)		
Gross SBC	<b>547,709</b>	116,792
Capitalized SBC	<b>(164,356)</b>	(52,194)
Net SBC	<b>383,353</b>	64,598

The 1,455,000 stock options granted to officers, directors, employees and consultants of the Company, on August 27, 2018, resulted in higher SBC expense, for the three months ended March 31, 2019, compared to the same period in 2018.

No stock options were granted during the three months ended March 31, 2019.

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

#### Finance Costs

	Three months ended March 31	
	2019	2018
(\$)		
Interest on credit facility	<b>1,478,831</b>	-
Interest on lease obligations	<b>13,404</b>	-
Interest on convertible debentures	<b>53,252</b>	-
Other	<b>5,961</b>	-
	<b>1,551,448</b>	-
Interest income	<b>(46,551)</b>	-
	<b>1,504,897</b>	-

Finance costs include interest and accretion expense on the credit facility, interest on lease obligations, and interest and accretion expense on the convertible debentures acquired from Junex, offset by interest income.

#### Foreign Exchange loss

During the three months ended March 31, 2019, the Company recorded an unrealized foreign exchange loss of \$891,002 and a realized foreign exchange gain of \$18,739. Substantially all of the foreign exchange gain and loss relates to an intercompany loan to a foreign subsidiary that is denominated in USD.

## Income taxes

The Company is not currently cash taxable.

## Capital Expenditures

(\$)	Three months ended March 31	
	2019	2018
<b>Exploration and Evaluation</b>		
Additions – United States	46,861	-
Additions – Canada	386,268	436,808
	<b>433,129</b>	<b>436,808</b>
<b>Property and Equipment</b>		
Additions – United States	3,080,011	-
Additions – Canada	-	48,359
	<b>3,080,011</b>	<b>48,359</b>
<b>Total</b>	<b>3,513,140</b>	<b>485,167</b>

During the three months ended March 31, 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Unit in the Powder River Basin of Wyoming, United States, to create liquids production and build out the facilities for a planned miscible flood in the Shannon formation.

## LIQUIDITY

As at March 31, 2019, the Company has a \$41,345,294 working capital deficit, (see Non-GAAP Measures), which includes a credit facility in the amount of \$35,000,000, payable on demand and maturing on June 29, 2019, and \$3,116,750 related to an obligation to purchase shares from a dissenting shareholder. The ability to fulfill the working capital deficit is dependent on the expected upcoming production capability of new and existing assets, and the Company's ability to attain profitable operations and generate funds therefrom, including improvements in realized crude oil and natural gas prices, together with the continued ability to raise capital through public issuances, private placements, debt financing, property sales or some combination of these alternatives. The Company is actively pursuing each of these options, taking into consideration the cost/benefit of each alternative.

As a result of the current commodity pricing environment, uncertainty exists in the commodity, credit and capital markets, which the Company continues to monitor in conjunction with its financing alternatives. For additional information regarding risks impacting the Company, refer to "Risk Factors and Risk Management" included in the "Advisories" section at the end of this MD&A.

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

## Cash Flows and Adjusted Funds Flows (used in) Operations<sup>(1)</sup>

	Three months ended March 31	
	2019	2018
(\$, except per share)		
Cash flows from (used in) operating activities	200,566	(132,338)
Changes in non-cash operating working capital <sup>(1)</sup>	(580,047)	552,449
Adjusted funds flows from (used in) operations <sup>(1)</sup>	(379,481)	420,111
Per share – basic	(0.02)	0.06
Per share – diluted	(0.02)	0.05

Note:

(1) See “Non-GAAP Measures”.

Higher interest expense on the Company’s credit facility, convertible debentures and lease obligations, and higher net G&A expense, mostly attributable to integration activities following completion of the Arrangement and the asset acquisitions in Wyoming, United States, partially offset by higher operating netbacks from additional crude oil production from the asset acquisitions, resulted in adjusted funds flows used in operations of \$379,481, for the three months ended March 31, 2019. The Company generated adjusted funds flows from operations of \$420,111 for the three months ended March 31, 2018.

### CAPITAL RESOURCES

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

#### Credit Facility

The Company has a \$35 million credit facility with an institutional lender (the “Facility”) which is non-revolving, and interest compounds monthly at a rate of 10.5 percent per annum which is payable monthly. The Facility is payable on demand and will mature on June 29, 2019, and the Company may repay the Facility in whole or in part and all accrued interest at any time prior with 90 days notice. Should the Company repay the Facility in full, a fee equal to two percent of the Facility, will also be payable. The Facility is secured by a first priority floating charge over the consolidated assets of the Company. Covenants include reporting requirements, permitted encumbrances and other standard business operating covenants. The Company is not subject to any financial covenants.

#### Convertible Debentures

The series A and series B convertible debentures bear interest at a rate of 12 percent per annum, payable semi-annually, are unsecured and are scheduled to mature on July 21, 2020. The Company may, at its option, pay up to 50 percent of the semi-annual interest payments by issuing common shares. The convertible debentures can be repaid at the Company’s option at any time for an amount equal to the principal amount plus 10 percent, and accrued and unpaid interest at the time of

repayment with 30 days notice. In addition, the series B convertible debentures provide the Company with the option to convert the debentures into common shares of the Company at the conversion price of \$11.70, if certain conditions are met.

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

At March 31, 2019, and May 29, 2019, the principal amount of the convertible debentures outstanding was \$1,500,000; series A principal amount of \$750,000 and series B principal amount of \$750,000.

## Shareholders' Equity

### Common Shares

As at March 31, 2019, and May 29, 2019, there were 21,963,396 common shares outstanding.

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

	<b>Number of Common Shares</b>
<b>Balance at December 31, 2018</b>	21,929,855
Issued in exchange for interest on convertible debentures	33,541
<b>Balance at March 31, 2019</b>	<u>21,963,396</u>

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

### Warrants

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

- 954,546 warrants exercisable at a price of \$5.30 per share until August 4, 2020
- 999,907 warrants exercisable at a price of \$4.00 per share until August 14, 2020
- 437,500 warrants exercisable at a price of \$5.90 per share until October 20, 2021

In connection with the Arrangement, 999,907 arrangement warrants were issued. Each whole arrangement warrant will entitle the holder thereof to purchase one COGI common share at a price of \$4.00 per common share for a period of 24 months. The arrangement warrants will vest upon the earlier of (i) the date on which the COGI common shares achieve a 20-day weighted average price of \$6.40 per common share; and (ii) the date on which COGI completes an equity financing of a minimum of \$10 million at a price of at least \$6.00 per common share. As at May 29, 2019, no arrangement warrants have vested.

As at May 29, 2019, there were 2,391,953 warrants outstanding.

### Stock Options

The Company has a stock option plan for directors, officers, employees and service providers. Under the plan, stock options may be granted to purchase up to 2,226,032 common shares of COGI and the maximum term of stock options granted is 10 years. Unless otherwise determined by the Board of

Directors at the time of grant, stock options vest as to one-third on each of the first, second and third anniversary dates of the date of grant.

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

	<u>Options</u>	<u>Weighted average exercise price</u>
		\$
<b>Balance at December 31, 2018</b>	2,168,214	4.34
Expired	(106,000)	8.80
<b>Balance at March 31, 2019</b>	<u>2,062,214</u>	<u>4.11</u>

In March 2019, 106,000 stock options with an exercise price of \$8.80 expired.

As at March 31, 2019 the Company had 2,062,214 stock options outstanding, of which 538,988 were vested and exercisable for an aggregate of 538,988 common shares under the terms of the Company's stock option plan.

As at May 29, 2019 the Company had 2,062,214 stock options outstanding, of which 632,214 were vested and exercisable for an aggregate of 632,214 common shares under the terms of the Company's stock option plan.

#### **Dividends**

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

#### **COMMITMENTS AND CONTRACTUAL OBLIGATIONS**

There has been no significant change in the amount or type of obligations and commitments since the year ended December 31, 2018. Please refer to the MD&A for the year ended December 31, 2018, available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

#### **OFF BALANCE SHEET ARRANGEMENTS**

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

#### **RELATED PARTY TRANSACTIONS**

The Company had no related party transactions for the three months ended March 31, 2019.

**SUMMARY OF QUARTERLY INFORMATION<sup>(1)</sup>**

	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
(\$, except per share)				
<b>Financial</b>				
Total revenue	3,285,591	3,013,933	1,120,993	748,261
Adjusted funds flows used in operations <sup>(2)</sup>	(379,481)	(1,040,478)	(1,939,251)	(999,211)
Exploration and evaluation	-	(1,896,207)	(269,294)	(35,064)
Share-based compensation	(383,353)	(317,875)	(237,661)	(167,590)
Depletion and depreciation	(960,473)	(882,805)	(360,224)	(214,430)
Accretion of credit facility and convertible debentures	(568,935)	(561,146)	(302,262)	-
Accretion of decommissioning liability	(26,434)	(24,176)	(10,778)	(2,401)
Foreign exchange gain (loss)	(891,002)	2,168,629	(541,257)	-
Net loss	(3,209,678)	(2,554,058)	(3,660,727)	(1,418,696)
Per share – basic and diluted	(0.15)	(0.12)	(0.26)	(0.19)
Capital expenditures and acquisitions	3,513,140	8,380,974	43,718,175	185,694
<b>Operating</b>				
Average daily production volumes (boe/d)				
<i>Canada</i>	609	555	50	382
<i>United States<sup>(1)</sup></i>	343	341	111	-
Average realized price (\$/boe)	38.39	36.55	75.59	21.54
Operating netback (\$/boe) <sup>(2)</sup>	15.01	15.95	40.70	8.35

## SUMMARY OF QUARTERLY INFORMATION (Continued)

	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
(\$,except per share)				
<b>Financial</b>				
Total revenue	1,650,556	1,062,186	280,071	834,369
Adjusted funds flows from (used in) operations <sup>(2)</sup>	420,111	233,069	(186,420)	117,337
Exploration and evaluation	-	(5,192,144)	(44,634)	-
Share-based compensation	(64,598)	(64,598)	(73,547)	(97,552)
Depletion and depreciation	(464,488)	(294,189)	(37,736)	(188,172)
Impairment	-	(550,378)	-	-
Accretion of decommissioning liability	(2,428)	(2,556)	(2,012)	(1,183)
Deferred tax recovery	-	-	341,053	-
Net loss	(111,403)	(5,870,796)	(3,296)	(169,570)
Per share – basic and diluted	(0.02)	(0.81)	0.00	(0.02)
Capital expenditures	485,167	876,459	2,729,863	2,002,741
<b>Operating</b>				
Average daily production volumes (boe/d)				
Canada	860	477	54	306
United States <sup>(1)</sup>	-	-	-	-
Average realized price (\$/boe)	21.33	24.19	56.17	29.99
Operating netback (\$/boe) <sup>(2)</sup>	10.01	13.36	24.14	15.98

Notes:

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

(2) See "Non-GAAP Measures".

## CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

There has been no significant change in the critical accounting judgements, estimates and assumptions underlying the accounting policies applied in the preparation of the Financial Statements of the Company since the year ended December 31, 2018. Please refer to note 4 and note 5 of audited consolidated financial statements for the year ended December 31, 2018, available under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## ADOPTION OF NEW ACCOUNTING POLICIES

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

On initial adoption of IFRS 16, the Company elected to apply the practical expedient to retain the assessment of which transactions are leases. IFRS 16 was applied only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not

reassessed for whether there is a lease. Therefore, the requirements in IFRS 16 regarding the identification of a lease were applied only to contracts entered into, or modified, after January 1, 2019.

### **IFRS 16 - Leases**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company recognizes a right-of-use asset and a lease obligation at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease obligation.

The lease obligation is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company uses its incremental borrowing rate as the discount rate.

The lease obligation is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of-use assets, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

The Company presents right-of-use assets in property and equipment and lease obligations in the unaudited Interim Condensed Consolidated Statement of Financial Position.

The preparation of the Financial Statements in accordance with IFRS requires management to make judgments, estimates, and assumptions that affect the reported amount of assets, liabilities, income, and expenses. Actual results could differ significantly from these estimates. Key areas where management has made judgments, estimates, and assumptions related to the application of IFRS 16 include:

- the Incremental borrowing rates are based on judgments including economic environment, term, currency, and the underlying risk inherent to the asset. The carrying balance of the right-of-use assets, lease obligations, and the resulting interest and depletion and depreciation expense, may differ due to changes in the market conditions and lease term.
- lease terms are based on assumptions regarding extension terms that allow for operational flexibility and future market conditions.
- assessing whether right-of-use assets are impaired.

#### *Short-term leases and leases of low value assets*

The Company has elected not to recognize right-of-use assets and lease obligations for short term leases that have a term of twelve months or less and leases of low value assets. The Company recognizes the lease payments associated with these leases as an expense when incurred, over the lease term.

### **ADVISORIES**

#### **Non-GAAP Measures**

This MD&A contains the terms “adjusted funds flows from (used in) operations”, “adjusted funds flows from (used in) operations per share”, “operating netback”, and “working capital surplus (deficit)”, which do not have standardized meanings prescribed by IFRS and therefore may not be comparable with the calculation of similar measures presented by other issuers.

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

#### **Forward-Looking Statements and Information**

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

#### **Risk Factors**

For information regarding risks impacting the Company, please see “Risk Factors” included in the “Advisories” section at the end of the MD&A for the year ended December 31, 2018, available under the Company’s profile on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## GLOSSARY

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

*Note:*

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