

Cuda Oil and Gas Inc.
Management Discussion and Analysis
For the Three and Nine Months Ended September 30, 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 November 29, 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 and nine months ended September 30, 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.

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. 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"). 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. 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.

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 \$3,760,493 after costs to sell of \$529,510. On September 4, 2019, the Company closed the APAs and disposed of all its land permits, licenses, production rights and interests in Quebec, Canada, including the restricted cash and deposits and obligation for exploration work related to the Galt oil and gas project in the Gaspé Peninsula of Quebec, as well as all associated drilling and field equipment and other tangible assets (the "Quebec Assets"). The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of \$3,116,750.

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 and nine months ended September 30, 2019, the Company reported net losses of \$3,054,961 and \$31,125,405, respectively, and used cash flows in operating activities of \$4,220,307 and \$3,647,622, respectively. Further, as at September 30, 2019, the Company has a deficit of \$51,064,096 and a working capital deficiency of \$37,440,546, which includes credit facilities in the amount of \$38,653,865, payable on demand, of which \$3,653,865 matures on December 31, 2019, and

\$35,000,000 matures on June 27, 2020, and convertible debentures in the amount of \$1,500,000, which mature on July 21, 2020. 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. The ability of the Company to continue as a going concern is dependent upon its ability to generate future profitable operations, and to obtain new financing or renegotiate existing financing to meet its obligations and repay its liabilities in the normal course of business when they become due, and to generate sufficient funds to continue its capital program. Capital commitments in Wyoming, United States for the balance of 2019 include estimated costs totalling approximately \$4.6 million to complete a drilling program, gas injection and electrical powerline facilities, and a source gas pipeline. Otherwise, all future capital expenditures are considered discretionary.

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 to June 27, 2020, and a new \$8 million credit facility (the "Additional Facility") was made available to the Company by the Lender. On July 30, 2019, the Company issued 14,282,000 units for gross proceeds of \$7,141,000; net proceeds of \$6,680,696 after share issuance costs of \$460,304.

On September 4, 2019, the Company closed the APAs and disposed of all its Quebec Assets. The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of \$3,116,750.

Further rationalization of assets and/or funding through share issuances, private placements, new or restructuring of existing 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⁽¹⁾

	Three months ended		Nine months ended	
	September 30		September 30	
	2019	2018	2019	2018
(\$, except per share)				
Financial				
Revenue	1,672,886	1,120,993	7,060,134	3,519,810
Cash flows used in operating activities	(4,220,307)	(4,736,151)	(3,647,622)	(5,456,825)
Adjusted funds flows used in operations ⁽²⁾	(1,793,713)	(1,939,251)	(3,768,124)	(2,518,351)
Per share – basic and diluted	(0.06)	(0.14)	(0.15)	(0.26)
Net loss from continuing operations ⁽³⁾	(2,438,916)	(3,478,566)	(9,990,417)	(5,008,665)
Per share – basic and diluted	(0.08)	(0.25)	(0.39)	(0.52)
Capital expenditures and acquisitions	2,169,323	43,718,175	6,852,480	44,389,036
Working capital deficit ⁽²⁾	(37,440,546)	(34,105,134)	(37,440,546)	(34,105,134)
Total assets	82,502,874	108,563,268	82,502,874	108,563,268
Operating				
<i>Average daily production volumes (boe/d)</i>				
Canada	29	50	221	427
United States ⁽¹⁾	251	111	295	38
<i>Average realized price (\$/boe)</i>				
Canada	33.94	52.76	23.75	22.63
United States ⁽¹⁾	68.60	85.84	69.94	85.84
Company operating netback (\$/boe) ⁽²⁾	22.67	40.70	18.35	13.14

Notes:

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

(2) See "Non-GAAP Measures".

(3) Excludes amounts related to discontinued operation (see Discontinued Operation).

- On November 29, 2019, the Company amended its Additional Facility whereby the maturity of the Additional Facility has been extended from December 31, 2019 to March 31, 2020, and \$4.5 million of additional funding will be made available to the Company by the Lender (see Credit Facilities). The Company will issue 885,000 common share purchase warrants to the Lender and each warrant will entitle the holder to purchase one COGI share at price of \$0.45 per share for a period of 12 months, subject to regulatory approval.
- On November 27, 2019, the Company announced that the miscible gas flood facility and central delivery point has been commissioned and brought on-line at the Company's Barron Flats Shannon unit in the Powder River Basin of Wyoming, United States.
- On October 1, 2019, the Company closed the acquisition of certain undeveloped lands in the Barron Flats (Deep) Federal Unit in Wyoming, United States, for total consideration of USD \$384,772 (CAD \$509,554). The consideration is comprised of USD \$341,217 (CAD \$451,874) in cash, and exploration and evaluation assets with an attributed value of USD \$43,555 (CAD \$57,680).

- On September 4, 2019, the Company closed the APAs and disposed of all its Quebec Assets for cash consideration of \$4,290,003 net proceeds of \$3,760,493 after costs to sell of \$529,510. The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of \$3,116,750.
- On September 13, 2019, the Wyoming Oil and Gas Conservation Commission approved the Shannon secondary recovery and unitization application at the Barron Flats Shannon unit, a miscible gas flood project in the Cretaceous Shannon Sand in Converse County, Wyoming, United States.
- On July 30, 2019, the Company completed a private placement, and issued 14,282,000 units for gross proceeds of \$7,141,000; net proceeds of \$6,680,696 after share issuance costs of \$460,304. Each unit (“Unit”) consists of one common share plus one-half of a common share purchase warrant. Each purchase warrant is exercisable for one common share at a price of \$0.60 per share for a term of 24 months from closing.

REVIEW OF FINANCIAL RESULTS

Production

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Crude oil (bbls/d)				
Canada	13	35	18	62
United States ⁽¹⁾	251	111	295	38
Natural gas (mcf/d)				
Canada	90	80	1,119	2,078
Natural gas liquids (“NGLs”)(bbls/d)				
Canada	1	2	17	19
Total (boe/d)				
Canada	29	50	221	427
United States ⁽¹⁾	251	111	295	38
	280	161	516	465

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 September 30, 2019 was 74 percent higher than the same period in 2018, primarily driven by added volumes from 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 in Canada. The added production volumes from the Powder River Basin of Wyoming, United States, during the nine months ended September 30, 2019, partially offset by lower crude oil production and natural gas production in Canada, increased total production to 516 boe/d from 465 boe/d for the same period in 2018.

In 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Federal Unit in the Powder River Basin of Wyoming, United

States, to create liquids production and build out the facilities for a planned miscible flood in the Shannon formation.

Less attractive investment economics from lower Canadian crude oil prices relative to WTI prices resulted in the deferral of capital spending in Canada in the 2019 capital program. As a result, crude oil production in Canada dropped to 13 bbls/d, and 18 bbls/d for the three and nine months ended September 30, 2019, respectively, from 35 bbls/d, and 62 bbls/d for the three and nine months ended September 30, 2018, respectively.

Depressed natural gas prices during the nine months ended September 30, 2019, has been the primary factor in reduced natural gas production volumes for the nine months ended September 30, 2019, compared to the same period in 2018. The Company continues to maximize the reserve value by producing natural gas into high price environments and restricting production during periods of price volatility.

Revenue

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$)				
Crude oil				
Canada	79,444	225,985	296,747	1,191,514
United States ⁽¹⁾	1,582,054	878,763	5,627,938	878,763
	<u>1,661,498</u>	<u>1,104,748</u>	<u>5,924,685</u>	<u>2,070,277</u>
Natural gas				
Canada	8,297	8,348	874,735	1,161,138
NGLs				
Canada	3,091	7,897	260,714	288,395
Total	<u>1,672,886</u>	<u>1,120,993</u>	<u>7,060,134</u>	<u>3,519,810</u>

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 \$1,672,886 for the third quarter of 2019, compared to \$1,120,993 for the third quarter of 2018. The change was primarily driven by added 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.

Similarly petroleum and natural gas revenue increased to \$7,060,134 for the nine months ended September 30, 2019, from \$3,519,810 for the nine months ended September 30, 2018, primarily driven by added crude oil production volumes following the asset acquisitions in Wyoming, United States. This was partially offset by lower crude oil revenue in Canada as a result of lower production volumes and lower realized prices, and lower natural gas revenue in Canada due to lower production volumes, partially offset by higher realized prices.

Commodity Prices

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Average Realized Prices				
Crude oil (\$/bbl)				
Canada	65.04	69.90	61.46	70.24
United States ⁽¹⁾	68.60	85.84	69.94	85.84
	<u>68.42</u>	<u>82.01</u>	<u>69.46</u>	<u>76.11</u>
Natural gas (\$/mcf)				
Canada	1.00	1.14	2.86	2.05
NGLs (\$/bbl)				
Canada	45.51	56.81	57.16	55.74
Company average realized price (\$/boe)				
Canada	33.94	52.76	23.75	22.63
United States ⁽¹⁾	68.60	85.84	69.94	85.84
	<u>65.00</u>	<u>75.59</u>	<u>50.15</u>	<u>27.73</u>
Average Benchmark Prices				
WTI crude oil (US\$/bbl)	56.37	69.76	56.99	66.89
Exchange rate (US\$/Cdn\$)	1.32	1.31	1.33	1.29
Edmonton light oil (Cdn\$/bbl)	68.36	81.75	69.52	78.13
AECO, daily (5A)(Cdn\$/GJ)	0.86	1.12	1.42	1.42

Note:

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

Average global crude oil prices decreased in the third quarter of 2019 compared to the second quarter of 2019, as weak global macroeconomic sentiment and global trade uncertainty continue to elevate concerns of an economic slowdown. In the third quarter of 2019, WTI prices decreased 19 percent, averaging US\$56.37/bbl compared to US\$69.76/bbl in the third quarter of 2018. In the nine months ended September 30, 2019, WTI prices decreased 15 percent, averaging US\$56.99/bbl compared to US\$66.89/bbl in the same period in 2018.

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

The price realized by the Company for natural gas production is primarily determined by the AECO benchmark. The decrease in AECO, daily (5A) prices in the third quarter of 2019 compared to the second quarter of 2019, primarily reflects third-party maintenance activities and seasonal demand factors. The AECO, daily (5A) benchmark for the nine months ended September 30, 2019 was comparable to same period in 2018.

Royalties and Production taxes

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$, except % and per boe)				
Royalties and Production taxes				
Canada	10,848	43,052	230,351	464,835
United States ⁽¹⁾	515,052	268,664	1,703,690	268,664
	<u>525,900</u>	<u>311,716</u>	<u>1,934,041</u>	<u>733,499</u>
As a % of Revenue				
Canada	12%	18%	16%	18%
United States ⁽¹⁾	33%	31%	30%	31%
	<u>31%</u>	<u>28%</u>	<u>27%</u>	<u>21%</u>
Per boe				
Canada	4.05	9.38	3.82	3.98
United States ⁽¹⁾	22.33	26.26	21.17	26.26
	<u>20.43</u>	<u>21.02</u>	<u>13.74</u>	<u>5.78</u>

Note:

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

The royalties and production taxes rate increased to 31 percent and 27 percent, for the three and nine months ended September 30, 2019, respectively, from 28 percent and 21 percent, for the three and nine months ended September 30, 2018, respectively, primarily driven by added crude oil production volumes following the asset acquisitions in Wyoming, United States. Similarly the added crude oil production volumes following the asset acquisitions in Wyoming, United States, during the nine months ended September 30, 2019, resulted in a higher royalties and production taxes expense of \$13.74 per boe, compared to \$5.78 per boe, for the same period in 2018.

Lower average realized prices in Canada during the three months ended September 30, 2019, resulted in a lower royalties and production taxes expense of \$4.05 per boe, compared to \$9.38 per boe, for the same period in 2018.

Operating and Transportation expenses

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$, except per boe)				
Operating and Transportation expenses				
Canada	53,501	57,885	658,241	970,349
United States ⁽¹⁾	510,186	147,823	1,884,604	147,823
	<u>563,687</u>	<u>205,708</u>	<u>2,542,845</u>	<u>1,118,172</u>
Per boe				
Canada	20.00	12.61	10.91	8.31
United States ⁽¹⁾	22.12	14.44	23.42	14.44
	<u>21.90</u>	<u>13.87</u>	<u>18.06</u>	<u>8.81</u>

Note:

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

Operating and transportation expenses increased to \$21.90 per boe and \$18.06 per boe, for the three and nine months ended September 30, 2019, respectively, from \$13.87 per boe and \$8.81 per boe, for the three and nine months ended September 30, 2018, respectively, primarily driven by added crude oil production volumes following the asset acquisitions in Wyoming, United States, and lower crude oil production and natural gas production volumes in Canada to date in 2019, compared to the same period in 2018.

Delays in field electrification and additional workover costs on new wells in the Barron Flats (Deep) Federal Unit and initial workover costs to restart several shut-in wells on the Cole Creek property, contributed to operating and transportation expenses of \$22.12 per boe and \$23.42 per boe, for the three and nine months ended September 30, 2019, respectively, on production in the United States.

Company Operating Netback⁽¹⁾

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$ per boe)				
Canada				
Average realized price	33.94	52.76	23.75	22.63
Royalties	(4.05)	(9.38)	(3.82)	(3.98)
Operating and transportation	(20.00)	(12.61)	(10.91)	(8.31)
Operating netback	9.89	30.77	9.02	10.34
United States⁽²⁾				
Average realized price	68.60	85.84	69.94	85.84
Royalties and production taxes	(22.33)	(26.26)	(21.17)	(26.26)
Operating and transportation	(22.12)	(14.44)	(23.42)	(14.44)
Operating netback	24.15	45.14	25.35	45.14
Company				
Average realized price	65.00	75.59	50.15	27.73
Royalties and production taxes	(20.43)	(21.02)	(13.74)	(5.78)
Operating and transportation	(21.90)	(13.87)	(18.06)	(8.81)
Operating netback	22.67	40.70	18.35	13.14

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 decreased to \$22.67 per boe for the three months ended September 30, 2019, from \$40.70 per boe for the three months ended September 30, 2018, primarily due to lower average crude oil and natural gas realized prices per boe, and higher and operating and transportation expenses per boe, partially offset by lower royalties and production taxes expense per boe.

The Company's operating netback increased to \$18.35 per boe for the nine months ended September 30, 2019, from \$13.14 per boe for the nine months ended September 30, 2018, primarily due to the added crude oil production volumes following the asset acquisitions in Wyoming, United States. This added crude oil production increased the Company's average realized price to \$50.15 per boe for the nine months ended September 30, 2019, from \$27.73 per boe for the same period in 2018. This was

partially offset by higher combined royalties and production taxes and operating and transportation expenses per boe, for the nine months ended September 30, 2019, compared to same period in 2018.

Depletion and Depreciation (“D&D”)⁽¹⁾

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$, except per boe)				
D&D				
Canada	67,215	31,914	502,418	710,832
United States ⁽²⁾	385,978	268,673	1,346,392	268,673
	453,193	300,587	1,848,810	979,505
Per boe				
Canada	25.13	6.95	8.33	6.09
United States ⁽²⁾	16.74	26.24	16.73	26.24
	17.61	20.27	13.13	7.72

Notes:

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

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

Depletion and depreciation expense increased to \$453,193 and \$1,848,810, for the three and nine months ended September 30, 2019, respectively, compared to \$300,587 and \$979,505, for the three and nine months ended September 30, 2018, respectively, primarily due to the increase in carrying costs of property and equipment, and added production volumes, following completion the asset acquisitions in Wyoming, United States.

In Canada, D&D expense increased to \$25.13 per boe and \$8.33 per boe, for the three and nine months ended September 30, 2019, respectively, from \$6.95 per boe and \$6.09 per boe, for the three and nine months ended September 30, 2018, respectively, primarily due to lower production to date in 2019, and higher depreciation expense, which includes \$47,095, and \$141,285, for the three and nine months ended September 30, 2019, respectively, related to a right-of-use asset, recognized by the Company in Canada, in conjunction with the adoption of IFRS 16, (see Adoption of New Accounting Policies). No depreciation expense related to right-of-use assets was recognized for the three and nine months ended September 30, 2018.

General and Administrative (“G&A”) expenses⁽¹⁾

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$)				
Gross G&A	974,204	1,501,367	3,141,751	3,361,202
Capitalized G&A	(151,174)	(18,762)	(456,144)	(255,064)
Net G&A	823,030	1,482,605	2,685,607	3,106,138

Note:

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

During the three and nine months ended September 30, 2019, net G&A expenses decreased to \$823,030 and \$2,685,607, respectively, from \$1,482,605 and \$3,106,138 for the three and nine months ended September 30, 2018, respectively.

The Company incurred higher salary costs, higher legal and professional fees, and higher consulting costs, mostly attributable to integration activities and public company compliance, during the three and nine months ended September 2019, compared to the same periods in 2018, however net G&A expenses for the three and nine months ended September 30, 2018, included transaction costs of \$913,780 and \$1,658,343, respectively, related to the Arrangement and Asset Acquisition that closed on August 14, 2018. No comparable costs were incurred by the Company in 2019.

The Company's policy of allocating and capitalizing costs directly attributable to investments in exploration and evaluation assets remained unchanged for the nine months ended September 30, 2019.

Share-Based Compensation ("SBC")

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$)				
Gross SBC	361,259	257,374	1,438,913	550,577
Capitalized SBC	(43,163)	(19,713)	(364,452)	(80,728)
Net SBC	318,096	237,661	1,074,461	469,849

The stock options granted to officers, directors, employees and consultants of the Company, on August 27, 2018, resulted in higher SBC expense, for the three and nine months ended September 30, 2019, compared to the same periods in 2018.

In addition, stock options granted to officers, directors and employees on August 6, 2019, at an exercise price of \$0.50 per share, of which 725,000 are subject to shareholder approval, resulted in a higher SBC expense for the three and nine months ended September 30, 2019, compared to the same periods in 2018. The 725,000 stock options granted were approved by COGI shareholders at a special meeting on November 6, 2019.

The Company's policy to capitalize costs that are directly attributable to investments in exploration and evaluation assets remained unchanged for the nine months ended September 30, 2019.

Finance Costs⁽¹⁾

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$)				
Interest on credit facilities	1,819,852	1,222,720	5,487,940	1,242,857
Interest on lease obligations	10,076	-	35,241	-
Interest on convertible debentures	55,110	36,396	161,463	36,396
Other	2,722	2,476	10,211	2,476
	1,887,760	1,261,592	5,694,855	1,281,729
Interest income	(27,436)	(33,659)	(100,838)	(33,659)
	1,860,324	1,227,933	5,594,017	1,248,070

Note:

(1) Includes \$11,796 and \$69,602 of interest income, net of interest expense, related to discontinued operation for the three and nine months ended September 30, 2019, respectively, (\$18,255 for the three and nine months ended September 30, 2018).

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

Foreign Exchange (Gain) Loss

The Company recorded an unrealized foreign exchange (gain) loss of (\$460,175) and \$1,287,302 for the three and nine months ended September 30, 2019, respectively, (foreign exchange loss of \$541,257 for the three and nine months ended September 30, 2018, and a realized foreign exchange (gain) loss of \$7,221 and (\$17,098) for the three and nine months ended September 30, 2019, respectively. Substantially all of the foreign exchange (gain) loss relates to an intercompany loan to a foreign subsidiary that is denominated in USD.

Income Taxes

The Company is not currently cash taxable.

Discontinued Operation

Operating results related to the Quebec Assets have been included in net loss from discontinued operation for the period of ownership. Comparative periods have been re-presented to show the discontinued operation separately from continuing operations. Please refer to note 7 of the Financial Statements.

Net loss from discontinued operation is comprised of the following:

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$)				
Revenue	9,458	16,178	39,660	16,178
Expenses and other items ⁽¹⁾	(462,652)	(198,339)	(800,612)	(198,339)
Loss from discontinued operation	(453,194)	(182,161)	(760,952)	(182,161)
Loss on disposal of discontinued operation	(162,851)	-	(20,374,036)	-
Net loss from discontinued operation	(616,045)	(182,161)	(21,134,988)	(182,161)

Note:

(1) Includes employee severance costs paid upon closing of the APAs of \$392,700 for the three and nine months ended September 30, 2019, (three and nine months ended September 30, 2018 - \$Nil), and a gain on disposal of property and equipment of \$Nil and \$49,191 for the three and nine months ended September 30, 2019, respectively, (three and nine months ended September 30, 2018 - \$ Nil).

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

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$)				
Cash flows used in operating activities	(581,432)	(113,816)	(884,144)	(113,816)
Cash flows from (used in) investing activities	3,763,947	(33,167)	4,221,423	(33,167)
Cash flows used in financing activities	(18,102)	-	(52,919)	-
	3,164,413	(146,983)	3,284,360	(146,983)

Capital Expenditures⁽¹⁾

(\$)	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
Exploration and Evaluation				
Additions – United States	83,329	19,702	151,994	19,702
Additions – Canada	217,228	99,252	879,610	698,267
	300,557	118,954	1,031,604	717,969
Property and Equipment				
Acquisitions – United States	-	40,666,195	-	40,666,195
Additions – United States	1,864,752	2,933,026	5,816,862	2,933,026
Additions – Canada	4,014	-	4,014	71,846
	1,868,766	43,599,221	5,820,876	43,671,067
Total	2,169,323	43,718,175	6,852,480	44,389,036

Note:

(1) Includes \$58,532 and \$397,931, related to discontinued operation for the three and nine months ended September 30, 2019, respectively, (\$33,167 for the three and nine months ended September 30, 2018).

During the three and nine months ended September 30, 2019, the Company continued to invest capital into oil field development and associated infrastructure in the Barron Flats (Deep) Federal Unit in the Powder River Basin of Wyoming, United States, to create liquids production and build out the facilities for a planned miscible flood in the Shannon formation.

LIQUIDITY

As at September 30, 2019, the Company has a \$37,440,546 working capital deficiency, (see Non-GAAP Measures), which includes credit facilities in the amount of \$38,653,865, payable on demand, of which \$3,653,865 matures on December 31, 2019, and \$35,000,000 matures on June 27, 2020, and convertible debentures in the amount of \$1,500,000 which mature on July 21, 2020. The ability to fulfill the working capital deficiency 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.

On June 26, 2019, the Company amended its \$35 million Facility with the Lender to extend the maturity of the Facility to June 27, 2020, and a new \$8 million Additional Facility was made available to the Company by the Lender. On July 30, 2019, the Company issued 14,282,000 units for gross proceeds of \$7,141,000; net proceeds of \$6,680,696 after share issuance costs of \$460,304.

On September 4, 2019, the Company closed the APAs and disposed of all its Quebec Assets. The purchasers also caused the Company to be released and discharged from a claim associated with the obligation to purchase shares from a dissenting shareholder in the amount of \$3,116,750.

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⁽¹⁾

	Three months ended September 30		Nine months ended September 30	
	2019	2018	2019	2018
(\$, except per share)				
Cash flows used in operating activities	(4,220,307)	(4,736,151)	(3,647,622)	(5,456,825)
Decommissioning liabilities settled	-	3,788	-	3,788
Changes in non-cash operating working capital	2,426,594	2,793,112	(120,502)	2,934,686
Adjusted funds flows used in operations ⁽¹⁾	(1,793,713)	(1,939,251)	(3,768,124)	(2,518,351)
Per share – basic and diluted	(0.06)	(0.14)	(0.15)	(0.26)

Note:

(1) See “Non-GAAP Measures”.

In the third quarter of 2019, adjusted funds flows used in operations decreased to \$1,793,713 compared to \$1,939,251 in the third quarter of 2018. The decrease primarily reflects lower net G&A expense, partially offset by higher finance costs, and lower realized operating netbacks on production in Canada and the United States.

In the nine months ended September 30, 2019, adjusted funds flows used in operations increased to \$3,768,124 compared to \$2,518,351 for the same period in 2018. The increase primarily reflects higher interest expense on the Company’s credit facilities, convertible debentures and lease obligations, partially offset by the higher average operating netback realized by the Company, driven by added crude oil production volumes from the asset acquisitions in Wyoming.

CAPITAL RESOURCES

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

Credit Facilities

On June 26, 2019, the Company amended its \$35 million Facility with the Lender to extend the maturity of the Facility to June 27, 2020. The Facility is non-revolving and payable on demand, and interest compounds monthly at a rate of 10.5 percent per annum which is payable monthly.

In addition, a new \$8 million Additional Facility was made available to the Company by the Lender. The Additional Facility is non-revolving, and interest compounds monthly at a rate of 10.75 percent per annum which is payable monthly. The Additional Facility is payable on demand and will mature on December 31, 2019. The Company has drawn \$7.8 million on the Additional Facility and has repaid \$4.1 million, primarily from the cash consideration received on disposal of the Quebec Assets. As at September 30, 2019, \$3.7 million was outstanding on the Additional Facility.

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 the Company's 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, 2019; the Company is not subject to any financial covenants. Pursuant to the Credit Facilities agreement, all proceeds from the sale of any assets held as security must be used to re-pay the Credit Facilities.

Refinancing costs for the Credit Facilities of \$3,248,318 were recorded as a reduction against the liability, and include the cost of 1,500,000 common share purchase warrants issued to the Lender with a fair value of \$283,737. If the Facility is repaid in full after December 31, 2019, an additional fee of \$350,000 will be payable to the Lender.

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 September 30, 2019, and November 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 September 30, 2019, there were 36,329,139 common shares outstanding.

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

	Number of Common Shares
Balance at December 31, 2018	21,929,855
Issued in exchange for interest on convertible debentures	117,284
Private placement	14,282,000
Balance at September 30, 2019	<u>36,329,139</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. In August 2019, the Company issued 83,743 common shares at a price of \$0.53 per share in exchange for the payment of interest on convertible debentures in the amount of \$44,384.

In June 2019, the Company entered into an agreement with a syndicate of investment dealers in connection with a commercially reasonable efforts agency private placement of up to 16,000,000 Units at a price of \$0.50 per Unit for gross proceeds of up to \$8 million. Each Unit consists of one common share plus one-half of a common share purchase warrant. Each warrant is exercisable for one common share at a price of \$0.60 per share for a term of 24 months from closing. On July 30, 2019, the Company issued 14,282,000 Units for gross proceeds of \$7,141,000; net proceeds of \$6,680,696 after share issuance costs of \$460,304. The lead agent of the offering subscribed for 2,500,000 Units and agreed to cancel its entitlement to the associated 1,250,000 common share purchase warrants. The common shares and common share purchase warrants issued pursuant to this offering are subject to a four month hold period.

As at November 29, 2019, there were 36,329,139 common shares outstanding.

Warrants

Warrants which entitle their holders to subscribe to an equivalent number of common shares as at September 30, 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
- 1,500,000 warrants exercisable at a price of \$0.65 per share until June 26, 2021
- 5,891,000 warrants exercisable at a price of \$0.60 per share until July 30, 2021
- 437,500 warrants exercisable at a price of \$5.90 per share until October 20, 2021

On June 26, 2019, in connection with refinancing the Credit Facilities, 1,500,000 warrants were issued to the Lender. Each warrant entitles the holder to purchase one COGI common share at a price of \$0.65 per common share for a period of 24 months.

On July 30, 2019, in connection with the private placement, the Company issued 5,891,000 warrants. Each warrant entitles the holder to purchase one COGI common share at a price of \$0.60 per common share for a period of 24 months.

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 September 30, 2019, no arrangement warrants have vested.

As at November 29, 2019, there were 9,782,953 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 3,624,539 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 September 30, 2019, are presented below:

	Options	Weighted average exercise price
		\$
Balance at December 31, 2018	2,168,214	4.34
Granted	2,310,000	0.50
Expired	(295,102)	6.84
Forfeited	(96,667)	3.71
Balance at September 30, 2019	4,086,445	2.01

As at September 30, 2019 the Company had 4,086,445 stock options outstanding, of which 919,779 were vested and exercisable for an aggregate of 919,779 common shares under the terms of the Company's stock option plan.

On August 6, 2019, the Company amended the stock option plan to increase the number of common shares that may be issued pursuant to stock options from 2,226,032 common shares to 3,624,539 common shares and, subject to shareholder approval, a further increase to the number of common shares that may be issued pursuant to stock options to 4,349,447 common shares. The Company also amended 2,036,214 stock options that were previously granted at exercise prices ranging from \$3.71 to \$7.10, by changing the exercise price on those stock options from their respective grant date price per share to \$0.50 per share, which is subject to shareholder approval. These stock option amendments were approved by COGI shareholders at a special meeting on November 6, 2019.

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

Subsequent to September 30, 2019, 14,000 stock options at exercise prices ranging from \$5.90 to \$7.10 per share expired.

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

As at November 29, 2019, the Company had 4,112,445 stock options outstanding, of which 945,779 were vested and exercisable for an aggregate of 945,779 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

The Company's office leases have been accounted for as right-of-use assets and lease obligations on transition to IFRS 16, "Leases" ("IFRS 16"), (see Adoption of New Accounting Policies). The Company's expected future commitments related to lease rentals have changed since December 31, 2018, as a result of the discontinued operation and are estimated at \$34,501 per annum for 2020 to 2023 and \$33,605 thereafter.

Capital commitments in Wyoming, United States, for the balance of 2019 include estimated costs totaling approximately \$4.6 million to complete a drilling program, gas injection and electrical powerline facilities, and a source gas pipeline. Otherwise, all future capital expenditures are considered discretionary.

OFF BALANCE SHEET ARRANGEMENTS

As at September 30, 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 nine months ended September 30, 2019.

SUMMARY OF QUARTERLY INFORMATION⁽¹⁾

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

	September 30, 2019	June 30, 2019	March 31, 2019	December 31, 2018
(\$, except per share)				
Financial				
Total revenue	1,672,886	2,101,657	3,285,591	3,013,933
Adjusted funds flows used in operations ⁽²⁾	(1,793,713)	(1,594,930)	(379,481)	(1,040,478)
Share-based compensation	(318,096)	(373,012)	(383,353)	(317,875)
Depletion and depreciation	(453,193)	(512,593)	(883,024)	(795,612)
Accretion of credit facility and convertible debentures	(751,032)	(1,262,810)	(568,935)	(561,146)
Accretion of decommissioning liability	(8,730)	(10,898)	(11,336)	(10,594)
Foreign exchange gain (loss)	460,175	(856,475)	(891,002)	2,168,629
Effect of discontinued operation	(190,372)	(20,250,048)	(92,547)	(1,996,982)
Net loss	(3,054,961)	(24,860,766)	(3,209,678)	(2,554,058)
Per share – basic and diluted	(0.10)	(1.13)	(0.15)	(0.12)
Capital expenditures and acquisitions	2,169,323	1,170,017	3,513,140	8,380,974
Operating				
Average daily production volumes (boe/d)				
<i>Canada</i>	29	32	609	555
<i>United States⁽¹⁾</i>	251	292	343	341
Average realized price (\$/boe)	65.00	71.36	38.39	36.55
Operating netback (\$/boe) ⁽²⁾	22.67	24.31	15.01	15.95

SUMMARY OF QUARTERLY INFORMATION (Continued)

	September 30, 2018	June 30, 2018	March 31, 2018	December 31, 2017
(\$,except per share)				
Financial				
Total revenue	1,120,993	748,261	1,650,556	1,062,186
Adjusted funds flows from (used in) operations ⁽²⁾	(1,939,251)	(999,211)	420,111	233,069
Exploration and evaluation	(269,294)	(35,064)	-	(5,192,144)
Share-based compensation	(237,661)	(167,590)	(64,598)	(64,598)
Depletion and depreciation	(300,587)	(214,430)	(464,488)	(294,189)
Accretion of credit facility and convertible debentures	(302,262)	-	-	-
Accretion of decommissioning liability	(4,543)	(2,401)	(2,428)	(2,556)
Foreign exchange loss	(541,257)	-	-	-
Impairment	-	-	-	(550,378)
Effect of discontinued operation	(65,872)	-	-	-
Net loss	(3,660,727)	(1,418,696)	(111,403)	(5,870,796)
Per share – basic and diluted	(0.26)	(0.19)	(0.02)	(0.81)
Capital expenditures and acquisitions	43,718,175	185,694	485,167	876,459
Operating				
Average daily production volumes (boe/d)				
Canada	50	382	860	477
United States ⁽¹⁾	111	-	-	-
Average realized price (\$/boe)	75.59	21.54	21.33	24.19
Operating netback (\$/boe) ⁽²⁾	40.70	8.35	10.01	13.36

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 the 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.

ADOPTION OF NEW ACCOUNTING POLICIES

Effective January 1, 2019, the Company has applied 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 consolidated statement of cash flows before decommissioning expenditures, if any, and changes in non-cash operating working capital.
- **Adjusted funds flows from (used in) operations per share** is calculated as adjusted funds flows from (used in) operations divided by the weighted average number of basic and diluted common shares outstanding.
- **Operating netback** denotes total revenue less royalty and production tax expenses, and operating and transportation costs calculated on a per boe basis. Management uses operating netback on a per boe basis in operational and capital allocation decisions.
- **Working capital surplus (deficit)** is calculated as current assets less current liabilities.

Forward-Looking Statements and Information

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

Risk Factors

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.

GLOSSARY

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

Note:

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