MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATION

Three and six month periods ended June 30, 2011

Management's discussion and analysis (MD&A) is current to August 15, 2011 and is management's assessment of the operations and the financial results together with future prospects of CGX Energy Inc. ("CGX" or the "Company"). All figures are in United States Dollars, unless otherwise stated. This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements (the "Financial Statements") and the related notes for the three and six month periods ended June 30, 2011 and the audited consolidated financial statements and related notes for the years ended December 31, 2010 and 2009. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to CGX's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information relevant to the Company's activities, including the Company's Annual Report, can be found on SEDAR at www.sedar.com.

Cautionary Note Regarding Forward Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the oil and gas industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of CGX to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of CGX to fund the capital and operating expenses necessary to achieve the business objectives, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by CGX. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of CGX should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this MD&A are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements contained in this document or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements contained in this document are expressly qualified by this cautionary statement.

OVERVIEW

CGX Energy Inc. was created in 1998 for the primary purpose of exploring offshore Guyana, South America. As at June 30, 2011, CGX holds an interest in four Petroleum Agreements (PA) covering approximately 7.8 million gross acres (approximately 6.2 million acres net) offshore and onshore Guyana. Each PA corresponds to a separate Petroleum Prospecting Licence (PPL), with the exception of the Corentyne PA, that is split into two PPL's, the Annex PPL which is owned 100% by CGX Resources Inc. and the Corentyne PPL which is split into two components - the exploration rights offshore owned 100% by CGX Resources Inc. and the exploration rights onshore owned 100% by ON Energy Inc. having been transferred to ON Energy Inc. by CGX in September 2003.

In 1999, exploration was actively underway with an 1800 km seismic program, leading to the start-up of drilling at our Eagle target in June 2000. However, a border dispute between Guyana and Suriname led to us being forced off the Eagle location by gunboats from Suriname. As a result of that incident, all active exploration offshore by CGX and the other operators in the area, including Exxon and Maxus (Repsol YPF), were suspended.

On September 17, 2007, the International Tribunal on the Law of the Sea (ITLOS) awarded a maritime boundary between Guyana and Suriname. In the decision the ITLOS Tribunal determined that it had the jurisdiction to decide on the merits of the dispute, and that the line adopted by the Tribunal to delimit the Parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration is compulsory and binding. CGX had committed to finance a significant portion of Guyana's legal expense, which cost CGX $9.8 million. The decision was extremely positive for CGX, as it concluded that 93% of CGX's Corentyne Licence and 100% of the Georgetown Licence are in Guyana territory. Our Eagle drilling location in 2000 was 15 kilometres within this border award.

During the intervening period, we expanded our regional understanding of the Basin by acquiring and reinterpreting historic information, mainly seismic data, and acquiring interests in the surrounding concessions.

In January 2001, we acquired the one-million-acre Annex PPL, after relinquishing a similar-sized portion of the Corentyne PPL we viewed as less prospective. We subsequently acquired 3800 kilometres of vintage seismic and have been reprocessing and reinterpreting our data from and adjacent to the Annex.

In June 2002, we purchased AGIP Guyana's 25% interest in the adjoining 1.7-million-acre Georgetown PPL. Through a data exchange, we already had 1700 kilometres of seismic that had been shot in 1999 in conjunction with our own 1800-kilometer program on the Corentyne PPL.

In December 2003, we purchased Century Guyana Inc.'s 100% interest in the 2.8-million-acre Pomeroon PPL. The Government of Guyana approved the transfer in July 2004. We have completed a regional reinterpretation of existing data to identify priority areas for future seismic. Additional field seismic and exploration drilling on the Pomeroon PPL has been deferred pending concurrence by Guyana and Venezuela of the maritime boundary between the two countries.

In September 2003, CGX created a wholly-owned subsidiary company, ON Energy Inc. ("ON") registered in Guyana to hold the 427,000 acre Corentyne Onshore PPL, and to acquire the new 387,000-acre Berbice PPL, collectively the Berbice Block. In 2003, we completed a very large geochemical survey and reinterpreted existing aeromagnetic data that covered the Berbice Block and surrounding region. Following two private placements within ON raising a total of $9.1 million in which CGX invested $4.6 million, CGX's interest has been reduced to 62% in ON. A labour intensive seismic survey was conducted, employing up to 250 local personnel. Drilling commenced in May 2005, resulting in three dry and abandoned wells.

Since the resolution of the Guyana/Suriname Maritime Border, activity has increased significantly. Since September 2008, over US$125 million of new seismic were acquired in the basin. Esso Guyana and the Government of Guyana have completed two large 2D programs. CGX acquired 505 sq km of 3D seismic program on the Corentyne PPL, and 1839 sq km of 3D on the Georgetown PPL with Repsol, Tullow and YPF Guyana. Offshore Suriname, Murphy completed a 1500 sq km 3D seismic program in March 2009. In June 2009, Inpex completed a large 3D program in their block offshore Suriname.

In July 2011, CGX announced a shareholders rights plan (the "Rights Plan") for fair and equal treatment of shareholders in connection with any take-over bid for the outstanding securities of the Company. The Rights Plan provides the Board of Directors with 60 days to assess a take-over bid, consider alternatives as a means of maximizing shareholder value. The Rights Plan becomes exercisable only if a person acquires or announces intention to acquire 20% or more of the common shares of the Company.

In November 2008, Tullow announced they had acquired a 30% interest in the Georgetown PPL from YPF Guyana. In January 2009, Shell acquired a 25% interest from Esso in the Stabroek PA. In late 2009, Tullow farmed out the cost of its 3D seismic and a well commitment to Shell and TOTAL offshore French Guiana.

In June 2010, Atwood Oceanics Pacific Limited contracted their Atwood Beacon jack-up drill rig to each of Murphy Oil Corporation, INPEX Corporation and Repsol YPF S.A. for the drilling of four wells in the Guyana-Suriname Basin. CGX will participate in one of these wells on the Georgetown PPL. The Georgetown Well will test the Cretaceous Turonian prospect at 6,500 m, where success would effectively de-risk the Turonian prospect at the Corentyne Well. The Corentyne Well is now being targeted to just 3,300 m to test the Tertiary Eocene trend. In the fourth quarter of 2010, Murphy had a dryhole on its first prospect that was drilled to the Turonian. Because of weather causing high surf, Murphy were delayed by over two months in trying move the rig. In March 2011, they commenced drilling on their second well targeting a Paleocene prospect that was also a dryhole. In April 2011, the Atwood Beacon moved to drill an Albian prospect for Inpex, and then will drill the Jaguar Turonian test operated by Repsol in which CGX has a 25% interest. Murphy's inability to move the rig delayed the drilling of Jaguar until the second half of 2011. Also in March 2011, using a semi-submersible drill rig, Tullow commenced the drilling of a Turonian prospect offshore French Guiana.

On August 17, 2010, CGX closed its financing of 40,000,000 common shares of the Corporation at a price of C$0.50 per share for total gross proceeds to the Corporation of C$20,000,000 or US$19,186,500.

On December 14, 2010, CGX closed its financing of 25,587,500 common shares of the Corporation at a price of C$0.90 per share for total gross proceeds to the Corporation of C$23,028,750 or US$22,880,000.

These proceeds are being used to fund its share of the drilling in 2011 of the Jaguar exploration well on the Georgetown PPL, and will be used towards the drilling of the Eagle exploration well on the Corentyne PPL in the first half of 2012, each in order to fulfill the exploration obligations of the Corporation's in respect of such PPLs.

CGX is funded for drilling of Jaguar with its 25% share of costs estimated to be $30 to $40 million. In parallel, **Jefferies Randall & Dewey (JRD) have been retained to market the opportunity to a joint venture partner to earn an interest in the Corentyne PA and/or the Company's interest in the Georgetown PA by committing to drill an exploration well.** JRD continues to market the opportunity for a joint venture partner(s) to earn a promoted interest in the Corentyne PPL by drilling an exploration well. The preference is to drill this well deep to test a Turonian prospect adjacent to the Jaguar prospect on the Georgetown PPL, with potential higher uphole in the Campanian, Maastrichtian and Eocene. The revised cost estimate for Eagle Deep has increased to US$90 to US$100 million from US$70 million due to additional costs in a "post-Macondo" environment. However the minimum, work commitment can be fulfilled by drilling a shallow well to test the Eagle Eocene prospect to approximately 3,500 metres. The current cost estimate to drill the Eagle-1 well to 3,500 metres is US$40 million, an increase of US$6 million from 2010 cost estimates.

Guyana Operations

Corentyne PA, Guyana

The Corentyne PA covers approximately 2.9 million acres with the Annex PPL (1.0 million acres) held 100%, and the offshore portion of the Corentyne PPL (1.5 million acres) held 100% and the onshore portion of the Corentyne PPL (0.4 million acres) held net 62% by CGX through ON Energy. Because sovereign issues between Guyana and Suriname prevented unhindered access to a portion of the contract area, the term of the contract was extended to June 2013.

During 2008, we shot a 505 square kilometer 3D seismic program to enhance our interpretation of our newly defined Eagle Deep prospect, a large stratigraphic trap in the Cretaceous. The cost of the seismic program was approximately US$8 million.

Processing and interpretation of the 3D program, the first shot offshore Guyana, was completed in 2009. To further advance the interpretation, international experts were consulted. Data Modeling Inc. used proprietary artificial intelligence to solve for acoustic velocity of the rock layers. In addition, CGX engaged Rock Solid Images to estimate the reservoir properties of lithology, porosity and pore fluid from the seismic data within the identified targets.

As a result of the collaboration, the primary prospect is a Turonian sand at approximately 5,600 metres. It is overlain by leads in the Campanian (Eagle Deep) and Maastrichtian, plus a prospect in the Eocene (Eagle). However, because the offset Georgetown Well will test the Cretaceous Turonian prospect, the Corentyne Well is now being targeted to just 3,300 m to test the Tertiary Eocene trend. If either the Georgetown Well in the Turoniam, or Inex's nearby well in the Albian is successful, a second well would be planned for the Corentyne PA. Design of the drilling program is being finalized prior to tendering for a jackup drillrig. The optimum well location is 5.6 kilometres south of the target chosen using 2D in June 2000, and is 12.6 kilometres inside Guyana's Maritime Boundary with Suriname. A Strategic Environmental Assessment for drilling has been approved by the Government.

On April 15, 2011, an Independent Resource Assessment was completed by Gustavson Associates LLC of Boulder, Colorado, U.S.A. (Gustavson) for three prospects on the Corentyne PPL that could be tested by the Eagle well. The resource estimate has not changed from their report dated March 3, 2010, as no new material data has been acquired since the last report. Using probabilistic analysis, Gustavson calculated a total best estimate (P50) Prospective Resource in the three prospects to be 2.8 billion barrels of oil. **No commercial discoveries have been made in the offshore Guyana basin and hence there have been no reserves found.** Historic well data, regional geology and 2D plus 3D seismic were reviewed by Gustavson to prepare a probabilistic Resource Estimate of that portion of the prospects lying entirely within the Corentyne PPL. The Resource Assessment has been filed on SEDAR (www.sedar.com) and on the Company's website (www.cgxenergy.com). The Gustavson resource estimates were prepared in accordance with the requirements of Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

As of June 15, 2011, an Independent Resources Evaluation was completed by DeGolyer and MacNaughton of Dallas, Texas, USA (D&M) for two Cretaceous Albian prospects (Crabwood and Kabukalli) also located on CGX's Corentyne Offshore Petroleum Prospecting Licence (PPL). Using probabilistic analysis, D&M has estimated a total best estimate (P50) Prospective Resources for the two prospects of 325 million barrels of oil. The Evaluation has been filed on SEDAR (www.sedar.com) and on CGX's website (www.cgxenergy.com). This D&M Prospective Resources Evaluation is in addition to the Gustavson Report of April 15, 2011 which addressed three other prospects. The D&M prospective resources estimates were prepared in accordance with the requirements of Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities Section 5.9 ("NI 51-101").

On October 14, 2010, the Company signed a proper and punctual performance guarantee of the obligations of the Company to the Minister Responsible for Petroleum of the Republic of Guyana to pay the Company's proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period. The Guarantee is intended to be and shall be constructed as continuing, absolute, unconditional and irrevocable guarantee for up to an aggregate maximum of $3,400,000 and shall remain in force and effect until the end of the first phase of eighteen months of the second renewal period under the agreement which started on June 25, 2010.

Georgetown PA, Guyana
Maxus Guyana was granted the Georgetown PA on November 25, 1997. Because sovereign issues between Guyana and Suriname prevented unhindered access to a portion of the contract area, after the ITLOS decision in September 2007 that preserved 100% of the Georgetown PA, the original 10-year term of the contract was extended to November 2012. The Georgetown PA currently covers 1.7 million acres.

In 1999, 1,700 kilometres of solid-state 2D seismic were shot in conjunction with the program being shot on the Corentyne PPL. In March 2000, AGIP Guyana B.V. acquired a 25% interest in the PA. Exploration was subsequently suspended in 2000 as a significant portion of the PA was also in the area of overlapping border claims between Guyana and Suriname.

In June 2002, CGX purchased the 25% participating interest from AGIP Guyana, B.V. for $0.1 million and $1.1 million at the spud of the first well on the PA that targets one of the Tertiary turbidite prospects previously identified by ENI in which CGX participates. The original vendor retains a 2.7% right to ownership of Profit Oil on the Company's 25% participating interest. The Operator of the Georgetown PA is Repsol Exploracion SA (15%), with partners YPF Guyana (30%) and Tullow Guyana (30%). Confidentiality agreements amongst the partners limit the detail that can be released with respect to contract terms, however they are similar to those for the Corentyne PA.

During 2008/2009, 1,839 square kilometres of 3D seismic were shot in conjunction with CGX's program on the Corentyne PPL. CGX's share of the acquisition and processing was approximately US$10 million. The majority of services and supplies have been contracted to commence drilling the Jaguar well in the second half of 2011.

On March 22, 2010, the Company signed a proper and punctual performance guarantee of the obligations of the Company to the Minister Responsible for Petroleum of the Republic of Guyana to pay the Company's proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period. The Guarantee is intended to be and shall be constructed as continuing, absolute, unconditional and irrevocable guarantee for up to an aggregate maximum of $2,000,000 and shall remain in force and effect until the end of the first phase of eighteen months of the second renewal period under the agreement which started on November 25, 2009. To satisfy the Minimum Work Program during the 2nd Renewal Phase 1 of the contract, the Georgetown participants committed to drill an exploration well during the period ending May 2011. Most of the drilling supplies are either in transit or in-country, but the drill rig will be delayed until the third quarter due to weather delays and drilling problems preventing the rig from moving offshore Suriname on schedule. The Georgetown Participants have advised the government of these circumstances beyond their control and have applied for a deferral of the commitment.

Pomeroon PA, Guyana
The Company, through its wholly-owned subsidiary, CGX Resources Inc., entered into an asset purchase agreement with Century Guyana, Ltd. (Century) to acquire Century's 100% interest in the Pomeroon PA located offshore in the East Venezuela Basin. The Government of Guyana approved this transfer in July, 2004. The purchase price consisted of a payment of $0.1 million plus the issuance of 2,000,000 common shares of the Company. CGX has assigned to Century an overriding royalty interest consisting of 2.5% of all revenues to the extent that the revenues are directly attributable to the contractor's share of Profit Oil.

The Pomeroon PA issued by the Government of Guyana in November 1997 is approximately 2.8 million acres and is located between CGX's 100%-owned Annex portion of the Corentyne PA, and the Plataforma Deltana, which is offshore Venezuela. Like many maritime boundaries in the world, the border between Venezuela and Guyana has not yet been resolved. It is further complicated by a land border dispute by Venezuela that is being pursued at the diplomatic level, and through the United Nations Good Officer process.

Application has been made to extend the term of the PA to November 2013. Pending a border resolution, exploration activity that would have required physical presence on the licence to fulfill the terms of the minimum work program has been deemed complete. Under the First Renewal Phase 2, the minimum work program is to complete either 100 square kilometers of 3D seismic or 500 kilometers of 2D seismic or drill an exploration well.

Berbice PA, Guyana
CGX applied to the government of Guyana for the Berbice PA of approximately 387,000 acre adjacent to the Corentyne Onshore PPL which was granted in October 2003 and has been registered directly to ON ("Berbice PA"). By completing aeromag re-interpretation, a geochemical sampling program and a 2D seismic program, the minimum work obligations were fulfilled through the Initial Period. Effective October 2007, the Licence was extended three additional years into the First Renewal Period during which additional interpretation was completed. Negotiations are underway for the Second Renewal period to conduct an airborne geotechnical survey at a cost of less than $1 million. ON is also attempting to farm out the minimum work commitments to a third party.

Cumulative Expenditures to Date
As at June 30, 2011, the Company has incurred costs of approximately $61.1 million on the acquisition and exploration of its four licences in Guyana. In addition, the Company has incurred approximately $9.8 million in legal fees defending its title to licences in Guyana at the International Tribunal on the Law of the Sea (ITLOS) as part of the maritime boundary dispute between Guyana and Suriname that was resolved in 2007.

Staging Facility and Wharf, Guyana
CGX is currently in the process of completing staging facilities to be used in the assistance and logistics for drilling of the Eagle Well. To date, the Company has fenced in the yard, constructed an office and sanitary services, installed two fuel tanks that can accommodate 20,000 of liters and completed an internal access road with crusher run and sand filling. The Company has also started work on a two kilometer access road. This project will continue in the second half of 2011.

Trends
The economic crisis that started in the financial sector in 2008 and precipitated a global recession, stabilized and demonstrated good recovery across most sectors throughout the second half of 2009 and has continued through 2011. The oil and gas industry underwent massive down-scaling, with capital investment dramatically reduced and major projects cancelled or deferred. Credit markets became inaccessible and many oil and gas companies, faced with drastically reduced cash flow following the oil price collapse, struggled to finance day-to-day operations or simply folded in the absence of equity or debt financing. During the latter half of 2009 and into 2011, the rebound in oil prices from YE 2008 lows of $30 to $100 per barrel has re-awakened the equity markets and has recently seen significant M&A activity, industry consolidation and selective equity financings in the oil and gas sector.

Current financial markets are likely to be volatile in Canada for the second half of 2011, reflecting ongoing concerns about the stability of the global economy, sovereign debt levels and possible default, weakening global growth prospects and instability in Africa and the Middle East. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing/raising funds. Companies worldwide continue to be affected by these trends.
The future performance of the Company is largely tied to the exploration and development of the properties in Guyana. The Company may have difficulties raising equity or debt financing for the purpose of carrying out exploration and development activities with respect to its Guyana properties particularly without excessively diluting present shareholders of the Company. See "Risk Factors".

Results of Operations

THREE MONTH PERIOD ENDED JUNE 30, 2011

The Company incurred a net loss of $6,911,172, or $0.04 a share for the three month period ended June 30, 2011, compared with a net loss of $2,655,034, or $0.02 a share for the same period in 2010 for the reasons discussed below.

CGX incurred exploration and evaluation expenditures of $5,823,237 for the three month period ended June 30, 2011 compared to $1,878,648 in 2010. The increase is due to the Company continuing to advance its properties and prepare for drilling on both the Georgetown and Corentyne properties in 2011. These costs are expected to increase in the upcoming periods.

CGX incurred a foreign exchange gain of $86,070 for the three month period ended June 30, 2011 compared to a loss of $38,512 in 2010. The difference is due to the changes in the foreign exchange rates during the last fiscal period on balances held in Canadian Dollar bank accounts as the Canadian dollar continued to strengthen against the US dollar.

The Company had a loss on marketable securities of $1,721 during the three month period ended June 30, 2011 compared to a loss on marketable securities of $63,592 in the same period of 2010. As the Company has sold the majority of its marketable securities in 2011, these gains and losses are not expected to be significant in future periods.

Shareholder information costs increased in the three month period ended June 30, 2011 by $20,582 to $69,806 compared to $49,224 in the same period in 2010. This amount relates to the costs of issuing press releases, transfer agents, investor presentations, and electronic dissemination of information.

General and administration costs increased by $117,464 to $514,037 in the three month period ended June 30, 2011 from $396,573 in 2010. These costs were incurred as a result of operating two offices in two countries although the majority of these costs were incurred in Canada. The increase is attributable to travel costs to and in Guyana as the Company took more trips during the quarter as compared to the prior period and the significant increase in the CDN$.

Professional fees for the three month period ended June 30, 2011 were $37,418 compared to $40,411 in the same period of 2010. These fees are expected to be consistent quarter to quarter.

Consulting fees increased by $159,820 to $346,559 during the three month period ended June 30, 2011 compared to $189,739 in 2010. Consulting fees include fees paid to management and increased mainly due to the use of more consultants as compared to the prior period and the significant increase in the CDN$. These fees are expected to be consistent in the next quarter.

The Company incurred stock-based compensation during the three month period ended June 30, 2011 of $214,000 compared to $Nil for the same period in 2010. Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and or vested in the period and the underlying assumptions used in the model.

SIX MONTH PERIOD ENDED JUNE 30, 2011

The Company incurred a net loss of $8,641,891, or $0.04 a share for the six month period ended June 30, 2011, compared with a net loss of $4,454,311, or $0.03 a share for the same period in 2010 for the reasons discussed below.

CGX incurred exploration and evaluation expenditures of $7,181,135 for the six month period ended June 30, 2011 compared to $2,823,538 in 2010. The increase is due to the Company continuing to advance its properties and prepare for drilling on both the Georgetown and Corentyne properties in 2011. These costs are expected to increase in the upcoming periods.

CGX incurred a foreign exchange gain of $438,805 for the six month period ended June 30, 2011 compared to $21,363 in 2010. The difference is due to the large changes in the foreign exchange rates during 2011 on balances held in Canadian Dollar bank accounts as the Canadian dollar continued to strengthen against the US dollar.

The Company had a gain on marketable securities of $34,362 during the six month period ended June 30, 2011 compared to $26,973 in the same period of 2010. As the Company has sold the majority of its marketable securities in 2011, these gains and losses are not expected to be significant in future periods.

Shareholder information costs increased in the six month period ended June 30, 2011 by $57,715 to $216,794 compared to $159,079 in the same period in 2010. This amount relates to the costs of issuing press releases, transfer agents, investor presentations, and electronic dissemination of information.

General and administration costs increased by $27,423 to $877,518 in the six month period ended June 30, 2011 from $850,095 in 2010. These costs were incurred as a result of operating two offices in two countries although the majority of these costs were incurred in Canada. The increase is primarily attributable the significant increase in the CDN$.

Professional fees for the six month period ended June 30, 2011 were $61,818 compared to $52,219 in the same period of 2010. These fees are expected to be consistent quarter to quarter.

Consulting fees increased by $221,709 to $583,111 during the six month period ended June 30, 2011 compared to $361,402 in 2010. Consulting fees include fees paid to management and increased mainly due to the use of more consultants as compared to the prior period and the significant increase in the CDN$. These fees are expected to be consistent in the next quarter.

The Company incurred stock-based compensation during the six month period ended June 30, 2011 of $214,000 compared to $260,000 for the same period in 2010. Stock-based compensation expenses are booked based on the valuation of options using the Black-Scholes model. The expense varies based on the number of options issued and or vested in the period and the underlying assumptions used in the model.

Selected Consolidated Financial Information

The information below should be read in conjunction with the management's discussion and analysis, the consolidated financial statements and related notes and other financial information.

	(6 months) June 30, 2011	(Year ended) December 31, 2010	(Year ended) December 31, 2009 (CDN GAAP)
	$	$	$
Interest Income	19,318	13,692	36,472
Other Income (Expense)	34,362	(92,742)	75,542
Total Revenue	53,680	(79,050)	112,014
Net Loss	8,641,891	11,457,187	3,692,712
Loss Per Share	$0.04	$0.08	$0.03
Total Assets	40,741,361	49,430,881	43,727,070
Liabilities	1,199,182	1,953,561	813,313

Results for the three month periods ended:

	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010
	$	$	$	$
Interest Income	9,536	9,782	8,660	1,346
Other Income (Expense)	(1,721)	36,083	(6,370)	(113,345)
Total Revenue	7,815	45,865	2,290	(111,999)
Net Loss	6,911,172	1,730,719	4,681,786	2,321,090
Loss Per Share	$0.04	$0.01	$0.03	$0.02

	June 30, 2010	March 31, 2010	December 31, 2009 (CDN GAAP)	September 30, 2009 (CDN GAAP)
	$	$	$	$
Interest Income	1,665	2,021	7,396	7,081
Other Income	(63,592)	90,565	75,542	-
Total Revenue	(61,927)	92,586	82,938	7,081
Net Loss	2,655,034	1,799,277	728,654	201,935
Loss Per Share	$0.02	$0.01	$0.01	$0.00

CAPITAL RESOURCES, CAPITAL EXPENDITURES AND LIQUIDITY

As at June 30, 2011, the Company's working capital decreased to $34,161,262 from $44,447,430 as at December 31, 2010. The Company plans to use this working capital to further exploration on its properties. The drilling of the Georgetown well is estimated to cost $30 to $40 million net to CGX, of which $8 million has already been spent. The cost of drilling an Eocene test on the Corentyne PPL is estimated to be $35 to $40 million. The cost estimates for both the Georgetown Well and the Corentyne Well are based on preliminary expectation of the costs (including contingency costs) associated with the planning, execution, services, and time to drill the wells and are not fixed costs. The Company will be required to farm out the cost obligation through a joint venture or raise additional funds over the next year in financing to complete all exploration work under this plan. Some potential sources of financing include option exercises, public and private financing of both debt and equity instruments.

CGX is dependent on obtaining future financings for the exploration and development of its properties and for the acquisition of any new projects. There is no assurance that such financings will be available when required, or under terms that are favourable to the Company.

For the six month period ended June 30, 2011, the Company incurred additions of $2,351,027 (2010 – 884,666) with respect to a logistics yard and expenditures on a staging facility. The logistics yard was purchased in 2010 for $385,000 and the balance was expended on planning for the staging area for the shore base facility. The Company signed a 50 year lease for approximately 55 acres on the Berbice river. This is an ideal location for the staging facility to support off-shore drilling activities. Utilizing a local facility would result in significant savings rather that running the logistics out of Trinidad.

RELATED-PARTY TRANSACTIONS

Denis Clement and Associates ("DCA") was paid by the Company a total of $60,000 (2010 - $60,000 for the six month period ended June 30, 2011 in respect of the services of Denis Clement. Denis Clement, a director of the Company, beneficially owns DCA.

1282803 Ontario Inc. ("1282803") was paid by the company a total of CAD$108,000 (2010 - CAD$67,000) for the six month period ended June 30, 2011 in respect of the services of James Fairbairn. James Fairbairn, CFO and Treasurer, beneficially owns 1282803.

Workman Energy ("WE") was paid by the Company a total of $105,000 (2010 - $131,000) for the six month period ended June 30, 2011 in respect of the services of Warren Workman. Warren Workman, an officer of the Company, beneficially owns WE.

Kerry Sully, Chairman, director and former President and CEO of the Company, was paid by the Company a total of CAD$120,000 (2010 - CAD$120,000) for the six month period ended June 30, 2011 for his services.

Jaguar Ventures LLC ("Jaguar Ventures") was paid by the company a total of $84,000 (2010 - $Nil) for the six month period ended June 30, 2011 in respect of the services of Steve Hermeston. Steve Hermeston, President and CEO, beneficially owns Jaguar Ventures.

Dr. Kamal Dookie, an officer of the Company, was paid by the Company a total of $140,000 (2010 - $98,000) for the six month period ended June 30, 2011 for his services and in-country expenses (Guyana).

John Lewis, a director of a subsidiary of the Company, was paid by the Company a total of $26,000 (2010 - $Nil) for the six month period ended June 30, 2011 for his services.

Clarke Energy Consulting Inc. ("Clarke Energy") was paid by the company a total of CAD$75,000 (2010 - CAD$75,000) for the six month period ended June 30, 2011 in respect of the services of John Clarke. John Clarke, VP of Business Development, beneficially owns Clarke Energy.

Jaguar Holdings Inc. ("Jaguar Holdings") was paid by the company a total of CAD$24,000 (2010 - CAD$Nil) for the six month period ended June 30, 2011 in respect of the services of John Cullen. John Cullen, Director, beneficially owns Jaguar Holdings.

CONTINGENCIES AND COMMITMENTS

See notes 13 and 18 of the three and six month period ended June 30, 2011 unaudited interim consolidated financial statements for complete listings of commitments.

On March 22, 2010, the Company signed a proper and punctual performance guarantee of the obligations of the Company to the Minister Responsible for Petroleum of the Republic of Guyana to pay the Company's proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period on the Georgetown PA property. The Guarantee is intended to be and shall be constructed as continuing, absolute, unconditional and irrevocable guarantee for up to an aggregate maximum of $2,000,000 and shall remain in force and effect until the end of the first phase of eighteen months of the second renewal period under the agreement which started on November 25, 2009.

On October 14, 2010, the Company signed a proper and punctual performance guarantee of the obligations of the Company to the Minister Responsible for Petroleum of the Republic of Guyana to pay the Company's proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period. The Guarantee is intended to be and shall be constructed as continuing, absolute, unconditional and irrevocable guarantee for up to an aggregate maximum of $3,400,000 and shall remain in force and effect until the end of the first phase of eighteen months of the second renewal period under the agreement which started on June 25, 2010.

OFF-STATEMENT OF FINANCIAL POSITION ARRANGEMENTS

See "Commitments" above.

DIVIDENDS

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

CHANGES IN ACCOUNTING POLICIES INCLUDING INTITAL ADOPTION

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which for future reporting periods, and which CGX has chosen not to adopt early;

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements*' – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement*' - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

Six month period ended June 30,	2011	2010
Exploration and evaluation expenditures		
Exploration: Intangible drilling and other	**449,691**	1,436,388
Geophysical and administrative	**6,731,444**	1,387,150
	7,181,135	2,823,538

Six month period ended June 30,	**2011**	2010
Corporate Expenses	**($)**	($)
Exploration and evaluation expenditures	**7,181,135**	2,823,538
General and administrative	**877,518**	850,095
Interest income	**(19,318)**	(3,686)
Consulting	**583,111**	361,402
Stock-based compensation	**214,000**	260,000
Professional fees	**61,818**	52,219
Shareholders' information	**216,794**	159,079
Other income	**(34,362)**	(26,973)
Foreign exchange gain	**(438,805)**	(21,363)
	8,641,891	4,454,311

DISCLOSURE OF OUTSTANDING SHARE DATA

SHARE CAPITAL

The following table sets forth information concerning the outstanding securities of the Company as at August 15, 2011:

Common Shares of no par value	Number
Shares	194,778,663
Options	10,995,000

See note 16 to the interim unaudited consolidated financial statements for the three and six month periods ended June 30, 2011 for more detailed disclosure of outstanding shares data.

RISKS AND UNCERTAINTIES

Overview

The business of the Corporation consists of oil and gas exploration in Guyana, South America. There are a number of inherent risks associated with oil and gas exploration and development, particularly where such operations are located in foreign countries. Many of these risks are beyond the control of the Corporation.

CGX Management has prioritized the risk factors. Readers are cautioned that this categorization is a subjective view of Management and the categorization of these risk factors could change subject to future events.

Market for Securities of the Corporation

In recent years, global securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, have experienced wide fluctuations in share price, which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that continual fluctuations in share price will not occur. It is likely that the quoted market price, if any, for the securities of the Corporation will be influenced by market trends generally, notwithstanding the financial and operational performance of the Corporation.

Finance Risks and Recent Distress in Financial Markets

In the future, the Corporation may require debt financing to grow its business. The recent distress affecting the financial markets and the possibility that financial institutions may consolidate or go bankrupt has reduced levels of activity in the credit markets. This could diminish the amount of financing available to companies. These financial conditions may affect other companies' abilities to meet their obligations to the Corporation. In addition, such turmoil in the financial markets could significantly increase the Corporation's costs associated with borrowing. The Corporation's liquidity and its ability to access the credit or capital markets may also be adversely affected by changes in the financial markets and the global economy. Continuing turmoil in the financial markets could make it more difficult for the Corporation to access capital, sell assets, refinance existing indebtedness, enter into agreements for new indebtedness or obtain funding through the issuance of securities. In addition, there could be a number of follow-on effects from the credit crisis on the Corporation, including insolvency of customers, key suppliers and other counterparties to the Corporation and foreign exchange derivative instruments.

Banks have been adversely affected by the worldwide economic crisis and have severely curtailed existing liquidity lines, increased pricing and introduced new and tighter borrowing restrictions to corporate borrowers, with extremely limited access to new facilities or for new borrowers. These factors could negatively impact the Corporation's ability to access liquidity needed for the Corporation's business in the longer term.

Negative Operating Cash Flow

The Corporation had negative operating cash flow for its six month period ended June 30, 2011. To the extent that the Corporation has negative cash flow in future periods, the Corporation may need to deploy a portion of its cash reserves to fund such negative cash flow.

Additional Requirements for Capital

The fulfillment of exploration commitments and development of any reserves found on the properties of the Corporation may depend upon the ability of the Corporation to obtain financing through any or all of the following: joint venturing of projects, debt financing, equity financing or other means. There is no assurance that the Corporation will be successful in obtaining the required financing. The location of the oil and gas properties of the Corporation may make it more difficult to obtain such financing. Failure to obtain additional financing on a timely basis could cause the Corporation to forfeit its interest in such properties and reduce or terminate its operations.

Global Economic Downturn

In the event of a continued general economic downturn or a recession, there can be no assurance that the business, financial condition and results of operations of the Corporation would not be materially adversely affected.

Current global financial conditions have been subject to increased volatility and numerous commercial and financial enterprises have either gone into bankruptcy or creditor protection or have had to be rescued by governmental authorities. Access to public financing has been negatively impacted by sub-prime mortgage defaults in the United States, the liquidity crisis affecting the asset-backed commercial paper and collateralized debt obligation markets, massive investment losses by banks with resultant recapitalization efforts and a deterioration in the global economy.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns.

These factors may impact the Corporation's ability to obtain equity, debt or bank financing on terms commercially reasonable to the Corporation, or at all. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If these increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted and the trading price of the Corporation's securities could continue to be adversely affected.

Industry Conditions

The marketability and price of oil and natural gas which may be acquired or discovered by CGX will be affected by numerous factors beyond the control of CGX. The ability of CGX to market its oil and natural gas discovered may depend upon its ability to access third party transportation, processing facilities and acquiring space on pipelines which deliver oil and natural gas to commercial markets. CGX is also subject to market fluctuations in the prices of petroleum, uncertainties related to the delivery and proximity of its reserves to pipelines and processing facilities, operational problems with such pipelines and facilities and extensive government regulation relating to prices, taxes, royalties, land tenure, allowable production, the export of petroleum and many other aspects of the petroleum business.

The petroleum industry is subject to varying environmental regulations in each of the jurisdictions in which CGX may operate. Environmental regulations place restrictions and prohibitions on emissions of various substances produced concurrently with petroleum and can impact on the selection of drilling sites and facility locations, potentially resulting in increased capital expenditures. CGX may be responsible for abandonment and site restoration costs.

Infrastructure development in Guyana where the Corporation operates is limited. These factors may affect the Corporation's ability to explore and develop its properties in a timely manner and to store and transport its petroleum production if reserves are located.

Exploration, Development and Production Risks

A significant portion of the current working capital of CGX will be expended on petroleum and natural gas exploration activities, which are high-risk ventures with uncertain prospects for success. Oil and gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration activities by the Corporation will result in new discoveries of oil, condensate or natural gas that are commercially viable or economically producible. Holders of securities of the Corporation must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Corporation. It is difficult to project the costs of implementing any exploratory or developmental drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones, tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Few exploration prospects ultimately result in the development of new reserves. In certain instances the Corporation may be precluded from pursuing an exploration program or decide not to continue with an exploration program and such an occurrence may have a negative effect on the value of the securities of the Corporation.

Future exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include: delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximize production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

CGX manages a variety of projects to support operations and future growth. Significant project cost overruns could make certain projects uneconomic. The ability of CGX to execute projects depends upon numerous factors, which may include, but are not limited to, changes in project scope, labour availability and productivity, staff resourcing, availability and cost of material and services, design and/or construction errors, delays in regulatory approvals, the ability of partners to deliver on project commitments and access to capital funding. As a result, CGX may not be able to execute projects on time, on budget or at all.

Operating Hazards

The operations conducted by the Corporation are subject to all of the operating risks normally associated with drilling for and producing oil and natural gas. The majority of the properties of the Corporation are located offshore. Exploration, production and development of offshore oil and natural gas properties involves an increased degree of risk and expense relative to onshore exploration, production and development due primarily to greater technical obstacles. The Corporation will therefore face higher costs in exploring, developing and producing its offshore properties.

There are risks associated with the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, premature declines of reservoirs, blow-outs, well bore craters, sour gas releases, fires and spills. Reduced revenues or losses resulting from the occurrence of any of these risks could have a material adverse effect on the Corporation and its future results of operations. The Corporation may become subject to liability for pollution, blow-outs or other hazards. The Corporation will have insurance with respect to these hazards; however, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. The payment of such liabilities could reduce the funds available to the Corporation or could in an extreme case, result in a total loss of its properties and assets. Moreover, there can be no assurance that the Corporation will be able to maintain adequate insurance in the future at rates that are considered reasonable.

The Corporation may become responsible for costs associated with abandoning and reclaiming wells, facilities and pipelines, which it uses for production of its oil and gas reserves. Abandonment and reclamation of its current facilities and the costs associated therewith is often referred to as "decommissioning". As there is no current production or production facilities, there are no current plans to establish a reserve account for these potential costs.

No Assurance of Commerciality of Future Discoveries

There is no assurance that oil or natural gas if discovered will be capable of production in sufficient quantities to make future discoveries commercially viable or economic for the Corporation. The long-term viability of the Corporation depends on its ability to find or acquire, develop and commercially produce oil, condensate and gas resources.

Petroleum and Natural Gas Reserves

The Corporation currently has no oil and gas reserves. Should exploration be successful, evaluations of future net revenues are before consideration of indirect costs such as administrative overhead, other miscellaneous expenses and income taxes. The future net revenues may not be representative of the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, including many factors beyond the control of the Corporation.

In general, estimates of economically recoverable petroleum and natural gas resources and the future net revenues there from are based upon a number of variable factors and assumptions, such as global commodity prices, the assumed effects of regulation by governmental agencies and future operating costs, each of which may vary considerably from actual results and in the Corporation's case there is no historical production from which to draw estimates. Estimates of the economically recoverable petroleum and natural gas resources attributable to any particular group of properties, classification of such resources based on risk of recovery and estimates of future net revenues expected there from, prepared by different engineers or by the same engineers at different times, may vary substantially. The resource estimates included herein may be materially different from the quantities and values ultimately realized.

Fluctuation of Commodity Prices

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of the Corporation. Crude oil is influenced by the world economy and OPEC's ability to adjust supply to world demand. Political events can trigger large fluctuations in oil price levels. Natural gas prices are influenced by regional factors and local market supply/demand and pricing conditions.

World prices for oil and natural gas have fluctuated widely in recent years. Future price fluctuations in world prices are expected and may have a significant impact upon the projected return from its prospective resources and the general financial viability of the Corporation.

The oil and natural gas prices that may be realized by the Corporation can be affected by factors such as supply and demand, oil quality and transportation adjustments. The Corporation expects to market its oil and natural gas production in a manner consistent with best industry practices.

Legal Systems

The jurisdictions in which the Corporation operates may have less developed legal systems than more established economies, which may result in risks such as: (i) effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or, in an ownership dispute, being difficult to obtain; (ii) a higher degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience of the judiciary and courts in such matters; in certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licenses and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licenses, license applications or other legal arrangements will not be adversely affected by the actions of government authorities and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured. As a result of the limited infrastructure present in Guyana, land titles systems are not developed to the extent found in many more developed nations. Although the Corporation believes that it has good title to its oil and gas properties, there is little it can do to control this risk.

Environmental Regulation

The current and future operations of the Corporation that are conducted in Guyana are subject to environmental regulations promulgated by the Cooperative Republic of Guyana. Should the Corporation initiate operations in other countries, such operations will be subject to environmental legislation in such jurisdictions. Current environmental legislation in Guyana provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The existing operations of the Corporation are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties non-compliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a material adverse effect on the future financial condition or results of the operations of the Corporation.

Political Risks

The Corporation's foreign investments involve risks typically associated with investments in developing countries such as uncertain political, economic, legal and tax environments. These risks may include, among other things, currency restrictions and exchange rate fluctuations, loss of revenue, property and equipment as a result of hazards such as expropriation, nationalization, war, insurrection and other political risks, risks of increases in taxes and governmental royalties, renegotiation of contracts with governmental entities and quasi-governmental agencies, changes in laws and policies governing operations of foreign-based companies and other uncertainties arising out of foreign government sovereignty over the Corporation's international operations.

The Corporation operates in Guyana, which is a still maturing emerging economy with associated risk factors. The Corporation's operations and related assets are not free of risk of actions by governmental authorities, though attenuated by Guyana's membership of CARICOM (the Caribbean Community). The Corporation conducts its business and financial affairs to protect against political, legal, regulatory and economic risks applicable to its operations; however, there can be no assurance that the Company will be successful in protecting itself from the impact of all these risks.

The boundaries of some land and maritime areas (though in Guyana's occupation) have not been fully resolved with the neighbouring countries Suriname and Venezuela. However Guyana's maritime boundary with Suriname in its Territorial Sea and Exclusive Economic Zone was resolved through binding arbitration under the UNCLOS. Guyana's border resolution with Venezuela is being conducted through a United Nations Good Offices Process. These discussions have been on-going for many years; however, significant hydrocarbon discoveries offshore Venezuela in the Deltana Platform may provide the incentive for both governments to resolve the discussions.

As an extension of the political risks, the Corporation is also subject to the laws of Guyana. Such legislation may be changed from time to time in response to economic or political conditions, and the implementation of new legislation or modification of existing legislation affecting the oil and gas industry could have a material adverse impact on the business, results of operations, financial condition and liquidity.

Competition

A number of other oil and gas companies operate and are allowed to bid for exploration and production licenses and other services in Guyana which are the focus of the business and operations of the Corporation, thereby providing competition to the Corporation. Larger companies, may have access to greater resources than the Corporation, may be more successful in the recruitment and retention of qualified employees, which may give such companies a competitive advantage over the Corporation. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Insurance

The involvement of the Corporation in the exploration for and development of oil and natural gas properties may result in the Corporation becoming subject to liability for pollution, blow outs, property damage, personal injury or other hazards. Although prior to drilling the Corporation will obtain insurance in accordance with industry standards to address certain of these risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Corporation may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Corporation. The occurrence of a significant event that the Corporation is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Corporation's financial position, results of operations or prospects.

Attraction and Retention of Key Personnel Including Directors

The Corporation has a small management team and the loss of a key individual or inability to attract suitably qualified staff or directors could have a material adverse impact on the business of the Corporation. The Corporation may also encounter difficulties in obtaining and maintaining suitably qualified staff in certain of the jurisdictions in which the Corporation conducts business. The success of the Corporation depends on the ability of management to interpret geological and engineering data correctly and to interpret and respond to economic, market and other conditions in order to locate and adopt appropriate investment opportunities, monitor such investments and ultimately, if required, successfully divest such investments. Further no assurance can be given that the investment strategies of the Corporation will be successfully implemented in the future, that individuals with the required skills will continue their association or employment with the Corporation or that replacement personnel with comparable skills can be found. The Corporation has sought to and will continue to ensure that directors and any key employees are provided with appropriate incentives, however, their services cannot be guaranteed.

Availability of Drilling Equipment and Access

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Enforcement of Civil Liabilities

All of the Corporation’s assets are located outside of Canada and it may be difficult or impossible to enforce judgments granted by a Canadian court against its assets, subsidiaries or directors and officers which are resident outside of Canada.

Foreign Currency Exchange Rates

If a discovery is made and reserves are produced, the producers will likely sell oil production pursuant to marketing agreements that are denominated in US dollars. Many of the operational and other expenses incurred by the Corporation are paid in Canadian dollars or in local currency of Guyana where operations are performed. The assets and liabilities of the Corporation are recorded in US dollars. As a result, fluctuations in currency exchange rates could result in unanticipated and material fluctuations in the financial results of the Corporation.

Management of Growth

The Corporation may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

Reserve Replacement

As the Corporation has no booked reserves, any future oil and natural gas reserves, production, and cash flows to be derived there from are dependent on the Corporation successfully acquiring or discovering reserves. Any future reserves will depend not only on the ability of the Corporation to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that the future exploration and development efforts of the Corporation will result in the discovery and development of commercial accumulations of oil and natural gas. Should the Corporation not discover reserves, current operations may not be sustainable.

Reliance on Strategic Relationships

The Corporation's existing business relies on strategic relationships in the form of joint ventures and agreements with other oil and gas companies, local government bodies, and other industry companies. There can be no assurances that these strategic relationships will continue to be maintained.

Conflicts of Interest

There are potential conflicts of interest to which the directors, officers and principal shareholders of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors, officers and principal shareholders may be or become engaged in other oil and gas interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the *Business Corporations Act* (Ontario). The directors and officers of the Corporation may not devote their time on a full-time basis to the affairs of the Corporation.

Hedging

If and when the Corporation has reserves and production, it may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, the Corporation will not benefit from such increases. Similarly, from time to time the Corporation may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses through adverse fluctuations in exchange rate.

Requirement for Permits and Licenses

The operations of the Corporation require licenses, permits and in some cases renewals of existing licenses and permits from the Cooperative Republic of Guyana. The Corporation believes that it currently holds or has applied for all necessary licenses and permits to carry on the activities which it is currently conducting under applicable laws and regulations in respect of its properties, and also believes that it is complying in all material respects with the terms of such licenses and permits. However, the ability of the Corporation to obtain, sustain or renew such licenses and permits on acceptable terms is subject to change in regulations and policies and to the discretion of the applicable governments.

Third Party Credit Risk

The Corporation is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners or petroleum and natural gas marketers and other parties. In the event such entities fail to meet their contractual obligations to the Corporation, such failures could have a materially adverse effect on the Corporation. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Corporation's ongoing capital program, potentially delaying the program and the results of such program until the Corporation finds a suitable alternative partner.

Absence of Dividends

The Corporation has not paid any dividends on its outstanding Common Shares to date, nor does management intend to pay dividends in the foreseeable future.

Title Issues

The Corporation has investigated the rights to explore the various oil and gas properties it holds or proposes to participate in and, to the best of its knowledge, those rights are in good standing. However, no assurance can be given that applicable governments will not revoke, or significantly alter the conditions of, the applicable exploration and development authorizations and that such exploration and development authorizations will not be challenged or impugned by third parties. There is no certainty that such rights or additional rights applied for will be granted or renewed on terms satisfactory to the Corporation. There can be no assurance that claims by third parties against the properties of the Corporation will not be asserted at a future date.

Independent Contractors

The Company's success also depends to a significant extent on the performance and continued service of independent contractors. The Company contracts the services of professional drillers, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on the Company and its business and results of operations and could result in failure to meet business objectives.

Reliance on Management

The success of the Company depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance the Company can maintain the services of its directors, officers or other qualified personnel required to operate is business.

CRITICAL ACCOUNTING POLICIES

Basis of Consolidation

The consolidated financial statements include the financial statements of the Company together with its wholly owned subsidiaries CGX Resources Inc., a Bahamian-based company, 1524555 Alberta Limited, GCIE Holdings Limited, a Barbados-based company, as well as its 62% interest in ON Energy Inc., a Guyana-based company.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

Exploration and Evaluation Expenditures

All direct costs related to the acquisition of petroleum and natural gas properties interests are capitalized as intangible assets into exploration and evaluation expenditures. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each petroleum and natural gas property will be provided on a unit-of-production basis using estimated resources as the depletion base.

Decommissioning, Restoration and Similar Liabilities ("Asset Retirement Obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of petroleum and natural gas and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three and six month periods ended June 30, 2011 and 2010 all the outstanding stock options were antidilutive.

Share Based Payments

Share Based Payment Transactions

Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity Settled Transactions

The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using a unit-of-production method.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current Income Tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Cash and Cash Equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of 90 days or less, which are readily convertible into a known amount of cash.

Financial Assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company’s trade and other receivables are classified as loans-and-receivables, with the exception of marketable securities which are classified as FVTPL.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company’s investments are classified as held-to-maturity.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company’s trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At June 30, 2011 the Company has not classified any financial liabilities as FVTPL.

Impairment of financial assets
The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-Sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

Impairment of non-financial assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Foreign currency transactions

Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and the presentation of the subsidiaries in the Group is the US$. The consolidated financial statements are presented in US$'s, which is the Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

Revenue recognition
CGX recognizes interest revenue as earned on accrual basis. Gain on marketable securities includes realized and unrealized gains and losses on marketable securities (included with receivables and other and classified as "held for trading" financial assets) which are recorded at fair market value based on level 1 quoted market prices as at the statement of financial position date.

Significant accounting judgments and estimates
The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

STATUS OF CGX ENERGY INC TRANSITION TO IFRS

Transition to IFRS from GAAP

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS") for financial periods beginning on and after January 1, 2011.

The Company has adopted IFRS with an adoption date of January 1, 2011 and a transition date of January 1, 2010.

IFRS Conversion

The Company's IFRS conversion plan was comprehensive and addressed matters including changes in accounting policies, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion was understood and managed reasonably, the Company hired an IFRS conversion project manager. The accounting staff attended several training courses on the adoption and implementation of IFRS. Through in-depth training and the preparation of reconciliations of historical Canadian GAAP financial statements to IFRS, the Company believes that its accounting personnel have obtained a thorough understanding of IFRS.

In conjunction with the adoption of IFRS the Company has implemented a new accounting system, which will satisfy all the information needs of the Company under IFRS. The Company has also reviewed its current internal and disclosure control processes and believes they will not need significant modification as a result of our conversion to IFRS.

Impact of IFRS

IFRS employs a conceptual framework that is similar to Canadian GAAP; however significant differences exist in certain matters of recognition, measurement and disclosure. While the adoption of IFRS will not change the actual cash flows of the Company, the adoption will result in changes to the reported financial position and results of operations of the Company. In order to allow the users of the financial statements to better understand these changes, we have provided the reconciliations between Canadian GAAP and IFRS for the total assets, total liabilities, shareholders equity and net earnings in Note 3 to the interim consolidated financial statements. The adoption of IFRS has had no significant impact on the net cash flows of the Company. The changes made to the statements of financial position and comprehensive loss have resulted in reclassifications of various amounts on the statements of cash flows, however there has been no change to the net cash flows.

In preparing the reconciliations, the Company applied the principles and elections of IFRS 1, with a transition date of January 1, 2010. As the Company has adopted IFRS effective January 1, 2010, it will apply the provisions of IFRS 1 as described under the section entitled "Initial Adoption – IFRS 1", with a January 1, 2010 transition date. The Company will also apply IFRS standards in effect at December 31, 2011 as required by IFRS 1.

Initial Adoption of International Accounting Standards

IFRS 1 ''First Time Adoption of International Accounting Standards'' sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional date of the statement of financial position with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied. The Company has chosen to take the following exemptions under IFRS 1:

- to apply the requirements of IFRS 3, *Business Combinations*, prospectively from the Transition Date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the Transition Date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the Transition Date including those foreign currency differences which arise on adoption of IFRS.

Comparative Information

The Company has restated all prior periods figures from January 1, 2010 to December 31, 2010, in accordance with IFRS.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management of the Company, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the year covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with International Financial Reporting Standards. The Company's President and Chief Executive Officer and Chief Financial Officer have ensured the design of internal control over financial reporting.

During the most recent year, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

OTHER INFORMATION

This MD&A of the financial position and results of operation as at June 30, 2011, should be read in conjunction with the audited consolidated financial statements and related notes for the years ended December 31, 2010 and 2009. Additional information will be accessible at the Company's website www.cgxenergy.com or through the Company's public filings at www.sedar.com.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for all information contained in this MD&A. The unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the unaudited consolidated financial statements in all material aspects.

Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.

The Audit Committee has reviewed the unaudited interim consolidated financial statements with management. The Board of Directors has approved these unaudited interim consolidated financial statements on the recommendation of the Audit Committee.

August 15, 2011

"signed" Steve Hermeston
Steve Hermeston, President and Chief Executive Officer

"signed" James N. Fairbairn
James N. Fairbairn, C.A., Chief Financial Officer

cgx energy inc

Unaudited Interim Consolidated Financial Statements

For the three and six month periods ended

June 30, 2011 and 2010

MANAGEMENT'S RESPONSIBILITY FOR UNAUDITED INTERIM CONSOLIDATED FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements of CGX Energy Inc. [the "Company"] are the responsibility of the management and Board of Directors of the Company.

The unaudited interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34 Interim Financial Reporting and IFRS 1 - First-Time Adoption of International Financial Reporting Standards using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for reviewing and approving the unaudited interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

“Steve Hermeston”
President and Chief Executive Officer

“James Fairbairn”
Chief Financial Officer

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Financial Position

(US$ Dollars)

As at,	**June 30, 2011**	December 31, 2010	January 1, 2010
	$	$	$
Assets		(Note 3)	(Note 3)
Current assets			
Cash and cash equivalents *(note 8)*	**33,777,081**	28,309,406	16,450,478
Investments *(note 9)*	**-**	17,707,547	-
Trade and other receivables *(note 10)*	**463,307**	384,038	328,533
Prepaid exploration *(note 11)*	**1,120,056**	-	-
	35,360,444	46,400,991	16,779,011
Property, plant and equipment *(note 12)*	**3,584,169**	1,233,142	23,676
Exploration and evaluation expenditures *(note 13)*	**1,796,748**	1,796,748	1,796,748
	40,741,361	49,430,881	18,599,435
Liabilities			
Current liabilities			
Trade and other payables *(notes 14 and 15)*	**1,199,182**	1,953,561	813,313
	1,199,182	1,953,561	813,313
Equity			
Share capital *(note 16)*	**120,915,804**	119,975,965	80,545,286
Reserve for share based payments *(note 17)*	**14,233,734**	14,466,823	12,749,117
Deficit	**(95,607,359)**	(86,965,468)	(75,508,281)
	39,542,179	47,477,320	17,786,122
	40,741,361	49,430,881	18,599,435

Commitments and contingencies (notes 13 and 18)

Approved on behalf of the Board on August 15, 2011:

(“Signed” Oliver Lennox-King)
__________________________, Director

Oliver Lennox-King

(“Signed” Denis A. Clement)
__________________________, Director

Denis A. Clement

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

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Comprehensive Loss
(US$ Dollars)

Six month periods ended June 30,	**2011**	2010
	$	$
		(Note 3)
Operating expenses		
Share based compensation *(note 16)*	**214,000**	260,000
General and administrative	**877,518**	850,095
Consulting	**583,111**	361,402
Professional fees	**61,818**	52,219
Shareholder information	**216,794**	159,079
Exploration and evaluation expenditures *(notes 13 and 14)*	**7,181,135**	2,823,538
Foreign exchange gain	**(438,805)**	(21,363)
	8,695,571	4,484,970
Interest income	**(19,318)**	(3,686)
Gain on marketable securities	**(34,362)**	(26,973)
Net loss and comprehensive loss	**8,641,891**	4,454,311
Basic and diluted net loss per share	**0.04**	0.03
Weighted average number of shares (000's) – basic and diluted	**193,551**	127,749

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

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Comprehensive Loss
(US$ Dollars)

Three month periods ended June 30,	**2011**	2010
	$	$
		(Note 3)
Operating expenses		
Share based compensation *(note 16)*	**214,000**	-
General and administrative	**514,037**	396,573
Consulting	**346,559**	189,739
Professional fees	**37,418**	40,411
Shareholder information	**69,806**	49,224
Exploration and evaluation expenditures *(notes 13 and 14)*	**5,823,237**	1,878,648
Foreign exchange loss (gain)	**(86,070)**	38,512
	6,918,987	2,593,107
Interest income	**(9,536)**	(1,665)
Loss on marketable securities	**1,721**	63,592
Net loss and comprehensive loss	**6,911,172**	2,655,034
Basic and diluted net loss per share	**0.04**	0.02
Weighted average number of shares (000's) – basic and diluted	**193,672**	127,841

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

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Changes in Equity
(US$ Dollars)

	Share Capital		Reserves		
	Number of Shares	Amount	Share based payments	Deficit	Total
Balance at January 1, 2010	127,299,913	$ 80,545,286	$12,749,117	$(75,508,281)	$17,786,122
Marketed public offerings	65,587,500	42,066,500	-	-	42,066,500
Share issue costs	-	(3,199,740)	-	-	(3,199,740)
Exercise of options	541,250	354,625	-	-	354,625
Reserve transferred on exercise of options	-	209,294	(209,294)	-	-
Share based compensation	-	-	1,927,000	-	1,927,000
Net loss and comprehensive loss for the year	-	-	-	(11,457,187)	(11,457,187)
Balance at December 31, 2010	**193,428,663**	**119,975,965**	**14,466,823**	**(86,965,468)**	**47,477,320**
Exercise of options	**1,350,000**	**492,750**	**-**	**-**	**492,750**
Reserve transferred on exercise of options	**-**	**447,089**	**(447,089)**	**-**	**-**
Share based compensation	**-**	**-**	**214,000**	**-**	**214,000**
Net loss and comprehensive loss for the period	**-**	**-**	**-**	**(8,641,891)**	**(8,641,891)**
Balance at June 30, 2011	**194,778,663**	**$120,915,804**	**$14,233,734**	**$(95,607,359)**	**$39,542,179**

	Share Capital		Reserves		
	Number of Shares	Amount	Share based payments	Deficit	Total
Balance at January 1, 2010	127,299,913	$ 80,545,286	$12,749,117	$(75,508,281)	$17,786,122
Exercise of options	541,250	354,625	-	-	354,625
Reserve transferred on exercise of options	-	209,294	(209,294)	-	-
Share based compensation	-	-	260,000	-	260,000
Net loss and comprehensive loss for the period	-	-	-	(4,454,311)	(4,454,311)
Balance at June 30, 2010	127,841,163	$ 81,109,205	$12,799,823	$(79,962,592)	$13,946,436

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

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Cash Flow

(US$ Dollars)

Six month period ended June 30,	**2011**	2010
Operations	**$**	$
		(Note 3)
Net loss	**(8,641,891)**	(4,454,311)
Adjustments to reconcile net loss to cash flow from operating activities:		
Share based compensation	**214,000**	260,000
Foreign exchange (gain) loss	**(438,805)**	28,396
Gain on marketable securities	**(34,362)**	(26,973)
Net change in non-cash working capital items:		
Trade and other receivables	**(44,907)**	(13,207)
Prepaid exploration	**(1,120,056)**	-
Trade and other payables	**(935,344)**	1,092,058
Cash flow used in operating activities	**(11,001,365)**	(3,114,037)
Financing		
Issuance of common shares (net of issuance costs)	**492,750**	354,625
Deferred transaction costs	**-**	(448,210)
Cash flow from (used in) financing activities	**492,750**	(93,585)
Investments		
Maturity of investments	**17,707,547**	-
Purchases of property, plant and equipment	**(2,170,062)**	(860,990)
Cash flow from (used in) investing activities	**15,537,485**	(860,990)
Net increase (decrease) in cash and cash equivalents	**5,028,870**	(4,068,612)
Effect of exchange rate changes on cash held in foreign currencies	**438,805**	(24,037)
Cash and cash equivalents at beginning of period	**28,309,406**	16,450,478
Cash and cash equivalents at end of period	**33,777,081**	12,357,829

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

General

CGX Energy Inc. ("CGX" or the "Company") is incorporated under the laws of Ontario. The Company's head office is located at 130 Adelaide St. West, Suite 1010 Toronto, ON, M5H 3P5. Its principal business activity is petroleum and natural gas exploration offshore Guyana, South America.

1. Nature of Operations

The Company is in the process of exploring and evaluating its petroleum and natural gas properties. The business of petroleum and natural gas exploration involves a high degree of risk and there can be no assurance that the Company's exploration programs will result in profitable operations. The amounts shown as exploration and evaluation expenditures represent acquisition costs to date and are not necessarily representative of present or future cash flows. The recoverability of the Company's exploration and evaluation expenditures is dependent upon the discovery of economically recoverable petroleum and natural gas reserves; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals and attaining profitable production or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis; all of which are uncertain.

2. Basis of Preparation

2.1 Statement of compliance

These consolidated interim financial statements are unaudited and have been prepared in accordance with IAS 34 *'Interim Financial* Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") in which the Company will adopt for its annual 2011 consolidated financial statements.

The policies applied in these interim consolidated financial statements are based on IFRS issued and outstanding as of August 15, 2011, the date the Board of Directors approved the interim consolidated financial statements. Any subsequent changes to IFRS that are given effect in the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these interim consolidated financial statements, including the transition adjustments recognized on change-over to IFRS.

These are the Company's second IFRS interim consolidated financial statements for part of the period covered by the Company's first IFRS consolidated annual financial statements for the year ending December 31, 2011. Previously, the Company prepared its consolidated annual and consolidated interim financial statements in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

As these are the Company's second set of consolidated interim financial statements in accordance with IFRS, the Company's disclosures exceed the minimum requirements under IAS 34. The Company has elected to exceed the minimum requirements in order to present the Company's accounting policies in accordance with IFRS and the additional disclosures required under IFRS, which also highlight the changes from the Company's 2010 annual consolidated financial statements prepared in accordance with Canadian GAAP. In 2011 and beyond, the Company may not provide the same amount of disclosure in the Company's interim consolidated financial statements under IFRS as the reader will be able rely on the annual consolidated financial statements which will be prepared in accordance with IFRS.

2. Basis of Preparation *(continued)*

2.2 Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments, which are measured at fair value, as explained in the accounting policies set out in Note 4. The comparative figures presented in these interim consolidated financial statements are in accordance with IFRS and have not been audited.

2.3 Adoption of new and revised standards and interpretations

The IASB issued a number of new and revised International Accounting Standards, International Financial Reporting Standards, amendments and related interpretations which are effective for the Company's financial year beginning on or after January 1, 2011. For the purpose of preparing and presenting the financial information for the relevant periods, the Company has consistently adopted all these new standards for the relevant reporting periods.

At the date of authorization of these Financial Statements, the IASB and IFRIC has issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods and which the Company has not early adopted these standards, amendments and interpretations. However the Company is currently assessing what impact the application of these standards or amendments will have on the consolidated financial statements of the Company.

- IFRS 9 *'Financial Instruments: Classification and Measurement'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.
- IFRS 10 '*Consolidated Financial Statements'* – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.
- IFRS 11 '*Joint Arrangements'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IFRS 12 '*Disclosure of Interests in Other Entities'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 '*Fair Value Measurement'* - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides the guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

3. First Time Adoption of IFRS

The Company adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Under IFRS 1 *'First time Adoption of International Financial Reporting Standards'*, IFRS is applied retrospectively at the transition date with all adjustments to assets and liabilities as stated under GAAP taken to retained earnings unless certain exemptions are applied.

The Company elected to take the following IFRS 1 optional exemptions:

- to apply the requirements of IFRS 3, *Business Combinations,* prospectively from the transition date;
- to apply the requirements of IFRS 2, *Share-based payments*, only to equity instruments granted after November 7, 2002 which had not vested as of the transition date; and
- to transfer all foreign currency translation differences, recognized as a separate component of equity, to deficit as at the transition date including those foreign currency differences which arise on adoption of IFRS.

3. *First Time Adoption of IFRS* (continued)

Below is the Company's Consolidated Statement of Financial Position as at the transition date of January 1, 2010 under IFRS.

	As at January 1, 2010		
	GAAP	**Effect of transition to IFRS**	**IFRS**
Assets			
Current Assets			
Cash and cash equivalents	$ 16,450,478	-	$ 16,450,478
Trade and other receivables	328,533	-	328,533
	16,779,011	-	16,779,011
Property, plant and equipment	-	23,676	23,676
Exploration and evaluation expenditures	26,948,059	(25,151,311)	1,796,748
	$ 43,727,070	(25,127,635)	18,599,435
Liabilities			
Current Liabilities			
Trade and other payables	813,313	-	813,313
	813,313	-	813,313
Equity			
Share capital	80,545,286	-	80,545,286
Reserve for share based payments	12,749,117	-	12,749,117
Deficit	(50,380,646)	(25,127,635)	(75,508,281)
	42,913,757	(25,127,635)	17,786,122
	$ 43,727,070	(25,127,635)	18,599,435

3. *First Time Adoption of IFRS (continued)*

IFRS employs a conceptual framework that is similar to GAAP. The adoption has resulted in significant changes to the reported financial position, results of operations, and cash flows of the Company. Presented below are reconciliations prepared by the Company to reconcile to IFRS the assets, liabilities, equity, net loss and cash flows of the Company from those reported under GAAP:

Reconciliation of assets, liabilities and equity

	As at June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash and cash equivalents	$ 12,357,829	-	$ 12,357,829	
Trade and other receivables	363,520	-	363,520	
Deferred transaction costs	435,255	-	435,255	
	13,156,604	-	13,156,604	
Property, plant and equipment	-	884,666	884,666	(a)
Exploration and evaluation expenditures	30,632,587	(28,835,839)	1,796,748	(a)
	$ 43,789,191	(27,951,173)	$15,838,018	
Liabilities				
Current Liabilities				
Trade and other payables	1,891,582	-	1,891,582	
	1,891,582	-	1,891,582	
Equity				
Share capital	81,109,205	-	81,109,205	
Reserve for share based payments	12,799,823	-	12,799,823	
Deficit	(52,011,419)	(27,951,173)	(79,962,592)	(a)
	41,897,609	(27,951,173)	13,946,436	
	$ 43,789,191	(27,951,173)	$15,838,018	

3. First Time Adoption of IFRS (continued)

Reconciliation of assets, liabilities and equity

	As at December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Assets				
Current Assets				
Cash and cash equivalents	$ 28,309,406	-	$ 28,309,406	
Investments	17,707,547	-	17,707,547	
Trade and other receivables	384,038	-	384,038	
	46,400,991	-	46,400,991	
Property, plant and equipment	-	1,233,142	1,233,142	(a)
Exploration and evaluation expenditures	34,874,223	(33,077,475)	1,796,748	(a)
	$ 81,275,214	(31,844,333)	$ 49,430,881	
Liabilities				
Current Liabilities				
Trade and other payables	1,953,561	-	1,953,561	
	1,953,561	-	1,953,561	
Equity				
Share capital	119,975,965	-	119,975,965	
Reserve for share based payments	14,466,823	-	14,466,823	
Deficit	(55,121,135)	(31,844,333)	(86,965,468)	(a)
	79,321,653	(31,844,333)	47,477,320	
	$ 81,275,214	(31,844,333)	$ 49,430,881	

3. *First Time Adoption of IFRS (continued)*

Reconciliation of statement of comprehensive loss

	Six months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
Share based compensation	$ 260,000	-	$ 260,000	
General and administrative	850,095	-	850,095	
Consulting	361,402	-	361,402	
Professional fees	52,219	-	52,219	
Shareholder information	159,079	-	159,079	
Exploration and evaluation expenditures	-	2,823,538	2,823,538	(a)
Foreign exchange gain	(21,363)	-	(21,363)	
	1,661,432	2,823,538	4,484,970	
Interest income	(3,686)	-	(3,686)	
Gain on marketable securities	(26,973)	-	(26,973)	
Net loss and comprehensive loss	$ 1,630,773	2,823,538	$ 4,454,311	

3. First Time Adoption of IFRS *(continued)*

Reconciliation of statement of comprehensive loss

	Three months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
Share based compensation	$ -	-	$ -	
General and administrative	396,573	-	396,573	
Consulting	189,739	-	189,739	
Professional fees	40,411	-	40,411	
Shareholder information	49,224	-	49,224	
Exploration and evaluation expenditures	-	1,878,648	1,878,648	(a)
Foreign exchange gain	38,512	-	38,512	
	714,459	1,878,648	2,593,107	
Interest income	(1,665)	-	(1,665)	
Gain on marketable securities	63,592	-	63,592	
Net loss and comprehensive loss	$ 776,386	1,878,648	$ 2,655,034	

3. First Time Adoption of IFRS (continued)

Reconciliation of statement of comprehensive loss

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Administrative Expenses				
Share based compensation	$ 1,927,000	-	$1,927,000	
General and administrative	1,770,801	-	1,770,801	
Consulting	811,782	-	811,782	
Professional fees	129,986	-	129,986	
Shareholder information	160,792	-	160,792	
Exploration and evaluation expenditures	-	7,065,873	7,065,873	(a)
Foreign exchange gain	(488,097)	-	(488,097)	
	4,312,264	7,065,873	11,378,137	
Interest income	(13,692)	-	(13,692)	
Impairment of petroleum and natural gas properties	349,175	(349,175)	-	(a)
Loss on marketable securities	92,742	-	92,742	
Net loss and comprehensive loss	$ 4,740,489	6,716,698	$11,457,187	

3. First Time Adoption of IFRS *(continued)*

Reconciliation of Cash Flows

	Six months ended June 30, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Operations				
Net loss	$ (1,630,773)	(2,823,538)	$ (4,454,311)	(a)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based compensation	260,000	-	260,000	
Unrealized foreign exchange loss	28,397	-	28,397	
Gain on marketable securities	(26,974)	-	(26,974)	
Net change in non-cash operating working capital items:				
Trade and other receivables	(13,207)	-	(13,207)	
Trade and other payables	407,189	684,869	1,092,058	(a)
	(975,368)	(2,138,669)	(3,114,037)	
Financing				
Issuance of common shares, net of issue costs	354,625	-	354,625	
Deferred transaction costs	(448,210)	-	(448,210)	
	(93,585)	-	(93,585)	
Investing				
Purchase of property, plant and equipment	-	(860,990)	(860,990)	(a)
Petroleum and natural gas properties	(2,999,659)	2,999,659	-	(a)
	(2,999,659)	2,138,669	(860,990)	
Net decrease in cash and cash equivalents	(4,068,612)	-	(4,068,612)	
Effect of exchange rate changes on cash held in foreign currencies	(24,037)	-	(24,037)	
Cash and cash equivalents, beginning of period	16,450,478	-	16,450,478	
Cash and cash equivalents, end of period	$ 12,357,829	-	$ 12,357,829	

3. *First Time Adoption of IFRS* (continued)

Reconciliation of Cash Flows

	Year ended December 31, 2010			
	GAAP	**Effect of transition to IFRS**	**IFRS**	**Notes**
Operations				
Net loss	$(4,740,489)	(6,716,698)	$(11,457,187)	(a)
Adjustments to reconcile net loss to cash flow from operating activities:				
Share based compensation	1,927,000	-	1,927,000	
Unrealized foreign exchange gain	(1,225,422)	-	(1,225,422)	
Loss on marketable securities	92,742	-	92,742	
Impairment of petroleum and natural gas properties	349,175	(349,175)	-	(a)
Net change in non-cash operating working capital items:				
Trade and other receivables	(128,561)	-	(128,561)	
Trade and other payables	138,571	979,767	1,118,338	(a)
	(3,586,984)	(6,086,106)	(9,673,090)	
Financing				
Issuance of common shares, net of issue costs	39,221,385	-	39,221,385	
	39,221,385	-	39,221,385	
Investing				
Purchase of property, plant and equipment	-	(1,199,918)	(1,199,918)	(a)
Proceeds on disposals	7,500	(7,500)	-	(a)
Petroleum and natural gas properties	(7,293,524)	7,293,524	-	(a)
Purchase of investments held to maturity	(17,115,573)	-	(17,115,573)	
	(24,401,597)	6,086,106	(18,315,491)	
Net increase in cash and cash equivalents	11,232,804	-	11,232,804	
Effect of exchange rate changes on cash held in foreign currencies	626,124	-	626,124	
Cash and cash equivalents, beginning of year	16,450,478	-	16,450,478	
Cash and cash equivalents, end of year	$ 28,309,406	-	$ 28,309,406	

3. First Time Adoption of IFRS *(continued)*

Notes to Reconciliations

a) Acquisition, exploration and evaluation expenditures

Under Canadian GAAP – The Company used the policy of full cost accounting and capitalized the cost of petroleum and natural gas properties and their related exploration and development costs until the properties were placed into production, sold or abandoned on a geographical country basis. These costs would be amortized over the estimated useful life of the properties following the commencement of production. Cost includes both the cash consideration as well as the fair market value of any securities issued on the acquisition of petroleum and natural gas properties. Properties acquired under option agreements or joint ventures, whereby payments were made at the sole discretion of the Company, were recorded in the accounts at such time as the payments were made. The proceeds from property options granted reduced the cost of the related property and any excess over cost is applied to income.

Under IFRS – All direct costs related to the acquisition of petroleum and natural gas properties interests are capitalized as intangible assets. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into property, plant and equipment ("PPE"). On the commencement of commercial production, depletion of each petroleum and natural gas property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4. *Summary of Significant Accounting Policies*

4.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company together with its wholly owned subsidiaries CGX Resources Inc., a Bahamian-based company, 1524555 Alberta Limited, GCIE Holdings Limited, a Barbados-based company, as well as its 62% interest in ON Energy Inc., a Guyana-based company.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-Company transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Company's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of their interest in the subsidiary's equity are allocated against the interests of the Company except to the extent that the non-controlling interests have a binding obligation and are able to make an additional investment to cover the losses.

4.2 Exploration and evaluation expenditures

All direct costs related to the acquisition of petroleum and natural gas properties interests are capitalized as intangible assets into exploration and evaluation expenditures. Exploration costs, net of incidental revenues, are charged to operations in the period incurred until such time as it has been determined that a property has economically recoverable reserves, in which case subsequent exploration costs and the costs incurred to develop a property are capitalized into PPE. On the commencement of commercial production, depletion of each petroleum and natural gas property will be provided on a unit-of-production basis using estimated resources as the depletion base.

4.3 Decommissioning, restoration and similar liabilities ("Asset retirement obligation" or "ARO")

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations, including those associated with the reclamation of petroleum and natural gas and PPE, when those obligations result from the acquisition, construction, development or normal operation of the assets. Initially, a liability for an asset retirement obligation is recognized at its fair value in the period in which it is incurred. Upon initial recognition of the liability, the corresponding asset retirement obligation is added to the carrying amount of the related asset and the cost is amortized as an expense over the economic life of the asset using either the unit-of-production method or the straight-line method, as appropriate. Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased for the passage of time and adjusted for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

4.4 Loss per share

The basic loss per share is computed by dividing the net loss by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as outstanding stock options and share purchase warrants, in the weighted average number of common shares outstanding during the year, if dilutive. The "treasury stock method" is used for the assumed proceeds upon the exercise of the options and warrants that are used to purchase common shares at the average market price during the year. During the three and six month periods ended June 30, 2011 and 2010 all the outstanding stock options were antidilutive.

4. *Summary of Significant Accounting Policies* *(continued)*

4.5 Share based payments

Share based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity settled transactions
The costs of equity-settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity-settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity-settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

4.6 Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of PPE consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Depreciation is provided at rates calculated to write off the cost of PPE, less their estimated residual value, using a unit-of-production method.

An item of PPE is derecognized upon disposal, when held for sale or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in the consolidated statement of comprehensive income.

4. ***Summary of Significant Accounting Policies*** *(continued)*

4.6 Property, plant and equipment *(continued)*

The Company conducts an annual assessment of the residual balances, useful lives and depreciation methods being used for PPE and any changes arising from the assessment are applied by the Company prospectively.

Where an item of plant and equipment comprises major components with different useful lives, the components are accounted for as separate items of plant and equipment. Expenditures incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditures are capitalized.

4.7 Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the date of the statement of financial position.

Deferred income tax
Deferred income tax is provided using the liability method on temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

4. ***Summary of Significant Accounting Policies*** *(continued)*

4.7 Taxation *(continued)*

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset if, and only if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

4.8 Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of 90 days or less, which are readily convertible into a known amount of cash.

4.9 Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash and cash equivalents are classified as FVTPL.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. The Company's trade and other receivables are classified as loans-and-receivables, with the exception of marketable securities which are classified as FVTPL.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company's investments are classified as held-to-maturity.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the settlement date.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

4. *Summary of Significant Accounting Policies* *(continued)*

4.10 Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's trade and other payables are classified as other-financial-liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income. At June 30, 2011 the Company has not classified any financial liabilities as FVTPL.

4.11 Impairment of financial assets
The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

Assets carried at amortized cost
If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is recognized in profit or loss.

In relation to trade receivables, a provision for impairment is made and an impairment loss is recognized in profit and loss when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off against the allowance account when they are assessed as uncollectible.

Available-for-sale
If an available-for-sale asset is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognized in profit or loss.

4. *Summary of Significant Accounting Policies* *(continued)*

4.12 Impairment of non-financial assets
At each date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

4.13 Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

4.14 Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence, related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

4.15 Foreign currency transactions
Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company and the presentation of the subsidiaries in the Group is the US$. The consolidated financial statements are presented in US$'s, which is the Group's presentation currency.

4. *Summary of Significant Accounting Policies* *(continued)*

4.15 Foreign currency transactions *(continued)*

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive loss.

4.16 Revenue recognition
CGX recognizes interest revenue as earned on accrual basis. Gain on marketable securities includes realized and unrealized gains and losses on marketable securities which are recorded at fair market value based on level 1 quoted market prices as at the statement of financial position date.

4.17 Significant accounting judgments and estimates
The preparation of these financial statements requires management to make judgements and estimates and form assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its judgements and estimates in relation to assets, liabilities, revenue and expenses. Management uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgements and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. The most significant estimates relate to asset retirement obligations; property, plant and equipment, recoverability of trade and other receivables, valuation of deferred income tax amounts, impairment testing and the calculation of share-based payments. The most significant judgements relate to recognition of deferred tax assets and liabilities, determination of the commencement of commercial production and the determination of the economic viability of a project.

5. Capital management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the acquisition, exploration and development of petroleum and natural gas properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business.

The properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and deficit, which as at June 30, 2011 totaled $39,542,179 (December 31, 2010 - $47,477,320).

The Company invests all capital that is surplus to its immediate operational needs in short-term, liquid and highly rated financial instruments, such as cash, short-term guarantee deposits, all held with major Canadian financial institutions and Canadian or United States government treasury bills ("T-Bills").

Management plans to secure the necessary financing through a combination of the exercise of existing stock options for the purchase of common shares and the issue of new equity and debt instruments. There is no assurance, however that these initiatives will be successful.

There were no changes in the Company's approach to capital management during the three and six month periods ended June 30, 2011. The Company is not subject to externally imposed capital restrictions.

6. Financial instruments

Fair value

As at June 30, 2011 and December 31, 2011, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent due to the relatively short periods to maturity of these investments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

6. Financial instruments (continued)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

***i)* Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

a) **Cash and cash equivalents** – Cash and cash equivalents are held with major Canadian financial institutions in Canada and therefore the risk of loss is minimal.

b) **Trade and other receivables** – The Company is not exposed to major credit risk attributable to customers. Significant portions of this amount is due from the Canadian government.

c) **Investments** – The Company has exposure for this balance at June 30, 2011 of $Nil (December 31, 2010 - $17,707,547). The Company is not exposed to major credit risk attributable to these investments as they are US government T-Bills and therefore the risk of loss is minimal.

ii) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due. As at June 30, 2011, the Company had working capital of $34,161,262 (December 31, 2010 – $44,447,430). As such, management believes that the Company has sufficient working capital to discharge its current and anticipated obligations for a minimum of one year. However, in order to meet its longer-term working capital and property exploration expenditures, the Company intends on securing further financing to ensure that those obligations are properly discharged. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.

iii) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, commodity prices and/or stock market movements (price risk).

a. Interest rate risk
The Company is not exposed to significant interest rate price risk due to the short-term nature of its monetary assets and liabilities. Cash not required in the short term, is invested in short-term guaranteed investment certificates, as appropriate.

b. Currency risk
The Company's exploration and evaluation activities are substantially denominated in US dollars. The Company's funds are predominantly kept in Canadian and US dollars, with a major Canadian financial Institution. As at June 30, 2011, the Company had approximately cash of $11,700,000 in Canadian dollar denominated cash deposits.

7. Sensitivity analysis

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a one year period:

i. The Company's funds are kept in Canadian and US dollars a major Canadian financial institution.

As at June 30, 2011, the Company's exposure to foreign currency balances is as follows:

Account	Foreign Currency	Exposure	
		June 30, 2011	December 31, 2010
Cash and cash equivalents	CDN $	11,700,000	24,900,000
Trade and other receivables	CDN $	400,000	400,000
Trade and other payables	CDN $	(200,000)	(300,000)
		$ 11,900,000	$ 25,000,000

The Company believes that a change of 10% in foreign exchange rates would increase/decrease net loss for the period by $1,190,000.

8. Cash and cash equivalents

The balance at June 30, 2011, consists of $33,532,397 (December 31, 2010 - $28,098,860, January 1, 2010 – 16,254,883) on deposit with major Canadian financial institutions in Canada and $243,684 (December 31, 2010 - $210,546, January 1, 2010 - $195,595) in short-term guaranteed investment certificates with maturities of less than 90 days.

9. Investments

On June 30, 2011, the Company's US government T-Bills, which were classified as held-to-maturity for accounting purposes matured. These US government T-Bills accrued interest at a rate of 1.125%. The break-down of this investment is as follows:

	June 30, 2011	December 31, 2010	January 1, 2010
Face value of T-Bills	$ -	$ 17,624,000	$ -
Premium paid on T-Bills	-	83,547	-
Accrued interest on T-Bills	-	-	-
	$ -	$ 17,707,547	$ -

10. Trade and other receivables

The Company's trade and other receivables arise from four main sources: trade receivables due from customers for premises rental and operating cost recoveries, harmonized services tax ("HST") receivable due from government taxation authorities, marketable securities and prepaid expenses. These are broken down as follows:

	As at,		
	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Trade receivables	**249,148**	94,606	119,049
HST receivable	**124,688**	202,429	51,571
Marketable securities	**4,499**	29,902	133,452
Prepaid expenses	**84,972**	57,101	24,461
Total trade and other receivables	**$ 463,307**	$ 384,038	$ 328,533

Below is an aged analysis of the Company's trade receivables:

	As at,		
	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
1 – 30 days	**204,216**	54,925	48,964
31 – 60 days	**9,209**	19,338	4,289
61 – 90 days	**802**	9,353	12,473
90+ days	**34,921**	10,990	49,810
Total trade receivables	**$ 249,148**	$ 94,606	$ 119,049

At June 30, 2011, the Company anticipates full recovery of these amounts and therefore no impairment has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 6.

The Company holds no collateral for any receivable amounts outstanding as at June 30, 2011.

11. Prepaid exploration

The balance at June 30, 2011, consists of $1,120,056 in pipe and drilling materials that are to be used in drilling of the Eagle well on the Corentyne Petroleum Prospecting Licences ("PPL") and will be expensed as used in exploration.

12. Property, plant and equipment

	Staging Facility	**Logistics Yard**	**Total**
Cost			
As at January 1, 2010	**$ 23,676**	**$ -**	**$ 23,676**
Additions	**818,396**	**391,070**	**1,209,466**
As at December 31, 2010	**842,072**	**391,070**	**1,233,142**
Additions	**2,156,552**	**194,475**	**2,351,027**
As at June 30, 2011	**$ 2,998,624**	**$ 585,545**	**$ 3,584,169**

Note: No amortization has been recorded on these assets as they are still under construction.

13. Exploration and evaluation expenditures

Exploration and evaluation expenditures – acquisition costs

	Corentyne	Georgetown	Pomeroon	Total
Cost				
As at January 1, 2010, December 31, 2010 and June 30, 2011	**$ 211,748**	**$ 175,000**	**$ 1,410,000**	**$ 1,796,748**

Corentyne Petroleum Agreement (PA), Guyana
The Company was granted the Corentyne PA on June 24, 1998. Because sovereign issues between Guyana and Suriname prevented unhindered access to a portion of the contract area the original 10-year term of the contract has been extended to June 2013. On September 17, 2007, the International Tribunal of the Law of the Sea (ITLOS) awarded a maritime boundary between Guyana and Suriname. In the decision the ITLOS Tribunal determined that it had the jurisdiction to decide on the merits of the dispute, and that the line adopted by the Tribunal to delimit the Parties' continental shelf and exclusive economic zone followed an unadjusted equidistance line. The arbitration is compulsory and binding.

The Corentyne PA covers approximately 2.9 million acres comprised of two PPL - the Annex PPL which is owned 100% by CGX Resources Inc. and the Corentyne PPL which is split into two components - the exploration rights offshore owned 100% by CGX Resources Inc. and the exploration rights onshore owned 100% by ON Energy Inc. having been transferred to ON Energy Inc. by CGX in September 2003. Annual Rental and Training Fees are $100,000. If a discovery is made, CGX has the right to convert the Discovery Area plus reasonable surrounding acreage to a Production Licence, subtracting this area from the Contract Area. The term of the Production Licence is 20 years, renewable for a further 10 years.

After commercial production begins, the Licensee is allowed to recover all capital and operating costs from "cost oil" which for the first three years is up to 75% of production and thereafter up to 65% of production. The Licensee's share of the remaining production or "profit oil", for the first five years is 50% of the first 40,000 barrels of oil per day and 47% for additional productions; and thereafter 45% in full satisfaction of all income taxes and royalties.

The Petroleum Agreement has been amended four times. On November 30, 2002, the first renewal period of the Petroleum Agreement was granted which included renegotiated work commitments. On June 24, 2010, the second renewal of the Petroleum Agreement was granted by the government.

On October 14, 2010, the Company signed a proper and punctual performance guarantee of the obligations of the Company to the Minister Responsible for Petroleum of the Republic of Guyana to pay the Company's proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period. The Guarantee is intended to be and shall be constructed as continuing, absolute, unconditional and irrevocable guarantee for up to an aggregate maximum of $3,400,000 and shall remain in force and effect until the end of the first phase of eighteen months of the second renewal period under the agreement which started on June 25, 2010.

13. Exploration and evaluation expenditures *(continued)*

Exploration and evaluation expenditures – acquisition costs *(continued)*

Corentyne Petroleum Agreement (PA), Guyana *(continued)*

Period	Start Date	End Date	Commitments	Relinquish at end of period	Status
Initial Period Phase 1	June 1998	June 2000	Conduct regional review, shoot 1800 kilometres of 2D seismic		Complete
Initial Period Phase 2 Year 1	June 2000	June 2001	Drill 1 exploration well		Complete
Initial Period Phase 2 Year 2	June 2001	June 2002	Interpret well results	20%	Complete
1st Renewal Phase 1	June 2002	December 2007	Main area: Conduct a pilot geochemical study onshore. Annex Area: Interpret 3,000km of seismic data and reprocess 825km	1%	Complete
1st Renewal Phase 2	December 2007	June 2010	Shoot 500 line kilometres of 3D seismic; or shoot 1500km of 2D seismic; or drill 1 exploration well	20%	3D Complete
2nd Renewal Phase 1	June 2010	December 2011	Drill 1 exploration well		
2nd Renewal Phase 2	December 2011	June 2013	Drill 1 exploration well		

Georgetown PA, Guyana

The Company purchased a 25% participating interest in the Georgetown PA (offshore Guyana, South America) from ENI Guyana, B.V. for $175,000 and $1,075,000 at the commencement of the first well in the PA that targets one of the Tertiary turbidite prospects previously identified by ENI in which CGX participates. The Government of Guyana approved the transfer on September 3, 2002. The original vendor retains a 2.7% right to ownership of Profit Oil on the Company's 25% participating interest. Exploration on the Block was suspended in 2000 as a significant portion of the Licence was in the area of the overlapping border claims between Guyana and Suriname, but has now been resolved as a result of the ITLOS maritime border decision. This contract was extended to November 2012. To satisfy the Minimum Work Program during the 2nd Renewal Phase 1 of the contract, the Georgetown participants committed to drill an exploration well during the period ending May 2011. Most of the drilling supplies are either in transit or in-country, but the drill rig will be delayed until the third quarter due to weather delays and drilling problems preventing the rig from moving offshore Suriname on schedule. The Georgetown Participants have advised the government of these circumstances beyond their control and have applied for a deferral of the commitment. The Georgetown PA currently covers approximately 1.7 million acres.

13. Exploration and evaluation expenditures *(continued)*

Exploration and evaluation expenditures – acquisition costs *(continued)*

Georgetown PA, Guyana *(continued)*
On March 22, 2010, the Company signed a proper and punctual performance guarantee of the obligations of the Company to the Minister Responsible for Petroleum of the Republic of Guyana to pay the Company's proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period. The Guarantee is intended to be and shall be constructed as continuing, absolute, unconditional and irrevocable guarantee for up to an aggregate maximum of $2,000,000 and shall remain in force and effect until the end of the first phase of eighteen months of the second renewal period under the agreement which started on November 25, 2009.

Pomeroon PA, Guyana
The Company, through its wholly-owned subsidiary, CGX Resources Inc. entered into an asset purchase agreement with Century Guyana, Ltd. (Century) to acquire Century's 100% interest in the Pomeroon PA located offshore in the Guyana Basin. The Government of Guyana approved this transfer in July 2004. The purchase price consisted of a payment of $100,000 plus the issuance of 2,000,000 common shares of the Company. CGX has assigned to Century an overriding royalty interest consisting of 2.5% of all revenues to the extent that the revenues are directly attributable to the contractor's share of Profit Oil. The Pomeroon PA issued in November 1997 is approximately 2.8 million acres. An application has been made to the Government of Guyana to extend the term of the contract to November 2013. All work commitments up to the end of the initial period were deemed to be completed. The principal terms of the Petroleum Agreement are similar to those for the Corentyne PA. The Pomeroon PA is located between CGX's 100%-owned Annex portion of the Corentyne PA, and Plataforma Deltana, which is offshore Venezuela. Subsequent seismic and exploration drilling commitments have been deferred pending resolution of the maritime border between Guyana and Venezuela.

Berbice PA, Guyana
The Company, through its 62% owned subsidiary, ON Energy Inc., acquired 0.4 million acres of Berbice PA onshore Guyana in October 2003. The PA is renewable for up to two three-year periods. The Government of Guyana has granted the First Renewal of the Licence effective October 2007, and an application has been made for Second Renewal effective October 2010. The principal terms of the Petroleum Agreement are similar to those for the Corentyne PA. The Company is negotiating the renewal terms with the government and look for other alternatives to continue to advance this property.

Exploration and evaluation expenditures – Exploration and evaluation costs

The evaluation and exploration expenses for the Company are broken down as follows:

	Six months ended		Cumulative to date*
	June 30, 2011	June 30, 2010	
Guyana:			
Corentyne	**$ 1,556,135**	$ 2,618,821	**$ 21,107,417**
Georgetown	**5,625,000**	204,717	**17,337,496**
Pomeroon	**-**	-	**580,555**
Exploration and evaluation costs	**$ 7,181,135**	$ 2,823,538	**$ 39,025,468**

* Only properties currently under exploration are included in this figure.

14. Related party transactions

Certain corporate entities that are related to the Company's officers and directors provide consulting services to CGX. Some of these expenditures include travel costs. These expenditures have been recorded at their fair market values, being the amounts negotiated and agreed to by the parties to the transaction:

	2011	2010
Transactions during the six month period ended June 30,	**$**	$
Exploration and evaluation expenditures	**228,000**	210,000
Property, plant and equipment	**42,800**	-
Administrative expenses	**479,000**	226,000

At June 30, 2011, included in accounts payable and accrued liabilities is $105,000 (December 31, 2010 - $2,000) due to these related parties.

15. Trade and other payables

Trade and other payables of the Company are principally comprised of amounts outstanding for trade purchases relating to exploration activities and amounts payable for operating and financing activities. The usual credit period taken for trade purchases is between 30 to 90 days.

The following is an aged analysis of the trade and other payables:

	As at,		
	June 30, 2011	December 31, 2010	January 1, 2010
	$	$	$
Less than 1 month	**870,238**	1,953,561	813,313
Over 3 months	**328,944**	-	-
Total trade and other payables	**$ 1,199,182**	$ 1,953,561	$ 813,313

16. Capital stock

Share Capital

The Company is authorized to issue an unlimited number of common shares without par value. The issued and outstanding common shares consist of the following:

	Number of Shares	**$**
Balance at January 1, 2010	**127,299,913**	**80,545,286**
Marketed public offerings	65,587,500	42,066,500
Exercise of options[1]	541,250	354,625
Share issue costs	-	(3,199,740)
Reserve transferred on exercise of options	-	209,294
Balance at December 31, 2010	**193,428,663**	**$ 119,975,965**
Exercise of options[1]	**1,350,000**	**492,750**
Reserve transferred on exercise of options	**-**	**447,089**
Balance at June 30, 2011	**194,778,663**	**$ 120,915,804**

[1]The average fair value of the shares issued through the exercise of options on the date the options were exercised in the six month period ended June 30, 2011 and year ended December 31, 2010 was $0.73 and $1.41, respectively.

16. Capital stock (continued)

2010

On August 17, 2010, the Company completed a marketed public offering ("Offering") of common shares, with 40,000,000 common shares of the Company being issued under the Offering at C$0.50 per share for gross proceeds of C$20,000,000 or US$19,186,500. Share issue costs associated with the Offering were $1,551,773.

On December 14, 2010, the Company completed a marketed public offering ("2nd Offering") of common shares, with 25,587,500 common shares of the Company being issued under the 2nd Offering at C$0.90 per share for gross proceeds of C$23,028,750 or US$22,880,000. Share issue costs associated with the 2nd Offering were $1,647,967.

Stock Options

The Company established a share incentive plan to provide additional incentive to its directors, officers, employees and consultants for their efforts on behalf of the Company in the conduct of its affairs. The maximum number of common shares reserved for issuance under the share option plan comprising part of the share incentive plan may not exceed 9% of the number of common shares outstanding. Under the terms of the plan, all options vest immediately, unless otherwise specified. All options granted under the plan expire no later than the fifth anniversary of the grant date. As at June 30, 2011, the Company had 6,535,080 (December 31, 2010 – 6,113,580) options available for issuance under the plan. The options outstanding to purchase common shares is as follows:

	June 30, 2011		December 31, 2010	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of year/period	**1.48**	**11,295,000**	**1.39**	**10,280,000**
Transactions during the year/period:				
Granted	**0.66**	**1,050,000**	**1.13**	**2,400,000**
Exercised	**0.37**	**(1,350,000)**	**0.66**	**(541,250)**
Expired	**-**	**-**	**0.73**	**(843,750)**
Outstanding at end of year/period	**1.58**	**10,995,000**	**1.48**	**11,295,000**
Exercisable at end of year/period	**1.64**	**10,315,000**	**1.48**	**11,295,000**

The following table provides additional information about outstanding stock options as at June 30, 2011:

	No. of Options Outstanding	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**	**No. of Options Exercisable**	**Weighted Average Exercisable Exercise Price**
$ 0.65 - $0.71	**1,050,000**	**4.90**	**$ 0.66**	**370,000**	**$ 0.66**
$ 1.14 - $1.41	**7,135,000**	**2.87**	**$ 1.26**	**7,135,000**	**$ 1.26**
$ 1.87 - $2.80	**2,810,000**	**1.91**	**$ 2.73**	**2,810,000**	**$ 2.73**
$ 0.65 - $2.80	**10,995,000**	**2.82**	**$ 1.58**	**10,315,000**	**$ 1.64**

16. Capital stock (continued)

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share based compensation for the stock options granted during the six month period ended June 30, 2011:

	May 17, 2011	June 7, 2011	June 27, 2011	Totals
Number of options granted	750,000	100,000	200,000	1,050,000
Exercise price	C$0.63	C$0.68	C$0.63	
Risk-free interest rate	2.47%	2.25%	2.05%	
Expected life (years)	5.0	5.0	5.0	
Expected volatility	98.33%	97.93%	97.93%	
Expected dividends	-	-	-	
Vesting	20% immediately, 80% on 1st anniversary	20% immediately, 80% on 1st anniversary	immediately	
Fair value of grant	$ 362,000	$ 51,000	$ 94,000	$ 507,000
Share based compensation	$ 107,000	$ 13,000	$ 94,000	$ 214,000

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share based compensation for the stock options granted during the year ended December 31, 2010:

	February 26, 2010	October 19, 2010	Totals
Number of options granted	200,000	2,200,000	2,200,000
Exercise price	C$1.80	C$1.11	
Risk-free interest rate	2.49%	1.85%	
Expected life (years)	5.0	5.0	
Expected volatility	91.69%	98.72%	
Expected dividends	-	-	
Vesting	immediately	immediately	
Fair value of grant and share based compensation	$ 244,000	$ 1,683,000	$ 1,927,000

The weighted average grant-date fair value of options granted during the period ended June 30, 2011 was $0.48 (year ended December 31, 2010 – $0.80) per option issued.

17. Reserve for share based payments

A summary of the changes in the Company's reserve for share based payments for the six month period ended June 30, 2011 and the year ended December 31, 2010 is set out below:

	June 30, 2011 Amount $	December 31, 2010 Amount $
Balance at beginning of period/year	**14,466,823**	12,749,117
Share based compensation	**214,000**	1,927,000
Reserve transferred on exercise of options	**(447,089)**	(209,294)
Balance at end of period/year	**$ 14,233,734**	$ 14,466,823

18. Commitments

The Company has entered into agreements for premises rental, consulting contracts for management services and staging facility development contracts. The future minimum lease payments, consultancy commitments and contract commitments over the next five years are as follows:

Fiscal Year Ended December 31,	Premises	Consultants	Contracts
2011	**71,000**	**527,000**	**1,861,000**
2012	**143,000**	**1,001,000**	**-**
2013	**154,000**	**-**	**-**
2014	**160,000**	**-**	**-**
2015	**160,000**	**-**	**-**

Approximately seventy-five percent of the above premises rental amounts will be recovered from third parties who sublet the leased premises.

19. Segmented information

Operating Segments

At June 30, 2011 the Company's operations comprise a single reporting operating segment engaged in petroleum and natural gas exploration in Guyana. The Company's corporate division only earns revenues that are considered incidental to the activities of the Company and therefore does not meet the definition of an operating segment as defined in IFRS 8 *'Operating Segments'*. As the operations comprise a single reporting segment, amounts disclosed in the unaudited interim financial statements also represent operating segment amounts.

An operating segment is defined as a component of the Company:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker; and;
- for which discrete financial information is available.

Geographic Segments

The Company currently has one reportable segment as at June 30, 2011 and December 31, 2010, being the exploration, development and production of petroleum and natural gas in Guyana. The following is a detailed breakdown of the Company's assets by Geographical location:

	As at June 30, 2011	As at December 31, 2010
Identifiable assets		
Canada	**33,876,563**	46,338,847
Guyana	**6,864,798**	3,092,034
	40,741,361	49,430,881