Interim MD&A – Quarterly Highlights (the "Quarterly Highlights")
For the three month period ended March 31, 2016

Dated: May 27, 2016

INTRODUCTION

The following Management Discussion & Analysis – Quarterly Highlights ("Quarterly Highlights") of CGX Energy Inc. *(the "Company" or "CGX")* has been prepared to provide material updates to the business operations, liquidity and capital resources of the Corporation since its last management discussion & analysis, being the Management Discussion & Analysis ("Annual MD&A") for the fiscal year ended December 31, 2015. This Quarterly Highlights does not provide a general update to the Annual MD&A, or reflect any non-material events since date of the Annual MD&A.

This Quarterly Highlights has been prepared in compliance with the requirements of section 2.2.1 of Form 51-102F1, in accordance with National Instrument 51- 102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with Annual MD&A, the audited consolidated financial statements of the Company for the years ended December 31, 2015 and 2014 and the unaudited interim consolidated financial statements for the three months ended March 31, 2016, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the three months ended March 31, 2016 are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at May 27, 2016 unless otherwise indicated.

The unaudited interim consolidated financial statements for the three months ended March 31, 2016, have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and interpretations of the IFRS Interpretations Committee. The unaudited interim consolidated financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting.

External auditors, appointed by the shareholders, have not audited or reviewed the consolidated financial statements for the three month periods ended March 31, 2016 and did not performed the tests deemed necessary to enable them to express an opinion on these unaudited interim consolidated financial statements.

For the purposes of preparing this Quarterly Highlights, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of CGX's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

ADDITIONAL INFORMATION

Additional information is accessible at the Company's website www.cgxenergy.com or through the Company's public filings available on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Quarterly Highlights 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. In the event that the Company is able to acquire a suitable oil and gas property, 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 the Company 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 of CGX, 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 the Company. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of the Company should not place undue reliance on these forward-looking statements.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements contained in this press release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements 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 are expressly qualified by this cautionary statement.

Boe Conversion

The term “boe” is used in this MD&A. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet to barrels is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this MD&A we have expressed boe using the conversion standard of 6.0 Mcf: 1 bbl.

Prospective Resources

Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class. Estimates of remaining recoverable resources (unrisked) include Prospective Resources that have not been adjusted for risk based on the chance of discovery or the chance of development and Contingent Resources that have not been adjusted for risk based on the chance of development. It is not an estimate of volumes that may be recovered. Actual recovery is likely to be less and may be substantially less or zero.

Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective Resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates, assuming their discovery and development, and may be sub-classified based on project maturity. There is no certainty that any portion of the resources will be discovered. If discovered, and they would be technically and economically viable to recover; there is no certainty that the Prospective Resource will be discovered. If discovered, there is no certainty that any discovery will be technically or economically viable to produce any portion of the resources.

Recent Highlights

Highlights of the Company's recent activities to date include the following:

- On April 18, 2016, CGX entered into a term sheet with a potential partner (the "**Partner**") in respect of CGX's wharf and logistics yard located in Berbice, Guyana (the "**Term Sheet**"). The Term Sheet contemplates an initial payment upon signing of the Term Sheet and subsequent payments based upon agreed milestones. The Term Sheet also provides the Partner with a seventy-five day exclusivity period within which to conduct further due diligence and to allow the parties to negotiate definitive documentation.

- On March 4, 2016, CGX entered into a bridge loan facility with Pacific Exploration & Production Corp. ("**Pacific**") in an amount up to $2 million. This facility shall be used to help CGX fund monthly general and administrative expenses and is a drawdown facility that is approved by Pacific on a monthly basis. Pacific has the right to take a pledge of shares of CGX's subsidiaries in an event of default under the facility. As of April 29, 2016, the Company has drawn $586,000 on the facility.

- On November 16, 2015, Company agreed to issue a convertible debenture (the "**Convertible Debenture**") by private placement in the amount of $1.5 million (the "**Principal Amount**") to Pacific. The Convertible Debenture has a term of twelve months and an annual interest payable of 5% and will be convertible at the option of the holder at a conversion price of C$0.335. The Principal Amount has been funded in full. In the event that the Company fails to satisfy any of its obligations under the Convertible Debenture, Pacific shall have the right to take a pledge of shares in the Company's subsidiaries.

- On June 19, 2014, CGX Resources, a wholly-owned subsidiary of the Company, entered in to: (i) a drilling rig agreement (the "**Drilling Agreement**") with Japan Drilling Co., Ltd. ("**JDC**"); and (ii) a rig sharing agreement (the "**Rig Sharing Agreement**") with JDC, Teikoku Oil (Suriname) Co., Ltd ("**INPEX**") for the use of JDC's HAKURYU-12 drilling rig (the "**Rig**"). Upon termination of the Drilling Agreement, the total amount payable to JDC by CGX Resources was $20.35 million (the "**JDC Payable**"). Pursuant to the terms of a definitive agreement entered into with JDC effective November 30, 2015, the JDC Payable will be paid as follows: (i) $5.5 million payable in Common Shares; (ii) $500,000 on or before December 1, 2015; (iii) approximately $7.18 million on or before March 25, 2016; and (iv) approximately $7.18 million on or before June 15, 2016. The total amount of the JDC Debt is subject to adjustment based upon the demobilization fees under the Drilling Contract. On January 11, 2016, JDC was issued 16,522,500 Common Shares (the "**JDC Settlement Shares**") at a price of C$0.44 per share as per the terms of the definitive agreement resulting in JDC owning approximately 15% of the Company on a non-diluted basis. The JDC Settlement Agreement also provides for a parent guarantee from CGX Energy to JDC in respect of the JDC Payable. During the three month period ended March 31, 2016, the Company made a payment of $100,000 as part of the $500,000 payment due on December 1, 2015 with both parties agreeing to defer the remaining payment of $400,000 to March 25, 2016. As a result of the much lower prices for rigs currently available, the Company is of the view that notwithstanding the JDC Payable, drilling the next exploration well offshore Guyana on the Corentyne Block will ultimately cost approximately the same as under the Drilling Agreement. The Company is in continuous negotiations with INPEX and JDC with a view to determining how to address these significant payables in light of depressed oil prices.

- CGX continues its initiatives to secure a joint venture partner for all 3 Petroleum Prospecting Licences ("**PPL**") and is actively pursuing this initiative. In the short term, the Company will require additional financing and seek to widen its shareholder base, but still with a view to negotiating farm-out transactions as the primary way to enhance shareholder value. The Company is pleased about ExxonMobil's announcement of a significant oil discovery of more than 295 feet of high-quality oil-bearing sandstone reservoirs on the Stabroek Block located approximately 120 miles offshore Guyana.

CORPORATE OVERVIEW AND OUTLOOK

CGX is an oil and gas exploration company headquartered in Toronto, Canada. The Company is listed on the TSX Venture Exchange under the symbol OYL. CGX was incorporated in 1998 for the primary purpose of exploring for hydrocarbons in Guyana, South America. As at April 29, 2016, CGX holds an interest in three Petroleum Agreements (known as the Corentyne, Berbice and Demerara Blocks) covering approximately 3.3 million gross acres (approximately 3 million net acres) offshore and onshore Guyana.

CGX has four direct subsidiaries: (i) CGX Resources Inc. ("**CGX Resources**"), a wholly-owned subsidiary, which is incorporated pursuant to the laws of Bahamas; (ii) ON Energy Inc. ("**ON Energy**"), a corporation subsisting under the laws of Guyana, 62% of the voting shares of which are owned by CGX; (iii) GCIE Holdings Limited, a wholly-owned subsidiary, which is incorporated pursuant to the laws of Barbados and owns 100% of the shares of Grand Canal Industrial Estates Inc. ("**Grand Canal**"), a corporation subsisting under the laws of Guyana; and (iv) CGX Energy Management Corp., a wholly owned subsidiary, which is incorporated pursuant to the laws of the State of Delaware, USA.

Carrying on Business in Guyana

The exploration activities of CGX are currently conducted in Guyana through its subsidiaries. The following description of carrying on business in Guyana is taken from publicly available information provided by the Guyana Office for Investment and is available at www.guyanaconsulate.com under the heading "Investment Guide".

Guyana is situated on the northern coast of the South American continent. It is bound on the north by the Atlantic Ocean, on the east by Suriname, on the south-west by Brazil and on the north-west by Venezuela. Guyana's total area is approximately 215,000 km^2, slightly smaller than Great Britain. Its coastline is approximately 4.5 feet below sea level at high tide, while its hinterland contains mountains, forests, and savannahs. This topography has endowed Guyana with its extensive network of rivers and creeks as well as a large number of waterfalls. Guyana is endowed with natural resources including fertile agricultural land and rich mineral deposits (including gold, diamonds and semi-precious stones, bauxite and manganese).

Guyana is divided into three counties (Demerara, Essequibo and Berbice) and 10 administrative regions. Georgetown is the capital city of Guyana, the seat of government, the main commercial centre, and the principal port. In addition to Georgetown, Guyana has six towns of administrative and commercial importance which are recognized municipal districts; each has its own mayor, council and civic responsibilities.

The Co-operative Republic of Guyana is an independent republic headed by the president and National Assembly. The most recent elections were held in November 2011 in which the People's Progressive Party was re-elected as a minority government. Guyana is a member of the British Commonwealth of Nations, with a legal system based for the most part on British Common Law.

The Petroleum Regime in Guyana

Under the Guyana *Petroleum Act*, a PA and an associated PPL, petroleum exploration in Guyana is executed by and subject to the approval of, the Minister Responsible for Petroleum. Within Guyana, subsurface rights for minerals and petroleum are vested in the state. PAs may address the following matters: (i) granting of requisite licences; (ii) conditions to be included in the granting or renewal of such licences; (iii) procedure and manner with respect to the exercise of Ministerial discretion; and, (iv) any matter incidental to or connected with the foregoing.

The Guyana Geology & Mines Commission ("**GGMC**") is the statutory body responsible for administering PAs and PPLs for petroleum exploration in Guyana. The GGMC has been charged with the responsibility for managing the nation's mineral resources.

In order to obtain a PPL, the licencee must:

- submit a prospecting licence application to the Minister Responsible for Petroleum, including a detailed annual work program and budget; and
- agree to comply with licence conditions stipulated by the Minister Responsible for Petroleum, including conditions stipulated in the applicable governing petroleum agreement ("**PA**").

A PA and an associated PPL enable the holder to conduct prospecting and exploration activities for petroleum on the subject property in accordance with the terms and conditions of such PA and PPL. A PPL is issued for an initial period not exceeding four years, and is renewable for up to two additional three-year periods. In the event of a discovery, the holder may apply for a 20 year PPL, renewable for a further 10 years.

CGX's PAs and PPLs

On November 27, 2012, the Company was issued a new Corentyne PA and PPL covering 6,212 km^2, the same area as the offshore portion of the former Corentyne PPL that had been issued on June 24, 1998. Under the terms of the new Corentyne PA, during the initial period of four years CGX has an obligation to drill two wells. The Corentyne PA and PPL are renewable after four years for up to six additional years. The Corentyne PPL is 100% owned by CGX.

On February 12, 2013, the Company entered into the Demerara PA and PPL covering 3,975 km^2, the same area the former Annex PPL, which was a subset of the Company's original Corentyne PA. Under the terms of the Demerara PA, during the initial period of four years, CGX has an obligation to conduct a 3D seismic survey of a minimum of 1,000 km^2 (Completed in 2014) and to drill one exploration well. The Demerara PA and Demerara PPL are renewable after four years for up to six additional years. The Demerara PPL is 100% owned by CGX.

On February 12, 2013, ON Energy entered into the Berbice PA and PPL covering 3,295 km^2, the same area as the former Berbice PA issued on October 1, 2003, combined with the onshore portion of the Company's former Corentyne PA. Under the terms of the new Berbice PA, during the initial period of four years, ON Energy has an obligation to conduct an airborne survey of a minimum of 1,000 km^2 (Completed in 2015) and either conduct a 2D seismic survey of a minimum of 100 km^2 or drill one exploration well. The Berbice PA and Berbice PPL are renewable after four years for up to six additional years. The Berbice PPL is 62% owned by CGX.

On June 18, 2015, CGX received approval to extend its spud date deadlines on the Corentyne Block. The Government of Guyana granted approval of the extensions for the spud date on the first commitment well from October 31, 2015 to July 1, 2016 and an extension to the spud date deadline on the second commitment well from November 27, 2016 to November 27, 2017.

GUYANA OPERATIONS

Corentyne PA, Guyana

The original Corentyne PA covered approximately 2.9 million acres under two separate PPLs. The Annex PPL (1.0 million acres) was held 100%, as was the offshore portion of the Corentyne PPL (1.5 million acres), while the onshore portion of the Corentyne PPL (0.4 million acres) was held net 62% by CGX through ON Energy.

The original Corentyne PA was awarded to CGX in 1998, following which the Company began an active exploration program consisting of a 1,800 kilometre seismic acquisition and preparations to drill the Eagle well. The Eagle drilling location in 2000 was 15 kilometres within Guyana-Suriname border. However, a border dispute between Guyana and Suriname led to the Company being forced off the Eagle location

before drilling could begin. As a result of that incident, all active offshore exploration in Guyana was suspended by CGX and the other operators in the area, including Exxon and Maxus (Repsol, YPF). 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, ITLOS determined that it had the jurisdiction to decide on the merits of the dispute and that the line adopted by ITLOS to delimit the Parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration was compulsory and binding. CGX financed a significant portion of Guyana's legal expense at a cost of $9.8 million. The decision was beneficial for CGX, as it concluded that 93% of CGX's Corentyne PPL and 100% of the Georgetown PPL would be in Guyana territory.

Because CGX was prevented from gaining unhindered access to a portion of the original Corentyne PPL area during the seven year resolution, the term of the contract was extended to June 2013.

In 2008, CGX was the first company to commit to acquire 3D seismic in Guyana when the Company shot a 505 square kilometre 3D seismic program to enhance its interpretation of its newly defined Eagle Deep prospect, a large stratigraphic trap in the Cretaceous. The cost of the seismic program was approximately $8 million. Processing and interpretation of the 3D seismic was completed in 2009.

Based on the interpretation of the 3D seismic volume and recent activities on both sides of the Atlantic margin, CGX interpreted numerous prospects on the Corentyne PPL. One significant prospect is a Turonian sand at approximately 5,600 metres. Because the offset Jaguar-1 well on the Georgetown PPL was testing another Cretaceous Turonian prospect, the Corentyne commitment well was targeted to 4,250 metres to test the Tertiary Eocene and Cretaceous Maastrichtian trend.

The Eagle-1 well spud on February 13, 2012 and was initially budgeted for 60 days of drilling, but experienced weather delays and mechanical issues which extended operations to 107 days. The initial cost estimate for the Eagle-1 well was $55 million; however, due to additional time for drilling and additional logging of potential reservoir sands, the drilling rig was released May 16, 2012. The final costs associated with the Eagle-1 well were approximately $89.4 million. In May 2012, the Company completed the analyses of the results of its Eagle-1 well on the Company's 100% owned and operated Corentyne PPL, offshore Guyana. The well was declared a dry-hole after encountering hydrocarbon shows in three formations, but the potential reservoir sands proved to be water-bearing. The Company recognized these costs as a dry hole expense the total cost of Eagle-1 well in the financial statements for the years ended December 31, 2013 and 2012.

On November 27, 2012, the Company received a new Corentyne PA, offshore Guyana, renewable after four years for up to six additional years. The New Corentyne PA applies to the former offshore portion of Corentyne PPL, covering 6,212 km^2.

As of March 19, 2013 and effective December 31, 2012, an Independent Resources Evaluation was completed by DeGolyer and MacNaughton of Dallas, Texas, USA (the "**D&M Report**"). . In the D&M Report, the total best estimate (P50) of Prospective Resources for six oil and gas prospects within the Corentyne PA are 779 MMbbl of oil, 743 MMbbl of condensate, 6,943 Bcf of sales gas plus 696 billion cubic feet of solution gas. If the estimate of gas resources were converted to oil on a 6:1 btu equivalence, and if the estimate of solution gas resources associated with the oil prospects were converted to sales gas assuming a 5% shrinkage, the arithmetic sum would be 2,664 MMboe. The D&M Report has been filed on CGX's website at www.cgxenergy.com. The D&M Report was prepared in accordance with the requirements of Section 5.9 of National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.*

In June, 2014, the Company received a five month extension to its spud date deadline at the Corentyne PPL. The Government of Guyana granted approval of an extension on the spud date on the first commitment well from May 31, 2015 to October 31, 2015.

As a result of the continuing decline in oil prices, the Company obtained a deferral of its commitment well in the Corentyne Block. This well is expected to be spud by the new extension date being July 1, 2016.

Berbice PA, Guyana

In 2003, CGX, through its 62% owned subsidiary ON Energy, applied for and was granted the Berbice PPL consisting of approximately 387,000 acres adjacent to the Corentyne onshore PPL. On the two onshore PPL's, ON Energy completed aeromag re-interpretation, a geochemical sampling program and a 2D seismic program, to fulfill the minimum work obligations, plus drilled three dry-holes.

On February 12, 2013, the Government of Guyana issued a new Berbice PA and PPL to ON Energy, comprising the former Berbice PA and the onshore portion of the former Corentyne PPL, covering 3,295 km^2. Under the terms of the new Berbice PA, during the initial period of four years, ON Energy has an obligation to conduct an airborne survey comprising a minimum of 1,000 km^2 and either conduct a 2D seismic survey comprising a minimum of 100 km^2 or drill one exploration well.

Demerara PA, Guyana

On February 12, 2013, the Government of Guyana issued the new Demerara PA and PPL to the Company. The Demerara PA and PPL applies to the former offshore portion of the Annex PPL, covering 3,975 km^2, which was a subset of the Company's original Corentyne PA. Under the terms of the new Demerara PA, during the initial period of four years, CGX has an obligation to conduct a 3D seismic survey of a minimum of 1,000 km^2 (completed in 2014) and to drill one exploration well.

In September, 2014, the Company entered into a seismic contract with Prospector PTE. Ltd. ("**Prospector**") to conduct a 3,116.74 km^2 3D seismic survey on the Company's 100% owned Demerara Block as part of its commitments under the Demerara PA and PPL. The aggregate cost of this seismic survey was approximately $19 million with $7 million paid to Prospector by way of issuance of 15,534,310 common shares ("**Common Shares**") valued at $0.49 per share, $2.5 million paid in cash thirty days after receipt of invoice and the remainder of approximately $9.5 million is payable in cash twelve months after the conclusion of the seismic survey being December 2015. Prospector currently owns approximately 14.1% of the issued and outstanding Common Shares.

Contractual Commitments

Under the terms of the new Corentyne PA and during the initial period of four years, CGX has an obligation to drill two wells. In June, 2015, the Company received an extension to its spud date deadline at the Corentyne PPL. The Government of Guyana granted approval of an extension on the spud date on the first commitment well from October 31, 2015 to July 1, 2016.

Under the terms of the new Demerara PA, and during the initial period of four years, CGX has an obligation to conduct a 3D seismic survey comprising a minimum of 1,000 km^2 and to drill one exploration well. In June 2014, the Company received approval from the Government of Guyana to proceed with a 3,000 km^2 sparse 3D seismic survey, which would fulfil the Company's minimum work commitments. This 3,000 km^2 sparse 3D seismic survey was completed in December 2014.

Under the terms of the new Berbice PA and during the initial period of four years, the Company has an obligation to conduct an airborne survey comprising a minimum of 1,000 km (completed in 2015) and either conduct a 2D seismic survey comprising a minimum of 100 line km or commence to drill one exploration well.

Further details of the Company's contractual commitments are included in the unaudited interim consolidated financial statements for the three month periods ended March 31, 2016 and 2015.

Staging Facility and Wharf, Guyana

To date, the Company has fenced in the yard, constructed an office and sanitary services, installed two fuel tanks that can accommodate 20,000 litres, installed 200 metre by 50 metre of vertical drainage and completed an internal access road with crusher run and sand filling. A crusher run has also been placed in the entire yard. A two kilometre long by 5 metre wide access road has been constructed from the main

road to the port yard site using Geotextile, reef sand, white sand, crusher run and bauxite capping. The Company's investment in the staging facility and wharf is owned by its wholly-owned subsidiary Grand Canal Industrial Estates Inc.

For the three month period ended March 31, 2016, the Company incurred expenses of $5,125 with respect to the logistics yard and expenditures on a staging facility. The logistics yard was purchased in 2010 for $385,000 and the remainder of the balance spent on the wharf to date was expended on planning for the staging area for the shore based facility. The Company signed a 50 year lease commencing January 1, 2010 for approximately 55 acres on the Berbice River as this is an ideal location for a staging facility to support off-shore drilling activities. Utilizing a local facility is expected to result in significant savings as compared to running the logistics from Trinidad for future wells.

On April 18, 2016, CGX entered into a Term Sheet with a Partner in respect of CGX's wharf and logistics yard located in Berbice, Guyana. The Term Sheet contemplates an initial payment upon signing of the Term Sheet and subsequent payments based upon agreed milestones. The Term Sheet also provides the Partner with a seventy-five day exclusivity period within which to conduct further due diligence and to allow the parties to negotiate definitive documentation.

OVERALL PERFORMANCE

The Company has no revenues, so its ability to ensure continuing operations is its ability to obtain necessary financing to complete the acquisition and development of potential oil and gas properties.

The net loss and comprehensive loss for the three months ended March 31, 2016 was $1,125,284 ($0.01 per share) as compared to $837,278 ($0.01 per share) for the three months ended March 31, 2015. Net loss for the year is consistent with prior periods as expected except for the following:

Management and consulting fees decreased by $186,770 to $315,897 (2015 - $502,667) due to a reduction in director's fees. The directors elect to forego all director's fees in the current period until markets improve for all directors except the Co-Chairman.

Foreign exchange loss for the period was $375,266 (2015 – gain of $134,939). The loss for the period was mainly due to the strengthening of the Canadian dollar on the Company's C$ Bridge loan. In the prior period the Canadian dollar had weakened and the Company recorded a gain on C$ Bridge loan when converted to US$'s for financial reporting purposes.

LIQUIDITY AND FINANCIAL CONDITION

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2016, the Company had a working capital deficiency of $35,286,775 (December 31, 2015 – $33,810,588), consisting of current assets of $917,342 (December 31, 2015 - $1,689,235) to settle current liabilities of $36,204,117 (December 31, 2015 - $35,499,823). In order to meet its short-term and longer-term working capital and property exploration expenditures, the Company must secure further financing through joint venture, property sale and/or issuance of equity to ensure that its 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. Please refer to "Going Concern Uncertainty and Management's Plans" for further details.

These financial statements have been prepared in accordance with accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and the Company's financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

For the three month period ended March 31, 2016, the Company had an opening cash balance of $1,617,553 (Year ended December 31, 2015 - $6,518,159). The cash balance decreased by $810,476 (Year ended December 31, 2015 – $4,900,606) mainly from the operating loss for the three month period ended March 31, 2016 of $1,125,284.

Going Concern Uncertainty and Management's Plans

The three month periods ended March 31, 2016 and 2015 have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

The Company has a history of operating losses and as at March 31, 2016 had an excess of current liabilities over current assets of $35,286,775 (December 31, 2015 - $33,810,588) and an accumulated deficit of $285,935,465 (December 31, 2015 - $284,810,181). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity, debt instruments, or sale of Company assets and/or obtain payments associated with a joint venture farm-out. Given the Company's capital commitment requirements under the Company's PPLs outlined in note 9 and its commitments outlined in Note 15 to the unaudited interim consolidated financial statements for the three month periods ended March 31, 2016 and 2015, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the balance sheet date. While the Company has been successful in raising financing in the past and believes in the viability of its strategy and that the actions presently being taken provide the best opportunity for the Company to continue as a going concern, there can be no assurances to that effect. As a result there exist material uncertainties which cast significant doubt as to the Company's ability to continue as a going concern.

PROPOSED TRANSACTIONS

On April 18, 2016, CGX entered into a Term Sheet with a potential Partner in respect of CGX's wharf and logistic yard located in Berbice, Guyana. The Term Sheet contemplates an initial $50,000 payment upon signing of the Term Sheet and subsequent payments of $4,950,000 based upon certain milestones. The Term Sheet also provides the Partner with a seventy-five day exclusivity period within which to conduct further due diligence and to allow the parties to negotiate definitive documentation.

RELATED-PARTY TRANSACTIONS

Under IFRS, parties are considered to be related if one party has the ability to "control" (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions.

The Board approves all related party transactions prior to implementation, engages independent legal counsel, as needed, and meets in camera to deliberate. The Board also reviews the business rationale for any proposed related party transaction and ensures that the transaction is in compliance with applicable securities laws.

The related party transactions listed below were in the normal course of operations and were measured at the exchange amount, which are the amounts of consideration established and agreed to by the related parties.

In October 2014, the Company entered into the Company entered into a bridge loan agreement (the "**C$ Bridge Loan**") with Pacific in the aggregate principal amount of C$7,500,000 ($6,700,000). The C$ Bridge Loan is a non-revolving term facility. As at March 31, 2016, the Company has drawn upon all of the facility. The C$ Bridge Loan accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in October 2015.

The balances outstanding on the C$ Bridge Loan from related party as at March 31, 2016 and December 31, 2015 are as follows:

As at,	March 31, 2016	December 31, 2015
Loan from related party	**$ 6,063,750**	$ 6,465,000
Accrued interest on loan from related party	**133,369**	62,879
Total loan from related party	**$ 6,197,119**	$ 6,527,879

The activity on the C$ Bridge Loan from related party for the three month period ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance at beginning of year	**$ 5,744,097**	$ 6,527,879
Loss (Gain) on foreign exchange	**381,294**	(1,078,893)
Accrued interest on loan from related party	**71,728**	295,111
Total loan from related party	**$ 6,197,119**	$ 5,744,097

During the year ended December 31, 2015, the Company and Pacific agreed to extend the maturity for one year to October 2016. All other terms and conditions applicable to the C$ Bridge Loan remain the same.

In March 2016, the Company entered into a bridge loan agreement (the "**Bridge Loan**") with Pacific in the aggregate principal amount of up to $2,000,000. The Bridge Loan is a non-revolving term facility. The Bridge Loan accrues interest at an annual rate of 5% per annum and is repayable in full including all accrued interest in March 2017. The Company may draw all or part of the Bridge Loan in one or more advances to be made on a date or dates agreed to by both parties.

The balances outstanding on the Bridge Loan from related party as at March 31, 2016 and December 31, 2015 are as follows:

As at,	March 31, 2016	December 31, 2015
Loan from related party	**$ 300,000**	$ -
Accrued interest on loan from related party	**1,025**	-
Total loan from related party	**$ 301,025**	$ -

The activity on the Bridge Loan from related party for the three month period ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance at beginning of year	**$ -**	$ -
Loan from related party	**300,000**	-
Accrued interest on loan from related party	**1,025**	-
Total loan from related party	**$ 301,025**	$ -

Subsequent to March 31, 2016, the Company has drawn down another $286,000 on the facility.

The combined balances outstanding on the Bridge Loan and C$ Bridge Loan from related party as at March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
C$ Bridge Loan	**$ 6,197,119**	$ 5,744,097
Bridge Loan	**301,025**	-
Total loan from related party	**$ 6,498,144**	$ 5,744,097

In November 2015, the Company entered into the Company entered into a convertible debenture (the "**Convertible Debenture**") with Pacific in the aggregate principal amount of $1,500,000. The Convertible Debenture accrues interest at an annual rate of 5% per annum and is repayable in full including all accrued interest in November 2016. This Convertible Debenture is convertible into shares of the Company at the option of Pacific at any time prior to maturity at a price of C$0.335. In the event that the Company fails to satisfy any of its obligations under the Convertible Debenture, Pacific shall have the right to take a pledge of shares in the Company's subsidiaries.

The debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 10% discount rate.

The balances outstanding on the Convertible Debenture from related party as at March 31, 2016 and December 31, 2015 are as follows:

As at,	**March 31, 2016**	December 31, 2015
Convertible debenture from related party	**$ 1,500,000**	$ 1,500,000
Unamortized transaction costs and conversion feature	**(48,527)**	(66,956)
Accrued interest on convertible debenture from related party	**28,073**	9,426
Total loan from related party	**$ 1,479,546**	$ 1,442,470

The activity on the Convertible Debenture from related party for the three month period ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance at beginning of period/year	**$ 1,442,470**	$ -
Convertible debenture from related party	**-**	1,500,000
Conversion component of convertible debentures	**-**	(68,000)
Transaction costs relating to convertible debentures	**-**	(8,100)
Amortization of transaction costs and conversion feature	**18,429**	9,144
Accrued interest on loan from related party	**18,647**	9,426
Total loan from related party	**$ 1,479,546**	$ 1,442,470

The following sets out the details of the Company's related party transactions as measured at the exchange amount:

- Cost sharing agreement between Pacific, Gran Colombia Gold Corp., Pacific Coal Resources Ltd. and the Company effective May 1, 2013 (the "**Cost Sharing Agreement**"). The Cost Sharing Agreement sets out the terms and allocation of certain share general and administrative costs, such as rent, utilities and other office administrative expenses. In accordance with the terms of the agreement, the Company recognized an expense of C$18,000 (2015 - C$18,000) for the three month period ended March 31, 2016, of which $44,000 (December 31, 2015 - $27,000) was included in trade and other payables as at March 31, 2016. As at March 31, 2016, Pacific owns approximately 45.6% of the Common Shares and the following directors and officers of Pacific are directors or officers of CGX, Serafino Iacono, Ronald Pantin, Dennis Mills and Michael Galego.

At March 31, 2016, included in trade and other payables is $151,000 (December 31, 2015 - $151,000) due to these key management personnel.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company is highly speculative and involves numerous and significant risks. Such investment should be undertaken only by investors whose financial resources are sufficient to enable them to assume these risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risk and Uncertainties" in the Company's Annual MD&A for the fiscal year ended December 31, 2015, available on SEDAR at www.sedar.com.

May 27, 2016

"signed" Dewi Jones	*"signed" Tralisa Maraj*
Dewi Jones, Chief Executive Officer	Tralisa Maraj, Chief Financial Officer

Unaudited Interim Consolidated Financial Statements

For the three month periods ended

March 31, 2016 and 2015

MANAGEMENT'S RESPONSIBILITY FOR 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 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.

Toronto, Canada
May 29, 2015

"Dewi Jones"

Dewi Jones
Chief Executive Officer

"Tralisa Maraj"

Tralisa Maraj
Chief Financial Officer

NOTICE TO READER
The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of management. The unaudited interim consolidated statements for the three months ended March 31, 2016 and 2015 have not been reviewed by the Company's auditors.

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Financial Position

(US$'s)

As at,	**March 31, 2016**	December 31, 2015
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	**807,077**	1,617,553
Trade receivables and other assets *(note 7)*	**110,265**	71,682
	917,342	1,689,235
Property, plant and equipment *(note 8)*	**7,218,840**	7,225,881
Exploration and evaluation expenditures *(note 9)*	**21,698,292**	21,390,348
	29,834,474	30,305,464
Liabilities		
Current liabilities		
Trade and other payables *(notes 9, 10 and 11)*	**28,226,427**	28,313,256
Loans from related party *(note 10)*	**6,498,144**	5,744,097
Convertible debentures from related party *(note 10)*	**1,479,546**	1,442,470
	36,204,117	35,499,823
Warrant liability (*note 12)*	**50,000**	100,000
	36,254,117	35,599,823
Equity		
Share capital *(note 13)*	**257,864,691**	252,364,691
Reserve for share based payments *(note 14)*	**21,651,131**	27,151,131
Deficit	**(285,935,465)**	(258,533,065)
	(6,419,643)	(5,294,359)
	29,834,474	30,305,464

Nature of operations and going concern uncertainty (note 1)
Commitments and contingencies (notes 9 and 15)
Subsequent events (notes 10 and 17)

Approved on behalf of the Board of Directors on May 27, 2016:

("Signed" Ronald Pantin)
_________________________, Director
Ronald Pantin

("Signed" Dennis Mills)
_____________________________, Director
Dennis Mills

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$'s)

Three month periods ended March 31,	**2016**	2015
	$	$
Operating expenses		
General and administrative *(note 10)*	**447,332**	447,593
Management and consulting	**315,897**	502,667
Professional fees	**26,363**	15,147
Shareholder information	**10,668**	9,975
Foreign exchange loss (gain)	**375,266**	(134,939)
	1,175,526	840,443
Interest income	**(242)**	(3,165)
Gain on revaluation of warrant liability (*note 12)*	**(50,000)**	-
Net loss and comprehensive loss	**1,125,284**	837,278
Basic and fully diluted net loss per share	**0.01**	0.01
Weighted average number of shares (000's) – basic and diluted	**108,572**	88,804

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 (Deficit)

(US$'s)

	Share Capital		Reserves		
	Number of Shares	Amount	Share based	Deficit	Total
Balance at December 31, 2014	87,483,788	$249,448,917	$24,458,821	$(258,533,065)	$ 15,374,673
Shares issued for exploration and evaluation expenditures	6,254,245	2,818,259	(2,818,259)	-	-
Exercise of options	127,500	62,684	-	-	62,684
Reserve transferred on exercise of options	-	57,431	(57,431)	-	-
Shares to be issued for contract cancellation fees	-	(22,600)	5,500,000	-	5,477,400
Equity portion of convertible debenture	-	-	68,000	-	68,000
Net loss and comprehensive loss for the year	-	-	-	(26,277,116)	(26,277,116)
Balance at December 31, 2015	**93,865,533**	**$252,364,691**	**$27,151,131**	**$(284,810,181)**	**$ (5,294,359)**
Shares issued for exploration and evaluation expenditures	**16,522,500**	**5,500,000**	**(5,500,000)**	**-**	**-**
Net loss and comprehensive loss for the period	**-**	**-**	**-**	**(1,125,284)**	**(1,125,284)**
Balance at March 31, 2016	**110,388,033**	**$257,864,691**	**$21,651,131**	**$(285,935,465)**	**$ (6,419,643)**

	Number of Shares	Amount	Share based	Deficit	Total
Balance at December 31, 2014	87,483,788	$249,448,917	$24,458,821	$(258,533,065)	$ 15,374,673
Shares issued for exploration and evaluation expenditures	6,254,245	2,818,259	(2,818,259)	-	-
Net loss and comprehensive loss for the period	-	-	-	(837,278)	(837,278)
Balance at March 31, 2015	93,738,033	$252,267,176	$21,640,562	$(259,370,343)	$ 14,537,395

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$'s)

Three month period ended March 31,	2016	2015
Operations	**$**	$
Net loss for the period	**(1,125,284)**	(837,278)
Adjustments to reconcile net loss for the period to cash flow from operating activities:		
Unrealized foreign exchange loss (gain)	**375,266**	(134,939)
Amortization	**12,166**	16,831
Interest accretion on loans payable to related party	**109,829**	74,500
Gain on revaluation of warrant liability	**(50,000)**	-
Net change in non-cash working capital items:		
Trade receivables and other assets	**(38,583)**	15,855
Trade and other payables	**(94,039)**	(82,981)
Cash flow used in operating activities	**(810,645)**	(948,012)
Financing		
Proceeds from loans from related party	**300,000**	-
Cash flow from financing activities	**300,000**	-
Investing		
Purchases of exploration and evaluation expenditures	**(300,734)**	(1,410,019)
Purchases of property, plant and equipment	**(5,125)**	(2,500)
Cash flow used in investing activities	**(305,859)**	(1,412,519)
Net decrease in cash and cash equivalents	**(816,504)**	(2,360,531)
Effect of exchange rate changes on cash held in foreign currencies	**6,028**	(415,598)
Cash and cash equivalents at beginning of period	**1,617,553**	6,518,159
Cash and cash equivalents at end of period	**807,077**	3,742,030
Supplementary Information		
Interest paid	**-**	-
Income tax paid	**-**	-

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 333 Bay Street, Suite 1100, Toronto, Ontario, M5H 2R2. Its principal business activity is petroleum and natural gas exploration offshore Guyana, South America.

1. Nature of Operations and Going Concern Uncertainty

The Company is in the process of exploring and evaluating petroleum and natural gas properties in the Guyana Suriname basin, a frontier basin in South America. 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 include acquisition costs and are net of any impairment changes to date; these amounts 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.

The Company has a history of operating losses and as at March 31, 2016 had an excess of current liabilities over current assets of $35,286,775 (December 31, 2015 - $33,810,588) and an accumulated deficit of $285,935,465 (December 31, 2015 - $284,810,181). The ability of the Company to continue as a going concern is dependent on securing additional required financing through issuing additional equity, debt instruments, or sale of Company assets and/or obtain payments associated with a joint venture farm-out. As a result and given the Company's capital commitment requirements under the Company's Petroleum Production Licences ("**PPL's**") outlined in note 9 and its commitments outlined in note 15, the Company does not have sufficient cash flow to meet its operating requirements for the 12 month period from the balance sheet date. While the Company has been successful in raising financing in the past and believes in the viability of its strategy and that the actions presently being taken provide the best opportunity for the Company to continue as a going concern, there can be no assurances to that effect. As a result there exist material uncertainties which cast significant doubt as to the Company's ability to continue as a going concern.

These consolidated financial statements do not include any adjustments related to the recoverability and classification of asset amounts or the amounts and classification of liabilities that might be necessary if the Company is unable to obtain additional financing which is critical to continue as a going concern.

2. Basis of Preparation

2.1 Statement of compliance

These unaudited interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standards ("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").

2.2 Basis of presentation

These unaudited interim consolidated financial statements were authorized by the Board of Directors of the Company on May 27, 2016.

2. Basis of Preparation *(continued)*

2.2 Basis of presentation *(continued)*

The notes herein include only significant transactions and events occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed in the annual audited consolidated financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with our most recent annual audited financial statements for the year ended December 31, 2015.

New standards, interpretations and amendments adopted by the Company
The accounting policies adopted in the preparation of the interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2015, except for the adoption of new standards and interpretations effective as of January 1, 2016 outlined in note 2.4.

2.3 Use of management estimates, judgments and measurement uncertainty

The preparation of these consolidated 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 years. Such estimates primarily relate to unsettled transactions and events as at the date of the consolidated financial statements. 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 exploration and evaluation expenditures, warrant liability, valuation of deferred income tax amounts, cash generating units and impairment testing, functional currency and the calculation of share-based payments. Significant estimates and judgments made by management in the preparation of these consolidated financial statements are outlined below:

Exploration and evaluation ("E&E") (Note 9)

The application of the Company's accounting policy for exploration and evaluation expenditures requires judgement to determine whether it is probable that future economic benefits are likely, from future either exploitation or sale, or whether activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that requires varying degrees of uncertainty depending on how the resources are classified. These estimates directly impact when the Company defers exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalised amount is written off in profit or loss in the period when the new information becomes available.

Calculation of share based payments and warrant liability

The Black-Scholes option pricing model is used to determine the fair value for the share based payments and warrant liability and utilizes subjective assumptions such as expected price volatility and expected life of the option or warrant. Discrepancies in these input assumptions can significantly affect the fair value estimate.

2. Basis of Preparation *(continued)*

2.3 Use of management estimates, judgments and measurement uncertainty *(continued)*

Functional Currency

The determination of the Company's functional currency requires analyzing facts that are considered primary factors, and if the result is not conclusive, the secondary factors. The analysis requires the Company to apply significant judgment since primary and secondary factors may be mixed. In determining its functional currency the Company analyzed both the primary and secondary factors, including the currency of the Company's operating costs in Canada, United States and Guyana, and sources of equity financing.

Cash generating units and impairment testing

Cash generating units ("**CGU's**") are identified to be the major producing fields, the lowest level at which there are identifiable cash inflows that are largely independent of cash inflows of other groups of assets. The determination of CGUs requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

The Company prepares and reviews separate detailed budgets and forecast calculations for each of the cash generating units. Impairment assessment is generally carried out separately for each CGU based on cash flow forecasts calculated based on proven reserves for each CGU (value in use).

Income taxes

Tax interpretations, regulations and legislation in the various jurisdictions in which the Company and its subsidiaries operate are subject to change and interpretation. As such, income taxes are subject to measurement uncertainty. The Company follows the liability method for calculating deferred taxes. Assessing the recoverability of deferred tax assets requires the Company to make significant estimates related to the expectations of future cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets and liabilities recorded at the statement of financial position date could be impacted. Additionally, changes in tax laws could limit the ability of the Company to obtain tax deductions in the future.

2.4 Future accounting policies and standards adopted

Future accounting policies

At the date of authorization of these consolidated 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. 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.

- In July 2014 the IASB issued the final amendments to IFRS 9, *Financial Instruments* ("**IFRS 9**") which provides guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, and general hedge accounting. The Classification and measurement portion of the standard determines how financial assets and financial liabilities are accounted for in financial statements and, in particular, how they are measured on an ongoing basis.

2. BASIS OF PREPARATION *(continued)*

2.4 Future accounting policies and standards adopted *(continued)*

Future accounting policies *(continued)*

- The amended IFRS 9 introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. In addition, the amended IFRS 9 includes a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.
- IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**"), was issued in May 2014 and will replace IAS 11, "Construction Contracts," IAS 18, "Revenue Recognition," IFRIC 13, "Customer Loyalty Programmes," IFRIC 15, "Agreements for the Construction of Real Estate," IFRIC 18, "Transfers of Assets from Customers," and SIC-31, "Revenue – Barter Transactions Involving Advertising Services." IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions, including, but not limited to, leases within the scope of IAS 17 and financial instruments and other contractual rights or obligations within the scope of IFRS 9 "Financial Instruments," IFRS 10, "Consolidated Financial Statements" and IFRS 11, "Joint Arrangements." In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. IFRS 15 is required for annual periods beginning on or after January 1, 2018; earlier adoption is permitted.
- IFRS 16 *Leases* ("**IFRS 16**"), sets out the principles for the recognition, measurement and disclosure of leases. IFRS 16 provides revised guidance on identifying a lease and for separating lease and nonlease components of a contract. IFRS 16 introduces a single accounting model for all lessees and requires a lessee to recognize right-of-use assets and lease liabilities for leases with terms of more than 12-months, unless the underlying asset is of low value. Under IFRS 16, lessor accounting for operating and finance leases will remain substantially unchanged. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier application permitted for entities that apply IFRS 15.

Standards adopted

Effective January 1, 2016, the Company applied, for the first time, certain standards and amendments that require additional disclosures in the unaudited interim consolidated financial statements. The application of the following standards/amendments had no impact on the Company's consolidated financial statements:

- IFRS 11 *Joint Arrangements* ("**IFRS 11**") - The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation.

2. BASIS OF PREPARATION *(continued)*

2.4 Future accounting policies and standards adopted *(continued)*

Standards adopted *(continued)*

- IAS 1 – Presentation of Financial Statements ("**IAS 1**") was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply.
- IAS 16 *Property, Plant and Equipment* ("**IAS 16**") and IAS 38 *Intangible Assets* ("**IAS 38**") - The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Company is in the process of assessing the impact of IFRS 16 and IAS 38 on its consolidated financial statements.

3. 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 will be required to raise additional funding. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the three month period ended March 31, 2016. The Company is not subject to externally imposed capital restrictions.

The Company considers its capital to be equity, which is comprised of share capital, reserve accounts, and deficit, which as at March 31, 2016 totaled a deficiency in capital of $6,419,643 (December 31, 2015 – $5,294,359).

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.

Management plans to secure the necessary financing through a combination of the issue of new equity, debt instruments or sale of Company assets. There is no assurance, however that these initiatives will be successful.

4. Financial instruments

Fair value

The Company has designated its cash and cash equivalents and marketable securities as fair value through profit and loss which are measured at fair value. Fair value of cash and cash equivalents and marketable securities is determined based on transaction value and is categorized as Level one measurement. Trade and other receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost which approximates fair value.

4. Financial instruments *(continued)*

Fair value *(continued)*

Trade and other payables and loans payable from related party are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also approximates fair value. Warrant Liability is classified for accounting purposes as fair value through profit and loss which is measured at fair value.

Fair value of trade and other receivables, trade and other payables and warrant liability are determined based on Level three measurements:

- Level one includes quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level two includes inputs that are observable other than quoted prices included in level one.
- Level three includes inputs that are not based on observable market data.

As at March 31, 2016, the carrying and fair value amounts of the Company's trade and other receivables, trade and other payables and loans payable from related party are approximately equivalent due to the relatively short periods to maturity and the nature of these accounts. 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.

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 and American financial institutions in Canada and the United States and therefore the risk of loss is minimal.

b) **Trade and other receivables** – The Company is exposed to credit risk attributable to customers or credits from vendors. The Company does not believe that this risk is significant. (See Note 7)

The Company's maximum exposure to credit risk as at March 31, 2016 is the carrying value of cash and cash equivalents, trade and other receivables.

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 March 31, 2016, the Company had working capital deficiency of $35,286,775 (December 31, 2015 – $33,810,588). In order to meet its longer-term working capital and property exploration expenditures, the Company must secure further financing to ensure that those obligations are properly discharged (See Note 1). 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.

4. Financial instruments *(continued)*

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 March 31, 2016, the Company had approximately $300,000 in Canadian dollar denominated cash deposits.

5. Sensitivity analysis

The Company's funds are kept in Canadian and US dollars with major Canadian financial institutions. As at March 31, 2016, the Company's exposure to foreign currency balances approximate as follows:

Account	Foreign Currency	Exposure	
March 31,		**2016**	2015
Cash and cash equivalents	C $	**$ 300,000**	$ 4,000,000
Trade and other payables	C $	**(200,000)**	(300,000)
Loans from related party	C $	**(8,000,000)**	(7,600,000)
		$ (7,900,000)	$ (3,900,000)

Based on management's knowledge and experience of the financial markets, the Company believes is reasonably possible over a one year period that a change of 10% in foreign exchange rates would increase/decrease net loss for the three month period ended March 31, 2016 by $(790,000) (2015 - $(390,000)).

6. Cash and cash equivalents

The balance of cash and cash equivalents at March 31, 2016, consisted of $735,537 (December 31, 2015 - $1,546,108) on deposit with major financial institutions in Canada and the United States and $71,540 (2014 - $71,445) in short-term guaranteed investment certificates and fixed instruments with remaining maturities on the date of purchase of less than 90 days.

7. Trade receivables and other assets

The Company's trade receivables and other assets arise from two main sources: Harmonized sales tax ("**HST**") receivable and prepaid expenses. These are broken down as follows:

	As at,	
	March 31, 2016	December 31, 2015
Trade receivables	**$ 16,243**	$ 3,955
HST receivable	**12,608**	7,835
Prepaid expenses	**81,414**	59,892
Total trade receivables and other assets	**$ 110,265**	$ 71,682

7. Trade receivables and other assets *(continued)*

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

	As at,	
	March 31, 2016	December 31, 2015
1 – 30 days	**$ 12,288**	$ -
Over 90 days	**3,955**	3,955
Total trade receivables	**$ 16,243**	$ 3,955

At March 31, 2016, the Company anticipates full recovery of these amounts receivable and therefore no additional allowance has been recorded against these receivables. The credit risk on the receivables has been further discussed in Note 4 (i). The Company holds no collateral for any receivable amounts outstanding as at March 31, 2016.

8. Property, plant and equipment

	Staging Facility[1]	Logistics Yard[1]	Office, furniture and fixtures	Computer, software and equipment	Total
Cost					
As at January 1, 2015	$ 6,379,295	$ 686,111	$ 127,878	$ 539,637	$ 7,732,921
Net dispositions	(22,413)	-	-	-	(22,413)
As at December 31, 2015	**$ 6,356,882**	**$ 686,111**	**$ 127,878**	**$ 539,637**	**$ 7,710,508**
Additions	**5,125**	**-**	**-**	**-**	**5,125**
As at March 31, 2016	**$ 6,362,007**	**$ 686,111**	**$ 127,878**	**$ 539,637**	**$ 7,715,633**
Accumulated amortization					
As at January 1, 2015	$ -	$ -	$ 66,390	$ 350,926	$ 417,316
Amortization [2]	-	-	12,297	55,014	67,311
As at December 31, 2015	**$ -**	**$ -**	**$ 78,687**	**$ 405,940**	**$ 484,627**
Amortization [2]	**-**	**-**	**2,461**	**9,705**	**12,166**
As at March 31, 2016	**$ -**	**$ -**	**$ 81,148**	**$ 415,645**	**$ 496,793**
Net book value					
As at December 31, 2015	$ 6,356,882	$ 686,111	$ 49,191	$ 133,697	$ 7,225,881
As at March 31, 2016	**$ 6,362,007**	**$ 686,111**	**$ 46,730**	**$ 123,992**	**$ 7,218,840**

Notes: [1] No amortization has been recorded on these assets as they are still under construction.
[2] Amortization has been recorded within general and administrative in the statement of comprehensive loss.

9. Exploration and evaluation expenditures

	Georgetown	Corentyne	Berbice	Demerara	Total
Balance, December 31, 2014	$ -	$ 12,380,590	$ 75,000	$5,572,222	$ 18,027,812
Net additions	(64,625)	1,593,211	445,000	1,324,325	3,297,911
Recovery of previously impaired exploration and evaluation expenditures	64,625	-	-	-	64,625
Balance, December 31, 2015	**$ -**	**$ 13,973,801**	**$ 520,000**	**$6,896,547**	**$ 21,390,348**
Net additions	**-**	**307,944**	**-**	**-**	**307,944**
Balance, March 31, 2016	**$ -**	**$ 14,281,745**	**$ 520,000**	**$6,896,547**	**$ 21,698,292**

As at March 31, 2016, the expenditures capitalized above include costs for licence acquisitions and maintenance of licences, general exploration, geological and geophysical consulting, surveys, 3D-seismic acquisition, processing and interpretation, and drill planning.

Corentyne PA, Guyana

The Company's 100% owned subsidiary, CGX Resources, was granted the Corentyne PA on June 24, 1998. On November 27, 2012, the Company was issued a new Corentyne Petroleum Agreement ("**PA**") and Petroleum Prospecting Licence ("**PPL**") offshore Guyana. The new PA is renewable after five years for up to ten years. Under the terms of the new Corentyne PA, and during the initial period of five years, CGX has an obligation to drill two wells.

The table below outlines the commitments under the new PA:

Period	Phase	Exploration Obligation	Dates
Initial Period - 5 Years	Phase One - 43 Months	Commence to drill 1 exploration well	Nov 27, 2012 - Jul 1, 2016
	Phase Two - 17 Months	Drill 1 exploration well	Jul 1, 2016 - Nov 27, 2017
	- At the end of the initial period of five (5) years, the Contractor will elect either to relinquish the entire Contract Area or fifteen (15%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a further period of up to two (2) years.		
First Renewal Period - 2 Years	Phase One - 18 Months	Commence to drill 1 exploration well	Nov 27, 2017 - May 27, 2018
	- At the end of phase one of the first renewal period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.		
	Phase Two - 18 Months	Drill 1 exploration well	May 27, 2018 - Nov 27, 2019
	- At the end of the first renewal period of two (2) years, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.		
Second Renewal Period - 3 Years	Phase One - 18 Months	Commence to drill 1 exploration well	Nov 27, 2019 - May 27, 2021
	- At the end of phase one of the second renewal period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.		
	Phase Two - 18 Months	Drill 1 exploration well	May 27, 2021 - Nov 27, 2022
	- At the end of the second renewal period of three (3) years, the Contractor shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Contractor to conduct further exploration activities.		

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

If a discovery is made, CGX has the right to apply to the Minister for a Petroleum Production Licence with respect to that of the Contract Area having a significant discovery.

After commercial production begins, the Company is allowed to recover contract costs as defined in the PA from "cost oil" produced and sold from the Contract Area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the Contract Area for such month excluding any Crude Oil and/or Natural Gas used in Petroleum Operations or which is lost. The Company's share of the remaining production or "profit oil" is 47%.

To the extent, that in any month, Recoverable Contract Costs exceed the value of Cost Oil and/or Cost Gas, the unrecoverable amount shall be carried forward and shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The Company has $155,000,000 of Recoverable Contract Costs brought forward from the original Corentyne licence. This cost can be recovered against any future commercial production.

Annual rental fees and annual training fees are each $100,000, respectively.

The Company had entered into a definitive rig agreement with Japan Drilling Co., Ltd. ("**JDC**") ("**Drilling Agreement**"), and a rig sharing agreement (the "**Rig Sharing Agreement**") with JDC, Teikoku Oil (Suriname) Co., Ltd ("**INPEX**") for the shared use of JDC's HAKURYU-12 drilling rig (the "**Rig**") in 2015. This Rig was intended to be used for the first commitment well that is required under the Corentyne PPL.

During the year ended December 31, 2015, the Company terminated these agreements. Total costs relating to termination of these contracts was $23,228,102 and has been recorded as exploration contract cancellation fees in the statement of comprehensive loss for the year ended December 31, 2015. The breakdown of the commitments is as follows:

Upon termination of the Drilling Agreement, the total amount payable to JDC is approximately $20.35 million (the "**JDC Payable**"). Pursuant to the terms of definitive agreement entered into with JDC with an effective date of November 30, 2015, the JDC Payable will be paid as follows: (i) $5.5 million payable in Common Shares; (ii) $500,000 on or before December 1, 2015; (iii) approximately $7.18 million on or before March 25, 2016; and (iv) approximately $7.18 million on or before June 15, 2016. The amount payable in are included in trade and other payables as at March 31, 2016. During the three month period ended March 31, 2016, JDC was issued 16,522,500 Common Shares at a price of C$0.44 per share as per the terms of definitive agreement resulting in JDC owning approximately 15% of the Company on a non-diluted basis. During the three month period ended March 31, 2016, the Company made a payment of $100,000 as part of the $500,000 payment due on December 1, 2015 with both parties agreeing to defer the remaining payment of $400,000 to March 25, 2016. Per the definitive agreement, any payments not paid in full on the above due dates shall incur interest at a rate of 8% per annum.

Under the Rig Sharing Agreement, the Company owes approximately $2.9 million to INPEX for shared costs incurred in the utilization of the Rig. INPEX has agreed to allow the Company to defer payment until December 1, 2015. This amount is included in trade and other payables as at March 31, 2016. Per the Rig Sharing Agreement since the amount was not paid in full by December 1, 2015, amounts outstanding shall accrue interest at a rate of Libor plus 5% per annum.

The Company is in continuous negotiations with INPEX and JDC with a view to determining how to address these significant payables in light of depressed oil prices.

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana

The Company, through its 62% owned subsidiary ON Energy, acquired the Berbice PA comprising 0.4 million acres onshore in October 2003. The Berbice PA was renewable for up to two three-year periods. Negotiations were underway for the Second Renewal period ending October 2013 to conduct an airborne geotechnical survey at a cost of less than $1,000,000.

On February 12, 2013, ON Energy entered into a new Berbice PA and PPL, which applies to the former Berbice licence comprising 1,566 square kilometres (971 square kilometres net) and the former onshore portion of the Company's original Corentyne Petroleum Agreement comprising 1,729 square kilometres (1,072 square kilometres net) for total onshore acreage of 3,295 km^2.

The table below outlines the commitments under the new Berbice PA:

Period	Phase	Exploration Obligation	Dates
Initial Period - 4 Years	Phase One - 24 Months	Acquire a minimum of 1,000 km of airborne geophysical data, process and interpret the same (Completed)	Feb 12, 2013 - Feb 12, 2015
	- At the end of phase one (1) of the initial period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).		
	Phase Two - 24 Months	Acquire a minimum of 100 line kilometers of 2D seismic, process and interpret the same; or commence to drill 1 exploration well	Feb 12, 2015 - Feb 12, 2017
	- At the end of the initial period of four (4) years, the Contractor will elect either to relinquish the entire Contract Area or fifteen (15%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a further period of up to three (3) years.		
First Renewal Period - 3 Years	Phase One - 18 Months	Commence to drill 1 exploration well	Feb 12, 2017 - Aug 12, 2018
	- At the end of phase one (1) of the first renewal period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).		
	Phase Two - 18 Months	Drill 1 exploration well	Aug 12, 2018 - Feb 12, 2020
	- At the end of the first renewal period of three (3) years, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.		
Second Renewal Period - 3 Years	Phase One - 18 Months	Commence to drill 1 exploration well	Feb 12, 2020 - Aug 12, 2021
	- At the end of phase one (1) of the first renewal period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production License or commit to the work programme in phase two (2).		
	Phase Two - 18 Months	Drill 1 exploration well	Aug 12, 2021 - Feb 12, 2023
	- At the end of the second renewal period of three (3) years, the Contractor shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Contractor to conduct further exploration activities.		

If a discovery is made, CGX has the right to apply to the Minister for a PPL with respect to that of the Contract Area having a significant discovery.

After commercial production begins, the Company is allowed to recover contract costs as defined in the PA from "cost oil" produced and sold from the Contract Area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the Contract Area for such month excluding any Crude Oil and/or Natural Gas used in Petroleum Operations or which is lost. The Company's share of the remaining production or "profit oil" is 47%.

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana *(continued)*

To the extent that in any month, Recoverable Contract Costs exceed the value of Cost Oil and/or Cost Gas the unrecoverable amount shall be carried forward and shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The Company has $500,000 of Recoverable Costs brought forward from the original Berbice licence. This cost can be recovered against any future commercial production.

Annual rental fees and annual training fees are each $25,000, respectively.

Demerara PA, Guyana

On February 12, 2013, the Company entered into the Demerara PA and PPL. The new PPL applies to the former offshore portion of the Annex PPL, covering 3,975 square kilometres, which was a subset of the Company's original Corentyne Petroleum Agreement.

The table below outlines the commitments under the new PA:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="3">Initial Period - 4 Years</td><td>Phase One - 24 Months</td><td>Conduct a new marine sparse 3D seismic survey consisting of 3,000 km², process and interpret data from same (Completed)</td><td>Feb 12, 2013 - Feb 12, 2015</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Drill 1 exploration well</td><td>Feb 12, 2015 - Feb 12, 2017</td></tr>
<tr><td colspan="3">- At the end of the initial period of four (4) years, the Contractor will elect either to relinquish the entire Contract Area or fifteen (15%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a further period of up to three (3) years.</td></tr>
<tr><td rowspan="4">First Renewal Period - 3 Years</td><td>Phase One - 18 Months</td><td>Commence to drill 1 exploration well</td><td>Feb 12, 2017 - Aug 12, 2018</td></tr>
<tr><td colspan="3">- At the end of phase one (1) of the first renewal period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.</td></tr>
<tr><td>Phase Two - 18 Months</td><td>Drill 1 exploration well</td><td>Aug 12, 2018 - Feb 12, 2020</td></tr>
<tr><td colspan="3">- At the end of the first renewal period of three (3) years, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or relinquish twenty-five (25%) percent of the Contract Area and renew the Petroleum Prospecting Licence for a second period of three (3) years.</td></tr>
<tr><td rowspan="4">Second Renewal Period - 3 Years</td><td>Phase One - 18 Months</td><td>Commence to drill 1 exploration well</td><td>Feb 12, 2020 - Aug 12, 2021</td></tr>
<tr><td colspan="3">- At the end of phase one of the second renewal period, the Contractor shall elect either to relinquish the entire Contract Area except for any Discovery Area and the area contained in any Petroleum Production Licence or commit to the work programme in phase 2.</td></tr>
<tr><td>Phase Two - 18 Months</td><td>Drill 1 exploration well</td><td>Aug 12, 2021 - Feb 12, 2023</td></tr>
<tr><td colspan="3">- At the end of the second renewal period of three (3) years, the Contractor shall relinquish the entire Contract Area except for any Discovery Area, the area contained in any Petroleum Production Licence and any other portion of the Contract Area on which the Minister Responsible for Petroleum agrees to permit the Contractor to conduct further exploration activities.</td></tr>
</table>

If a discovery is made, CGX has the right to apply to the Minister for a PPL with respect to that of the Contract Area having a significant discovery.

After commercial production begins, the Company is allowed to recover contract costs as defined in the PA from "cost oil" produced and sold from the Contract Area and limited in any month to an amount which equals seventy-five percent (75%) of the total production from the Contract Area for such month excluding any Crude Oil and/or Natural Gas used in Petroleum Operations or which is lost. The Company's share of the remaining production or "profit oil" is 47%.

9. Exploration and evaluation expenditures *(continued)*

Demerara PA, Guyana *(continued)*

To the extent that in any month, Recoverable Contract Costs exceed the value of Cost Oil and/or Cost Gas the unrecoverable amount shall be carried forward and shall be recoverable in the immediately succeeding month, and to the extent not then recovered, in the subsequent month or months.

The Company has $1,000,000 of Recoverable Contract Costs brought forward from the original Annex licence. This cost can be recovered against any future commercial production.

Annual rental fees and annual training fees are each $100,000, respectively.

In September 2014, the Company entered into a contract with Prospector PTE. Ltd. ("Prospector") to conduct a 3,116.74 km^2 3D seismic survey on the Company's 100% owned Demerara Block as part of its commitments under the Demerara PA. The aggregate cost of this seismic survey was approximately $19 million with $7 million paid to Prospector by way of issuance of 15,534,310 Common Shares (See note 13), $2.5 million paid in cash in 2014 and the remainder of approximately $9.5 million payable in cash twelve months after the conclusion of the seismic survey (December 2015), which is included in trade and other payables as at March 31, 2016.

10. Compensation of key management personnel and related party transactions

Under IFRS, parties are considered to be related if one party has the ability to "control" (financially or by share capital) the other party or have significant influence (management) on the other party in making financial, commercial and operational decisions.

The Board approves all related party transactions prior to implementation, engages independent legal counsel, as needed, and meets in camera to deliberate. The Board also reviews the business rationale for any proposed related party transaction and ensures that the transaction is in compliance with applicable securities laws.

The related party transactions listed below were in the normal course of operations and were measured at the exchange amount, which are the amounts of consideration established and agreed to by the related parties.

In October 2014, the Company entered into the Company entered into a bridge loan agreement (the "**C$ Bridge Loan**") with Pacific in the aggregate principal amount of C$7,500,000 ($6,700,000). The C$ Bridge Loan is a non-revolving term facility. As at March 31, 2016, the Company has drawn upon all of the facility. The C$ Bridge Loan accrues interest at an annual rate of 5% per annum and was repayable in full including all accrued interest in October 2015.

The balances outstanding on the C$ Bridge Loan from related party as at March 31, 2016 and December 31, 2015 are as follows:

As at,	March 31, 2016	December 31, 2015
Loan from related party	**$ 6,063,750**	$ 6,465,000
Accrued interest on loan from related party	**133,369**	62,879
Total loan from related party	**$ 6,197,119**	$ 6,527,879

10. Compensation of key management personnel and related party transactions *(continued)*

The activity on the C$ Bridge Loan from related party for the three month period ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance at beginning of year	**$ 5,744,097**	$ 6,527,879
Loss (Gain) on foreign exchange	**381,294**	(1,078,893)
Accrued interest on loan from related party	**71,728**	295,111
Total loan from related party	**$ 6,197,119**	$ 5,744,097

During the year ended December 31, 2015, the Company and Pacific agreed to extend the maturity for one year to October 2016. All other terms and conditions applicable to the C$ Bridge Loan remain the same.

In March 2016, the Company entered into a bridge loan agreement (the "**Bridge Loan**") with Pacific in the aggregate principal amount of up to $2,000,000. The Bridge Loan is a non-revolving term facility. The Bridge Loan accrues interest at an annual rate of 5% per annum and is repayable in full including all accrued interest in March 2017. The Company may draw all or part of the Bridge Loan in one or more advances to be made on a date or dates agreed to by both parties.

The balances outstanding on the Bridge Loan from related party as at March 31, 2016 and December 31, 2015 are as follows:

As at,	**March 31, 2016**	December 31, 2015
Loan from related party	**$ 300,000**	$ -
Accrued interest on loan from related party	**1,025**	-
Total loan from related party	**$ 301,025**	$ -

The activity on the Bridge Loan from related party for the three month period ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance at beginning of year	**$ -**	$ -
Loan from related party	**300,000**	-
Accrued interest on loan from related party	**1,025**	-
Total loan from related party	**$ 301,025**	$ -

Subsequent to March 31, 2016, the Company has drawn down another $286,000 on the facility.

The combined balances outstanding on the Bridge Loan and C$ Bridge Loan from related party as at March 31, 2016 and December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
C$ Bridge Loan	**$ 6,197,119**	$ 5,744,097
Bridge Loan	**301,025**	-
Total loan from related party	**$ 6,498,144**	$ 5,744,097

10. Compensation of key management personnel and related party transactions *(continued)*

In November 2015, the Company entered into the Company entered into a convertible debenture (the "**Convertible Debenture**") with Pacific in the aggregate principal amount of $1,500,000. The Convertible Debenture accrues interest at an annual rate of 5% per annum and is repayable in full including all accrued interest in November 2016. This Convertible Debenture is convertible into shares of the Company at the option of Pacific at any time prior to maturity at a price of C$0.335. In the event that the Company fails to satisfy any of its obligations under the Convertible Debenture, Pacific shall have the right to take a pledge of shares in the Company's subsidiaries.

The debentures are classified as a liability, with the exception of the portion relating to the conversion feature, resulting in the carrying value of the debenture being less than face value. The discount is being accreted over the term of the debenture utilizing the effective interest rate method at a 10% discount rate.

The balances outstanding on the Convertible Debenture from related party as at March 31, 2016 and December 31, 2015 are as follows:

As at,	**March 31, 2016**	December 31, 2015
Convertible debenture from related party	**$ 1,500,000**	$ 1,500,000
Unamortized transaction costs and conversion feature	**(48,527)**	(66,956)
Accrued interest on convertible debenture from related party	**28,073**	9,426
Total loan from related party	**$ 1,479,546**	$ 1,442,470

The activity on the Convertible Debenture from related party for the three month period ended March 31, 2016 and year ended December 31, 2015 are as follows:

	March 31, 2016	December 31, 2015
Opening balance at beginning of period/year	**$ 1,442,470**	$ -
Convertible debenture from related party	**-**	1,500,000
Conversion component of convertible debentures	**-**	(68,000)
Transaction costs relating to convertible debentures	**-**	(8,100)
Amortization of transaction costs and conversion feature	**18,429**	9,144
Accrued interest on loan from related party	**18,647**	9,426
Total loan from related party	**$ 1,479,546**	$ 1,442,470

The following sets out the details of the Company's related party transactions as measured at the exchange amount:

- Cost sharing agreement between Pacific, Gran Colombia Gold Corp., Pacific Coal Resources Ltd. and the Company effective May 1, 2013 (the "**Cost Sharing Agreement**"). The Cost Sharing Agreement sets out the terms and allocation of certain share general and administrative costs, such as rent, utilities and other office administrative expenses. In accordance with the terms of the agreement, the Company recognized an expense of C$18,000 (2015 - C$18,000) for the three month period ended March 31, 2016, of which $44,000 (December 31, 2015 - $27,000) was included in trade and other payables as at March 31, 2016. As at March 31, 2016, Pacific owns approximately 45.6% of the Common Shares and the following directors and officers of Pacific are directors or officers of CGX, Serafino Iacono, Ronald Pantin, Dennis Mills and Michael Galego.

At March 31, 2016, included in trade and other payables is $151,000 (December 31, 2015 - $151,000) due to these key management personnel.

11. 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,		**March 31, 2016**		December 31, 2015
Less than one month and accruals	**$**	**389,851**	$	610,436
One month to three months		**272,163**		55,411
Over three months		**27,564,413**		27,647,409
Total trade and other payables	**$**	**28,226,427**	$	28,313,256

12. Warrant Liability

As at March 31, 2016 and December 31, 2015, the warrant liability was comprised of the following:

		March 31, 2016		**December 31, 2015**
Warrant liability	**$**	**50,000**	$	300,000

During the year ended December 31, 2013, the Company issued 37,008,900 units at C$1.00 per post-consolidation unit for gross proceeds of $36,394,552 (C$37,089,000). Each unit consisted of one Common Share and one Common Share purchase warrant. Each whole Common Share purchase warrant entitles the holder to purchase an additional Common Share at C$1.70 for a period of 5 years. The Company recorded the warrants issued as a derivative liability due to their exercise price being denominated in a currency other than the Company's US dollar functional currency.

The warrant liability was re-valued at the end of the reporting period with the change in fair value of the warrant liability recorded as a gain or loss in the Company's Consolidated Statements of Loss. The warrant liability was accounted for at its fair value as follows:

		Three month period ended March 31, 2016		Year ended December 31, 2015
Warrant liability, beginning of period/year	**$**	**100,000**	$	300,000
Change in fair value		**(50,000)**		(200,000)
Warrant liability, end of period/year	**$**	**50,000**	$	100,000

The Company utilized the Black-Scholes valuation model to estimate the fair value of the warrants at March 31, 2016 and December 31, 2015 using the following assumptions:

		March 31, 2016		December 31, 2015
Number of warrants outstanding		**37,008,900**		37,008,900
Exercise price		**C$1.70**		C$1.70
Risk-free interest rate		**0.54%**		0.48%
Expected life (years)		**2.1**		2.3
Expected volatility		**70%**		70%
Expected dividends		**-**		-
Dilution factor		**25%**		28%
Fair value of warrants	**$**	**50,000**	$	100,000

12. Warrant Liability *(continued)*

Volatility for these warrants has been calculated using three year historical volatility of comparable companies. The value of these warrants has also been multiplied by a dilution factor due to the impact that the exercise of the warrants would have on the dilution of the Company's stock as a result of the significant amount of warrants in relation to the number of common shares outstanding. The dilution factor is calculated by dividing the number of the warrants being valued by the outstanding number common shares plus the number of warrants being valued.

13. Capital stock

Share Capital

The Company is authorized to issue an unlimited number of Common Shares without par value. Changes in the issued and outstanding Common Shares are as follows:

	Number of Shares	$
Balance at December 31, 2014	87,483,788	$ 249,448,917
Issued for exploration and evaluation expenditures	6,254,245	2,818,259
Exercise of options[1]	127,500	62,684
Reserve transferred on exercise of options	-	57,431
Share issue costs	-	(22,600)
Balance at December 31, 2015	**93,865,533**	**$ 252,364,691**
Issued for exploration and evaluation expenditures	**16,522,500**	**5,500,000**
Balance at March 31, 2016	**110,388,033**	**$ 257,864,691**

[1]The average fair value of the shares issued through the exercise of options on the date the options were exercised in the three month period ended March 31, 2016 was $Nil (year ended December 31, 2015 - $0.73).

2016
On January 11, 2016, as part of the definitive agreement with JDC, 16,522,500 Common Shares were issued to settle $5,500,000 of the amounts owing under the agreement (See note 9).

2015
On March 13, 2015, as part of the 15,534,310 Common Shares to be issued under the seismic contract with Prospector (See note 9), the remaining 6,254,245 Common Shares were issued to Prospector.

Common Share Purchase Warrants

The exercise price and expiry date of the warrants outstanding at March 31, 2016 are as follows:

Warrants	Exercise Price	Expiry Date
37,008,900	C$1.70	April 26, 2018
37,008,900		

Stock Options

The Company established a share option 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 10% of the number of Common Shares outstanding.

13. Capital stock *(continued)*

Stock Options *(continued)*

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 March 31, 2016, the Company had 2,973,803 (December 31, 2015 – 841,553) options available for issuance under the plan.

Changes in the number of stock options outstanding are as follows:

As at,	**March 31, 2016**		December 31, 2015	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of period/year	**0.57**	**8,545,000**	0.74	8,747,000
Transactions during the year:				
Exercised	**-**	**-**	0.49	(127,500)
Expired/Forfeited	**0.61**	**(480,000)**	7.63	(74,500)
Outstanding/Exercisable at end of period/year	**0.60**	**8,065,000**	0.57	8,545,000

The following table provides additional outstanding stock options information as at March 31, 2016:

	No. of Options Outstanding and Exercisable	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**
$ 0.25 - $0.53	7,897,500	2.57	$0.49
$ 2.31 - $6.16	92,500	0.63	$4.32
$ 7.70 - $8.09	75,000	0.71	$7.96
$ 0.25 - $8.09	**8,065,000**	**2.54**	**$0.60**

14. Reserve for share based payments

A summary of the changes in the Company's reserve for share based payments for the three month period ended March 31, 2016 and the year ended December 31, 2015 is set out below:

	March 31, 2016	December 31, 2015
Balance at beginning of period/year	**$ 27,151,131**	$ 24,458,821
Shares issued for exploration and evaluation expenditures (note 9)	**-**	(2,818,259)
Shares issued for exploration contract cancellation fees (note 9)	**(5,500,000)**	-
Shares to be issued for exploration contract cancellation fees (note 9)	**-**	5,500,000
Reserve transferred on exercise of options	**-**	(57,431)
Equity portion of convertible debenture (note 10)	**-**	68,000
Balance at end of period/year	**$ 21,651,131**	**$ 27,151,131**

15. Commitments and contingencies

The Company has entered into agreements for operating leases and service contracts. The future minimum lease payments and contract commitments over the next five years are as follows:

Fiscal Year Ended December 31,	**Operating Leases**
2016	**165,000**

Operating Leases

The Company has operating leases related primarily to obligations associated with office facilities.

16. Segmented information

Operating Segments

At March 31, 2016, the Company's operations comprised 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 consolidated financial statements also represent operating segment amounts.

Geographic Segments

The Company currently has one reportable segment as at March 31, 2016, 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,	**March 31, 2016**	December 31, 2015
Identifiable assets		
Canada	**939,786**	1,713,898
Guyana	**28,894,688**	28,591,566
	29,834,474	30,305,464

17. Subsequent event

On April 18, 2016, CGX entered into a term sheet with a potential partner (the "**Partner**") in respect of CGX's wharf and logistics yard located in Berbice, Guyana (the "**Term Sheet**"). The Term Sheet contemplates an initial payment upon signing of the Term Sheet and subsequent payments based upon agreed milestones. The Term Sheet also provides the Partner with a seventy-five day exclusivity period within which to conduct further due diligence and to allow the parties to negotiate definitive documentation.