

CGX Energy Inc.



Geology and Prospectivity of CGX Energy Inc.'s Oil & Gas Exploration Concessions in Guyana - Guyana-Suriname Basin, Northeastern South America



David J. Birnie, P. Geoph.

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Published April, 2002*)

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1.0 SCOPE OF WORK AND USE OF THIS REPORT

Both this report and an earlier version by the same author (Birnie, 2002) were prepared at the request of the Board of Directors of CGX Energy Inc. (CGX) and follow the disclosure standards with respect to Oil and Gas Prospects outlined in Section 5.9 of National Instrument 51-101, *Standards of Disclosure For Oil and Gas Activities*, published by the Canadian Securities Administrators and in force as of September 30, 2003. See Figure 1 for a summary of required disclosure items regarding CGX Energy's Guyana offshore 'prospects'.

CGX Energy Inc. (OYL.U-TSX-V) is a Canadian oil and gas exploration company with common shares that trade on the TSX Venture Exchange (TSX-V). They were originally listed for trading on the Canadian Venture Exchange (CDNX) in US currency on May 4, 2000. See CGX's website at www.cgxenergy.com. CGX Resources Inc., registered in the Bahamas, is the wholly-owned subsidiary of CGX Energy Inc. In September 2003, CGX incorporated a subsidiary company in Guyana, ON Energy Inc., to explore for and develop oil and gas on the onshore portion of its Corentyne Prospecting License. CGX Energy Inc. presently owns 84.6% of ON Energy, the rest being currently held by private Guyanese interests.

The purpose of this 'Update Geological Report' is to update an original report by the same author/ independent consultant published in April 2002 entitled "Geology and Hydrocarbon Prospectivity of CGX Energy Inc.'s Corentyne Block and Western Annex - Guyana-Suriname Basin, Northeastern South America" (see Birnie, 2002). This report is intended to be read and used in tandem with the original Birnie (2002) report. Together they are intended to

- 1) Demonstrate the geological and exploration merit of CGX's oil and gas concession interests in Guyana as well as,
- 2) Provide an independent overview and context of CGX's current activities for inclusion in the company's public file.

In addition to Guyana activities, CGX decided in mid-2001 to invest in low risk exploitation drilling in the Western Canadian Sedimentary Basin in Alberta. Unable to proceed with its Guyana exploration program at the time due to the Guyana-Suriname border dispute, there was a desire "to generate sufficient cash flow to increase CGX's treasury and cover ongoing operations". Availability of in-house expertise regarding the development of Canadian oil and gas opportunities was also a factor. Western Canada Basin (WCB) activity was briefly reviewed in CGX's 2001 and 2002 annual reports. Effective April 1, 2003 CGX sold its Alberta production to Apex Energy (Canada) Inc. (see June 11, 2003 news release). Several small hydrocarbon property interests were retained. WCB activity is specifically excluded from review in this geological report.

In the course of my research for this report, I have relied on information prepared and provided to me by CGX employees and contractors. No attempt was made to audit or otherwise independently verify the accuracy or completeness of the information provided except as explicitly expressed below.

Documents and information examined by myself in CGX's company files in their offices in Calgary, Canada during the course of my work include the following:

- 1) All documents listed in this report under Section 10.0 'LIST OF REFERENCES'. In addition, all documents listed in Birnie (2002).
- 2) Seismic lines and associated interpretations made by CGX employees. I reviewed these at CGX's offices.

Geologic risk assessments as well as preliminary prospect resource size modeling results presented in Birnie (2002) for the offshore turbidite play were prepared independently by me in 2002 based on my experience with international exploration projects and hydrocarbon prospects elsewhere. They have not been changed for this update report as no new information of substance is available either from CGX's internal confidential files or in the public domain. Onshore Guyana exploration is not yet to the stage where specific drillable prospects have been identified.

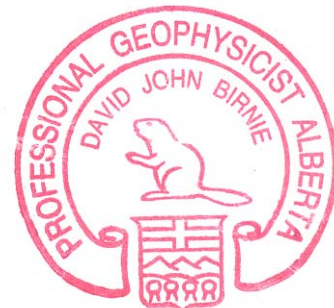
The effective date of this report is May 31, 2004. I reserve the right to alter my opinions regarding project risk and reward to give effect to any information discovered subsequent to my initial reliance on information provided to me as background to preparing this report as described above.

It is expressly understood that Great Ideas Consulting Ltd. will be held harmless and be indemnified for any consequences arising from reliance on our advice, reports or actions of the firm and its consultants, carried out in good faith and within the expertise expected of a professional geological and geophysical consultant.

Please note the 'CERTIFICATION OF QUALIFICATION' for David J. Birnie at the end of this report.

David J. Birnie

David J. Birnie, P. Geoph.
APEGGA Member # M24419
Great Ideas Consulting Ltd.



2.0 EXECUTIVE SUMMARY

Since its entry as a player in Guyana in 1998, CGX Energy Inc. (CGX) has built a dominant exploration land position on the offshore Guyana side of the Guyana-Suriname Basin. Since the last overview report by Birnie (2002), deals were made with ENI-AGIP in 2002 to enter the Georgetown Prospecting License and in late 2003 with Century Guyana Ltd. to acquire the Pomeroon Prospecting License. The Pomeroon License is in the northwestern offshore area of Guyana and is considered part of the East Venezuelan Basin. These land additions offer further diversification of geological play types beyond the Tertiary turbidite play in two under-explored and prospective Atlantic margin basins.

Source rock and oil characterization data demonstrate the presence of world-class source rocks as well as evidence that the Guyana-Suriname Basin is currently generating hydrocarbons. CGX is targeting commercial accumulations of light oil in the offshore. Target recoverable resource sizes are in the 100's of millions of barrels range with additional upside possible. Two drillable prospects for the Tertiary turbidite play have been matured – EAGLE and WISHBONE (see Birnie, 2002 and Figure 1). In addition, a number of exploration leads requiring further technical investigation have been identified.

As of the publication date of this report (31-May-2004), offshore exploration activities in the area remain suspended. In late February 2004 the government of Guyana launched a claim under the United Nations Convention of the Law of the Sea (UNCLOS) to resolve the Guyana-Suriname marine border. This process should result in a definitive resolution to the dispute, ending several years of uncertainty following the actions of Suriname navy gunboats against CGX's offshore drilling rig in the disputed border area in June 2000. The time frame of the UNCLOS resolution process is expected to be one to three years; however, there is no guarantee regarding this estimate for dispute resolution.

Offshore sub-period work programs may need revamping and re-negotiation with the Guyana authorities as the Guyana-Suriname border and associated concession boundaries are clarified. Only then can exploration activity, and in particular drilling, resume. As exploration evolves, CGX will need new partners and/ or additional financing (probably both) to move exploration drilling forward on a variety of fronts and objectives.

In the meantime, CGX initiated during the latter half of 2003 an active onshore Guyana exploration program via formation of a Guyanese subsidiary company, ON Energy Inc. CGX and Guyana authorities agreed to carve out the onshore portion of CGX's Corentyne Block, and together with additional new onshore acreage, created the onshore Berbice Block (~3200 km²) which was transferred to ON Energy Inc. Subsequently, a portion of ON Energy (ON) was sold in late 2003 to local Guyanese business interests. CGX now owns 84.6% working interest of ON.

Since September 2003 ON has completed background geological research, conducted reconnaissance surface geochemistry surveys, and commissioned a consultant interpretation of regional aeromagnetic data. Leads and trends of interest have been defined. A prospect development stage was initiated in April 2004 with a first pass land 2D seismic dynamite program started and currently in progress. Further activity now awaits the processing and interpretation of the 2D seismic (May to July 2004) and subsequent follow-up recommendations.

Planning is in place to mobilize a land drilling rig to Guyana such that ON Energy could be ready to drill as early as late 2004 dependent on a sufficiently attractive drillable target or group of targets. Similar to onshore Suriname, targets are anticipated to lie between 500 and 2000 meters drill depth with oil accumulations most likely to be heavy to medium oil (12-25⁰ API gravity range). Target recoverable resource sizes are in the 10's of millions of barrels range with additional upside possible.

There are still regulatory approvals required before ON Energy can drill on the Berbice Block; however, none are considered to be overly difficult at this point in time. An example is a clearance by the environmental agency, EPA Guyana, for drilling and production operations. The Guyana Geology and Mines Commission (GGMC) is in the process of reviewing and updating petroleum drilling regulations using as models Alberta Canada for the onshore, and US MMS for the offshore.

Evaluation Date	April 15, 2002. Updated May 15, 2004.		
Operator Name	CGX Energy Inc.		
Basin Name and Type	Guyana-Suriname Basin - South Atlantic passive margin		
Basin Location	Offshore/ onshore northeastern South America - most of CGX license acreage is offshore with principal identified targets in 50-500 meter water depth.		
Distance to Nearest Analogous Production (Turbidite Play)	Trinidad: ~ 600 Km Brazil: ~3900 Km		
Drilling Commencement Dates	Unknown (currently depends on resolution of Guyana-Suriname border dispute). First prospect (<i>EAGLE</i>) is drill ready. Second prospect (WISHBONE)		
Depth of Primary Target - Turbidite Play	3200-4500 meters - 3650 meters for <i>EAGLE</i> Prospect		
Estimated Cost to Drill and Test a Well to Target Depth	\$8-12 MM US for first offshore exploration well drilled by a 3-leg jack-up including mobilization and demobilization costs.		
Range of Hydrocarbon Pool or Field Sizes	The 5% to 95% probability size range modelled by the USGS in the basin for recoverable resource is 2-510 MMBbls for oil and 10-1500 Bcf for gas.		
Probability of Success	Geological Chance of Success (COS) for an oil discovery on the first exploration well is modeled as 0.123 (risk of 1:8). Economic Chance of Success has not been modelled by this evaluator.		
Geological Risks (Adequacy Elements)	Currently modelled as Reservoir - 0.50, Trap - 0.66, Source - 0.99, Migration - 0.75		
Product Type Expected	Oil and natural gas. Probability currently assessed as oil - 0.50 and gas - 0.50.		
CGX's Guyana Interests:	Gross	Net	
Area Under Lease (acres)	9,030,000	6,950,000	Multiple Prospecting Licenses :Corentyne, Georgetown, Pomeroon
Current Guyana Production	0	0	
Current Guyana Reserves	0	0	
Evaluator's Name and Contact	David Birnie, P. Geoph. dbirnie@geoseis.ca		

Figure 1: Summary of Disclosure Regarding CGX Offshore Guyana Oil Prospects

3.0 UPDATES TO THE CGX – GUYANA STORY SINCE APRIL 2002

Summary of CGX Current Interests in Guyana by Concession

CGX's oil and gas concession interests in Guyana as of May 2004, offshore and onshore, are shown in Figure 2 and listed in Figure 3. Since the report of Birnie (2002) three new exploratory land positions have been added to CGX's Guyana portfolio:

- In April 2002 CGX acquired ENI-AGIP's 25% interest in the Georgetown Petroleum Agreement (REPSOL is 75% partner and operator). The Government of Guyana approved the transfer on Sept. 3, 2002. Gross area is 11094 km²; net area 2774 km².
- In September 2003 CGX announced the beginning of exploration on the onshore portion of its Corentyne Prospecting License via subsidiary ON Energy Inc. At that time additional acreage (1660 km²) was added to CGX's Corentyne licence onshore interests (~1540 km²). This combined block is referred to as the 'Berbice Block' and stretches from the Corentyne River (border with Suriname) east along the coast to just northwest of the Berbice River (see Figure 2). Approval and transfer of CGX's Berbice Block interests from 100%-owned CGX Resources Inc. to, at the time, 100%-owned ON Energy Inc. was approved effective September 30, 2003. Subsequent to that date CGX sold a portion of ON Energy Inc. to private Guyanese parties and now remains with 84.6% of ON Energy.
- In December 2003 CGX signed a purchase and sales (P&S) agreement with Century Guyana Ltd. to acquire a 100% interest in Century's Pomeroon Prospecting License (11254 km²) located offshore Guyana between CGX's Western Annex block (part of Corentyne license) and the Venezuelan border. Fulfillment of all conditions associated with this P&S agreement is still pending, the primary being the formal approval by Guyanese authorities, amended work program, validation of the license and subsequent transfer of title.

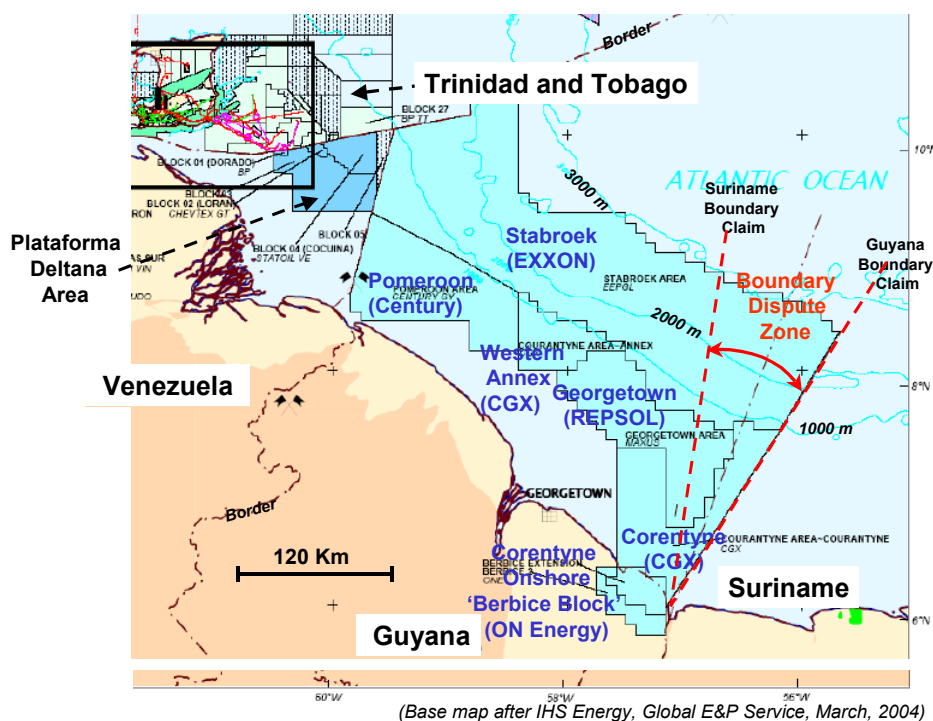


Figure 2: Guyana O&G Prospecting License Names and Operators

G&G Data Distribution on Concession:											
Petroleum Prospecting License Name	Onshore/Offshore	Water Depth (m)	Area Size (Km ²) - 2004-05	Operator	CGX Entry (Month-Year)	CGX - % WI	Comment	# of Existing Wells on Licence	2D Seismic Acquired When? (Years)	Exploration Play Types Recognized	Next Expl. Stage
Pomeroon	offshore	20-500	11254	CGX	2003-12 (P&S*)	100%	Area of Guyana-Venezuela border dispute	1	Mobil (1991, 1993), Deminex (1973/ 76)	A, B, E	2D seismic
Corentyne - Western Annex	offshore	100-1000	3968	CGX	2000-12	100%	Area of Guyana-Venezuela border dispute	0	Deminex (1973/ 76), TOTAL (1990)	D	2D seismic
Georgetown	offshore	20-200	11094	REPSOL	2002-04	25%	Area of Guyana-Suriname border dispute	7	Deminex (1973/ 76), LASMO (1989), REPSOL (1999)	A, B, C	Drill
Corentyne	offshore	0-200	9838	CGX	1998-06	100%	Area of Guyana-Suriname border dispute	1	Seagull (1981-82), Lasmo (1989), Guyana Expl. (1990), CGX (1999)	A, B	Drill
Corentyne - Berbice Block	onshore	NA	3060	ON Energy	1998-06 plus addition 2003-09	84.6%		8	2004 land program (in progress)	F, G	2D seismic (current)
Total =			39214	* - Purchase and Sales (P&S) agreement in place - conditions still apply							

Figure 3: Overview of CGX Energy Inc.'s Oil and Gas License Interests in Guyana – Status as of May 2004

Concession and Partner Issues

Corentyne Prospecting License (offshore in 0 to 1000 meter water depth)

The original Corentyne Prospecting License agreement between CGX and the government of Guyana (GGMC) was effective June 1998. The offshore portion of the Corentyne License is in an area of disputed jurisdiction between Guyana and Suriname. See discussion Section 5.0.

Georgetown Prospecting License (offshore in 20 to 200 meter water depth)

The original Georgetown Prospecting License agreement between Maxus (taken over by REPSOL) and GGMC was effective November 1997. A first round of seismic data was shot in 1999 and funding this expenditure was the mechanism whereby AGIP farmed in and earned a 25% interest in this license. The Abary #1 well, drilled by Shell in 1974, lies on the Georgetown license (Figure 2). This 3990-meter well was abandoned due to drilling problems prior to reaching its primary objective but has a significant light oil show nonetheless. See discussion in Section 7.0.

Since CGX's deal with AGIP to purchase an interest in the Georgetown license, and subsequent approval as a partner by Guyanese authorities in September 2002, CGX has had one meeting with operator REPSOL (during 2003). Exploration work has been, and is still, suspended due to the Guyana-Suriname border dispute. See the area of border dispute on Figure 2. CGX and REPSOL have an existing Joint Operating Agreement (JOA) via the original Maxus-AGIP agreement. Under the JOA, approval of work program and budgets requires 80% working interest approval. This essentially mandates a mutually acceptable plan between the parties regarding significant go-forward exploration work commitments, expenditures, or changes in the work program or any other material terms of the concession.

CGX currently ranks the turbidite/ low-stand fan play as its number one objective on the Georgetown license. Under the existing work program approved between the joint venture and Guyana (now suspended), the next step is the drilling of an exploratory well. REPSOL during 2003 indicated alternative geological interpretations and work program recommendations.

Pomeroon Prospecting License (offshore in 20 to 500 meter water depth)

The original Pomeroon Prospecting License agreement between Century Guyana Ltd. and GGMC was effective November 1997. Century re-interpreted available seismic data on the license (Figure 2) and identified a number of exploration play types. Similar to all existing offshore exploration licenses in Guyana, exploration is on standby pending resolution of marine border disputes, in this case between Guyana and Venezuela.

Summary of Work Obligations by Concession – Where CGX Sits May 2004

Corentyne Prospecting License

Initial Period (June 1998 to June 2002) work commitments included a regional review, acquisition of 1800 km of 2D seismic, the drilling of the first exploration well (Horseshoe #1) and subsequent interpretation of well results.

The license is currently under First Renewal – license extension for 3 years starting June 2002. Therefore, CGX is almost two-thirds through this extension period. Obligations include the following:

- 1) June 2002 to December 2004:
 - Main Block – Conduct a pilot geochemical survey onshore (complete)
 - Annex Area – Interpret 3300 km of seismic and reprocess 825 km
- 2) December 2004 to June 2005:
 - Shoot 500 km² of 3D seismic, or 1500 km of 2D seismic, or drill one exploration well

A 20% land relinquishment is required in June 2005 at the end of the First Renewal. GGMC has indicated that an extension may be granted to recognize the delays associated with the border dispute with Suriname.

Georgetown Prospecting License

The principal terms and commitment of the Initial Period are a regional review, the shooting of 1700 km of new 2D seismic (both completed) and the drilling of the first exploration well (not yet completed). Completion of Initial Period requirements is suspended, pending the resolution of the Guyana-Suriname border dispute. Although discussions between CGX and operator REPSOL have occurred about possible changes to the current work program, no changes have been authorized by the operating committee of the joint venture.

Pomeroon Prospecting License

Work program obligations will need to be reset after the formal transfer of this license to CGX and negotiation of a license extension with GGMC. CGX's proposal for a revised work program for the initial 18-month period includes:

- Access by CGX to ~6000 km of existing vintage 2D seismic
- Reprocessing and reinterpretation of a portion of the above total
- Conducting of a satellite hydrocarbon seepage analysis
- Integration of regional aero magnetic, gravity and geological data

The second 18-month period work program proposes the shooting of additional new seismic, or the drilling of one exploration well.

Berbice Block

The principal terms and commitment of the 4-year Initial Period are as follows:

Year 1: October 2003 to October 2004:

- Conduct a surface geochemical survey
- Interpret existing geophysical data (in this case, aeromagnetic data)

Year 2: Conduct further geochemical studies, or a gravity survey or drill a well

Year 3: Acquire seismic or drill an exploration well

Year 4: Conduct further geochemical or geophysical work and/ or drill an exploration well

CGX's current plans contemplate the possibility of a more aggressive exploration time schedule with a larger work program. This situation is currently under discussion with GGMC.

<i>Petroleum Prospecting License Name</i>	<i>Current Financial Obligations by License Holders</i>	<i>Third Party Residual Interests in License</i>
Pomeroon	Annual license fees of \$50000; also annual training fees of \$40000	2% carried WI to Century which can be bought out by issuing 2000000 shares of CGX Energy Inc.
Corentyne (including Western Annex portion)	Annual license fees of \$40000; also annual training fees of \$40000	No encumbrances known
Georgetown	Annual license fees of \$50000; also annual training fees of \$40000	1) Payment to ENI-AGIP of \$1 MM US if a well is spudded on one of the original turbidite hydrocarbon leads identified while ENI-AGIP was involved with the license. 2) A participation agreement exists with Petrel Petroleum which provides for the JV to pay a fee of \$140000 US upon spud of the first 2 wells plus a carried 2.7% NI on profit oil cash flow (as defined by the license agreement).
Corentyne - Berbice Block	Annual license fees of \$10000; no annual training fees	No encumbrances known

Figure 4: CGX Guyana Licenses – Financial Obligations and Third Party Residual Interests

4.0 INDUSTRY ACTIVITY IN THE REGION

Industry non-CGX oil and gas concession interests in the region are summarized in Figures 2, 5, and 6.

Concession (License) Name	Onshore/ Offshore	Water Depth (m)	Area Size (Km ²)	Operator (s)	Operator Entry (Year-Month)	Operator- % WI	Comment	# of Existing Wells on License	Seismic Acquired When? (Years)	Exploration Play Types Recognized	Next Expl. Stage
Guyana Deep Water - Stabroek License	offshore	100-5000+	49630	EXXON	1999-11	100%	Under 'force majeure' due to border disputes	0	Shell (1966/ 1971)	D	2D seismic
Suriname Deep Water Block 30	offshore	50-2500	18600	REPSOL	2004-04	100%	Heads of Agreement signed 2003-12; 30-year PSC signed 2004-04	1	Burlington et al (2000) Western Spec (2001)	A, B	2D seismic
Suriname Block 31	offshore	35-100	13859	Maersk	2004-05	100%	Heads of Agreement signed 2004-05; PS in negotiation	5	NA	NA	NA
Suriname Onshore	onshore	NA	NA	Staatsolie (State)	NA	100%	Two producing oil fields - Tambaredjo (1982) ~ 16 API, Calcutta (2003) - reported lighter	200+	3-D (2000) on Tambaredjo	F, G, H	NA
Venezuela Offshore, Plataforma Deltana Area	offshore	50-1000	NA	3 Gas Licenses: Statoil (4), ChevronTexaco (2, 3); ConocoPhillips (2)	2003-02	Blocks 3, 4 100%; Block 2 - 60/ 40		NA	NA	NA	Expl. Drilling

Figure 5: Overview of Other Regional Oil and Gas Concession Interests – Guyana-Suriname-Venezuela that Border on CGX's Guyana Licenses

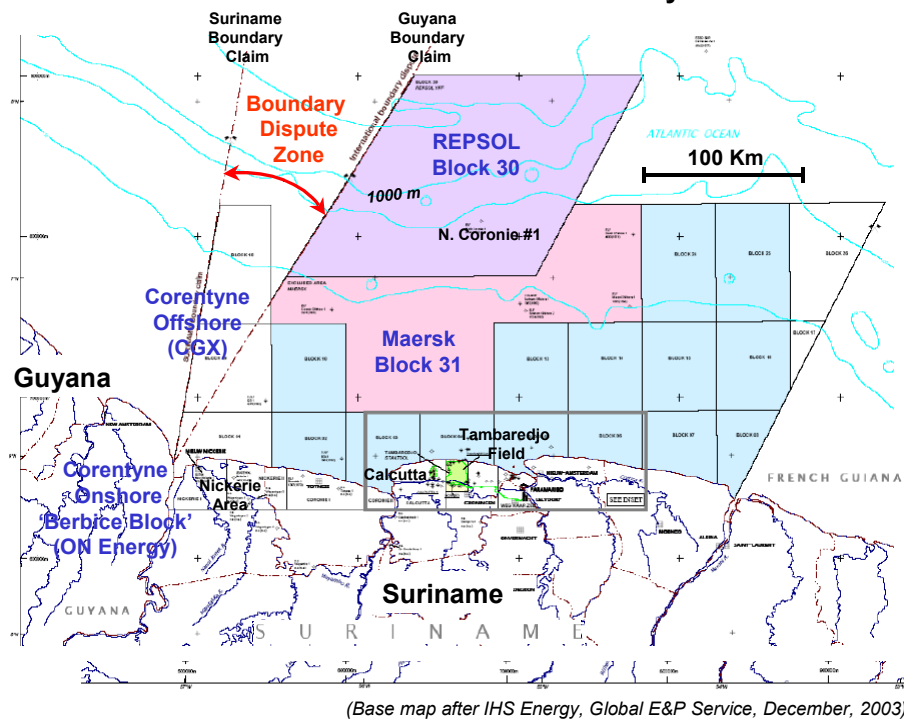


Figure 6: Suriname Concession Names and Operators

Other Guyana

Exxon Corp. signed a large deep water exploration block (Stabroek License, Figure 2) in November 1999 (from the Guyana shelf edge to 5000+ meter water depth). Exxon has declared '*force majeure*' on this block and suspended work obligations pending acceptable resolution of regional border disputes. The next work program on its block is new 2D seismic data acquisition.

Suriname

REPSOL-YPF signed a Heads of Agreement with Staatsolie (Suriname state oil company) in December 2003 on deep water Block 30 east-northeast of CGX's Guyana Corentyne block (Figure 6). A subsequent 30-year PSC agreement was negotiated and signed on April 24, 2004. A three-phase exploration program was announced: Phase 1 – 2D seismic, Phase 2 – 3D seismic, Phase 3 – 1 exploration well with a decision to proceed at the end of each stage. Block 30 (18600 km²), 100 km off the coast of Suriname, is part of a previous block awarded to Burlington, Shell, TOTAL and the Korean national Oil Company in 1999. This consortium withdrew in 2001 after shooting ~ 6000 km of 2D seismic during its first exploration sub-period.

Block 30 includes the North Coronie #1 well, drilled by ELF to 5406 meters in 1975 (Figure 6). This well penetrated several geological intervals of interest :

- ~ 320 meters of organic-rich source rock in the Cenomanian-Turonian interval (see Section 7.0)
- a Late Cretaceous turbidite reservoir (North Coronie member) – 50+ meters of reservoir quality sand at the base of the New Amsterdam formation

In-board of REPSOL's Block 30, Staatsolie and Maersk Oil signed a heads of Agreement on May 14, 2004 for offshore Block 31 (13859 km²; see Figure 6). A PSC is now being negotiated. Block 31 lies ~ 30 km off the Suriname coastline in water depths ranging from 35 to 100 meters. Blocks 30 and 31 are outside the current area of boundary dispute between Guyana and Suriname and therefore exploration can proceed.

Staatsolie is currently offering 13 remaining offshore blocks for exploration during its Second Bidding Round for offshore blocks – November 24, 2003 to May 24, 2004. This is a second pass after Suriname's first offshore bidding round during November 2002 to May 2003.

Staatsolie is also looking for new partners for its onshore exploration efforts. While offshore targets are medium to light oil, onshore targets are most likely heavy oil similar to Staatsolie's producing Tambaredjo Field (16-18° API). A new oilfield east of Tambaredjo, Calcutta, was declared in late 2003 (Staatsolie, 2003c). Koch Exploration Company surrendered its onshore Wayombo concession, west of Tambaredjo, in February 2003 after drilling six wells, three dry and three potential producers (personal communication to Warren Workman, CGX Exploration Vice-president from Koch).

Venezuela and Trinidad

The continental shelf area offshore the Orinoco River delta in eastern Venezuela, northeast of, and bordering on, offshore Guyana (Pomeroon and Stabroek Licenses) is known as the Plataforma Deltana region (see Figure 2) of the Eastern Venezuela Basin. Gas licenses were awarded during 2003-2004 to major oil companies on 3 blocks adjacent to discovered gas and gas condensate fields (Loran and Cocuina fields) in southeastern offshore Trinidad. Block 2 is operated by ChevronTexaco (ChevronTexaco – 60%, ConocoPhillips – 40%); Block 3 also by ChevronTexaco - 100%; Block 4 by Statoil - 100%.

During the exploration phase of these blocks the companies carry all costs. State oil company Petroleos de Venezuela has the right to acquire 1-35% stakes in these blocks at the time of declaration of commerciality. Both ChevronTexaco and Statoil have announced exploration drilling plans for the latter half of 2004. Statoil has announced the Ballena AX well, to be drilled to 3960 meters and located in 335 meters of water. Offshore exploration drilling in this area is expected to cost in the \$25-50 MM US range.

Published estimates of the gas potential of the Plataforma Deltana area vary from 20-40 Tcf. Several discovered gas fields in Trinidad are interpreted to cross the Trinidad – Venezuela border such that unitization agreements will be required. Natural gas from this area will likely be processed into LNG for export to the United States. ChevronTexaco indicates a target of 2008-2010 for Venezuelan LNG entering the US market.

The Eastern Venezuela Foreland Basin formed during the Cenozoic by the oblique collision of the Caribbean and North and South American plates. The offshore eastern Trinidad and Venezuela areas show the influence of a major west-east trending transpressional structural belt formed during the collision. A Tertiary clastic depocenter trend exists in the Plataforma Deltana area, extending southeast towards offshore Guyana. Relationships between the geology, exploration play types and target hydrocarbon types (gas, gas condensate, oil) in this area and the northern area of the Guyana Pomeroon License need further investigation. (Note that a technical review of the Pomeroon License is not part of the scope of this current review).

5.0 REGIONAL BORDER DISPUTES - CURRENT STATUS

Guyana-Suriname Offshore Border

On February 24 2004, Guyana notified Suriname that it was applying to the International Tribunal of the U.N. Convention of the Law of the Sea (UNCLOS), based in Hamburg, Germany to have the tribunal arbitrate the maritime border between Guyana and Suriname in the disputed area offshore the Corentyne coast. Both Guyana and Suriname are signatories to the U.N. Law of the Sea.

Previously, Guyana and Suriname had been attempting to resolve the dispute themselves via bilateral talks and diplomatic mediation efforts. The area has been in active dispute since June 2000, when a jack-up drilling rig under contract to CGX Energy Inc. was forced off its drilling location by Suriname navy gunboats.

Although the UNCLOS binding arbitration decision process may take several years (estimated by some observers as 1-3 years), the process provides for provisional relief measures that can be nominated from either side. Guyana, in its submission to UNCLOS, has asked that the exploration and exploitation of hydrocarbon resources in the area of dispute be allowed to proceed while the tribunal process is in progress.

This event is significant to CGX Energy Inc. as it will likely lead to an eventual resolution of the border dispute. Prior to referral to UNCLOS, a definitive process and timeline for resolution had been lacking.

Guyana-Venezuela Offshore Border

Venezuela has claimed most of Guyana north of the Essequibo River. This includes the offshore Pomeroon License as well as the Western Annex portion of the Corentyne License. A useful summary of the border dispute history and present status is in Joseph (2003).

To assist resolution of Guyana-Venezuela conflicting border claims, the 'Good Officer Process' under the auspices of the Secretary-General of the United Nations is searching for a peaceful and practical diplomatic settlement of the controversy (see joint communiqué issued 19-Feb-2004 during a state visit of Venezuela's president Hugo Chavez to Guyana). The 'Good Officer' is currently Mr. Oliver Jackman of Barbados. While useful, this process is informal and may or may not achieve its objective in a time frame relevant to CGX.

6.0 GUYANA EXPLORATION POTENTIAL – PLAY TYPE OVERVIEW

Geological Overview

Guyana-Suriname Basin stratigraphic charts are shown in Figures 7a and 7b (Staatsolie, 2003b and Workman, 2000 respectively). Stratigraphy and formations in the basin have previously been introduced and described in Birnie (2002). Both Figures 7a and 7b show a transition of facies and lithologies from shelf to basin (deeper offshore) across this passive continental margin basin. In Figure 7b the section lithology above the Potoco Fm. is dominantly sandstone (in pink) shorewards towards the shelf and dominantly shale (in blue) offshore towards the basin.

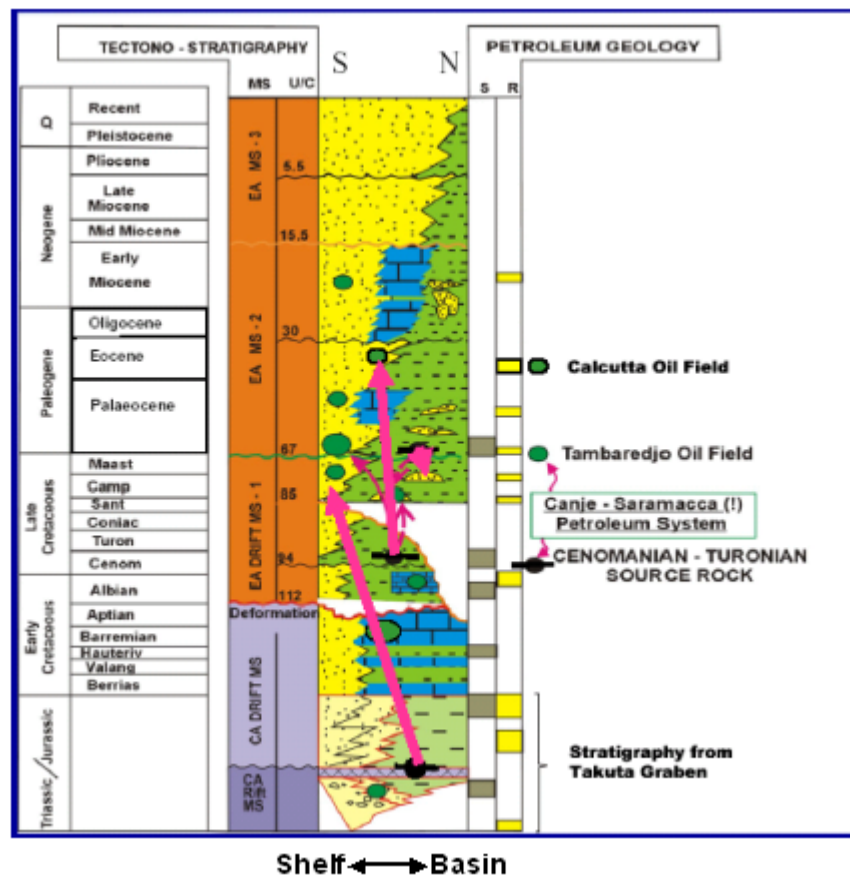


Figure 7a: Guyana-Suriname Stratigraphic Chart (after Staatsolie, 2003a)

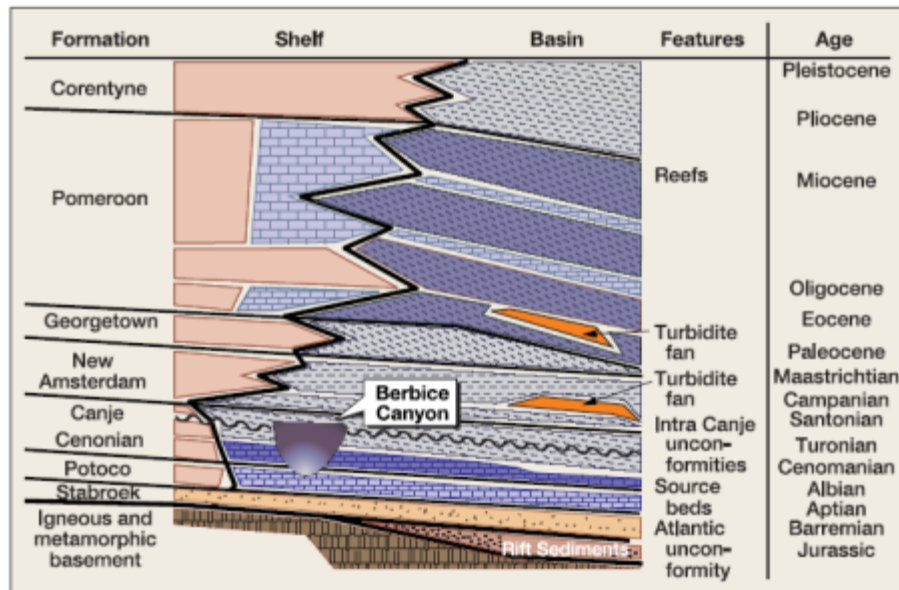


Figure 7b: Guyana-Suriname Stratigraphic Chart after CGX (Workman, 2000)

Exploration Play Types

Oil and gas exploration play types in the Guyana-Suriname Basin are shown schematically in Figure 8 (8a, 8b, 8c) and listed in the table on Figure 9. Please refer to Birnie (2002) for a more complete review.

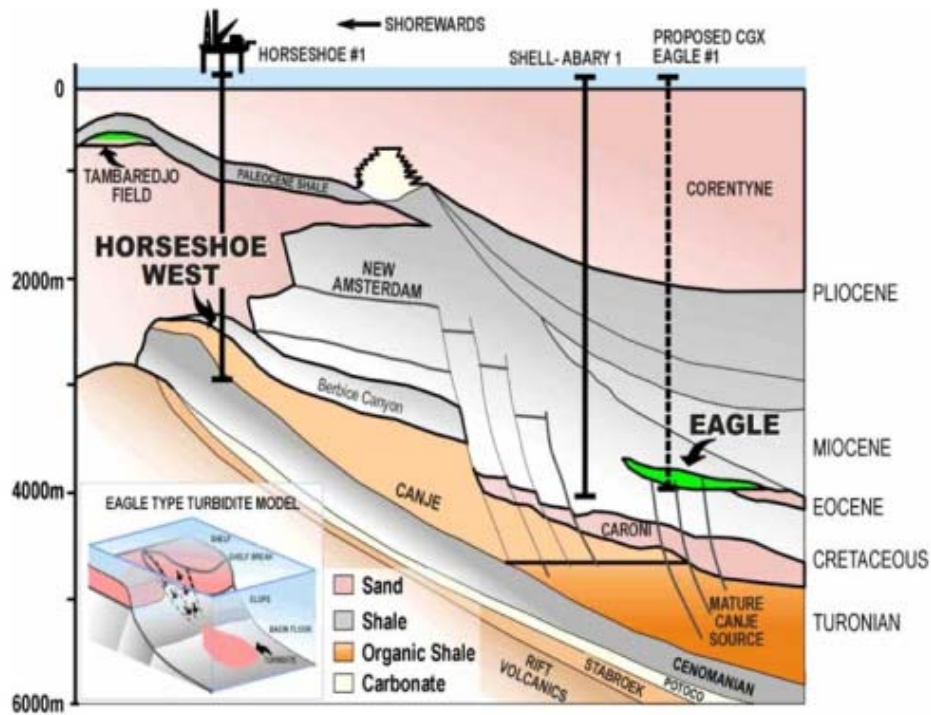


Figure 8a: Schematic Onshore to Offshore Geologic Cross-Section, Guyana-Suriname (after Workman, 2000)

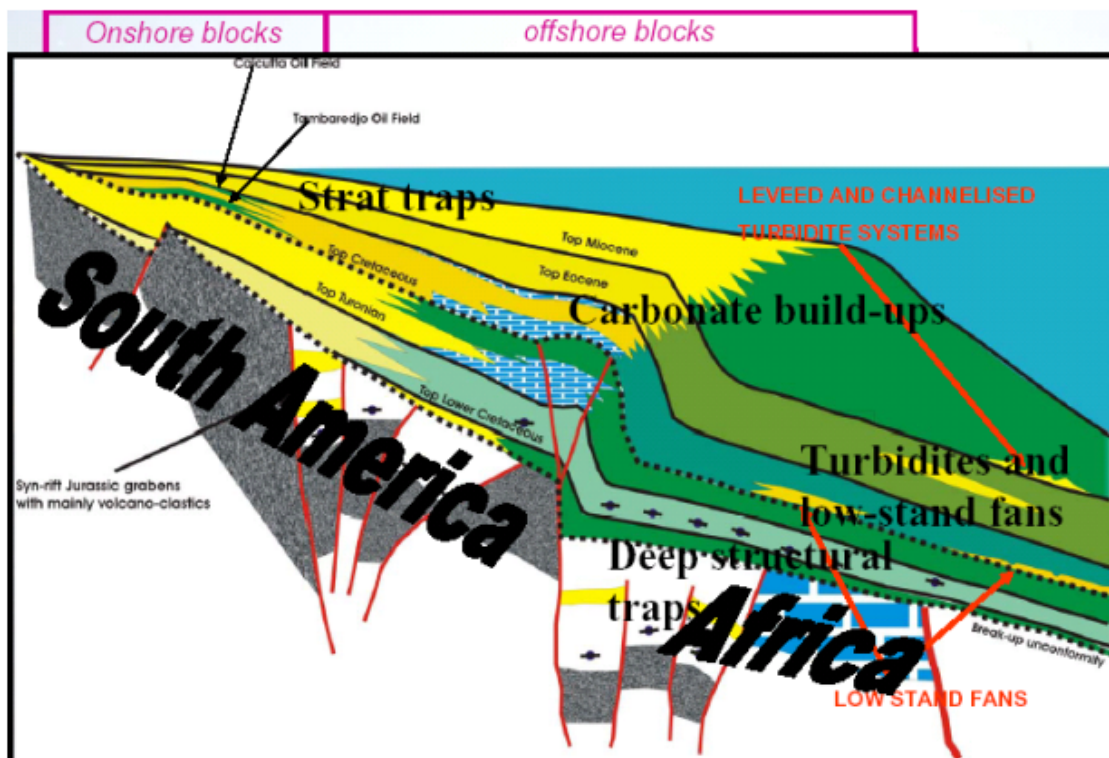


Figure 8b: Schematic Onshore to Offshore Geologic Cross-Section, Suriname (after Staatsolie, 2003a)

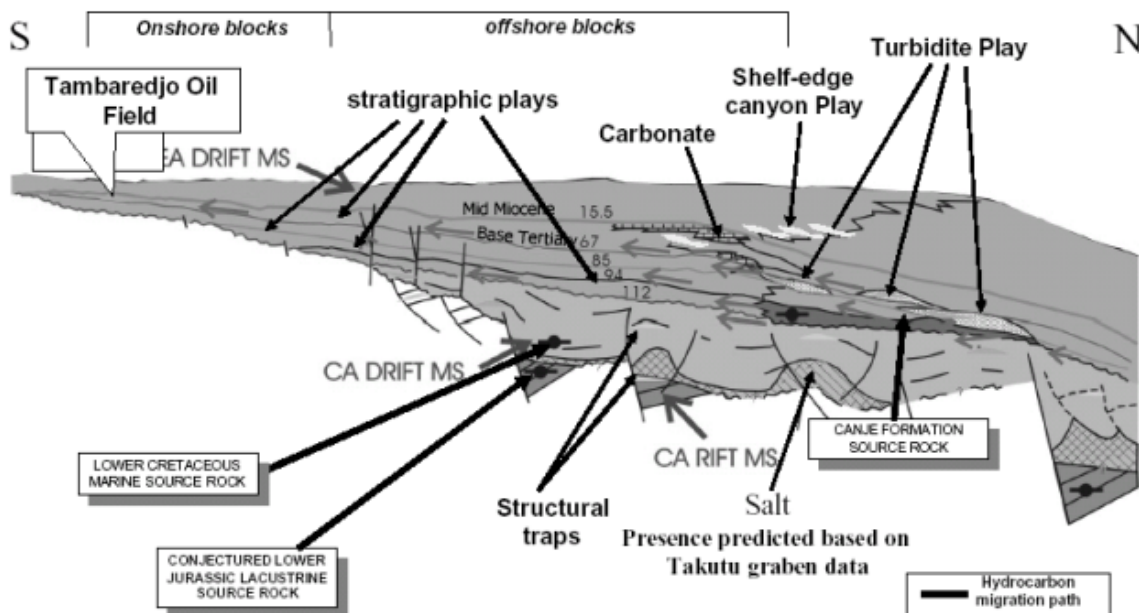


Figure 8c: Generalized Onshore to Offshore Geologic Cross-Section, Suriname (after Staatsolie, 2002)

Exploration Play Type Designation	Exploration Play Type Description	Analogy Producing in Vicinity?	Onshore/ Offshore	Where CGX is Looking (Which Licenses?)	Reservoir Risk	Trap Risk	Risk Assessment	Oil Recoverable Resource Potential
A	Tertiary turbidites	No (yes worldwide)	offshore	Corentyne, Georgetown, Pomeroon	Highest technical risk element	Strat elements of trap; e.g., updip/ lateral seal	1:8 and higher	100's of millions
B	Cretaceous turbidites	No (yes worldwide)	offshore	Corentyne, Georgetown, Pomeroon	Highest technical risk element	Both structural and strat elements of trap	1:10 and higher	100's of millions
C	Growth fault closures	No (yes worldwide)	offshore	Georgetown	Highest technical risk element		1:10 and higher	100's of millions
D	Toe Thrust	No (yes in Angola and Nigeria)	offshore	Corentyne - Annex in deep water in front of toe of slope	Highest technical risk element		1:10 and higher	Unknown
E	Normal fault structures	Oficina trend, Eastern Venezuela Basin	offshore	Pomeroon			Unknown	Unknown
F	Paleocene sand struct/ strat trap	Yes - Tumbaredjo Field (Suriname)	onshore	possible on Berbice Block - not recognized yet		Strat elements of trap; e.g., updip/ lateral seal	Unknown - still in recon stage	10's of millions
G	Cretaceous sand structural trap	No - oil show (Koch - Wayombo, Suriname)	onshore	possible on Berbice Block - not recognized yet		Strat elements of trap; e.g., updip/ lateral seal	Unknown - still in recon stage	10's of millions
H	Eocene sand struct/ strat trap	Yes - Calcutta Field (Suriname)	onshore	possible on Berbice Block - not recognized yet		Strat elements of trap; e.g., updip/ lateral seal	Unknown - still in recon stage	10's of millions

Figure 9: Exploration Play Type Summary, CGX Energy Inc. Guyana Licenses

7.0 EXPLORATION WORK GUYANA OFFSHORE – AN UPDATE

New Information Regarding Petroleum Systems

Crude Oil Characterization

During 2003, CGX arranged for Baseline DGSi (www.baselinedgsi.com) to report on three Guyana-Suriname oils from their a la carte oil library with the objective of better characterizing and documenting the geochemical signature of hydrocarbons from the basin (see Olson, 2003). The three oils are from Abary #1 (3990 meters/ 13090 feet) offshore Guyana, and Calcutta #6 (598-620 feet) and Tambaredjo #Q-24 (960-966 feet), both onshore Suriname. No explanation was given as to how these oils came to be a part of DGSi's oil library.

DGSi's sample #1 is from 3990 meters from the New Amsterdam Fm. at the base of the Shell Abary #1 well (drilled 1974-75). This sample analyzes (analysis date of May, 2002) as 36.3⁰ API gravity with <0.1% sulfur. Several significant shows of hydrocarbons occurred during the drilling of the Abary well from several zones in Upper Cretaceous (New Amsterdam) and Tertiary sediments (Lower Paleocene Georgetown) between 2955 meters and 3990 meters (9700 feet to 13091 feet). These shows, varying from dead oil staining to strongly oil and gas-cut mud (C2, C3, C4 present) were encountered ~3 km away from the interpreted (by CGX) distal edge of a nearby offsetting Lower Tertiary turbidite deep sea fan feature. This fan occurs on REPSOL's Georgetown concession and is similar to CGX's interpreted turbidite play prospects EAGLE & WISHBONE briefly reviewed in Birnie (2002). No DST's were run in the Abary #1 well before the hole was lost due to mechanical problems. API gravity for the Abary oil shows had been previously reported by Shell as 34.7⁰ API.

Biomarker analysis by DGSi on the Abary oil sample indicates a predominant marine shale source (Type II) with additional minor contribution of terrigenous material. Biomarker ratios indicate the oil is mature, interpreted to have been expelled during the middle of the main phase of oil generation – 0.95% R₀ equivalent. One particular diagnostic biomarker, Oleanane, suggests an Upper Cretaceous or younger source based on its known occurrence elsewhere in the world. Three pieces of evidence – a low relative concentration of trace metals (Ni and V), different carbon isotope values, and the Oleanane plus other biomarker differences suggest this Abary oil derives from a different source horizon than the Calcutta and Tambaredjo oils.

DGSi samples #2 and #3 from the Calcutta and Tambaredjo oil fields, onshore Suriname are severely biodegraded heavy oils (bacterial alteration when temperature is below 100⁰F) with APIs of 15.9⁰ and 16.2⁰ and sulfur contents of 0.75% and 0.55% respectively. Biomarker analysis again indicates a predominant marine shale source (Type II) with additional minor contribution of terrigenous material. Biomarker ratios indicate the oil is less mature, interpreted to have been expelled during the beginning of the main phase of oil generation – 0.80% R₀ equivalent. Biomarkers indicate that the Calcutta and Tambaredjo oils are genetically related. Elevated sulfur and trace metal contents, relative to the Abary oil sample, suggest a different source horizon.

Source Rock Characterization

During 2003, the Ocean Drilling Program (see ODP, 2003) reported on preliminary results from five deep sea drill core sites from ODP Leg 207 on the Demerara Rise, offshore Suriname. The purpose of this scientific expedition was to access and study expanded sections of Cretaceous to Early Tertiary deep sea sediments.

Multiple sequences of Cenomanian to Turonian finely-laminated black shales (dark coloured, organic-rich claystones) with occasional stringers of limestone and chert were recovered. Recoveries varied from 56 to 93 meters of black shale organic facies at the five drill sites. The bulk of the organic matter is Type II (algal-microbial) with some contribution of terrigenous material (Type III). These data illustrate and confirm widespread Late Cretaceous organic-rich sedimentation. These early Cenomanian to earliest Campanian age source rock beds, with TOC contents of up to 6-8%, are believed to be the principal source rock unit of the Guyana-Suriname Basin.

Overlying the source rock beds are Campanian pelagic deep water deposits and highly lithified Maastrichtian chalks.

To the author's knowledge no definitive oil to source correlation typing has been done in the Guyana-Suriname Basin and this work was suggested to Warren Workman of CGX.

Staatsolie Petroleum System Data & Interpretation

Staatsolie (2003a) in their Suriname marketing presentation present several maps summarizing offshore crude oil shows in wells as well as oil slick and seep location occurrences documented by Shell Pecten, 1995. They also show an offshore Trinidad to Suriname oil seep density interpretation by Infoterra, 2003.

Staatsolie (2003a) interprets three petroleum systems in the offshore portion of the Guyana-Suriname Basin and maps the respective interpreted areas of mature source rock:

1. a proven Cenomanian to Turonian System, with source rocks encountered by both ODP Leg 207 as described above, as well as other offshore Suriname wells. They tie this system to the Tambaredjo and Calcutta oils.
2. a postulated Jurassic System, inferred by Lower Cretaceous oil shows (i.e., pre-Cenomanian) in offshore Suriname wells Galibi #1 and Demerara #1 and postulated in offshore syn-rift grabens, and
3. an inferred Early Tertiary System, suggested by the oil analysis/ biomarker data from the Abary #1 oil analysis which concludes the Abary oil show is different and younger than Cenomanian-Turonian sourced oils.

Turbidite Play Risk-Reserve Assessments

CGX currently has two Tertiary turbidite prospects, EAGLE and WISHBONE, available for drilling once the Guyana-Suriname border situation is resolved sufficiently that activity can resume. The target reservoir unit is the Eocene Pomeroon Fm. These prospects were reviewed in detail in Birnie (2002) and that assessment is still current as of this report.

Probability of success for liquid hydrocarbons for the EAGLE prospect is assessed as 0.123 (technical geologic risk of ~1 in 8). This is interpreted as the probability of making a discovery and *getting on* the modeled recoverable resource size distribution (see next paragraph).

Probabilistic recoverable resource modeling based on specific technical parameters for the EAGLE prospect gave P5-P50-P95 results of 1723-608-214 MMBbls. These results can also be stated in statistical terms of mean-standard deviation as 743 MMBbls (mean) + or – 471 MMBbls (one standard deviation or 67% confidence level). A full discussion of the modeling methodology, results and their interpretation is in Birnie (2002).

The USGS (see Schenk, 2000) modeled 15.5 billion barrels as its median (P50) total undiscovered recoverable resource estimate of liquid hydrocarbons (all fields) for the Cenomanian-Turonian petroleum system in the Guyana-Suriname Basin. P5-P50-P95 results for the Late Cretaceous-Tertiary turbidite portion of this are 29986-12980-3009 MMBbls. Individual field sizes were modeled in the 510-2 MMBbl range (P5-P95).

The above modeling results and a comparison to known discovered analogue fields worldwide support the conclusion of hundred's of millions of barrels as realistic target sizes for turbidite prospects offshore Guyana.

Next Steps – Offshore Guyana

1. **Pomeroon Block** - CGX plans a technical review of the Pomeroon Block including aeromagnetic interpretation, screening for hydrocarbon seeps, and review and reprocessing of existing 2D seismic data. The interpretation will also be tied and integrated with CGX's thoughts regarding the neighbouring Corentyne-Western Annex area. CGX will also monitor Venezuela activity (Plataforma Deltana).
2. **Georgetown Block** – CGX plans to meet with REPSOL to resolve a go-forward work program with GGMC. Drilling activity will wait on the results of the UNCLOS Guyana-Suriname resolution process.
3. **Corentyne Block** – CGX plans to meet with GGMC to clarify go-forward work program. Drilling activity will wait on the results of the UNCLOS Guyana-Suriname border resolution process.
 - a. Main Block Bordering Suriname – Two drillable prospects for the Tertiary turbidite play, Eagle and Wishbone, are technically ready for drilling evaluation. Evaluation of other ideas continues.
 - b. Western Annex – CGX is currently reinterpreting and selectively reprocessing older vintage 2D seismic. Existing 2D seismic line spacing is fairly wide such that additional seismic will likely be required to follow up on leads identified to date.

8.0 EXPLORATION WORK GUYANA ONSHORE – PURSUIT OF PROVEN PLAYS

CGX's ON Energy Inc. Strategy

Since offshore exploration in Guyana had been suspended for over three years due to the Suriname and Venezuela border disputes, CGX decided during 2003 to push exploration forward onshore Guyana. In September 2003 CGX announce the formation of ON Energy Inc. (ON), a Guyanese-incorporated company. ON is now actively implementing onshore oil and gas exploration of the Berbice Block in eastern Guyana bordering Suriname (see Figure 2 and discussion below).

Financing of this strategy commenced by raising private equity financing within Guyana. 19 Guyanese investors invested \$0.55 MM US during late 2003 to purchase, in total, 15.4% WI of ON. ON is now owned 84.6% by CGX. It is the intent of ON and CGX to raise additional funds to fund ongoing proposed exploration plans during 2004 and 2005 (see Section 9.0).

Analogy of Onshore Guyana to Onshore Suriname

The Berbice Block (Figure 2) lies on the southeastern coastal plain of Guyana. The coastal plain area consists of cultivated sugar cane and rice fields, savannah, some wetlands, numerous small waterways, with thick jungle vegetation along the major rivers. Swamp is present further inland, with accessibility an issue.

Similar to onshore Suriname, this coastal plain area lies along the updip margin of the offshore Guyana-Suriname Basin. A group of 8 wells, 6 drilled by Guyana Shell in 1966-67, document the sedimentary section as Cretaceous to Pliocene in age with onshore depths to basement ranging from 500 to nearly 2000 meters. Regional dip is to the north and east, towards the basin center offshore. No discoveries have been made onshore Guyana to date.

The above physical and geological environment is very similar to onshore Suriname to the east. Two commercial oil fields have been found to date onshore Suriname. The largest is Tambaredjo with ~ 900 MMBbls original oil in place (OOIP), with an estimated 167 MMBbls ultimately recoverable. Tambaredjo produces from unconsolidated Tertiary sandstones of the Paleocene Saramacca Fm. at 300-450 meter producing depth. These sandstones are interpreted as fluvio-deltaic floodplain deposits, very complex and highly variable in both vertical and lateral dimensions. These deposits are sealed locally by a ~5-20 meter thick Paleocene shale, formation waters being fresh above and salty below. The trap is interpreted as a combined structural - stratigraphic trap with N-S trending linear sand bodies associated with structural highs created by syn-sedimentary rejuvenated basement faults.

Calcutta, just west of Tambaredjo, is the second oil field under production in Suriname and is in the very early days of its producing life. It produces from the Tertiary Eocene level, at approximately 120 meters (400 feet) depth. Staatsolie (2003c) reports a test well producing 90 BOPD with the comment that “the oil is lighter and flows more easily compared to oil from the Tambaredjo field”. Potential ultimate recovery is reported as 15 MMBbls with an associated broad uncertainty range of 2-34 MMBbls. Surface ground conditions at Calcutta are swamp.

Existing onshore Suriname oil accumulations are interpreted to be updip stratigraphic-structural configurations along the updip margin of the Guyana-Suriname Basin. The oil is believed to have been sourced and generated in an oil kitchen located 100 km+ offshore (see Section 7.0) with subsequent long distance lateral migration updip to the basin margin.

Koch Oil (personal communication to Warren Workman, VP Expl. of CGX) drilled seven wells onshore Suriname on the Wayombo Concession, east of Tambaredjo during 2001. They encountered three dry holes, three Paleocene oil wells and one Cretaceous oil (12⁰ API) well. The Cretaceous oil discovery represents a new play type for the area. Due to a change in company strategic direction, Koch withdrew from the concession in February, 2003.

2003 Surface Geochemistry Survey

In the fall of 2003, ON Energy contracted Geo-Microbial Technologies Inc. (www.gmtgeochem.com) to conduct two surface geochemistry surveys on the Berbice Block:

1. Microbial Oil Survey Technique (MOST) survey
2. Sorbed Soil Gas (SSG) Analysis survey

ON Energy wished to conduct the above reconnaissance geochemistry surveys to identify any surface geochem anomalies prior to laying out a first pass 2D seismic program. ON had agreed to this with the Guyana Geology and Mines Commission as part of its work program obligation on the Berbice Block. Staatsolie had previously published results from its onshore surface geochemistry program across the Corentyne River to the south in Suriname and had identified a number of anomalies of interest. CGX also knew of two reported visible oil and gas seeps on the Berbice Block, one along the coast at Liverpool and one south of the Skeldon #1 well.

The assumptions associated with surface geochemistry techniques are as follows. In a hydrocarbon-generating basin, hydrocarbons (HCs) are generated then migrated (also possibly trapped at depth), but usually leak in varying but detectable quantities to the surface. Surface microseepage geochem anomalies are at the end of the hydrocarbon migration pathway, which can vary from a long distance lateral pathway to a short distance vertical pathway. In order to be detected, HCs must seep to the surface at a greater rate than they are destroyed by natural surface dissipation and destruction. Thus, there is often a close association of surface geochem anomalies with leaky fault and fracture systems. The very minute amounts of surface HC microseepage are invisible; however, microbial bacteria flourish in their presence (assist oxidation of HCs) such that a MOST survey will detect an identifiable signature. Surface geochemistry surveys are employed to complement conventional exploration methods as part of an integrated approach.

The objective of ON's MOST survey was to screen a large area (1250 km²) rapidly for overall HC potential and to identify any 'leads' and trends of interest. 'Leads' are defined as significant HC microseepage anomalies with concentrations of chemically detectable light HCs in surface soils, waters or sediments above background levels. The objective of the SSG survey was to determine the composition of any detected HCs and fingerprint them.

Field work was undertaken during October and November, 2003. 7977 samples were collected, then dehydrated and shipped to Tulsa, USA for processing and analysis. A total of 5343 samples were analyzed for the MOST survey and 108 for the SSG survey. Field survey and analytical techniques as well as results and analysis are reported in GMT (2004).

MOST survey data is inherently noisy and the method requires adequate sample density to distinguish anomalous behavior from a defined background signature. Statistical techniques are used to analyze the distribution and range variation of measured microbial values to determine statistically significant anomalies. GMT (2004) reports 20 anomalies from 3-4 km² to 30 km², mostly in the central Berbice area (largest anomaly), referred to as Black Bush Polder, and northern (Rosehall) parts of the Block.

The SSG technique had limited effectiveness as sorbed soil gas concentrations were very low. Onshore Guyana has acidic soils in which the gas sorbing mechanism is not strong. However, the data indicates thermogenic HCs (biogenic gas ruled out). Ratios of selected trace HCs suggest oil-associated gas.

The results of the surface geochemistry work are interpreted as follows:

1. Thermogenic HCs are present in the area.
2. Geochem anomalies represent the surface leakage expression of migrating HCs along fault and fracture zones and/ or from a HC accumulation at depth.
3. By itself, the correlation of surface geochem anomalies to targets at depth is not possible. Anomaly significance can only be interpreted by correlating them with other geological and geophysical data, hydrologic data and an interpretation of the petroleum dynamics of the basin. This correlation will continue with 2D seismic data.
4. The Guyana-Suriname Basin is a known hydrocarbon-generating basin with discovered accumulations (Tambaredjo) and numerous oil shows (wells, seeps). As such, we should expect surface geochem anomalies. They have now been documented onshore in both Suriname (work by Staatsolie) and Guyana (this current work by ON Energy).

Gravity and Magnetic Studies

During 2003, several consultants were engaged by CGX to process and interpret available potential field data over the Berbice Block - regional aeromagnetic data (Misener, 2003) as well as a small amount of 1960's vintage land gravity and ground magnetics data (Hassan, 2003; Simakov and Fedynsky, 1965). The primary objective of this work was to map structure on the top of magnetic basement (Precambrian) based on modeling, as well as map structural lineaments/ fault trends. These results were then correlated with geochem anomalies and together used to guide the layout of program for a first round land 2D seismic program.

A first premise is that structural variation on basement is one of the key controls on hydrocarbon trapping in the overlying Tertiary section, both via present-day structural closures and via its original influence on the depositional patterns of target Tertiary reservoirs. A second premise is that geochem anomalies may be associated with fault trends that act as conduits for hydrocarbon migration and leakage.

Because regional aeromagnetic data was also available further east onshore Suriname, CGX also wanted to investigate basement structural similarities between the area of the producing Tambaredjo and Calcutta fields and specific areas of interest within the Berbice Block – an east to west distance of ~300 km (see Figure 7).

Regionally, the onshore portion of the Guyana-Suriname Basin is a dipping wedge of continental sediments overlying Precambrian basement, thickening towards the coast (see Figures 8b, 8c). Results of this interpretation work show that, in detail, a fair amount of basement structural topographic variation exists on the Berbice Block, from as high as ~500 meters to ~2500 meters depth. A number of basement uplifts are interpreted with basement signature being quite similar to areas of interest onshore Suriname.

Interpreted basement topography and associated faults in the vicinity of the Tambaredjo and Calcutta show uplifts associated with these oil fields, supporting the original hypothesis of basement control and involvement with oil fields. However, trapping is interpreted as being due to a combination of basement topography, regional E-W fault edges as well as stratigraphic variation within target reservoir sediments. In the Nickerie area close to the Guyana-Suriname border where Staatsolie has indicated anomalies of interest there is a good correlation between basement structure, bounding faults and associated geochem anomalies.

Conclusions of gravity and magnetic studies are:

1. A number of basement uplifts are interpreted, this conclusion being viewed as quite positive to assist oil field trapping and to the possibility of developing multiple drillable prospects.
2. Interpreted basement topography and faulting on the Berbice Block is analogous to that observed and interpreted in anomalous areas of Suriname further east and in particular, the Tambaredjo-Calcutta producing area.
3. Areas of interpreted basement uplifts and geochem anomalies on the Berbice Block overlap; this is positive. There is not a one-to-one relationship nor is there expected to be given the reconnaissance nature and spatial resolution of the respective methodologies. Both data sets were used to plan CGX's 2004 2D

seismic program. Further correlation awaits the interpretation of 2D seismic data currently being acquired and processed.

2004 - 2D Seismic Survey

During April-May, 2004 ON Energy initiated a first pass onshore 2D seismic program on the Berbice Block to follow up on leads identified by both the geochemistry and aeromagnetic reconnaissance work of the previous 8 months. Seventeen (17) lines of 2D dynamite data, approximately 190 km in total, have been programmed. Lines have been laid out in a strip within 15 km of the coast in reasonably accessible areas, away from swamp areas further inland. Seismic acquisition field work is in progress with the seismic crew mobilized and working as of 15-May-2004.

Objectives are to map the shape of the base of the sedimentary section/ top basement surface along with geological elements, faults and unconformities, which would support oil trapping. Koch Oil (personal communication to Warren Workman, VP Expl. of CGX) shot 2D seismic data (dynamite source) on their Wayombo Block, onshore Suriname in 2000 and acquired good quality seismic data with lateral changes in seismic character (amplitude and geometry) visible, used to assist interpretation of sedimentary packages and channel systems.

Next Steps – Onshore Guyana

1. Processing and interpretation of first pass land 2D seismic – May to July 2004.
2. Plans are being made to mobilize a land rig for a late 2004 drilling program (up to 6 wells) should adequately-defined drillable prospects of interest emerge from current technical work.
3. A second pass follow-up 2D seismic program is possible dependent on results of the first pass.
4. Berbice Block go-forward work program clarification with GGMC.

9.0 2004-05 PLANS AND BUDGETS

Onshore Guyana – Berbice Block

<u>Phase</u>	<u>Budget</u> <u>(\$US MM)</u>
1. Reconnaissance - 2003 Q4 to 2004 Q1 Objective: Define focus areas and trends of interest for 2D seismic • geochem, aeromag, review geology	\$0.55
2. First Round 2D Seismic – 2004 Q2-Q3 Objective: Define hydrocarbon leads and drillable prospects • Acquire, process and interpret 190 kilometers of data	\$1.40
3. First Round Exploration Drilling – Late 2004 Objective: Evaluate prospects and discover oil • Drill 4 to 6 prospects to ~ 2200 meters	\$4.00
4. Delineation Drilling (contingent on success re Phase 3) – 2005 Objective: Evaluate potential commercial discoveries	

Offshore Guyana

Ongoing geological and geophysical work targeted at maturing drillable prospects and risk reduction will continue on all licenses. Budget estimates for 2004-2005 are in the \$1 to 4 MM US range dependent on financings in progress and agreed upon go-forward programs with the government of Guyana (GGMC). No drilling is currently anticipated during this period.

Other

Ongoing general & administrative overhead and legal expenses are budgeted at \$2 MM US during 2004-2005.

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11.0 CERTIFICATION OF QUALIFICATIONS

I, David J. Birnie, Professional Geophysicist, living at 1605 4A Street N.W., Calgary, Alberta, Canada hereby certify:

1. That I am Principal of Great Ideas Consulting Ltd., which company did research the geology and geophysics and assess the hydrocarbon prospectivity of CGX Energy Inc.'s Guyana exploration concession interests, offshore and onshore, excluding the Pomeroon Concession, The effective date of this most recent research and assessment is May 15, 2004.
2. That I do currently own 16,700 common shares of CGX Energy Inc., purchased in February 2000.
3. That I do not expect to receive any compensation for consulting on CGX Energy's behalf other than competitive professional fees for work done and value delivered.
4. That I attended Queen's University, Canada and that I graduated with a Bachelor of Science Degree in Geological Engineering in 1972; that I attended the University of British Columbia, Canada and that I graduated with a Master's Degree in Geophysics in 1976; that I attended the University of Calgary, Canada and that I graduated with a Masters in Business Administration Degree in 1981; that I am a Registered Professional Geophysicist in the Province of Alberta; and, that I have in excess of twenty-eight years experience in geology, geophysics and economics relating to oil and gas exploration and development.
5. That a personal field inspection of CGX Energy's concession interests, offshore and onshore, in Guyana was not made; however, such an inspection was not considered necessary in view of the information available both publicly and from the company files of CGX Energy Inc.



August 8, 2004

Date of Signature

David J. Birnie

David J. Birnie, P. Geoph.
APEGGA Member # M24419
Great Ideas Consulting Ltd.