cgx energy inc

Unaudited Interim Consolidated Financial Statements

For the three month periods ended

March 31, 2015 and 2014

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

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Financial Position

(US$)

As at,	**March 31, 2015**	December 31, 2014
	$	$
Assets		
Current assets		
Cash and cash equivalents *(note 6)*	**3,742,030**	6,518,159
Trade receivables and other assets *(note 7)*	**67,140**	82,995
	3,809,170	6,601,154
Property, plant and equipment *(note 8)*	**7,301,274**	7,315,605
Exploration and evaluation expenditures *(note 9)*	**19,173,280**	18,027,812
	30,283,724	31,944,571
Liabilities		
Current liabilities		
Trade and other payables *(notes 9, 10 and 11)*	**9,394,487**	9,742,019
Loans from related party *(note 10)*	**6,051,842**	6,527,879
	15,446,329	16,269,898
Warrant liability (*note 12)*	**300,000**	300,000
	15,746,329	16,569,898
Equity		
Share capital *(note 13)*	**252,267,176**	249,448,917
Reserve for share based payments *(note 14)*	**21,640,562**	24,458,821
Deficit	**(259,370,343)**	(258,533,065)
	14,537,395	15,374,673
	30,283,724	31,944,571

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

Approved on behalf of the Board of Directors on May 29, 2015:

("Signed" John Cullen)
__________________________, Director
John Cullen

("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$)

Three month periods ended March 31,	**2015**	2014
	$	$
Operating expenses		
Share-based payments *(note 14)*	**-**	4,000
General and administrative *(note 10)*	**447,593**	436,269
Management and consulting	**502,667**	543,988
Professional fees	**15,147**	81,076
Shareholder information	**9,975**	47,191
Foreign exchange (gain) loss	**(134,939)**	384,324
	840,443	1,496,848
Interest income	**(3,165)**	(11,204)
Gain on revaluation of warrant liability (*note 12)*	**-**	(300,000)
Net loss and comprehensive loss	**837,278**	1,185,644
Basic and fully diluted net loss per share	**0.01**	0.02
Weighted average number of shares (000's) – basic and diluted	**88,804**	78,204

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

CGX Energy Inc.
Unaudited Interim Consolidated Statements of Changes in Equity

(US$)

	Share Capital		Reserves		
	Number of Shares	Amount	Share based	Deficit	Total
Balance at December 31, 2013	78,203,723	$245,293,961	$21,392,562	$(213,531,836)	$ 53,154,687
Shares issued for exploration and evaluation expenditures	9,280,065	4,154,956	-	-	4,154,956
Shares to be issued for exploration and evaluation expenditures	-	-	2,818,259	-	2,818,259
Share based compensation	-	-	248,000	-	248,000
Net loss and comprehensive loss for the year	-	-	-	(45,001,229)	(45,001,229)
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**

Balance at December 31, 2013	78,203,723	$245,293,961	$21,392,562	$(213,531,836)	$ 53,154,687
Share based compensation	-	-	4,000	-	4,000
Net loss and comprehensive loss for the period	-	-	-	(1,185,644)	(1,185,644)
Balance at March 31, 2014	78,203,723	$245,293,961	$21,396,562	$(214,717,480)	$ 51,973,043

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$)

Three month period ended March 31,	2015	2014
Operations	**$**	$
Net loss for the period	**(837,278)**	(1,185,644)
Adjustments to reconcile net loss for the period to cash flow from operating activities:		
Unrealized foreign exchange (gain) loss	**(134,939)**	384,324
Amortization	**16,831**	23,329
Interest accretion on loans payable to related party	**74,500**	-
Gain on revaluation of warrant liability	**-**	(300,000)
Share based compensation	**-**	4,000
Net change in non-cash working capital items:		
Trade receivables and other assets	**15,855**	489,992
Trade and other payables	**(82,981)**	(68,565)
Cash flow used in operating activities	**(948,012)**	(652,564)
Investing		
Purchases of exploration and evaluation expenditures	**(1,410,019)**	(1,358,924)
Purchases of property, plant and equipment	**(2,500)**	(2,500)
Cash flow used in investing activities	**(1,412,519)**	(1,361,424)
Net decrease in cash and cash equivalents	**(2,360,531)**	(2,013,988)
Effect of exchange rate changes on cash held in foreign currencies	**(415,598)**	(384,324)
Cash and cash equivalents at beginning of period	**6,518,159**	10,773,441
Cash and cash equivalents at end of period	**3,742,030**	8,375,129
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 represent acquisition costs to date and are not necessarily representative of present or future cash flows. The recoverability of the Company's exploration and evaluation expenditures is dependent upon the discovery of economically recoverable petroleum and natural gas reserves; securing and maintaining title and beneficial interest in the properties; the ability to obtain the necessary financing to complete exploration, development and construction of processing facilities; obtaining certain government approvals and attaining profitable production or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis; all of which are uncertain.

The Company has a history of operating losses and as at March 31, 2015 had an excess of current liabilities over current assets of $11,637,159 (December 31, 2014 - $9,668,744) and an accumulated deficit of $259,370,343 (December 31, 2014 - $258,533,065). 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 Petroleum Production Licences ("**PPL's**") outlined in note 9, 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 29, 2015.

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, 2014.

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, 2014, except for the adoption of new standards and interpretations effective as of January 1, 2015 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 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 and are prospectively effective for annual periods beginning on or after January 1, 2016, with early 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.
- 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. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption permitted.
- 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. This policy will become effective for annual periods starting after, or on January 1, 2016. Earlier adoption permitted.

Standards adopted

At January 1, 2015, the Company adopted the following standards/amendments for which there was no impact on the Company's consolidated financial statements:

2. BASIS OF PREPARATION *(continued)*

Standards adopted *(continued)*

- IFRS 3 *Business Combinations* ("**IFRS 3**") - The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).
- IFRS 8 *Operating Segments* ("**IFRS 8**") - The amendments are applied retrospectively and clarifies that:
  - An entity must disclose the judgements made by management in applying the aggregation criteria, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.
- IFRS 13 – Fair Value Measurement ("**IFRS 13**") was amended to clarify that the exception which allows fair value measurements of a group of financial assets and liabilities on a net basis applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or liabilities as defined in IAS 32.
- IAS 24 *Related Party Disclosures* ("**IAS 24**") - The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

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, 2015. 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, 2015 totaled $14,537,395 (December 31, 2014 - $15,374,673).

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. 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, 2015, 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, 2015 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, 2015, the Company had working capital deficiency of $11,637,159 (December 31, 2014 – $9,668,744). 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.

4. Financial instruments *(continued)*

ii) Liquidity risk *(continued)*

If additional financing is raised by the issuance of shares from the treasury of the Company, control of the Company may change and shareholders may suffer additional dilution. If adequate financing is not available, the Company may be required to delay, reduce the scope of, or eliminate one or more exploration activities or relinquish rights to certain of its interests.

iii) Market risk

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

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

b) **Currency risk**
The Company's exploration and evaluation activities are substantially denominated in US dollars. The Company's funds are predominantly kept in Canadian and US dollars, with a major Canadian financial Institution. As at March 31, 2015, the Company had approximately $4,000,000 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, 2015, the Company's exposure to foreign currency balances approximate as follows:

Account	**Foreign Currency**	**Exposure**	
March 31,		**2015**	2014
Cash and cash equivalents	C $	**$ 4,000,000**	$ 8,700,000
Trade and other receivables	C $	**-**	100,000
Trade and other payables	C $	**(300,000)**	(300,000)
Loans from related party	C $	**(7,600,000)**	-
		$ (3,900,000)	$ 8,500,000

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

A change of 10% in foreign exchange rates would increase/decrease net loss for the three month period ended March 31, 2015 by $(390,000) (2014 - $850,000).

6. Cash and cash equivalents

The balance of cash and cash equivalents at March 31, 2015, consisted of $3,670,451 (December 31, 2014 - $6,446,435) on deposit with major financial institutions in Canada and the United States and $71,579 (December 31, 2014 - $71,724) 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 three main sources: trade receivables due from customers for premises rental recoveries and credit returns from vendors, harmonized sales tax ("**HST**") receivable, marketable securities and prepaid expenses. These are broken down as follows:

	As at,	
	March 31, 2015	December 31, 2014
Trade receivables	**$ 9,955**	$ -
HST receivable	**11,542**	28,903
Prepaid expenses	**45,643**	54,092
Total trade receivables and other assets	**$ 67,140**	$ 82,995

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

	As at,	
	March 31, 2015	December 31, 2014
1 – 30 days	**$ 9,955**	$ -
Total trade receivables	**$ 9,955**	$ -

At March 31, 2015, 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, 2015.

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, 2014	$ 6,290,897	$ 686,111	$ 127,878	$ 539,637	$ 7,644,523
Additions	88,398	-	-	-	88,398
As at December 31, 2014	**$ 6,379,295**	**$ 686,111**	**$ 127,878**	**$ 539,637**	**$ 7,732,921**
Additions	**2,500**	**-**	**-**	**-**	**2,500**
As at March 31, 2015	**$ 6,381,795**	**$ 686,111**	**$ 127,878**	**$ 539,637**	**$ 7,735,421**
Accumulated amortization					
As at January 1, 2014	$ -	$ -	$ 51,020	$ 272,906	$ 323,926
Amortization [(2)]	-	-	15,370	78,020	93,390
As at December 31, 2014	**$ -**	**$ -**	**$ 66,390**	**$ 350,926**	**$ 417,316**
Amortization [(2)]	**-**	**-**	**3,075**	**13,756**	**16,831**
As at March 31, 2015	**$ -**	**$ -**	**$ 69,465**	**$ 364,682**	**$ 434,147**
Net book value					
As at December 31, 2014	$ 6,379,295	$ 686,111	$ 61,488	$ 188,711	$ 7,315,605
As at March 31, 2015	**$ 6,381,795**	**$ 686,111**	**$ 58,413**	**$ 174,955**	**$ 7,301,274**

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, 2013	$ -	$ 36,078,133	$ 100,000	$ 200,000	$ 36,378,133
Net additions	(1,028,713)	4,902,457	75,000	18,372,222	22,320,966
Recovery of previously impaired	1,028,713	-	-	-	1,028,713
Impairment of exploration and evaluation expenditures evaluation expenditures	-	(28,600,000)	(100,000)	(13,000,000)	(41,700,000)
Balance, December 31, 2014	**$ -**	**$ 12,380,590**	**$ 75,000**	**$5,572,222**	**$ 18,027,812**
Net additions	**-**	**380,533**	**378,000**	**386,935**	**1,145,468**
Balance, March 31, 2015	**$ -**	**$ 12,761,123**	**$ 453,000**	**$5,959,157**	**$ 19,173,280**

As at March 31, 2015, 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, drill rig mobilization and demobilization, drilling and all costs associated with abandonment.

During the year ended December 31, 2014, in light of recent significant declines in the world petroleum markets and significant decreases specifically in related petroleum assets the Company reviewed its exploration and evaluation expenditures for impairment using IFRS guidance. Considering these factors, in particular the difference between carrying value of the Company and its market capitalization, the Company recorded an impairment of exploration and evaluation expenditures of $41,700,000 which was allocated to the Company's licences on a pro rata basis based on the carrying amounts of these licences as at December 31, 2014 prior to impairment. The carrying value of the net assets of the Company was impaired to be in line with the Company's market capitalization as at December 31, 2014.

Georgetown PA, Guyana

The Company, through its wholly-owned subsidiary CGX Resources, purchased a 25% participating interest in the Georgetown PA from ENI Guyana, B.V. On September 3, 2002, the Government of Guyana approved the transfer. The Georgetown PA covered approximately 1.7 million acres offshore.

Relinquishment and arbitration against Repsol

Effective November 25, 2012, the Company was notified that this licence has reverted back to the government of Guyana.

In December 2013, the Company commenced arbitration proceedings against Repsol in connection with the expiry of the PPL covering the Georgetown Block. In December 2014, the Company and Repsol entered into a settlement agreement. Under the terms of the Settlement, the Company received approximately $900,000 (recorded as recovery of previously impaired exploration and evaluation expenditures) pursuant to the terms of the Georgetown JOA and neither party was responsible for costs or damages. Repsol has also agreed to evaluate opportunities in the Guyana-Suriname basin and Repsol was granted a ninety day option to present a farm-in proposal to acquire at least a 10% participating interest in any of the Corentyne Block (100%), Demerara Block (100%) or the Berbice Block (62%). In addition, CGX Energy and Pacific Rubiales Energy Corp. ("Pacific Rubiales") have been granted a similar option on the Kanuku Block. In the event that a proposal is accepted, any definitive agreements are subject to due diligence and the terms of any pre-existing petroleum agreement or joint operating agreement. These options expired during the three month period ended March 31, 2015.

9. Exploration and evaluation expenditures *(continued)*

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 four years for up to ten years. Under the terms of the new Corentyne PA, and during the initial period of four years, CGX has an obligation to drill two wells.

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 - 30 Months</td><td>Commence to drill 1 exploration well</td><td>Nov 27, 2012 - Oct 27, 2015</td></tr>
<tr><td>Phase Two - 18 Months</td><td>Drill 1 exploration well</td><td>Oct 27, 2015 - Nov 27, 2016</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>Nov 27, 2016 - May 27, 2018</td></tr>
<tr><td colspan="3">- 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.</td></tr>
<tr><td>Phase Two - 18 Months</td><td>Drill 1 exploration well</td><td>May 27, 2018 - Nov 27, 2019</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>Nov 27, 2019 - May 27, 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>May 27, 2021 - Nov 27, 2022</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 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.

9. Exploration and evaluation expenditures *(continued)*

Corentyne PA, Guyana *(continued)*

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.

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:

<table>
<tr><th>Period</th><th>Phase</th><th>Exploration Obligation</th><th>Dates</th></tr>
<tr><td rowspan="4">Initial Period - 4 Years</td><td>Phase One - 24 Months</td><td>Acquire a minimum of 1,000 km of airborne geophysical data, process and interpret the same (Completed)</td><td>Feb 12, 2013 - Feb 12, 2015</td></tr>
<tr><td colspan="3">- 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).</td></tr>
<tr><td>Phase Two - 24 Months</td><td>Acquire a minimum of 100 line kilometers of 2D seismic, process and interpret the same; or commence to 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 License or commit to the work programme in phase two (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 (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).</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>

9. Exploration and evaluation expenditures *(continued)*

Berbice PA, Guyana *(continued)*

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%.

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>

9. Exploration and evaluation expenditures *(continued)*

Demerara PA, Guyana *(continued)*

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%.

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 $18 million with $7 million being 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 $8.5 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, 2015.

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 and which, in the opinion of management and the Board, are considered similar to those negotiable with third parties.

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

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

The balances outstanding on the loan from related party as at March 31, 2015 and December 31, 2014 are as follows:

As at,	**March 31, 2015**	December 31, 2014
Loan from related party	**$ 5,921,000**	$ 6,465,000
Accrued interest on loan from related party	**130,842**	62,879
Total loan from related party	**$ 6,051,842**	$ 6,527,879

The activity on the loan from related party for the three month period ended March 31, 2015 and the year ended December 31, 2014 are as follows:

	March 31, 2015	December 31, 2014
Opening balance at beginning of period/year	**$ 6,527,879**	$ -
Loan from related party	**-**	6,670,000
Gain on foreign exchange	**(550,537)**	(205,000)
Accrued interest on loan from related party	**74,500**	62,879
Total loan from related party	**$ 6,051,842**	$ 6,527,879

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

- Cost sharing agreement between Pacific Rubiales, 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 (2014 - C$18,000) for the three month period ended March 31, 2015, of which $18,000 (December 31, 2014 - $12,000) was included in trade and other payables as at March 31, 2015. As at March 31, 2015, Pacific Rubiales owns approximately 53.7% of the Common Shares and the following directors and officers of Pacific Rubiales are directors or officers of CGX, Serafino Iacono, Ronald Pantin, Jose Francisco Arata, Dennis Mills, Marino Ostos and Michael Galego.

Key management includes the Company's directors, officers and any employees with authority and responsibility for planning, directing and controlling the activities of an entity, directly or indirectly. At March 31, 2015, included in trade and other payables is $163,000 (December 31, 2014 - $138,000) 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, 2015**	December 31, 2014
Less than one month	**$ 597,487**	$ 9,346,234
One month to three months	**35,656**	67,553
Over three months	**8,761,344**	328,232
Total trade and other payables	**$ 9,394,487**	$ 9,742,019

12. Warrant Liability

As at March 31, 2015 and December 31, 2014, the warrant liability was comprised of the following:

	March 31, 2015	December 31, 2014
Warrant liability	**$ 300,000**	$ 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, 2015	Year ended December 31, 2014
Warrant liability, beginning of period/year	**$ 300,000**	$ 900,000
Change in fair value	**-**	(600,000)
Warrant liability, end of period/year	**$ 300,000**	$ 300,000

The Company utilized the Black-Scholes valuation model to estimate the fair value of the warrants at March 31, 2015 and December 31, 2014 using the following assumptions:

	March 31, 2015	December 31, 2014
Number of post-consolidation warrants outstanding	**37,008,900**	37,008,900
Exercise price	**C$1.70**	C$1.70
Risk-free interest rate	**0.49%**	1.06%
Expected life (years)	**3.1**	3.3
Expected volatility	**70%**	70%
Expected dividends	**-**	-
Dilution factor	**28%**	30%
Fair value of warrants	**$ 300,000**	$ 300,000

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, 2013	78,203,723	$ 245,293,961
Issued for exploration and evaluation expenditures	9,280,065	4,181,741
Share issue costs	-	(26,785)
Balance at December 31, 2014	**87,483,788**	**$ 249,448,917**
Issued for exploration and evaluation expenditures	**6,254,245**	**2,818,259**
Balance at March 31, 2015	**93,738,033**	**$ 252,267,176**

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.

2014
In October 2014, the Company issued 9,280,065 Common Shares 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 on March 13, 2015.

Common Share Purchase Warrants

The exercise price and expiry date of the warrants outstanding at March 31, 2015 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. 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, 2015, the Company had 664,303 (December 31, 2014 – 1,379) post-consolidation options available for issuance under the plan.

13. Capital stock *(continued)*

Stock Options *(continued)*

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

As at,	**March 31, 2015**		December 31, 2014	
	Weighted Average Exercise Price ($)	**No. of Options**	Weighted Average Exercise Price ($)	No. of Options
Outstanding at beginning of period/year	**0.74**	**8,747,000**	0.94	7,602,000
Transactions during the period/year:				
Granted	**-**	**-**	0.28	1,205,000
Expired/Forfeited	**7.97**	**(37,500)**	7.27	(60,000)
Outstanding/Exercisable at end of period/year	**0.65**	**8,709,500**	0.74	8,747,000

The following table provides additional outstanding stock options information as at March 31, 2015:

	No. of Options Outstanding and Exercisable	**Weighted Average Remaining Life (Years)**	**Weighted Average Exercise Price**
$ 0.25 - $0.54	8,487,500	3.58	$0.50
$ 2.37 - $6.32	117,500	1.58	$4.40
$ 7.90 - $8.76	104,500	1.39	$8.33
$ 0.25 - $8.76	**8,709,500**	**3.52**	**$0.65**

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the share based compensation for the stock options granted and/or vested during the year ended December 31, 2014:

	Vesting of previously issued options	**December 19, 2014**	**Totals**
Number of post-consolidation options granted		1,205,000	1,205,000
Post-consolidation exercise price		C$0.32	
Risk-free interest rate		1.37%	
Expected life (years)		5.0	
Expected volatility		92.36%	
Expected dividends		-	
Forfeiture rate		-	
Vesting		immediately	
Fair value of grant		$ 235,000	$ 235,000
Share based compensation	$ 13,000	$ 235,000	$ 248,000

13. Capital stock *(continued)*

Stock Options *(continued)*

Volatility for all option grants has been calculated using the Company's historical information.

The weighted average grant-date fair value of options granted during the three month period ended March 31, 2014 was $Nil (year ended December 31, 2014 – $0.20) per option issued.

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, 2015 and the year ended December 31, 2014 is set out below:

	March 31, 2015	December 31, 2014
	Amount $	Amount $
Balance at beginning of period/year	**24,458,821**	21,392,562
Shares issued for exploration and evaluation expenditures (note 9)	**(2,818,259)**	-
Shares to be issued for exploration and evaluation expenditures (note 9)	**-**	2,818,259
Share based compensation	**-**	248,000
Balance at end of period/year	**$ 21,640,562**	$ 24,458,821

15. Commitments and contingencies

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

Fiscal Year Ended December 31,	**Operating Leases**	**Contractual Obligations**
2015	**207,000**	**25,200,000**
2016	**231,000**	**-**

Operating Leases

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

Contractual Obligations

The Company has entered into several contracts with various suppliers for exploration services including the following:

The Company has entered into a definitive rig agreement and rig sharing agreement for the shared use of a drilling rig in 2015. This rig is intended to be used for the first commitment well that is required under the Corentyne PPL. The well is to be spudded no later than October 31, 2015. Aggregate future obligations under these agreements total $22.0 million as at March 31, 2015, of which the full amount is expected to be incurred in 2015. Subsequent to March 31, 2015, the Company received an invoice for its share relating to the mobilization fee of approximately $5.6 million. The Company is considering all options available under this contract.

15. Commitments and contingencies *(continued)*

Contractual Obligations *(continued)*

The Company has also entered into an agreement for helicopter services intended to be used for the first commitment well that is required under the Corentyne PPL. Aggregate future obligations under these agreements total $3.2 million as at March 31, 2015, of which the full amount is expected to be incurred in 2015.

16. Segmented information

Operating Segments

At March 31, 2015, 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, 2015 and December 31, 2014, 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, 2015**	December 31, 2014
Identifiable assets		
Canada	**3,746,359**	6,511,049
Guyana	**26,537,365**	25,433,522
	30,283,724	31,944,571