Annual Information Form
For the year ended December 31, 2012

June 10, 2013

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ABBREVIATIONS AND DEFINTIONS

bbl	barrels	Mboe	thousand barrels of oil equivalent
bbl/d	barrels per day	MMboe	million barrels of oil equivalent
Bcf	billion cubic feet	Mcf	thousand cubic feet
boe	barrels of oil equivalent	Mcf/d	thousand cubic feet per day
Bbbl	billion barrels	MMBtu	million British thermal units
Btu	British thermal units	MMcf	million cubic feet
km	kilometers	MMcf/d	million cubic feet per day
m	meters	NGL	natural gas liquids
m^2	square meters	Psi	pounds per square inch
m^3	cubic meters	Psia	pounds per square inch absolute
Mbbl	thousand barrels	Psig	pounds per square inch gauge
MMbbl	million barrels	Tcf	trillion cubic feet

NOTE: Disclosure provided herein that is expressed in barrels of oil equivalent (boe) is derived by converting natural gas to oil in the ratio of six thousand cubic feet (Mcf) of natural gas to one barrel (bbl) of oil. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6.0 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

GLOSSARY OF SELECTED TERMS

The following are selected abbreviations and definitions of terms used herein:

"**2011 Bought Deal Financing**" means the issuance on October 19, 2011 of 131,445,000 Common Shares, of which Pacific Rubiales acquired 58,720,000 Common Shares, for gross proceeds of $92,011,500;

"**2012 Private Placement**" means the issuance on July 9, 2012 by CGX of 85,714,285 Units of CGX to Pacific Rubiales for gross proceeds of $30 million, each Unit being comprised of one Common Share and one half Warrant;

"**2013 Private Placement**" means the issuance on April 26, 2013 by CGX of 370,089,000 Units of CGX, of which Pacific Rubiales subscribed for 350,000,000 Units, for gross proceeds of $37,008,900, each Unit being comprised of one Common Share and one Warrant;

"**AIF**" means Annual Information Form;

"**Annex PPL**" means the former Annex Petroleum Prospecting License that formed part of the former Corentyne PA held 100% by CGX Resources;

"**Berbice PPL**" means the Berbice Petroleum Prospecting License 100% owned by ON Energy;

"**Board**" means the board of directors of CGX;

"**CGX**" or the "**Corporation**" means CGX Energy Inc., a corporation incorporated under the OBCA;

"**CGX Resources**" means CGX Resources Inc., a wholly-owned subsidiary of CGX, a corporation incorporated in the Bahamas;

"**COGE Handbook**" means the Canadian Oil and Gas Evaluation Handbook;

"**Common Shares**" means the common shares in the capital of CGX;

"**Corentyne PA**" means the Corentyne Petroleum Agreement owned by CGX Resources;

"**Corentyne PPL**" means the Corentyne Petroleum Prospecting License 100% owned by CGX Resources;

"**C$**" means Canadian dollars;

"**D&M**" means DeGolyer and MacNaughton;

"**D&M Report**" means the report dated March 19, 2013 with an effective date of December 31, 2013 prepared by D&M regarding six prospects located on the offshore portion of the Corporation's 100% owned and operated Corentyne PPL;

"**Georgetown PPL**" means the former Georgetown Petroleum Prospecting License held 25% by CGX Resources in partnership with Repsol (15%), YPF (30%) and Tullow (30%);

"**GCIE**" means Grand Canal Industrial Estates Inc., a Guyana incorporated company held 100% by GCIE Holdings;

"**GCIE Holdings**" means GCIE Holdings Limited, a wholly-owned subsidiary of CGX, a corporation incorporated in Barbados;

"**GGMC**" means the Guyana Geology and Mines Commission;

“**GMP**” means GMP Securities L.P.;

“**Gustavson**” means Gustavson Associates, Inc.;

"**ITLOS**" means International Tribunal on the Law of the Sea;

"**JRD**" means Jefferies, Randall and Dewey, a division of Jefferies Inc.;

"**MD&A**" means management's discussion and analysis;

"**Meeting**" means the special meeting of shareholders of CGX held on April 25, 2013;

“**MI 61-101**” means Multi-lateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**NI 51-101**" means National instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*;

"**OBCA**" means the *Business Corporations Act* (Ontario);

"**ON Energy**" means ON Energy Inc., a 62% owned subsidiary of CGX, a corporation incorporated in Guyana;

"**OPEC**" means the Organization of Petroleum Exporting Countries;

"**PA**" means Petroleum Agreement;

"**Pacific Rubiales**" means Pacific Rubiales Energy Corp., a corporation that owns approximately 63.7% of the Common Shares;

"**Participating Interest**" means a working interest in an oil and gas concession or field that includes an obligation to pay capital and operating costs and the right to receive hydrocarbon production and production revenue;

"**Pomeroon PPL**" means the former Pomeroon Petroleum Prospecting License that was held 100% by CGX Resources;

"**PPL**" means Petroleum Prospecting Licence;

"**Profit Oil**" means the balance of crude oil and/or natural gas available in any month after Recoverable Contract Costs have been satisfied which balance is shared for each field in the following proportions: Government fifty-three percent (53%) and CGX forty-seven percent (47%);

"**PSDM**" means Pre-Stack Depth Migration, a form of migration in which reflections in seismic data are moved to their correct locations in space;

"**PSTM**" means Pre-Stack Time Migration, a form of migration has the effect of moving dipping events on a surface seismic line from apparent locations to their true locations in time. The resulting image is shown in terms of traveltime rather than depth, and must then be converted to depth with an accurate velocity model;

"**Repsol**" means Repsol Exploración S.A., the operator of the former Georgetown PPL that held a 15% working interest;

“**Sales Gas**” means the total gas to be potentially produced from the reservoirs, measured at the point of delivery, after reduction for projected fuel usage, flare and shrinkage resulting from field separation and processing;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval found at www.sedar.com;

"**Shareholder Rights Plan**" means the shareholder rights plan of CGX adopted by the Board effective May 24, 2011, approved at the annual and special meeting of the shareholders of CGX held on June 23, 2011, amended on July 9, 2012 and terminated pursuant to shareholder approval at the Meeting;

"**TSXV**" means the TSX Venture Exchange;

"**Tullow**" means Tullow Guyana BV, one of the former partners on the Georgetown PPL that held a 30% working interest;

"**US$**" means United States dollars;

"**Warrants**" means common share purchase warrants of CGX, 42,857,142 of which entitle the holders thereof to purchase one Common Share for $0.60 until January 9, 2014 and 370,089,000 of which entitle holders thereof to purchase one Common Share for $0.17 until April 26, 2018 following the issuance of such Warrant; and

"**YPF**" means YPF Guyana Limited, a wholly-owned subsidiary of YPF S.A. that owned a 30% interest in the former Georgetown PPL.

GENERAL MATTERS

The market data used in this AIF was obtained from various publicly available sources. Although CGX believes that these independent sources are generally reliable, the accuracy and completeness of such information is not guaranteed and has not been independently verified. The websites referred to in this AIF are for reference only and are not part of or incorporated by reference into this AIF.

MONETARY REFERENCES

In this AIF, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and references to “$” are to Canadian dollars. The following table sets out: (1) the rate of exchange for one Canadian dollar in US dollars in effect at the end of each of the periods set out immediately below; (2) the high and low rate of exchange during those periods; and (3) the average rate of exchange for those periods, each based on the noon spot rate as published on the Bank of Canada’s website. On June 7, 2013 the noon nominal rate for one Canadian dollar in U.S. dollars as published by the Bank of Canada was C$1.00 = US$1.0198.

Years ended December 31,	High	Low	Average	End of Period
2012	1.0299	0.9599	1.0004	1.0051
2011	1.0583	1.0110	0.9430	0.9833
2010	1.0054	0.9278	0.9709	1.0054

FORWARD LOOKING INFORMATION

This Annual Information Form or AIF includes "forward looking information", within the meaning of applicable securities legislation, which is based on the opinions and estimates of management of CGX. All statements other than statements of historical fact contained herein are forward looking statements and include forward looking information. Forward looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook.

Specifically, information relating to the following matters may be forward looking information:

- the expected results of CGX's exploration, development and production activities and related capital expenditures and investments;
- information relating to "resources", as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future (including, disclosure in respect of the Corporation's prospective resources in the offshore portion of the Corentyne PPL as detailed in the D&M Report);
- CGX's strategic, business and financial plans and objectives, including budgeted and future capital expenditures, acquisitions and investments;
- CGX's ability to be and remain competitive in the oil and gas industry;
- existing and future regulatory requirements applicable to CGX and its business; and
- existing and future obligations in respect of environmental compliance and remediation.

Such forward looking information is subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward looking information should therefore be considered in light of various important factors, including those set out in this AIF. Risks, uncertainties and other factors that could cause actual results to differ from those projected in forward looking information include the following:

- the ability of CGX to fund the capital and operating expenses necessary to achieve its business objectives;
- operational risks in exploration, development and production, including risks related to operating in a foreign jurisdiction and operating offshore;
- the risk of default under key agreements, including CGX's ability to satisfy the conditions of its PAs and PPLs;
- delays or changes in plans with respect to exploration or development projects or capital expenditures;
- the uncertainty of estimates and projections in relation to production, costs and expenses;
- the uncertainty inherent in estimating quantities of reserves and resources;

- the uncertainty surrounding the ability of CGX to discover and/or acquire reserves;
- health, safety and environmental risks;
- political risks and other risks associated with international business activities;
- the uncertainty surrounding the ability of CGX to obtain all permits, consents or authorizations required for its operations and activities and to comply with the extensive controls and regulations to which it is subject;
- the risk of commodity price and foreign exchange rate fluctuations;
- the uncertainty associated with commercial negotiations and negotiating with foreign governments; and
- those other risks described in this AIF and other public disclosure documents filed by CGX.

Should one or more of these uncertainties or risks, among others, materialize actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed or terminated, and anticipated improvements in production, capacity or performance might not be fully realized or realized at all. Although management of CGX believes that the expectations represented in such forward looking information are reasonable, there can be no assurance that such expectations will prove to be correct. Due to the risks, uncertainties and assumptions inherent in forward looking statements, prospective investors in securities of CGX should not place undue reliance on this forward looking information.

Forward looking information is necessarily based upon a number of factors and assumptions that, while considered reasonable by CGX as of the date hereof, are inherently subject to significant business, economic and competitive uncertainties and contingencies.

Readers are cautioned that the list of risks, uncertainties, other factors and the information set forth under "Risk Factors" are not exhaustive and CGX has made assumptions with respect to the risk factors that are considered relevant. Investors and others should carefully consider the factors discussed, as well as other uncertainties and potential events and the inherent risks and uncertainties of forward looking statements.

All of the forward looking information in this AIF is expressly qualified by these cautionary statements. Unless otherwise stated, the forward looking information contained in this AIF is provided as of the date hereof and CGX undertakes no obligation to update publicly or revise any forward looking statements contained in this AIF or in any other documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws.

Resources

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

Prospective resources are those quantities of oil and gas estimated to be potentially recoverable from undiscovered accumulations ("**Prospective Resources**"). There is no certainty that the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the Prospective Resources. Application of any geological and economic chance factor does not equate Prospective Resources to contingent resources or reserves. In addition, the following mutually exclusive classification of resources were used:

- *Low Estimate* - This is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. This term reflects a P90 confidence level where there is a 90 percent chance that an estimated quantity, such as a Prospective Resources volume or associated quantity, will be equaled or exceeded.

- *Best (Median) Estimate* - This is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. This term reflects a P50 confidence level where there is a 50 percent chance that an estimated quantity, such as a Prospective Resources volume or associated quantity, will be equaled or exceeded.

- *High Estimate* - This is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. This term reflects a P10 confidence level where there is a 10 percent chance that an estimated quantity, such as a Prospective Resources volume or associated quantity, will be equaled or exceeded.

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies ("**Contingent Resources**"). Contingent Resources have an associated chance of development (economic, regulatory, market and facility, corporate commitment or political risks). The estimates herein have not been risked for the chance of development. There is no certainty that the Contingent Resources will be developed and, if they are developed, there is no certainty as to the timing of such development or that it will be commercially viable to produce any portion of the Contingent Resources.

In this AIF, total volumes of resources have been expressed for high case estimates, low case estimates and best case estimates for both contingent and prospective resources. These total volumes are arithmetic sums of multiple estimates of contingent and prospective resources, as the case may be, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of resources and appreciate the differing probabilities of recovery associated with each class as explained in this section.

CORPORATE STRUCTURE

CGX is an oil and gas exploration company operating in Guyana, South America and headquartered in Toronto, Canada. CGX, through its foreign subsidiaries, holds interests in three PAs in the Guyana Suriname Basin, a frontier basin in South America. CGX's PPLs in Guyana cover 3.3 million acres gross, 3.0 million acres net**.** Net acres are those attributable to CGX's working interest share of the overall gross acreage.

Name and Incorporation

CGX was amalgamated pursuant to the OBCA on October 28, 1998 with Northwest Explorations Inc. On October 28, 1998, articles of amendment were filed to change the name of the Corporation to "CGX Energy Inc.".

The registered and head office of the Corporation is located at 333 Bay Street, Suite 1100, Toronto, Ontario M5H 2R2. The Corporation also maintains offices in Houston, Texas, USA and Georgetown, Guyana.

The Common Shares have traded on the TSXV since May 4, 2000. Initially, the Common Shares traded in United States dollars under the symbol OYL.U; however, effective February 21, 2008, the Common Shares traded in Canadian dollars under the symbol OYL.

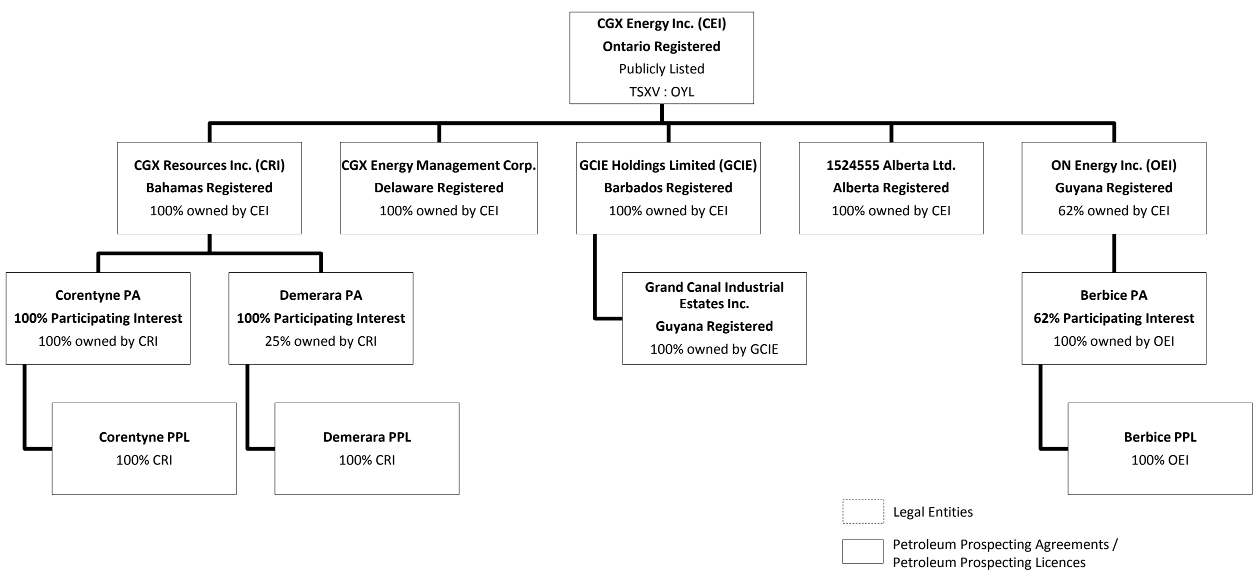
On May 10, 2013, the Corporation announced the proposed consolidation of its Common Shares on a basis of 10 pre-consolidation shares for each post-consolidation share, subject to shareholder and TSV approval. The proposed consolidation is to be put before shareholders at the Corporation's Annual and Special Meeting of shareholders to be held on June 26, 2013.

Company Structure

As at December 31, 2012, CGX had six subsidiaries: (i) CGX Resources, a wholly-owned subsidiary incorporated under the laws of Bahamas; (ii) ON Energy, a corporation subsisting under the laws of Guyana, 62% of the voting shares of which are owned by CGX; (iii) 1524555 Alberta Ltd., a wholly-owned subsidiary incorporated under the laws of Alberta; (iv) GCIE Holdings, a wholly-owned subsidiary incorporated under the laws of Barbados that owns 100% of the shares of GCIE; (v) GCIE, a corporation subsisting under the laws of Guyana that is a wholly-owned subsidiary of GCIE Holdings; and (vi) CGX Energy Management Corp, a wholly-owned subsidiary incorporated under the laws of Delaware, USA. The head and registered office of CGX Resources is located at Mareva House, 4 George Street, Nassau, Bahamas. The head and registered office of ON Energy is located in Guyana at 44B High Street, 2nd Floor, Georgetown, Guyana. The head and registered office of 1524555 Alberta Ltd. is located at 1500, 850 – 2nd Street SW, Calgary, Alberta T2P 0R8. The head and registered office of GCIE Holdings is located at Worthing Centre, Worthing Main Road, Christ Church, BB 15008, Barbados. The head and registered office of GCIE is located at 44B High Street, 2nd Floor, Georgetown, Guyana. The head and registered office of CGX Energy Management Corp. is located at 16360 Park 10 Place, Suite 310, Houston, Texas, 77084, USA.

The following organizational chart sets forth the corporate structure of CGX, its ownership interest in each subsidiary corporation and interest of each subsidiary in the assets of CGX.

The subsidiaries of the Corporation not set out below each accounted for: (i) less than 10% of the Corporation's consolidated assets as at December 31, 2012; and (ii) less than 10% of the Corporation's consolidated revenues for the fiscal year ended December 31, 2012. In aggregate, the remaining subsidiaries accounted for less than 20% of each of (i) and (ii) described above.



GENERAL DEVELOPMENT OF THE BUSINESS

CGX is an international exploration and production company with its head office in Toronto and offices in Houston, Texas, USA and Georgetown, Guyana. CGX is engaged in exploration for oil and gas in Guyana, South America.

History of CGX

A description of the general development of CGX for the past three years, being from January 1, 2010 through to December 31, 2012, is set out below.

2010

- February 2010 – Grant of 200,000 options to Tarachandra Khelawan, a consultant of the Corporation, each exercisable at $1.80 until February 26, 2015.

- February 2010 - CGX Resources applied for and received permission to construct a port facility in the mouth of the Berbice River as a staging and storage facility to support offshore exploration.

- March 2010 – Independent resource assessment prepared by Gustavson based on interpretation of 500 square km of 3D seismic data acquired in 2008, provided a best case prospective resources for three prospects on the Corentyne PPL of 2.8 Bbbl. On May 17, 2012, Gustavson provided an update to their previous report wherein the resource estimates previously provided for the Eocene geologic zone were removed because of the Eagle-1 dry hole leaving resource estimates of 2.5 Bbbl for the two Turonian prospects.

- March 2010 – CGX signed a guarantee for up to an aggregate maximum of $2,000,000 for CGX's obligations to the Minister Responsible for Petroleum in Guyana to pay its proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period on the Georgetown PPL, such guarantee has expired.

- June 2010 – The partners to the Georgetown PPL (Repsol, YPF, Tullow and CGX Resources) contracted the Atwood Beacon jack-up drilling rig operated by Atwood Oceanics Pacific Limited, to drill a well on the Georgetown PPL as part of a three-member operator group, at an operating daily rate of approximately US$115,000.

- June 2010 – CGX Resources renewed the Corentyne PPL and entered into the second renewal period relinquishing approximately 30% of acreage and committed to a minimum work commitment to drill a well within 18 months of the renewal date.

- August 2010 – CGX closed a $20 million offering through the issuance of 40,000,000 Common Shares at a price of $0.50 per common share and paid a cash commission of $1.1 million to the agents, which was co-led by Cormark Securities Inc. and RBC Dominion Securities Inc. and included Canaccord Genuity Corp., Dundee Securities Corporation, Macquarie Capital Markets Canada Ltd., Jennings Capital Inc. and Toll Cross Securities Inc.

- October 2010 - Grant of 2,200,000 stock options to directors, management and consultants each exercisable at $1.11 per share until October 19, 2015.

- December 2010 – CGX closed a $23 million bought deal financing and issued 25,587,500 Common Shares at a price of $0.90 and paid a cash commission of $1.4 million to the underwriters, which was led by Cormark Securities Inc. and included Canaccord Genuity Corp., Macquarie Capital Markets Canada Ltd., GMP. and Toll Cross Securities Inc.

2011

- May 2011 – Stephen Hermeston appointed to the Board and granted 750,000 options exercisable at $0.63 until May 17, 2016.

- June 2011 – Stephen Hermeston appointed President and CEO and Kerry Sully appointed Executive Chairman.

- June 2011 – Independent resource assessment prepared by D&M, based on interpretation of 2D seismic data acquired in 1999 provided a total best estimate (P50) prospective resources for two prospects on the Corentyne PPL (Crabwood and Kabukalli) of 325 MMbbl of oil. The D&M Report was prepared in accordance with the requirements of NI 51-101.

- June 2011 – David Christian appointed to the Board and granted 200,000 options, each exercisable at a price of $0.63 until June 27, 2016.

- June 2011 – Shareholders ratify the Shareholder Rights Plan. The Shareholder Rights Plan provided the Board with 60 days to assess a take-over bid and consider alternatives as a means of maximizing shareholder value. The Shareholder Rights Plan is triggered if a person or company acquires or announces an intention to acquire 20% or more of the Common Shares.

- September 2011 – Michael Stockinger joined CGX as Chief Operating Officer and was granted 500,000 options, each exercisable at $0.80 until September 12, 2016.

- September 2011 - Tralisa Maraj joined CGX as Controller and Chief Accounting Officer and was granted 300,000 options, each exercisable at $0.80 until September 12, 2016.

- September 2011 – Extension for drilling of the Jaguar-1 well, located on the Georgetown PPL, granted by the GGMC to the joint interest partners (Repsol (15%), YPF (30%), Tullow (30%) and CGX (25%)). The Georgetown PPL has an expiry date of November 25, 2012.

- October 2011 – CGX closes the 2011 Bought Deal Financing of 131,445,000 Common Shares at a price of $0.70 per share for gross proceeds of $92,011,500. The proceeds from the 2011 Bought Deal Financing were used to fund CGX's share of the drilling of the Jaguar-1 exploration well on the Georgetown PPL, the drilling of the Eagle-1 exploration well on the Corentyne PPL and to acquire 3D seismic data in preparation for drilling the final commitment well on the Corentyne PPL. Following completion of the 2011 Bought Deal Financing, Pacific Rubiales held approximately 18% of the outstanding Common Shares. In connection with its investment in CGX, Pacific Rubiales entered into a standstill agreement with CGX, pursuant to which it agreed not to make any offers to purchase outstanding Common Shares or other securities of CGX for a period of 12 months without the prior consent of the Board. Such standstill agreement was subsequently amended by a confidentiality agreement between CGX and Pacific Rubiales dated January 9, 2012, pursuant to which Pacific Rubiales agreed not to make any offers to purchase outstanding Common Shares or other securities of CGX for a period of 15 months from the date thereof without the prior consent of CGX.

- October 2011 – Dewi Jones joined CGX as Executive Vice President, Exploration and General Manager and was granted 500,000 options, each exercisable at $0.70 until October 20, 2016.

- November 2011 – Drilling contract awarded to a subsidiary of Diamond Offshore Drilling, Inc. for the Ocean Saratoga semi-submersible drilling rig to drill the Eagle-1 exploration well on the Corporation's 100% owned and operated Corentyne PPL.

- November 2011 – CGX signed an extension on to its performance guarantee for up to an aggregate maximum of US$3,400,000 for CGX's obligations to the Minister Responsible for Petroleum in Guyana to pay its proportionate percentage interest share of the minimum expenditure obligation for the first phase of the second renewal period on the Corentyne PPL, such guarantee expires at the end of the second renewal period.

- December 2011 – 1,160 square km 3D seismic data contract awarded to Petroleum Geo-Services ("PGS") for the Corentyne PPL to better image the up-dip limits of the Corporation's Eagle Deep prospect, as well as the Crabwood and Kabukalli prospects.

- December 2011 – Deferral for drilling of the Eagle-1 well, located on the Corentyne PPL, granted by the GGMC which provided for the remaining minimum work program of the drilling of two exploration wells to be completed by June 24, 2013.

2012

- January 3, 2012 – Dr. Suresh Narine was appointed to the Board and was granted 300,000 options, each exercisable at a price of $1.05 until January 3, 2017.

- January 3, 2012 – Tralisa Maraj, who joined CGX in September 2011 as Controller and Chief Accounting Officer, assumed the role of Chief Financial Officer of CGX.

- January 3, 2012 – James Fairbairn assumed the position of Director, Corporate Affairs of CGX to focus on CGX's active involvement in Guyana.

- January 3, 2012 – Charlotte May assumed the role of Corporate Secretary of CGX.

- January 23, 2012 – The 1,160 square km 3D marine seismic contract that was announced on December 5, 2011, was completed by a subsidiary of PGS, using their dual-sensor GeoStreamer® technology.

- February 9, 2012 – The Jaguar-1 well, in which CGX held a 25% interest, on the former Georgetown PPL commenced drilling.

- May 4, 2012 – Stephen Hermeston ceased to be President and Chief Executive Officer of CGX. Kerry Sully was appointed interim President and Chief Executive Officer.

- May 4, 2012 – Dr. Suresh Narine was appointed Chairman of CGX.

- May 4, 2012 – Oliver Lennox-King resigned as a director of CGX.

- May 7, 2012 – During drilling of the Eagle-1 well, which commenced February 13, 2012, the well encountered hydrocarbon shows in three formations but potential reservoir sands proved to be water-bearing. The Eagle-1 well was initially budgeted for 60 days of drilling but experienced weather delays, mechanical issues, additional logging and plug and abandon operations which extended operations for approximately an additional 30 days. The initial cost estimate for the Eagle-1 well was approximately US$55 million, however with the delays, the Eagle-1 well cost US$89.9 million.

- May 18, 2012 – David Christian resigned as a director of CGX.

- May 22, 2012 – Dr. Dennis A. Pieters was appointed to the Board and was granted 300,000 options exercisable at a price of $0.30 until May 22, 2017.

- May 27, 2012 – CGX entered into a subscription agreement with Pacific Rubiales (the "**2012 Subscription Agreement**") whereby Pacific Rubiales subscribed for 85,714,285 Units of CGX by way of private placement at a price per Unit of C$0.35 for an aggregate purchase price of C$30 million. Each Unit consisted of one Common Share and one-half of one Warrant. The 2012 Private Placement received approval of CGX's shareholders (other than Pacific Rubiales) at the Annual and Special Meeting held June 28, 2012 and the closing of the 2012 Private Placement occurred on July 9, 2012.

- May 29, 2012 – In connection with the entering into of the Subscription Agreement and in order to meet CGX's immediate financing needs, Pacific Rubiales advanced to CGX C$30 million on May 29, 2012 as a loan which was secured by a promissory note. On closing of the 2012 Private Placement, the promissory note was cancelled by Pacific Rubiales.

- Pursuant to the terms of the 2012 Subscription Agreement, on May 30, 2012, a nominee of Pacific Rubiales, Dr. Marino Ostos Rosales, was appointed to the Board.

- On May 31, 2012, after receiving approval of the TSXV, CGX paid an advisory fee of C$1.2 million to GMP in connection with the 2012 Private Placement and related transactions.

- June 19, 2012 – Stephen Hermeston resigned as a director of CGX.

- June 20, 2012 – Applications were filed for re-issuance of Corentyne, Annex, Pomeroon and Berbice PPL's on their expiry.

- June 28, 2012 - José Francisco Arata was elected to the Board of Directors at the Corporation's annual and special meeting.

- July 9, 2012 – CGX issued 85,714,285 Common Shares and 42,857,142 Warrants to Pacific Rubiales on closing of the 2012 Private Placement.

- July 16, 2012 – CGX announced that partners to the Jaguar-1 well had unanimously agreed to stop drilling at 4,876 metres without reaching the primary objective in the Late Cretaceous geologic zone based on safety criteria and was taken after reaching a point in the well where the pressure design limits for safe operations prevented further drilling to the main objective. Whilst the primary Late Cretaceous objective was not reached, samples of light oil were successfully recovered from two Late Cretaceous turbidite sands.

- September 27, 2012 – Dewi Jones resigned as Executive Vice President, Exploration and General Manager effective September 30, 2012.

- October 1, 2012 – CGX entered into a farm-out agreement with Repsol for 5% of the Corporation's 25% participating interest in the former Georgetown PPL subject to Government of Guyana approval.

- November 19, 2012 – The Pomeroon PA and PPL reverted to the Government of Guyana.

- November 25, 2012 – The Georgetown PA and PPL expired.

- November 27, 2012 – CGX issued a new Corentyne PA and PPL renewable after four years for up to ten years which PA applies to the former offshore portion of the Corentyne PPL, covering 6,212 square km.

- December 7, 2012 – Dr. Suresh Narine was appointed Executive Chairman.

2013 to date

- February 12, 2013 - CGX issued a new Demerara PA and PPL renewable after four years for up to ten years which PA applies to the former Annex portion of the former Corentyne PPL, covering 3,975 square km.

- February 12, 2013 - CGX issued a new Berbice PA and PPL renewable after four years for up to ten years which PA applies to the former Berbice PA comprising 1,566 square km (971 square km net) and the former onshore portion of the former Corentyne PPL comprising covering 1,729 square km (1,072 square km net).

- February 27, 2013 – CGX entered into a subscription agreement with GMP for a proposed private placement of up to $40 million with each Unit comprising one Common Share and one Warrant priced at $0.14 per Unit with each Warrant being exercisable at $0.20 for a period of five years post the closing date and that the Corporation entered into a binding term sheet with Pacific Rubiales to subscribe for $35 million of the Units. The closing of the 2013 Private Placement was scheduled for March 11, 2013. The Corporation relied on the financial hardship exemption from minority shareholder approval pursuant to MI 61-101 after a special committee of four non-management directors determined unanimously that the Corporation was in serious financial difficulty and the private placement was designed to improve the financial position of the Corporation and in particular would enable the Corporation to discharge its immediate obligations of US$15 million owing to the partners of the former Georgetown PA and to continue to fund its other near term financial obligations. Upon closing, it was agreed that the Board would comprise a majority of nominees from Pacific Rubiales.

- March 2, 2013 – Dr. Edris K. Dookie, co-founder of the Corporation, resigned from the positions of Executive Vice President, CGX Resources and President, ON Energy with immediate effect.

- March 12, 2013 – CGX announced that it was making an application to the Ontario Securities Commission ("**OSC**") to cease trade the Shareholder Rights Plan as the provisions of the

Shareholder Rights Plan were too restrictive to allow the closing of the 2013 Private Placement that was announced on February 27, 2013.

- March 20, 2013 – CGX announced that it had withdrawn its application to the OSC to cease trade the Shareholder Rights Plan and that the Corporation would be proceeding with obtaining minority shareholder approval for the 2012 Private Placement that was announced on February 27, 2013 at a special meeting of shareholders scheduled for April 25, 2013.

- March 21, 2013 – CGX announced the D&M Report which provided an independent resource evaluation on six prospects on the Corentyne PPL and provided an estimated total best estimate (P50) prospective resources as of December 31, 2012 of 779 MMbbl of oil, 743 MMbbl of condensate, 6,943 Bcf of sales gas plus 696 Bcf of associated solution gas.

- March 25, 2013 - CGX announced the re-pricing of the 2013 Private Placement announced on February 27, 2013 from $0.14 per Unit to $0.10 per Unit for a proposed private placement of up to 400,000,000 Units with each Unit comprising one Common Share and one Warrant with each Warrant being exercisable at $0.17 for a period of five years post the closing date and that the Corporation entered into a subscription agreement with Pacific Rubiales to subscribe for 350,000,000 of the Units, subject to the private placement being approved by minority shareholders of the Corporation and subject to minority shareholders approving a redemption of the Shareholder Rights Plan and the Corporation re-negotiating its change of control agreements such that the maximum change of control payments not exceed $4 million. It was also agreed that the Corporation would pay GMP an advisory fee equal to 4% of the gross proceeds of the private placement in respect of the subscription of 350,000,000 Units by Pacific Rubiales and 6% of the gross proceeds in respect of the subscription by any investor(s) other than Pacific Rubiales.

- April 22, 2013 – CGX announced that the Board had determined that the maximum change of control payments that would be made from the proceeds of the Private Placement would not exceed $2 million.

- April 25, 2013 – Disinterested shareholder approval was received at the Meeting in respect of the two resolutions that were proposed with 99.1% voting in favour of the termination of the Shareholders Rights Plan and 99.1% voting in favour of the Private Placement offering of up to 400,000,000 Units.

- April 26, 2013 – CGX issued 370,089,000 Units comprising 370,089,000 Common Shares and 370,089,000 Warrants for gross proceeds of $37,008,900 on closing of the Private Placement. Pacific Rubiales subscribed for 350,000,000 Units increasing its ownership to 494,434,285 Common Shares representing 63.2% of the outstanding Common Shares. The net proceeds of the Private Placement, after payment of commissions to GMP and expenses related to the Offering, will be used by CGX as to: (1) US$15,332,469 owing to Repsol, Tullow and YPF in relation to the former Georgetown PA; (2) up to a maximum of $2 million for change of control payments to officers, directors, employees and consultants of the Corporation who are no longer with the Corporation following the closing of the Private Placement; and (3) to fund expenditures related to the Corporation's oil and gas exploration activities and for general corporate purposes. CGX also announced that Serafino Iacono was appointed Co-Chairman of the Corporation and Dennis Mills and Ronald Pantin were appointed Directors of the Corporation on the resignations of Denis Clement, Adrian Jackson and Kerry Sully as Directors and that Dewi Jones was appointed Chief Executive Officer on the resignation of Kerry Sully and that Michael Galego was appointed General Counsel and Secretary. Other resignations included John Clarke, Vice President, Business Development, James Fairbairn, Director, Corporate Affairs, Michael Stockinger, Chief Operating Officer and Warren Workman, Exploration Advisor.

- May 10, 2013 – CGX announced its intention to consolidate the Corporation's issued and outstanding Common Shares on a basis of 10 pre-consolidated Common Shares for each post-consolidated Common Share subject to shareholder approval being received at the Corporation's annual and special meeting of shareholders to be held June 26, 2013.

Plans for 2013

- CGX will continue to develop strategic plans in order to meet the commitments under the existing three Petroleum Agreements.

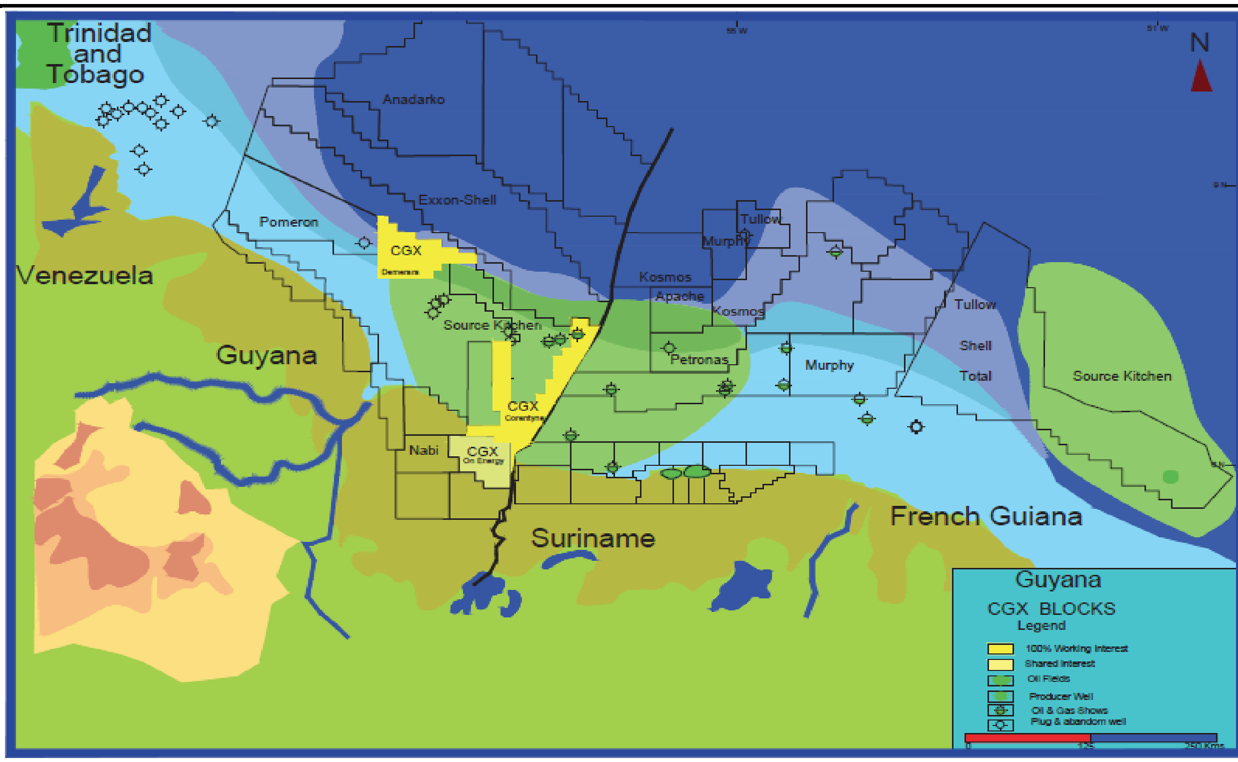
- Depending on the outcome of CGX's efforts to find a suitable joint venture partner for CGX Resources' Corentyne and Demerara PPLs, which has been ongoing since December 2009, additional equity issuances may be required to fulfill work program obligations.

BUSINESS OF THE CORPORATION

Overview

CGX was created for the primary purpose of exploring for oil and gas in offshore Guyana, South America. As of the date hereof, CGX has interests in three PAs covering approximately 3,331,452 gross acres (3,022,059 net acres) offshore and onshore Guyana. Each PA corresponds to a separate PPL.

CGX Petroleum Prospecting Licences						
	Square Kilometres		Acres		Participating Interest	Current Expiry Date
	Gross	Net	Gross	Net		
Offshore						
Corentyne PPL	6,171	6,171	1,524,810	1,524,810	100%	11/27/22
Demerara PPL	3,953	3,953	976,764	976,764	100%	02/12/23
Total Offshore	**10,124**	**10,124**	**2,501,574**	**2,501,574**		
Onshore						
Berbice PPL	3,306	2,049	816,823	506,430	62%	02/12/23
Total Onshore	**3,306**	**2,049**	**816,823**	**506,430**		
Total	**13,429**	**12,173**	**3,318,397**	**3,008,004**		



In 1998, CGX Resources was granted the Corentyne PPL, which comprised 7,941 acres and initially included an offshore portion and an onshore portion. The Corentyne PPL was modified to include the Annex PPL (see discussion below) and was extended four times.

In 1999, CGX Resources commenced exploration offshore Guyana, with an 1,800 km seismic program which led to the start of drilling on the Eagle target located on the Corentyne PPL in June 2000. A border dispute between Guyana and Suriname resulted in CGX Resources being forced off the Eagle location by gunboats from Suriname. As a result of that incident, all active exploration offshore by CGX Resources and the other operators in the area, including Exxon, and Maxus (Repsol YPF), were suspended.

On September 17, 2007, ITLOS determined that it had the jurisdiction to decide on the merits of the dispute and awarded a maritime boundary between Guyana and Suriname, and determined that the line adopted by ITLOS to delimit the continental shelf and exclusive economic zone followed an unadjusted equidistance line. The arbitration was compulsory and binding. The decision was extremely positive for CGX as it concluded that 93% of CGX Resources' Corentyne PPL and 100% of the Georgetown PPL was in Guyana territory. The Eagle drilling location in 2000 was 15 km within the ITLOS border award.

During the period when the maritime dispute was not settled, CGX Resources expanded its regional understanding of the Guyana Suriname Basin by acquiring and reinterpreting historic information, mainly seismic data, and acquiring interests in the surrounding concessions.

In January 2001, CGX Resources acquired the one million acre Annex PPL, after relinquishing a similar sized portion of the Corentyne PPL that was viewed as less prospective.

In June 2002, CGX Resources purchased AGIP Guyana B.V.'s ("**AGIP**") 25% interest in the 2.7 million acre Georgetown PPL, which acreage was adjoining to the Corporation's Corentyne PPL, for US$175,000 and US$1,100,000 upon spudding the first well that targets one of the Tertiary turbidite prospects previously identified by AGIP in which CGX participates on the Georgetown PPL.

On February 9, 2012, Repsol commenced drilling the Jaguar-1 well, a high pressure, high temperature ("**HPHT**") well and on July 16, 2012, CGX announced that the partners to the Georgetown PPL made a unanimous decision to abandon the Jaguar-1 well for safety reasons as the pressure design limits for safe operations prevented further drilling. Although the Late Cretaceous objective was not reached, samples of light oil were successfully recovered from two Late Cretaceous turbidite sands.

In September 2003, CGX created a wholly-owned subsidiary company, ON Energy, to hold and actively explore the 415,000 acre onshore portion of the Corentyne PPL and the 387,000 acre Berbice PPL, collectively the Berbice Block and transferred its interest in the onshore portion of the Corentyne PPL to ON Energy. Following two private placements undertaken by ON Energy, in which a total of US$9.1 million was raised and in which CGX invested US$4.6 million, CGX's current interest in ON Energy is 62%. On June 20, 2012, CGX made application to the Government of Guyana for early renewal of the Berbice PPL and for the onshore portion of the Corentyne PPL to be combined into the Berbice PPL. On February 12, 2013, ON Energy was granted a new Berbice PPL comprising 814,194 acres.

In January 2004, CGX Resources purchased Century Guyana, Ltd.'s ("**Century**") 100% interest in the 2.8 million acre Pomeroon PPL for a purchase price of US$100,000 plus the issuance of 2,000,000 Common Shares. CGX Resources assigned Century an overriding royalty interest consisting of 2.5% of all revenues to the extent the revenues are directly attributable to the CGX's share of Profit Oil. The Government of Guyana approved the transfer in July 2004. CGX Resources completed a regional reinterpretation of existing data to identify priority areas for future seismic data; however, additional field seismic interpretation and exploration drilling on the Pomeroon PPL was deferred pending settlement by Guyana and Venezuela of a maritime boundary dispute between the two countries. On June 20, 2012, CGX Resources made application to the Government of Guyana for early renewal of the Pomeroon PPL; however, due to ongoing discussions between Guyana and Venezuela, the Pomeroon PPL reverted to the Government of Guyana on November 19, 2012.

On February 13, 2012, CGX Resources commenced drilling the Eagle-1 well and on May 7, 2012, the Eagle-1 well was declared a dry hole after the well encountered hydrocarbon shows in three formations but potential reservoir sands proved to be water-bearing. The Eagle-1 well was originally estimated to cost US$55 million; however, due to weather delays, mechanical issues, additional logging and plug and abandon operations, the total costs incurred were US$89 million. On June 20, 2012, the Corporation made application to the Government of Guyana for early renewal of the Corentyne PPL and for the onshore portion of the Corentyne PPL and the Annex PPL to be separated from the Corentyne PPL and in the case of the onshore portion to be combined with the Corporation's 62% owned Berbice PPL. On November 27, 2012, the Corporation was granted a new Corentyne PPL comprising 1,534,896 acres for a period of four years and renewable for two successive three year periods.

On February 12, 2013, the Corporation was granted a new Demerara PPL comprising 982,362 acres and a new Berbice PPL comprising 814,194 acres, both of which were also granted for a period of four years renewable for two successive three year periods.

Carrying on Business in Guyana

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

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

Guyana is divided into three counties (Demerara, Essequibo and Berbice) and ten Administrative Regions (including the Cuyuni-Mazaruni region). Georgetown is the capital city of Guyana, the seat of Government, the main commercial centre and the principal port. In addition to Georgetown, Guyana has six small towns of administrative and commercial importance which are recognized municipal districts; each with its own mayor, council and civic responsibilities.

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

The Petroleum Regime in Guyana

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

The GGMC is the statutory body responsible for administering PAs and PPLs for petroleum exploration in Guyana. The GGMC has been charged with the responsibility for managing the nation's mineral resources.

In order to obtain a PPL, the licencee must:

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

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

In order to obtain a Petroleum Production Licence, the licencee must:

- be in possession of a valid PPL (unless otherwise permitted by the Minister Responsible for Petroleum); and
- submit a Petroleum Production Licence application within two years of a declaration of discovery or within such other time frame as stipulated by the Minister Responsible for Petroleum that includes a detailed proposal for the construction, establishment and operation of all facilities and services for and incidental to the recovery, processing, storage and transportation of petroleum from a production area (and as otherwise as required by applicable regulations).

The granting of a PPL is subject to the applicant satisfying conditions regarding the following: (i) efficient and beneficial use of petroleum resources; (ii) adequate financial resources and technical and industrial competence and experience; (iii) ability and willingness to comply with the conditions on which the licence is proposed to be granted; (iv) proposal for the employment and training of citizens of Guyana; (v) procurement of goods and services obtainable within Guyana; (vi) exercise of any option given to the Government of Guyana to acquire an interest in any venture for the production of petroleum, on stipulated terms or terms to be agreed; and (vii) in the event of default, determination by the Minister Responsible for Petroleum that special circumstances exist which justify the granting of the licence notwithstanding the default.

The Guyana Suriname Basin

Overview of the Basin

The Guyana Suriname Basin lies along the coastal area of Guyana and Suriname, and offshore Guyana, Suriname and French Guiana. The area has been explored since the 1950s, but approximately 31 wells have been drilled beyond the nearshore in a basin that extends laterally over 900 km. However, the Guyana Suriname Basin has a proven hydrocarbon system. From information derived from material published from time-to-time by Staatsolie Maatschappij Suriname N.V., the Tambaredjo field onshore Suriname has approximately 1 Bbbls of 14° API crude oil in place. Adjacent to Tambaredjo is the Calcutta field. Oil production from the two fields is approximately 16,000 bbl/d, with primary recovery estimated to be 18%. The oil has been typed to a Cenomanian source in the offshore portion of the basin, and would have migrated over 150 km.

Since the resolution of the Guyana/Suriname Maritime Border dispute in September 2007, activity in the Guyana Suriname Basin has increased significantly with seismic acquisitions being undertaken by a number of companies including the Corporation (3D seismic data on both the Corentyne PPL and, with former partners Repsol, Tullow and YPF, on the former Georgetown PPL), 2D and 3D seismic data has been acquired by Exxon Mobil Corporation ("**Exxon**") and Royal Dutch Shell plc ("**Shell**") on the Stabroek PA offshore Guyana, and 3D seismic data was acquired by both Murphy Oil Corporation ("**Murphy**") and Inpex Corporation ("**Inpex**") on their respective blocks offshore Suriname and drilling being undertaken by Murphy, Inpex, CGX and Repsol. More recently, the consortium of Kosmos/Chevron and Tullow/Statoil have acquired 2D/3D seismic in their offshore Suriname blocks.

Geology

In addition to its Turonian, Campanian and Maastrichtian Clastic target prospects, CGX has identified prospects in the Cretaceous Albian level– two of which, Crabwood and Kabukali, are located on the Corentyne PPL. These leads are postulated to be porous and permeable carbonate targets associated with the early cretaceous shelf edge developed at the time of opening of the Atlantic Ocean with the Gondwana rifting. This Albian carbonate play has been exploited successfully by OGX Petróleo e Gás Participações S.A. in offshore Brazil in a similar setting as seen in the Guyana Suriname Basin. The Albian formation in offshore Suriname was drilled in 2011 by Inpex on trend with the leads CGX has identified however the results are not publicly available.

Resource Potential of the Guyana Suriname Basin

In its Assessment of Undiscovered Conventional Oil and Gas Resources of South America and the Caribbean, 2012 (http://pubs.usgs.gov/fs/2012/3046/fs2012-3046.pdf), the United States Geological Survey estimated the mean undiscovered resource potential of the Guyana Suriname Basin to be 13.6 Bbbl of oil and 32 Tcf of gas. Their range of probabilistic estimate reflecting confidence levels of P95, P50 and P5 for oil were 5.2, 12.5 and 26.0 Bbbl respectively, and for gas 11.2, 28.1 and 65.9 Tcf, respectively. However, there is no certainty that any portion of the resources will be discovered, and if discovered, that it will be commercially viable.

CGX Petroleum Agreements

CGX's interests are held by way of participating interests in PPLs governed by PAs as described below. If CGX, or its joint licensees under an applicable PA or PPL, fail to meet the specific requirements of a PA or PPL, the interest may be terminated or expire.

Corentyne PA

The original Corentyne PA was awarded to CGX Resources on June 24, 1998 and comprised 2,944,485 acres and consisted of two separate PPLs – the Annex PPL, which comprised 982,362 acres and which was held 100%, and the Corentyne PPL, which comprised 1,962,123 acres, which incorporated 1,534,896 acres offshore and which was 100% owned by CGX Resources, and 427,227 acres onshore which was 62% owned by CGX through its ownership of ON Energy, which owned 100% of the onshore portion of the Corentyne PA.

The original Corentyne PA was amended four times with a final expiry date of June 24, 2013. On June 20, 2012, an application was filed with the Government of Guyana for the issuance of a new PA beyond the June 2013 expiry. On November 27, 2012, a new Corentyne PA was issued by the Government of Guyana comprising 1,534,896 acres for a period of four years and renewable for two successive three year periods. On February 12, 2013, the Corporation was granted a new Demerara PPL comprising 982,362 acres and a new Berbice PPL comprising 814,194 acres, both of which were also granted for a period of four years renewable for two successive three year periods.

Under the Corentyne PA, after commercial production begins, the licensee is allowed to recover all recoverable contract costs from "cost oil" and/or “cost gas” which is 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 licensee's share of the remaining "profit oil" and/or “profit gas” in any month is forty-seven percent (47%) for each field.

Corentyne PPL

In 1999, CGX Resources shot the first solid-state 2D seismic program in the basin, creating far clearer images below 10,000 feet than were available from vintage 2D data. A turbidite fan prospect called Eagle was identified at 13,000 feet. In June 2000, while a jack-up rig was setting up to drill the Eagle prospect, gunboats from Suriname arrived claiming the territory as theirs, forcing the rig off location.

To salvage value from the investment in supplies, including the sunk mobilization and demobilization costs, the jack-up was moved nearer to shore in undisputed waters to drill a low priority Cretaceous stratigraphic trap called Horseshoe. The well was drilled to 13,000 feet in 28 days, but was abandoned as a dry hole. Despite encountering over 6,000 feet of reservoir quality sand, there was no apparent seal to trap hydrocarbons.

Following the resolution by the ITLOS of the maritime border dispute in September 2007, exploration of the offshore portion of the Guyana Suriname Basin accelerated. During 2008, CGX Resources shot the first 3D seismic program offshore Guyana covering 505 square km to enhance the interpretation of a large Cretaceous stratigraphic trap. The cost of the seismic program was approximately US$8 million.

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

Commencing in December 2011, a 3D seismic survey of 1,160 square km was shot on the Corporation's Corentyne PPL to better image the up-dip limits of the Eagle Deep Turonian prospect, as well as the Crabwood and Kabukalli Albian prospects.

As a result of the geophysical and geological collaboration, and comparison to the analogous West African discoveries, the priority prospects are Upper and Lower Turonian sands at approximately 5,600 metres. These primary prospects are overlain by leads in the Campanian and the Maastrichtian horizons as well as an additional prospect in the Eocene. The first commitment well in the second renewal period of the original Corentyne PPL commenced on February 13, 2012. On May 7, 2012, the Corporation declared a dry hole after the shallow Eagle-1 well, targeting the Eocene and Maastrichtian formations, encountered hydrocarbon shows in three formations but potential reservoir sands proved to be water-bearing.

CGX continues to market the opportunity for a joint venture partner(s) to earn a promoted interest in the Corentyne PPL.

The following table outlines the work commitments under the Corentyne PPL:

			Commitment		**Status**	
From – To		**Period**	**Minimum Work Program**	**Relinquishment**	**Work Completed**	**Relinquishment**
11/27/12	05/27/15	Initial Period Phase 1 30 Months	Commence to drill 1 exploration well	None	Ongoing G&G	None
05/27/15	11/27/16	Initial Period Phase 2 18 Months	Drill 1 exploration well	15% w/renewal	None	None
11/27/16	05/27/18	First Renewal Phase 1 18 months	Commence to drill 1 exploration well	None w/renewal	None	None
05/27/18	11/27/19	First Renewal Phase 2 18 months	Drill 1 exploration well	25% w/renewal	None	None
11/27/19	05/27/21	Second Renewal Phase 1 18 Months	Commence to drill 1 exploration well	None w/renewal	None	None
05/27/21	11/27/22	Second Renewal Phase 2 18 Months	Drill 1 exploration well	100% except Discovery & Production Areas	None	None

Berbice PA

In September 2003, CGX created a wholly-owned subsidiary company, ON Energy to hold the 415,000 acre onshore portion of the original Corentyne PPL and CGX applied to the Government of Guyana for the Berbice PA of approximately 387,000 acres adjacent to the original Corentyne Onshore PPL, which was granted in October 2003 and has been registered directly to ON Energy ("**Berbice PA**"). By completing aeromag re-interpretation, a geochemical sampling program and a 2D seismic program, the minimum work obligations were fulfilled in the Initial Period.

Following two private placements, ON Energy raised a total of US$9.1 million, in which CGX invested US$4.6 million, CGX's interest was reduced to 62% in ON Energy. In 2003, ON Energy completed a very large geochemical survey and reinterpreted existing aeromagnetic data that covered the Berbice Block and surrounding region. A labour intensive 2D seismic survey was conducted, employing up to 250 local personnel. Drilling commenced in May 2005, resulting in three dry and abandoned wells. All activities took longer than anticipated and costs were significantly higher than budgeted. A third-party review concluded that the most attractive exploration fairway on the Berbice Block exists further inland, with a potential trap being formed against the rising basement rock.

Effective October 2007, the Berbice PA was extended three additional years into the first renewal period. On June 20, 2012, an application was filed with the Government of Guyana for the issuance of a new PA and for the combination of the former onshore portion of the Corentyne PA. On February 12, 2013, the Government of Guyana issued a new Berbice PA comprising 814,194 acres for a period of four years renewable for two successive three year periods.

Under the Berbice PA, after commercial production begins, the licensee is allowed to recover all recoverable contract costs from "cost oil" and/or "cost gas" which is 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 licensee's share of the remaining "profit oil" and/or "profit gas" in any month is forty-seven percent (47%) for each field.

The following table outlines the work commitments under the Berbice PPL.

			Commitment		**Status**	
From	**– To**	**Period**	**Minimum Work Program**	**Relinquish-ment**	**Work Completed**	**Relinquish-ment**
02/12/13	02/12/15	Initial Period Phase 1 24 Months	Acquire a minimum of 1,000 km of airborne geophysical data, process & interpret same	None w/Phase 2 commitment	Ongoing G&G	None
02/12/15	02/12/17	Initial Period Phase 2 24 Months	Acquire a minimum of 100 line km of 2D seismic, process and interpret same; or commence to drill 1 exploration well	15% w/renewal	None	None
02/12/17	08/12/18	First Renewal Phase 1 18 months	Commence to drill 1 exploration well	None w/Phase 2 commitment	None	None
08/12/18	02/12/20	First Renewal Phase 2 18 months	Drill 1 exploration well	25% w/renewal	None	None
02/12/20	08/12/21	Second Renewal Phase 1 18 Months	Commence to drill 1 exploration well	None w/Phase 2 commitment	None	None
08/12/21	02/12/23	Second Renewal Phase 2 18 Months	Drill 1 exploration well	100% except Discovery & Production Areas	None	None

Demerara PA

The original Corentyne PA was amended on January 17, 2001, wherein a portion of the original Corentyne PA was relinquished in advance and substituted by the Annex PPL, comprising an area of 982,362 acres. CGX acquired and interpreted 2D seismic data from Veba AG for 3,300 km on the Annex PPL and 204 km of such data was reprocessed, satisfying the minimum work program. A large toe-thrust feature was identified as a lead that may justify further work if adjacent exploration is successful.

On June 20, 2012, an application was filed with the Government of Guyana for the issuance of a new PA covering the Annex PPL beyond its original expiry in September 2013. On February 12, 2013, the Corporation was granted a new Demerara PPL comprising 982,362 acres for a period of four years renewable for two successive three year periods.

Under the Demerara PA, after commercial production begins, the licensee is allowed to recover all recoverable contract costs from "cost oil" and/or “cost gas” which is 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 licensee's share of the remaining "profit oil" and/or “profit gas” in any month is forty-seven percent (47%) for each field.

The following table outlines the work commitments under the Demerara PPL.

			Commitment		Status	
From	**– To**	**Period**	**Minimum Work Program**	**Relinquish-ment**	**Work Completed**	**Relinquish-ment**
02/12/13	02/12/15	Initial Period Phase 1 24 Months	Conduct a new marine 3D seismic survey consisting of a minimum of 1,000 km^2, process & interpret same	None	None	None
02/12/15	02/12/17	Initial Period Phase 2 24 Months	Drill 1 exploration well	15% w/renewal	None	None
02/12/17	08/12/18	First Renewal Phase 1 18 months	Commence to drill 1 exploration well	None w/Phase 2 commitment	None	None
08/12/18	02/12/20	First Renewal Phase 2 18 months	Drill 1 exploration well	25% w/renewal	None	None
02/12/20	08/12/21	Second Renewal Phase 1 18 Months	Commence to drill 1 exploration well	None w/Phase 2 commitment	None	None
08/12/21	02/12/23	Second Renewal Phase 2 18 Months	Drill 1 exploration well	100% except Discovery & Production Areas	None	None

Specialized Skill and Knowledge

CGX's senior executives have extensive oil and gas experience. In particular, the Chief Executive Officer of CGX, Dewi Jones, has over 25 years of international oil and gas technical and management experience in Latin America. Prior to joining CGX initially in 2011 as Executive Vice President, Exploration and General Manager and after his return in April 2013 as Chief Executive Officer, Mr. Jones was the former Exploration Manager Guyana and Caribbean for Repsol YPF. Mr. Jones holds a B.Sc. in Geology from Louisiana State University, Louisiana. Tralisa Maraj, Chief Financial Officer, has over 17 years experience in international oil industry and public company accounting. Ms. Maraj is a Certified Public Accountant licensed in Texas and a Chartered Certified Accountant licensed in the UK.

In addition to the extensive experience of the senior executives of CGX, the Corporation has engaged top service and oil and gas consulting firms for the acquisition of 3D seismic data, data interpretation and drilling consultants. CGX Resources' 2,344 square km seismic acquisition (505 square km on the Corentyne PPL and 1,839 square km in 2008/2009 on the Georgetown PPL) and its 1,160 square km seismic acquisition on the Corentyne PPL in 2011/2012 was undertaken by Fugro and PGS, utilizing the latest 3D a marine acquisition technology. Specialists in each aspect of the data interpretation were also engaged including: CGG Veritas (Corentyne PSDM and PSTM); Petroleum Geo-Services ASA (Georgetown PSTM); Data Modelling Inc. (Georgetown PSDM); Rock Solid Images, Inc. (AVO amplitude, velocity and inversion analysis); Foster Findlay Associates Limited (Georgetown attributes); and GeoMechanics International, Inc. (pore pressure prediction and wellbore stability).

Competitive Conditions

The oil and natural gas industry is inherently competitive. The Corporation faces competition in the areas of finance, technical facilities, and acquisition and retention of assets. While CGX believes that it enjoys a competitive advantage in Guyana due to its strong network of business contacts that have been developed over the numerous years that CGX Resources has been involved in exploration in Guyana and due to CGX having supported Guyana in its maritime dispute with neighbouring Suriname, there is no guarantee that CGX will continue to do so. Nonetheless, management of the Corporation believes that it will be able to be competitive with other local and foreign oil and gas companies in Guyana. For further details regarding this risk factor see "Risk Factors - Competition".

Environmental Protection

The oil and natural gas industry in Guyana is subject to environmental laws and regulations. Compliance with such obligations and requirements can mean significant expenditures and/or may constrain the Corporation's operations in the applicable jurisdiction. Breach of environmental obligations could lead to suspension or revocation of requisite environmental licenses and permits, civil liability for damages caused and the possible fines and penalties, all of which may significantly and negatively impact the Corporation's position and competitiveness. For further details regarding this risk factor see "Risk Factors – Environmental Regulation".

Land Holdings

The following table summarizes the gross and net acres of properties in which CGX Resources has an interest and the number of net acres for which the rights of CGX Resources to explore, develop and exploit will, absent further action, expire within one year.

	Gross Acres	Net Acres	Net Acres Expiring Within One Year
Corentyne PPL	1,524,810	1,524,810	-
Demerara PPL	976,764	976,764	-
Berbice PPL	816,823	506,430	-
	3,318,397	3,008,004	-

Offices and Employees

The Corporation's head office is located in Toronto, Ontario and the Corporation also has an administrative and operations office in Georgetown, Guyana and an operations office in Houston, Texas, USA. The following table sets out the number of employees and consultants of CGX by geographic location at the most recently completed financial year.

Location	Canada	Guyana	USA
Number of Employees	0	84	7
Number of Consultants	6	2	2
Total	6	86	9

STATEMENT OF RESOURCE DATA

On April 22, 2013, CGX filed the following on SEDAR: (i) Form 51-101F1 "Statement of Reserves Data and Other Oil and Gas Information" dated April 22, 2013 and effective as of December 31, 2012; (ii) Form 51-101F2 "Report on Reserves Data by Independent Qualified Reserves Evaluator", effective December 31, 2012; and (iii) Form 51-101F3 "Management and Directors on Oil and Gas Disclosure" dated April 22, 2013 (collectively, the "**51-101 Report**"). The 51-101 Report is incorporated by reference into this AIF. The oil and gas information described in this AIF supplements and updates the information contained in the 51-101 Report.

Resource Estimate

On March 19, 2013, D&M provided an independent resource estimate with an effective date of December 31, 2012 for six oil and gas prospects on the Corentyne PPL. Certain information set out below is summarized from the D&M Report.

Capitalized terms related to resource classifications used in this AIF are based on the definitions and guidelines in the COGE Handbook. Historic and recent well data from the Eagle-1 well and the Jaguar-1 well, regional geology, 2D and 3D seismic data, were reviewed by D&M to prepare a probabilistic resource estimate for that portion of the "Prospects" lying entirely within the Corentyne PPL, as shown on the table below.

The D&M Report was prepared in accordance with the requirements of section 5.9 of NI 51-101-*Standards of Disclosure for Oil and Gas Activities*. Capitalized terms related to resources classifications used in this press release are based on the definitions and guidelines in Section 5.3.5 of the Canadian Oil and Gas Evaluation Handbook ("**COGE Handbook**"), Volume 1.

Gross Prospective Resource Estimate					
	Units	**Low**	**Best**	**High**	**Mean**
Oil Prospects					
Eagle Deep Campanian	10^6bbl	29	83	225	109
Kabukalli Campanian + Albian	10^6bbl	207	465	1,085	574
Simri Albian	10^6bbl	5	12	29	15
Crabwood Albian	10^6bbl	4	12	33	16
Buteo Maastrichtian	10^6bbl	28	82	186	99
Arithmetic Summation Oil	10^6bbl	**274**	**654**	**1,559**	**813**
Statistical Aggregation					
Oil	10^6bbl	**535**	**779**	**1,134**	**813**
Solution Gas	Bcf	**508**	**696**	**954**	**717**
Eagle Deep Turonian Gas					
Sales Gas	Bcf	**3,578**	**6,943**	**12,306**	**7,569**
Condensate	10^6bbl	**577**	**743**	**958**	**758**

Note: Bcf – billion cubic feet; 10^6bbl – billion cubic feet; Arithmetic Summation may not appear to add due to rounding.

The arithmetic summation for oil presented in this table is in compliance with NI 51-101; however, arithmetic summation of probalistic estimates produces invalid results except for the mean estimate.

The following tables relate to the Truncated, Threshold Economic Field Size ("TEFS")-Adjusted, and probability of economic success (Pe)-Adjusted Resources. The secondary products of condensate in the case of the Eagle Deep Turonian Gas Prospect and solution gas in the case of the Oil Prospects are not included in the presentation.

Gross Truncated, TEFS-Adjusted Prospective Resources Summary							
Prospect		**Low**	**Best**	**High**	**Mean**	**Pe**	**Pe-Adj Mean**
Eagle Deep Turonian Gas	Bcf	4,373	7,324	12,611	7,927	0.19	1,496
Oil Prospects (statistical aggregate)	10^6bbls	472	828	1,452	912	0.13	117

The current exploration portfolio of potential oil and gas accumulations includes six prospects. Four of these prospects were estimated to yield sub-Threshold Economic Field Size (TEFS) quantities or negative potential present worth at 10 percent. For the D&M Report, the four uneconomic prospects have been included in the estimation of portfolio potential gross prospective volumes. However, only Kabukalli Campanian and Eagle Deep Turonian have been included in the estimation of portfolio potential present worth discounted at 10 percent.

Truncated, TEFS and Pe-Adjusted Net Potential NPV at 10% (10^6 US$)				
Prospect	**Low**	**Best**	**High**	**Mean**
Eagle Deep Turonian	$392	$882	$1,980	$1,076
Kabukalli Campanian	$136	$305	$686	$373
Total	**$528**	**$1,187**	**$2,666**	**$1,449**

No commercial discoveries have been made in the offshore Guyana basin and hence there have been no reserves found. Historic well data, regional geology, plus 2D and 3D seismic data were reviewed by D&M to prepare a probabilistic Prospective Resources Estimate of that portion of the prospects lying entirely within the Corentyne PPL. The above tables show the gross truncated, TEFS-Adjusted Prospective Resources expressed in Mbbls and Bcf of gas, together with the Net Potential NPV at 10%. These estimates have been adjusted for the probability of geologic and economic success (Pg and Pe).

Unproven Reserves

No commercial discoveries have been made in the offshore Guyana Suriname Basin and hence no reserves have been found. The estimates of the Corporation's resources provided above are only estimates and there is no guarantee that the estimated resources will be recovered or produced. Actual resources may be greater than or less than the estimates provided herein. There is no certainty that any portion of the Prospective Resources described below will be discovered. There is also no certainty that it will be commercially viable for the Corporation to produce any portion of such Prospective Resources.

In the case of a significant discovery, there are a number of factors that could result in delayed or cancelled drilling and development, including the following:

- changing economic conditions (due to pricing, operating and capital expenditure fluctuations);
- changing technical conditions (production anomalies, such as water breakthrough);
- multi-zone developments (for example, a prospective formation completion may be delayed until the initial completion is no longer economic);
- a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization;
- access issues (including dealings with landowners, unfavourable weather conditions and obtaining regulatory approvals); and
- availability of drilling rigs, work crews, equipment and materials

Significant Factors or Uncertainties

The resource estimates presented above are subject to certain risks and uncertainties, including those associated with the drilling and completion of future wells, limited available geological and geophysical data and uncertainties regarding the actual production characteristics of the reservoirs, all of which have been assumed for the preparation of the resource estimates. In addition, significant negative factors related to the Prospective Resource estimate include: (i) a lack of infrastructure and transportation in the Corentyne PPL area; (ii) the limited drilling history and success in the Corentyne PPL area; (iii) the challenge to contract offshore drilling rigs on a timely basis; and (iv) the capital expenditures and financing required for the Corporation to satisfy its obligations under the Corentyne PPL and its proposed drilling and exploration program. (see "Risk Factors – Seismic Data and Resource Estimates").

The Corporation’s future capital requirements on its existing assets will require the Corporation to raise additional financing. The ability of the Corporation to successfully arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the business performance of the Corporation (see “Risk Factors – Going Concern” and “Risk Factors - Financing”).

Future Development Costs

The D&M Report does not estimate future development costs.

Properties with No Attributable Resources

The Corporation has not obtained an independent assessment of resources on its Demerara PPL or Berbice PPL. The D&M Report has only been completed on the Corporation's Corentyne PPL.

Additional Information Concerning Abandonment and Reclamation Costs

The D&M Report does not estimate future abandonment and reclamation costs.

OTHER OIL AND GAS INFORMATION

Abandonment and Reclamation Costs

The Corporation has no commercial reserves or production and as such no abandonment or reclamation costs currently exist.

Acquisition, Exploration and Developments Costs Incurred

The following table sets out the property acquisition, exploration and development costs of CGX for the fiscal year ended December 31, 2012.

	Property Acquisition Costs		Exploration Costs	Development Costs
	Proved US$	Unproved US$	US$	US$
Annex PPL	-	-	-	-
Corentyne PPL	-	$100,000	$79,603,370	-
Corentyne Onshore PPL	-	-	-	-
Georgetown PPL	-	-	$37,511,639	-
Pomeroon PPL	-	-	-	-
Berbice PPL	-	-	-	-
Total	-	$100,000	$117,015,009	-

Capital Expenditures (Net)

The following table sets forth capital expenditures related to the Corporation's activities for the year ended December 31, 2012.

	Year Ended December 31, 2012
	US$
Property acquisition costs	
Proved properties	-
Undeveloped properties	$100,000
Exploration costs	$117,015,009
Development costs	-
Dispositions	-
Total	$117,115,009

Exploration and Development Drilling Activity

The Corporation drilled the Eagle-1 exploration well and participated in the Jaguar-1 exploration well in 2012.

In December 2011, Atwood Oceanics Pacific Limited's Atwood Beacon jack-up drill rig moved to Guyana to commence the drilling of the Jaguar-1 well operated by Repsol on the former Georgetown PPL. Drilling was delayed until February 8, 2012 because of sea conditions that prevented set-up of the rig. The Jaguar-1 well was planned to test a Cretaceous Turonian prospect at 6,500 metres at a projected cost of US$160 million (US$40 million for CGX Resources' 25% working interest). The Jaguar-1 well was plugged at a depth of 4,876 metres without reaching the primary objective in the Late Cretaceous geologic zone. On July 16, 2012, the decision to stop drilling was announced based on safety criteria after reaching a point in the well where the pressure design limits for safe operations prevented further drilling to the main objective. Whilst the primary Late Cretaceous objective was not reached, samples of light oil were successfully recovered from two Late Cretaceous turbidite sands. The final costs associated with the Jaguar-1 well, including indirect charges and general and administrative charges for operator expenses was US$45.5 million. The Corporation recognized the costs of the Eagle-1 well as dry hole expense in the financial statements for the year ended December 31, 2012. Effective November 25, 2012, the Georgetown PPL expired. The Corporation, led by the operator Repsol, were in discussions with the Government of Guyana for the issuance of a new PPL. The Corporation believed these discussions would have resulted in a new PPL, but there were no assurances as to the outcome and terms of these negotiations. The Corporation recorded an impairment for the year ended December 31, 2012 of the full carrying amount of US$57.3 million for the Georgetown PPL. In the event that the Corporation participates in the renewal of the license, CGX will revisit the impairment.

In November 2011, CGX contracted Diamond Offshore Services Company's Ocean Saratoga semi-submersible rig to drill the Corporation's Eagle-1 well that was targeted to reach 4,500 metres in order to test the Tertiary Eocene and Cretaceous Maastrichtian trends. The Eagle-1 well commenced drilling on February 13, 2012 and was initially budgeted for 60 days of drilling but experienced weather delays and mechanical issues which extended operations to 107 days. The initial cost estimate for the Eagle-1 well was US$55 million; however, due to additional time for drilling plus logging of potential reservoir sands, the drilling rig was released May 16, 2012. The final costs associated with the Eagle-1 well were approximately US$89.9 million. The Eagle-1 well was declared a dry hole on May 7, 2012 after encountered hydrocarbon shows in three formations but potential reservoir sands proved to be water-bearing. The Corporation recognized the costs of the Eagle-1 well as dry hole expense in the financial statements for the year ended December 31, 2012.

Forward Contracts and Financial Instruments

The Corporation has no oil and gas reserves or production and no sales contracts have been negotiated or exist.

Future Commitments

On the Corentyne PPL, the Corporation has a commitment to drill two exploration wells during the first phase of the PPL being the initial period of four years expiring November 27, 2016.

On the Demerara PPL, the Corporation has a commitment to conduct a 3D seismic survey comprising a minimum of 1,000 square km and to drill one exploration well during the first phase of the PPL being the initial period of four years expiring February 12, 2017.

On the Berbice PPL, ON Energy has a commitment to conduct an airborne survey comprising a minimum of 1,000 square km and either conduct a 2D seismic survey comprising a minimum of 100 square km or drill one exploration well during the first phase of the PPL being the initial period of four years expiring February 12, 2017.

Tax Horizon

CGX does not expect to pay any cash income taxes in 2013 based on its carry forward loss position, planned capital expenditures and forecast taxable income. Taxes payable beyond 2012 will be a function of capital expenditures and cash flows.

Production and Revenue Summary

During the fiscal year ended December 31, 2012, the Corporation had no production or revenue from its participating interests. See "Statement of Resource Data".

Properties, Plants, Facilities and Installations

The exploration properties of CGX are located in Guyana, where no oil and gas infrastructure to produce, lift, transport or sell oil and gas exists. In 2010, CGX formed a wholly-owned subsidiary, GCIE Holdings, which leased 55 acres at the mouth of the Berbice River in Guyana to construct a staging facility and wharf to be called Grand Canal Industrial Estates to support the offshore exploration activities in the Guyana Suriname Basin. CGX is pursuing external sources of capital to develop the staging facility and wharf.

Staging Facility and Wharf, Guyana

CGX is currently in the process of constructing staging facilities to be used for drilling of future wells. To date, the Corporation has fenced in the yard, constructed an office and sanitary services, installed two fuel tanks that can accommodate 20,000 litres, installed 200 metre by 50 metre of vertical drainage and completed an internal access road with crusher run and sand filling. Crusher run has also been placed in the entire yard. A two km long by five metre wide access road has been constructed from the main road to the port yard site using Geotextile, reef sand, white sand, crusher run and bauxite capping. Sand filling of the port yard is currently ongoing and sea defense is currently being constructed. The Corporation's investment in the staging facility and wharf is held through its wholly-owned subsidiary GCIE. CGX is pursuing external sources of capital to develop the staging facility and wharf.

Production Estimates

The Corporation has no reserves or producing assets as at December 31, 2012.

RISK FACTORS

Overview

The business of the Corporation consists of oil and gas exploration in Guyana, South America. There are a number of inherent risks associated with oil and gas exploration and development, as well as local, national and international economic and political conditions that may affect the success of CGX which are beyond CGX's control, particularly since such operations are located in a foreign country. Many of these factors involve a high degree of risk.

Set out below are certain risk factors relating to the business of CGX. The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this AIF. **Investors should carefully consider the risk factors set out below and consider all other information contained herein and in the Corporation's other public filings before making an investment decision.**

In assessing the risks of an investment in the Common Shares, potential investors should realize that they are relying on the experience, judgment, discretion, integrity and good faith of the management of CGX. **An investment in Common Shares is suitable for only those investors who are willing to risk a loss of their entire investment and who can afford to lose their entire investment. Readers should consult their own professional advisors to assess the income tax, legal and other aspects of an investment in the Common Shares.**

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

Nature of Business and Stage of Development

An investment in CGX is subject to certain risks related to the nature of CGX's business and its early stage of development. There are numerous factors which may affect the success of CGX's business which are beyond CGX's control including local, national and international economic and political conditions. CGX's business involves a high degree of risk which a combination of experience, knowledge and careful evaluation may not overcome. CGX's operations in Guyana have exposed CGX to risks that may not exist for domestic operations such as political, regulatory, contractual and currency risks. CGX has a limited history of operations and there can be no assurance that CGX's business will be successful or profitable or that commercial quantities of oil and/or natural gas will be discovered by CGX.

Going Concern

Given the uncertainty associated with the nature of offshore drilling activities and the cost associated with such activities and the Corporation's ability to obtain financing, the Corporation may not have sufficient cash flow to meet its operating requirements for a minimum of one year. The ability of the Corporation to continue as a going concern is dependent on securing additional financing, either through issuing additional equity and/or payments associated with a joint venture farm-out within the near future. There can be no assurance that the Corporation will be successful in obtaining required financing as and when needed. The audited consolidated financial statements of CGX for the year ended December 31, 2012, which are filed on SEDAR, have been prepared by management on a going concern basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The going concern basis of presentation assumes that CGX will continue in operation for the foreseeable future and be able to realize its assets and discharge its obligations in the normal course of business. Should CGX be unable to continue as a going concern, realization of assets and settlement of liabilities other than in the normal course of business may be at amounts significantly different from those in the financial statements and could cause the Corporation to reduce or terminate its proposed operations and cause the loss of some or all of the value of an investment in the Common Shares. **While the Corporation believes in the viability of its strategy and, in its ability to raise additional funds, there can be no assurances to that effect.**

Financing

The Corporation's future capital requirements on its existing assets exceed existing cash resources, which will require CGX to raise additional financing. The ability of CGX to arrange financing in the future will depend in part upon the prevailing capital market conditions, risks associated with international operations, as well as the business performance of CGX. This in turn could limit growth prospects in the short term or may require CGX to dedicate cash flow, dispose of properties or raise new equity to continue operations under circumstances of declining energy prices, poor drilling results, or economic or political dislocation in foreign countries. There can be no assurance that CGX will be successful in its efforts to arrange additional financing on terms satisfactory to CGX. This may be further complicated by the limited market liquidity for shares of smaller companies, such as CGX, which restricts access to investments by some institutional investors. If additional financing is raised by the issuance of shares from the treasury of CGX, control of CGX may change or be consolidated and/or shareholders may suffer additional dilution.

From time to time CGX may enter into transactions to acquire assets or the shares of other corporations. These transactions may be financed partially or wholly with debt, which may temporarily increase CGX's debt levels above industry standards.

Risks of Foreign Operations

CGX's material petroleum assets and operations are located in Guyana. As such, CGX is subject to political, economic, contractual, regulatory and social uncertainties or social instability, including, but not limited to, renegotiation or nullification of existing agreements and licences, expropriation of property without fair compensation, changes in energy policies or the personnel administering them, nationalization, currency fluctuations and devaluations, exchange controls and royalty and tax increases, changes in taxation policies, economic sanctions, social instability and other risks arising out of foreign governmental sovereignty over the areas in which CGX's operations are conducted.

CGX's operations may also be adversely affected by laws and policies of Canada affecting foreign trade, investment, and taxation, including proposed amendments to the *Income Tax Act* (Canada) relating to the taxation of foreign affiliates announced on August 19, 2011.

In the event of a dispute arising in connection with CGX's operations in Guyana, CGX may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdictions of the courts of Canada or enforcing Canadian judgments in such other jurisdictions. CGX may also be hindered or prevented from enforcing its rights with respect to a governmental entity because of the doctrine of sovereign immunity. Accordingly, CGX's exploration and development activities in Guyana could be substantially affected by factors beyond CGX's control, any of which could have a material adverse effect on CGX.

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

Expiry and/or Termination of Petroleum Agreements and Licences

CGX's interests are held by way of participating interests in PPLs governed by PAs. If CGX, or its joint licensees under an applicable PA or PPL, fail to meet the specific requirement(s) of a particular PA or PPL its interest may terminate or expire. There can be no assurance that any of the obligations required to maintain the Corporation's interests will be met or that CGX will not lose any of its participating interests in such petroleum agreements and licences.

Petroleum Exploration Operations

An investment in CGX is subject to certain risks related to the nature of CGX's business as an oil and gas exploration company. Petroleum exploration involves a high degree of risk and there is no assurance that expenditures made on exploration activities by CGX will result in the discovery or ultimate production of hydrocarbons.

Cost Overruns

Projecting the costs of exploratory drilling programs is difficult due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions (such as over-pressured zones and tools lost in the hole), weather related factors and changes in drilling plans and locations as a result of prior exploratory wells or additional technical data and interpretations. For instance, the Eagle-1 well on the Corentyne PPL was initially estimated to cost US$55 million; however, due to weather delays, mechanical issues, additional logging and plug and abandon operations, the final cost of the Eagle-1 well was US$89.9 million. Similarly, with respect to the Jaguar-1 well on the former Georgetown PPL, CGX's 25% share of the costs was originally estimated to be US$20 million but total costs of the Jaguar-1 well was US$45.5 million. Accordingly, there may be changes in estimated costs associated with drilling projects.

In addition, due to the stage of development of the oil and gas industry in Guyana, it is difficult to estimate costs, including infrastructure improvement costs, transportation costs (including truck, river barge and helicopter costs) and production costs for CGX's exploration and development plans for some of its properties.

CGX's difficulty estimating these costs could affect the commerciality of the resources and reserves discovered on its properties or any other properties CGX may acquire from time to time, the economic viability of CGX's products and the ability of CGX to transport its products to market.

No Reserves

CGX does not know if any of its exploration prospects will contain petroleum in quantities or quality that are sufficient to recover the costs of drilling and exploration, or to be economically viable. Currently there are no reserves associated with CGX's petroleum licences in Guyana. CGX has identified exploration prospects based on seismic and geological information that indicates the possible presence of petroleum. However, the areas in which CGX has decided to drill may not produce petroleum in commercial quantities or quality, or may not contain petroleum at all. The future value of CGX is dependent on the success or otherwise of CGX's activities which are principally directed toward the further exploration, appraisal and development of its assets in Guyana. CGX has a right to explore and appraise such assets in Guyana but does not have a right to produce the same until such time as reserves discovered thereon are determined to be commercial. Exploration for and appraisal and development of petroleum reserves are speculative and involve a significant degree of risk. There is no guarantee that exploration or appraisal of the Guyana assets will lead to a commercial discovery or, if there is commercial discovery, that CGX will be able to realize such reserves as intended. Few properties that are explored are ultimately produced. If at any stage CGX is precluded from pursuing its exploration or development programs, or such programs are otherwise not continued, CGX's business, financial condition and/or results of operations and, accordingly, the trading price of the Common Shares, is likely to be materially adversely affected.

Offshore Operations

CGX is actively exploring for hydrocarbons off the coast of Guyana. Offshore operations involve a higher degree of risk than onshore operations due to the remoteness. Fires and explosions on drilling rigs and other offshore platforms are more likely to result in personal injury, loss of life and damage to property due to the remote locations and time required for rescue personnel to get to the location. Blow-outs and spills are more likely to result in significant environmental damage to the marine environment and can be difficult to contain and difficult and expensive to remediate. There can be no assurance that these risks can be avoided. The occurrence of any of these events may have a materially adverse effect on the Corporation.

Drilling Risks and Other Operating Risks

CGX's operations are subject to all the operational risks inherent to offshore exploration and development of hydrocarbons and the drilling of wells, including, unsatisfactory performance of service providers engaged to carry out operations required for the drilling and analysis of wells, natural disasters, encountering unexpected formations or pressures, premature declines of reservoirs, invasion of water into producing formations, formations with abnormal pressures, mechanical problems with equipment, potential for substantial environmental damage, blow-outs, cratering, fires and spills, all of which could result in personal injuries, loss of life and damage to the property of CGX and others. In accordance with industry practice, CGX has normal and customary insurance coverage to address certain of these risks; however, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation may incur significant costs. Additionally, such insurance may not be available in the future, may be price-prohibitive or contain limitations on liability that may not be sufficient to cover the full extent of such liabilities. There can be no assurance that CGX will be able to obtain the insurance coverage that it believes is appropriate. In addition, the risks to which CGX's operations are subject may not in all circumstances be insurable or, in certain circumstances, CGX may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to CGX for other purposes. CGX obtains insurance for its operations that it believes are appropriate for each specific activity, however, there can be no assurance that proceeds from such insurance will be sufficient to cover CGX's related losses.

The occurrence of a significant event that CGX is not fully insured against, or the non-payment by the insurer in connection with such event, could have a material adverse effect on CGX's financial position and/or its results of operations.

Significant Capital Investments and Expenses

The oil and gas exploration and production industry is capital intensive and as accordingly the Corporation expects to have substantial expenditures as it continues to fulfill its commitments and explore for petroleum reserves. CGX has financed its recent exploration activities with funds obtained from offerings of securities completed in 2010 through 2013. CGX continues to explore financing mechanisms to allow the Corporation to meet future work commitments and to allow it to fully explore its existing petroleum prospecting licenses.

CGX's future cash flow for operations and financing is subject to a number of variables, including among others: (i) the Corporation's ability to locate or acquire reserves; (ii) the Corporation's ability to extract oil from such reserves; (iii) the cost and the time frames for government authorizations and/or licence extensions; (iv) current financial market conditions and available liquidity in markets in which Common Shares are traded (see the "Financing" risk factor above); and (v) the prices for which any produced oil is sold.

Seismic Data and Resource Estimates

There are numerous uncertainties inherent in estimating quantities of resources, including many factors beyond the control of the Corporation. When properly used and interpreted, seismic data and visualization techniques are important tools used to assist geoscientists in identifying sub-surface structures and indicators of hydrocarbons; however, these data do not allow the Corporation to know whether the hydrocarbons are present in the structures. Estimates of resources depend largely upon the reliability of available geological and engineering data and require certain assumptions to be made in order to assign resource volumes. Geological and engineering data is used to determine the probability that a reservoir of oil and/or natural gas exists at a particular location, and whether, and to what extent, such hydrocarbons are recoverable from the reservoir. Accordingly, the ultimate resources discovered by the Corporation may be significantly less than its estimates.

There is also no guarantee that the Prospective Resources attributed to each of the Corporation's PPLs will be discovered or become commercially viable. The Corporation's drilling activities may not be successful or may not be economically viable which may have a material adverse effect on the price of the Corporation's securities.

Reserves and Prospective Resources involve different risks associated with achieving commerciality. To be classified as reserves, estimated recoverable quantities must be associated with a project that has demonstrated commercial viability. In estimating reserves, proved reserves can be estimated with a high degree of certainty to be recoverable, while Prospective Resources are only potentially recoverable. For Prospective Resources, the chance of commerciality will be the product of the chance that a project will result in the discovery of petroleum multiplied by the chance that an accumulation will be commercially developed. By definition, reserves are commercially (and hence economically) recoverable. There is no guarantee that the Prospective Resources attributed to each of the Corporation's PPLs will be discovered, converted into reserves or become commercially viable.

Future Drilling and Development

Future oil and natural gas exploration may involve unprofitable efforts, not only from dry wells, but also from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs.

Development of any potential discovery may be affected by increased costs, the cost of capital and other political or environmental factors. For example, the unavailability or high cost of drilling rigs, or other essential equipment, material or personnel could have a negative impact on the ability of the Corporation to economically develop future reserves. Additionally, engineering complications, political events, social unrest or natural disasters could delay or prevent a development project. Additionally, the cost of budgeting for such projects may be difficult.

Negative Operating Cash Flow

The Corporation had negative operating cash flow for its financial years ended December 31, 2012 and 2011 and for all years since inception in 1998. Until such time as the Corporation is able to produce oil and gas from its interest in PPLs, the Corporation does not expect to have any positive cash flow. To the extent that the Corporation has negative cash flow in future periods, the Corporation will need to deploy a portion of its cash reserves to fund such negative cash flow.

Common Share Price Volatility

Many factors influence the volatility in the trading price of the Common Shares, including changes in the economy or in the financial markets, industry related developments, and the impact of changes in CGX's daily operations. Changes in each of these factors could lead to increased volatility in the market price of the Common Shares. In addition, variations in earnings estimates by securities analysts and the market prices of the securities of CGX's competitors may also lead to fluctuations in the trading price of the Common Shares.

Recent Distress in Financial Markets

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

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

Global Economic Downturn

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

Recent market events and conditions, including disruptions in the international credit markets and other financial systems and the American and European sovereign debt levels have caused significant volatility in commodity prices. These conditions have caused a decrease in confidence in the global credit and financial markets and have created a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. This volatility may in the future affect the Corporation's ability to obtain equity or debt financing on acceptable terms.

Petroleum prices are expected to remain volatile for the near future as a result of market uncertainties over the supply and demand of these commodities due to the current state of the world economies, OPEC actions and the ongoing global credit and liquidity concerns. No assurance can be given that oil and natural gas prices will be sustained at levels which will enable the Corporation to achieve profitability.

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

Industry Conditions

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

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

Foreign Subsidiaries

CGX conducts operations through its Bahamian, Guyanese and Barbadian subsidiaries. Therefore, to the extent of operations conducted by such subsidiaries, CGX will be dependent on the cash flows of these subsidiaries to meet its obligations. The ability of its subsidiaries to make payments to CGX may be constrained by: (i) the level of taxation, particularly corporate profits and withholding taxes, in the jurisdiction in which the subsidiary operates and any changes in tax laws or treaties; and (ii) the introduction of exchange controls or repatriation restrictions or the availability of hard currency to be repatriated.

Need to Discover or Acquire Reserves

CGX's ability to achieve commercial production, and therefore its cash flows and earnings, are highly dependent upon CGX discovering or acquiring reserves through acquisitions, joint ventures or investments. To the extent that cash flow from operations is insufficient and external sources of capital become limited or unavailable, CGX's ability to make the necessary capital investments to expand its petroleum reserves will be impaired. There can be no assurance that CGX will be able to find and develop or acquire reserves at commercially feasible costs. Even if such acquisitions, joint ventures or investments are consummated, CGX may not realize any anticipated benefits from them.

Future acquisitions, joint ventures and investments may result in the incurrence of additional debt, contingent liabilities and amortization expenses related to goodwill and other intangible assets and increased capital expenditures, interest and other costs, any of which could have a material adverse effect on CGX's financial condition and operating results by reducing its net profit, or increasing its total liabilities, or both. Any of these factors could adversely affect CGX's business, financial condition, results of operations or prospects.

Assessments of Value of Acquisitions

Acquisitions of petroleum companies and petroleum assets are typically based on engineering and economic assessments made by independent engineers and the acquiror's own assessments. These assessments will include a series of assumptions regarding such factors as recoverability and marketability of petroleum, future prices of petroleum and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond CGX's control. In particular, the prices of, and markets for, petroleum products may change from those anticipated at the time of making such assessment. In addition, all such assessments involve a measure of geologic and engineering uncertainty which could result in lower production and reserves than anticipated. Initial assessments of acquisitions may be based on reports by a firm of independent engineers that are not the same as the firm that CGX may use for its year-end resource and reserve evaluations. Because each of these firms may have different evaluation methods and approaches, these initial assessments may differ significantly from the assessments of the firm used by CGX. Any such instance may offset the return on and value of the offered shares.

Environmental Regulation and Risks

Extensive national, state and local environmental laws and regulations in foreign jurisdictions affect nearly all of the operations of CGX. These laws and regulations set various standards regulating certain aspects of health and environmental quality, provide for penalties and other liabilities for the violation of such standards and establish in certain circumstances obligations to remediate current and former facilities and locations where operations are or were conducted. In addition, special provisions may be appropriate or required in environmentally sensitive areas of operation. There can be no assurance that CGX will not incur substantial financial obligations in connection with environmental compliance and that the cost of such compliance will not have a material adverse affect on CGX.

Significant liability could be imposed on CGX for damages, cleanup costs or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of properties purchased by CGX or non-compliance with environmental laws or regulations. Such liability could have a material adverse effect on CGX. Moreover, CGX cannot predict what environmental legislation or regulations will be enacted in the future or how existing or future laws or regulations will be administered or enforced. Compliance with more stringent laws or regulations, or more vigorous enforcement policies of any regulatory authority, could in the future require material expenditures by CGX for the installation and operation of systems and equipment for remedial measures, any or all of which may have a material adverse effect on CGX.

Environmental Protection

All phases of CGX's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

In particular, CGX is subject to the *Environmental Protection Act* (Guyana) which provides for the management, conservation, protection and improvement of the environment, the prevention/control of pollution, the assessment of the impact of economic development on the environment and the sustainable use of natural resources and the matters incidental thereto or connected therewith. This legislation also mandates the creation of the Guyana Environmental Protection Agency (the "EPA") to implement compliance with the *Environmental Protection Act* (Guyana).

The *Environmental Protection Act* (Guyana) establishes a wide range of sanctions and penalties, both criminal and civil, for violations of the provisions of the *Environmental Protection Act* (Guyana). These sanctions and penalties include, but are not limited to:

- varying monetary fines or imprisonment depending on the gravity of the offence (if the offender has been convicted of an offence under the *Environmental Protection Act* (Guyana) and has benefited monetarily from the violation, a court may order a fine in an amount equal to the court's estimation of the amount of monetary benefits notwithstanding the maximum fine that may be imposed. To expedite settlement, authorized officers of the EPA, may by notice, offer the option of discharging liabilities in consideration of the offender making immediate payment to the EPA equal to two-thirds of the minimum penalty prescribed within 28 days of the date of the notice sent by the officer);
- suspension, cancellation or revocation of a permit or authorization;
- order to cease (or make no changes to) construction, operation, or other activities;
- prohibition notices (similar to an injunction);
- enforcement notices;
- mandating actions to prevent, ameliorate, correct, mitigate, restore or otherwise address environmental harm within a specified time;
- community service;
- order compensation to aggrieved persons; and
- injunctions (upon application to the High Court of Guyana).

To date, applicable environmental legislation has had no material financial or operational effects upon the operations of CGX.

Operational Dependence

Other companies may operate some of the PPLs in which the Corporation has an interest. As a result, the Corporation may have limited ability to exercise influence over the operation of those activities or their associated costs, which could adversely affect the Corporation's financial performance. The Corporation's return on interests operated by others therefore depends upon a number of factors that may be outside of the Corporation's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Political Risks

All of CGX's current operations are presently conducted in Guyana, South America and as such, CGX's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties include, but are not limited to: currency exchange rates; high rates of inflation; labour unrest; border disputes between countries; renegotiation or nullification of existing concessions, licences, permits and contracts; changes in taxation policies; restrictions on foreign exchange; social unrest and changing political conditions; currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Future political actions cannot be predicted and may adversely affect CGX. Changes, if any, in petroleum or investment policies or shifts in political attitude in the country of Guyana and border disputes affecting CGX's rights to explore and develop for oil and gas may adversely affect CGX's business, results of operations and financial condition. Future operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people and water use. There can be no assurance that future governments will not adopt substantially different policies, which may extend to the expropriation of assets.

Failure to comply strictly with applicable laws or regulations relating to the petroleum regime may result in loss, reduction or expropriation of entitlements. The occurrence of these various factors and uncertainties cannot be accurately predicted and may have an adverse effect on CGX's consolidated business, results of operations and financial condition.

Regulatory

Petroleum operations are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time such as extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of petroleum and many other aspects of the petroleum business. CGX's operations may require licences and permits from various governmental authorities. There can be no assurance CGX will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its projects. It is not expected that any of these controls or regulations will affect the operations of CGX in a manner materially different than they would affect other petroleum companies of similar size.

Title to Properties and Assets

Title reviews have been conducted on CGX's existing properties and to the knowledge of CGX, CGX has good title to its existing properties and in accordance with industry standards, title reviews are conducted prior to the purchase of most petroleum producing properties or the commencement of drilling wells. Such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise to defeat the claim of CGX which could result in the loss of title and a reduction of the revenue received by CGX.

Third Party Credit Risk

CGX is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, or other parties. In the event such entities fail to meet their contractual obligations to CGX, such failures could have a material adverse effect on CGX and its cash flow from operations.

Fluctuations in Foreign Currency Exchange Rates

All of CGX's operations are located in foreign jurisdictions. Fluctuations in the United States dollar and the Guyanese dollar exchange rates may cause a negative impact on revenue and costs and could have a material adverse impact on CGX's operations.

Competition

Competition could adversely affect CGX's performance. The petroleum industry is characterized by intense competition and CGX competes directly with other companies that have greater technical and financial resources. Many of these competitors not only explore for and produce petroleum but also carry on refining operations and market petroleum and other products on an international basis. The industry also competes with other industries who supply non-petroleum energy products.

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services utilizing new technologies. Other oil and gas companies may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation does. There can be no assurance that the Corporation will be able to respond to such competitive pressures and implement such technologies on a timely basis or at an acceptable cost. One or more of the technologies currently utilized by the Corporation or implemented in the future may become obsolete. In such case, the Corporation's business, financial condition and results of operations could be materially adversely affected. If the Corporation is unable to utilize the most advanced commercially available technology, the Corporation's business, financial condition and results of operations could be materially adversely affected.

Potential Conflicts of Interest

There are potential conflicts of interest to which some of the directors and officers of CGX will be subject in connection with the operations of CGX. Some of the directors and officers are engaged and will continue to be engaged in the search of petroleum interests on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with CGX. Conflicts of interest, if any, which arise will be subject to and be governed by procedures prescribed by the OBCA which requires a director or officer of a corporation who is a party to or is a director or an officer of or has a material interest in any person or company who is a party to a material contract or proposed material contract with CGX, to disclose his interest and to refrain from voting on any matter in respect of such contract unless otherwise permitted under the OBCA.

Reliance on and Availability of Personnel

The Corporation is dependent upon the continued support and involvement of a number of key management personnel. The loss of the services of one or more of such personnel could have a material adverse effect on the Corporation. The Corporation's ability to manage its exploration and development activities and, hence, its success, will depend in large part on the efforts of these individuals.

The competition for qualified personnel in the petroleum industry is intense and there can be no assurance that the Corporation will be able to continue to attract and retain all personnel necessary for the development and operation of its business. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of CGX, as the case may be.

Availability of Equipment

Petroleum exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for a rig suitable for the contemplated drilling activities of the Corporation or access restrictions may affect the availability of such equipment to the Corporation and may delay exploration and development activities.

Dilutive Effects on Holders of Common Shares

The Corporation expects to issue Common Shares and Warrants that will entitle the holder thereof to purchase Common Shares pursuant to the Subscription Agreement referred to above. Accordingly, holders of Common Shares may suffer dilution.

Significant Shareholder

Pacific Rubiales holds 497,807,785 Common Shares representing 63.7% of the issued and outstanding Common Shares on an undiluted basis, and if Pacific Rubiales exercises the 392,857,142 Warrants it holds, this percentage will increase to 74.3% if all Warrants are exercised. Pacific Rubiales has the voting power to influence the outcome of all corporate transactions or other matters requiring the approval of CGX's shareholders, including a merger, a business combination or the sale of all or substantially all of CGX's assets. This influence may limit the price that investors are willing to pay for Common Shares or discourage third parties from making a tender offer or takeover bid to acquire any or all of the outstanding Common Shares. In addition, there exists the potential that Pacific Rubiales may sell its Common Shares in the public market (commonly referred to as "market overhang"), these shares as well as any actual sales of such Common Shares in the public market, could adversely affect the market price of the Common Shares.

Enforcement of Civil Liabilities

Substantially all of the assets of the Corporation are located outside of Canada and certain of the directors and officers of the Corporation are currently resident outside of Canada. As a result, it may be difficult or impossible to enforce judgments granted by a court in Canada against the assets of the Corporation or the directors and officers of the Corporation residing outside of Canada.

No Record of Dividends

CGX has not paid dividends and it is unlikely to pay dividends in the foreseeable future. Any determination to pay dividends in the future will be at the discretion of the Board and will depend upon, among other things, CGX's results of operations, financial condition, contractual restrictions, capital expenditure and working capital requirements, restrictions imposed by applicable law and other factors the Board deems relevant.

Geographic Concentration

CGX's interests are in the Guyana Suriname Basin in Guyana. As a result of this geographic concentration, CGX may be disproportionately exposed to the effect of regional supply and demand factors and delays or interruptions in exploration in this area caused by changes in governmental regulation, political or social conditions or weather or other localized events.

Alternatives to and Changing Demand for Hydrocarbon Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. The Corporation cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on the Corporation's business, financial condition, results of operations and cash flows.

DIVIDEND RECORD AND POLICY

CGX has not paid any dividends on its shares since incorporation and does not intend to pay dividends in the foreseeable future. The future payment of dividends will be dependent upon the financial requirements of CGX to fund future growth, the financial condition of CGX, including the status of its outstanding debt instruments and other factors which the directors of CGX may consider appropriate in the circumstances.

DESCRIPTION OF SHARE CAPITAL

Common Shares

CGX is authorized to issue an unlimited number of Common Shares. As at June 10, 2013, CGX has a total of 782,037,218 Common Shares issued and outstanding. The holders of Common Shares are entitled to receive notice of, to attend and vote at any meetings of the shareholders of CGX, to receive dividends declared by the Board and to receive the remaining property of CGX on dissolution after the claims of creditors have been satisfied.

CGX has reserved 4,309,730 Common Shares for issuance upon the exercise of outstanding options and 412,946,142 Common Shares for issuance upon the exercise of outstanding Warrants as of June 10, 2013 resulting in 1,199,293,090 Common Shares outstanding on a fully-diluted basis.

Warrants

As of the date of this AIF, there are 412,946,142 Warrants outstanding, 42,857,142 of which entitle the holder thereof to purchase one Common Share at a price of $0.60 per Common Share until

January 9, 2014 and 370,089,000 of which entitle the holder thereof to purchase one Common Share at a price of $0.17 per Common Share until April 26, 2018.

Shareholder Rights Plan

The Shareholder Rights Plan, effective May 24, 2011 was approved at the annual and special meeting of the shareholders of CGX held on June 23, 2011 and was amended on July 9, 2012. At the special meeting of shareholders of CGX held April 25, 2012, shareholders of the Corporation voted in favour of termination of the Shareholder Rights Plan.

PRIOR SALES

The table below outlines all issuances of Common Shares and securities that are convertible into Common Shares for the year ended December 31, 2012 and for the period beginning January 1, 2012 to the date of this AIF.

Date of Issuance	Securities Issued	Issue Price ($)	Reason for Issuance
January 3, 2012	1,050,000 Options	1.05	Grant of options
January 9, 2012	10,270 Common Shares	0.54	Exercise of options
May 22, 2012	300,000 Options	0.30	Grant of options
May 28, 2012	85,714,285 Units	0.35	Private Placement (1)
July 9, 2012	85,714,285 Common Shares	0.35	Private Placement (1)
July 9, 2012	42,857,142 Warrants	0.60	Private Placement (1)
April 26, 2013	370,089,000 Common Shares	0.10	Private Placement (2)
April 26, 2013	370,089,000 Warrants	0.10	Private Placement (2)

Note:

(1) On June 28, 2012, Shareholders approved the issuance of the 85,714,285 Units to Pacific Rubiales. Closing of the 2012 Private Placement occurred on July 9, 2012 at which date CGX issued 85,714,285 Common Shares and 42,847,152 Warrants.

(2) On April 25, 2013, Shareholders approved the issuance of up to 400,000,000 Units, 350,000,000 of which to Pacific Rubiales. Closing of the 2013 Private Placement occurred on April 26, 2013 at which date CGX issued 370,089,000 Common Shares and 370,089,000 Warrants.

ESCROWED SECURITIES

To CGX's knowledge, no securities of the Corporation are subject to escrow or to a contractual restriction or transfer.

MARKET FOR SECURITIES

The Common Shares are listed for trading on the TSXV under the trading symbol "OYL".

Trading Price and Volume

The following table sets out the price range and trading volumes of the Common Shares on the TSXV during the most recently completed financial year of CGX and for the period subsequent thereto up to the date of this Annual Information Form.

		Price Range		
		High	**Low**	**Volume**
2013	June *	0.14	0.11	2,098,750
	May	0.13	0.09	9,116,490
	April	0.13	0.08	8,056,989
	March	0.14	0.09	16,137,544
	February	0.17	0.10	5,242,309
	January	0.19	0.15	5,741,559
2012	December	0.21	0.14	15,101,154
	November	0.25	0.18	6,352,670
	October	0.26	0.20	5,054,622
	September	0.36	0.17	25,210,159
	August	0.25	0.17	5,705,906
	July	0.51	0.17	28,633,760
	June	0.66	0.46	18,306,738
	May	1.29	0.29	56,486,207
	April	1.49	0.75	21,643,337
	March	1.44	1.14	23,384,408
	February	1.50	1.15	17,242,401
	January	1.55	0.98	14,434,597

* Trading data for the period June 1 through June 7, 2013.

DIRECTORS AND EXECUTIVE OFFICERS

All of the directors of the Corporation are elected until the next annual meeting of the shareholders of the Corporation or until their respective successors are elected directors of the Corporation or until the earlier of their death, resignation or removal. Each officer of the Corporation serves at the discretion of the directors of the Corporation.

The following table sets forth the name, place of residence, present position or positions held with the Corporation and principal occupation of each director and officer of the Corporation and the period during which each present director of the Corporation has served as a director of the Corporation.

Name and Position and Municipality of Residence	Position with the Corporation	Director of the Corporation Since	Principal Occupation
José Francisco Arata (1)(3)(4)(5)(6)(7) Caracas, Venezuela	Director	June 28, 2012	President and a director of Pacific Rubiales since January 2008; director of Pacific Coal Resources Ltd. since January 2011; CEO and director of Pacific Status Energy Inc. from August 2006 to January 2008; Executive Vice President and director of Bolivar Gold Corp. from July 1997 to February 2006.
John Cullen (2) Barrie, Canada	Director	October 22, 1998	Director, Kitrinor Metals Inc. since August 2012; Director, Mag Copper Limited since June 2011; Director, Takara Resources Inc. since June 2012; Director, West Red Lake Gold Mines Inc. since May 2010, and Director, Wamco Technology Group Ltd. since July 2011.
Michael Galego Toronto, Canada	General Counsel and Secretary	April 26, 2013	Deputy General Counsel and Secretary for Pacific Rubiales since June 2010; Associate General Counsel and Assistant Secretary for Gran Colombia Gold Corp. from June 2010 to March 2012; Associate General Counsel and Assistant Secretary to Pacific Coal Resources Ltd. from June 2010 to March 2012; associate, Osler, Hoskin & Harcourt LLP from 2007 to 2010.

Name and Position and Municipality of Residence	Position with the Corporation	Director of the Corporation Since	Principal Occupation
Serafino Iacono (1)(3)(4) Caracus, Venezuela	Co-Chairman	April 26, 2013	Executive Co-Chairman and a director of Pacific Rubiales since January 2008; Executive Co-Chairman and a director of Gran Colombia Gold Corp. since August 2010; director of Pacific Coal Resources Ltd. from January 2011; Founder and Co-Chairman of Pacific Stratus Energy, Ltd. from August 2006 to January 2008; CEO of Bolivar Gold Corp. from February 2003 to February 2006.
Dewi Jones (1) Katy, USA	Chief Executive Officer	Not applicable	Chief Executive Officer of the Corporation since April 26, 2013; Consultant to Pacific Rubiales Energy Corp. from October 2012 to April 26, 2013; former Executive Vice President, Exploration and General Manager of the Corporation from October 2011 to September 2012; Regional Exploration Manager, Caribbean, Repsol YPF from 2008 to 2010; Exploration Manager, Trinidad / Guyanas and Caribbean Region, Repsol YPF from 2005 to 2008; Team Lead, Caribbean Exploration and New Ventures, Repsol YPF from 2004 to 2008.
Tralisa Maraj Houston, USA	Chief Financial Officer	Not applicable	Chief Financial Officer of the Corporation since January 2012; Controller and Chief Accounting Officer of the Corporation from September 2012 to January 2012; Corporate Controller, Remora Energy Management from October 2009 to August 2012; Senior Manager, Assurance, Pricewaterhouse Coopers from September 2004 to October 2009.

Name and Position and Municipality of Residence	Position with the Corporation	Director of the Corporation Since	Principal Occupation
Dennis Mills [(2)] Toronto, Canada	Director	April 26, 2013	Vice Chairman and CEO of MI Developments Inc. from 2004 to 2011; Vice President, Magna International Inc. from 1974 to 1987; Member of Parliament from 1988 to 2004 which included the positions of Parliamentary Secretary to the Minister of Industry (1993 to 1996), Parliamentary Secretary to the Minister of Consumer and Corporate Affairs (1993 to 1995), Senior Policy Advisor to the Cabinet Committee on Communications (1980 to 1984), Advisor to the Minister of Energy (1980 to 1981), Senior Advisor to the Minister of Multiculturalism (1980) and Senior Communications Advisor to the Right Honourable Pierre Elliott Trudeau (1980 to 1984).
Suresh Narine [(1)(4)(5)(7)] Peterborough, Canada	Co-Chairman	January 3, 2012	Professor and Director, Trent Centre for Biomaterials Research, Trent University since September 2009; Ontario Research Chair in Green Chemistry and Engineering since September 2010, NSERC / OSG / ERS Senior Research Chair in Lipid Derived Biomaterials since 2010; Director, Institute of Applied Science and Technology, Guyana, South America since July 2005; and former NSERC Industrial Research Chair from November 2006 to August 2009; Director and Associate Professor, Alberta Lipid Utilization Program from January 2001 to August 2009.
Marino Ostos [(6)] Caracas, Venezuela	Director	May 30, 2012	Senior Vice President, New Business, Pacific Rubiales since January 2008, former COO of Pacific Stratus Energy Corp. from August 2006 to October 2007 and former President, Colombian Operations of Pacific Stratus Energy Corp. from May 2006 to May 2007.

Name and Position and Municipality of Residence	Position with the Corporation	Director of the Corporation Since	Principal Occupation
Ronald Pantin (1)(2)(3)(4) Bogotá, Colombia	Director	April 26, 2013	CEO and director of Pacific Rubiales since 2007; Director of Pacific Coal Resources Ltd. since January 2011.
Dennis Pieters (5)(6)(7) Katy, USA	Director	May 21, 2012	Reservoir Engineering Consultant, Aramco Services Company since April 2013; Senior Staff Consultant, Citation Oil and Gas Corp. from March 2011 to April 2013; Director of Reservoir Engineering for Huber Energy LP from January 2009 to March 2011; and Reservoir Engineering Advisor for Conoco Phillips from November 2005 to December 2008.

Notes:

(1) Member of the Executive Committee.
(2) Member of the Audit Committee.
(3) Member of the Compensation Committee.
(4) Member of the Corporate Governance and Nominating Committee.
(5) Member of the Health, Safety and Environment Committee.
(6) Member of the Reserves Committee.
(7) Member of the Social Responsibility Committee.

The Corporation has seven sub-committees of the Board, the Executive Committee, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, the Health, Safety and Environment Committee, the Reserves Committee and the Social Responsibility Committee.

As at June 10, 2013, the directors and executive officers of the Corporation, as a group, beneficially owned, or controlled or directed, directly or indirectly, 8,382,300 Common Shares representing 1.07% of the outstanding Common Shares.

Audit Committee Disclosure

Composition of the Audit Committee

The Audit Committee consists of three directors, being Messrs. Cullen, Mills (Chair) and Pantin. The directors of the Corporation have determined that a majority of the members of the Audit Committee are "independent" from the Corporation and all are "financially literate" for the purposes of National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). Each of the current members has a minimum of 30 years business experience and each has held or currently holds executive positions that require oversight and understanding of the accounting principles underlying the preparation of financial statements. The Board is in the process of implementing a fully independent Audit Committee.

Audit Committee Charter

The responsibilities and duties of the members of the Audit Committee are set out in the audit committee charter, the text of which is attached to this AIF as Schedule A.

Audit Committee Oversight

At no time since the commencement of the most recently completed financial year of the Corporation was a recommendation of the audit committee to nominate or compensate an external auditor not adopted by the directors of the Corporation.

External Auditor Service Fees (By Category)

The aggregate fees billed or accrued by the external auditor of the Corporation in each of the last two financial years of the Corporation are as follows:

	2012	2011
Audit Fees (1)	$ 40,000	$ 25,000
Audit Related Fees (2)	41,500	69,498
Tax Fees (3)	-	-
All Other Fees (4)	-	-
Total	$81,500	$ 94,498

Notes:

(1) Aggregate fees billed for services provided in auditing the Corporation's annual financial statements.
(2) Aggregate fees not included in "audit fees" that are billed by the auditors for the assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's statements or as related to a prospectus.
(3) Aggregate fees billed by the auditors for professional services rendered for tax compliance, tax advice and tax planning.
(4) Aggregate fees billed by the auditors for products and services not included in the foregoing categories.

Conflicts of Interest

Certain officers and directors of CGX are also officers and/or directors of other companies engaged in the oil and gas business generally. As a result, situations could arise where the interests of such directors and officers conflict with their interests as directors and officer of other companies. The resolution of such conflicts is governed by applicable corporate laws which require that directors act honestly, in good faith and with a view to the best interests of CGX and pursuant to CGX's governing statute, the OBCA, that directors declare and refrain from voting on, any matter in which a director may have a conflict of interest.

Cease Trade Orders Bankruptcies, Penalties or Sanctions

John Cullen was formerly a director of Biogan International, Inc. ("**Biogan**"), a corporation incorporated under the laws of Delaware and listed on the NASDAQ Global Market. Mr. Cullen resigned as a director of Biogan several weeks before Biogan filed for bankruptcy protection. On July 9, 2004 the US Bankruptcy Court confirmed the Biogan liquidation plan and the final decree closing the bankruptcy proceedings occurred in April 2005. There were no conditions to entry of the final decree other than the financing and distribution of proceeds. John Cullen was also a former director of Southeast Asia Mining Corp. ("**SEA**"), a corporation incorporated under the laws of Canada. SEA was the subject of cease trade orders issued by the securities commissions of the provinces of British Columbia, Alberta, Manitoba and Ontario. The cease trade orders were issued in May 2009 for failure to file the audited consolidated financial statements of SEA for the year ended December 31, 2008 and for subsequent periods. On December 18, 2009, SEA received a partial revocation from the Ontario Securities Commission to raise funds to complete audit and legal work in Thailand so that the financial statements of SEA's operating subsidiary, Geotal Exploration and Mining Co., Ltd. could be finalized. On October 1, 2010, SEA brought its disclosure record up to date and the cease trade orders were revoked on August 3, 2011.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

CGX is not and has not been a party to, and none of its properties are or were the subject of, any legal proceedings during the financial year of the Corporation and no legal proceedings are known to CGX to be contemplated. There were no penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during the financial year of the Corporation ended December 31, 2012, no other penalties or sanctions have been imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision with respect to the securities of CGX, and no settlement agreements were entered into with a Court relating to securities legislation or with a securities regulatory authority during the financial year of the Corporation ended December 31, 2012.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation is not aware of any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the financial year of the Corporation ended December 31, 2012 involving any director, executive officer, proposed nominee for election as a director or any shareholder holding more than 10% of the voting rights attached to the Common Shares or any associate or affiliate of any of the foregoing that has materially affected or will materially affect the Corporation, other than as set forth herein or as previously disclosed.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Common Shares is Equity Financial Trust Company, 200 University Avenue, Suite 400, Toronto, Ontario, Canada, M5H 4H1.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business and other than as described in this section, the only material contracts entered into by the Corporation since its incorporation which can reasonably be regarded as presently material to the Corporation are the following:

1. the Corentyne PA dated November 27, 2012 (see "CGX Petroleum Agreements – Corentyne PA" for additional information);

2. the Demerara PA dated February 12, 2013 (see "CGX Petroleum Agreements – Demerara PA" for additional information);

3. the Berbice PA dated February 12, 2013 (see "CGX Petroleum Agreements – Berbice PA" for additional information);

4. the Subscription Agreement between the Corporation and Pacific Rubiales dated as of March 25, 2013, pursuant to which, under the 2013 Private Placement, Pacific Rubiales subscribed for 350,000,000 Units of CGX at a price of C$0.10 per Unit for an aggregate purchase price of C$35,000,000 (see "History of CGX – 2013 to date" for additional information); and

5. the Agency Agreement between the Corporation and GMP dated as of April 26, 2013, appointing GMP as exclusive agent to effect the sale of a minimum of 350,000,000 Units and a maximum of up to 400,000,000 Units, at a price of $0.10 per Unit.

INTEREST OF EXPERTS

D&M has prepared the D&M Report which is referred to in this Annual information Form. To the best of CGX's knowledge, the directors, officers and employees of D&M do not own any Common Shares of the Corporation.

Ernst & Young LLP, the external auditors of the Corporation, have prepared the audit report on the consolidated financial statements of the Corporation for its most recently completed financial year.

ADDITIONAL INFORMATION

Additional information regarding CGX may be found on SEDAR. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans, if applicable, is contained in the Corporation's information circular for the Meeting. Additional financial information is provided in CGX's audited financial statements and MD&A for the financial years ended 2012 and 2011 which are also available on SEDAR.

Dated as of 10th day of June, 2013.

SCHEDULE A

CGX ENERGY INC.

AUDIT COMMITTEE CHARTER

GENERAL

(1) **Purpose and Responsibilities of the Committee**

1.1 *Purpose*

The primary purpose of the Committee is to assist Board oversight of:

(a) the integrity of the Corporation's financial statements;

(b) the Corporation's compliance with legal and regulatory requirements;

(c) the External Auditor's qualifications and independence; and

(d) the performance of the Corporation's internal audit function and the External Auditor.

(2) **Definitions and Interpretation**

2.1 *Definitions*

In this Charter:

(a) "**Board**" means the Board of Directors of the Corporation;

(b) "**Chair**" means the chair of the Committee;

(c) "**Committee**" means the audit committee of the Board;

(d) "**Corporation**" means CGX Energy Inc.;

(e) "**Director**" means a member of the Board; and

(f) "**External Auditor**" means the Corporation's independent auditor.

2.2 *Interpretation*

The provisions of this Charter are subject to the articles and by-laws of the Corporation and to the applicable provisions of the *Business Corporations Act* (Ontario), and any other applicable legislation.

CONSTITUTION AND FUNCTIONING OF THE COMMITTEE

Establishment and Composition of the Committee

2.3 *Establishment of the Audit Committee*

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

2.4 *Appointment and Removal of Members of the Committee*

(a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Governance Committee of the Board.

(b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors. If a vacancy exists on the Committee, the remaining members shall exercise all of their powers so long as a quorum remains in office.

(d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

2.5 *Number of Members*

The Committee shall consist of three or more Directors.

2.6 *Independence of Members*

A majority of the members of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements as outlined in Schedule A.

2.7 *Financial Literacy*

(a) *Financial Literacy Requirement.* Each member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

(b) *Definition of Financial Literacy.* "Financially literate" means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

Committee Chair

2.8 *Board to Appoint Chair*

The Board shall appoint the Chair from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chair from among its members).

2.9 *Chair to be Appointed Annually*

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

Committee Meetings

2.10 *Quorum*

A quorum of the Committee shall be two members.

2.11 *Secretary*

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

2.12 *Time and Place of Meetings*

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least four times per year on a quarterly basis.

2.13 *In Camera Meetings*

On at least an annual basis, the Committee shall meet separately with each of:

(a) management;

(b) the External Auditor; and

(c) the internal auditor.

2.14 *Right to Vote*

Each member of the Committee shall have the right to vote on matters that come before the Committee.

2.15 *Voting*

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose; actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

2.16 *Invitees*

The Committee may invite Directors, officers, employees and consultants of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

2.17 *Regular Reporting*

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

Authority of Committee

2.18 *Retaining and Compensating Advisors*

The Committee shall have the sole authority to engage independent counsel and any other advisors as the Committee may deem appropriate in its sole discretion and to set the compensation for any advisors employed by the audit committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

2.19 *Funding*

The Committee shall have the authority to authorize the payment of:

(a) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (National Instrument 52-110 – *Audit Committees* requires disclosure of fees by category paid to the External Auditor).

(b) compensation for any advisors employed by the audit committee under Section 2.18 hereof; and

(c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

2.20 *Subcommittees*

The Committee may form and delegate authority to subcommittees if deemed appropriate by the Committee.

2.21 *Recommendations to the Board*

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

2.22 *Compensation*

The Committee has the authority to communicate directly with External Auditors and the internal auditors.

2.23 *Special Reviews*

The Committee has the authority to request the CFO undertake and supervise special reviews that may be deemed necessary in order to ensure compliance with legal and regulatory requirements.

Remuneration of Committee Members

2.24 *Remuneration of Committee Members*

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

2.25 *Directors' Fees*

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or options or other inkind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation

SPECIFIC DUTIES AND RESPONSIBILITIES

Integrity of Financial Statements

2.26 *Review and Approval of Financial Information*

(a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor the Corporation's audited annual financial statements and related management's discussion and analysis ("MD&A") together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.

(b) *Interim Financial Statements.* The Committee shall review and discuss with management and the External Auditor and, if appropriate, approve the Corporation's interim unaudited financial statements and related MD&A.

(c) *Material Public Financial Disclosure.* The Committee shall discuss with management and the External Auditor:

(i) the types of information to be disclosed and the type of presentation to be made in connection with profit or loss or earnings press releases; and

(ii) financial information and earnings guidance (if any) provided to analysts and rating agencies.

(d) *Procedures for Review.* The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements (other than financial statements, MD&A and profit or loss or earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

(e) *General.* To the extent the Committee deems it necessary or appropriate, the Committee may review and discuss with management and the External Auditor:

(i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;

(ii) major issues as to the adequacy of the Corporation's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;

(iii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements;

(iv) the effect on the financial statements of the Corporation of regulatory and accounting initiatives, as well as off-balance sheet transaction structures, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;

(v) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;

(vi) any financial information or financial statements in prospectuses and other offering documents;

(vii) the management certifications of the financial statements as required under applicable securities laws in Canada or otherwise; and

(viii) any other relevant reports or financial information submitted by the Corporation to any governmental body or the public.

External Auditor

2.27 *External Auditor*

(a) *Authority with Respect to External Auditor.* As a representative of the Corporation's shareholders, the Committee shall be directly responsible for the appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

(i) have sole responsibility for recommending to the Board the person to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes and recommending such External Auditor's compensation;

(ii) determine at any time whether the Board should recommend to the Corporation's shareholders that the incumbent External Auditor should be removed from office;

(iii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be solely responsible for approving such audit fees; and

(iv) require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.

(b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:

(i) require the External Auditor to submit on a periodic basis to the Committee a formal written statement delineating all relationships between the External Auditor and the Corporation and engage in a dialogue with the External Auditor with respect to any disclosed relationships or services that may impact the objectivity and independence of the External Auditor and recommend that the Board take appropriate action in response to the External Auditor's report to satisfy itself of the External Auditor's independence;

(ii) unless the Committee adopts pre-approval policies and procedures, approve any non-audit services provided by the External Auditor, provided the Committee may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and

(iii) review and approve the policy setting out the restrictions on the Corporation partners, employees and former partners and employees of the Corporation's current or former External Auditor.

(c) *Issues Between External Auditor and Management.* The Committee shall:

(i) review any problems experienced by the External Auditor in conducting the audit, including any restrictions on the scope of the External Auditor's activities or access to requested information; and

(ii) review any significant disagreements with management and, to the extent possible, resolve any disagreements between management and the External Auditor.

(d) *Non-Audit Services.*

(i) The Committee shall either:

(A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or

(B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the audit committee is informed of each non-audit service and the procedures do not include delegation of the audit committee's responsibilities to management.

(ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.

(iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.

Other

2.28 *Related Party Transactions*

The Committee shall review and approve all related party transactions in which the Corporation is involved or which the Corporation proposes to enter into.

2.29 *Expense Accounts*

The Committee shall review and make recommendations with respect to:

(a) the expense account summaries submitted by the President and Chief Executive Officer on an annual basis;

(b) the Corporation's expense account policy, and rules relating to the standardization of the reporting on expense accounts; and

(c) the Director's Expense Policy of the Corporation.

2.30 *Whistle Blowing*

The Committee shall put in place procedures for:

(a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

(b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

Performance Evaluation

On a regular basis, the Committee shall follow the process established by the Board and overseen by the Governance Committee for assessing the performance and effectiveness of the Committee.

Charter Review

The Committee shall review and assess the adequacy of this Charter on a regular basis and recommend to the Board any changes it deems appropriate.

Adopted by the Board of Directors on April 24, 2012.

SCHEDULE A TO AUDIT COMMITTEE CHARTER

INDEPENDENCE REQUIREMENTS

For the purposes of determining the whether a director is "independent", Section 2.1 of National Policy 58-201 – *Corporate Governance Guidelines* applies the same test as utilized in National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"). The definition of "independence" in NI 58-101 as it relates to Directors of the Corporation imports the definition set out in Section 1.4 of Multilateral Instrument 52-110 – *Audit Committees* ("MI 52-110").

Pursuant to Section 1.4 of MI 52-110 the meaning of "independence" is as follows:

"**1.4 Meaning of Independence**

(1) An audit committee member is independent if he or she has no direct or indirect material relationship with the issuer.

(2) For the purposes of subsection (1), a "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement.

(3) Despite subsection (2), the following individuals are considered to have a material relationship with an issuer:

(a) an individual who is, or has been within the last three years, an employee or executive officer of the issuer;

(b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;

(c) an individual who:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm, or

(iii) has within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:

(i) is a partner of a firm that is the issuer's internal or external auditor,

(ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or

(iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;

(e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee; and

(f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than $75,000 in direct compensation from the issuer during any 12 month period within the last three years.

(3) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because:

(a) he or she had a relationship identified in subsection (3) if that relationship ended before December 31, 2008; or

(b) he or she had a relationship identified in subsection (3) by virtue of subsection (8) if that relationship ended before December 31, 2008.

(5) For the purposes of clauses (3)(c) and (3)(d), a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

(6) For the purposes of clause (3)(f), direct compensation does not include:

(a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and

(b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

(7) Despite subsection (3), an individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member

(a) has previously acted as an interim chief executive officer of the issuer, or

(b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

(8) For the purpose of section 1.4, an issuer includes a subsidiary entity of the issuer and a parent of the issuer.

1.5 Additional Independence Requirements

(1) Despite any determination made under section 1.4, an individual who:

(a) accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or

(b) is an affiliated entity of the issuer or any of its subsidiary entities,

(c) is considered to have a material relationship with the issuer.

(2) For the purposes of subsection (1), the indirect acceptance by an individual of any consulting, advisory or other compensatory fee includes acceptance of a fee by:

(a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or

(b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer.

(3) For the purposes of subsection (1), compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service."