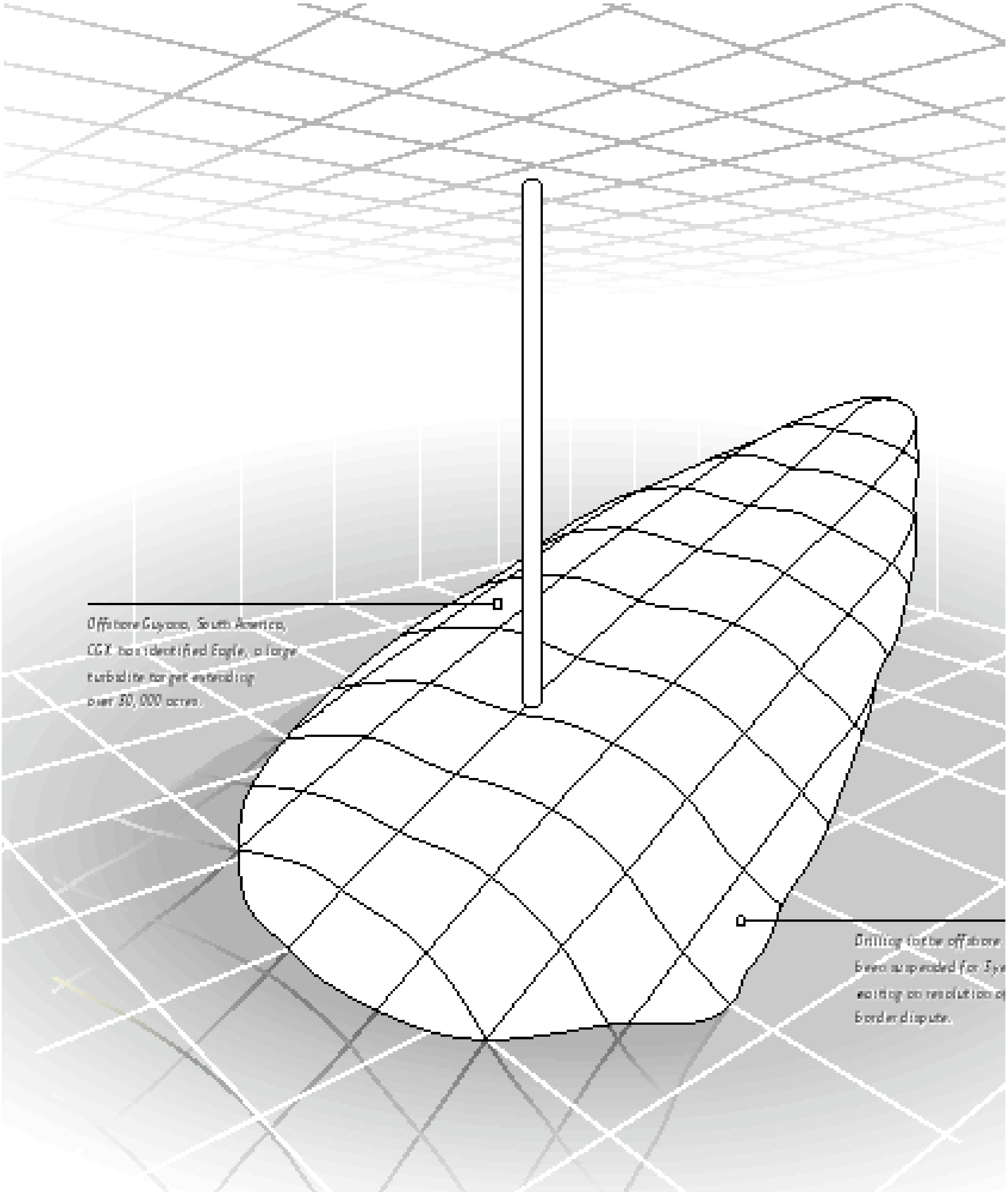


CGX ENERGY IN

ANNUAL REPORT 200

Corporate Profile

CGX Energy Inc. is an oil and gas exploration company with a 100% interest in the 3.8 million acre Corentyne Block in Guyana, South America. Using advanced seismic technology, CGX has identified two drillable targets on the offshore portion of the concession. In April 2002, subject to third-party consent, the Company acquired a 25% interest in the 2.8 million acre Georgetown Block offsetting our concession in Guyana. In 2000, the United States Geological Service identified the Guyana/Suriname basin as having the 2nd highest resource potential for an unexplored basin. CGX is also conducting a small exploration and development program in Western Canada to efficiently utilize existing tax pools, effectively access tax flow-through funding and, strategically, to provide a cash flow base for the Company.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this annual report that are subject to significant risks and uncertainties. These statements concern CGX's plans, expectations and objectives for future operations and, most importantly, discussions of the undiscovered resource potential of CGX's principle asset, the Corentyne and Georgetown Blocks, which are mainly offshore Guyana. No successful wells have been drilled on the CGX concessions, so CGX as no proven, probable or possible reserves in Guyana. A portion of the Company's concession is in an area where Guyana and Suriname have overlapping border claims, which until resolved, has stalled exploration.

President's Message To Our Shareholders

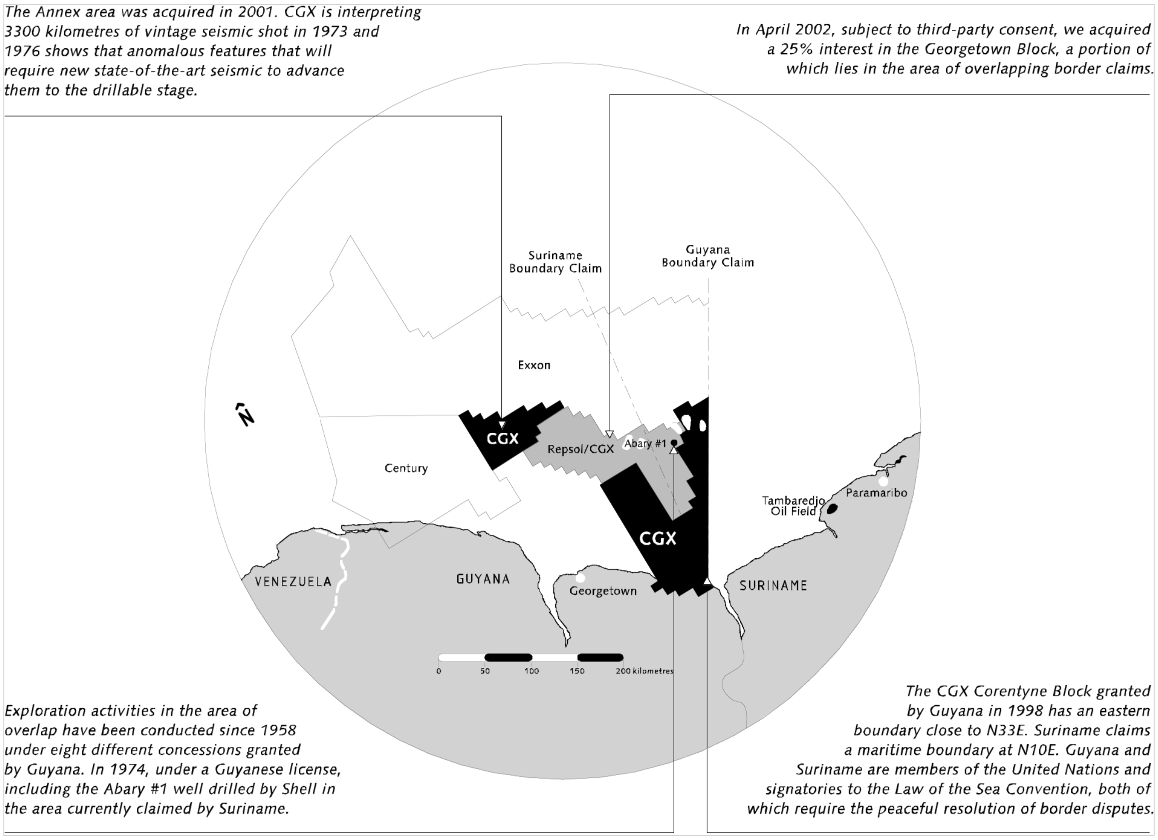
June 1, 2003 marks the third anniversary of CGX being forced by the Suriname navy off its Eagle drilling target operating under an offshore license granted by the government of Guyana.

As we continue to wait for a resolution of the offshore border dispute, I'd like to thank each of our shareholders for your extreme patience and understanding, plus each of our staff, officers and directors, who are assembling an exploration portfolio that organizations many times our size would like to have.

The governments of Guyana and Suriname have been searching for a solution that would allow exploration within the area of overlapping border claims. Constructive meetings between the Ministers of Foreign Affairs led to a meeting between the two Presidents in January 2002 in Paramaribo, Suriname. At that meeting, the Presidents agreed to instruct their border sub-committees to meet and propose a solution by May 2002 that would allow exploration to proceed. The Border Commissions met twice in 2002 – following the October meeting, statements made by the head of the Guyana team suggested meaningful progress was being made. Nevertheless, there has been no resolution, even with a subsequent meeting in March 2003.

To assist in the process, in 2001, CGX retained Pace Consulting to act as our advisor in working with governments and institutions in Guyana and Suriname. The two principals of Pace that we have retained are Dr. Tyrone Ferguson, former Head of the Presidential Secretariat in Guyana, and Mr. Rashleigh Jackson, former Minister of Foreign Affairs in Guyana. In the regional press, Mr. Jackson has submitted his opinion that there are significant impediments to a bilateral solution, mainly the strength of feeling by the respective populations, the firm and apparently intractable positions adopted by both sides and the history of past efforts. He stated that "It would be easier for the people of both countries to accept settlement terms, which are arrived at by processes and procedures, regarded as independent and/or which employ a judicial approach." "As regards the boundary in the maritime space, both countries are signatories to and have ratified the UN Law of the Sea Convention. That Convention contains mechanisms for the settlement of disputes such as the one between Guyana and Suriname over maritime space. It would therefore seem eminently reasonable and logical for the two countries to consider utilizing the provisions of that UN Convention for the settlement/determination of the maritime boundary."

In November 2000, it was announced that the Commonwealth Fund for Technical Co-operation (CTFC) had sent an expert on international borders to assist Guyana in its border controversy with Suriname and Venezuela, a study that was to take approximately 18 months. Results have not been released from that study, but it should have reached a conclusion. Recent public statements have expressed frustration with the bi-lateral process and a contemplation of third party involvement in order to reach a conclusion satisfactory to both sides, in both the maritime and onshore areas. The governments and third-parties such as the World Bank and Caricom recognize that resolution could have significant economic impact to the region.



CGX holds a 100% interest in the 3.8 million acre Corentyne Petroleum Agreement. Our two primary targets, Eagle and Wishbone, are within the approximately 1 million acre area of overlap. In November 2002, the government of Guyana acknowledged we had fulfilled all of the obligations under our Initial Period, and extended our Licenses for 3 years under our First Renewal. In early 2002, we acquired 3300 km of vintage data covering the western or Annex portion of the Corentyne Block, which we are in the process of reprocessing and interpreting. Under the terms of the Renewal we are also required to conduct pilot geochemical exploration on the onshore portion of our Block. To learn more about the region and to review other potential opportunities, we have met with Staatsolie, the Surinamese state oil company, who have been successful with onshore exploration and development of its medium heavy crude.

In 2002, subject to third - party consent, CGX acquired a 25% interest in the 2.8 million acre Georgetown Petroleum Agreement. The License is operated by Repsol- YPF and is subject to a Confidentiality Agreement. The Government of Guyana approved the transfer on September 3, 2002. However at year end, the Company had not yet finalized the Joint Operating Agreement, budget and work program with the operator.

Unable to drill in Guyana until there is a resolution of the overlapping border claims, we initiated a small exploration and development program in Alberta in 2001. Strategically, our goal was to participate in low-risk exploration and step-out drilling to provide tangible assets and a cash flow base for the Company. Although, modest, the program was successful. In 2001, six wells were drilled in three areas, resulting in light oil from a horizontal well, one gas well and two marginal gas wells, and two wells with the potential for multi-zone gas and heavy oil. In 2002, two wells were drilled at Sullivan Lake, Alberta, yielding one oil and gas producer, and one marginal well that has yet to be tested following a fracture treatment.

The proven reserve additions from our two years of drilling in Western Canada are estimated to be 195,500 barrels of oil equivalent (boe, where 6 mcf = 1 boe). Finding and on-stream costs are estimated to be \$6.21/boe. The program has also created the opportunity to drill a number of step-out wells, for which no reserves have been assigned.

Our main focus remains the Guyana/Suriname Basin, and our hope remains that the governments of Guyana and Suriname will soon allow exploration in the Guyana Basin to resume for CGX and all the other companies in the region.

On behalf of the Board of Directors,
Kerry E. Sully,
President & Chief Executive Officer
May 12, 2003

Management's Discussion and Analysis of Financial Condition and Results of Operation

This discussion should be read in conjunction with the December 31, 2002, Consolidated Financial Statements and Notes to the Consolidated Financial Statements. This should also be read with the 2002 Annual Information Form (AIF), dated May 13, 2003. The AIF provides a more in-depth description of the properties.

Results of Operations

The following table provides a summary of CGX's Alberta operations for the past two years:

	2001	2002	2002	2002	2002	2002
	Q4	Q1	Q2	Q3	Q4	Avg/Total
Daily Production						
Oil, bpd	6	14	10	6	8	**9**
Gas, mcfd	53	141	299	308	359	**277**
Oil Equivalent (6:1), boed	14	37	60	57	68	**55.5**
Average Sales Price						
Oil, C$/bbl	28.28	28.11	33.99	36.70	42.58	**34.14**
Gas, C$/mcf	3.20	3.72	4.45	3.24	5.57	**4.39**
Gross Revenue, C$	26,124	82,880	149,294	111,170	215,759	**559,060**
Royalties, C$	7,152	17,890	41,875	28,343	51,890	**139,998**
Operating Expenses, C$	11,563	19,622	58,267	34,163	57,280	**169,332**
Income before G & A and Depletion and site restoration	7,409	45,325	49,152	48,665	106,588	**249,730**
G & A, Canadian Operations C$	2,501	1,775	27,140	10,813	1,767	**41,495**
Depletion and site restoration	3,700	13,400	24,000	37,400	69,500	**144,300**
Operating Income, C$	1,208	22,468	18,641	4,659	18,167	**63,935**
Capital Investment, C$	735,266	200,894	123,361	47,123	97,649	**469,027**

Production commenced from one well at Highvale and from two wells at Lindbergh in the fourth quarter of 2001. The three wells at Halkirk were put on stream later in the first quarter of 2002. One of the wells at Halkirk, a dual Glauconite and Viking completion, has performed very well, with payout occurring after nine months of production. The other two wells at Halkirk have performed poorly and are currently shut-in. Some production may be possible if these wells can be tied-in to a lower pressure gathering system.

CGX participated in only two wells in 2002, both at Sullivan Lake in central Alberta in which CGX has a 30% working interest, converting to a 15% working interest after payout of the well costs. Completion problems were experienced in both, but after a fracture treatment in the 3rd quarter, the first is a successful Upper Mannville oil and gas well. The second well was fractured in the 1st quarter of 2003, but has not yet been tested waiting on a service rig and the end of spring breakup.

During 2002 and 2001, the Company entered into farm-in agreements to drill for petroleum and natural gas on four properties in Alberta, Canada. In 2002, CGX earned $356,009 (2001 - $16,484) in revenues, paid $89,150 (2001- $4,513) in royalties and $107,831 (2001 $7,296) in production expenses, and recorded depletion and site restoration costs of $92,111 (2001 - $2,335). No overhead costs related to exploration and development activities were capitalized. As at December 31, 2002, the estimated future site restoration costs to be accrued over the life of the remaining proven reserves are estimated to be $40,000

The Company incurred a net loss of US$605,185 or US$0.01 a share for the year ended December 31, 2002, compared with a net loss of US$531,428 or US$0.01 a share for the year ended December 31, 2001. The Company is currently reviewing all costs with intent to decreasing expenditures going forward.

Professional fees were higher in 2002 because of the costs to complete two financings in 2002.

Interest earned on term deposits was down during 2002, compared with 2001 because of lower cash balances.

General and administrative expenses decreased 11% in 2002 as a result of executives and consultants accepting lower compensation payments.

Shareholder information costs increased mainly due to the payment to a group to help with shareholder relations in Europe. This amount was partially offset by an equity investment in the Company by this same group.

Capital Resources, Capital Expenditures and Liquidity

The Company's working capital decreased to $1,071,092 in 2002 from $1,819,870 for the same period in 2001.

During 2002, the Company issued 1,854,446 Common Shares for proceeds of $577,090 in two private placements and issued 10,000 shares on the exercise of options compared with raising $21,000 on the exercise of options in 2001and $195,722 in a private placement during 2001.

In 2002, CGX spent $298,654 on the Alberta projects and $462,644 on the Corentyne and Georgetown Block in Guyana. In the previous year $468,480 was spent on the Alberta projects and $518,775 was spent on exploration activity on the Corentyne Block in Guyana.

Subsequent to year end $236,000 was raised on the disposal of some of the drilling supplies.

The Company is dependent on obtaining future financings for the exploration and development of our properties and for the acquisition of any new projects. There is no assurance that such financings will be available when we require them, or under terms that are favourable to us.

Risks and Uncertainties

Political Risk
The offshore boundary between Guyana and Suriname has not been formalized by a treaty, which is a similar situation for the majority of marine boundaries throughout the world. The Guyanese interpretation of the boundary is based on the Geneva Convention principle of the median line drawn equidistant from the baselines along the two shorelines, while the Surinamese draw the boundary to the northwest of our Eagle and Wishbone West targets. Both countries are signatories to the United Nations Law of the Sea, which provides that any border disputes be resolved peacefully. Further, since 1962, Venezuela has asserted a claim to all of onshore Guyana west of the Essequibo River, contrary to a Treaty signed in 1899, which could affect the Company's western acreage by extension of the boundary into the offshore area.

Outlook
The external dispute between Guyana and Suriname has suspended active exploration in the basin. Furthermore, the election process in both countries, combined with political and social unrest, curtailed the ability of Guyana and Suriname to negotiate the external boundary issues during 2000 and 2001. The ability of the two countries to agree on a maritime treaty or an intermediate arrangement will control the timing of future exploration by CGX and the other concession holders in the region.
In the interim, we have been reprocessing vintage seismic data to advance our regional interpretation of the basin and identify targets for advanced 2-D seismic surveys. Although each of Eagle and Wishbone West –

our two turbidite fan targets – are drill-ready, if government approval does occur, drilling may be delayed if there is a shortage of drill rigs or service suppliers.

Business Risk
Petroleum and natural gas exploration, production, acquisition, and marketing operations involve a number of business risks. These risks include fluctuations in commodity prices, exchange rates and interest rates, exploration uncertainties, product demand, transportation restrictions and governmental regulatory changes.

In Guyana, CGX is exploring its oil and gas properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of both the costs of acquiring the oil and gas properties and the related deferred exploration costs depends on the existence of economically recoverable reserves, our ability to obtain the financing necessary to complete the exploration and development of the oil and gas properties, and on future profitable production or alternatively, on the sufficiency of proceeds from disposition.

With the exception of modest investments in Western Canada, the Company has focused its financial and management resources on exploration opportunities in a single area, the Guyana/Suriname Basin.
The Canadian exploration, development and production activities of the Company are conducted jointly with others and, accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such activities.

The amounts recorded for depletion and amortization of petroleum and natural gas properties and the provision for future site restoration and abandonment costs are based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty, and the effect on the consolidated financial statements from changes in such estimates in future years could be significant.

Commodity Risk
There are risks of volatility in world oil prices and other risks that the Company cannot control. CGX has no current plans to hedge its production to eliminate pricing risk.

Currency Risk
The Company's expenses are recorded in U.S. dollars except for costs and revenue in Canada and the expenses associated with conducting business in Guyana. As a result, CGX is exposed to market risks resulting from fluctuations in currency exchange rates.

Management's Responsibility
Management is responsible for all information contained in this annual report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include amounts based on management's informed judgments and estimates. The financial and operating information included in this annual report is consistent with that contained in the consolidated financial statements in all material aspects.
Management maintains internal controls to provide reasonable assurance that financial information is reliable and accurate and assets are safeguarded.
External auditors, appointed by the shareholders, have independently examined the consolidated financial statements and performed the tests deemed necessary to enable them to express an opinion on these consolidated financial statements.
The Audit Committee has reviewed the consolidated financial statements with management and the auditors. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.

May 13, 2003
James N. Fairbairn, C.A. - Chief Financial Officer

Kerry E. Sully - President & Chief Executive Officer

DIRECTORS and OFFICERS

Denis A. Clement, LL.M.	Director
John R. Cullen	Director and Founder
Edris K. (Kamal) Dookie, PhD	Executive Vice President of CGX Resources Inc
James (Jim) N. Fairbairn, C.A.	Chief Financial Officer
Daniel (Dan) T. Farrell, B.Sc.	Manager of Investor Relations
Adrian C. Jackson, M.A. M.B.A.	Independent Director
Oliver Lennox-King, B. Comm.	Independent Director
Kerry E. Sully, P.Eng. (Alberta), B.Sc.	Director, President & Chief Executive Officer
Warren G. Workman, P. Geol., B.Sc.	Vice President Exploration

CORPORATE INFOMATION

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Investor Relations Contact
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E-mail
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Share Trading Information
Trading Symbol OYL.U
TSX Venture Exchange

2002 High	US$0.45
2002 Low	US$0.20
2002 Close	US$0.24
As of May 9, 2003	US$0.21
Common Shares Outstanding	48,599,959
Fully Diluted	54,188,959

Registrar and Transfer Agent
Equity Transfer Services Inc., Toronto

Auditors
Parker Simone, Chartered Accountants LLP, Mississauga

Independent Engineering Consultant
Mr. Doug MacLellan, P.Eng, Calgary

Bankers
Royal Bank of Canada, Toronto

Legal Counsel
Macleod Dixon, Calgary and Toronto

Abbreviations & Definition

bbls	barrels
bbls/d	barrels per day
boe	barrel of oil equivalent
boe/d	barrel of oil equivalent per day
C	Canadian
m	thousand
mm	million
mbbls	thousand barrels
mcf	thousand cubic feet
mcf /d	thousand cubic feet per day

mmcf	million cubic feet	US$ closing	C$1.5650
mmcf/d	million cubic feet per day	US$ avg 2002	C$1.5688
NGLs	natural gas liquids		

Annual and Special Meeting

The Annual and Special Meeting of shareholders will take place in the MacDonald/Brule Rooms of the Toronto Board of Trade, 1 First Canadian Place, Toronto, Ontario, on June 26, 2003.