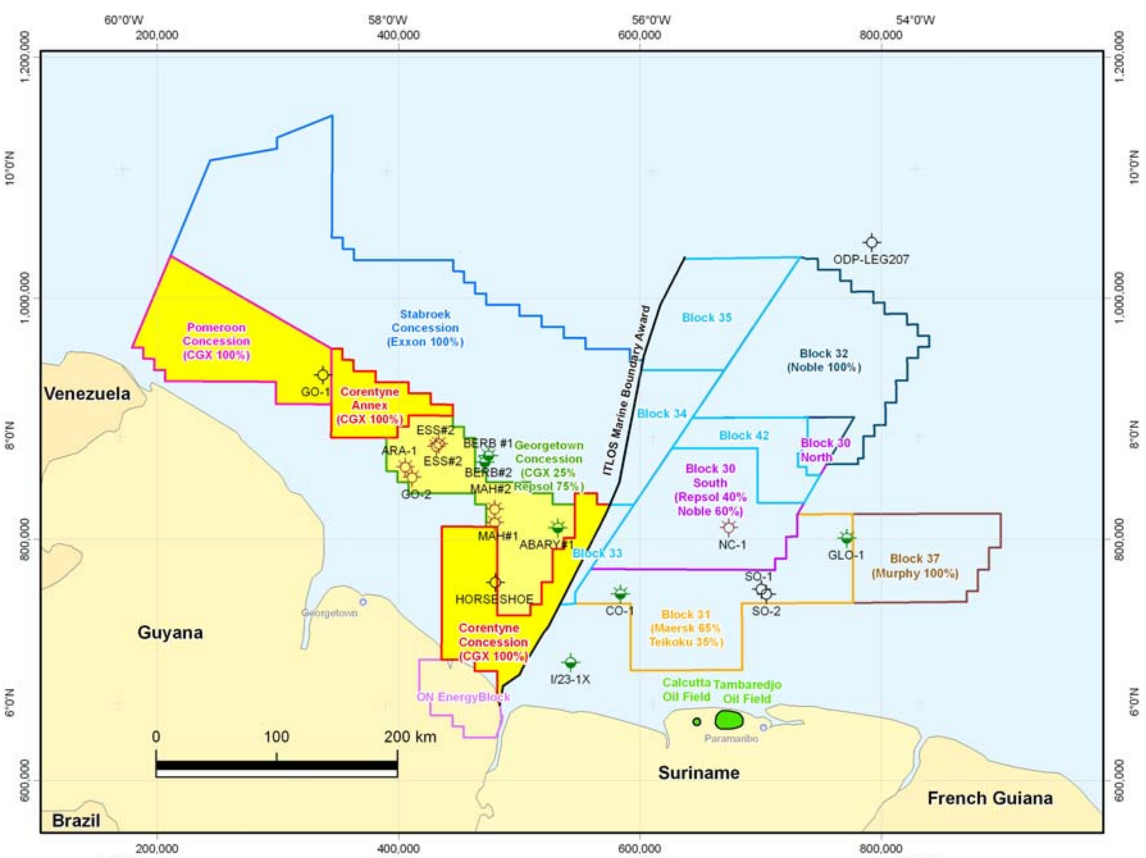
Update 2007

Corporate Profile

CGX Energy Inc. is an oil and gas exploration company with an interest in 9.5 million acres (7.2 million net) offshore Guyana, South America—an area ranked 2nd in 2000 among the world's under-explored basins where we are exploring for giants. Based on IHS Energy data, in April 2004 CGX was the 7th largest concession holder offshore South America. On our Corentyne Licence, we have independent P50 resource assessment of 2.7 billion barrels on three significant targets offshore: Eagle, Wishbone West and Eagle Deep, a large anticlinal structure below 16,000 feet. Many other targets are in various stages of interpretation.



CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this update 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 licences in Guyana. No discoveries have been drilled in Guyana, so CGX has no proven, probable or possible reserves. The Company's Pomeroon concession is an area of unresolved claims by Venezuela.

President's Message

The next few years promise to be a very exciting period for CGX shareholders as we return to active exploration offshore Guyana. Subject to final approvals of the government and contracting service vessels, we are planning a 500 square kilometer 3D seismic program ("3D") on our 100% Corentyne Petroleum Prospecting Licence (PPL) for the second half of 2008. The 3D will enhance our interpretation of our recently identified Eagle Deep targets. Our new interpretation has identified a target in the upper Cretaceous from 15,000 to 20,000 feet that we've identified as a growth fault structure with four-way closure. This large anticline covers over 8,000 acres at the P50 level and is an ideal basin–opener play. On January 3, 2008, we announced an independent 51-101 Resources Assessment prepared by Gustavson & Associates (Gustavson) of Boulder, Colorado wherein the P50 resource estimate for Eagle Deep (East and West) was estimated to be 1.8 billion barrels of oil. The report has been filed on SEDAR and is available by visiting the Company's profile at www.sedar.com.

We are also preparing for drilling at the earliest opportunity in 2009 or 2010. We have the advantage of being on the shelf in less than 300 feet of water so a large jack-up rig or Class 3 semi-submersible rig could be used. However, the majority of this type of equipment are currently under long-term contract, but available periodically. Recent rig sourcing indicates both rig types may be available with the semi-submersibles at a somewhat higher day rate, however a rig with a larger deck size may provide more drilling flexibility. Our first well is planned to test not only the Eagle Deep Target, but also our original Eagle turbidite at 13,000 feet. Gustavson have estimated the P50 resource for Eagle to be 0.5 billion.

Oil exploration is often the triggering event for countries to resolve their maritime boundaries. To assist in the process, CGX committed to finance a significant portion of Guyana's legal expense, which cost CGX $9.8 million to the end of December 2007. On September 17, 2007, the International Tribunal on the Law of the Sea (ITLOS) awarded a maritime boundary between Guyana and Suriname. In the decision, the ITLOS Tribunal determined that it had the jurisdiction to decide on the merits of the dispute, and that the line adopted by the Tribunal to delimit the Parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration is compulsory and binding.

The decision was extremely positive for CGX, as it concluded that 93% of CGX's Corentyne Licence and 100% of our Georgetown Licence are in Guyana territory. Our Eagle drilling location in 2000 was 15 kilometres within this border award. The entire Eagle turbidite is within the awarded area and the majority of our Wishbone West target as well. Gustavson's P50 resource estimate for Wishbone West is 0.4 billion barrels. The Wishbone reservoirs may straddle the new maritime boundary, and if discoveries are made on either side of the border, unitization negotiations between the countries and their Contractors to share production may be required.

We have retained Jefferies Randall & Dewey (JRD) of Houston as agent to farm-out an interest in the Corentyne PPL to a major joint venture partner in return for financing a significant portion of additional seismic and exploration drilling, and for providing access to rigs that would otherwise potentially have excessive lead times. If we are unable to negotiate a satisfactory farm-out, we have sufficient working capital to finance the 3D program ourselves, and may re-open the farm-out process post 3D interpretation.

During the second quarter of 2008, Repsol YPF and their partner Noble Energy are drilling West Tapir-1 on the edge of the shelf approximately 50 kilometres to the east and on-trend with the targets on our Corentyne PPL. As there have been no commercial discoveries offshore in the Guyana / Suriname Basin, success at West Tapir would be very significant in reducing the risk perception for CGX shareholders and potential joint venture partners.

We are optimistic that simultaneously with our 3D program on the Corentyne PPL, we may have partner and government approval to shoot a minimum 3D program of 1,000 square kilometers to enhance several targets that have been identified on our 25% Georgetown PPL. Shooting both blocks at the same time would significantly reduce costs and accelerate future exploration.

Pomeroon PPL

Pomeroon is our newest Licence. In December 2003, we entered into an agreement to acquire Century Guyana's 100% interest in the 2.8 million-acre block that was approved by the Government of Guyana in July 2004. Our regional analysis led to our basic understanding of the potential of this area. Drilling on adjacent licences granted by Venezuela in the Deltana Platform is adding significant interest to this area.

We acquired approximately 6,000 km of vintage seismic from the area. We have re-processed and re-interpreted a portion of this seismic, conducted satellite seepage analysis, and integrated regional aeromag, gravity and geological data. Subsequent work will include shooting new seismic and exploration drilling. Our analysis shows a significant trend developing to the west on the Deltana Platform clipping the northwest corner of our licence. In addition, there are a number of features along the edge of the continental shelf. And finally, there are several shallow targets near shore, for which our current interpretation is that they may be heavy-oil prone.

The Pomeroon is in the East Venezuela Basin on the southern flank of the Orinoco delta. This portion of the basin was virtually unexplored until recently, but within the last three years, an estimated 14.5 trillion cubic feet of gas has been found, with estimated ultimate potential resource of 38 trillion cubic feet. Eight wells have been drilled, with significant discoveries reported. ChevronTexaco with partner ConocoPhillips drilled four wells on Deltana Platform Block 2 with a giant 7 tcf discovery reported in the press. On Block 3, a second discovery found a reported 0.5 tcf and on Block 4, Statoil and TOTAL conducted a multi well exploration program, where the first well has an estimated resource discovery of 7 tcf. As we advance our re-interpretation of the Pomeroon Licence, the success by adjacent operators will make this a prime candidate to secure a major joint venture partner.

Venezuela has challenged the land border with Guyana that was set by Treaty in 1899, and as a result, the maritime border between Guyana and Venezuela is unresolved. President Jagdeo of Guyana in an address to the Guyana Defense Force in March 2005 stated that, "As regards to Venezuela, the President said he is pleased with the recent pronouncements of President Hugo Chavez. According to the Guyanese leader, President Chavez had indicated that the border claim may have originated from what was taking place in Guyana in the 1960s. There was some discussion between the US and Venezuela at the time about concerns that Guyana could become like Cuba. This, the President said, could have led to certain moves to destabilise the country at that time, hence the claim. However, Jagdeo said that the Good Officer process of the United Nations Secretary General will continue to be explored."

Berbice PPL

In September 2003, CGX created a wholly-owned subsidiary company, ON Energy Inc. ("ON") registered in Guyana to explore onshore. Subsequently, the 380,000 acre Berbice PPL was acquired, that when combined with the 415,000 acre onshore portion of the Corentyne PPL is known as the Berbice Block. Following two private placements, ON raised a total of $9.1 million in which CGX invested $4.6 million and as a result of these private placements, CGX's interest in ON was reduced to 62%.

A geochemical survey and 2D seismic program supported a recommendation to proceed with several wildcat exploration wells in a country that has not had a commercial discovery. 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. At September 30, 2005, the onshore exploration costs were written-off. Although no significant hydrocarbons were encountered, one dry gas show was seen in the Hermitage well.

The new onshore data has been re-interpreted, supporting the concept of an exploration fairway on the Berbice PPL, further inland than the initial three wells. ON intends to farmout an interest in the Berbice PPL in return for the drilling of one or more exploration wells. Exploration drilling by Sahdna Petroleum on the west bank of the Berbice and by Ground Star to the south in the Takatu Basin will maintain interest in the potential of the Berbice Block. The Guyana / Suriname Basin is a proven hydrocarbon system. To the east, Staatsolie estimated the remaining proven reserves at year end 2006 to be 57 million barrels at Tambaredjo, with new discoveries of 18 million barrels at Tambaredjo NW, and 13 million barrels at Calcutta. For the three fields, the probable reserves were estimated to be an additional 54 million barrels.

Outlook

On the offshore, activity will increase over the next two years. Seismic and drilling is intensifying to the south, in the Guyana-Suriname basin offshore Suriname.

In June 2000, the United States Geological Survey (USGS) estimated the mean undiscovered resource potential of the Guyana/Suriname Basin to be 15.2 billion barrels of oil and 42 trillion cubic feet of gas. By comparison, at year-end 2006, the remaining proven reserves in the United States were estimated to be 21 billion barrels. If the USGS is correct in its assessment, the Basin could become a major supplier of energy to the western hemisphere.

In closing, I'd like to reiterate my thanks to shareholders and extend it to the directors, officers, employees and consultants of CGX and ON Energy who have contributed so much to advancing CGX to where it is today—on the forefront of exploration in one of the world's most exciting basins.

On behalf of the Board of Directors,

Kerry E. Sully
President and Chief Executive Officer

May 21, 2007

CORPORATE INFORMATION

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Web Site:	www.cgxenergy.com
E-mail Enquiries:	info@cgxenergy.com

Share Trading Information:

Trading Symbol	OYL	
TSX Venture Exchange (TSX-V)	www.tsx.com	
2007 High	US	$4.00
2007 Low	US	$0.55
2007 Close	US	$3.82
As of May 15, 2008	CDN	$2.80
Common Shares Outstanding	125,612,913	
Fully Diluted	135,224,913	

Registrar and Transfer Agent:	Equity Transfer & Trust Company 200 University Avenue, Suite 400 Toronto, Ontario, Canada M5H 4H1
Auditors:	parker simone, Chartered Accountants LLP 129 Lakeshore Road East, Suite 201 Mississauga, Ontario, Canada L5G 1E5
Bankers:	Royal Bank of Canada, Toronto
Legal Counsel:	Fraser Milner Casgrain LLP 1 First Canadian Place, Suite 3900 100 King Street West Toronto, Ontario, Canada M5X 1B2

Annual & Special Meeting:

The Annual & Special Meeting of shareholders will take place on Thursday, June 19, 2008 at 4 pm at The Toronto Board of Trade, 1 First Canadian Place, Adelaide Street entrance, Toronto, Ontario.

The Management Proxy Circular and Form of Proxy are being mailed to each shareholder with this report. Shareholders unable to attend the Annual General Meeting are encouraged to complete and return the From of Proxy.

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATION

December 31, 2007

Management's discussion and analysis (MD&A) is current to April 28, 2008 and is management's assessment of the operations and the financial results together with future prospects of CGX Energy Inc. ("CGX" or the "Company"). All figures are in United States Dollars, unless otherwise stated. This MD&A should be read in conjunction with our audited consolidated financial statements and related notes for the years ended December 31, 2007 and 2006. This discussion contains forward-looking statements that are not historical in nature and involves risks and uncertainties. Forward-looking statements are not guarantees as to CGX's future results as there are inherent difficulties in predicting future results. Accordingly, actual results could differ materially from those expressed or implied in the forward-looking statements. The Company has adopted National Instrument 51-102F1 as the guideline in presenting the MD&A. Additional information relevant to the Company's activities, including the Company's Annual Report, can be found on SEDAR at www.sedar.com.

Forward-Looking Statements

This Management's Discussion and Analysis includes "forward-looking statements", within the meaning of applicable securities legislation, which are based on the opinions and estimates of Management and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar words suggesting future outcomes or statements regarding an outlook. Such risks and uncertainties include, but are not limited to, risks associated with the oil and gas industry (including operational risks in exploration development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections in relation to production, costs and expenses; the uncertainty surrounding the ability of CGX to obtain all permits, consents or authorizations required for its operations and activities; and health safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the ability of CGX to fund the capital and operating expenses necessary to achieve the business objectives of CGX, the uncertainty associated with commercial negotiations and negotiating with foreign governments and risks associated with international business activities, as well as those risks described in public disclosure documents filed by CGX. Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in securities of CGX should not place undue reliance on these forward-looking statements. Statements in relation to "reserves" and "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves described can be profitably produced in the future.

Readers are cautioned that the foregoing lists of risks, uncertainties and other factors are not exhaustive. The forward-looking statements are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements contained in any documents filed with Canadian securities regulatory authorities, whether as a result of new information, future events or otherwise, except in accordance with applicable securities laws. The forward-looking statements are expressly qualified by this cautionary statement.

OVERVIEW

CGX Energy Inc. was created for the primary purpose of exploring offshore Guyana, South America. Our focus has been the 3.6 million acre Corentyne Petroleum Prospecting Licence (PPL). Exploration was actively underway with an 1800 km seismic program in 1999, leading to the start-up of drilling at our Eagle target in June 2000. However, a border dispute between Guyana and Suriname led to us being forced off the Eagle location by gunboats from Suriname. As a result of that incident, all active exploration offshore by CGX and the other operators in the area, including Exxon, and Maxus (Repsol YPF), was suspended.

On September 17, 2007, the International Tribunal on the Law of the Sea (ITLOS) awarded a maritime boundary between Guyana and Suriname. In the decision the ITLOS Tribunal determined that it had the jurisdiction to decide on the merits of the dispute, and that the line adopted by the Tribunal to delimit the Parties' continental shelf and exclusive economic zone follows an unadjusted equidistance line. The arbitration is compulsory and binding. CGX had committed to finance a significant portion of Guyana's legal expense, which has cost CGX $9.8 million to the end of December 2007.

The decision was extremely positive for CGX, as it concluded that 93% of CGX's Corentyne Licence and 100% of the Georgetown Licence are in Guyana territory. Our Eagle drilling location in 2000 was 15 kilometres within this border award. The entire Eagle turbidite is within the awarded area and the majority of our Wishbone West target as well. In addition, 98% or more of our newly interpreted Eagle Deep target is in Guyana territory and under license to CGX.

During the intervening period, we expanded our regional understanding of the Basin by acquiring and reinterpreting historic information, mainly seismic data, and acquiring interests in the surrounding concessions.

In January 2001, we acquired an extension to our Corentyne PPL, the one-million-acre Annex, after relinquishing a similar-sized portion of the Corentyne PPL we viewed as less prospective. We subsequently acquired 3800 kms of vintage seismic and have been reprocessing and reinterpreting our data from and adjacent to the Annex.

In June 2002, we purchased AGIP Guyana's 25% interest in the adjoining 2.7-million-acre Georgetown PPL. Through a data exchange, we already had 1700 kms of seismic that had been shot in 1999 in conjunction with our own 1800-kilometer program on the Corentyne PPL. Since then, we have continued to reinterpret some of the data on the Georgetown PPL.

In December 2003, we purchased Century Guyana Inc.'s 100% interest in the 2.8-million-acre Pomeroon PPL. The Government of Guyana approved the transfer in July 2004. We have completed a regional reinterpretation of existing data to identify priority areas for future seismic. However, additional field seismic and exploration drilling on the Pomeroon PPL has been deferred pending concurrence by Guyana and Venezuela of the location of the maritime boundary between the two countries.

During 2002 and 2003, Staatsolie, the national oil company of Suriname was reporting success in using aeromagnetic data and geochemical analysis to develop exploration leads between their onshore Tambaredjo field and the Corentyne River, a distance of approximately 200 kms. This provided us with the encouragement to actively explore the 415,000-acre-onshore portion of our Corentyne PPL, and to acquire the new 387,000-acre Berbice PPL, collectively the Berbice Block. In 2003, we completed a very large geochemical survey and reinterpreted existing aeromagnetic data that covered the Berbice Block and surrounding region.

In September 2003, CGX created a wholly-owned subsidiary company, ON Energy Inc. ("ON") registered in Guyana to hold the onshore interest. Following two private placements within ON raising a total of $9.1 million in which CGX invested $4.6 million, CGX's interest has been reduced to 62% in ON. A labour intensive 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. ON Energy owed CGX approximately $4 million at December 31, 2007 and in January 2008, the ON Energy shareholders voted to exchange this indebtedness in exchange for approximately $13 million of "cost oil".

During 2006, a third-party review has 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. ON Energy has presented this analysis to several parties that may be interested in earning an interest in the Berbice PPL by drilling one or more exploration wells.

With the resolution of the Guyana/Suriname Maritime Border offshore, activity is expected to increase significantly over the next two years. A number of seismic programs are planned offshore Guyana by CGX, Repsol and Exxon. Offshore Suriname, several wells have been committed to by Repsol, Maersk and Murphy.

Guyana Operations

Corentyne PPL, Guyana
The Company holds a PPL for the approximately 3.6 million acre Corentyne Block, mainly offshore Guyana. Because sovereign issues between Guyana and Suriname prevented unhindered access to a portion of the contract area, in June 2006, the term of the contract was extended to June 2013.

During 2008, we are planning to shoot a 500 square kilometer 3D seismic program to enhance our interpretation of our newly defined Eagle Deep prospect, a large structural trap in the Cretaceous, in preparation for drilling as soon as 2009. We have also opened a data room in search for a joint venture partner to earn an interest by paying for the seismic, and committing to drill a well to approximately 19,000 feet to test Eagle Deep and our original Eagle tubidite target. If a satisfactory joint venture arrangement isn't negotiated, we have sufficient finances to fund the 3D program ourselves.

No commercial discoveries have been made in the offshore Guyana basin and hence there have been no reserves found. On January 3, 2008, an independent Resource Assessment was completed by Gustavson Associates LLC of Boulder, Colorado, U.S.A. (Gustavson) for four prospects on the Corentyne PPL. Using probabilistic analysis, Gustavson calculated a total best estimate (P50) Prospective Resource in the four prospects to be 2.7 billion barrels of oil. Historic well data, regional geology and 2D seismic were reviewed by Gustavson to prepare a probabilistic Resource Estimate of that portion of the prospects lying entirely within the Corentyne PPL. The Resource Assessment has been filed on SEDAR (www.sedar.com) and on the Company's website (www.cgxenergy.com). The Gustavson resource estimates were prepared in accordance with the requirements of Canadian National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101").

Berbice PPL, Guyana
CGX also applied to the government of Guyana for an approximately 387,000 acre extension to the Berbice Block (the 'Berbice Extension'), which was granted in October 2003 and has been registered directly to ON. By completing aeromag re-interpretation, a geochemical sampling program and a 2D seismic program, the minimum work obligations have been fulfilled through the Initial Period. Application has been made to extend the PPL for three additional years from October 2007 into the First Renewal Period. ON will attempt to farm out the drilling obligation to a third party.

Georgetown PPL, Guyana
The Company purchased a 25% participating interest in the Georgetown PPL (offshore Guyana, South America) from ENI Guyana, B.V. for $0.2 million and $1.1 million at the spud of the first well on the Licence in which CGX participates. We have estimated and accrued unbilled charges incurred by Repsol in the amount of $988,000.

Exploration was suspended since 2000 as a significant portion of the Licence was also in the area of overlapping boarder claims between Guyana and Suriname. The ITLOS decision preserved 100% of the Georgetown licence and an application has been made to extend the term of the contract to November 2012.

During 2008/2009, the minimum work program requires the shooting and interpretation of a minimum of 1000 square kilometers of 3D seismic. That program may be shot in conjunction with CGX's program on the Corentyne PPL to minimize mobilization and demobilization costs.

Pomeroon PPL, Guyana
The Company, through its wholly-owned subsidiary, CGX Resources Inc., entered into an asset purchase agreement with Century Guyana, Ltd. (Century) to acquire Century's 100% interest in the Pomeroon PPL located offshore in the East Venezuela Basin. The Government of Guyana approved this transfer in July, 2004. The purchase price consisted of a payment of $0.1 million plus the issuance of 2,000,000 unrestricted common shares of the Company. CGX shall assign to Century an overriding royalty interest consisting of 2.5% of all revenues to the extent that the revenues are directly attributable to the contractor's share of Profit Oil.

The Pomeroon PPL issued by the Government of Guyana in November 1997 is approximately 2.8 million acres and is located between CGX's 100%-owned Annex portion of the Corentyne license, and the Plataforma Deltana, which is offshore Venezuela. Like many maritime boundaries in the world, the border between Venezuela and Guyana has not yet been resolved. It is further complicated by a land border dispute by Venezuela that is being pursued at the diplomatic level, and through the United Nations Good Officer process.

Application has been made to extend the term of the PPL to November 2013. All minimum work commitments up to the end of the initial period were deemed to be completed, and substantially all the seismic reprocessing required under the 1st Renewal Phase 1 was completed. Under the First Renewal Phase 2, the minimum work program is to complete either 100 square kilometers of 3D seismic or 500 kilometers of 2D seismic or drill an exploration well.

Results of Operations

New Accounting Standards
As disclosed in Note 2 to the Company's Consolidated financial statements as at December 31, 2007, commencing October 1, 2006, the Company adopted new accounting standards issued by the Canadian Institute of Chartered Accountants relating to the accounting for and disclosure of financial instruments and comprehensive income.

Adoption of these standards did not require the Company to restate prior periods as these new standards have been adopted prospectively.

THREE MONTHS ENDED DECEMBER 31, 2007

The Company incurred a net loss of $364,868 or $0.00 a share for the three month period ended December 31, 2007, compared with a net loss of $1,668,285 or $0.02 a share for the same period in 2006.

CGX incurred a foreign exchange gain of $171,275 for the three month period ended December 31, 2007 versus a gain of $37,280 in 2006 as a result of the US dollar appreciation against the Canadian dollar.

Shareholder information costs increased in the three month period ended December 31, 2007 by $49,073 as, compared to $2,665 in the same period in 2006. This amount relates to the costs of issuing press releases, transfer agents, investor presentations, and electronic dissemination of information. Extra costs were incurred as a result of the November 2007 Private Placement.

In the three month period ended December 31, 2007, the Company spent $75,891 on legal fees in assisting Guyana to resolve the dispute through the United Nations Convention on the Law of the Sea compared to $1,500,004 in the same period in 2006. The border dispute was resolved by the court of Arbitration in late September 2007, the Company does not expect to incur any further fees in the on this matter in the future.

General and administration costs increased by $200,187 in the three month period ended December 31, 2007 from $288,828 in 2006. These costs were incurred in operating two offices in two countries although the majority of these costs were incurred in Canada. Extra costs were incurred as a result of increased activities including travel due to the positive report which was received on the border resolution.

Professional fees for the three month period ended December 31, 2007 were $116,970 compared to $3,032 in the same period of 2006. These fees are higher due to increased audit fees although the major portion of the increase was incurred as a result of establishing the joint venture process as discussed earlier.

Consulting fees increased by $34,763 during the three month period ended December 31, 2007 compared to $135,926 in 2006.

Production and property evaluation expenses for the three month period ended December 31, 2007 increased by $396,180 compared to $19,028 in the same period in 2006. The majority of these costs include payments to Jefferies, Randal Dewey, as CGX's advisor in the joint venture process and payments to various consultants in regards to the preparation and completion of the "Resource Assessment Report"

The Company had revised its assumptions in stock-based compensation calculation which resulted in a reduction in the expense during the three month period ended December 31, 2007 by $334,399 and increase of $70,000 for the same period in 2006. See note 6 to the financial statements for further information.

YEAR ENDED DECEMBER 31, 2007

The Company incurred a net loss of $4,489,650 or $0.04 a share for the year ended December 31, 2007, compared with a net loss of $6,258,216 or $0.07 a share for the same period in 2006.

CGX incurred a foreign exchange gain of $166,083 for the year ended December 31, 2007 versus a loss of $58,592 in 2006.

Shareholder information costs were $126,176 in the year ended December 31, 2007 as compared to $70,795 in the same period in 2006. This amount relates to the costs of issuing press releases, transfer agents, investor presentations, and electronic dissemination of information. The increase was the result of the closing of two private placements.

Border dispute resolution legal fees were lower during the year ended December 31, 2007 were lower as compared to the same period in 2006. In fiscal 2006, Guyana prepared and subsequently filed in April 2006 its Reply to Suriname's Counter-Memorial. In the year ended December 31, 2007, the Company spent $1,146,252 on legal fees in assisting Guyana to resolve the dispute through the United Nations Convention on the Law of the Sea compared to $3,659,535 in the same period in 2006. In February 2005, Guyana filed its claim of Memorial, and Suriname filed its Counter-Memorial in November, 2005. The border dispute was resolved by the court of Arbitration in late September 2007 and the Company does not expect to incur any further costs in this regard.

General and administration costs increased to $540,606 for the year ended December 31, 2007 from $496,447 in 2006. These costs were incurred in operating two offices in two countries although the majority of these costs were incurred in Canada. Extra activities following the resolution of the border dispute resulted in the increase of a lot of costs especially travel costs.

Professional fees for the year ended December 31, 2007 were $214,597 compared to $67,990 in the same period of 2006. These fees are higher due to higher audit fees and legal fees incurred with respect to the joint venture process.

Consulting fees increased to $373,872 during the year ended December 31, 2007 compared to $372,696 in 2006.

Production and property evaluation expenses for the year ended December 31, 2007 increased by $279,954 to $535,752 compared to $255,798 in the same period in 2006. The majority of these costs include payments to Jefferies, Randal Dewey, as CGX's advisor in the joint venture process and payments to various consultants in regards to the preparation and completion of the "Resource Assessment Report".

The Company had stock-based compensation expense of $1,723,000 during the year ended December 31, 2007 compared to $563,000 for the same period in 2006. The Company granted directors, officers and employees a total of 1,935,000 stock options during the year ended December 31, 2007 compared to 1,700,000 in the same period of 2006.

Selected Consolidated Financial Information

The information below should be read in conjunction with the management's discussion and analysis, the consolidated financial statements and related notes and other financial information.

	Year Ended December 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
	$	$	$
Net Revenue	4,522	28,832	49,683
Loss before income taxes and minority interest	4,489,650	6,258,216	11,132,924
Net Loss	4,489,650	6,258,216	11,132,924
Loss Per Share	$0.04	$0.07	$0.12
Total Assets	45,678,789	7,424,835	12,292,084
Liabilities	1,708,733	1,715,179	887,211

Results for the three months ended:

	December 31, 2007	September 30, 2007	June 30, 2007	March 31, 2007
		$	$	$
Total Revenue	2,522	41	817	1,142
Loss before income taxes and minority interest	364,868	2,799,189	867,198	458,396
Net Loss	364,868	2,799,189	867,198	458,396
Loss Per Share	$0.00	$0.03	$0.01	$0.01

	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006
		$	$	$
Total Revenue	4,832	9,667	7,690	6,642
Loss before income taxes and minority interest	1,823,713	615,842	1,627,131	2,191,530
Net Loss	1,823,713	615,842	1,627,131	2,191,530
Loss Per Share	$0.02	$0.01	$0.02	$0.02

CAPITAL RESOURCES, CAPITAL EXPENDITURES AND LIQUIDITY

As at December 31, 2007, the Company's working capital increased to $37,047,304 from $651,595 as at December 31, 2006.

As at December 31, 2007, CGX had receivables and other of $270,628. This amount is comprised of: receivables from companies for rent, equipment purchased and expense reimbursement, GST recoverable ($57,480), other receivables ($130,033), and prepaid expenses ($81,015).

For the year ended December 31, 2007, the Company spent $1,864,691 on petroleum and natural gas properties compared to $571,678 for the same period in 2006. The current year expenditures includes the accrual in the amount of $989,000 (2006 – Nil) with respect to the Georgetown Block.

On April 19, 2007, CGX issued, though a private placement, 10,000,000 common shares at a price of $0.80 per share for gross proceeds of $8,000,000.

On November 7, 2007, the Company issued, though a private placement, 17,500,000 common shares at a price of $2 per share for gross proceeds of $35 million. The common shares are subject to a four month holding period which expires on March 7, 2008.

CGX is dependent on obtaining future financings for the exploration and development of its properties and for the acquisition of any new projects. There is no assurance that such financings will be available when required, or under terms that are favourable to the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

RELATED-PARTY TRANSACTIONS

Denis Clement and Associates ("DCA") was paid by the Company a total of $60,000 for the year ended December 31, 2007 (2006- $60,000) in respect of the services of Denis Clement. Denis Clement, a director of the Company, beneficially owns DCA.

Jaguar Holdings (1998) Inc. ("JHI") was paid by the Company a total of $60,000 for the year ended December 31, 2007 (2006- $50,000) in respect of the services of John Cullen. John Cullen, a director of the Company, beneficially owns JHI.

James Fairbairn was paid by the company a total of CAD$72,000 for the year ended December 31, 2007 (2006- CAD$73,000) in respect of the services of James Fairbairn and his staff.

Warren Workman was paid by the Company a total of $216,000 for the year ended December 31, 2007 (2006- $59,000).

Kerry Sully, President, CEO and a director of the Company, was paid by the Company a total of $120,000 for the year ended December 31,2007 (2006- $120,000) for his services.

Kamal Dookie, an officer of the Company, was paid by the Company a total of $85,000 for the year ended December 31, 2007 (2006- $116,637) for his services and in-country expenses (Guyana).

CHANGES IN ACCOUNTING POLICIES INCLUDING INTITAL ADOPTION

There were several changes in the accounting policies for the year ended December 31, 2007, see note 2 to the December 31, 2007, financial statements.

a) Recently released Canadian accounting standards

The Company has assessed new and revised accounting pronouncements that have been issued that are not yet effective and determined that the following may affect the financial disclosures and results of operations of the Company:

i) Financial Instruments – Disclosures (CICA Handbook Section 3862) and Financial Instruments – Presentation (CICA Handbook Section 3863): These new standards will replace Financial Instruments – Disclosure and Presentation (Section 3861). This new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward the former presentation requirements. The Company will adopt the new standards for interim and annual periods beginning on or after January 1, 2008.

ii) Capital Disclosures (CICA Handbook Section 1535): This new standard will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements. The

Company will adopt the new standard for interim and annual periods beginning on or after January 1, 2008.

iii) International Financial Reporting Standards: In January 2006, the CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada and the expected convergence with International Financial Reporting Standards ("IFRS") by the end of 2011. On February 13, 2008 the Canadian Accounting Standards Board confirmed 2011 as the official changeover date for publicly listed Canadian companies to start using International Financial Reporting Standards (IFRS). The transition will affect interim and annual financial statements relating to years beginning on or after January 1, 2011. The impact of the transition to IFRS on the Company's consolidated financial statements has not yet been determined.

Recent Accounting Changes and Effective Dates

Effective January 1, 2008

The CICA has issued three new standards which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2008. The Company will adopt the requirements commencing in the quarter ended March 31, 2008 and is considering the impact this will have on the Company's financial statements.

Section 1535, Capital disclosures, establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company will be required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital.

Section 3031, Inventories, provides guidance on the determination of costs and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

Section 3862, Financial instruments – disclosures, requires entities to disclose quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company's financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. The Company will be required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments.

Effective January 1, 2009

The CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company's financial statements.

Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations.

ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE

	Twelve month period ended December 31, 2007	Twelve month period ended December 31, 2006
Petroleum and natural gas properties:		
Capitalized exploration costs	$ 1,864,691	$ 571,678
Expensed production and property evaluation	535,752	531,784
Corporate expenses	4,489,650	5,544,853
Total Assets	45,678,789	7,424,835

	Twelve month period ended December 31, 2007		Twelve month period ended December 31, 2006	
	Capitalized	Expensed	Capitalized	Expensed
	$	$	$	$
Drilling supplies	-	-	-	255,798
Land & lease costs	-	-	60,000	-
Exploration: Intangible drilling and other	-	535,752	511,678	275,986
Geophysical and administrative	1,864,691	-	-	-
	1,864,691	535,752	571,678	531,784

Corporate Expenses	Twelve month period ended December 31, 2007	Twelve month period ended December 31, 2006
General and administrative:		
Rent and office expenses	344,179	340,610
Travel and entertainment	191,905	155,837
Consulting	373,872	372,696
Production and exploration	535,752	255,798
Stock-based compensation	1,723,000	563,000
Professional fees	214,597	67,990
Border dispute resolution fees	1,146,252	3,659,535
Shareholders' information	126,176	70,795
Foreign exchange loss (gain)	(166,083)	58,592
	4,489,650	5,544,853

Outstanding Share Data	25-Apr-08	31-Dec-07
Issued and outstanding common shares	125,612,913	105,362,913
Outstanding options to purchase common shares	9,612,000	7,931,000
Outstanding warrants to purchase common shares	-	120,000

DIVIDENDS

The Corporation has neither declared nor paid any dividends on its Common Shares. The Corporation intends to retain its earnings, if any, to finance growth and expand its operation and does not anticipate paying any dividends on its Common Shares in the foreseeable future.

RISKS AND UNCERTAINTIES

Political Risk

We operate in Guyana, which is an immature and emerging economy with associated risk factors. Land and maritime boundaries have not been resolved with Venezuela, nor land boundaries with Suriname. Our operations and related assets are subject to the risks of actions by governmental authorities, insurgent groups or terrorists. We conduct our business and financial affairs to protect against political, legal, regulatory and economic risks applicable to our operations. However, there can be no assurance that we will be successful in protecting ourselves from the impact of these risks.

The border resolution with Venezuela is being conducted through the United Nations Good Officer Process. These discussions have been on-going for many years, however, significant hydrocarbon discoveries offshore Venezuela in the Deltana Platform may provide the incentive for both governments to resolve the border discussions.

Business Risk
The oil and gas industry is highly competitive, particularly with respect to searching for and developing new sources of crude oil and natural gas reserves, constructing and operating crude oil and natural gas pipelines and facilities, and transporting and marketing crude oil, natural gas and other petroleum products.

In Guyana, we are pursuing a pure exploration program that is extremely risky, and there is no assurance that hydrocarbon reserves will be discovered and economically produced. Financial risks in the petroleum industry include fluctuations in commodity prices, and interest and currency exchange rates. Operational risks during drilling include a complete lack of infrastructure, with the closest base of service companies located in Trinidad. Operational risks, if a discovery were made, include reservoir performance uncertainties, reliance on partners, competition, environmental and safety issues, and a complex regulatory environment.

CGX is exploring its oil and gas properties in Guyana and has not yet determined whether the properties contain any 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 future profitable production or, alternatively, on the sufficiency of proceeds from disposition.

A portion of our onshore exploration in Guyana was funded by local investors, through our subsidiary, ON Energy Inc., which is one of the first new companies to have been financed under the Guyana Securities Act 1998. Operating a foreign registered subsidiary presents risks associated with differences in business regulations and practices compared with operating a Canadian corporation. We are a responsible member of the Guyanese community and are building relationships with its members and involving them in key decisions that will have an impact on their lives.

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.

Critical Accounting Estimates
A discussion of the Company's significant accounting policies is contained in Note 2 to the 2007 consolidated financial statements. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates relate primarily to the future development costs associated with proved undeveloped reserves, reserve volumes, future production and revenues, and future costs associated with asset retirement obligations.

For the impact of new accounting standards related to financial instruments and comprehensive income please refer to "New Accounting Standards" on page 2 of this MD&A and Note 3 of the consolidated financial statements as at December 31, 2007.

Impairment of long-lived assets
The Company records its interest in mineral properties at cost. Exploration expenditures relating to properties that will require additional exploration are deferred and will be amortized against future production following commencement of commercial production, or written off it the licences are sold, allowed to lapse or become impaired.

Management of the Company reviews and evaluates the carrying value of each license for impairment when events or changes in circumstances indicate that the carrying amounts of the related asset may not be recoverable. If the total estimated future cash flows on an undiscounted basis are less than the carrying amount of the asset, an impairment loss is measured and assets are written down to fair value which is normally the discounted value of future cash flows. Where estimates of future net cash flows are not available and where other condition suggest impairment, management assesses whether carrying value can be recovered by considering alternative methods of determining fair value. When it is determined that a license is impaired, it is written down to its estimated fair value in accordance with the CICA Handbook Section 3063 "Impairment of Long-Lived Assets"

Management's estimates of commodity prices, mineral resources, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverable of deferred costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows expected to be generated from its licenses.

International Financial Reporting Standards

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies, the AcSB strategic plan outline the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011, will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Exploration, Development and Production Risks

A portion of the current working capital of CGX will be expended on petroleum and natural gas exploration, exploitation and development activities, which are high-risk ventures with uncertain prospects for success. Oil and gas exploration involves a high degree of risk and there is no assurance that expenditures made on future exploration activities by the Company will result in new discoveries of oil, condensate or natural gas that are commercially viable or economically producible. Holders of securities of the Company must rely on the ability, expertise, judgment, discretion, integrity and good faith of management of the Company. It is difficult to project the costs of implementing any exploratory or developmental drilling program 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 and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof. Few properties that are explored are ultimately developed into new reserves. In certain instances, the Company may be precluded from pursuing an exploration program or decide not to continue with an exploration program and such an occurrence may have a negative effect on the value of the securities of the Company.

Future oil exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues 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. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include: delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Petroleum and Natural Gas Reserves

All evaluations of future net revenues are before consideration of indirect costs such as administrative overhead, other miscellaneous expenses and income taxes. The future net revenues may not be representative of the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of proved and probable reserves, including many factors beyond the control of the Company.

In general, estimates of economically recoverable petroleum and natural gas reserves and the future net revenues there from are based upon a number of variable factors and assumptions, such as historical production from the properties, commodity prices, the assumed effects of regulation by governmental agencies and future operating costs, each of which may vary considerably from actual results. Estimates of the economically recoverable petroleum and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from, prepared by different engineers or by the same engineers at different times, may vary substantially.

Fluctuation of Commodity Prices

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors all of which are beyond the control of the Company. Crude oil is influenced by the world economy and OPEC's ability to adjust supply to world demand. Recently crude oil prices have been kept high by political events causing disruptions in the supply of oil, and concern over potential supply disruptions. Political events trigger large fluctuations in oil price levels. Natural gas prices are influenced by factors within North America. The continued tight supply demand balance for natural gas is causing significant elasticity in pricing. Despite record drilling activity, a strong economy, weather, fuel switching and demand for electrical generation there still exists a tight supply causing prices to remain high.

World prices for oil and natural gas have fluctuated widely in recent years. Future price fluctuations in world prices may continue and may have a significant impact upon the projected revenue of the Company, the projected return from its existing and future reserves and the general financial viability of the Company.

The oil and natural gas prices realized by the Company are affected by factors such as supply and demand, oil quality and transportation adjustments. The Company expects to market its oil and natural gas production in a manner consistent with best practices.

Foreign Currency Exchange Rates

The Company will sell its oil production pursuant to marketing agreements that are denominated in US dollars. Many of the operational and other expenses incurred by the Company are paid in US dollars or in local currency of the country where operations are performed. The assets and liabilities of the Company (including reserve information) are recorded in US dollars. As a result, fluctuations in the US dollar against local currencies in jurisdictions where properties of the Company are located could result in unanticipated and material fluctuations in the financial results of the Company.

Competition

A number of other oil and gas companies operate and are allowed to bid for exploration and production licenses and other services in Guyana which are the focus of the business and operations of the Company, thereby providing competition to the Company. Larger companies may have access to greater resources than the Company, may be more successful in the recruitment and retention of qualified employees and may conduct their own refining and petroleum marketing operations, which may give such companies a competitive advantage over the Company. Some of these companies have been conducting operations in Guyana for considerably longer periods of time than has the Company and thus these companies may be more familiar with the political and business landscape in Guyana than the Company. In addition, actual or potential competitors may be strengthened through the acquisition of additional assets and interests.

Environmental Regulation

The current and future operations of the Company that are conducted in Guyana are subject to environmental regulations promulgated by the Government of Guyana. Current environmental legislation in Guyana provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil, condensate and natural gas operations. In addition, certain types of operations may require the submission and approval of environmental impact assessments. The existing operations of the Company are subject to such environmental policies and legislation. Environmental legislation and policy is periodically amended. Such amendments may result in stricter standards and enforcement and in more stringent fines and penalties for noncompliance. Environmental assessments of existing and proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The costs of compliance associated with changes in environmental regulations could require significant expenditures, and breaches of such regulations may result in the imposition of material fines and penalties. In an extreme case, such regulations may result in temporary or permanent suspension of production operations. There can be no assurance that these environmental costs or effects will not have a material adverse effect on the future financial condition or results of the operations of the Company.

Foreign Currency Translation
The Company uses the temporal method of foreign currency translation in accounting for its integrated foreign operations. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date, while non-monetary assets and liabilities are translated into U.S. dollars at the exchange rate prevailing on the transaction date. Revenues and expenditures denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from the translation of transactions denominated in foreign currencies are reflected in operations for the year.

Accounting Estimate / Change in Accounting Policy
As at December 31, 2007, the Company did change some of its accounting policies see note 3 to the December 31, 2007, financial statements.

Internal Control over Financial Reporting
Internal controls over financial reporting are procedures designed to provide reasonable assurance that transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance with respect to the reliability of financial reporting and financial statement preparation.

Evaluation of Disclosure Controls and Procedures and Internal Control over Financial Reporting

Disclosure Controls and Procedures
Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's President and Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this management's discussion and analysis, management of the Company, with the participation of the President and Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that, as of the end of the year covered by this management's discussion and analysis, the disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings*) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the President and Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Internal Control over Financial Reporting
Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles. The Company's CEO and CFO have ensured the design of internal control over financial reporting.

During the most recent quarter end, there were no changes in the Company's internal control over financial reporting that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Responsibility
The success of CGX depends to a large extent upon its abilities to retain the services of its senior management and key personnel. The loss of the services of any of these persons could have a materially adverse effect on the Company's business and prospects. There is no assurance CGX can maintain the services of its directors, officers or other qualified personnel required to operate is business.

Independent Contractors
CGXs' success also depends to a significant extent on the performance and continued service of independent contractors. The Company contracts the services of professional drillers, construction and engineering services. Poor performance by such contractors or the loss of such services could have a material and adverse effect on CGX and it business and results of operations and could result in failure to meet business objectives.

Management's Responsibility
Management is responsible for all information contained in this MD&A. 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 MD&A 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 audited the consolidated financial statements for the year ended December 31, 2007and performed the tests deemed necessary to enable them to express an opinion on those consolidated financial statements.

The Audit Committee has reviewed the audited consolidated financial statements with management. The Board of Directors has approved these consolidated financial statements on the recommendation of the Audit Committee.

April 28, 2008

James N. Fairbairn, C.A., Chief Financial Officer
Kerry E. Sully, President and Chief Executive Officer

CGX Energy Inc.

Consolidated Financial Statements

Years ended December 31, 2007 and 2006

parker simone LLP

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Auditors' Report

To the Shareholders of
CGX Energy Inc.

We have audited the consolidated balance sheets of CGX Energy Inc. as at December 31, 2007 and 2006 and the consolidated statements of loss, comprehensive loss and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

parker simone LLP

April 18, 2008

Licensed Public Accountants

CGX Energy Inc.

Consolidated Balance Sheets

(Denominated in United States Dollars)

As at December 31,	2007	2006
	$	$
Assets		
Current		
Cash and cash equivalents	**38,485,409**	1,926,607
Receivables and other	**270,628**	440,167
	38,756,037	2,366,774
Other assets		
Petroleum and natural gas properties *(Note 5)*	**6,922,752**	5,058,061
	45,678,789	7,424,835
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable and accrued liabilities	**1,708,733**	1,715,179
Shareholders' equity		
Capital stock *(Note 6)*	**78,918,783**	37,827,880
Contributed surplus *(Note 7)*	**5,060,646**	3,401,500
Deficit	**(40,009,373)**	(35,519,723)
	43,970,056	5,709,657
	45,678,789	7,424,836

Approved on behalf of the Board of Directors:

"Signed"
Kerry Sully , Director

"Signed"
Denis Clement , Director

See notes to the consolidated financial statements

CGX Energy Inc.

Consolidated Statements of Loss, Comprehensive Loss and Deficit

(Denominated in United States Dollars)

Years ended December 31,	**2007**	**2006**
	$	**$**
Revenues		
Petroleum and natural gas	**5,285**	40,712
Royalties, net of ARTC	**(763)**	(11,880)
	4,522	28,832
Administrative expenses		
General and administrative	**540,606**	496,447
Stock-based compensation *(Note 6)*	**1,723,000**	563,000
Consulting	**373,872**	372,696
Production and property evaluation	**535,752**	255,798
Professional fees	**214,597**	67,990
Border dispute resolution fees *(Note 5)*	**1,146,252**	3,659,535
Shareholders' information	**126,176**	70,795
Foreign exchange (gain) loss	**(166,083)**	58,592
	4,494,172	5,544,853
Net loss before writedowns and gains on disposal	**4,489,650**	5,516,021
Write down of petroleum and natural gas properties	**-**	275,986
Writedown of drilling supplies	**-**	503,489
Gain on disposal of drilling supplies	**-**	(37,280)
Loss and comprehensive loss	**4,489,650**	6,258,216
Deficit, beginning of year	**35,519,723**	29,261,507
Deficit, end of year	**40,009,373**	35,519,723
Basic and fully diluted net loss per share	**$ 0.04**	$ 0.07
Weighted average number of shares outstanding	**105,299,590**	92,255,913

CGX Energy Inc.

Consolidated Statements of Cash Flows

(Denominated in United States Dollars)

Years ended December 31,	**2007**	**2006**
	$	**$**
Operations		
Net Loss	**(4,489,650)**	(6,258,216)
Adjustments to reconcile net loss to net cash used by operating activities:		
Gain on disposal of drilling supplies	**-**	(37,280)
Stock-based compensation	**1,723,000**	563,000
Write-down of petroleum and natural gas properties	**-**	275,986
Net change in non-cash operating working capital items		
Receivables and other	**169,539**	(158,228)
Drilling supplies	**-**	1,090,937
Accounts payable and accrued liabilities	**(6,446)**	827,967
Net cash used by operating activities	**(2,603,557)**	(3,695,834)
Financing activities		
Issuance of common shares, net of cost of issuance	**41,027,049**	-
Net cash provided by financing activities	**41,027,049**	-
Investing activities		
Petroleum and natural gas properties	**(1,864,691)**	(534,398)
Net cash used by investing activities	**(1,864,691)**	(534,398)
Net increase (decrease) in cash and cash equivalents	**36,558,801**	(4,230,232)
Cash and cash equivalents, beginning of year	**1,926,608**	6,156,839
Cash and cash equivalents, end of year	**38,485,409**	1,926,607
Cash and cash equivalents are comprised of:		
Cash	**36,261,848**	904,869
Short-term investments	**2,223,561**	1,021,739
	38,485,409	1,926,608

General

CGX Energy Inc. ("CGX", or the "Company") is incorporated under the laws of Ontario. Its principal business activity is petroleum and natural gas exploration in offshore Guyana, South America.

1. Nature of Operations

Nature of operations

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

If the going concern assumption is not appropriate then material adjustments may be necessary in the carrying amounts and/or classification of assets and liabilities in the consolidated financial st.atements

Consolidation

The consolidated financial statements include the accounts of the Company together with its wholly owned subsidiary, CGX Resources Inc., a Bahamian-based company as well as its 62% interest in ON Energy Inc., a Guyana-based company. The 1998 acquisition of CGX Resources Inc. has been accounted for as a reverse takeover. As such, these consolidated financial statements reflect the continuation of the legal subsidiary, CGX Resources Inc., and not that of the legal parent. The Company's Canadian exploration, development and production activities are undivided interests in properties that are developed jointly with others. Accordingly, the consolidated financial statements also reflect the Company's pro rata share of the assets, liabilities, revenues and expenses of these undivided interests.

2. Summary of Significant Accounting Policies

Cash and cash equivalents

Cash and cash equivalents include short-term investments, which are investments having an original maturity of less than or equal to 90 days.

Foreign currency translation

CGX is a Canadian company whose principal assets are its wholly owned subsidiary, CGX Resources Inc. and its controlling interest in ON Energy Inc. Although the company generates cash flow from its Canadian operations, its main source of cash is through capital market financing. This financing is used to fund both its Canadian operations as well as its subsidiaries petroleum and natural gas activities, which are denominated in United States (U.S.) dollars. The Company's shares are traded and quoted on a Canadian exchange in U.S. dollars; accordingly, the U.S. dollar is the functional currency of the consolidated financial statements. Subsequent to December 31, 2007, the Company converted trading of shares in the market to the Candian from U.S. dollar.

The Company uses the temporal method of foreign currency translation in accounting for its integrated foreign operations. Under this method, monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date, while non-monetary assets and liabilities are translated into U.S. dollars at the exchange rate prevailing on the transaction date. Revenues and expenditures denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from the translation of transactions denominated in foreign currencies are reflected in operations for the year.

2. Summary of Significant Accounting Policies (continued)

Petroleum and natural gas properties

The Company follows the full cost method of accounting for petroleum and natural gas properties and, accordingly, capitalizes all non-Canadian exploration and development costs, drilling (including related overhead) on producing and non-producing properties and other carrying charges on unproven properties. Proceeds of dispositions are applied against the cost pools with no gain or loss recognized except where the disposition results in a significant change in the rate of depletion and amortization.

The costs of significant unevaluated properties are excluded from the depletion and amortization base. The carrying value is limited to the recoverable amount. This is determined on proven properties by estimating the present value of future net revenues based on current prices and cost. On unproven properties, the carrying value is determined by using the lower of cost or net realizable value less estimated future site restoration costs, general and administrative expenses, financing costs and income taxes.

Amortization of these costs is done on a country-by-country basis and is calculated on the unit-of-production method based on estimated proven reserves, before royalties, as determined by independent engineers. For purposes of depletion and amortization calculations, petroleum and natural gas reserves are converted to a common unit of measure on the basis of their relative energy content.

The Company estimates its future site restoration and abandonment costs for its petroleum and natural gas properties on a country-by-country basis. The costs represent management's best estimate of the future site restoration and abandonment costs based upon current legislation and industry practices. Total estimated costs are on a unit-of-production basis. The annual provision included in amortization expense and future site restoration and abandonment costs is charged to the account as incurred.

The amounts recorded for depletion and amortization of property, plant and equipment 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, petroleum 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.

The Canadian exploration, development and production activities of the Company are undivided interests in properties that are developed jointly with others. Accordingly, the consolidated financial statements reflect only the Company's proportionate interest in such activities.

Asset Retirement Obligation

The Company recognizes the fair value of an asset retirement obligation ("ARO") in the period in which it is incurred when a reasonable estimate of fair value can be made. The fair value of the estimated ARO is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized to expense through depletion over the life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of this accretion is charged to earnings in the period. Revisions, if any, to the estimated timing of cash flows or to the original estimated undiscounted cost, if any, also result in an increase or decrease to the ARO and the related asset. Actual costs incurred upon settlement of the ARO are charged against the ARO to the extent of the liability recorded. Any difference between the actual costs incurred upon settlement of the ARO and the recorded liability is recognized as a gain or loss in the Company's earnings in the period in which the settlement occurs.

Asset retirement assets for natural gas and crude oil are amortized using the unit-of-production method.

The company does not have any asset retirement obligations as at December 31, 2007.

2. Summary of Significant Accounting Policies (continued)

Stock-based compensation

The Company has an incentive stock option plan which is described in Note 6. The Company accounts for its stock-based compensation plan using the fair value method. Under this method, stock-based payments are measured at fair value of the equity instruments issued, and as amortized over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the proceeds, together with the amount recorded in contributed surplus, are recorded in capital stock. The calculation of this expense is described in Note 6.

Future income taxes

Future income taxes are accounted for using the liability method of tax allocation. Under this method, future income taxes are based on the differences between assets and liabilities reported for financial accounting purposes and those reported for tax purposes. The effect on future tax liabilities and assets of a change in tax rates is recognized in the period that the change occurs. Because of the nature of the Company's operations, it may be subject to income taxes in Canada, the Bahamas and Guyana.

Net Loss per common share

Basic loss per common share is calculated using the weighted average number of common shares outstanding during the year. Diluted loss per common share is calculated using the treasury stock method, which assumes that all outstanding stock options and warrants are exercised. Diluted loss per share has not been presented as the factors referred to above are anti-dilutive.

Administrative expenditures

Administrative and general expenditures not directly attributable to the petroleum and natural gas properties are expensed when incurred.

Use of estimates

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompany notes. Actual results could differ from those estimates.

Comprehensive Loss

Section 1530 – “Comprehensive Loss” introduces the concept of comprehensive loss to Canadian GAAP. Comprehensive loss is the change in equity (net assets) of the Company during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes to equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive loss is comprised of net loss for the period and other comprehensive loss. The company had no other comprehensive loss during the year ended December 31, 2007.

Hedging

Section 3865 of the CICA Handbook specifies the circumstances under which hedge accounting is permissible and how hedge accounting may be performed. As at and for the year ended December 31, 2007, the Company had no hedges in place.

The application of these new standards has no impact on the Company’s financial statements as at and for the year ended December 31, 2007.

2. Summary of Significant Accounting Policies (continued)

Financial instruments – recognition and measurement

The Company classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of loss. The Company has classified its cash equivalents and short-term investments as held for trading which are carried at fair value with unrealized gains and losses recorded in interest income.

Fair value of financial instruments

Canadian generally accepted accounting principles require that the Company disclose information about the fair value of its financial assets and liabilities. Fair value estimates are made at the balance sheet date, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties in significant matters of judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect these estimates.The carrying amounts of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities approximate their fair values since these instruments have short term maturity dates.

Revenue Recognition

CGX recognizes interest revenue as earned over the passage of time on a monthly basis.

3. Future Changes in Accounting Policies

Effective January 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants relating to the accounting for and disclosure of capital and financial instruments:

- Section 1535 – "Capital disclosures" establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard, the Company will be required to disclose quantitative and qualitative information about its objectives, policies and processes for managing capital.
- Section 3862 – "Financial instruments – disclosures" requires entities to disclose quantitative and qualitative information that enable users to evaluate (a) the significance of financial instruments for the Company's financial performance, and (b) the nature and extent of risks arising from financial instruments to which the Company is exposed during the period and at the balance sheet date, and management's objectives, policies and procedures for managing such risks. The Company will be required to disclose the measurement bases used, and the criteria used to determine classification of financial instruments.

Adoption of these standards did not require the Company to restate prior periods as these new standards have been adopted prospectively.

Effective January 1, 2009, the CICA has issued a new standard which may affect the financial disclosures and results of operations of the Company for interim and annual periods beginning January 1, 2009. The Company will adopt the requirements commencing in the quarter ended March 31, 2009 and is considering the impact this will have on the Company's financial statements. Section 3064, Goodwill and intangible assets, establishes revised standards for recognition, measurement, presentation and disclosure of goodwill and intangible assets. Concurrent with the introduction of this standard, the CICA withdrew EIC 27, Revenues and Expenses during the pre-operating period. As a result of the withdrawal of EIC 27, the Company will no longer be able to defer costs and revenues incurred prior to commercial production at new operations.

(Denominated in United States Dollars)

4. Related-party transactions

Certain corporate entities that are related to the Company's officers and directors provide consulting services to CGX. Some of these expenditures include travel costs. These expenditures have been recorded at their fair market values:

	2007	2006
	$	$
Petroleum and natural gas properties	**301,000**	175,500
Administrative expenses	**307,000**	294,600

5. Petroleum and natural gas properties

	December 31, 2007				
	Georgetown	**Berbice**	**Corentyne**	**Pomeroon**	**Total**
Balance, beginning of year	**557,173**	**356,675**	**2,311,287**	**1,832,926**	**5,058,061**
Acquisition, Exploration and administration costs	**988,925**	**-**	**875,766**	**-**	**1,864,691**
Balance, end of year	**1,546,098**	**356,675**	**3,187,053**	**1,832,926**	**6,922,752**

	December 31, 2006				
	Georgetown	Berbice	Corentyne	Pomeroon	Total
Balance, beginning of year	557,173	632,661	1,739,609	1,832,926	4,762,369
Aquisition, Exploration and administration costs	-	-	571,678	-	571,678
Writedown	-	(275,986)	-	-	(275,986)
Balance, end of year	557,173	356,675	2,311,287	1,832,926	5,058,061

Corentyne Petroleum Prospecting Licence (PPL), Guyana

The Company was granted the Corentyne PPL on June 24, 1998. Because sovereign issues between Guyana and Suriname prevented unhindered access to a portion of the contract area the original 10 year term of the contract has been extended to June 2013. On September 17, 2007, the International Tribunal of the Law of the Sea (ITLOS) awarded a maritime boundary between Guyana and Suriname. In the decision the ITLOS Tribunal determined that it had the jurisdiction to decide on the merits of the dispute, and that the line adopted by the Tribunal to delimit the Parties' continental shelf and exclusive economic zone followed an unadjusted equidistance line. The arbitration is compulsory and binding.

The Corentyne PPL covers approximately 3.6 million acres with the remaining portion of the original offshore area (2.3 million acres) held 100%, the Annex offshore area (1.0 million acres) held 100%, and the onshore portion of the Corentyne PPL (0.4 million acres) held net 62% by CGX through ON Energy. Annual Rental and Training Fees are $100,000. If a discovery is made, CGX has the right to convert the Discovery Area plus reasonable surrounding acreage to a Production Licence, subtracting this area from the Contract Area.

The Petroleum Agreement has been amended four times. On November 30, 2002, the first renewal period of the Petroleum Agreement was granted which included renegotiated work commitments.

(Denominated in United States Dollars)

5. **Petroleum and natural gas properties** (continued)

Period	Start Date	End Date	Work Commitment	Relinquish at end of period	Status
Initial Period Phase 1	June 1998	June 2000	Conduct regional review, shoot 1800 kilometres of 2-D seismic		Complete
Initial Period Phase 2 Year 1	June 2000	June 2001	Drill 1 exploration well		Complete
Initial Period Phase 2 Year 2	June 2001	June 2002	Interpret well results	20% [1]	Complete
1st Renewal Phase 1	June 2002	December 2007	Main Area: Conduct a pilot geochemical study onshore. Annex Area: interpret 3300 km of seismic data and reprocess 825 km	1%	Complete
1st Renewal Phase 2	December 2007	June 2010	Shoot 500 - line kilometres of 3-D seismic; or shoot 1500 kilometres of 2-D seismic; or drill 1 exploration well	20%	
2nd Renewal Phase 1	June 2010	December 2011	Drill 1 exploration well		
2nd Renewal Phase 2	December 2011	June 2013	Drill 1 exploration well		

1. In January 2001, 1 million acres (27% of the concession) were relinquished. An additional 1 million acres (the Annex) were subsequently added to the concession.

Summary of fiscal regime:
After commercial production begins, the Licensee is allowed to recover all capital and operating costs from "cost oil" which for the first three years is up to 75% of production and thereafter up to 65% of production. The Licensee share of the remaining production or "profit oil", for the first five years is 50% of the first 40,000 barrels of oil per day and 47% for additional productions; and thereafter 45% in full satisfaction of all income taxes and royalties.

Georgetown PPL, Guyana
The Company purchased a 25% participating interest in the Georgetown PPL (offshore Guyana, South America) from ENI Guyana, B.V. for $175,000 and $1,075,000 at the commencement of the first well on the Block in which CGX participates. The Government of Guyana approved the transfer on September 3, 2002. The Georgetown PPL covers approximately 2.7 million acres.

Based on the agreement with Repsol YPF the operator of the PPL, the Company estimated their share of costs and set up an accrued liability at year end of $988,000 (2006 - $Nil).

Exploration on the Block was suspended in 2000 as a significant portion of the Licence was in the area of the overlapping border claims between Guyana and Suriname, but has now been resolved as a result of the ITLOS maritime border decision. An application has been made to the Government to extend the term of the contract to November 2012.

Pomeroon PPL, Guyana
The Company, through its wholly-owned subsidiary, CGX Resources Inc., entered into an asset purchase agreement with Century Guyana, Ltd. (Century) to acquire Century's 100% interest in the Pomeroon Prospecting License located offshore in the Guyana Basin. The Government of Guyana approved this transfer in July 2004. The purchase price consisted of a payment of $100,000 plus the issuance of 2,000,000 unrestricted common shares of the Company. CGX shall assign to Century an overriding royalty interest consisting of 2.5% of all revenues to the extent that the revenues are directly attributable to the contractor's share of Profit Oil.

(Denominated in United States Dollars)

5. Petroleum and natural gas properties (continued)

The Pomeroon license issued by the Government of Guyana in November 1997 is approximately 2.8 million acres. An application has been made to the Government to extend the term of the contract to November 2013. All work commitments up to the end of the initial period are deemed to be completed. The principal terms of the Petroleum Agreement are similar to those for the Corentyne PPL. The Pomeroon PPL is located between CGX's 100%-owned Annex portion of the Corentyne license, and Plataforma Deltana, which is offshore Venezuela. Subsequent seismic and exploration drilling commitments have been deferred pending resolution of the maritime border between Guyana and Venezuela.

Berbice PPL, Guyana

The Company, through its 62% owned subsidiary, ON Energy Inc., acquired the 0.4 million acres of Berbice PPL Onshore Guyana in October 2003. The PPL is renewable for up to two three-year periods. An application has been made to the Government of Guyana for the First Renewal of the Licence effective October 2007. The principal terms of the Petroleum Agreement are similar to those for the Corentyne PPL.

Alberta, Canada

During 2002 and 2001, the Company entered into farm-in agreements to drill for petroleum and natural gas on four properties in Alberta, Canada. A summary of the operations is as follows:

	2007	2006
	$	**$**
Revenue		
Petroleum and natural gas revenues	**5,285**	40,712
Royalties, net of ARTC	**(763)**	(11,880)
	4,522	28,832
Expenses		
Production	**128,219**	156,905
General and administrative	**41,340**	5,297
Foreign exchange loss	**143,342**	15,826
	312,901	178,028
Net Loss	**(308,379)**	(149,196)

(Denominated in United States Dollars)

6. Capital stock

Authorized and issued capital stock
The Company is authorized to issue an unlimited number of common shares without nominal or par value. The Company's issued and outstanding common shares were as follows:

	2007		2006	
	No. of shares	**$**	No. of shares	$
Balance, beginning of year	**95,255,913**	**37,827,880**	95,255,913	38,073,880
Private placements	**27,500,000**	**43,000,000**	-	-
Warrants exercised	**480,000**	**384,000**	-	-
Options exercised	**1,288,000**	**500,450**	-	-
Fair Value of Options exercised	**-**	**308,854**	-	-
Cost of Share Issuances	**-**	**(2,857,401)**	-	-
Fair Value of Warrants Issued	**-**	**(245,000)**	-	(246,000)
Balance, end of year	**124,523,913**	**78,918,783**	95,255,913	37,827,880

During the year ended December 31, 2007, CGX entered into the following private placements:

Month of issuance	**April 2007**	**November 2007**
Number of units issued	10,000,000	17,500,000
Price of issue	$0.80	$2.00
Gross proceeds of issue	$ 8,000,000	$ 35,000,000
Number of common shares issued	10,000,000	17,500,000
Number of broker warrants	600,000	-
Exercise price per broker warrant	$0.80	$ -
Expiry date of warrants	April 19, 2009	

Subsequent to December 31, 2007, the Company issued a total of 120,000 common shares through exercised Broker Warrants for total cash consideration of $96,000. In addition, the Company issued 969,000 common shares through exerised stock options for total cash consideration of $249,800.

(Denominated in United States Dollars)

6. Capital stock (continued)

Warrants
CGX has the following common share purchase warrants outstanding as at December 31, 2007:

Expiry date	Exercise price	No. of warrants outstanding	
	$	**2007**	2006
March 21, 2007*	-	**-**	5,257,500
April 19, 2009	0.80	**120,000**	-
		120,000	5,257,500

*These warrants which had an original expiration date of September 21, 2006.

The Company has recorded the fair value of warrants issued using the Black-Scholes pricing model based on the following assumptions:

Grant date	April 18, 2007	March 21, 2005
Number of warrants issued	600,000	5,257,500
Exercise price	$0.80	$1.10
Expected volatility	93.0%	73.4%
Risk-free interest rate	4.12%	3.18%
Expected life (years)	2.0	1.5
Dividend yield	-	-
Fair value of warrants issued	$245,000	$246,000

Stock options
The Board of Directors established a share incentive plan to provide additional incentive to its directors, officers, employees and consultants for their efforts on behalf of the Company in the conduct of its affairs. The maximum number of common shares reserved for issuance under the share option plan comprising part of the share incentive plan may not exceed 9% of the number of common shares outstanding. As at December 31, 2007, the Company had 3,276,152 (2006 - 1,289,032) options available for issuance. Under the terms of the plan, all options vest immediately, unless otherwise specified. All options granted under the plan expire no later than the fifth anniversary of the grant date.

	Weighted average exercise price	No. of options	Weighted average exercise price	No. of options
	$		$	
Outstanding, beginning of year	**0.51**	**7,284,000**	0.54	6,184,000
Granted	**1.21**	**1,935,000**	0.37	1,700,000
Exercised	**0.39**	**(1,288,000)**	-	-
Expired	**-**	-	0.48	(600,000)
Outstanding, end of year	**0.70**	**7,931,000**	0.51	7,284,000
Exercisable, end of year	**0.70**	**7,931,000**	0.51	7,284,000

(Denominated in United States Dollars)

6. Capital stock (continued)

The following table provides additional information about outstanding stock options at December 31, 2007:

	No. of options outstanding	Weighted average remaining life	Weighted average exercise price
		(years)	$
$ 0.20 - 0.40	2,828,000	2.15	0.30
0.65 - 0.80	3,168,000	2.03	0.74
0.81 - 1.24	1,935,000	4.54	1.21
Total	7,931,000	2.69	0.70

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended December 31, 2007:

Grant date	July 13, 2007	August 7, 2007
Number of options granted	1,650,000	285,000
Exercise price	$1.20	$1.24
Expected volatility	92.90%	92.17%
Risk-free interest rate	4.65%	4.54%
Expected life (years)	5.0	5.0
Dividend yield	-	-
Stock based compensation	$1,455,000	$268,000

The following table summarizes the assumptions used with the Black-Scholes valuation model for the determination of the stock-based compensation costs for the stock options granted during the year ended December 31, 2006:

Grant date	June 29, 2006
Number of options granted	1,700,000
Exercise price	$0.37
Expected volatility	139.21%
Risk-free interest rate	4.47%
Expected life (years)	5.0
Dividend yield	-
Stock based compensation	$563,000

On April 11, 2008, the Company granted a total of 2,650,000 stock options to directors, officers and consultants. Each stock option has an exercise price of CDN$2.70 and expires on April 11, 2013.

(Denominated in United States Dollars)

7. Contributed surplus

	2007	2006
	$	$
Balance, beginning of year	**3,401,500**	2,592,500
Value assigned to:		
Fair market value transferred to common shares on options and warrants exercised	**(308,854)**	-
Stock options	**1,723,000**	563,000
Unexercised warrants	**245,000**	246,000
Balance, end of year	**5,060,646**	3,401,500

8. Lease Commitments

The Company has entered into a lease agreement for premises that expires 2011. The future minimum lease commitments are as follows:

	$
2008 - 2009	**380,075**
2010 - 2011	**293,721**

Thirty percent of the above amounts will be recovered from other companies who are currently using the leased premises.

9. Income taxes

The income tax provision differs from that computed using the statutory tax rates for the following reasons:

	2007		2006	
	$	%	$	%
Income taxes at statutory rate	**(1,621,000)**	**(36.1)**	(2,259,000)	(36.1)
Financing fees	**(308,000)**	**(6.9)**	-	-
Stock-based compensation	**622,000**	**13.9**	203,000	3.2
Write down of mineral properties and supplies	**-**	**-**	268,000	4.3
Valuation allowance	**1,307,000**	**29.1**	1,788,000	28.6
	-	-	-	-

As at December 31, 2007, the Company had non-capital losses of CDN$5,745,000 (2006 - CDN$4,899,000) available to reduce future Canadian source income for income tax purposes. These losses expire during at various times over the next twenty years. A summary of the future income tax asset resulting from these operating losses carry forward, using an approximate tax rate of 36%, is as follows:

9. Income taxes (continued)

	2007	2006
	$	**$**
Benefit of non-capital loss carry forwards	**1,976,500**	1,714,700
Valuation allowance	**(1,976,500)**	(1,714,700)
	-	-

The Company has recorded a 100% valuation allowance against the future income tax assets because of the uncertainty surrounding their realization.

In addition, the Company has Canadian capital losses of $2,050,000 (2006 - $2,050,000) available to reduce future income for income tax purposes. The tax benefits, which have not been recognized in the accounts, are available to carry forward indefinitely.

10. Financial Instruments

a) Fair value
The carrying values of the Company's cash, marketable securities, accounts payable and accrued liabilities and approximate their fair values due to the relatively short periods to maturity or sale of the instruments.

b) Interest rate risk
The Company is not exposed to significant interest rate price risk due to the short-term maturity of its monetary assets and liabilities.

c) Credit risk
The Company is exposed to credit risk with respect to its receivables and other; however, the risk is minimized because the amount due is from a subdivision of the Canadian federal government, major banks and affiliated companies.

d) Currency risk
The Company is not exposed to significant currency rate price risk due to most of their operations being run in US Dollars.

e) Political risk
Our operations and related assets are subject to the risks of actions by governmental authorities, insurgent groups or terrorists. We conduct our business and financial affairs to protect against political, legal, regulatory and economic risks applicable to our operations. However, there can be no assurance that we will be successful in protecting ourselves from the impact of these risks.