

Q2

For the period ended
June 30, 2013

LGX OIL+GAS INC.

FINANCIAL + OPERATIONAL HIGHLIGHTS ⁽¹⁾

Unaudited (Cdn \$, except per share amounts)	Three Months Ended			Six Months Ended		
	2013	2012	% change	2013	2012	% change
Financial						
Petroleum and natural gas sales, net of royalties	4,156,240	116,196	3,477	8,047,380	406,183	1,881
Funds generated by (used in) operations ⁽²⁾	1,609,234	38,286	4,103	2,724,883	206,902	1,217
Per share basic	0.02	n/a	n/a	0.03	n/a	n/a
Per share diluted ⁽³⁾	0.02	n/a	n/a	0.03	n/a	n/a
Net income (loss)	(3,127,371)	29,498	(10,702)	(4,280,996)	187,761	(2,380)
Per share basic	(0.04)	n/a	n/a	(0.05)	n/a	n/a
Per share diluted ⁽³⁾	(0.04)	n/a	n/a	(0.05)	n/a	n/a
Capital expenditures (excluding acquisitions)	361,856	35,446	921	842,076	1,145,721	(27)
Net acquisitions (cash consideration)	-	-	n/a	-	-	n/a
Net debt and working capital surplus (deficit) ⁽²⁾	(8,058,946)	(32,065)	25,033	(8,058,946)	(32,065)	25,033
Operating						
Production						
Crude oil and natural gas liquids (Bbls per day)	578	16	3,513	595	27	2,104
Natural gas (Mcf per day)	1,729	-	n/a	1,768	-	n/a
Barrels of oil equivalent (Boe per day) ⁽⁴⁾	866	16	5,313	890	27	3,196
Average realized price						
Crude oil and natural gas liquids (\$ per Bbl)	84.63	86.55	(2)	79.97	90.54	(12)
Natural gas (\$ per Mcf)	3.44	-	n/a	3.19	-	n/a
Barrels of oil equivalent (\$ per Boe) ⁽⁴⁾	63.37	86.55	(27)	59.81	90.54	(34)
Netback (\$ per Boe) ⁽²⁾						
Petroleum and natural gas sales	63.37	86.55	(27)	59.81	90.54	(34)
Royalties	10.63	6.36	67	9.85	7.88	25
Operating expenses	20.17	47.12	(57)	20.97	35.71	(41)
Transportation expenses	2.81	2.02	39	2.40	2.28	5
Operating Netback (\$ per Boe) ⁽²⁾	29.76	31.05	(4)	26.59	44.67	(40)
Undeveloped land holdings (gross acres)						
186,461	186,461	107,944	73	186,461	107,944	73
(net acres)						
173,040	173,040	68,581	152	173,040	68,581	152
Common Shares (000's)						
Common shares outstanding, end of period	88,658	-	n/a	88,658	-	n/a
Weighted average common shares (basic)	88,658	-	n/a	88,658	-	n/a
Weighted average common shares (diluted) ⁽³⁾	88,658	-	n/a	88,658	-	n/a

(1) The reader is cautioned that the Financial + Operational Highlights above present the historic financial position, results of operations and cash flows of Legacy Oil + Gas Inc.'s Southern Alberta Assets ("SA Assets") for all prior periods up to and including July 5, 2012 and the results of operations from July 5, 2012 forward include both the SA Assets and LGX Oil + Gas Inc. (referred to collectively with its subsidiaries as "LGX" or the "Company"), unless otherwise indicated. Refer to the common-control transaction and reverse acquisition in the Management's Discussion and Analysis ("MD&A") of LGX Oil + Gas Inc. for the second quarter of 2013 and audited consolidated financial statements for the year ended December 31, 2012. For a comparison of the quarter to prior quarters of Bowood Energy Inc., refer to page 13 of the MD&A of LGX Oil + Gas Inc. for the second quarter of 2013.

(2) Management uses funds generated by operations, net debt and working capital surplus (deficit) and operating netback to analyze operating performance and leverage. These terms, as presented, do not have a standardized meaning prescribed by International Financial Reporting Standards and therefore they may not be comparable with the calculation of similar measures for other entities.

FINANCIAL + OPERATIONAL HIGHLIGHTS

- (3) *In calculating the net income (loss) per share diluted, the Company excludes the effect of outstanding stock options and share warrants outstanding and uses the weighted average common shares (basic) where the Company has a net loss for the period. In calculating, funds generated by (used in) operations per share diluted, the Company includes the effect of outstanding stock options and share warrants using the treasury stock method.*
- (4) *Boe means barrel of oil equivalent. All Boe conversions in this report are derived by converting natural gas to oil equivalent at a ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Boe : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Boe : 6 Mcf, utilizing a conversion ratio of 1 Boe : 6 Mcf may be misleading as an indication of value.*

PRESIDENT'S MESSAGE

ACCOMPLISHMENTS

The comparison period used below is related to the second quarter 2012 results of Bowood Energy Inc. prior to the reverse acquisition on July 5, 2012 and therefore comparisons do not match Financial + Operational Highlights above.

- Increased average production from 485 Boe per day in the second quarter of 2012 to 866 Boe per day in the second quarter of 2013 (79 percent increase)
- Increased oil and NGL's weighting from 22 percent in the second quarter of 2012 to 67 percent in the second quarter of 2013
- Increased funds generated from operations of negative \$0.3 million (negative \$0.01 per share) in the second quarter of 2012 to \$1.6 million (\$0.02 per share) in the second quarter of 2013
- Increased operating netbacks year over year from \$8.51 per Boe in the second quarter of 2012 to \$29.76 per Boe in the second quarter of 2013 (250 percent increase)

OPERATIONS OVERVIEW

Alberta Bakken

LGX has completed surveying and is in the process of acquiring surface access and has received IOGC step 1 approvals on the two exploratory wells anticipated to be spud September of 2013.

Manyberries

The Company is continuing its low cost optimization projects, including oil well restarts and water injection re-configuration and workovers. Work continues on high-grading Sunburst development drilling locations and further evaluating the horizontal drilling potential in the Swift Formation.

EVENTS AFTER THE REPORTING PERIOD

LGX is pleased to announce the appointment of Daryl Gilbert to the board of directors.

Mr. Gilbert is a professional petroleum engineer and is the former President and CEO of Gilbert Laustsen Jung Associates Ltd, now GLJ Petroleum Consultants Ltd., a major independent petroleum evaluation consulting firm based in Calgary. Mr. Gilbert is currently a Managing Director of JOG Capital Inc., a private equity energy investment management firm. He also serves as a director of several energy related public entities.

OUTLOOK

The Company has completed and continues to identify a number of low cost optimization initiatives at Manyberries for 2013 that include oil well restarts, workovers and water injection reconfiguration, which are anticipated to have a positive effect on both production and reserves. Work continues on high-grading Sunburst development drilling locations and further evaluating the horizontal drilling potential in the Swift Formation. The Company continues to be on track to meet its previously announced full year production guidance.

Positive results from the interpretation of the 95 square mile 3D seismic survey shot over LGX lands and the strong production results from the Big Valley and Banff formations recently announced from wells immediately offsetting LGX lands, have increased the confidence in the Banff and Big Valley as a potential emerging light oil resource plays in Southern Alberta. The Company has currently surveyed and is in the process of acquiring surface leases and has received IOGC step 1 approvals on the two exploratory wells anticipated to be spud in September of 2013. LGX has more than 168,000 net undeveloped acres in the Alberta Bakken fairway.

The management team at LGX continues to aggressively pursue opportunities that improve the upside potential, sustainability and autonomy of LGX.

MANAGEMENT'S DISCUSSION + ANALYSIS

The following management discussion and analysis ("MD&A"), as provided by the management of LGX Oil + Gas Inc. ("LGX" or the "Company") (formerly known as Bowood Energy Inc.) of the financial condition and performance of LGX for the three and six months ended June 30, 2013, as described below, as of August 12, 2013, is to be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended June 30, 2013, the audited consolidated financial statements and related notes for the year ended December 31, 2012 and the unaudited interim financial statements and related notes of Legacy Oil + Gas Inc.'s Southern Alberta Assets ("SA Assets") for the three and six months ended June 30, 2012. The Company prepares its financial statements in accordance with International Financial Reporting Standards and interpretations (collectively referred to as "IFRS") as issued by the International Accounting Standards Board ("IASB"), specifically International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. All tabular amounts are stated in thousands of Canadian dollars unless indicated otherwise.

Common-Control Transaction with Legacy Oil + Gas Inc. and Reverse Acquisition of LGX

On July 5, 2012, the shareholders of LGX approved a strategic transaction with Legacy Oil + Gas Inc. ("Legacy") whereby Legacy sold certain undeveloped land in southern Alberta ("Legacy Oil + Gas Inc.'s Southern Alberta Assets" or "SA Assets") to LGX in exchange for 10,000,000 post-consolidation common shares of LGX (the "Asset Purchase"). Following completion of the Asset Purchase: (i) LGX had 23,746,669 post-consolidation common shares outstanding, 42 percent of which were owned by Legacy; (ii) the former officers of LGX resigned and were replaced by officers of Legacy; (iii) the board of directors of LGX was reconstituted; (iv) Legacy and LGX entered into a management, technical and administrative services agreement ("Services Agreement") whereby LGX will be managed by Legacy's current management team and staff, in exchange for a monthly fee; and (v) the LGX shareholders approved a proposed name change to LGX Oil + Gas Inc. from Bowood Energy Inc. and a consolidation of the LGX common shares on a 20 to 1 basis.

In accordance with IFRS and based on management's significant judgments, the Asset Purchase was accounted for as a reverse acquisition whereby SA Assets was identified as the accounting "acquirer" - being the entity that obtains control of the acquiree, LGX.

Management's significant judgments and consideration that SA Assets obtained control of LGX at reverse acquisition date of July 5, 2012, where SA Assets holds less than 50 percent of the equity interest of LGX, are disclosed in Note 2 of the audited consolidated financial statements for the year ended December 31, 2012.

With the adoption of new IFRS statements effective January 1, 2013, as described in Note 3 of the unaudited condensed interim consolidated statements for the three and six months ended June 30, 2013, the Company re-assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of new IFRS statements did not result in any change in the consolidation status of any of its subsidiaries and investees.

As a result of the Asset Purchase and common-control transaction and reverse acquisition, the reader is cautioned that the MD&A and accompanying unaudited condensed interim consolidated financial statements present the historic financial position, results of operations and cash flows of SA Assets, for all prior periods up to and including July 5, 2012 and the results of operations from July 5, 2012 forward include both SA Assets and LGX (referred to collectively with its subsidiaries as "LGX" or the "Company"), unless otherwise indicated.

In addition, the reader is cautioned that annual disclosures in LGX's Annual Information Form ("AIF") for the year ended December 31, 2012 dated April 2, 2013 presents the annual information of Bowood Energy Inc. for the period beginning January 1, 2012 to July 5, 2012 (Bowood Energy Inc. prior to the reverse acquisition) and the information of LGX for the period July 5, 2012 to December 31 (LGX/SA Assets subsequent to the reverse acquisition). The LGX AIF is available on the Company's profile at www.sedar.com.

Non-IFRS Measures

The MD&A contains the term funds generated by operations, which should not be considered an alternative to, or more meaningful than cash flow from operating activities as determined in accordance with IFRS as an indicator of the Company's performance. LGX's determination of funds generated by operations may not be comparable to that reported by other companies. The Company also presents funds generated by operations per share whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share.

Funds generated by operations is calculated based on cash flow from operating activities before changes in non-cash working capital and transaction costs. Funds generated by operations per share-diluted is calculated based on cash flow from operating activities before changes in non-cash working capital from operating activities and transaction costs. Funds generated by (used in) operations as presented is not intended to represent cash flow from operating activities, net income (loss) or other measures of financial performance calculated in accordance with IFRS.

MANAGEMENT'S DISCUSSION + ANALYSIS

The following table reconciles the cash flow from operating activities to funds generated by (used in) operations:

(\$)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2013	2012	% change	2013	2012	% change
Cash flow generated by (used) in operating activities	1,208,125	96,357	1,154	(2,218,675)	228,337	(1,072)
Transaction costs	-	-	n/a	35,700	-	n/a
Changes in non-cash working capital	401,109	(58,071)	(791)	4,907,858	(21,435)	(22,996)
Funds generated by (used in) operations	1,609,234	38,286	4,103	2,724,883	206,902	1,217

The MD&A contains the term netback and operating netback to analyze financial and operating performance. This benchmark as presented does not have any standardized meaning prescribed by IFRS and prior thereto, Canadian GAAP and therefore may not be comparable with the calculation of similar measures for other entities. Operating netback is used by research analysts to compare operating performance and the Company's ability to maintain current operations and meet the forecasted capital program. The Company's operating netback is the net result of the Company's revenue (consisting of petroleum and natural gas sales, net of royalties), operating expenses and transportation expenses, as found in the accompanying condensed interim consolidated financial statements, divided by production for the period.

The MD&A contains the term net debt and working capital surplus (deficit). The Company uses net debt and working capital surplus (deficit) to evaluate financial leverage. Net debt and working capital surplus (deficit) includes the Company's bank debt plus total current liabilities less total current assets.

Financial Presentation - Certain prior period comparative figures have been reclassified to conform to the presentation adopted in the current period.

Boe Presentation - Boe means barrel of oil equivalent. All Boe conversions in the report are derived by converting gas to oil at the ratio of six thousand cubic feet of natural gas to one barrel of oil equivalent. Boe may be misleading, particularly if used in isolation. A Boe conversion rate of 1 Boe : 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio of oil compared to natural gas based on currently prevailing prices is significantly different than the energy equivalency ratio of 1 Boe : 6 Mcf, utilizing a conversion ratio of 1 Boe : 6 Mcf may be misleading as an indication of value.

Forward-Looking Information - This MD&A and the accompanying President's Message contain forward-looking statements. More particularly, they contain forward-looking statements concerning LGX's planned exploration and development activities, the anticipated positive impact of optimization activities at Manyberries on production and reserves, the sufficiency of the capital resources available to LGX to fund operating, interest and general and administrative expenses, the anticipated timing of the satisfaction of accounts payable and the Company being on track to meet full year production guidance.

The forward-looking statements contained in this MD&A and accompanying President's Message are based on certain key expectations and assumptions made by LGX, including expectations and assumptions concerning the success of future drilling, development and completion activities, the performance of existing wells, the performance of new wells, the availability and performance of facilities and pipelines, the geological characteristics of LGX's properties, the successful application of drilling, completion and seismic technology, prevailing weather conditions, commodity prices, royalty regimes and exchange rates, the application of regulatory and licensing requirements and the availability of capital, labour and services.

Although LGX believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because LGX can give no assurance that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to, risks associated with the oil and gas industry in general (e.g., operational risks in development, exploration and production; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), constraint in the availability of services, commodity price and exchange rate fluctuations, adverse weather conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures. These and other risks are set out in more detail in this MD&A under the heading "Risk Assessment" and in LGX's Annual Information Form for the year ended December 31, 2012 dated April 2, 2013.

The forward-looking statements contained in this MD&A and accompanying President's Message are made as of the date hereof and LGX undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

MANAGEMENT'S DISCUSSION + ANALYSIS

RESULTS OF OPERATIONS

Production

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2013	2012	% change	2013	2012	% change
Daily Production						
Crude oil and natural gas liquids (Bbls per day)	578	16	3,513	595	27	2,104
Natural gas (Mcf per day)	1,729	-	n/a	1,768	-	n/a
Total (Boe per day)	866	16	5,313	890	27	3,196

For the three months ended June 30, 2013, LGX's production was 866 Boe per day as compared to 16 Boe per day for the same period in the prior year. This increase is due to the acquisition of the Manyberries properties in southeast Alberta in the fourth quarter of 2012 and the reverse takeover of former Bowood properties as compared to the production of the SA Assets for the same period in 2012. Crude oil and natural gas liquids production for the three months ended June 30, 2013 was 578 Bbls per day while natural gas production was 1,729 Mcf per day.

Average production for the six months ended June 30, 2013 was 890 Boe per day as compared to 27 Boe per day for 2012. Crude oil and natural gas liquids production was 595 Boe per day for the six months ended June 30, 2012. Natural gas production was 1,768 Mcf per day for the six months ended June 30, 2013 compared to 27 Boe per day for 2012. The increase in average production was due to the acquisition of the Manyberries properties in Southeast Alberta in Q4 2012 and the reverse takeover of former Bowood properties as compared to the production of the SA Assets for the same period in 2012.

Realized Commodity Prices

	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2013	2012	% change	2013	2012	% change
Daily Average Benchmark Prices						
Crude oil – WTI (US\$ per Bbl)	94.23	93.50	1	94.28	98.22	(4)
Crude oil – WTI (\$ per Bbl)	96.41	94.43	2	95.78	98.77	(3)
Crude oil – Edmonton Par (\$ per Bbl)	92.96	84.45	10	90.82	88.61	2
Natural gas – AECO-C Spot (\$ per Mcf)	3.49	1.87	87	3.29	2.23	48
Exchange rate – (US/CAD)	0.977	0.990	(1)	0.984	0.994	(2)
LGX's average realized prices						
Crude oil and natural gas liquids (\$ per Bbl)	84.63	86.55	(2)	79.97	90.54	(12)
Natural gas (\$ per Mcf)	3.44	-	n/a	3.19	-	n/a
Barrels of oil equivalent (\$ per Boe)	63.37	86.55	(27)	59.81	90.54	(34)

LGX's realized price for its crude oil and natural gas liquids sales in the second quarter of 2013 was \$84.63 per Bbl (2012 – \$86.55) compared to a WTI price of \$96.41 per Bbl (2012 - \$94.43 per Bbl). LGX's oil production is light sweet crude produced in southern Alberta. For 2013 year-to-date, LGX's realized price for its crude oil and natural gas liquid sales was \$79.97 (2012- \$90.54 per Bbl).

For the second quarter of 2013, the Company's realized price for its natural gas was \$3.44 per Mcf (2012 – n/a) and for 2013 year-to-date LGX's realized price for natural gas sales was \$3.19 per Mcf (2012 - n/a).

MANAGEMENT'S DISCUSSION + ANALYSIS

Revenue

(\$, except per Boe and percent amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2013	2012	% change	2013	2012	% change
Petroleum and natural gas sales by product						
Crude oil and natural gas liquids	4,451,611	125,412	3,450	8,612,222	444,889	1,836
Natural gas	541,945	-	n/a	1,021,860	-	n/a
Total petroleum and natural gas sales	4,993,556	125,412	3,882	9,634,082	444,889	2,066
\$ per Boe	63.37	86.55	(27)	59.81	90.54	(34)
Royalties						
Royalties	837,316	9,216	8,985	1,586,702	38,706	3,999
\$ per Boe	10.63	6.36	67	9.85	7.88	25
% of petroleum and natural gas sales	16.8	7.3	130	16.5	8.7	90
Revenue						
Petroleum and natural gas sales, net of royalties	4,156,240	116,196	3,477	8,047,380	406,183	1,881
\$ per Boe	52.74	80.19	(34)	49.96	82.66	(40)

For the three months ended June 30, 2013, LGX's petroleum and natural gas sales were \$4,993,556 as compared to \$125,412 for the three months ended June 30, 2012. For 2013 year-to-date, LGX's petroleum and natural gas sales were \$9,634,082 as compared to \$444,889 for 2012 year-to-date. The increase for the three months and six months ended June 30, 2013 can be attributed to higher production volumes.

Royalties consist of royalties paid to provincial governments, freehold landowners and overriding royalty owners. For the three months ended June 30, 2013, total royalties were \$837,316 as compared to \$9,216 for the three months ended June 30, 2012. The increase is attributable to the increase in revenues discussed above. The Company's average royalty rate for the three months ended June 30, 2013 was 16.8 percent as compared to 7.3 percent in 2012. This increase is due to the Manyberries properties having higher average royalties than those historically shown on the other LGX properties. Royalties are calculated and paid based on commodity revenue, net of associated transportation costs, well productivity and before any commodity hedging gains or losses.

For the six months ended June 30, 2013, total royalties increased 3,999 percent to \$1,586,702 from \$38,706 for the same period in 2012. The company's average royalty rate for the six months ended June 30, 2013 increased 90 percent to 16.5 percent, compared to 8.7 percent for the same period in the prior year. As stated above, this increase is due to the Manyberries properties having higher average royalties than those historically shown on the other LGX properties.

Operating and Transportation Expenses

(\$, except per Boe amounts)	Three Months Ended June 30			Six Months Ended June 30		
	2013	2012	% change	2013	2012	% change
Operating expenses	1,589,578	68,284	2,228	3,378,423	175,458	1,825
\$ per Boe	20.17	47.12	(57)	20.97	35.71	(41)
Transportation expenses	221,028	2,922	7,462	386,659	11,240	3,340
\$ per Boe	2.81	2.02	39	2.40	2.28	5
Total operating costs	1,810,606	71,206	2,443	3,765,082	186,698	1,917
\$ per Boe	22.98	49.14	(53)	23.37	37.99	(38)

Total operating costs during the second quarter of 2013 were \$1,810,606, a 2,443 percent increase, compared to \$71,206 during the same period in 2012. The increase in total operating costs is attributable to increased production volumes as compared to SA Assets production for the same period in the prior year. On a per Boe basis, operating expenses for the three months ended June 30, 2013 were \$20.17 (2012 - \$47.12). On a per Boe basis, transportation expenses for the three months ended June 30, 2013 were \$2.81 (2012 - \$2.02). Total operating costs (including operating and transportation expenses) on a per Boe basis were \$22.98 (2012 - \$49.14).

Total operating costs during the six months ended June 30, 2013 were \$3,765,082, a 1,917 percent increase, compared to \$186,698 during 2012. The increase in total operating costs is attributable to increased production volumes. On a per Boe basis, operating expenses for the six months ended June 30, 2013 were \$20.97 (2012 - \$35.71). On a per Boe basis, transportation expenses for the six months ended June 30, 2013 were \$2.40 (2012 - \$2.28). Total operating costs (including operating and transportation expenses) on a per Boe basis were \$23.37 (2012 - \$37.99).

MANAGEMENT'S DISCUSSION + ANALYSIS

Exploration and Evaluation Expenses

During the three months ended June 30, 2013, the Company recorded \$3,589,164 of exploration and evaluation expenses compared to \$nil in the three months ended June 30, 2012. During the six months ended June 30, 2013 the Company recorded \$4,045,060 of exploration and evaluation expenses compared to \$nil in the same period in the prior year. The exploration and evaluation expenses in 2013 are mainly attributable to expiration of land leases.

Depletion and Depreciation

For the three month period ended June 30, 2013, depletion and depreciation expense was \$1,816,411 (2012 - \$nil). On a per Boe basis, depletion and depreciation for the second quarter of 2013 was \$23.05 (2012 - \$nil).

For the six months ended June 30, 2013, depletion and depreciation expense was \$3,725,682 (2012-\$Nil). On a per Boe basis, depletion and depreciation for the six months ended June 30, 2013 was \$23.13 (2012 - \$nil).

Share-based Payments

For the three months ended June 30, 2013, the Company expensed \$176,350 in share-based payments related to stock options compared to \$5,418 for the same period in the prior year. This increase is primarily due to new stock options granted in the last six months of 2012 and in the second quarter of 2013. The Company granted 1,813,000 new stock options in the second quarter of 2013 at an exercise price of \$0.47 per share. These stock options have a five-year term and vest as to one third each year following the grant date.

For the six months ended June 30, 2013, the Company expensed \$328,529 in share-based payments related to stock options compared to \$12,401 for the same period in 2012.

General and Administrative Expenses

	Three Months Ended			Six Months Ended		
	June 30			June 30		
<i>(\$, except per Boe amounts)</i>	2013	2012	% change	2013	2012	% change
General and administrative expenses	721,495	6,704	10,662	1,430,024	12,583	11,265
Recoveries	(4,884)	-	n/a	(6,227)	-	n/a
Capitalized general and administrative expenses	(75,150)	-	n/a	(150,300)	-	n/a
Total net general and administrative expenses	641,461	6,704	9,468	1,273,497	12,583	10,021
\$ per Boe	8.14	4.60	77	7.91	2.56	209

During the second quarter of 2013, net general and administrative expenses ("G&A") increased 9,468 percent to \$641,461 compared to \$6,704 in the same period in 2012. On a per Boe basis, the G&A expense was \$8.14 per Boe for the three months ended June 30, 2013 (2012 - \$4.60). Net G&A for the quarter was comprised of \$721,495 (2012 - \$6,704) in general and administrative expenses less \$4,884 (2012 - \$nil) in recoveries and \$75,150 (2012 - \$nil) in capitalized G&A.

For the six months ended June 30, 2013, net general and administrative expenses ("G&A") increased 10,021 percent to \$1,273,497 compared to \$12,583 in the same period in 2012. On a per Boe basis, the G&A expense increased by 209 percent to \$7.91 per Boe for the six months ended June 30, 2013 compared to \$2.56 per Boe for the same period in the prior year. Net G&A for the six months ending June 30, 2013 was comprised of \$1,430,024 (2012 - \$12,583) in general and administrative expenses less \$6,227 (2012 - \$nil) in recoveries and \$150,300 (2012 - \$nil) in capitalized G&A.

Finance Costs

Finance costs include interest expense and finance charges as well as accretion on decommissioning liabilities.

During the second quarter of 2013, interest and finance charges increased to \$74,737 compared to \$nil for the same period in 2012. The increase in interest and finance charges during the quarter was due to higher average bank debt compared to the same period in the prior year. During the second quarter of 2013, accretion on decommissioning liabilities was \$158,520 (2012 - \$3,370).

For 2013 year-to-date, interest and finance charges increased to \$154,920 compared to \$nil for the same period in 2012. The increase in interest and finance charges during the quarter was due to higher average bank debt compared to the same period in the prior year. For the six months ended June 30, 2013, accretion on decommissioning liabilities was \$316,274 compared to \$6,740 for the same period in the prior year.

MANAGEMENT'S DISCUSSION + ANALYSIS

Other Expenses and Other Loss (Income)

For the six months ended June 30, 2013, the Company incurred transaction costs of \$35,700 (2012 -\$nil). These transaction costs relate to additional transactions costs from prior period business combinations incurred in the first quarter of 2013. No transaction costs were incurred in the second quarter of 2013.

Income Taxes

A deferred income tax recovery of \$983,638 was recorded for the three months ended June 30, 2013, resulting in an effective deferred income tax recovery rate of 23.9 percent of the net loss before tax. The effective deferred income tax recovery rate is lower than the applicable Canadian statutory tax rate of 25% due to non-deductible expenditures for income tax purposes (mainly share-based payments). No deferred income tax expense or recovery was recorded in the same period of the prior year.

A deferred income tax recovery of \$1,316,368 was recorded for the six months ended June 30, 2013, resulting in an effective deferred income tax recovery rate of 23.5 percent of the net loss before tax. No deferred income tax expense or recovery was recorded in the same period of the prior year.

Net Income (Loss) and Funds Generated by Operations

For the quarter ended June 30, 2013, a net loss of \$3,127,371 was realized compared to net income of \$29,498 during the same period in 2012. Basic and diluted net loss per share for the second quarter of 2013 was \$0.04. Funds generated by operations increased 4,103 percent to \$1,609,234 for the three months ended June 30, 2013, compared to \$38,286 during the same period in 2012. Basic and diluted funds generated by operations per share for the second quarter of 2013 were \$0.02.

For 2013 year-to-date, net loss of \$4,280,996 was realized compared to net income of \$187,761 during the same period in 2012. Basic and diluted net loss per share for the second quarter of 2013 were \$0.05, compared to basic and diluted earnings per share of \$nil, respectively, during the same period in the prior year. Funds generated by operations increased 1,217 percent to \$2,724,883 for the six months ended June 30, 2013, compared to \$206,902 during the same period in 2012, due primarily to higher production volumes. Basic and diluted funds generated by operations per share for the first half of 2013 were \$0.03, compared to \$nil, respectively, during the first half of 2012.

The following table summarizes the netbacks on a per Boe basis for the three and six months ended June 30, 2013 and 2012:

<i>(\$ per Boe)</i>	Three Months Ended June 30			Six Months Ended June 30		
	2013	2012	% change	2013	2012	% change
Petroleum and natural gas sales	63.37	86.55	(27)	59.81	90.54	(34)
Royalties	(10.63)	(6.36)	67	(9.85)	(7.88)	25
Revenue	52.74	80.19	(34)	49.96	82.66	(40)
Operating expenses	(20.17)	(47.12)	(57)	(20.97)	(35.71)	(41)
Transportation expenses	(2.81)	(2.02)	39	(2.40)	(2.28)	5
Operating netback	29.76	31.05	(4)	26.59	44.67	(40)
Exploration and evaluation expenses (cash portion)	(0.26)	-	n/a	(0.80)	-	n/a
General and administrative expenses	(8.14)	(4.60)	77	(7.91)	(2.56)	209
Financing costs – Interest expense and finance charges	(0.95)	-	n/a	(0.96)	-	n/a
Funds generated by operations	20.41	26.45	(23)	16.92	42.11	(60)

MANAGEMENT'S DISCUSSION + ANALYSIS

SUMMARY OF QUARTERLY RESULTS

The table below contains second quarter 2013 results of LGX as well as comparisons to the previous seven quarterly results for the Company:

	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2011 Q4	2011 Q3
Financial								
<i>(\$, except per share amounts)</i>								
Petroleum and natural gas sales	4,993,556	4,640,526	3,322,070	1,050,641	125,412	319,477	104,061	-
Petroleum and natural gas sales, net of royalties	4,156,240	3,891,140	2,775,518	864,621	116,196	289,987	87,925	-
Funds generated by operations	1,609,234	1,115,649	463,043	(345,347)	38,286	168,616	26,966	(15,028)
- Per share basic	0.02	0.01	0.01	(0.01)	-	-	-	-
- Per share diluted	0.02	0.01	0.01	(0.01)	-	-	-	-
Net Income (Loss)	(3,127,371)	(1,153,625)	(7,023,085)	10,254,593	29,498	158,263	(66,089)	(100,863)
- Per share basic	(0.04)	(0.01)	(0.11)	0.38	-	-	-	-
- Per share diluted	(0.04)	(0.01)	(0.11)	0.38	-	-	-	-
Capital expenditures (excluding acquisitions)	361,856	480,220	7,379,378	1,418,395	35,446	1,110,275	6,061,593	7,629,923
Net acquisitions (cash consideration)	-	-	42,378,028	-	-	-	-	-
Net debt and working capital surplus (deficit)	(8,058,946)	(9,307,723)	(9,906,927)	(5,043,920)	(32,065)	(561,482)	(3,466,967)	(3,796,297)
Total Assets	141,694,415	147,121,183	148,469,817	76,967,098	36,451,424	36,632,345	38,803,877	30,717,196
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	578	612	430	95	16	38	12	-
- Natural gas (Mcf per day)	1,729	1,806	1,528	1,939	-	-	-	-
- Total daily production (Boe per day)	866	913	685	418	16	38	12	-
- Increase/(Decrease) over prior quarter	(5)%	33%	64%	2,513%	(58)%	217%	n/a	n/a
Average realized price								
- Crude oil and natural gas liquids (\$ per Bbl)	84.63	75.54	72.18	75.46	86.55	91.61	94.26	n/a
- Natural gas (\$ per Mcf)	3.44	2.95	3.32	2.19	n/a	n/a	n/a	n/a
- Barrels of oil equivalent (\$ per Boe)	63.37	56.47	52.71	27.32	86.55	91.61	94.26	n/a
Netback (\$ per Boe)								
- Petroleum and natural gas sales	63.37	56.47	52.71	27.33	86.55	91.61	94.26	n/a
- Royalties	10.63	9.12	8.67	4.84	6.36	8.46	14.62	n/a
- Operating expenses	20.17	21.77	22.41	12.06	47.12	30.73	42.48	n/a
- Transportation expenses	2.81	2.02	2.19	1.11	2.02	2.39	3.11	n/a
- Operating netback	29.76	23.56	19.44	9.32	31.05	50.03	34.05	n/a

The Company's petroleum and natural gas sales have generally increased over the past eight quarters due to LGX's drilling program as well as business combinations. The Canadian dollar WTI benchmark price and corporate oil price differentials have also contributed to the fluctuations in the petroleum and natural gas sales.

Over the past eight quarters, net income has fluctuated primarily due to changes in funds flow from operations, exploration and evaluation expenses, gains from business combinations, transaction costs incurred on business combinations as well as associated fluctuations in the deferred tax expense (recovery).

Capital expenditures fluctuated through this period as a result of timing of the Company's drilling program and acquisitions.

MANAGEMENT'S DISCUSSION + ANALYSIS

SUMMARY OF HISTORICAL QUARTERLY RESULTS of LGX/BOWOOD

The chart below summarizes the first and second quarter 2013, third and fourth quarter 2012 results of LGX, subsequent to the reverse acquisition on July 5, 2012, as well as the quarterly results of Bowood Energy Inc. ("Bowood") for the four quarters prior to the common-control transaction and reverse acquisition at July 5, 2012.

	2013 Q2	2013 Q1	2012 Q4	2012 Q3	Bowood results prior to the reverse acquisition			
					2012 Q2	2012 Q1	2011 Q4	2011 Q3
Financial								
(\$, except per share amounts)								
Petroleum and natural gas sales	4,993,556	4,640,526	3,322,070	1,050,641	1,155,040	1,551,799	1,855,678	1,575,360
Petroleum and natural gas sales, net of royalties	4,156,240	3,891,140	2,775,518	864,621	947,368	1,250,154	1,692,935	1,449,765
Funds generated by operations	1,609,234	1,115,649	463,043	(345,347)	(447,380)	141,236	294,684	292,563
- Per share basic	0.02	0.01	0.01	(0.01)	(0.03)	0.01	0.02	0.02
- Per share diluted	0.02	0.01	0.01	(0.01)	(0.03)	0.01	0.02	0.02
Net Income (Loss)	(3,127,371)	(1,153,625)	(7,023,085)	10,254,593	(1,565,810)	(822,455)	(1,276,692)	(1,213,387)
- Per share basic	(0.04)	(0.01)	(0.11)	0.38	(0.11)	(0.06)	(0.89)	(0.09)
- Per share diluted	(0.04)	(0.01)	(0.11)	0.38	(0.11)	(0.06)	(0.89)	(0.09)
Capital expenditures (excluding acquisitions)	361,856	480,220	7,379,378	1,418,395	182,828	356,457	2,159,483	4,759,425
Net debt and working capital surplus (deficit)	(8,058,946)	(9,307,723)	(9,906,927)	(5,043,920)	(5,125,595)	(4,500,560)	(4,280,792)	(2,147,171)
Total Assets	141,694,415	147,121,183	148,469,817	76,967,098	43,228,188	44,950,952	45,126,885	59,273,426
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	578	612	430	95	108	131	115	88
- Natural gas (Mcf per day)	1,729	1,806	1,528	1,939	2,260	2,600	2,905	2,753
- Total daily production (Boe per day)	866	913	685	418	485	564	600	547
- Increase/(Decrease) over prior quarter	(5)%	33%	64%	(14)%	(14)%	(6)%	10%	27%
Average realized price								
- Crude oil and natural gas liquids (\$ per Bbl)	84.63	75.54	72.18	75.46	76.34	86.03	91.19	77.41
- Natural gas (\$ per Mcf)	3.44	2.95	3.32	2.19	1.97	2.22	3.33	3.75
- Barrels of oil equivalent (\$ per Boe)	63.37	56.47	52.71	27.32	26.17	30.24	33.62	31.30
Netback (\$ per Boe)								
- Petroleum and natural gas sales	63.37	56.47	52.71	27.33	26.17	30.24	33.62	31.30
- Royalties	10.63	9.12	8.67	4.84	4.71	5.87	2.95	2.50
- Operating expenses	20.17	21.77	22.41	12.06	12.95	11.09	12.63	13.52
- Transportation expenses	2.81	2.02	2.19	1.11	n/a	n/a	n/a	n/a
- Operating netback	29.76	23.56	19.44	9.32	8.51	13.28	18.04	15.28

MANAGEMENT'S DISCUSSION + ANALYSIS

CAPITAL EXPENDITURES

The Company's capital expenditures consists of capital expenditures on exploration and evaluation assets, capital expenditures on property, plant and equipment and the cash portion of corporate acquisitions.

(\$)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2013	2012	% change	2013	2012	% change
Property, plant and equipment additions	195,432	-	n/a	201,228	-	n/a
Exploration and evaluation asset additions	166,424	35,446	370	640,848	1,145,721	(44)
Total capital expenditures excluding acquisitions	361,856	35,446	921	842,076	1,145,721	(27)
Net acquisitions (cash portion)	-	-	n/a	-	-	n/a
Total capital expenditures including net acquisitions (cash portion)	361,856	35,446	921	842,076	1,145,721	(27)

Total capital expenditures excluding net acquisitions above consist of the following:

(\$)	Three Months Ended			Six Months Ended		
	June 30			June 30		
	2013	2012	% change	2013	2012	% change
Land acquisitions and retention	13,428	(1,248)	1,176	46,647	16,530	182
Geological and geophysical	-	15,333	n/a	335,227	26,850	1,149
Drilling and completions	273,278	7,979	3,325	216,513	1,022,463	(79)
Equipping and facilities	-	13,382	n/a	93,389	79,878	17
Capitalized general and administrative expenses	75,150	-	n/a	150,300	-	n/a
Total capital expenditures excluding net acquisitions	361,856	35,446	921	842,076	1,145,721	(27)

CAPITALIZATION AND CAPITAL RESOURCES

Share Capital

	Three Months Ended		Six Months Ended	
	June 30		June 30	
	2013	2012	2013	2012
Outstanding Common Shares				
Weighted average Common Shares outstanding ⁽¹⁾				
- Basic	88,658,427	n/a	88,658,427	n/a
- Diluted	88,658,427	n/a	88,658,427	n/a

**June 30
2013**

Outstanding Securities

- Common Shares	88,658,427
- Common Share Warrants	6,000,000
- Common Share Options	3,564,500

⁽¹⁾ Per share information is calculated on the basis of the weighted average number of Common Shares outstanding during the fiscal period. Diluted per share information reflects the potential dilution that could occur if securities or other contracts to issue Common Shares were exercised or converted to Common Shares. Diluted per share information is calculated using the treasury stock method which assumes that any proceeds received by the Company upon exercise of in-the-money stock options or share warrants plus the unamortized share-based payments expense would be used to buy back "in the money" Common Shares at the average market price for the period.

Total Market Capitalization

The Company's equity market capitalization at June 30, 2013 was \$35,463,371.

	As at June 30 2013
Common Shares Outstanding	88,658,427
Share Price ⁽²⁾	\$0.40
Total Market Capitalization	\$35,463,370

⁽²⁾ Represents the closing price on the TSX Venture Exchange ("TSX-V") at June 30, 2013

MANAGEMENT'S DISCUSSION + ANALYSIS

There is a significant difference between the Company's net assets and market capitalization as at June 30, 2013. Management believes that the market capitalization of the Company continues to be dominated by external factors such as overall market confidence, global debt concerns and global liquidity issues and does not reflect the fair value of the Company's net assets.

As at August 12, 2013, the Company had 88,658,427 common shares outstanding.

Liquidity and Capital Resources

The Company's primary sources of liquidity to meet operating expenses and fund its exploration and development capital program are derived from the Company's internal funds flow from operations and the Company's revolving operating bank credit facility. The Company utilizes this facility to fund daily operating activities and acquisitions as needed. Because of the liquidity and capital resource alternatives available to the Company, including internal funds flow from operations, the Company believes that its liquidity is sufficient to fund operating, interest and general and administrative expenses.

At June 30, 2013, the Company had a \$25,000,000 revolving demand credit facility with a Canadian financial institution comprised of a \$5,000,000 operating loan facility, a \$15,000,000 production loan facility and a \$5,000,000 acquisition/development facility. As at June 30, 2013, \$5,000,000 had been drawn on the Company's production facility and \$500,000 on the Company's operating line (2012 - \$nil). The credit facility provides that advances may be made by way of direct advances, bankers' acceptances or letters of guarantee, drawings on the credit facility bear interest at the bank's prime rate plus an additional margin based on the Company's debt to cash flow ratio and type of borrowing. Security for the credit facility is provided by a \$75,000,000 demand debenture.

The Company's bank indebtedness does not have a specific maturity date as it is a demand facility. This means that the lender has the ability to demand repayment of all outstanding indebtedness or a portion thereof at any time. If that were to occur, the Company would be required to source alternate credit facilities or sell assets to repay the indebtedness. The Company reduces this risk by complying with the covenants of the credit facility agreement and maintaining a minimal balance on the facility. The covenants require maintaining a current ratio of not less than 1.0:1.0. At June 30, 2013, the Company was in compliance with all such covenants.

On an ongoing basis, the Company will review its capital expenditures to ensure that cash flow and or access to credit facilities is available to fund these capital expenditures. The Company has the flexibility to adjust capital expenditures based on cash flow to manage debt levels.

(\$)	As at June 30 2013	As at December 31 2012
Capital resources		
Bank debt available	19,500,000	23,150,000
Working capital (deficit)	(2,558,945)	(8,056,927)
Total capital resources available	16,941,055	15,093,073

ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2013 have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2012, except for new accounting policies as described in Note 3 of the March 31, 2013 and June 30, 2013 unaudited condensed interim consolidated financial statements and for income taxes. Income taxes on income (loss) for the interim periods are accrued using the income tax rate that would be applicable to the expected total annual income (loss). The new accounting policies adopted in the first quarter of 2013 had no effect on the Company's current and prior period financial statements.

A summary of the significant accounting policies used by LGX can be found in Note 3 of the December 31, 2012 audited consolidated financial statements. Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2012 discloses a summary of the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements.

RISK ASSESSMENT

There are a number of risks facing participants in the Canadian oil and gas industry. Some of the risks are common to all businesses while others are specific to a sector. The general and specific risks to which the Company is exposed have been described in the Company's MD&A for the year ended December 31, 2012. In addition, LGX is also subject to other risks and uncertainties which are described in the Company's Annual Information Form dated April 2, 2013.

MANAGEMENT'S DISCUSSION + ANALYSIS

OUTSTANDING SHARE DATA

Common Shares

LGX is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. Holders of common shares are entitled to one vote per share at meetings of shareholders of LGX, to receive dividends if, as and when declared by the board of directors and to receive pro rata the remaining property and assets of LGX upon its dissolution or winding-up, subject to the rights of shares having priority over the common shares.

As at June 30, 2013, a total of 88,658,427 common shares were issued and outstanding. In addition, a total of 3,564,500 stock options to acquire common shares and 6,000,000 warrants to acquire common shares were outstanding.

RELATED PARTY TRANSACTIONS

On July 5, 2012, Legacy and the Company entered into a management, technical and administrative services agreement whereby the Company will be managed by Legacy's current management team and staff, in exchange for a monthly fee of \$167,000 excluding GST. The management fee charged to the Company by Legacy is for the provision of management and administrative services and is intended to cover the cost of administrative expense and salary costs paid by Legacy. Under the terms of the Services Agreement, Legacy invoiced the Company \$1,052,100 during the six months ended June 30, 2013 (2012 - \$nil) of which \$175,350 was payable as at June 30, 2013 (December 31, 2012 - \$1,052,100). In relation to capital and operations activity, the Company has a net trade payable to Legacy of \$2,185,041 as at June 30, 2013 (December 31, 2012 - \$2,959,614), which includes the management fee discussed above.

The Company incurred fees of \$71,938 for corporate and legal services rendered by a law firm for the second quarter ended June 30, 2013 of which \$21,974 was payable at June 30, 2013 (2012 - \$nil). A board member and the Corporate Secretary are partners of the firm. These fees were incurred in the normal course of business under the same terms and conditions as transactions with unrelated companies.

All related party transactions are measured at the exchange amount and settled in cash.

COMMITMENTS AND CONTINGENCIES

Drilling commitments

The Company is committed to drill a minimum of 2 vertical wells on its Alberta Bakken properties located on the lands of the Blood Tribe First Nation in each of the years ending September 30, 2013, 2014 and 2015, to a minimum of 1,000 metres total depth or 5 metres into the Devonian formation, whichever first occurs.

Services Agreement

Legacy and LGX entered into a management, technical and administrative services agreement whereby LGX will be managed by Legacy's current management team and staff as of July 5, 2012, in exchange for a monthly fee of \$167,000. The agreement will continue until terminated by either party with 90 days' notice.

ADDITIONAL INFORMATION

Additional information regarding LGX and its business and operations can be obtained by contacting the Company at LGX Oil + Gas Inc., 4400, Eighth Avenue Place, 525 - 8th Avenue, SW, Calgary, Alberta, Canada T2P 1G1 or by e-mail at info@lgxoil.com. Additional information, including its most recently filed annual information form ("AIF") dated April 2, 2013, is also available on the Company's profile at www.sedar.com.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

LGX OIL + GAS INC.

Condensed Interim Consolidated Statement of Comprehensive Income (Loss) (Unaudited)

<i>(Canadian \$, except per share amounts)</i>	Note	Three Months Ended June 30		Six Months Ended June 30	
		2013	2012	2013	2012
Revenue					
Petroleum and natural gas sales	4	4,993,556	125,412	9,634,082	444,889
Royalties	4	(837,316)	(9,216)	(1,586,702)	(38,706)
		4,156,240	116,196	8,047,380	406,183
Expenses and Other Loss (Income)					
Operating expenses		1,589,578	68,284	3,378,423	175,458
Transportation expenses		221,028	2,922	386,659	11,240
Exploration and evaluation expenses	6	3,589,164	-	4,045,060	-
Depletion and depreciation	7	1,816,411	-	3,725,682	-
Share-based payments	13	176,350	5,418	328,529	12,401
General and administrative expenses		641,461	6,704	1,273,497	12,583
Transaction costs		-	-	35,700	-
Finance costs	5	233,257	3,370	471,194	6,740
		8,267,249	86,698	13,644,744	218,422
Net Income (Loss) Before Income Tax		(4,111,009)	29,498	(5,597,364)	187,761
Income Taxes					
Deferred income tax recovery		(983,638)	-	(1,316,368)	-
Net Income (Loss)		(3,127,371)	29,498	(4,280,996)	187,761
Other Comprehensive Income (Loss)					
<i>Items that may be reclassified to Income (Loss)</i>					
Foreign currency translation on foreign operations		1,442	-	1,929	-
Comprehensive Income (Loss)		(3,125,929)	29,498	(4,279,067)	187,761
Earnings (Loss) per Common Share (\$)					
Basic	12	(0.04)	n/a	(0.05)	n/a
Diluted	12	(0.04)	n/a	(0.05)	n/a

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

LGX OIL + GAS INC.

Condensed Interim Consolidated Statement of Financial Position (Unaudited)

As at (Canadian \$)	Note	June 30 2013	December 31 2012
ASSETS			
Current Assets			
Cash and cash equivalents		381,432	710,162
Trade and other receivables		4,072,383	4,303,845
Total Current Assets		4,453,815	5,014,007
Non-current Assets			
Exploration and evaluation assets	6	61,543,546	64,692,773
Property, plant and equipment	7	75,697,054	78,763,038
Total Non-current Assets		137,240,600	143,455,811
Total Assets		141,694,415	148,469,818
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Bank debt	8	5,500,000	1,850,000
Trade and other payables		7,012,760	13,070,933
Total Current Liabilities		12,512,760	14,920,933
Non-current Liabilities			
Decommissioning liabilities	9	25,845,364	25,070,620
Deferred taxes		1,625,131	2,941,746
Total Non-current Liabilities		27,470,495	28,012,366
Total Liabilities		39,983,255	42,933,299
Shareholders' Equity			
Share capital and warrants	10	84,725,717	84,726,460
Contributed surplus		830,982	376,531
Reserve from common-control transaction		17,203,261	17,203,261
Accumulated other comprehensive loss		688	(1,241)
Retained earnings (Accumulated deficit)		(1,049,488)	3,231,508
Total Shareholders' Equity		101,711,160	105,536,519
Total Shareholders' Equity and Liabilities		141,694,415	148,469,818
Commitments and contingencies	17		

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

LGX OIL + GAS INC.

Condensed Interim Consolidated Statement of Changes in Equity (Unaudited)

<i>(Canadian \$)</i>	Note	Share Capital and Warrants	Net investment in SA Assets ⁽²⁾	Contributed Surplus	Reserve from common-control transaction	AOCI ⁽¹⁾	Retained Earnings (Accumulated Deficit)	Total Equity
Balance as at December 31, 2012		84,726,460	-	376,531	17,203,261	(1,241)	3,231,508	105,536,519
Net loss for the period		-	-	-	-	-	(4,280,996)	(4,280,996)
Share issue costs, net of tax	10	(743)	-	-	-	-	-	(743)
Share-based payments	13	-	-	454,451	-	-	-	454,451
Foreign currency translation on foreign operations		-	-	-	-	1,929	-	1,929
Balance as at June 30, 2013		84,725,717	-	830,982	17,203,261	688	(1,049,488)	101,711,160
Balance as at December 31, 2011		-	31,358,991	93,546	-	-	-	31,452,537
Net income for the period		-	187,761	-	-	-	-	187,761
Net contributions from Legacy Oil + Gas Inc. ⁽²⁾		-	4,373,721	-	-	-	-	4,373,721
Share-based payments	13	-	-	12,401	-	-	-	12,401
Balance as at June 30, 2012		-	35,920,473	105,947	-	-	-	36,026,420

(1) Accumulated Other Comprehensive Income (Loss)

(2) Legacy Oil + Gas Inc.'s net investment in Southern Alberta Assets (Note 1)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

LGX OIL + GAS INC.

Condensed Interim Consolidated Statement of Cash Flows (Unaudited)

<i>(Canadian\$)</i>	Note	Three Months Ended June 30		Six Months Ended June 30	
		2013	2012	2013	2012
Cash flow from (used in) operating activities					
Net income (loss) for the period		(3,127,371)	29,498	(4,280,996)	187,761
Depletion and depreciation	7	1,816,411	-	3,725,682	-
Accretion on decommissioning liabilities	9	158,520	3,370	316,274	6,740
Exploration and evaluation expenses	6	3,568,962	-	3,916,062	-
Share-based payments	13	176,350	5,418	328,529	12,401
Deferred income tax expense recovery		(983,638)	-	(1,316,368)	-
Cash flow from operating activities					
before changes in non-cash working capital		1,609,234	38,286	2,689,183	206,902
Net change in non-cash working capital	15	(401,109)	58,071	(4,907,858)	21,435
Net cash flow from (used in) operating activities		1,208,125	96,357	(2,218,675)	228,337
Cash flow used in investing activities					
Capital expenditure on property, plant and equipment and exploration and evaluation assets	15	(195,420)	(622,934)	(1,764,177)	(4,602,058)
Net cash used in investing activities		(195,420)	(622,934)	(1,764,177)	(4,602,058)
Cash flow from financing activities					
Net contributions from Legacy Oil + Gas Inc.		-	526,577	-	4,373,721
Share issue costs		-	-	(990)	-
Increase (decrease) in bank debt		(900,000)	-	3,650,000	-
Net cash flow from financing activities		(900,000)	526,577	3,649,010	4,373,721
Foreign exchange gain on cash and cash equivalents held in foreign currency					
		3,983	-	5,112	-
Increase (decrease) in cash and cash equivalents		116,688	-	(328,730)	-
Cash and cash equivalents, beginning of period		264,744	-	710,162	-
Cash and cash equivalents, end of period		381,432	-	381,432	-

Supplemental cash flow information

15

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

LGX OIL + GAS INC.

Notes to Condensed Interim Consolidated Financial Statements

June 30, 2013 (all tabular amounts in Canadian \$, except per unit and volume amounts or as otherwise indicated)
(Unaudited)

1. REPORTING ENTITY

Incorporation and Nature of Business

The principal undertaking of LGX Oil + Gas Inc. and its subsidiaries ("LGX" or "the Company") (formerly known as Bowood Energy Inc.), a growth-oriented junior oil and natural gas exploration, development and production Company, includes the investment in all types of energy business-related assets, including, but not limited to, petroleum and natural gas-related assets, gathering, processing and transportation assets located in Western Canada. The operations of the Company consist of the acquisition, development, exploration and exploitation of these assets.

On July 5, 2012, the shareholders of LGX approved a strategic transaction with Legacy Oil + Gas Inc. ("Legacy") whereby Legacy sold certain undeveloped land in southern Alberta ("Legacy Oil + Gas Inc.'s Southern Alberta Assets" or "SA Assets") to LGX in exchange for 10,000,000 post-consolidation common shares of LGX (the "Asset Purchase"). Following completion of the Asset Purchase: (i) LGX had 23,746,669 post-consolidation common shares, 42% of which were owned by Legacy; (ii) the former officers of LGX resigned and were replaced by officers of Legacy; (iii) the board of directors of LGX was reconstituted; (iv) Legacy and LGX entered into a management, technical and administrative services agreement ("Services Agreement") whereby LGX will be managed by Legacy's current management team and staff, in exchange for a monthly fee; and (v) the LGX shareholders approved a name change to LGX Oil + Gas Inc. from Bowood Energy Inc. and a consolidation of the LGX common shares on a 20 to 1 basis.

In accordance with IFRS and based on management's significant judgments, the Asset Purchase was accounted for as a reverse acquisition whereby SA Assets was identified as the accounting "acquirer" - being the entity that obtains control of the acquiree, LGX. Management's significant judgments in determining that LGX is controlled by Legacy/SA Assets following the Asset Purchase, even though Legacy/SA Assets holds less than half of the voting rights of LGX, are disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2012.

As a result, these condensed interim consolidated financial statements present the historic financial position, results of operations and cash flows of SA Assets, for all prior periods up to and including July 5, 2012. The results of operations from July 5, 2012 forward include both SA Assets and LGX (referred to collectively with its subsidiaries as "LGX" or the "Company").

LGX is incorporated and domiciled in Canada under the Canada Business Corporations Act. The address of the principal place of business is 4400, Eighth Avenue Place, 525 - 8th Avenue SW, Calgary, Alberta, Canada, T2P 1G1. The Company's only listing is on the TSX Venture Exchange under the symbol "OIL".

These condensed interim consolidated financial statements were approved and authorized for issue by the Company's Board of Directors on August 12, 2013.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended December 31, 2012, except for changes in accounting policies as described in Note 3 below and for income taxes. Income taxes on income (loss) in the interim periods are accrued using the income tax rate that would be applicable to the expected total annual income (loss). The condensed interim consolidated financial statements are in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). Accordingly, certain information and footnote disclosure normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), have been omitted or condensed.

The preparation of financial statements in accordance with IAS 34 requires the use of certain significant accounting estimates and also requires management to exercise judgment in applying the Company's accounting policies. Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2012 discloses a summary of the areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2012 and the unaudited carve-out interim financial statements of Legacy Oil + Gas Inc.'s Southern Alberta Assets for the three and six months ended June 30, 2012 prepared in connection with the Asset Purchase (Note 1). The accompanying condensed interim consolidated financial statements include all adjustments, composed of normal recurring adjustments, considered necessary by management to fairly state the Company's results of operations, financial position and cash flows. The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

Functional and presentation currency

These condensed interim consolidated financial statements are presented in Canadian dollars ("\$", "Canadian \$", "Cdn \$" or "CAD"), which is the Company's functional currency. All financial information is rounded to the nearest dollar, except per unit amounts and where otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

The Company adopted the following new and revised standards, along with all consequential amendments, effective January 1, 2013. These changes are made in accordance with the applicable transitional provisions.

Consolidation, Joint Arrangements, Associates and Disclosures

IFRS 10, *Consolidated Financial Statements*, replaces the guidance on control and consolidation in IAS 27, *Consolidated and Separate Financial Statements*, and SIC-12, *Consolidation – Special Purpose Entities*. IFRS 10 requires consolidation of an investee only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. Detailed guidance is provided on applying the definition of control. The accounting requirements for consolidation have remained largely consistent with IAS 27. The Company assessed its consolidation conclusions on January 1, 2013 and determined that the adoption of IFRS 10 did not result in any change in the consolidation status of any of its subsidiaries and investees.

IFRS 11, *Joint Arrangements*, supersedes IAS 31, *Interests in Joint Ventures*, and requires joint arrangements to be classified either as joint operations or joint ventures depending on the contractual rights and obligations of each investor that jointly controls the arrangement. For joint operations, a company recognizes its share of assets, liabilities, revenues and expenses of the joint operation. An investment in a joint venture is accounted for using the equity method as set out in IAS 28, *Investments in Associates and Joint Ventures* (amended in 2011). The other amendments to IAS 28 did not affect the Company. The Company reviewed the classification of its joint arrangements and concluded that the adoption of IFRS 11 did not result in any changes in the accounting for its joint arrangements.

Fair Value Measurement

IFRS 13, *Fair Value Measurement*, provides a single, comprehensive framework for fair value measurement and disclosure requirements for use across all IFRS standards. IFRS 13 clarifies that the fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. Under IFRS 13, the fair value of a liability must reflect the non-performance risk, which includes an entity's own credit risk. The Company adopted IFRS 13 on January 1, 2013 on a prospective basis. The adoption of IFRS 13 did not require any adjustments to the valuation techniques used by the Company to measure fair value and did not result in any measurement adjustments as at January 1, 2013.

Amendment of Presentation of Items of Other Comprehensive Income (Loss)

The Company has adopted the amendments to IAS 1, *Presentation of Financial Statements*, effective January 1, 2013. These amendments require the Company to group other comprehensive income items by those that will not be subsequently reclassified to income (loss) or items that may be subsequently reclassified to income (loss) when specific conditions are met. The amendment has been applied retrospectively and, as such, the presentation of items in other comprehensive income (loss) has been modified. These changes did not result in any adjustments to other comprehensive income (loss) or comprehensive income (loss).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Employee Benefits

The Company has adopted the amendments to IAS 19, *Employee Benefits* (amended in 2011), effective January 1, 2013. These amendments make significant changes to the recognition and measurement of defined benefit pension expense and termination benefits and to enhance the disclosure of all employee benefits. The adoption of these amendments did not have an impact on the Company's condensed interim consolidated financial statements.

Future Accounting Pronouncements

IAS 36, *Impairment of Assets*, has been amended to require additional disclosures in the event of recognizing an impairment of assets. The standard is required to be adopted for periods on or after January 1, 2014. The Company is in the process of assessing the impact of these amendments, if any.

There were no other new or amended standards issued during the six months ended June 30, 2013 that are applicable to the Company in future periods. In addition to the above, a description of other standards and interpretations that will be adopted by the Company in future periods can be found in the notes to the Company's audited consolidated financial statements for the year ended December 31, 2012.

4. REVENUE

(\$)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Petroleum and natural gas sales by product				
Crude oil and natural gas liquids	4,451,611	125,412	8,612,222	444,889
Natural gas	541,945	-	1,021,860	-
Total petroleum and natural gas sales	4,993,556	125,412	9,634,082	444,889
Less: Royalties	(837,316)	(9,216)	(1,586,702)	(38,706)
Total revenue	4,156,240	116,196	8,047,380	406,183

5. FINANCE COSTS

(\$)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Interest expense and finance charges	74,737	-	154,920	-
Accretion on decommissioning liabilities (Note 9)	158,520	3,370	316,274	6,740
	233,257	3,370	471,194	6,740

6. EXPLORATION AND EVALUATION ASSETS

(\$)	June 30 2013	December 31 2012
	Balance, beginning of period	64,692,773
Additions	640,848	9,928,589
Acquisitions	-	24,782,518
Capitalized share-based payments (Note 13)	125,922	75,980
Change in decommissioning liabilities	-	177,685
Transfer to property, plant and equipment (Note 7)	-	(662,730)
Land expiries expensed and other exploration and evaluation costs derecognized	(3,916,062)	(4,866,156)
Foreign currency translation	65	10
Balance, end of period	61,543,546	64,692,773

Exploration and evaluation assets consist of the Company's undeveloped land and exploration projects which are pending the determination of technical feasibility.

Direct general and administrative costs capitalized by the Company during the six months ended June 30, 2013 and included in additions were \$150,300 (2012 - \$150,300).

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2013, net (income) loss includes \$4,045,060 of exploration and evaluation expense (2012 - \$nil) consisting of \$3,916,062 of land lease expiries and evaluation costs derecognized (2012 - \$nil) and \$128,998 of pre-licensing and other costs incurred prior to acquiring the legal rights to explore charged directly to net (income) loss (2012 - \$nil).

7. PROPERTY, PLANT AND EQUIPMENT

(\$)	June 30 2013	December 31 2012
Petroleum and natural gas assets at cost	81,083,468	80,423,770
Corporate assets at cost	7,400	7,400
Property, plant and equipment at cost	81,090,868	80,431,170
Accumulated depletion and depreciation	5,393,814	1,668,132
Property, plant and equipment net carrying amount	75,697,054	78,763,038

Petroleum and Natural Gas Assets

(\$)	June 30 2013	December 31 2012
Cost		
Balance, beginning of period	80,423,770	-
Additions	201,228	7,506
Transfer from exploration and evaluation assets (Note 6)	-	662,730
Impairment	-	(943,500)
Acquisitions	-	64,286,970
Change in decommissioning liabilities	458,470	16,410,064
Balance, end of period	81,083,468	80,423,770
Accumulated depletion		
Balance, beginning of period	1,666,464	-
Depletion	3,724,390	1,666,464
Balance, end of period	5,390,854	1,666,464
Net carrying amount	75,692,614	78,757,306

At June 30, 2013, future development costs of \$30,825,000 (December 31, 2012 – \$30,825,000) are included in costs subject to depletion.

Corporate Assets

(\$)	June 30 2013	December 31 2012
Cost		
Balance, beginning of period	7,400	-
Additions	-	7,400
Balance, end of period	7,400	7,400
Accumulated depreciation		
Balance, beginning of period	1,668	-
Depreciation	1,292	1,668
Balance, end of period	2,960	1,668
Net carrying amount	4,440	5,732

8. BANK DEBT

The following table shows the amounts drawn down on the Company's bank debt facility at June 30, 2013:

(\$)	June 30 2013	December 31 2012
Bank credit facility	5,500,000	1,850,000

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

At June 30, 2013, the Company had a \$25,000,000 revolving demand credit facility with a Canadian financial institution comprised of a \$5,000,000 operating loan facility, a \$15,000,000 production loan facility and a \$5,000,000 acquisition/development facility. As at June 30, 2013, \$5,000,000 had been drawn on the Company's production facility and \$500,000 on the Company's operating line. The credit facility provides that advances may be made by way of direct advances, bankers' acceptances or letters of guarantee. Drawings on the credit facility bear interest at the bank's prime rate plus an additional margin based on the Company's debt to cash flow ratio and type of borrowing. Security for the credit facility is provided by a \$75,000,000 demand debenture.

The Company is subject to certain covenants in its credit facility agreement and was in compliance with all such covenants as of June 30, 2013 and the Company had maintained the bank's required ratio of current assets to current liabilities of 1:1 or better. The lending agreement defines current assets as current assets as per the Company's statement of financial position plus any undrawn amount on the credit facility. The lending agreement defines current liabilities as the current liabilities as per the Company's statement of financial position sheet less any amounts drawn on the credit facility.

9. DECOMMISSIONING LIABILITIES

The decommissioning liabilities were estimated based on the Company's net ownership interest in all wells and facilities, the estimated costs to abandon and reclaim the wells and facilities and the estimated timing of the costs to be incurred in future periods. As at June 30, 2013, the estimated future undiscounted cash flows of \$41,372,562 of the Company (December 31, 2012 – \$40,755,887) have been discounted using an average risk free rate of approximately two and a half percent (December 31, 2012 – two and a half percent) and an inflation rate of two percent (December 31, 2012 – two percent).

The following table reconciles the decommissioning liabilities:

(\$)	June 30 2013	December 31 2012
Balance, beginning of period	25,070,620	337,373
Decommissioning liabilities incurred during the period	458,470	86,095
Decommissioning liabilities acquired	-	8,056,678
Accretion expense during period	316,274	88,820
Revisions (change in discount rate)	-	16,501,654
Balance, end of period	25,845,364	25,070,620

10. SHARE CAPITAL AND WARRANTS

Authorized

Unlimited number of common voting shares ("Common shares").

Issued and Outstanding

On August 20, 2012, the Company consolidated its outstanding common shares on a 20 to 1 basis, as approved by the shareholders of the Company. Unless otherwise indicated, all figures and comparatives have been restated and disclosed as post-consolidation numbers.

(\$ – except share number)	June 30 2013		December 31 2012	
	Number	Amount	Number	Amount
Common (voting) shares				
Balance, beginning of period	88,658,427	80,886,460	-	-
Issued for cash	-	-	60,841,991	49,398,591
Issued to Legacy on the common-control transaction	-	-	10,000,000	13,000,000
Held by Bowood shareholders on reverse acquisition date	-	-	13,746,669	17,870,670
Issued on the Manyberries Asset Acquisition	-	-	4,069,767	3,011,628
Share issue costs, net of tax	-	(743)	-	(2,394,429)
Balance, end of period	88,658,427	80,885,717	88,658,427	80,886,460
Warrants				
Balance, beginning of period	6,000,000	3,840,000	-	-
Issued for cash	-	-	6,000,000	3,840,000
Balance, end of period	6,000,000	3,840,000	6,000,000	3,840,000
Total share capital and warrants, end of period		84,725,717		84,726,460

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Common Shares and Warrants Issued for Cash

For the three and six months ended June 30, 2013, no shares or warrants have been issued for cash.

11. CAPITAL MANAGEMENT

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain the future development of the business.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. The Company considers its capital structure to include shareholder's equity, bank debt and working capital/deficiency, which is defined as current assets less current liabilities. In order to maintain or adjust the capital structure, the Company may from time to time issue shares and adjust its capital spending to manage current and projected debt levels.

The Company monitors capital by maintaining an available credit facility to enable future spending and monitors spending against capital budgets.

The Company has not paid or declared any dividends since the date of incorporation, nor are any contemplated in the next twelve months.

The Company is subject to certain non-financial and financial covenants, including a current assets to current liabilities covenant (Note 8), and is in compliance with all covenants as of June 30, 2013.

12. EARNINGS (LOSS) PER SHARE AMOUNTS

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the stock options were outstanding. In calculating the weighted average number of diluted common shares outstanding for the three and six months ended June 30, 2013, the Company excluded all stock options and share warrants outstanding as there was a loss in the periods then ended.

The following table summarizes the weighted average shares used in calculating earnings (loss) per share:

	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Earnings (loss) per share calculation:				
Numerator (\$)				
Net income (loss) for the period	(3,127,371)	29,498	(4,280,996)	187,761
Denominator (Number)				
Weighted average common shares outstanding – Basic	88,658,427	n/a	88,658,427	n/a
Effect of stock options and share warrants outstanding	-	n/a	-	n/a
Weighted average common shares outstanding – Diluted	88,658,427	-	88,658,427	-
Earnings (loss) per share (\$)				
Basic	(0.04)	n/a	(0.05)	n/a
Diluted	(0.04)	n/a	(0.05)	n/a

As at June 30, 2012, SA Assets had no issued and outstanding common shares.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

13. SHARE-BASED PAYMENTS AND COMPENSATION PLANS

The following table summarizes the Company's share-based payments relating to its stock options for the three and six months ended June 30, 2013 and 2012:

(\$)	Three Months Ended June 30		Six Months Ended June 30	
	2013	2012	2013	2012
Share-based payments expensed in net income (loss)	176,350	5,418	328,529	12,401
Share-based payments capitalized to:				
Exploration and evaluation assets	70,718	-	125,922	-
Total Share-based payments	247,068	5,418	454,451	12,401

Stock Options

The following table sets forth a reconciliation of Stock Option Plan activity through to June 30, 2013:

(\$ – except share number)	Six Months Ended June 30, 2013		Year Ended December 31, 2012	
	Weighted Average Number	Exercise Price	Weighted Average Number	Exercise Price
Balance, beginning of period	1,886,500	1.17	-	-
Acquired	-	-	621,000	4.23
Granted	1,813,000	0.47	1,865,000	1.08
Forfeited	(135,000)	0.81	(599,500)	4.05
Balance, end of period	3,564,500	0.83	1,886,500	1.17
Exercisable	60,000	4.00	60,000	4.00

During the six months ended June 30, 2013, the Company granted 1,813,000 stock options at a weighted average fair value of \$0.47 per stock option at the grant date using the Black-Scholes pricing model.

The assumptions used in the calculations are:

	Six Months Ended June 30 2013	Year Ended December 31 2012
Risk-free interest rate (%)	1.2	1.4
Expected life (years)	5.0	5.0
Estimated volatility of underlying common shares (%) ⁽¹⁾	87	103
Expected dividend yield (%)	-	-
Estimated forfeiture rate (%)	10	10

(1) The Company estimates the volatility of each stock option grant based on the Company's one year historical volatility prior to the grant.

14. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized on the condensed interim consolidated statement of financial position consist of cash and cash equivalents, trade and other receivables, trade and other payables and bank debt (Note 8).

Fair Value of Financial Instruments

As at June 30, 2013, cash and cash equivalents and trade and other receivables were classified as loans and receivables and trade and other payables and bank debt were classified as other financial liabilities.

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables and bank debt approximate the fair value of the respective assets and liabilities due to the short-term nature of those instruments or the indexed rate of interest on the bank debt.

The Company continuously monitors its trade and other receivables and its allowance for doubtful accounts. As at June 30, 2013 and December 31, 2012, there have been no impairment issues.

The fair values of LGX's financial instruments approximate their carrying amounts due to their short terms to maturity or the indexed rate of interest on the bank debt.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Risks associated with Financial Instruments

Credit risk

The Company may be exposed to certain losses in the event that counterparties to financial instruments fail to meet their obligations in accordance with agreed terms. The Company mitigates this risk by entering into transactions with highly rated major financial institutions and by routinely assessing the financial strength of its customers.

At June 30, 2013 and December 31, 2012, financial assets on the consolidated statement of financial position are comprised of cash and cash equivalents and trade and other receivables and the maximum credit risk associated with these financial instruments is the total carrying value.

Cash equivalents include short-term deposits placed with financial institutions with strong investment grade ratings. The Company's trade and other receivables are with customers and joint venture partners in the petroleum and natural gas business and are subject to normal credit risks. Concentration of credit risk is mitigated by marketing production to numerous purchasers under normal industry sale and payment terms. As is common in the petroleum and natural gas industry in western Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. Of the \$4,072,383 of trade and other receivables outstanding as at June 30, 2013 (December 31, 2012 – \$4,303,845), \$2,675,705 related to the sale of petroleum and natural gas and was received July 25, 2013 (December 31, 2012 – \$2,619,731 and was received January 25, 2013). The accounts receivable balance includes \$850,909 from joint venture partners relating to the recovery of their interest in operating costs and capital spent (December 31, 2012 - \$517,401). At June 30, 2013, the largest amount owing from one partner was \$161,549. As the operator of properties, LGX has the ability to not allocate production to joint venture partners who are in default of amounts owing.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions. The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. To facilitate the funding of the capital expenditure program, the Company has a credit facility, as outlined in Note 8.

LGX's financial liabilities on the statement of financial position consist of accounts payable and bank debt.

The Company expects to satisfy obligations under accounts payable in less than one year. LGX has a credit facility as outlined in Note 8. The credit facility is a \$25,000,000 revolving demand facility with a Canadian financial institution comprised of a \$5,000,000 operating loan facility, a \$15,000,000 production loan facility and a \$5,000,000 acquisition/development facility. The credit facility is formally reviewed by the bank annually.

The following are the contractual maturities of financial liabilities at June 30, 2013:

(\$)	< 1 Year	1-3 Years	3-5 Years	Thereafter	Total
Bank debt	5,500,000	-	-	-	5,500,000
Accounts payable and accrued liabilities	7,012,760	-	-	-	7,012,760
	12,512,760	-	-	-	12,512,760

Market risk

Market risk is comprised of currency risk, interest rate risk and other price risks which consist primarily of fluctuations in petroleum and natural gas prices. The valuation of the financial assets and liabilities on the consolidated statement of financial position as at June 30, 2013 has not been significantly impacted by changes in currency rates. Currency rates influence petroleum and natural gas prices; however, this influence on commodity prices and the resulting impact on financial assets and liabilities cannot be accurately quantified.

Currency risk

The Company is exposed to currency risk in relation to its United States dollar denominated working capital balances or deficits held in Canada. From time to time, the Company may enter into agreements to fix the exchange rate of Canadian to the United States dollar in order to offset the risk of fluctuating working capital balances if the Canadian dollar increases or decreases in value

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

compared to the United States dollar. However, the Company has chosen not to enter into any foreign exchange contracts as its United States dollar denominated working capital balances are not deemed significant to the consolidated LGX entity.

Interest rate risk

The Company is exposed to interest rate risk to the extent that changes in market interest rates will impact any bank indebtedness that has a floating interest rate, potentially affecting future cash flows. As a means to mitigating exposure to interest rate risk, the Company has the ability to enter into interest rate swap agreements.

For the six months ended June 30, 2013, LGX's net income (loss) before income taxes would have fluctuated by approximately \$45,833 for each 1% change in interest rates (June 2012 - \$nil).

Commodity price risk

The Company is exposed to commodity price risk arising from the effect that fluctuations of future commodity prices may have on the fair value or future cash flows of financial assets and liabilities. From time to time, LGX may enter into agreements to receive fixed prices on its oil and natural gas production to offset the risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, LGX will not benefit from such increases. The use of such agreements is governed under formal policies and is subject to limits established by the Board of Directors. The Company's policy is to not use derivative financial instruments for speculative purposes. The Company has not entered into any financial derivative contracts as at June 30, 2013 or December 31, 2012.

15. SUPPLEMENTAL CASH FLOW INFORMATION

The following table reconciles the changes in non-cash working capital as disclosed in the consolidated statement of cash flows:

(\$)	Three Months Ended		Six Months Ended	
	2013	June 30 2012	2013	June 30 2012
Cash flow from operating activities				
Net change in non-cash working capital:				
Trade and other receivables	877,044	39,645	496,033	6,082
Trade and other payables	(1,278,153)	18,426	(5,403,891)	15,353
	(401,109)	58,071	(4,907,858)	21,435

The following table reconciles capital expenditures on property, plant and equipment and exploration and evaluation assets as disclosed in the consolidated statement of cash flows:

(\$)	Three Months Ended		Six Months Ended	
	2013	June 30 2012	2013	June 30 2012
Additions to property, plant and equipment (<i>Note 7</i>)	(195,432)	-	(201,228)	-
Additions to exploration and evaluation assets (<i>Note 6</i>)	(166,424)	(35,446)	(640,848)	(1,145,721)
	(361,856)	(35,446)	(842,076)	(1,145,721)
Net change in non-cash working capital relating to:				
Trade and other receivables	(288,734)	167,022	(266,806)	3,482,092
Trade and other payables	455,170	(754,510)	(655,295)	(6,938,429)
Capital expenditures on property, plant and equipment and exploration and evaluation assets	(195,420)	(622,934)	(1,764,177)	(4,602,058)

(\$)	Three Months Ended		Six Months Ended	
	2013	June 30 2012	2013	June 30 2012
Interest paid	97,348	-	151,221	-

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS

On July 5, 2012, Legacy and the Company entered into a management, technical and administrative services agreement whereby the Company will be managed by Legacy's current management team and staff, in exchange for a monthly fee of \$167,000 excluding GST. The management fee charged to the Company by Legacy is for the provision of management and administrative services and is intended to cover the cost of administrative expense and salary costs paid by Legacy. Under the terms of the Services Agreement, Legacy invoiced the Company \$1,052,100 during the six months ended June 30, 2013 (2012 - \$nil) of which \$175,350 was payable as at June 30, 2013 (December 31, 2012 - \$1,052,100). In relation to capital and operations activity, the Company has a net trade payable to Legacy of \$2,185,041 as at June 30, 2013 (December 31, 2012 - \$2,959,614), which includes the management fee discussed above.

The Company incurred fees of \$71,938 for corporate and legal services rendered by a law firm for the second quarter ended June 30, 2013 of which \$21,974 was payable at June 30, 2013 (2012 - \$nil). A board member and the Corporate Secretary are partners of the firm. These fees were incurred in the normal course of business under the same terms and conditions as transactions with unrelated companies.

All related party transactions are measured at the exchange amount and settled in cash.

17. COMMITMENTS AND CONTINGENCIES

Drilling commitments

The Company is committed to drill a minimum of 2 vertical wells on its Alberta Bakken properties located on the lands of the Blood Tribe First Nation in each of the years ending September 30, 2013, 2014 and 2015, to a minimum of 1,000 metres total depth or 5 metres into the Devonian formation, whichever first occurs.

Services Agreement

Legacy and LGX entered into a management, technical and administrative services agreement whereby LGX will be managed by Legacy's current management team and staff as of July 5, 2012, in exchange for a monthly fee of \$167,000 (Note 16). The agreement will continue until terminated by either party with 90 days' notice.

CORPORATE INFORMATION

OFFICERS

Trent J. Yanko
President + Chief Executive Officer

Matt Janisch
Vice President, Finance + Chief Financial Officer

Curtis Labelle
Vice President, Production

Dale Mennis
Vice President, Land

Mark Oliver
Vice President, Exploration

William Wee
Vice President, Operations

Curt Ziemer
Vice President, Accounting

Mark Franko
Corporate Secretary

DIRECTORS

James Pasieka
Chairman

Chris Bloomer ⁽¹⁾⁽²⁾

Daryl Gilbert ⁽¹⁾⁽²⁾

Jim Welykochy ⁽¹⁾⁽²⁾

Trent J. Yanko

⁽¹⁾ Member of Audit Committee

⁽²⁾ Member of Reserves Committee

HEAD OFFICE

LGX Oil + Gas Inc.
4400, Eighth Avenue Place
525 - 8th Avenue, SW
Calgary, AB T2P 1G1

Phone: 403.441.2300

Fax: 403.441.2017

E-mail: info@lgxoil.com

Web: www.lgxoil.com

AUDITORS

PricewaterhouseCoopers LLP
Calgary, AB

ENGINEERS

GLJ Petroleum Consultants Ltd.
Calgary, AB

BANKERS

National Bank of Canada
Canadian Western Bank

LEGAL COUNSEL

Heenan Blaikie LLP
Calgary, AB

REGISTRAR + TRANSFER AGENT

Olympia Trust Company
2300, 125 – 9th Ave SE
Calgary, AB T2G 0P6
Tel: 403.261-0900

STOCK EXCHANGE LISTING

TSX Venture Exchange (“TSX-V”)
Trading Symbol: OIL