LGX OIL + GAS INC.

Q1 2014

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") of the financial condition and performance of LGX for the three months ended March 31,2014, as of May 12, 2014, is to be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2014 and the audited consolidated financial statements for the year ended December 31, 2013 and notes thereto. 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"). All tabular amounts are stated in Canadian dollars unless indicated otherwise.

Emergency Order for the Protection of the Greater Sage-Grouse

On February 18, 2014, an Emergency Order for the Protection of the Greater Sage-Grouse pursuant to *the Species at Risk Act* (Canada) ("Emergency Order") to address the imminent threats to the survival and recovery of the Greater Sage-Grouse, including protecting the habitat in southeast Alberta and southwest Saskatchewan identified in the order to help stabilize the Sage-Grouse population and begin its recovery, came into effect. A copy of the Emergency Order is attached to the material change report of LGX dated January 3, 2014. The material change report has been filed on SEDAR and may be reviewed under LGX's profile at the SEDAR website at www.sedar.com.

As at March 31, 2014 and December 31, 2013, LGX has been in full compliance with the Province of Alberta's comprehensive legislative and regulatory framework for the protection of the Greater Sage-Grouse which has been in place since 1996.

LGX has concluded that the Emergency Order has the potential to have a significant adverse effect on LGX's ability to maintain and increase production at Manyberries and to prevent the drilling of new wells there and may result in potential revisions to the reserves attributable to the Manyberries property in any future estimate of such reserves.

The Company has not made provision for any impairment losses of its Manyberries property as at March 31, 2014 and December 31, 2013 and based on management's best estimates, the $38.2 million carrying amount of its net assets in the Manyberries area at March 31, 2014 (December 31, 2013 - $38.8 million) is recoverable as the Company: (i) continues to operate its Manyberries property in accordance with the prohibitions of the Emergency Order; (ii) is seeking an order of the Federal Court quashing the Emergency Order; and (iii) may pursue compensation for losses arising from any impact to LGX's operations at Manyberries pursuant to the provisions of the *Species at Risk Act* (Canada).

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. Funds generated by operations is a measure not defined in IFRS that is commonly used in the oil and gas industry and is a benchmark LGX uses to evaluate its performance. Funds generated by operations represent cash provided by operating activities before changes in non-cash working capital and transaction costs. The Company considers it a key measure as it demonstrates the ability of the Company's continuing operations to generate the cash flow necessary to fund future growth through capital investment and to repay debt. 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 and per share diluted whereby per share amounts are calculated using weighted average shares outstanding consistent with the calculation of earnings per share and diluted earnings per share. Funds generated by 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.

The following table reconciles the cash flow from operating activities to funds generated by operations for the Company:

	Three Months Ended March 31		
($)	2014	2013	% change
Cash flow generated by (used) in operating activities	426,249	(3,426,800)	(112)
Transaction costs	-	35,700	(100)
Changes in non-cash working capital	2,641,509	4,506,749	(41)
Funds generated by operations	3,067,758	1,115,649	175

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 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. The following table reconciles the net debt and working capital surplus (deficit) as presented by the Company:

($)	As at March 31 2014	As at December 31 2013
Total current assets	4,205,105	5,096,827
Total current liabilities	(22,700,692)	(24,732,691)
Net debt and working capital deficit	(18,495,587)	(19,635,864)

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: (i) the productive capacity of the 14-2 well, (ii) planned drilling and development activities, (iii) the Company being on track to meet its previously announced production guidance, (iv) the potential impact of the Emergency Order on LGX's operations, reserves and financial position, (v) the resolution of third party gas processing issues in the second quarter of 2014, (vi) expected decreases in workovers and operating expenses, (vii) the sufficiency of the LGX's liquidity to fund operating, interest and general and administrative expenses, (viii) the collectability of receivables, (ix) estimated decommissioning liabilities and the timing of expenditures to satisfy decommissioning liabilities, (x) the expected timing to satisfy accounts payable and (xi) the anticipated sufficiency of the present sources of capital and budgeted cash flows for 2014 to satisfy the Board approved capital program for 2014.

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 the operational parameters specifically set out in the President's Message and expectations and assumptions concerning: (i) the application of the Emergency Order and the Species at Risk Act (Canada), (ii) the success of future drilling, development and completion activities, (iii) the performance of existing wells, (iv) the performance of new wells, (v) the availability and performance of facilities and pipelines, (vi) the geological characteristics of LGX's properties, (vii) the successful application of drilling, completion and seismic technology, (viii) prevailing weather and break-up conditions, commodity prices, royalty regimes and exchange rates, (ix) the application of regulatory and licensing requirements, and (x) 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 or break-up conditions and uncertainties resulting from potential delays or changes in plans with respect to exploration or development projects or capital expenditures, uncertainties as to the application and impact of the Emergency Order and uncertainties as to the outcome of efforts by LGX to quash or amend the Emergency Order or to obtain compensation for losses related to the Emergency Order. 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, 2013 dated March 24, 2014.

The forward-looking statements contained in this MD&A and accompanying President's Message are made as of the date hereof and the Company 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.

RESULTS OF OPERATIONS

Production

	Three Months Ended March 31		
	2014	2013	% change
Daily Production			
Crude oil and natural gas liquids (Bbls per day)	734	612	20
Natural gas (Mcf per day)	1,285	1,806	(29)
Total (Boe per day)	948	913	4

For the three months ended March 31, 2014, LGX's production was 948 Boe per day compared to 913 Boe per day for the same period in the prior year. This increase is due to the successful drilling, completion and tie-in efforts in the Alberta Bakken in the fourth quarter of 2013. Crude oil and natural gas liquids production for the three months ended March 31, 2014 was 734 Bbls per day (2013 – 612 Bbls per day) while natural gas production was 1,285 Mcf per day (2013 – 1,806 Mcf per day). Oil volumes have increased from the prior year period as a result of successful drilling, completion and tie-in activities in the Company's Alberta Bakken property offset partially by natural declines in the Manyberries property. Natural gas volumes have decreased compared to the same period in the prior year due to third party processing issues. The Company is hoping to have these issues resolved in the second quarter of 2014.

Realized Commodity Prices

	Three Months Ended March 31		
	2014	2013	% change
Daily Average Benchmark Prices			
Crude oil – WTI (US$ per Bbl)	98.61	94.34	5
Crude oil – WTI ($ per Bbl)	108.80	95.15	14
Crude oil – Edmonton Par ($ per Bbl)	99.97	88.66	13
Natural gas – AECO-C Spot ($ per Mcf)	5.57	3.08	81
Exchange rate – (US/CAD)	0.906	0.991	(9)
LGX's average realized prices			
Crude oil and natural gas liquids ($ per Bbl)	97.12	75.54	29
Natural gas ($ per Mcf)	5.82	2.95	97
Barrels of oil equivalent ($ per Boe)	83.09	56.47	47

LGX's realized price for its crude oil and natural gas liquids sales in the first quarter of 2014 was $97.12 per Bbl (2013 – $75.54) compared to a C$ WTI price of $108.80 per Bbl (2013 - $95.15 per Bbl). LGX's oil production is light sweet crude produced in southern Alberta. The increase in the realized oil and natural gas liquids price in the first quarter of 2014 compared to the same period in the prior year is due to the Alberta Bakken oil production in the first quarter of 2014, which had a higher realized price than that produced by the Company's Manyberries property.

For the first quarter of 2014, the Company's realized price for its natural gas was $5.82 per Mcf (2013 – $2.95) compared to an AECO-C price of $5.57 per Mcf (2013- $3.08).

Revenue

($, except per Boe and percent amounts)	Three Months Ended March 31 2014	2013	% change
Petroleum and natural gas sales by product			
Crude oil and natural gas liquids	6,416,067	4,160,612	54
Natural gas	672,755	479,914	40
Total petroleum and natural gas sales	7,088,822	4,640,526	53
$ per Boe	83.09	56.47	47
Royalties			
Royalties	669,103	749,386	(11)
$ per Boe	7.84	9.12	(14)
% of petroleum and natural gas sales	9.4	16.1	(42)
Revenue			
Petroleum and natural gas sales, net of royalties	6,419,719	3,891,140	65
$ per Boe	75.25	47.35	59

For the three months ended March 31, 2014, LGX's petroleum and natural gas sales were $7,088,822 compared to $4,640,526 during the same period in 2013. The increase can be attributed to higher average realized prices and higher production volumes related to successful drilling efforts in the Alberta Bakken in the fourth quarter of 2013.

Royalties consist of royalties to provincial governments, freehold landowners and overriding royalty owners. For the three months ended March 31, 2014, total royalties were $669,103 compared to $749,386 for the three months ended March 31, 2013. The Company's average royalty rate for the three months ended March 31, 2014 was 9.4 percent compared to 16.1 percent in the prior year. The decrease in total royalties and royalty rate are due to lower royalty assessments on production from the Alberta Bakken during the first quarter of 2014. Royalties are calculated based on commodity revenue, net of associated transportation costs, well productivity and before any commodity hedging gains or losses.

Operating and Transportation Expenses

($, except per Boe amounts)	Three Months Ended March 31 2014	2013	% change
Operating expenses	2,083,111	1,788,845	16
$ per Boe	24.42	21.77	12
Transportation expenses	420,405	165,631	154
$ per Boe	4.93	2.02	144
Total operating costs	2,503,516	1,954,476	28
$ per Boe	29.35	23.79	23

Total operating costs during the first quarter of 2014 were $2,503,516, compared to $1,954,476 in the prior year. The increase in total operating costs is attributable to increased production volumes in the first quarter of 2014 related to successful drilling efforts in the Alberta Bakken in the fourth quarter of 2014. On a per Boe basis, operating expenses for the three months ended March 31, 2014 were $24.42 (2013 - $21.77). On a per Boe basis, transportation expenses for the three months ended March 31, 2014 were $4.93 (2013 - $2.02). Both the increase in operating and transportation expenses relate to the Alberta Bakken well. While production from this well has been prolific on a per Boe basis, the operating costs are slightly higher than those shown in other LGX fields due primarily to economies of scale. As the play develops, the Company expects these costs to decrease. Transportation infrastructure on the wells is currently not in place therefore oil from the wells must be trucked resulting in increased transportation expense per Boe. Again, as the play develops and infrastructure is added, the Company expects these costs to decrease. Total operating costs (including operating and transportation expenses) on a per Boe basis were $29.35 (2013 – $23.79).

Exploration and Evaluation Expenses

($)	Three Months Ended March 31 2014	2013	% change
Exploration and evaluation expenses	270,392	455,896	(41)

During the three months ended March 31, 2014, the Company recorded $270,392 of exploration and evaluation expenses compared to $455,896 in the same period in the prior year. The exploration and evaluation expenses in 2014 are mainly attributable to expiration of land leases in the Alberta Bakken area.

Depletion and Depreciation

($, except per Boe amounts)	Three Months Ended March 31 2014	2013	% change
Depletion and depreciation	2,202,916	1,909,271	15
$ per Boe	25.82	23.24	11

For the three months ended March 31, 2014, depletion and depreciation expense was $2,202,916 (2013 - $1,909,271). The increase is primarily due to higher production volumes in the first quarter of 2014 compared to the same period in the prior year as well as new depletion added in the fourth quarter of 2013 as a result of the Alberta Bakken exploration and evaluation assets reclassified to petroleum and natural gas assets during the quarter. On a per Boe basis, depletion and depreciation for the first quarter of 2014 was $25.82 (2013 – $23.24). This increase, on a per Boe basis, is due to higher depletion rates of new Alberta Bakken petroleum and natural gas properties reclassified from exploration and evaluation assets in the fourth quarter of 2013.

General and Administrative Expenses

($, except per Boe amounts)	Three Months Ended March 31 2014	2013	% change
General and administrative expenses	785,150	708,529	11
Recoveries	(51,983)	(1,343)	3,771
Capitalized general and administrative expenses	(75,150)	(75,150)	-
Total net general and administrative expenses	658,017	632,036	4
$ per Boe	7.71	7.69	-

During the first quarter of 2014, net general and administrative expenses ("G&A") increased 4 percent to $658,017 compared to $632,036 in the same period in the prior year. On a per Boe basis, the G&A expense was $7.71 per Boe for the three months ended March 31, 2014 (2013 - $7.69). Net G&A for the quarter was comprised of $785,150 (2013 - $708,529) in general and administrative expenses less $51,983 (2013 - $1,343) in recoveries and $75,150 (2013 - $75,150) in capitalized G&A. G&A expenses for LGX consist primarily of the monthly service agreement fee charged by Legacy Oil + Gas Inc. ("Legacy").

Share-based Payments

($)	Three Months Ended March 31 2014	2013	% change
Share-based payments expense	142,169	152,179	(7)

For the three months ended March 31, 2014, the Company expensed $142,169 in share-based payments related to stock options compared to $152,179 for the same period in the prior year. This decrease is primarily due to the vesting of stock options previously granted in 2012.

Finance Costs

($)	Three Months Ended March 31 2014	2013	% change
Interest expense and finance charges	182,221	80,183	127
Accretion on decommissioning liabilities	197,436	157,754	25
Total finance costs	379,657	237,937	60

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

During the first quarter of 2014, interest and finance charges increased to $182,221 compared to $80,183 for the same period in the prior year due to higher average bank debt in the first quarter of 2014. During the first quarter of 2014, accretion on decommissioning liabilities was $197,436 (2013 - $157,754).

Other Expenses and Other Loss (Income)

($)	Three Months Ended March 31 2014	2013	% change
Transaction costs	-	35,700	(100)

For the three months ended March 31, 2014, the Company incurred transaction costs of $nil (2013 - $35,700).

Income Taxes

	Three Months Ended March 31		
($)	**2014**	**2013**	**% change**
Deferred income tax expense (recovery)	83,391	(332,730)	(125)

A deferred income tax expense of $83,391 was recorded for the three months ended March 31, 2014, resulting in an effective deferred income tax expense rate of 32 percent of the net income before tax. The effective deferred income tax rate differs from the applicable Canadian statutory tax rate of 25% mainly due to non-deductible share based payments. An income tax recovery was recorded for the three months ended March 31, 2013 for $332,730, resulting in an effective income tax recovery rate of 22 percent of the net loss before tax.

Net Income (Loss) and Funds Generated by Operations

	Three Months Ended March 31		
($, except per Boe amounts)	**2014**	**2013**	**% change**
Net income (loss)	179,661	(1,153,625)	(116)
Per share basic	-	(0.01)	(100)
Per share diluted	-	(0.01)	(100)
Funds generated by operations	3,067,758	1,115,649	175
Per share basic	0.03	0.01	200
Per share diluted	0.03	0.01	200
$ per Boe	35.96	13.58	165

For the quarter ended March 31, 2014, net income of $179,661 was recognized compared to net loss of $1,153,625 during the same period in the prior year due primarily to an increase in production volumes and a significant increase in operating netback. Basic and diluted net income per share for the first quarter of 2014 was $nil, compared to basic and diluted net loss per share of $0.01. Funds generated by operations increased 175 percent to $3,067,758 for the three months ended March 31, 2014, compared to $1,115,649 during the same period in the prior year, due primarily to an increase in production volumes and a significant increase in operating netback. Basic and diluted funds generated by operations per share for the quarter ended March 31, 2014 were $0.03, compared to $0.01 in the same period in the prior year.

The following table summarizes the operating netbacks and funds generated by operations on a per Boe basis for the three months ended March 31, 2014 and 2013:

	Three Months Ended March 31		
($ per Boe)	**2014**	**2013**	**% change**
Petroleum and natural gas sales	83.09	56.47	47
Royalties	(7.84)	(9.12)	(14)
Revenue	75.25	47.35	59
Operating expenses	(24.42)	(21.77)	12
Transportation expenses	(4.93)	(2.02)	144
Operating netback	45.90	23.56	95
Exploration and evaluation expenses (cash portion)	(0.10)	(1.31)	(92)
General and administrative expenses	(7.71)	(7.69)	-
Finance costs - Interest expense and finance charges (cash portion)	(2.13)	(0.98)	117
Funds generated by operations	35.96	13.58	165

SUMMARY OF QUARTERLY RESULTS (1)

The table below contains first quarter 2014 results of LGX as well as comparisons to the previous seven quarterly results for the Company:

	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2
Financial								
($, except per share amounts)								
Petroleum and natural gas sales	7,088,822	5,641,778	5,698,496	4,993,556	4,640,526	3,322,070	1,050,641	125,412
Petroleum and natural gas sales, net of royalties	6,419,719	4,520,788	4,819,532	4,156,240	3,891,140	2,775,518	864,621	116,196
Funds generated by (used in) operations	3,067,758	1,125,835	581,632	1,609,234	1,115,649	463,043	(345,347)	38,286
- Per share basic	0.03	0.01	0.01	0.02	0.01	0.01	(0.01)	-
- Per share diluted	0.03	0.01	0.01	0.02	0.01	0.01	(0.01)	-
Net Income (Loss)	179,661	(7,775,472)	(8,270,280)	(3,127,371)	(1,153,625)	(7,023,085)	10,254,593	29,498
- Per share basic	-	(0.09)	(0.09)	(0.04)	(0.01)	(0.11)	0.38	-
- Per share diluted	-	(0.09)	(0.09)	(0.04)	(0.01)	(0.11)	0.38	-
Capital expenditures								
- Exploration and development	1,931,988	12,782,541	1,696,828	361,856	480,220	7,379,378	1,418,395	35,446
- Acquisitions and dispositions (2)	-	-	-	-	-	45,268,754	27,255,768	-
Net debt and working capital surplus (deficit)	(18,495,587)	(19,635,864)	(9,189,958)	(8,058,946)	(9,307,723)	(9,906,927)	(5,043,920)	(32,065)
Total assets	135,417,520	135,247,379	133,374,916	141,694,415	147,121,183	148,469,817	76,967,098	36,461,424
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	734	718	567	578	612	430	95	16
- Natural gas (Mcf per day)	1,285	1,482	1,677	1,729	1,806	1,528	1,939	-
- Total daily production (Boe per day)	948	965	847	866	913	685	418	16
- Increase/(Decrease) over prior quarter	(2%)	14%	(2%)	(5%)	33%	64%	2,513%	(58%)
Average realized price								
- Crude oil and natural gas liquids ($ per Bbl)	97.12	78.26	102.23	84.63	75.54	72.18	75.46	86.55
- Natural gas ($ per Mcf)	5.82	3.46	2.37	3.44	2.95	3.32	2.19	n/a
- Barrels of oil equivalent ($ per Boe)	83.09	63.55	73.13	63.37	56.47	52.71	27.33	86.55
Netback ($ per Boe)								
- Petroleum and natural gas sales	83.09	63.55	73.13	63.37	56.47	52.71	27.33	86.55
- Royalties	7.84	12.63	11.28	10.63	9.12	8.67	4.84	6.36
- Operating expenses	24.42	29.09	43.46	20.17	21.77	22.41	12.06	47.12
- Transportation expenses	4.93	3.13	2.63	2.81	2.02	2.19	1.11	2.02
- Operating netback	45.90	18.70	15.76	29.76	23.56	19.44	9.32	31.05

(1) 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 an equity interest in LGX (the "Asset Purchase"). 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. As a result of the Asset Purchase and this common-control transaction and reverse acquisition, the reader is cautioned that these results 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.

(2) Includes cash consideration, share consideration and net debt and working capital assumed.

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.

CAPITAL EXPENDITURES

The Company's capital expenditures consist of the following:

($)	Three Months Ended March 31 2014	2013	% change
Capital expenditures – Exploration and development			
Land acquisitions and retention	45,846	33,219	38
Geological and geophysical	330	335,227	(100)
Drilling and completions	1,096,572	(56,765)	(2,032)
Equipping and facilities	714,090	93,389	665
Capitalized general and administrative expenses	75,150	75,150	-
Capital expenditures – Exploration and development (1)	1,931,988	480,220	302
Capital expenditures – Acquisitions and dispositions			
Capital expenditures – Acquisitions and dispositions	-	-	n/a
Total capital expenditures	1,931,988	480,220	302

(1) Total property, plant and equipment (petroleum and natural gas assets and corporate assets) and exploration and evaluation asset additions for the period.

CAPITALIZATION AND CAPITAL RESOURCES

Share Capital

	Three Months Ended March 31 2014	2013
Outstanding Common Shares		
Weighted average Common Shares outstanding (1)		
- Basic	88,658,427	88,658,427
- Diluted	88,658,427	88,658,427

	As at March 31 2014	As at December 31 2013
Outstanding Securities		
- Common Shares	88,658,427	88,658,427
- Common Share Warrants	6,000,000	6,000,000
- Common Share Options	3,652,000	3,652,000

(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 March 31, 2014 was $42,556,045.

	As at March 31 2014	As at December 31 2013
Common Shares Outstanding	88,658,427	88,658,427
Share Price (2)	$0.48	$0.65
Total Market Capitalization	$42,556,045	$57,627,978

(2) Represents the closing price on the TSX Venture Exchange ("TSX-V") at March 31, 2014 and December 31, 2013

There is a significant difference between the Company's net assets and market capitalization as at March 31, 2014. 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 May 12, 2014, 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 March 31, 2014, the Company had a net debt and working capital deficit of $18,495,587 (December 31, 2013 - $19,635,864). The Company continuously monitors its trade and other receivables and its allowance for doubtful accounts. As at March 31, 2014 and December 31, 2013, there have been no impairment issues and management considers trade and other receivables collectible within the next operating cycle.

At March 31, 2014, 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 March 31, 2014, $14,000,000 had been drawn on the Company's production facility and $350,000 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'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, excluding any current liabilities under the credit facility, of not less than 1.0:1.0. At March 31, 2014 and December 31, 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 March 31 2014**	**As at December 31 2013**
Capital resources		
Bank debt available	10,650,000	13,950,000
Working capital deficit (excluding Bank debt)	(4,145,587)	(8,585,864)
Total capital resources available	6,504,413	5,364,136

The Company believes the present sources of capital and budgeted cash flows for 2014 are sufficient to satisfy the Board approved capital program for 2014.

ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2014 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, 2013, except for new accounting policies as described in Note 3 of the March 31, 2014 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 2014 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, 2013 audited consolidated financial statements. Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2013 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, 2013. In addition, LGX is also subject to other risks and uncertainties which are described in the Company's Annual Information Form dated March 24, 2014.

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 March 31, 2014, a total of 88,658,427 common shares were issued and outstanding. In addition, a total of 3,652,000 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 Oil + Gas Inc. and the Company entered into a management, technical and administrative services agreement whereby the Company is 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 incurred by Legacy. Under the terms of the service agreement, Legacy invoiced the Company $526,050 during the three months ended March 31, 2014 (2013 - $526,050) of which $175,350 was payable as at March 31, 2014 (December 31, 2013 - $nil). In relation to capital and operations activity, the Company has a net trade payable to Legacy of $2,185,174 as at March 31, 2014 (December 31, 2013 - $1,922,598), which includes the management fee discussed above.

The Company incurred fees of $154,911 for corporate and legal services rendered by law firms (2013 - $41,126), which a board member and the Corporate Secretary are partners of, for the three months ended March 31, 2014. At March 31, 2014, $162,566 was payable (2013 - $35,804). These fees were incurred in the normal course of business under similar terms and conditions as transactions with unrelated companies.

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

COMMITMENTS AND CONTINGENGIES

Drilling commitments

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

Service Agreement

Legacy and LGX entered into a management, technical and administrative service 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 March 24, 2014, is also available on the Company's profile at www.sedar.com.