

Q3 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 and nine months ended September 30, 2014, as of November 10, 2014, is to be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended September 30, 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

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 on February 18, 2014. 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 September 30, 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 September 30, 2014 and December 31, 2013 and based on management's best estimates, the \$35.7 million carrying amount of its net assets in the Manyberries area at September 30, 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.

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

(\$)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
Cash flow generated by (used) in operating activities	(455,169)	1,421,311	(132)	1,192,716	(797,364)	(250)
Transaction costs	-	12,334	(100)	-	48,034	(100)
Changes in non-cash working capital	1,603,601	(852,013)	(288)	4,898,136	4,055,845	21
Funds generated by operations	1,148,432	581,632	97	6,090,852	3,306,515	84

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 September 30 2014	As at December 31 2013
Total current assets	3,267,642	5,096,827
Total current liabilities	(25,108,598)	(24,732,691)
Net debt and working capital deficit	(21,840,956)	(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 Statements - This MD&A and the accompanying President's Message contain forward-looking statements. More particularly, they contain forward-looking statements concerning: (i) the potential impact of the Emergency Order on LGX's operations, reserves and financial position, (ii) expected decreases in transportation and operating expenses, (iii) the sufficiency of LGX's liquidity to fund operating, interest and general and administrative expenses, (iv) the collectability of receivables, (v) the anticipated sufficiency of the present sources of capital and budgeted cash flows for 2014 to satisfy the Board approved capital program for 2014; (vi) estimated decommissioning liabilities and the timing of expenditures to satisfy decommissioning liabilities; and (vii) the expected timing to satisfy accounts payable.

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: (i) the application of the Emergency Order and the Species at Risk Act (Canada), (ii) the success and timing 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 and cost 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

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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			Nine Months Ended		
	September 30			September 30		
	2014	2013	% change	2014	2013	% change
Daily Production						
Crude oil and natural gas liquids (Bbls per day)	537	567	(5)	638	586	9
Natural gas (Mcf per day)	1,360	1,677	(19)	1,318	1,736	(24)
Total (Boe per day)	764	847	(10)	858	875	(2)

For the three months ended September 30, 2014, LGX's production was 764 Boe per day compared to 847 Boe per day for the same period in the prior year. Crude oil and natural gas liquids production for the three months ended September 30, 2014 was 537 Bbls per day (2013 – 567 Bbls per day) while natural gas production was 1,360 Mcf per day (2013 – 1,677 Mcf per day). Average oil and natural gas liquids production has decreased from the prior year period as a result of delayed workovers and declines in the Manyberries property. Near the end of the quarter LGX was able to perform workover operations on this property which would be reflected in higher volumes in the fourth quarter of 2014. Natural gas volumes have decreased compared to the same period in the prior year due to third party processing issues in the Long Coulee area; however, these issues were resolved subsequent to quarter end.

Average production for the nine months ended September 30, 2014 was 858 Boe per day as compared to 875 Boe per day for 2013. Crude oil and natural gas liquids production was 638 Boe per day for the nine months ended September 30, 2014 compared to 586 Boe per day in 2013. Natural gas production was 1,318 Mcf per day for the nine months ended September 30, 2014 compared to 1,736 Boe per day for 2013. The increase in average oil and natural gas liquids production is due to the successful drilling, completion and tie-in activities in the Company's Alberta Bakken property, offset by delayed workovers and natural declines in the Manyberries property. As noted above, these workovers were completed just prior to quarter end. Natural gas volumes have decreased compared to the same period in the prior year due to third party processing issues in the Long Coulee area.

Realized Commodity Prices

	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2014	2013	% change	2014	2013	% change
Daily Average Benchmark Prices						
Crude oil – WTI (US\$ per Bbl)	97.21	105.82	(8)	99.60	98.17	1
Crude oil – WTI (\$ per Bbl)	105.87	109.89	(4)	108.98	100.47	8
Crude oil – Canadian Light Sweet (\$ per Bbl) ⁽¹⁾	97.72	105.19	(7)	100.83	95.66	5
Natural gas – AECO-C Spot (\$ per Mcf)	4.03	2.43	66	4.76	3.00	59
Exchange rate – (US/CAD)	0.918	0.963	(5)	0.914	0.977	(6)
LGX's average realized prices						
Crude oil and natural gas liquids (\$ per Bbl)	92.22	102.23	(10)	94.57	87.17	8
Natural gas (\$ per Mcf)	4.03	2.37	70	4.77	2.93	63
Barrels of oil equivalent (\$ per Boe)	71.99	73.13	(2)	78.81	64.19	23

⁽¹⁾ Edmonton Par prices are discontinued as of May 1, 2014, and replaced by Canadian Light crude blend which is traded daily on the Net Energy Index. Natural Resources Canada publishes Canadian Light Sweet price at Edmonton under the Select Crude Prices.

LGX's realized price for its crude oil and natural gas liquids sales in the third quarter of 2014 was \$92.22 per Bbl (2013 – \$102.23) compared to a C\$ WTI price of \$105.87 per Bbl (2013 - \$109.89 per Bbl). LGX's oil production is light sweet crude produced in

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southern Alberta. For the nine months ended September 30, 2014, LGX's realized price for its crude oil and natural gas liquid sales was \$94.57 (2013- \$87.17 per Bbl) compared to a C\$ WTI price of \$108.98 per Bbl (2013 - \$100.47 per Bbl).

For the third quarter of 2014, the Company's realized price for its natural gas was \$4.03 per Mcf (2013 - \$2.37) compared to an AECO-C price of \$4.03 per Mcf (2013 - \$2.43). For the nine months ended September 30, 2014, LGX's realized price for natural gas sales was \$4.77 per Mcf (2013-\$2.93) compared to an AECO-C price of \$4.76 per Mcf (2013 - \$3.00). The increase in the realized oil and natural gas liquids price in the year-to-date 2014 compared to the same period in the prior year is due to the Alberta Bakken oil production in 2014, which has a higher realized price than that produced by the Company's Manyberries property.

Revenue

(\$, except per Boe and percent amounts)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
Petroleum and natural gas sales by product						
Crude oil and natural gas liquids	4,556,247	5,332,469	(15)	16,742,258	13,944,691	20
Natural gas	503,621	366,027	38	1,718,097	1,387,887	24
Total petroleum and natural gas sales	5,059,868	5,698,496	(11)	18,460,355	15,332,578	20
\$ per Boe	71.99	73.13	(2)	78.81	64.19	23
Royalties						
Royalties	728,161	878,964	(17)	2,218,474	2,465,666	(10)
\$ per Boe	10.36	11.28	(8)	9.47	10.32	(8)
% of petroleum and natural gas sales	14.4	15.4	(6)	12.0	16.1	(25)
Revenue						
Petroleum and natural gas sales, net of royalties	4,331,707	4,819,532	(10)	16,241,881	12,866,912	26
\$ per Boe	61.63	61.85	-	69.34	53.87	29

For the three months ended September 30, 2014, LGX's petroleum and natural gas sales were \$5,059,868 compared to \$5,698,496 during the same period in 2014. The decrease in the three months ended September 30, 2014 can be attributed to a decrease in average production volumes and realized price compared to the prior period offset partially by greater weighting of production towards oil versus natural gas.

For the nine months ended September 30, 2014, LGX's petroleum and natural gas sales were \$18,460,355 compared to \$15,332,578 for the same period in 2013. The increase in the nine months ended September 30, 2014 can be attributed to higher average realized prices as well as a greater percentage of production weighted toward oil as opposed to natural gas as compared to the same periods in the prior year.

Royalties consist of royalties to provincial governments, freehold landowners and overriding royalty owners. For the three months ended September 30, 2014, total royalties were \$728,161 compared to \$878,964 for the three months ended September 30, 2013. The Company's average royalty rate for the three months ended September 30, 2014 was 14.4 percent compared to 15.4 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 third 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.

For the nine months ended September 30, 2014, total royalties were \$2,218,474 as compared to \$2,465,666 during 2013. The Company's average royalty rate for the nine months ended September 30, 2014 was 12.0 percent compared to 16.1 percent in 2013. The decrease in total royalties and royalty rate are due to lower royalty assessments on production from the Alberta Bakken during the 2014 year-to-date.

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Operating and Transportation Expenses

(\$, except per Boe amounts)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
	Operating expenses	2,059,160	3,386,203	(39)	6,444,609	6,764,626
\$ per Boe	29.30	43.46	(33)	27.51	28.32	(3)
Transportation expenses	305,786	204,652	49	1,051,084	591,311	78
\$ per Boe	4.35	2.63	65	4.49	2.48	81
Total operating costs	2,364,946	3,590,855	(34)	7,495,693	7,355,937	2
\$ per Boe	33.65	46.09	(27)	32.00	30.80	4

Total operating costs during the third quarter of 2014 were \$2,364,946, compared to \$3,590,855 for the same period in the prior year. On a per Boe basis, operating expenses for the three months ended September 30, 2014 were \$29.30 (2013 - \$43.46). On a per Boe basis, transportation expenses for the three months ended September 30, 2014 were \$4.35 (2013 - \$2.63). The increase in transportation expenses relate primarily 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. The decrease in operating expenses in the third quarter of 2014 compared to the same period in the prior year is due to a decrease in workover expenses. While workovers, particularly in the Manyberries property, were performed late in the third quarter, the magnitude was less than workovers done in the third quarter of 2013. Total operating costs (including operating and transportation expenses) on a per Boe basis were \$33.65, a 27 percent decrease from the equivalent costs in the same period in the prior year (2013 - \$46.09).

Total operating costs during the nine months ended September 30, 2014 were \$7,495,693, compared to \$7,355,937 during 2013. The increase in total operating costs is attributable to the Alberta Bakken well and late third quarter workovers as discussed above. While production from the Alberta Bakken well has been positive, 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 on a per Boe basis. On a per Boe basis, operating expenses for the nine months ended September 30, 2014 were \$27.51 (2013 - \$28.32). On a per Boe basis, transportation expenses for the nine months ended September 30, 2014 were \$4.49 (2013 - \$2.48). Total operating costs (including operating and transportation expenses) on a per Boe basis were \$32.00 (2013 - \$30.80).

Exploration and Evaluation Expenses

(\$)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
	Exploration and evaluation expenses	320,993	9,427,223	(97)	1,061,324	13,472,283

During the three months ended September 30, 2014, the Company recorded \$320,993 of exploration and evaluation expenses compared to \$9,427,223 in the same period in the prior year. During the nine months ended September 30, 2014 the Company recorded \$1,061,324 of exploration and evaluation expenses compared to \$13,472,283 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 September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
	Depletion and depreciation	1,826,236	1,795,890	2	6,089,995	5,521,572
\$ per Boe	25.98	23.05	13	26.00	23.11	13

For the three months ended September 30, 2014, depletion and depreciation expense was \$1,826,236 (2013 - \$1,795,890). On a per Boe basis, depletion and depreciation for the third quarter of 2014 was \$25.98 (2013 - \$23.05). This increase in depletion and depreciation expense and 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.

For the nine months ended September 30, 2014, depletion and depreciation expense was \$6,089,995 (2013 - \$5,521,572). On a per Boe basis, depletion and depreciation for the nine months ended September 30, 2014 was \$26.00 (2013 - \$23.11). The increase in depletion and depreciation expense and 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.

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General and Administrative Expenses

(\$, except per Boe amounts)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2014	2013	% change	2014	2013	% change
General and administrative expenses	732,996	634,691	15	2,341,434	2,064,715	13
Recoveries	(132,205)	(8,103)	1,532	(190,144)	(14,330)	1,227
Capitalized general and administrative expenses	(75,150)	(75,150)	-	(225,450)	(225,450)	-
Total net general and administrative expenses	525,641	551,438	(5)	1,925,840	1,824,935	6
\$ per Boe	7.48	7.08	6	8.22	7.64	8

During the third quarter of 2014, net general and administrative expenses ("G&A") decreased 5 percent to \$525,641 compared to \$551,438 in the same period in the prior year. On a per Boe basis, the G&A expense was \$7.48 per Boe for the three months ended September 30, 2014 (2013 - \$7.08). Net G&A for the quarter was comprised of \$732,996 (2013 - \$634,691) in general and administrative expenses less \$132,205 (2013 - \$8,103) 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"). G&A expenses increased in the third quarter of 2014 compared to the same period in the prior year due primarily to legal fees associated with the Emergency Order.

For the nine months ended September 30, 2014, net general and administrative expenses ("G&A") increased 6 percent to \$1,925,840 compared to \$1,824,935 in the same period in 2013. On a per Boe basis, the G&A expense was \$8.22 per Boe for the nine months ended September 30, 2014 compared to \$7.64 per Boe for the same period in the prior year. Net G&A for the nine months ending September 30, 2014 was comprised of \$2,341,434 (2013 - \$2,064,715) in general and administrative expenses less \$190,144 (2013 - \$14,330) in recoveries and \$225,450 (2013 - \$225,450) in capitalized G&A. G&A expenses increased for the year-to-date ended September 30, 2014 compared to the same period in the prior year due to legal fees associated with the Emergency Order.

Share-based Payments

(\$)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2014	2013	% change	2014	2013	% change
Share-based payments expense	179,787	185,997	(3)	407,773	514,526	(21)

For the three months ended September 30, 2014, the Company expensed \$179,787 in share-based payments related to stock options compared to \$185,997 for the same period in the prior year. For the nine months ended September 30, 2014, the Company expensed \$407,773 in share-based payments related to stock options compared to \$514,526 for the same period in 2013. The decrease in share-based payments expense for the three months and nine months ended September 30, 2014, is primarily due to the vesting of stock options previously granted in 2012 partially offset by a grant of new stock options in the third quarter of 2014.

Finance Costs

(\$)	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2014	2013	% change	2014	2013	% change
Interest expense and finance charges	292,688	90,049	225	721,289	244,969	194
Accretion on decommissioning liabilities	193,042	159,693	21	586,439	475,967	23
Total finance costs	485,730	249,742	94	1,307,728	720,936	81

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

During the third quarter of 2014, interest and finance charges increased to \$292,688 compared to \$90,049 for the same period in the prior year due to higher average bank debt in the third quarter of 2014 as well as upfront fees associated with the bank line being increased and removed from the previous syndicate to Alberta Treasury Branches ("ATB"). During the third quarter of 2014, accretion on decommissioning liabilities was \$193,042 (2013 - \$159,693).

For 2014 year-to-date, interest and finance charges increased to \$721,289 compared to \$244,969 for the same period in 2013. 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 as well as upfront fees associated with the new bank line. For the nine months ended September 30, 2014, accretion on decommissioning liabilities was \$586,439 compared to \$475,967 for the same period in the prior year.

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Other Expenses and Other Loss (Income)

(\$)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
	Transaction costs	-	12,334	(100)	-	48,034

For the nine months ended September 30, 2014, the Company incurred \$nil transaction costs (2013 - \$48,034).

Income Taxes

(\$)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
	Deferred income tax recovery	(297,424)	(2,723,667)	(89)	(424,898)	(4,040,035)

A deferred income tax recovery of \$297,424 was recorded for the three months ended September 30, 2014, resulting in an effective deferred income tax recovery rate of 22 percent of the net loss before tax. The effective deferred income tax rate differs from the applicable Canadian statutory tax rate of 25 percent mainly due to non-deductible share based payments. An income tax recovery was recorded for the three months ended September 30, 2013 for \$2,723,667, resulting in an effective income tax recovery rate of 25 percent of the net loss before tax.

A deferred income tax recovery of \$424,898 was recorded for the nine months ended September 30, 2014, resulting in an effective deferred income tax recovery rate of 21 percent of the net loss before tax. An income tax recovery was recorded for the nine months ended September 30, 2013 for \$4,040,035, resulting in an effective income tax recovery rate of 24 percent of the net loss before tax.

Net Income (Loss) and Funds Generated by Operations

(\$, except per Boe amounts)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
	Net income (loss)	(1,074,202)	(8,270,280)	(87)	(1,621,574)	(12,551,276)
Per share basic	(0.01)	(0.09)	(89)	(0.02)	(0.14)	(86)
Per share diluted	(0.01)	(0.09)	(89)	(0.02)	(0.14)	(86)
Funds generated by operations	1,148,432	581,632	97	6,090,852	3,306,515	84
Per share basic	0.01	0.01	-	0.07	0.04	75
Per share diluted	0.01	0.01	-	0.07	0.04	75
\$ per Boe	16.34	7.46	119	26.00	13.84	88

For the quarter ended September 30, 2014, a net loss of \$1,074,202 was recognized compared to net loss of \$8,270,280 during the same period in the prior year due primarily to a significant increase in operating netback and a decrease in exploration and evaluation expenses in the current period offset by a slight increase in depletion and depreciation and finance costs. Basic and diluted net loss per share for the third quarter of 2014 was \$0.01, compared to basic and diluted net loss per share of \$0.09 for the same period in the prior year. Funds generated by operations increased 97 percent to \$1,148,432 for the three months ended September 30, 2014, compared to \$581,632 during the same period in the prior year, due primarily to an increase in operating netback offset by increased finance costs in the current period. Basic and diluted funds generated by operations per share for the quarter ended September 30, 2014 and 2013 were \$0.01.

For the nine months ended September 30, 2014, a net loss of \$1,621,574 was realized compared to net loss of \$12,551,276 during the same period in 2013 due to significantly higher operating netback and lower exploration and evaluation expenses offset by increased finance costs in the current period. Basic and diluted net loss per share for year-to-date 2014 were \$0.02, compared to basic and diluted loss per share of \$0.14 during the same period in the prior year. Funds generated by operations increased 84 percent to \$6,090,852 for the nine months ended September 30, 2014, compared to \$3,306,515 during the same period in 2013, due primarily to significantly higher operating netbacks offset by slightly higher finance costs in the current period. Basic and diluted funds generated by operations per share for the nine months ended September 30, 2014 were \$0.07 compared to \$0.04 during the same period in 2013.

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The following table summarizes the operating netbacks and funds generated by operations on a per Boe basis for the three and nine months ended September 30, 2014 and 2013:

<i>(\$ per Boe)</i>	Three Months Ended			Nine Months Ended		
	September 30			September 30		
	2014	2013	% change	2014	2013	% change
Petroleum and natural gas sales	71.99	73.13	(2)	78.81	64.19	23
Royalties	(10.36)	(11.28)	(8)	(9.47)	(10.32)	(8)
Revenue	61.63	61.85	-	69.34	53.87	28
Operating expenses	(29.30)	(43.46)	(33)	(27.51)	(28.32)	(3)
Transportation expenses	(4.35)	(2.63)	65	(4.49)	(2.48)	81
Operating netback	27.98	15.76	78	37.34	23.07	62
Exploration and evaluation expenses (cash portion)	-	(0.06)	(100)	(0.04)	(0.56)	(93)
General and administrative expenses	(7.48)	(7.08)	6	(8.22)	(7.64)	8
Finance costs - Interest expense and finance charges (cash portion)	(4.16)	(1.16)	259	(3.08)	(1.03)	199
Funds generated by operations	16.34	7.46	119	26.00	13.84	88

MANAGEMENT'S DISCUSSION + ANALYSIS

SUMMARY OF QUARTERLY RESULTS

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

	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4
Financial								
<i>(\$, except per share amounts)</i>								
Petroleum and natural gas sales	5,059,868	6,311,665	7,088,822	5,641,778	5,698,496	4,993,556	4,640,526	3,322,070
Petroleum and natural gas sales net of royalties	4,331,707	5,490,455	6,419,719	4,520,788	4,819,532	4,156,240	3,891,140	2,775,518
Funds generated by (used in) operations	1,148,432	1,874,662	3,067,758	1,125,835	581,632	1,609,234	1,115,649	463,043
- Per share basic	0.01	0.02	0.03	0.01	0.01	0.02	0.01	0.01
- Per share diluted	0.01	0.02	0.03	0.01	0.01	0.02	0.01	0.01
Net Income (Loss)	(1,074,202)	(727,033)	179,661	(7,775,472)	(8,270,280)	(3,127,371)	(1,153,625)	(7,023,085)
- Per share basic	(0.01)	(0.01)	-	(0.09)	(0.09)	(0.04)	(0.01)	(0.11)
- Per share diluted	(0.01)	(0.01)	-	(0.09)	(0.09)	(0.04)	(0.01)	(0.11)
Capital expenditures								
- Exploration and development	5,872,876	493,819	1,931,988	12,782,541	1,696,828	361,856	480,220	7,379,378
- Acquisitions and dispositions ⁽¹⁾	-	-	-	-	-	-	-	45,268,754
Net debt and working capital surplus (deficit)	(21,840,956)	(17,116,598)	(18,495,587)	(19,635,864)	(9,189,958)	(8,058,946)	(9,307,723)	(9,906,927)
Total assets	138,687,831	134,272,969	135,417,520	135,247,379	133,374,916	141,694,415	147,121,183	148,469,817
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	537	646	734	718	567	578	612	430
- Natural gas (Mcf per day)	1,360	1,307	1,285	1,482	1,677	1,729	1,806	1,528
- Total daily production (Boe per day)	764	864	948	965	847	866	913	685
- Increase/(Decrease) over prior quarter	(12%)	(9%)	(2%)	14%	(2%)	(5%)	33%	64%
Average realized price								
- Crude oil and natural gas liquids (\$ per Bbl)	92.22	98.15	97.12	78.26	102.23	84.63	75.54	72.18
- Natural gas (\$ per Mcf)	4.03	4.55	5.82	3.46	2.37	3.44	2.95	3.32
- Barrels of oil equivalent (\$ per Boe)	71.99	80.28	83.09	63.55	73.13	63.37	56.47	52.71
Netback (\$ per Boe)								
- Petroleum and natural gas sales	71.99	80.28	83.09	63.55	73.13	63.37	56.47	52.71
- Royalties	10.36	10.44	7.84	12.63	11.28	10.63	9.12	8.67
- Operating expenses	29.30	29.28	24.42	29.09	43.46	20.17	21.77	22.41
- Transportation expenses	4.35	4.13	4.93	3.13	2.63	2.81	2.02	2.19
- Operating netback	27.98	36.43	45.90	18.70	15.76	29.76	23.56	19.44

(1) 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, finance costs, 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

CAPITAL EXPENDITURES

The Company's capital expenditures consist of the following:

(\$)	Three Months Ended September 30			Nine Months Ended September 30		
	2014	2013	% change	2014	2013	% change
Capital expenditures – Exploration and development						
Land acquisitions and retention	56,678	236,872	(76)	142,567	283,519	(50)
Geological and geophysical	-	144,515	(100)	1,216	479,742	(100)
Drilling and completions	5,119,008	983,637	420	6,397,111	1,200,150	433
Equipping and facilities	622,040	256,654	142	1,490,414	350,043	326
Capitalized general and administrative expenses	75,150	75,150	-	225,450	225,450	-
Other	-	-	n/a	41,925	-	n/a
Capital expenditures – Exploration and development ⁽¹⁾	5,872,876	1,696,828	246	8,298,683	2,538,904	227
Capital expenditures – Acquisitions and dispositions						
Capital expenditures – Acquisitions and dispositions	-	-	n/a	-	-	n/a
Total capital expenditures	5,872,876	1,696,828	246	8,298,683	2,538,904	227

(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 September 30		Nine Months Ended September 30	
	2014	2013	2014	2013
Outstanding Common Shares				
Weighted average Common Shares outstanding ⁽¹⁾				
- Basic	88,658,427	88,658,427	88,658,427	88,658,427
- Diluted	88,658,427	88,658,427	88,658,427	88,658,427

	As at September 30 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	7,158,000	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 September 30, 2014 was \$42,556,045.

	As at September 30 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 September 30, 2014 and December 31, 2013

There is a significant difference between the Company's net assets and market capitalization as at September 30, 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 November 10, 2014, the Company had 88,658,427 common shares outstanding.

MANAGEMENT'S DISCUSSION + ANALYSIS

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 September 30, 2014, the Company had a net debt and working capital deficit of \$21,840,956 (December 31, 2013 - \$19,635,864). The Company continuously monitors its trade and other receivables and its allowance for doubtful accounts. As at September 30, 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 September 30, 2014, the Company had a \$20,000,000 revolving demand credit facility ("Senior Commitment") and a \$10,000,000 non-revolving term facility ("Junior Commitment") with ATB. The features of the term facility include a two year committed term (subject to extension upon mutual consent) available in two tranches with full payment of the principle on maturity. The revolving portion of the new facility is a borrowing base subject to annual review by ATB, with the next review scheduled no later than May 31, 2105. Security for the credit facilities is provided by \$50,000,000 and \$25,000,000 floating charge demand debentures, respectively for the Senior and Junior Commitment. 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 new facilities replace the prior quarter \$25,000,000 facility.

The Company is subject to certain reporting, financial and non-financial covenants to these credit facilities. The Senior Commitment requires the Company to maintain a Working Capital Ratio (defined as current assets, but adding undrawn availability under the facilities to current liabilities and excluding the impact of financial derivate commodity contracts, if any) of not less than 1:1. The Junior Commitments requires the Company to maintain (i) an Adjusted Working Capital Ratio (defined as current assets plus any undrawn availability under the Senior Commitment to current liabilities, but excluding any principal amount outstanding under the Senior Commitment) of not less than 1:1; (ii) a Debt to EBITDA ratio below 4:1 (Debt is defined as all obligations, liabilities and indebtedness on the balance sheet and EBITDA is defined as earning plus interest expense and other financing costs, depletion and depreciation and income taxes); and (iii) a present pre-income tax value of the future cash flows from the Company's proved developed producing petroleum and natural gas reserves utilizing the lender's forecasted commodity price deck then in effect and utilizing a 10% discount rate to Debt ratio of not less than 1.5:1 on specified dates.

The working capital and adjusted working capital ratio exclude any liabilities related to LGX's Alberta Bakken development drilling program for 2014 and any amounts drawn under the Junior Commitment (for the Senior Commitment calculation) and the Senior Commitment (for the Junior Commitment calculation).

The Company reduces this risk by complying with the covenants of the credit facility agreement and maintaining a minimal balance on the facilities. At September 30, 2014, 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 September 30 2014	As at December 31 2013
Capital resources		
Bank debt available	15,130,000	13,950,000
Working capital deficit (excluding Bank debt)	(6,970,956)	(8,585,864)
Total capital resources available	8,159,044	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.

MANAGEMENT'S DISCUSSION + ANALYSIS

ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 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 September 30, 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 September 30, 2014, a total of 88,658,427 common shares were issued and outstanding. In addition, a total of 7,158,000 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. ("Legacy") 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 \$1,578,150 during the nine months ended September 30, 2014 (2013 - \$1,578,150) of which \$175,350 was payable as at September 30, 2014 (December 31, 2013 - \$nil). In relation to capital and operations activity, the Company has a net trade payable to Legacy of \$1,829,623 as at September 30, 2014 (December 31, 2013 - \$1,922,598), which includes the management fee discussed above.

The Company incurred fees of \$425,547 for corporate and legal services rendered by a law firm (2013 - \$84,771), which a board member is a partner of, for the nine months ended September 30, 2014. At September 30, 2014, \$13,195 was payable (December 31, 2013 - \$7,817). 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.

MANAGEMENT'S DISCUSSION + ANALYSIS

COMMITMENTS AND CONTINGENCIES

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 for the year ending September 30, 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 services agreement whereby LGX is 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.