LGX OIL + GAS INC.

Q1 2015

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, 2015, as of May 12, 2015, is to be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2015 and the audited consolidated financial statements for the year ended December 31, 2014 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 March 31, 2015 and December 31, 2014, 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 impairment losses of its Manyberries property as at March 31, 2015 relating to its property, plant and equipment and based on management's best estimates, the $24.9 million carrying amount of its net assets in the Manyberries area at March 31, 2015 (December 31, 2014 - $26.0 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		
($)	**2015**	**2014**	**% change**
Cash flow generated by (used) in operating activities	495,353	426,249	16
Changes in non-cash working capital	(377,545)	2,641,509	(114)
Funds generated by operations	117,808	3,067,758	(96)

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 2015**	**As at December 31 2014**
Total current assets	2,146,359	4,169,410
Total current liabilities	(33,011,150)	(34,501,520)
Net debt and working capital deficit	(30,864,791)	(30,332,110)

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 prospectivity of LGX's properties with respect to the Big Valley (Three Forks) and Banff Formations; (ii) anticipated future capital cost reductions; (iii) the potential impact of the Emergency Order on LGX's operations, reserves and financial position and the recoverability of the carrying amount of the Manyberries property; (iv) the sufficiency of LGX's liquidity to fund operating, interest and general and administrative expenses, (v) the collectability of receivables, (vi) the expected continuation of depressed oil pricing and the impact on LGX's credit facilities; (vii) estimated decommissioning liabilities and the timing of expenditures to satisfy decommissioning liabilities; (viii) the expected timing to satisfy accounts payable; and (ix) LGX's ability to continue as a going concern.

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) prevailing commodity prices; (ii) the availability and cost of capital, labour and services; (iii) the effectiveness of cost reduction initiatives; (iv) the performance of existing wells, (v) the availability and performance of facilities and pipelines, (vi) the geological characteristics of LGX's properties, (vii) prevailing weather and break-up conditions, royalty regimes and exchange rates, (viii) the application of regulatory and licensing requirements, and (ix) the application of the previously announced emergency order for the protection of the Greater Sage-Grouse (the "Emergency Order") and the Species at Risk Act (Canada) to the Corporation's Manyberries property.

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. Most importantly, certain of the forward-looking statements are highly dependent on prevailing commodity prices and significant fluctuations in prevailing commodity prices may impact anticipated cash flows, production and compliance with debt covenants. In addition, significant risks to LGX's ability to continue as a going concern exist due to the fact that there is no guarantee that LGX will be able to maintain its credit facilities at their current levels and obtain a relaxation of financial covenants from its lender. Other factors and risks 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), uncertainty as to the availability and cost of capital, labour and services, exchange rate fluctuations, fluctuations in oil price differentials, unexpected adverse weather conditions, changes to existing laws and regulations, 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, 2014 dated March 24, 2015.

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.

GOING CONCERN

The condensed interim consolidated financial statements for the three months ended March 31, 2015 have been prepared on a going concern basis under the historical cost basis, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due, except for the revaluation to fair value of certain financial assets and financial liabilities, as detailed in the Company's accounting policies. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying amounts of its assets and to meet its liabilities as they become due.

For the three months ended March 31, 2015, the Company reported a net loss of $2,445,766 (2014 – net income of $179,661), net cash flow from operating activities of $495,353 (2014 - $426,249). At March 31, 2015, the Company had drawn $28,370,000 (December 31, 2014 - $20,340,000) against its credit facilities of $30,000,000 (December 31, 2014 - $30,000,000) and had other working capital deficiencies of $2,494,791 (December 31, 2014 - $9,992,110). As the senior credit facility is a demand loan, it may be called at any time. The junior credit facility is term, but subject to acceleration in the event of breach of covenants.

LGX's credit facilities are currently subject to their annual review by the lender. LGX was not in compliance with the existing financial covenants under the credit facilities as at March 31, 2015. The lender has not demanded repayment of the senior, demand portion of the credit facilities or accelerated repayment of the junior, term portion as a result of LGX not being in compliance with the covenants. LGX is in discussions with the lender with respect to the terms of a renewal or replacement of the senior portion of the facility and a relaxation or waiver of the financial covenants thereunder and under the junior portion of the facility. The results of such discussions, including any relaxation or waiver of financial covenants, are uncertain and there is no guarantee that LGX will be in compliance with the current or any revised financial covenants in the future.

As the lending value of the credit facility is tied closely to reserves, which is directly linked to oil and natural gas forecasted benchmark prices and current over-supply and depressed pricing is expected to continue for the immediate future, there is no assurance that the credit facility will be renewed on current terms or levels once the normal review is completed, no later than May 31, 2015. Should the bank not extend the loan, the Company would need to seek alternative forms of debt or equity financing, which would be difficult in the current environment, or dispose of certain assets to repay the outstanding indebtedness. Low oil prices, declining production and the Emergency Order may reduce the ability of the Company to generate positive cash flows from its operations and in turn may reduce the Company's ability to develop its properties.

These circumstances create material uncertainty that lends significant doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern.

These condensed interim consolidated financial statements include no recognition of the Company's deferred tax asset as there is doubt whether the Company may have sufficient future taxable income to realize the deferred tax asset under current market conditions. With the exception of the adjustment noted above, these financial statements do not include any other adjustments to the amounts and classifications of assets and liabilities and the reported revenues and expenses that might be necessary should the Company not be able to continue as a going concern, and therefore, be required to realize its assets and discharge its liabilities other than in the normal course of business and at carrying amounts different from those reflected in the accompanying financial statements. Any such adjustments could be material.

With cash flows impacted by oil prices at five year lows, LGX is working proactively to ensure it has the ability to meet its financial obligations under its credit facilities and satisfy the 2015 drilling commitments under its lease of lands on the Blood Reserve. The Company is currently evaluating all possible measures, including but not limited to: asset sales, accessing third party capital, joint ventures and drilling commitment extension. There is no assurance that these initiatives will be successful.

RESULTS OF OPERATIONS

Production

	Three Months Ended March 31		
	2015	2014	% change
Daily Production			
Crude oil and natural gas liquids (Bbls per day)	609	734	(17)
Natural gas (Mcf per day)	1,278	1,285	(1)
Total (Boe per day)	822	948	(13)

For the three months ended March 31, 2015, LGX's production was 822 Boe per day compared to 948 Boe per day for the same period in the prior year. This decrease was due primarily to decreased production volumes in the Manyberries and Alberta Bakken areas due to natural declines as well as the Company choosing to delay workover operations under the current pricing environment. This decrease was partially offset by the drilling and subsequent tie-in of two successful oil wells in the Alberta Bakken late in the fourth quarter of 2014. Crude oil and natural gas liquids production for the three months ended March 31, 2015 was 609 Bbls per day compared to 734 Bbls per day for the three months ended March 31, 2014. Natural gas production was 1,278 Mcf per day for the three months ended March 31, 2015 compared to 1,285 Mcf per day for the three months ended March 31, 2014.

Realized Commodity Prices

	Three Months Ended March 31		
	2015	2014	% change
Daily Average Benchmark Prices			
Crude oil – WTI (US$ per Bbl)	48.56	98.61	(51)
Crude oil – WTI ($ per Bbl)	60.25	108.80	(45)
Crude oil – Canadian Light Sweet ($ per Bbl)(1)	53.04	99.97	(47)
Natural gas – AECO-C Spot ($ per Mcf)	2.75	5.57	(51)
Exchange rate – (US/CAD)	0.806	0.906	(11)
LGX's average realized prices			
Crude oil and natural gas liquids ($ per Bbl)	49.78	97.12	(49)
Natural gas ($ per Mcf)	2.55	5.82	(56)
Barrels of oil equivalent ($ per Boe)	40.84	83.09	(51)

(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 first quarter of 2015 was $49.78 per Bbl (2014 – $97.12) compared to a C$ WTI price of $60.25 per Bbl (2014 - $108.80 per Bbl). This decrease in the realized crude oil price and natural gas liquids price is due to the significant decrease in the WTI price in the three months ended March 31, 2015 compared to the three months ended March 31, 2014 as crude oil prices continued to decline in the current quarter persisting near five year lows. LGX's oil production is light sweet crude produced in southern Alberta.

For the first quarter of 2015, the Company's realized price for its natural gas was $2.55 per Mcf (2014 – $5.82). This decrease in the realized natural gas price can be attributed to the decrease in AECO spot prices in the three months ended March 31, 2015 compared to the same period in 2014.

Revenue

($, except per Boe and percent amounts)	Three Months Ended March 31 2015	2014	% change
Petroleum and natural gas sales by product			
Crude oil and natural gas liquids	2,728,385	6,416,067	(57)
Natural gas	292,890	672,755	(56)
Total petroleum and natural gas sales	3,021,275	7,088,822	(57)
$ per Boe	40.84	83.09	(51)
Royalties			
Royalties	246,718	669,103	(63)
$ per Boe	3.33	7.84	(58)
% of petroleum and natural gas sales	8.2	9.4	(13)
Revenue			
Petroleum and natural gas sales, net of royalties	2,774,557	6,419,719	(57)
$ per Boe	37.51	75.25	(50)

For the three months ended March 31, 2015, LGX's petroleum and natural gas sales were $3,021,275 compared to $7,088,822 for the three months ended March 31, 2014 due to lower average realized price per Boe impacted by significant commodity price decreases in the current quarter combined with lower production volumes related to the Manyberries and Alberta Bakken properties.

Royalties consist of royalties to provincial governments, freehold landowners and overriding royalty owners. For the three months ended March 31, 2015, total royalties were $246,718 compared to $669,103 for the three months ended March 31, 2014. The decrease is attributable to the decrease in petroleum and natural gas sales discussed above. The Company's average royalty rate for the three months ended March 31, 2015 was 8.2 percent compared to 9.4 percent for the same period and is primarily due to the decrease in commodity prices. 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 2015	2014	% change
Operating expenses	1,841,733	2,083,111	(12)
$ per Boe	24.90	24.42	2
Transportation expenses	225,171	420,405	(46)
$ per Boe	3.04	4.93	(38)
Total operating costs	2,066,904	2,503,516	(17)
$ per Boe	27.94	29.35	(5)

Total operating costs during the first quarter of 2015 were $2,066,904, compared to $2,503,516 in the same period in prior year. The decrease in total operating costs is attributable to decreased production volumes in the first quarter of 2015. On a per Boe basis, operating expenses for the three months ended March 31, 2015 were $24.90 (2014 - $24.42). On a per Boe basis, transportation expenses for the three months ended March 31, 2015 were $3.04 (2014 - $4.93). The decrease in transportation expenses per Boe is due to decreased production volumes and lower trucking rates in the first three months of 2015 compared to the same period in the prior year. Total operating costs (including operating and transportation expenses) on a per Boe basis were $27.94 (2014 – $29.35).

Exploration and Evaluation Expenses

($)	Three Months Ended March 31 2015	2014	% change
Exploration and evaluation expenses	405,444	270,392	50

During the three months ended March 31, 2015, the Company recorded $405,444 of exploration and evaluation expenses compared to $270,392 in the same period in the prior year. The exploration and evaluation expenses in 2015 are mainly attributable to expiration of land leases in the Alberta Bakken and Strathmore areas.

Depletion and Depreciation

($, except per Boe amounts)	Three Months Ended March 31 2015	2014	% change
Depletion and depreciation	1,745,796	2,202,916	(21)
$ per Boe	23.60	25.82	(9)

For the three months ended March 31, 2015, depletion and depreciation expense was $1,745,796 (2014 - $2,202,916). The decrease is due primarily to decreased production volumes for the Company in the first quarter of 2015 compared to the same period in the prior year. On a per Boe basis, depletion and depreciation for the first quarter of 2015 was $23.60 (2014 – $25.82). This decrease, on a per Boe basis, is due to the effect of an increase in reserves from the 2014 year end reserve report for the Company as a whole and impairment of the Alberta Bakken, Armada and Manyberries properties recognized at December 31, 2014 resulting in lower depletion rates for these cash-generating units in the current quarter.

General and Administrative Expenses

($, except per Boe amounts)	Three Months Ended March 31 2015	2014	% change
General and administrative expenses	241,980	785,150	(69)
Recoveries	(25,630)	(51,983)	(51)
Capitalized general and administrative expenses	-	(75,150)	(100)
Total net general and administrative expenses	216,350	658,017	(67)
$ per Boe	2.92	7.71	(62)

During the first quarter of 2015, net general and administrative expenses ("G&A") decreased 67 percent to $216,350 compared to $658,017 in the same period in 2014. On a per Boe basis, the G&A expense was $2.92 per Boe for the three months ended March 31, 2015 (2014 - $7.71). This decrease on a net and per Boe basis is attributable to the reduction of the monthly Services Agreement fee charged by Legacy Oil + Gas Inc. ("Legacy") in the current quarter to $200,000 per annum (2014 - $2,004,000 per annum) as well as not capitalizing any general and administrative expenses in the quarter. Net G&A for the quarter was comprised of $241,980 (2014 - $785,150) in general and administrative expenses less $25,630 (2014 - $51,983) in recoveries and $nil (2014 - $75,150) in capitalized G&A.

Share-based Payments

($)	Three Months Ended March 31 2015	2014	% change
Share-based payments expense	235,418	142,169	66

For the three months ended March 31, 2015, the Company expensed $235,418 in share-based payments related to stock options compared to $142,169 for the same period in the prior year. This increase is primarily due to new stock options granted in the third quarter of 2014.

Finance Costs

($)	Three Months Ended March 31 2015	2014	% change
Interest expense and finance charges	373,495	182,221	105
Accretion on decommissioning liabilities	176,916	197,436	(10)
Total finance costs	550,411	379,657	45

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

During the first quarter of 2015, interest and finance charges increased to $373,495 compared to $182,221 for the same period in 2014. This increase was due to the increase in the average debt balance in the first quarter of 2015 compared to the first quarter of 2014 as well as the Company entering into a new bank facility late in the third quarter of 2014 which carried slightly higher rates compared to the facility in place in the prior year. During the first quarter of 2015, accretion on decommissioning liabilities was $176,916 (2014 - $197,436). This decrease relates to the effect of a lower risk free rate of return during the first quarter of 2015 compared to the same period in the prior year.

Income Taxes

($)	Three Months Ended March 31 2015	2014	% change
Deferred income tax expense (recovery)	-	83,391	(100)

At March 31, 2015 and December 31, 2014, no recognition has been made for the Company's deferred tax asset as there is doubt whether the Company may have sufficient future taxable income to realize the unrecognized deferred tax asset under current market conditions resulting in $nil deferred income tax expense for the three months ending March 31, 2015.

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 percent mainly due to non-deductible share based payments.

Net Income (Loss) and Funds Generated by Operations

($, except per Boe amounts)	Three Months Ended March 31 2015	2014	% change
Net income (loss)	(2,445,766)	179,661	(1,461)
Per share basic	(0.03)	-	n/a
Per share diluted	(0.03)	-	n/a
Funds generated by operations	117,808	3,067,758	(96)
Per share basic	-	0.03	(100)
Per share diluted	-	0.03	(100)
$ per Boe	1.59	35.96	(96)

For the three months ended March 31, 2015, a net loss of $2,445,766 was recognized compared to net income of $179,661 during the same period in 2014 due primarily to the decline in operating netbacks resulting from the significant decline in in commodity prices combined with a decrease in production volumes, an increase in exploration and evaluation expenses, share-based payments and finance costs offset by lower depletion and depreciation, G&A and income tax expense in the first quarter of 2015 compared to the same period in the prior year. Basic and diluted net loss per share for the first quarter of 2015 was $0.03, compared to basic and diluted net income per share of $nil for 2014.

Funds generated by operations decreased 96 percent to $117,808 for the first quarter of 2015, compared to $3,067,758 during the same period in 2014, due primarily to the decline in operating netbacks resulting from the significant decline in in commodity prices combined with a decrease in production volumes and higher finance costs offset by lower G&A. Basic and diluted funds generated by operations per share for the quarter ended March 31, 2015 were $nil, compared to $0.03 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, 2015 and 2014:

($ per Boe)	Three Months Ended March 31 2015	2014	% change
Petroleum and natural gas sales	40.84	83.09	(51)
Royalties	(3.33)	(7.84)	(58)
Revenue	37.51	75.25	(50)
Operating expenses	(24.90)	(24.42)	2
Transportation expenses	(3.04)	(4.93)	(38)
Operating netback	9.57	45.90	(79)
Exploration and evaluation expenses (cash portion)	-	(0.10)	(100)
General and administrative expenses	(2.92)	(7.71)	(62)
Finance costs - Interest expense and finance charges (cash portion)	(5.06)	(2.13)	138
Funds generated by operations	1.59	35.96	(96)

SUMMARY OF QUARTERLY RESULTS

The table below contains first quarter 2015 results of LGX as well as comparisons to the previous seven quarterly results for the Company:

	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2
Financial								
($, except per share amounts)								
Petroleum and natural gas sales	3,021,275	4,601,355	5,059,868	6,311,665	7,088,822	5,641,778	5,698,496	4,993,556
Petroleum and natural gas sales net of royalties	2,774,557	3,854,256	4,331,707	5,490,455	6,419,719	4,520,788	4,819,532	4,156,240
Funds generated by (used in) operations	117,808	467,855	1,148,432	1,874,662	3,067,758	1,125,835	581,632	1,609,234
- Per share basic	-	0.01	0.01	0.02	0.03	0.01	0.01	0.02
- Per share diluted	-	0.01	0.01	0.02	0.03	0.01	0.01	0.02
Net Income (Loss)	(2,445,766)	(41,300,437)	(1,074,202)	(727,033)	179,661	(7,775,472)	(8,270,280)	(3,127,371)
- Per share basic	(0.03)	(0.47)	(0.01)	(0.01)	-	(0.09)	(0.09)	(0.04)
- Per share diluted	(0.03)	(0.47)	(0.01)	(0.01)	-	(0.09)	(0.09)	(0.04)
Capital expenditures								
- Exploration and development	651,357	9,179,368	5,872,876	493,819	1,931,988	12,782,541	1,696,828	361,856
- Acquisitions and (dispositions) (1)	-	(220,000)	-	-	-	-	-	-
Net debt and working capital surplus (deficit)	(30,864,791)	(30,332,110)	(21,840,956)	(17,116,598)	(18,495,587)	(19,635,864)	(9,189,958)	(8,058,946)
Total assets	109,099,528	110,227,014	138,687,831	134,272,969	135,417,520	135,247,379	133,374,916	141,694,415
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	609	628	537	646	734	718	567	578
- Natural gas (Mcf per day)	1,278	1,446	1,360	1,307	1,285	1,482	1,677	1,729
- Total daily production (Boe per day)	822	869	764	864	948	965	847	866
- Increase/(Decrease) over prior quarter	(5%)	14%	(12%)	(9%)	(2%)	14%	(2%)	(5%)
Average realized price								
- Crude oil and natural gas liquids ($ per Bbl)	49.78	71.00	92.22	98.15	97.12	78.26	102.23	84.63
- Natural gas ($ per Mcf)	2.55	3.75	4.03	4.55	5.82	3.46	2.37	3.44
- Barrels of oil equivalent ($ per Boe)	40.84	57.55	71.99	80.28	83.09	63.55	73.13	63.37
Netback ($ per Boe)								
- Petroleum and natural gas sales	40.84	57.55	71.99	80.28	83.09	63.55	73.13	63.37
- Royalties	3.33	9.34	10.36	10.44	7.84	12.63	11.28	10.63
- Operating expenses	24.90	29.32	29.30	29.28	24.42	29.09	43.46	20.17
- Transportation expenses	3.04	3.67	4.35	4.13	4.93	3.13	2.63	2.81
- Operating netback	9.57	15.22	27.98	36.43	45.90	18.70	15.76	29.76

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

The Company's petroleum and natural gas sales have fluctuated over the past eight quarters due to the volatility in commodity prices, LGX's drilling program and the impact of weather conditions. 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 and losses from dispositions, transaction costs incurred on business combinations, impairment losses 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 and dispositions.

CAPITAL EXPENDITURES

The Company's capital expenditures consist of the following:

($)	Three Months Ended March 31 2015	2014	% change
Capital expenditures – Exploration and development			
Land acquisitions and retention	75,649	45,846	65
Geological and geophysical	-	330	(100)
Drilling and completions	162,001	1,096,572	(85)
Equipping and facilities	413,707	714,090	(42)
Capitalized general and administrative expenses	-	75,150	(100)
Capital expenditures – Exploration and development (1)	651,357	1,931,988	(66)
Capital expenditures – Acquisitions and dispositions			
Capital expenditures – Acquisitions and dispositions	-	-	n/a
Total capital expenditures	651,357	1,931,988	(66)

(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 2015	2014
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 2015	As at December 31 2014
Outstanding Securities		
- Common Shares	88,658,427	88,658,427
- Common Share Warrants	6,000,000	6,000,000
- Common Share Options	7,034,750	7,140,500

(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 March 31, 2015 was $5,319,506.

	As at March 31 2015	As at December 31 2014
Common Shares Outstanding	88,658,427	88,658,427
Share Price (2)	$0.06	$0.20
Total Market Capitalization	$5,319,506	$17,731,685

(2) Represents the closing price on the TSX Venture Exchange ("TSX-V") at March 31, 2015 and December 31, 2014

At March 31, 2015, there remains a significant difference between the Company's net assets and market capitalization. Management believes that the market capitalization of the Company continues to be dominated by external factors such as overall market confidence, current commodity price environment and debt concerns and does not reflect the fair value of the Company's net assets.

As at May 12, 2015, 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, 2015, the Company had a net debt and working capital deficit of $30,864,791 (December 31, 2014 - $30,332,110). The Company continues to monitor its trade and other receivables and its allowance for doubtful accounts. As at March 31, 2015 and December 31, 2014, there have been no impairment issues of the Company's trade and other receivables and management considers these collectible within the next operating cycle.

At March 31, 2015, 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 Junior Commitment 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 Senior Commitment is a borrowing base facility subject to annual review by ATB, with the next review scheduled no later than May 31, 2015. 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 Senior Commitment 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 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 2015 and any amounts drawn under the Junior Commitment (for the Senior Commitment calculation) and the Senior Commitment (for the Junior Commitment calculation).

LGX's credit facilities are currently subject to their annual review by the lender. LGX was not in compliance with the existing financial covenants under the credit facilities as at March 31, 2015. The lender has not demanded repayment of the senior, demand portion of the credit facilities or accelerated repayment of the junior, term portion as a result of LGX not being in compliance with the covenants. LGX is in discussions with the lender with respect to the terms of a renewal or replacement of the senior portion of the facility and a relaxation or waiver of the financial covenants thereunder and under the junior portion of the facility. The results of such discussions, including any relaxation or waiver of financial covenants, are uncertain and there is no guarantee that LGX will be in compliance with the current or any revised financial covenants in the future.

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 2015**	**As at December 31 2014**
Capital resources		
Bank debt available	1,630,000	9,660,000
Working capital deficit (excluding Bank debt)	(2,494,791)	(9,992,110)
Total capital resources available	(864,791)	(332,110)

As discussed in above in Going Concern, the Company faces circumstances that create material uncertainty that lends significant doubt as to the ability of the Company to meet its obligations as they come due.

With cash flows impacted by oil prices at five year lows, LGX is working proactively to ensure it has the ability to meet its financial obligations under its credit facilities and satisfy the 2015 drilling commitments under its lease of lands on the Blood Reserve. The

Company is currently evaluating all possible measures, including but not limited to: asset sales, accessing third party capital, joint ventures and drilling commitment extension. There is no assurance that these initiatives will be successful.

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

ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2015 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, 2014. 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). Note 3 of the March 31, 2015 financial statements include a summary of further accounting changes that may affect the Company in future accounting period.

A summary of the significant accounting policies used by LGX can be found in Note 3 of the December 31, 2014 audited consolidated financial statements. Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2014 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, 2014. In addition, LGX is also subject to other risks and uncertainties which are described in the Company's Annual Information Form dated March 24, 2015.

OUTSTANDING SHARE DATA

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, 2015, a total of 88,658,427 common shares were issued and outstanding. In addition, a total of 7,034,750 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. The monthly fee was revised during the three months ended March 31, 2015 to $16,667 per month excluding GST (2014 - $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 Services Agreement, Legacy invoiced the Company $52,500 during the three months ended March 31, 2015 (2014 - $526,050) of which $nil was payable as at March 31, 2015 (December 31, 2014 - $nil). In relation to capital and operations activity, the Company has a net trade receivable from Legacy of $92,495 as at March 31, 2015 (December 31, 2014 - $9,590 payable).

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

COMMITMENTS AND CONTINGENGIES

Drilling commitments

Pursuant to the Blood Lease, LGX has a commitment to spud two test wells on the Blood Lease on or before September 30, 2015. Each test well must be drilled thereafter to a minimum depth of 1,000 metres or 5 metres into the Devonian, whichever occurs first. If LGX does not fulfill this drilling commitment, LGX would be in default under the Blood Lease and would not be entitled to a continuance of the term of the Blood Lease. In this circumstance, the Blood Lease shall be continued only as to the spacing units related to the existing wells producing or deemed capable of production. This, in turn, would have a material adverse effect on LGX's reserves as it would eliminate the reserves assigned to future drilling locations on lands held under the Blood Lease.

Service 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 $16,667 (2014 - $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.