LGX OIL + GAS INC.

Q2 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 and six months ended June 30, 2015, as of August 18, 2015, is to be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended June 30, 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 June 30, 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 June 30, 2015 relating to its property, plant and equipment and based on management's best estimates, the $24.0 million carrying amount of its net assets in the Manyberries area at June 30, 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).

The Company continues to work in accordance with the provisions of the Emergency Order and is continuing to work with Environment Canada to get additional clarity on the practical application of the Emergency Order.

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 June 30			Six Months Ended June 30		
($)	2015	2014	% change	2015	2014	% change
Cash flow generated by (used) in operating activities	435,673	1,221,636	(64)	931,026	1,647,885	(44)
Changes in non-cash working capital	214,244	653,026	(67)	(163,301)	3,294,535	(105)
Funds generated by operations	649,917	1,874,662	(65)	767,725	4,942,420	(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 June 30 2015	As at December 31 2014
Total current assets	2,628,349	4,169,410
Total current liabilities	(33,332,670)	(34,501,520)
Net debt and working capital deficit	(30,704,321)	(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 unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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 six months ended June 30, 2015, the Company reported a net loss of $6,262,368 (2014 – $547,372) and net cash flow from operating activities of $931,026 (2014 - $1,647,885). At June 30, 2015, the Company had drawn $28,650,000 (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 $2,054,321 (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 June 30, 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. 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 unaudited 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 six year lows, LGX is working proactively to ensure it has the ability to meet its financial obligations under its credit facilities. 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.

MANAGEMENT'S DISCUSSION + ANALYSIS

RESULTS OF OPERATIONS

Production

	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Daily Production						
Crude oil and natural gas liquids (Bbls per day)	465	646	(28)	537	690	(22)
Natural gas (Mcf per day)	1,270	1,307	(3)	1,274	1,296	(2)
Total (Boe per day)	677	864	(22)	749	906	(17)

For the three months ended June 30, 2015, LGX's production was 677 Boe per day compared to 864 Boe per day for the same period in the prior year. For the six months ended June 30, 2015, LGX's production was 749 Boe per day compared to 906 Boe per day for the same period in the prior year. This decrease for both the three and six months ended June 30, 2015 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 and the recompletion of the 6-36 well in the late second quarter of 2015. Crude oil and natural gas liquids production for the three months ended June 30, 2015 was 465 Bbls per day compared to 646 Bbls per day for the three months ended June 30, 2014. Natural gas production was 1,270 Mcf per day for the three months ended June 30, 2015 compared to 1,307 Mcf per day for the three months ended June 30, 2014.

Realized Commodity Prices

	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Daily Average Benchmark Prices						
Crude oil – WTI (US$ per Bbl)	57.96	102.98	(44)	53.29	100.81	(47)
Crude oil – WTI ($ per Bbl)	71.23	112.30	(37)	65.79	110.57	(40)
Crude oil – Canadian Light Sweet ($ per Bbl)(1)	68.74	104.82	(34)	60.93	102.41	(41)
Natural gas – AECO-C Spot ($ per Mcf)	2.68	4.72	(43)	2.71	5.14	(47)
Exchange rate – (US/CAD)	0.814	0.917	(11)	0.810	0.912	(11)
LGX's average realized prices						
Crude oil and natural gas liquids ($ per Bbl)	64.91	98.15	(34)	56.33	97.57	(42)
Natural gas ($ per Mcf)	2.80	4.55	(38)	2.67	5.18	(48)
Barrels of oil equivalent ($ per Boe)	49.83	80.28	(38)	44.93	81.72	(45)

(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 second quarter of 2015 was $64.91 per Bbl (2014 – $98.15) compared to a C$ WTI price of $71.23 per Bbl (2014 - $112.30 per Bbl). For the six months ended June 30, 2015, LGX's realized price for its crude oil and natural gas liquids sales was $56.33 per Bbl as compared to $97.57 for the same period in the prior year. This decrease in the realized crude oil price and natural gas liquids price for both the three and six months ended June 30, 2015 is due to the significant decrease in the WTI price compared to the prior year as crude oil prices continued to decline persisting near six year lows. LGX's oil production is light sweet crude produced in southern Alberta.

For the second quarter of 2015, the Company's realized price for its natural gas was $2.80 per Mcf (2014 – $4.55). For the six months ended June 30, 2015, the Company's realized price for its natural gas was $2.67 per Mcf (2014 – $5.18). This decrease in the realized natural gas price can be attributed to the decrease in AECO spot price both in the three and six months ended June 30, 2015 compared to the same period in 2014.

Revenue

($, except per Boe and percent amounts)	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Petroleum and natural gas sales by product						
Crude oil and natural gas liquids	2,746,827	5,769,944	(52)	5,475,212	12,186,011	(55)
Natural gas	323,199	541,721	(40)	616,089	1,214,476	(49)
Total petroleum and natural gas sales	3,070,026	6,311,665	(51)	6,091,301	13,400,487	(55)
$ per Boe	49.83	80.28	(38)	44.93	81.72	(45)
Royalties						
Royalties	181,714	821,210	(78)	428,432	1,490,313	(71)
$ per Boe	2.95	10.44	(72)	3.16	9.09	(65)
% of petroleum and natural gas sales	5.9	13.0	(55)	7.0	11.1	(37)
Revenue						
Petroleum and natural gas sales, net of royalties	2,888,312	5,490,455	(47)	5,662,869	11,910,174	(52)
$ per Boe	46.88	69.84	(33)	41.77	72.63	(42)

For the three months ended June 30, 2015, LGX's petroleum and natural gas sales were $3,070,026 compared to $6,311,665 for the three months ended June 30, 2014. For the six months ended June 30, 2015, LGX's petroleum and natural gas sales were $6,091,301 compared to $13,400,487 during the same period in 2014. The decrease in both the three and six months ended June 30, 2015 can be attributed 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 June 30, 2015, total royalties were $181,714 compared to $821,210 for the three months ended June 30, 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 June 30, 2015 was 5.9 percent compared to 13.0 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.

For the six months ended June 30, 2015, total royalties were $428,432 as compared to $1,490,313 during 2014. The Company's average royalty rate for the six months ended June 30, 2015 was 7.0 percent compared to 11.1 percent in 2014. The decrease in total royalties and royalty rate are due to the decrease in petroleum and natural gas sales discussed above due to the decrease in commodity prices throughout 2015.

Operating and Transportation Expenses

($, except per Boe amounts)	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Operating expenses	1,430,710	2,302,338	(38)	3,272,443	4,385,449	(25)
$ per Boe	23.22	29.28	(21)	24.14	26.74	(10)
Transportation expenses	198,062	324,893	(39)	423,233	745,298	(43)
$ per Boe	3.21	4.13	(22)	3.12	4.55	(31)
Total operating costs	1,628,772	2,627,231	(38)	3,695,676	5,130,747	(28)
$ per Boe	26.43	33.41	(21)	27.26	31.29	(13)

Total operating costs during the second quarter of 2015 were $1,628,772, compared to $2,627,231 in the same period in the prior year. The decrease in total operating costs is attributable to decreased production volumes in the second quarter of 2015. On a per Boe basis, operating expenses for the three months ended June 30, 2015 were $23.22 (2014 - $29.28). On a per Boe basis, transportation expenses for the three months ended June 30, 2015 were $3.21 (2014 - $4.13). The decrease in both operating and transportation expenses per Boe is due to decreased production volumes in the current quarter in the Company's areas with higher operating costs. In addition, there were lower trucking rates in the second quarter 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 $26.43 (2014 – $33.41).

Total operating costs during the six months ended June 30, 2015 were $3,695,676, compared to $5,130,747 during 2014. The decrease in total operating costs is attributable to the decrease production volumes as discussed above. On a per Boe basis, operating expenses for the six months ended June 30, 2015 were $24.14 (2014 – $26.74). On a per Boe basis, transportation expenses for the six months ended June 30, 2015 were $3.12 (2014 - $4.55). Total operating costs (including operating and transportation expenses) on a per Boe basis were $27.26 (2014 - $31.29).

Exploration and Evaluation Expenses

	Three Months Ended June 30			Six Months Ended June 30		
($)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
Exploration and evaluation expenses	2,756,373	469,939	487	3,161,817	740,331	327

During the three months ended June 30, 2015, the Company recorded $2,756,373 of exploration and evaluation expenses compared to $469,939 in the same period in the prior year. During the six months ended June 30, 2015 the Company recorded $3,161,817 of exploration and evaluation expenses compared to $740,331 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

	Three Months Ended June 30			Six Months Ended June 30		
($, except per Boe amounts)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
Depletion and depreciation	1,429,136	2,060,843	(31)	3,174,932	4,263,759	(26)
$ per Boe	23.20	26.21	(11)	23.42	26.00	(10)

For the three months ended June 30, 2015, depletion and depreciation expense was $1,429,136 (2014 - $2,060,843). The decrease is due primarily to decreased production volumes for the Company in the second quarter of 2015 compared to the same period in the prior year. On a per Boe basis, depletion and depreciation for the second quarter of 2015 was $23.20 (2014 – $26.21). 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.

For the six months ended June 30, 2015, depletion and depreciation expense was $3,174,932 (2014 - $4,263,759), this decrease is due to the effect of decreased production volumes as discussed above. On a per Boe basis, depletion and depreciation for the six months ended June 30, 2015 was $23.42 (2014 - $26.00), this decrease is due to the effect of the 2014 year end reserve report as discussed above.

General and Administrative Expenses

	Three Months Ended June 30			Six Months Ended June 30		
($, except per Boe amounts)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
General and administrative expenses	207,345	823,288	(75)	449,325	1,608,438	(72)
Recoveries	(5,614)	(5,956)	(6)	(31,244)	(57,939)	(46)
Capitalized general and administrative expenses	-	(75,150)	(100)	-	(150,300)	(100)
Total net general and administrative expenses	201,731	742,182	(73)	418,081	1,400,199	(70)
$ per Boe	3.27	9.45	(65)	3.08	8.54	(64)

During the second quarter of 2015, net general and administrative expenses ("G&A") decreased 73 percent to $201,731 compared to $742,182 in the same period in 2014. On a per Boe basis, the G&A expense was $3.27 per Boe for the three months ended June 30, 2015 (2014 - $9.45). 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 first quarter of 2015 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 $207,345 (2014 - $823,288) in general and administrative expenses less $5,614 (2014 - $5,956) in recoveries and $nil (2014 - $75,150) in capitalized G&A.

For the six months ended June 30, 2015, net general and administrative expenses ("G&A") decreased 70 percent to $418,081 compared to $1,400,199 in the same period in 2014. On a per Boe basis, the G&A expense was $3.08 per Boe for the six months ended June 30, 2015 compared to $8.54 per Boe for the same period in the prior year. Net G&A for the six months ending June 30, 2015 was comprised of $449,325 (2014 - $1,608,438) in general and administrative expenses less $31,244 (2014 - $57,939) in recoveries and $nil (2014 - $150,300) in capitalized G&A. As noted above, G&A expenses decreased for the year-to-date ended June 30, 2015 compared to the same period in the prior year due to the reduction of the monthly Services Agreement fee as discussed above.

Share-based Payments

($)	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Share-based payments expense	111,057	85,817	29	346,475	227,986	52

For the three months ended June 30, 2015, the Company expensed $111,057 in share-based payments related to stock options compared to $85,817 for the same period in the prior year. For the six months ended June 30, 2015, the Company expensed $346,475 in share-based payments related to stock options compared to $227,986 for the same period in 2014. This increase for both the three and six months ended June 30, 2015 is primarily due to new stock options granted in the third quarter of 2014.

Finance Costs

($)	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Interest expense and finance charges	407,892	246,380	66	781,387	428,601	82
Accretion on decommissioning liabilities	169,953	195,961	(13)	346,869	393,397	(12)
Total finance costs	577,845	442,341	31	1,128,256	821,998	37

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

During the second quarter of 2015, interest and finance charges increased to $407,892 compared to $246,380 for the same period in 2014. This increase was due to the increase in the average debt balance in the second quarter of 2015 compared to the second 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 second quarter of 2015, accretion on decommissioning liabilities was $169,953 (2014 - $195,961). This decrease relates to the effect of a lower risk free rate of return during the second quarter of 2015 compared to the same period in the prior year.

During the six months ended June 30, 2015, interest and finance charges increased to $781,387 compared to $428,601 for the same period in 2014. This increase is due to the higher average debt and higher average rates as discussed above. During the six months ended June 30, 2015, accretion on decommissioning liabilities was $346,869 compared to $393,397 for the same period in the prior year. This decrease relates to the effect of a lower risk free rate of return for the six months ended June 30, 2015 as discussed above.

Income Taxes

($)	Three Months Ended June 30 2015	2014	% change	Six Months Ended June 30 2015	2014	% change
Deferred income tax recovery	-	(210,865)	(100)	-	(127,474)	(100)

At June 30, 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 both the three and six months ending June 30, 2015.

A deferred income tax recovery of $210,865 was recorded for the three months ended June 30, 2014, resulting in an effective deferred income tax recovery rate of 22 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.

A deferred income tax recovery of $127,474 was recorded for the six months ended June 30, 2014, resulting in an effective deferred income tax recovery rate of 19 percent of the net loss before tax.

Net Income (Loss) and Funds Generated by Operations

	Three Months Ended	June 30		Six Months Ended	June 30	
($, except per Boe amounts)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
Net income (loss)	(3,816,602)	(727,033)	425	(6,262,368)	(547,372)	1,044
Per share basic	(0.04)	(0.01)	300	(0.07)	(0.01)	600
Per share diluted	(0.04)	(0.01)	300	(0.07)	(0.01)	600
Funds generated by operations	649,917	1,874,662	(65)	767,725	4,942,420	(84)
Per share basic	0.01	0.02	(50)	0.01	0.06	(83)
Per share diluted	0.01	0.02	(50)	0.01	0.06	(83)
$ per Boe	10.55	23.84	(56)	5.66	30.14	(81)

For the three months ended June 30, 2015, a net loss of $3,816,602 was recognized compared to a net loss of $727,033 during the same period in 2014 due primarily to the decline in operating netbacks resulting from the significant decline 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 second quarter of 2015 compared to the same period in the prior year. Basic and diluted net loss per share for the second quarter of 2015 was $0.04, compared to $0.01 for 2014. Funds generated by operations decreased 65 percent to $649,917 for the second quarter of 2015, compared to $1,874,662 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 June 30, 2015 were $0.01, compared to $0.02 in the same period in the prior year.

For the six months ended June 30, 2015, a net loss of $6,262,368 was recognized compared to a net loss of $547,372 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 six months of 2015 compared to the same period in the prior year. Basic and diluted net loss per share for the six months ended June 30, 2015 was $0.07, compared to $0.01 for the first six months of 2014. Funds generated by operations decreased 84 percent to $767,725 for the six months ended June 30, 2015, compared to $4,942,420 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 six months ended June 30, 2015 were $0.01, compared to $0.06 in the prior year.

The following table summarizes the operating netbacks and funds generated by operations on a per Boe basis for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended	June 30		Six Months Ended	June 30	
($ per Boe)	**2015**	**2014**	**% change**	**2015**	**2014**	**% change**
Petroleum and natural gas sales	49.83	80.28	(38)	44.93	81.72	(45)
Royalties	(2.95)	(10.44)	(72)	(3.16)	(9.09)	(65)
Revenue	46.88	69.84	(33)	41.77	72.63	(42)
Operating expenses	(23.22)	(29.28)	(21)	(24.14)	(26.74)	(10)
Transportation expenses	(3.21)	(4.13)	(22)	(3.12)	(4.55)	(31)
Operating netback	20.45	36.43	(44)	14.51	41.34	(65)
Exploration and evaluation expenses (cash portion)	-	-	n/a	-	(0.05)	(100)
General and administrative expenses	(3.27)	(9.45)	(65)	(3.08)	(8.54)	(64)
Finance costs - Interest expense and finance charges (cash portion)	(6.63)	(3.14)	111	(5.77)	(2.61)	121
Funds generated by operations	10.55	23.84	(56)	5.66	30.14	(81)

SUMMARY OF QUARTERLY RESULTS

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

	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3
Financial								
($, except per share amounts)								
Petroleum and natural gas sales	3,070,026	3,021,275	4,601,355	5,059,868	6,311,665	7,088,822	5,641,778	5,698,496
Petroleum and natural gas sales, net of royalties	2,888,312	2,774,557	3,854,256	4,331,707	5,490,455	6,419,719	4,520,788	4,819,532
Funds generated by (used in) operations	649,917	117,808	467,855	1,148,432	1,874,662	3,067,758	1,125,835	581,632
- Per share basic	0.01	-	0.01	0.01	0.02	0.03	0.01	0.01
- Per share diluted	0.01	-	0.01	0.01	0.02	0.03	0.01	0.01
Net Income (Loss)	(3,816,602)	(2,445,766)	(41,300,437)	(1,074,202)	(727,033)	179,661	(7,775,472)	(8,270,280)
- Per share basic	(0.04)	(0.03)	(0.47)	(0.01)	(0.01)	-	(0.09)	(0.09)
- Per share diluted	(0.04)	(0.03)	(0.47)	(0.01)	(0.01)	-	(0.09)	(0.09)
Capital expenditures								
- Exploration and development	490,035	651,357	9,179,368	5,872,876	493,819	1,931,988	12,782,541	1,696,828
- Acquisitions and dispositions (1)	-	-	(220,000)	-	-	-	-	-
Net debt and working capital surplus (deficit)	(30,704,321)	(30,864,791)	(30,332,110)	(21,840,956)	(17,116,598)	(18,495,587)	(19,635,864)	(9,189,958)
Total assets	103,529,409	109,099,528	110,227,014	138,687,831	134,272,969	135,417,520	135,247,379	133,374,916
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	465	609	628	537	646	734	718	567
- Natural gas (Mcf per day)	1,270	1,278	1,446	1,360	1,307	1,285	1,482	1,677
- Total daily production (Boe per day)	677	822	869	764	864	948	965	847
- Increase/(Decrease) over prior quarter	(18%)	(5%)	14%	(12%)	(9%)	(2%)	14%	(2%)
Average realized price								
- Crude oil and natural gas liquids ($ per Bbl)	64.91	49.78	71.00	92.22	98.15	97.12	78.26	102.23
- Natural gas ($ per Mcf)	2.80	2.55	3.75	4.03	4.55	5.82	3.46	2.37
- Barrels of oil equivalent ($ per Boe)	49.83	40.84	57.55	71.99	80.28	83.09	63.55	73.13
Netback ($ per Boe)								
- Petroleum and natural gas sales	49.83	40.84	57.55	71.99	80.28	83.09	63.55	73.13
- Royalties	2.95	3.33	9.34	10.36	10.44	7.84	12.63	11.28
- Operating expenses	23.22	24.90	29.32	29.30	29.28	24.42	29.09	43.46
- Transportation expenses	3.21	3.04	3.67	4.35	4.13	4.93	3.13	2.63
- Operating netback	20.45	9.57	15.22	27.98	36.43	45.90	18.70	15.76

(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 June 30 2015	Three Months Ended June 30 2014	% change	Six Months Ended June 30 2015	Six Months Ended June 30 2014	% change
Capital expenditures – Exploration and development						
Land acquisitions and retention	99,974	40,043	150	175,623	85,889	104
Geological and geophysical	-	886	(100)	-	1,216	(100)
Drilling and completions	325,487	181,531	79	487,488	1,278,103	(62)
Equipping and facilities	64,574	154,284	(58)	478,281	868,374	(45)
Capitalized general and administrative expenses	-	75,150	(100)	-	150,300	(100)
Other	-	41,925	(100)	-	41,925	(100)
Capital expenditures – Exploration and development (1)	490,035	493,819	(1)	1,141,392	2,425,807	(53)
Capital expenditures – Acquisitions and dispositions						
Capital expenditures – Acquisitions and dispositions	-	-	n/a	-	-	n/a
Total capital expenditures	490,035	493,819	(1)	1,141,392	2,425,807	(53)

(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 June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
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 June 30 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	6,250,250	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 June 30, 2015 was $11,525,596.

	As at June 30 2015	As at December 31 2014
Common Shares Outstanding	88,658,427	88,658,427
Share Price (2)	$0.13	$0.20
Total Market Capitalization	$11,525,596	$17,731,685

(2) Represents the closing price on the TSX Venture Exchange ("TSX-V") at June 30, 2015 and December 31, 2014

At June 30, 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 August 18, 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 June 30, 2015, the Company had a net debt and working capital deficit of $30,704,321 (December 31, 2014 - $30,332,110). The Company continues to monitor its trade and other receivables and its allowance for doubtful accounts. As at June 30, 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 June 30, 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. 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 derivative 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 earnings 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 June 30, 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 June 30 2015**	**As at December 31 2014**
Capital resources		
Bank debt available	1,350,000	9,660,000
Working capital deficit (excluding Bank debt)	(2,054,321)	(9,992,110)
Total capital resources available	(704,321)	(332,110)

As discussed 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 six year lows, LGX is working proactively to ensure it has the ability to meet its financial obligations under its credit facilities. 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 and six months ended June 30, 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 June 30, 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 June 30, 2015, a total of 88,658,427 common shares were issued and outstanding. In addition, a total of 6,250,250 stock options to acquire common shares and 6,000,000 warrants to acquire common shares were outstanding.

RELATED PARTY TRANSACTIONS

The monthly Legacy Services Agreement fee was revised during the six months ended June 30, 2015 to $16,667 per month excluding GST (2014 - $167,000 excluding GST). The Services Agreement 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 $105,000 during the six months ended June 30, 2015 (2014 - $1,052,100).

On June 30, 2015, Crescent Point Energy Corp. ("Crescent Point") acquired all of the issued and outstanding shares of Legacy Oil + Gas Inc. and LGX continues to be managed by Legacy's previous management team and Crescent Point's staff as of June 30, 2015.

At June 30, 2015, The Company has a net payable to Crescent Point of $82,855 at June 30, 2015 (December 31, 2014 - $9,590 payable to Legacy).

The Company has received termination notice of the Services Agreement from Crescent Point Energy Corp. as successor to Legacy Oil + Gas Inc. Obligations under this agreement terminate September 29, 2015 and after which LGX intends to have in place the necessary staff and contractors to manage the daily operations of the Company.

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

COMMITMENTS AND CONTINGENGIES

Drilling Commitment

At June 30, 2015, pursuant to the Blood Lease, LGX has a commitment to spud two test wells on the Blood Lease on or before September 30, 2015 ("Drilling Commitment"). 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.

On August 15, 2015, LGX assigned Kainai Energy Limited Partnership by its general partner Kainai Energy Corp. an additional 30 percent working interest in an undeveloped portion of the Blood Lease excluding thereout all production and reserves in exchange for the successful amendment to the Blood Lease to provide for a payment, waiver, or other forbearance to be made in lieu of the obligation to commence drilling two wells on the Blood Lease on or before September 30, 2015.

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).

EVENTS AFTER THE REPORTING PERIOD

Pursuant to the previously announced agreement between LGX and Kainai Energy Limited Partnership by its general partner Kainai Energy Corp ("Kainai"), LGX received notice from Kainai that the Blood Tribe Chief & Council and Indian Oil and Gas Canada had both agreed to amend Petroleum and Natural Gas Lease # OL-6360 ("Blood Lease") to provide for a payment, waiver, or other forbearance to be made in lieu of the obligation to commence drilling two wells on the Blood Lease on or before September 30, 2015. LGX has received confirmation that Kainai has satisfied the revised terms of the Blood Lease. Accordingly, on August 15, 2015, LGX assigned Kainai an additional 30 percent working interest in an undeveloped portion of the Blood Lease excluding thereout all production and reserves in exchange for the successful amendment to the Blood Lease. LGX will retain a 100 percent working interest (80 percent after a 200 percent payout) in the production and reserves, retain an 80 percent working interest in the 16.75 sections of land surrounding the Company's drilling activity and a 50 percent working interest in the remaining 78 sections of the Blood Lease.

LGX and Kainai will cooperate in seeking approval for continuation of the contiguous 94.75 section Blood Lease beyond the end of its primary term of September 30, 2015 for a further five year term, which is subject to final Indian Oil and Gas Canada approval.

On July 6, 2015, LGX announced the addition of John Gunton to the board of directors. Dr. Gunton is an independent businessman. He has over 40 years of industry experience in the search for and production of oil and natural gas throughout Canada and globally. His Canadian experience in the Western Canada Sedimentary Basin, the Williston Basin and the East Coast Offshore includes positions held at Shell Canada, Imperial Oil and several junior Canadian oil and gas companies. He also served as Managing Director, Geoscience of Waterous Securities Inc. (currently Scotia Waterous). Dr. Gunton formed Discovery International Geoconsulting Inc., an advisory company that provided advisory services for 19 exploration and production projects in Canada and internationally from 1997 to 2012. Dr. Gunton is a geologist and holds a B.Sc. degree in geology (honours) from Durham University and a Ph.D. in geology from Queens University.

The Company has received termination notice of the Management, Administrative and Technical Services Agreement from Crescent Point Energy Corp. as successor to Legacy Oil + Gas Inc. Obligations under this agreement terminate September 29, 2015, after which LGX intends to have in place the necessary staff and contractors to manage the daily operations of the Company. Also, LGX announced the resignations of James Pasieka, the chairman and director of the Company, and Mark Franko, Vice President, Legal and General Counsel.

ADDITIONAL INFORMATION

Additional information regarding LGX and its business and operations can be obtained by contacting the Company at LGX Oil + Gas Inc., 4210, 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, 2015, is also available on the Company's profile at www.sedar.com.