LGX OIL + GAS INC.

Q1 2016

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, 2016, as of May 30, 2016, is to be read in conjunction with the unaudited condensed interim consolidated financial statements and related notes for the period ended March 31, 2016 and the audited consolidated financial statements for the year ended December 31, 2015 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, 2016 and December 31, 2015, 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.

In December 2015, the Company and its working interest partners have brought a claim against the Attorney General of Canada seeking compensation in the amount of $60 million for the de facto expropriation and injurious affection of their working interests in the oil and gas assets in the Manyberries oilfields that are affected by the Emergency Order, SOR/2013-202 published in Part II of the Canada Gazette on December 4, 2013.

At March 31, 2016, the Company has made no further provision for impairment losses of its Manyberries property in the amount of for the three months ended March 31, 2016 (At December 31, 2015 - $9,900,000 provision for the year ended December 31, 2015) relating to its property, plant and equipment and based on management's best estimates, the $18.1 million carrying amount of its net assets in the Manyberries area at March 31, 2016 (December 31, 2015 - $18.2 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) the Company is pursuing compensation for losses arising from the 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 March 31		
($)	**2016**	**2015**	**% change**
Cash flow generated by (used in) operating activities	(559,326)	495,353	(213)
Changes in non-cash working capital	515,833	(377,545)	(237)
Funds generated by (used in) operations	(43,493)	117,808	(137)

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 2016**	**As at December 31 2015**
Total current assets	2,244,175	1,947,909
Total current liabilities	(33,675,458)	(32,343,129)
Net debt and working capital deficit	(31,431,283)	(30,395,220)

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 and Banff Formation; (ii) the 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) at LGX'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, 2015 dated April 21, 2016.

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

These condensed interim consolidated financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"), which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. 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, 2016, the Company reported a net loss of $2,357,921 (2015 – $2,445,766) and net cash flow used in operating activities of $559,326 (2015 – net cash flow from operating activities of $495,353). At March 31, 2016, the Company had drawn $30,156,000 (December 31, 2015 - $29,610,000) against its credit facilities of $30,600,000 (December 31, 2015 - $30,000,000) and had other working capital deficiencies, excluding bank debt, of $1,293,174 (December 31, 2015 - $785,220). As the credit facility is a demand loan, it may be called at any time.

At March 31, 2016, the Company had a $30,600,000 revolving demand credit facility with its Canadian banker subject to annual review by the Company's lender. The amending agreement on the facility, entered into agreement on March 7, 2016, is a borrowing base facility subject to annual review by the lender. Security for the credit facilities is provided by $50,000,000 floating charge and $50,000,000 fixed charge demand debentures. The credit facility 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.

On May 17, 2016, the Company entered into an amended agreement with its lender to reduce the credit facility to a temporary $30,100,000 available until the earlier of May 31, 2016 or the lender making demand for repayment in full of the Company's indebtedness to the lender. There is no guarantee the lender will extend the credit after this date. As of May 30, 2016, no extension has been received. In addition, effective January 31, 2016, interest on the credit facility shall continue to accrue but shall not be payable until further review.

The Company is subject to certain reporting, financial and non-financial covenants to the credit facility. The credit facility restriction of the sum of the credit facility borrowings plus other current liabilities less current assets not exceeding $30,500,000 has been temporarily suspended until further review. The lender waived the working capital financial covenant breach, pertaining to the Company's previous credit facilities, for the five fiscal quarters ending March 31, 2016 and the lender did not demand repayment of the credit facilities or accelerate repayment thereof as a result of LGX not being in compliance with the covenants.

There is no guarantee that LGX will be in compliance with the revised financial covenant in the future and the relaxation or waiver of the financial covenant by the lender are uncertain.

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 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 near twelve 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 and joint ventures. On May 2, 2016, the Company closed the sale of its overriding royalty interests in North Dakota to a private company for cash consideration of $1.3 million (Refer Events after the reporting period).

RESULTS OF OPERATIONS

Production

	Three Months Ended March 31		
	2016	**2015**	**% change**
Daily Production			
Crude oil and natural gas liquids (Bbls per day)	263	609	(57)
Natural gas (Mcf per day)	985	1,278	(23)
Total (Boe per day)	427	822	(48)

For the three months ended March 31, 2016, LGX's production was 427 Boe per day compared to 822 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. Crude oil and natural gas liquids production for the three months ended March 31, 2016 was 263 Bbls per day compared to 609 Bbls per day for the three months ended March 31, 2015. Natural gas production was 985 Mcf per day for the three months ended March 31, 2016 compared to 1,278 Mcf per day for the three months ended March 31, 2015.

Realized Commodity Prices

	Three Months Ended March 31		
	2016	**2015**	**% change**
Daily Average Benchmark Prices			
Crude oil – WTI (US$ per Bbl)	33.52	48.56	(31)
Crude oil – WTI ($ per Bbl)	46.03	60.25	(24)
Crude oil – Canadian Light Sweet ($ per Bbl)	41.29	53.04	(22)
Natural gas – AECO-C Spot ($ per Mcf)	1.83	2.75	(33)
Exchange rate – (US/CAD)	0.728	0.806	(10)
LGX's average realized prices			
Crude oil and natural gas liquids ($ per Bbl)	36.40	49.78	(27)
Natural gas ($ per Mcf)	1.95	2.55	(24)
Barrels of oil equivalent ($ per Boe)	26.92	40.84	(34)

LGX's realized price for its crude oil and natural gas liquids sales in the first quarter of 2016 was $36.40 per Bbl (2015 – $49.78) compared to a C$ WTI price of $46.03 per Bbl (2015 - $60.25 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, 2016 compared to the three months ended March 31, 2015 as crude oil prices continued to decline in the current quarter persisting near twelve year lows. LGX's oil production is light sweet crude produced in southern Alberta.

For the first quarter of 2016, the Company's realized price for its natural gas was $1.95 per Mcf (2015 – $2.55). 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, 2016 compared to the same period in 2015.

Revenue

($, except per Boe and percent amounts)	Three Months Ended March 31 2016	2015	% change
Petroleum and natural gas sales by product			
Crude oil and natural gas liquids	871,122	2,728,385	(68)
Natural gas	174,799	292,890	(40)
Total petroleum and natural gas sales	1,045,921	3,021,275	(65)
$ per Boe	26.92	40.84	(34)
Royalties			
Royalties	114,698	246,718	(54)
$ per Boe	2.95	3.33	(11)
% of petroleum and natural gas sales	11.0	8.2	(30)
Revenue			
Petroleum and natural gas sales, net of royalties	931,223	2,774,557	(66)
$ per Boe	23.97	37.51	(36)

For the three months ended March 31, 2016, LGX's petroleum and natural gas sales were $1,045,921 compared to $3,021,175 for the three months ended March 31, 2015 due to lower production volumes related to the Manyberries and Alberta Bakken properties combined with lower average realized price per Boe impacted by significant commodity price decreases in the current quarter.

Royalties consist of royalties to provincial governments, freehold landowners and overriding royalty owners. For the three months ended March 31, 2016, total royalties were $114,698 compared to $246,718 for the three months ended March 31, 2015. 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, 2016 was 11.0 percent compared to 8.2 percent for the same period in the prior year. 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 2016	2015	% change
Operating expenses	546,342	1,841,733	(70)
$ per Boe	14.06	24.90	(44)
Transportation expenses	144,107	225,171	(36)
$ per Boe	3.71	3.04	22
Total operating costs	690,449	2,066,904	(67)
$ per Boe	17.77	27.94	(36)

Total operating costs during the first quarter of 2016 were $690,449, compared to $2,066,904 in the same period in prior year. The decrease in total operating costs is attributable to decreased production volumes in the first quarter of 2016, the Company choosing to delay workover operations under the current pricing environment and the Company achieving cost savings seen throughout the industry. On a per Boe basis, operating expenses for the three months ended March 31, 2016 were $14.06 (2015 - $24.90). On a per Boe basis, transportation expenses for the three months ended March 31, 2016 were $3.71 (2015 - $3.04). The increase in transportation expenses per Boe is due to an increase in trucking and transportation rates in the first quarter of compared to the prior year. Total operating costs (including operating and transportation expenses) on a per Boe basis were $17.77 (2015 – $27.94).

Exploration and Evaluation Expenses

($)	Three Months Ended March 31 2016	2015	% change
Exploration and evaluation expenses	194,249	405,444	(52)

During the three months ended March 31, 2016, the Company recorded $194,249 of exploration and evaluation expenses compared to $405,444 in the same period in the prior year. The exploration and evaluation expenses in 2016 are mainly attributable to expiration of land leases in the Alberta Bakken area.

Depletion and Depreciation

	Three Months Ended March 31		
($, except per Boe amounts)	**2016**	**2015**	**% change**
Depletion and depreciation	894,669	1,745,796	(49)
$ per Boe	23.02	23.60	(2)

For the three months ended March 31, 2016, depletion and depreciation expense was $894,669 (2015 - $1,745,796). The decrease is due primarily to decreased production volumes for the Company in the first quarter of 2016 compared to the same period in the prior year. On a per Boe basis, depletion and depreciation for the first quarter of 2016 decreased by two percent to $23.02 (2015 – $23.60). This decrease, on a per Boe basis, is due to the effect of a decrease in reserves from the 2015 year end reserve report for the Company as a whole and impairment of the Alberta Bakken, Armada and Manyberries properties recognized at December 31, 2015 resulting in lower depletion rates for these cash-generating units in the current quarter.

General and Administrative Expenses

	Three Months Ended March 31		
($, except per Boe amounts)	**2016**	**2015**	**% change**
General and administrative expenses	283,981	241,980	17
Recoveries	(3)	(25,630)	(100)
Capitalized general and administrative expenses	-	-	-
Total net general and administrative expenses	283,978	216,350	31
$ per Boe	7.31	2.92	150

During the first quarter of 2016, net general and administrative expenses ("G&A") increased to $283,978 compared to $216,350 in the same period in 2015. On a per Boe basis, the G&A expense was $7.31 per Boe for the three months ended March 31, 2016 (2015 - $2.92). This increase on a net basis is attributable to the cancellation of the monthly Services Agreement late in 2015 and the increased G&A costs associated with putting in place the necessary staff and contractors to manage the daily operations of the Company. The increase in G&A on a per Boe basis is mainly due to the decrease in production volumes in the current quarter, as G&A is predominantly a fixed cost, as well as increased net G&A as discussed above. Net G&A for the quarter was comprised of $283,981 (2015 - $241,980) in general and administrative expenses less $3 (2015 - $25,630) in recoveries.

Share-based Payments

	Three Months Ended March 31		
($)	**2016**	**2015**	**% change**
Share-based payments expense	57,345	235,418	(76)

For the three months ended March 31, 2016, the Company expensed $57,345 in share-based payments related to stock options compared to $235,418 for the same period in the prior year. The decrease is mainly due to the forfeiture of stock options upon employee terminations in the second half of 2015.

Finance Costs

	Three Months Ended March 31		
($)	**2016**	**2015**	**% change**
Interest expense and finance charges	987,515	373,495	164
Accretion on decommissioning liabilities	180,939	176,916	2
Total finance costs	1,168,454	550,411	112

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

During the first quarter of 2016, interest and finance charges increased to $987,515 compared to $373,495 for the same period in 2015. This increase was due to the increase in the average debt balance in the first quarter of 2016 compared to the first quarter of 2015 as well as the Company entering into a new bank facility which carried new fees and higher rates compared to the facility in place in the prior year. For the three months ended March 31, 2016, interest charges were accrued and not payable.

During the first quarter of 2016, accretion on decommissioning liabilities was $180,939 (2015 - $176,916).

Income Taxes

	Three Months Ended March 31		
($)	**2016**	**2015**	**% change**
Deferred income tax expense (recovery)	-	-	

At March 31, 2016 and December 31, 2015, 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, 2016 and March 31, 2015.

Net Income (Loss) and Funds Generated by Operations

	Three Months Ended March 31		
($, except per Boe amounts)	**2016**	**2015**	**% change**
Net income (loss)	(2,357,921)	(2,445,766)	(4)
Per share basic	(0.03)	(0.03)	-
Per share diluted	(0.03)	(0.03)	-
Funds generated by operations	(43,493)	117,808	(137)
Per share basic	-	-	-
Per share diluted	-	-	-
$ per Boe	(1.12)	1.59	(170)

For the three months ended March 31, 2016, a net loss of $2,357,921 was recognized compared to $2,445,766 during the same period in 2015 due primarily to the decrease in production volumes combined with the decline in operating netbacks resulting from the significant decline in commodity, an increase in finance costs and G&A offset by lower depletion and depreciation, exploration and evaluation expenses and share based payments in the first quarter of 2016 compared to the same period in the prior year. Basic and diluted net loss per share for the first quarter of 2016 was $0.03, compared to basic and diluted net loss per share of $0.03 for 2015.

Funds used in operations decreased to a negative $43,493 for the first quarter of 2016, compared to positive funds generated by operations of $117,808 during the same period in 2015 due primarily to a decrease in production volumes combined with the decline in operating netbacks resulting from the significant decline in commodity prices and G & A costs offset by lower finance costs paid in the current due to interest charges being accrued effective 2016. Basic and diluted funds generated by operations per share for the quarter ended March 31, 2016 were $nil, compared to $nil 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, 2016 and 2015:

	Three Months Ended March 31		
($ per Boe)	**2016**	**2015**	**% change**
Petroleum and natural gas sales	26.92	40.84	(34)
Royalties	(2.95)	(3.33)	(11)
Revenue	23.97	37.51	(36)
Operating expenses	(14.06)	(24.90)	
(44)			
Transportation expenses	(3.71)	(3.04)	22
Operating netback	6.20	9.57	(35)
Exploration and evaluation expenses (cash portion)	-	-	-
General and administrative expenses	(7.31)	(2.92)	150
Finance costs - Interest expense and finance charges (cash portion)	(0.01)	(5.06)	(100)
Funds generated by operations	(1.12)	1.59	(170)

SUMMARY OF QUARTERLY RESULTS

The table below contains first quarter 2016 results of LGX as well as comparisons to the previous seven quarterly results for the Company:

	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2
Financial								
($, except per share amounts)								
Petroleum and natural gas sales	1,045,921	1,949,504	3,129,883	3,070,026	3,021,275	4,601,355	5,059,868	6,311,665
Petroleum and natural gas sales, net of royalties	931,223	1,802,969	2,954,229	2,888,312	2,774,557	3,854,256	4,331,707	5,490,455
Funds generated by (used in) operations	(43,493)	(467,647)	599,383	649,917	117,808	467,855	1,148,432	1,874,662
- Per share basic	-	(0.01)	0.01	0.01	-	0.01	0.01	0.02
- Per share diluted	-	(0.01)	0.01	0.01	-	0.01	0.01	0.02
Net Income (Loss)	(2,357,921)	(13,717,497)	(15,675,139)	(3,816,602)	(2,445,766)	(41,300,437)	(1,074,202)	(727,033)
- Per share basic	(0.03)	(0.15)	(0.18)	(0.04)	(0.03)	(0.47)	(0.01)	(0.01)
- Per share diluted	(0.03)	(0.15)	(0.18)	(0.04)	(0.03)	(0.47)	(0.01)	(0.01)
Capital expenditures								
- Exploration and development	1,320	(161,604)	(11,004)	490,035	651,357	9,179,368	5,872,876	493,819
- Acquisitions and dispositions (1)	-	-	-	-	-	(220,000)	-	-
Net debt and working capital surplus (deficit)	(31,431,283)	(30,395,220)	(30,093,977)	(30,704,321)	(30,864,791)	(30,332,110)	(21,840,956)	(17,116,598)
Total assets	74,935,016	73,396,531	87,682,795	103,529,409	109,099,528	110,227,014	138,687,831	134,272,969
Operating								
Production								
- Crude oil and natural gas liquids (Bbls per day)	263	374	616	465	609	628	537	646
- Natural gas (Mcf per day)	985	1,199	1,099	1,270	1,278	1,446	1,360	1,307
- Total daily production (Boe per day)	427	574	799	677	822	869	764	864
- Increase (Decrease) over prior quarter	(26%)	(28%)	18%	(18%)	(5%)	14%	(12%)	(9%)
Average realized price								
- Crude oil and natural gas liquids ($ per Bbl)	36.40	48.14	50.00	64.91	49.78	71.00	92.22	98.15
- Natural gas ($ per Mcf)	1.95	2.66	2.93	2.80	2.55	3.75	4.03	4.55
- Barrels of oil equivalent ($ per Boe)	26.92	36.92	42.58	49.83	40.84	57.55	71.99	80.28
Netback ($ per Boe)								
- Petroleum and natural gas sales	26.92	36.92	42.58	49.83	40.84	57.55	71.99	80.28
- Royalties	2.95	2.77	2.39	2.95	3.33	9.34	10.36	10.44
- Operating expenses	14.06	18.16	20.09	23.22	24.90	29.32	29.30	29.28
- Transportation expenses	3.71	3.67	3.44	3.21	3.04	3.67	4.35	4.13
- Operating netback	6.20	12.32	16.66	20.45	9.57	15.22	27.98	36.43

(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 2016	2015	% change
Capital expenditures – Exploration and development			
Land acquisitions and retention	1,059	75,649	(99)
Drilling and completions	261	162,001	(100)
Equipping and facilities	-	413,707	(100)
Capital expenditures – Exploration and development [1]	1,320	651,357	(100)
Capital expenditures – Acquisitions and dispositions			
Capital expenditures – Acquisitions and dispositions	-	-	-
Total capital expenditures	1,320	651,357	(100)

(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 2016	2015
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 2016	As at December 31 2015
Outstanding Securities		
- Common Shares	88,658,427	88,658,427
- Common Share Options	7,452,500	7,402,500

(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, 2016 was $2,659,753.

	As at March 31 2016	As at December 31 2015
Common Shares Outstanding	88,658,427	88,658,427
Share Price [2]	$0.03	$0.025
Total Market Capitalization	$2,659,753	$2,216,461

(2) Represents the closing price on the TSX Venture Exchange ("TSX-V") at March 31, 2016 and December 31, 2015

At March 31, 2016, 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 30, 2016, 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 these sources to fund daily operating activities and believes that its liquidity is sufficient to fund operating, interest and general and administrative expenses. The Company is currently evaluating bid results from its recent strategic measures, including but not limited to: asset sales, accessing third party capital, joint ventures and drilling commitment extension. The Company continues proactive discussions with its lender regarding the facility and the covenants.

At March 31, 2016 the Company had a net debt and working capital deficit of $31,431,283 (December 31, 2015 - $30,395,220). The Company continues to monitor its trade and other receivables and its allowance for doubtful accounts. As at March 31, 2016 and December 31, 2015, 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, 2016, the Company had a $30,600,000 revolving demand credit facility with its Canadian banker subject to annual review by the Company's lender. The amending agreement on the facility, entered into agreement on March 7, 2016, is a borrowing base facility subject to annual review by the lender. Security for the credit facilities is provided by $50,000,000 floating charge and $50,000,000 fixed charge demand debentures. The credit facility 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. Effective January 31, 2016, interest on the credit facility shall continue to accrue but shall not be payable until further review. In addition, the Company's financial covenant subsequent to December 31, 2015 is suspended until further review by the lender.

The Company is subject to certain reporting, financial and non-financial covenants to the credit facility. The credit facility restriction of the sum of the credit facility borrowings plus other current liabilities less current assets not exceeding $30,500,000 was temporarily suspended. The lender waived the working capital financial covenant breach, pertaining to the Company's previous credit facilities, for the five fiscal quarters ending March 31, 2016 and the lender did not demand repayment of the credit facilities or accelerate repayment thereof as a result of LGX not being in compliance with the covenants.

On May 17, 2016, the Company entered into an amended agreement with its lender to reduce the credit facility to a temporary $30,100,000 available until the earlier of May 31, 2016 or the lender making demand for repayment in full of the Company's indebtedness to the lender. There is no guarantee the lender will extend the credit after this date. As of May 30, 2016, no extension has been received. In addition, effective January 31, 2016, interest on the credit facility shall continue to accrue but shall not be payable until further review.

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

($)	As at March 31 2016	As at December 31 2015
Capital resources		
Bank debt available	444,000	390,000
Working capital deficit (excluding Bank debt)	(1,275,283)	(785,220)
Total capital resources available	(831,283)	(395,220)

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 twelve 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 and joint ventures. On February 1, 2016, the Company announced the initiation of a strategic review process (refer Events after the Reporting Period).

MANAGEMENT'S DISCUSSION + ANALYSIS

ACCOUNTING POLICIES AND ESTIMATES

The unaudited condensed interim consolidated financial statements for the three months ended March 31, 2016 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, 2015. 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).

A summary of the significant accounting policies used by LGX can be found in Note 3 of the December 31, 2015 audited consolidated financial statements. Note 2 of the Company's audited consolidated financial statements for the year ended December 31, 2015 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. Note 4 of the December 31, 2015 financial statements include a summary of further accounting changes that may affect the Company in future accounting periods.

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, 2015. In addition, LGX is also subject to other risks and uncertainties which are described in the Company's Annual Information Form dated April 21, 2016.

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, 2016, a total of 88,658,427 common shares were issued and outstanding. In addition, a total of 7,452,500 stock options to acquire common shares were outstanding.

EVENTS AFTER THE REPORTING PERIOD

On May 2, 2016, the Company closed the previously disclosed agreement whereby LGX agreed to sell its overriding royalty interests in North Dakota to a private company for cash consideration of $1.3 million.

On May 17, 2016, the Company entered into an amended agreement with its lender to reduce the credit facility to a temporary $30,100,000 available until the earlier of May 31, 2016 or the lender making demand for repayment in full of the Company's indebtedness to the lender. There is no guarantee the lender will extend the credit after this date. As of May 30, 2016, no extension has been received. In addition, effective January 31, 2016, interest on the credit facility shall continue to accrue but shall not be payable until further review. The Company is subject to certain reporting, financial and non-financial covenants to the credit facility. The credit facility restriction of the sum of the credit facility borrowings plus other current liabilities less current assets not exceeding $30,500,000 has been temporarily suspended until further review.

ADDITIONAL INFORMATION

Additional information regarding LGX and its business and operations can be obtained by contacting the Company at LGX Oil + Gas Inc., 4400, Eighth Avenue Place, 525 - 8th Avenue, SW, Calgary, Alberta, Canada T2P 1G1 or by e-mail at info@lgxoil.com. Additional information, including its most recently filed annual information form ("AIF") dated April 21, 2016, is also available on the Company's profile at www.sedar.com.