CGX ENERGY INC (V.OYLU)

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SUITE 512
TORONTO, A6 M5H 1T1

PROSPECTUS

RIGHTS OFFERING CIRCULAR – ENGLISH
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This offering constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada, the United States or elsewhere has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. This offer does not constitute an offer or a solicitation to any person in any jurisdiction in which such offer or solicitation is unlawful. This offer is not being made to, nor will subscriptions be accepted from or on behalf of, holders of shares or rights of CGX Energy Inc. ("CGX") in any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, CGX may, in its sole discretion, take such action as it may deem necessary to extend this offer to such jurisdictions. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to a US person (as defined in Regulation S issued under such Act), except in exempt transactions under that Act.

Rights Offering

March 2, 1999

CGX ENERGY INC.

(the "Company")

Offer of Rights to Subscribe for Common Shares

Offering	Rights ("Rights") to subscribe for up to 4,441,333 common shares of the Company.
Record Date	March 12, 1999.
Expiry Time	4:00 p.m. (Toronto time) on April 15, 1999.
Subscription Price	US$0.25 per common share.
Distribution of Rights	One Right is granted for each outstanding common share of the Company.
Purchase Ratio	Five Rights and the payment of US$0.25 are required to purchase one common share of the Company.
Additional Subscription Privilege	Each holder of a Rights certificate who exercises all of the Rights evidenced by such certificate will be entitled to subscribe for additional common shares of the Company, if any, available as a result of unexercised Rights.
Use of Proceeds	The estimated net proceeds of this offering, assuming all of the Rights are exercised, will be approximately US$1,095,333, after payment of the expenses of the offering estimated to be US$15,000. The net proceeds will be used as to approximately US$800,000 for the acquisition of seismic, geological and satellite data and interpretation and, as to the balance of approximately US$295,333, for working capital purposes.
Quotation	The Rights are quoted for trading by the Canadian Dealing Network ("CDN") and will remain quoted by CDN until 12:00 noon on April 15, 1999.

This Rights offering is not subject to any minimum subscription threshold and therefore any funds received by the Company from the offering will be available to the Company and not refunded to the subscriber.

Please read this circular carefully as you are required to make a decision prior to the expiry of the Rights at 4:00 p.m. (Toronto time) on April 15, 1999.

AN INVESTMENT IN THE SECURITIES OF THE COMPANY SHOULD BE REGARDED AS SPECULATIVE DUE TO THE NATURE OF THE COMPANY'S BUSINESS AND ITS PRESENT STATE OF DEVELOPMENT. SEE "RISK FACTORS".

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CURRENCY

Unless otherwise indicated, all currency amounts in this circular are stated in United States dollars.

THE OFFER

To: The Holders of Common Shares of CGX Energy Inc.

CGX Energy Inc. (the "Company") is issuing to the holders of its common shares ("Common Shares") of record at the close of business on March 12, 1999 (the "Record Date") rights (the "Rights") to subscribe for Common Shares. Each registered holder of Common Shares is entitled to one Right for each Common Share held of record on the Record Date. Five Rights entitle the holder thereof to purchase one Common Share at a price of US$0.25 (the "Subscription Price"). The Rights expire at 4:00 p.m. (Toronto time) on April 15, 1999 (the "Expiry Time"), after which time unexercised Rights will be void and without value.

A certificate ("Rights Certificate") evidencing the total number of Rights to which a shareholder is entitled has been sent with this rights offering circular to each shareholder entitled to receive same.

Holders of Rights Certificates who exercise all of their Rights in full will also be entitled to subscribe prior to the Expiry Time for additional Common Shares pursuant to the additional subscription privilege described herein (see "Details of Rights Offering - Additional Subscription Privilege").

Rights Certificates will not be sent to shareholders resident in any Province of Canada, except Ontario and Alberta, or residents of the United States of America or any of its territories or possessions, unless the shareholder can demonstrate to the satisfaction of the Company that the Company may legally issue the Rights to such shareholder on a basis exempt from the registration and prospectus requirements of applicable securities legislation. Shareholders resident in any Province of Canada, except Ontario and Alberta, and residents of the United States of America or any of its territories or possessions, will be notified of the Offering and will have until April 8, 1999 (the "Demonstration Date") to demonstrate to the satisfaction of the Company that the Company may legally issue the Rights to them on an exempt basis as aforesaid. If such shareholder has not provided such demonstration by the Demonstration Date, an attempt will be made to sell on the open market the Rights which such shareholder would otherwise be entitled to receive and any net proceeds therefrom will be forwarded to such shareholder (see "Details of Rights Offering - Non-Participating Shareholders").

For details of how to subscribe for Common Shares, transfer or sell Rights or divide a Rights Certificate, see "Details of Rights Offering" and "How to Complete the Rights Certificate".

DETAILS OF RIGHTS OFFERING

Rights Generally

Each registered holder of Common Shares is entitled to one Right for each Common Share held of record on the Record Date. Rights are evidenced by Rights Certificates which have been sent to shareholders entitled to receive same (see "Details of Rights Offering – Non-Participating Shareholders"). Five Rights and the payment of US$0.25 are required to purchase one Common Share. Fractional Common Shares will not be issued upon the exercise of Rights. Holders of Rights Certificates who exercise their Rights in full are entitled to subscribe for additional Common Shares as described below under "Details of Rights Offering - Additional Subscription Privilege". A Right does not entitle the holder to any rights whatsoever as a shareholder of the Company. A holder of a Rights Certificate may subscribe for all or any lesser number of whole Common Shares for which the Rights Certificate entitles such holder to subscribe. The subscription price payable on the exercise of Rights is payable in U.S. funds by certified cheque, bank draft or money order payable to or to the order of Equity Transfer Services Inc. (the "Subscription Agent"). Subscriptions will not be accepted from residents of any Province of Canada, except Ontario and Alberta, or residents of the United States of America or any of its territories or possessions, unless such subscriber can demonstrate to the satisfaction of the Company in its absolute discretion that the Company may legally issue Common Shares pursuant to such subscription. For details of how to subscribe for Common Shares, transfer or sell Rights or divide a Rights Certificate see "How to Complete the Rights Certificate".

Expiry Time

The Rights will expire at 4:00 p.m. (Toronto time) on April 15, 1999 (the "Expiry Time"). **Rights not exercised prior to the Expiry Time will be void and of no value.**

Step-up Privilege -up Privilege

Each original Rights holder holding a Rights Certificate evidencing a total number of Rights not evenly divisible by five (5) will be entitled to use the remaining Rights less than five (5) to subscribe for one more Common Share at the Subscription Price (the "Step-up Privilege"). The Step-up Privilege will be void and of no effect if the Rights Certificate is divided or combined or if any of the Rights evidenced by the Rights Certificate are sold, transferred or assigned by the original Rights holder. However, a bank, trust company, clearing house, securities dealer or broker that holds Common Shares on the Record Date for more than one beneficial owner may, upon providing evidence satisfactory to the Subscription Agent, exercise the Rights evidenced by its Rights Certificate or exchange its Rights Certificate on the same basis as if the beneficial owners were shareholders of record on the Record Date.

Additional Subscription Privilege

Any holder of a Rights Certificate who exercises the right (the "Basic Subscription Right") to subscribe for all of the Common Shares that can be subscribed for with the Rights evidenced by such certificate, has the privilege (the "Additional Subscription Privilege") of subscribing for additional Common Shares at the Subscription Price on a pro rata basis with all other holders of Rights Certificates who exercised their Rights to subscribe for all of the Common Shares that could be subscribed for with their Rights Certificates. The Common Shares available for such purpose (the "Remaining Shares") will be those Common Shares that have not been subscribed and paid for at the expiration of the Rights.

Shareholders desiring to subscribe for Remaining Shares pursuant to the Additional Subscription Privilege must do so at the time they indicate their intention to purchase Common Shares pursuant to the Basic Subscription Right in the manner hereinafter provided for.

If a sufficient number of Remaining Shares is not available to satisfy all requests made pursuant to the Additional Subscription Privilege, each of such holders desiring to exercise their Additional Subscription Privilege will receive, on a pro rata basis with all other holders desiring to exercise their Additional Subscription Privileges, the number of Remaining Shares calculated in accordance with the formula described under "How to Complete the Rights Certificate - To Subscribe for Additional Common Shares - Form 2". If all Rights offered are exercised, no Remaining Shares will be available for the purposes of the Additional Subscription Privilege.

Non-Participating Shareholders

The Rights are not qualified for distribution under the securities laws of any Province of Canada, except Ontario and Alberta, nor are the Rights registered under the United States *Securities Act of 1933*, as amended, and accordingly, Rights Certificates will not be sent to shareholders who reside in any Province of Canada, other than Ontario and Alberta, or in the United States of America or any of its territories or possessions ("Non-Participating Shareholders"), unless the Non-Participating Shareholder can demonstrate to the satisfaction of the Company that the Company may legally issue the Rights to such shareholder on a basis exempt from the registration and prospectus requirements of applicable securities legislation. Instead, the Non-Participating Shareholders will be sent a letter advising them that they have until April 8, 1999 (the "Demonstration Date") to demonstrate to the satisfaction of the Company that the Company may legally issue the Rights to them on such exempt basis. If such shareholder has not provided such demonstration by the Demonstration Date, their Rights Certificate will be issued to and held by the Subscription Agent, who will hold such Rights as agent for the benefit of all Non-Participating Shareholders. However, a bank, trust company, clearing house, securities dealer or broker (the "Intermediary") that holds Common Shares on the Record Date for more than one beneficial owner may, upon providing evidence satisfactory to the Subscription Agent, request at least five (5) business days prior to the Expiry Time that the Rights Certificate issued to the Intermediary be divided for the participation of any beneficial owner who is an eligible shareholder. The Subscription Agent will, prior to the Expiry Time, attempt to sell the Rights on such date or dates and at such price or prices as the Subscription Agent determines in its sole discretion. The Subscription Agent's ability to sell such Rights, and the price obtained therefor, are dependent on market conditions. The Subscription Agent shall not be subject to any liability for failure to sell any Rights of Non-Participating Shareholders at a particular price or at all. The net proceeds received by the Subscription Agent from the sale of such Rights will be divided among the Non-Participating Shareholders pro rata according to the number of Common Shares held of record by each of them on the Record Date. The Subscription Agent will mail cheques therefor to the Non-Participating Shareholders at their addresses appearing in the records of the Company.

Shareholders will be presumed to be resident in the place of their address appearing in the records of the Company, unless the contrary is shown to the satisfaction of the Company.

Notice to Residents of Alberta

In order to comply with the *Securities Act* (Alberta) and the policies of the Alberta Securities Commission (the "ASC"), the Rights issued pursuant to this offering to residents of Alberta are not tradeable in Alberta, and the Common Shares issued to residents of Alberta upon exercise of such Rights may not be sold or otherwise disposed of for value in Alberta, except pursuant to either a prospectus or a statutory exemption available only in specific and limited circumstances unless or until, among other things, the Company has been a reporting issuer in Alberta for at least 12 months and disclosure to the ASC of the original purchase has been made. The Company is not now a reporting issuer in Alberta and does not now intend to become a reporting issuer in Alberta.

Residents of Other Countries

Shareholders who are resident in countries other than Canada and the United States of America and its territories and possessions, may exercise their Rights to subscribe for Common Shares in accordance with the terms thereof or, at their option, sell their Rights. The issue of Rights to shareholders resident in such countries will be made subject to applicable securities legislation.

Purchase and Sale of Rights

The Rights are quoted by CDN. The Rights evidenced by Rights Certificates may be transferred to others by delivery of such Rights Certificates, provided that the transfer form (Form 3) on the Rights Certificate has been duly executed by the registered holder. Rights may be bought or sold through any registered investment dealer or broker in Canada. The Rights are not transferable in any Province of Canada, except Ontario, or in the United States of America. Quotation of the Rights by CDN will terminate at noon (Toronto time) on April 15, 1999. Payment of any service charge, commission or other fee payable in connection with the exercise or trade of Rights (other than the fee for the services to be performed by the Subscription Agent referred to under "Details of Rights Offering - Subscription Agent and Subscription Office", and other than those fees to be paid by the Company as described under "Details of Rights Offering - Soliciting Dealer") shall be the responsibility of the Rights holder.

Subscription Agent and Subscription Office

Equity Transfer Services Inc. (the "Subscription Agent"), at the address identified below, has been appointed by the Company to receive subscriptions and payments from holders of Rights Certificates and to perform the services relating to the exercise of Rights, including the issuing of certificates for Common Shares subscribed for and to act as agent for Non-Participating Shareholders as described under "Details of Rights Offering - Non-Participating Shareholders". The Company will pay the fees and expenses of the Subscription Agent estimated to be approximately $2,500.

The Subscription Agent's office (the "Subscription Office") is located at 120 Adelaide Street West, Suite 420, Toronto, Ontario M5H 4C3 and its telephone number and telecopier number are, respectively, (416) 361-0152 and (416) 361-0470.

Validity and Rejection of Subscriptions

All questions as to the validity, form, eligibility (including time of receipt) and acceptance of any subscription will be determined by the Company in its sole discretion, which determination shall be final and binding. All subscriptions are irrevocable. The Company reserves the absolute right to reject any subscription if such subscription is not in proper form or if the acceptance thereof or the issuance of Common Shares pursuant thereto could be deemed unlawful. The Company also reserves the right to waive any defect with regard to any particular subscription. Neither the Company nor the Subscription Agent will be under any duty to give any notification of any defect or irregularity in such subscriptions nor shall either of them incur any liability for failure to give such notification.

Soliciting Dealer

The Company has not retained a manager to form a soliciting dealer group. Except as noted below, no commission, fee or other remuneration will be paid by the Company to any person in connection with the obtaining of subscriptions for Common Shares.

A solicitation fee of 8% of the proceeds of a subscription will be paid by the Company to any registered dealer indicated on a Rights Certificate in respect of Common Shares subscribed thereunder, provided, however, that no such fee will be payable in the case of subscriptions from officers, directors and employees of the Company or from any principal shareholder of the Company or from any person for whom any director acts as nominee. There is no minimum or maximum fee payable.

HOW TO COMPLETE THE RIGHTS CERTIFICATE

General

By completing the appropriate form on the Rights Certificate in accordance with the instructions outlined below and on the Rights Certificate, a Rights Certificate holder may:

(a) subscribe for Common Shares (Form 1),
(b) subscribe for additional Common Shares (Form 2), or
(c) sell or transfer Rights (Form 3).

In addition, as outlined below, a Rights Certificate holder may divide the Rights Certificate.

To Divide the Rights Certificate

A Rights Certificate may be divided by delivering the Rights Certificate to the Subscription Agent at the Subscription Office (no endorsement is necessary) with written instructions as to the number of Rights to be represented by each new Rights Certificate requested. The Subscription Agent will then issue new Rights Certificates in such denominations (totalling the same number of Rights as evidenced by the Rights Certificate being divided) as are requested by the Rights Certificate holder. Rights Certificates must be surrendered for division at least two business days in advance of the Expiry Time to permit the new Rights Certificates to be issued to and used by the Rights Certificate holders.

Unexercised Rights

Subject to the ability of a Rights Certificate holder to divide a Rights Certificate as discussed above, a Rights Certificate holder who completes Form 1 on the Rights Certificate to exercise some but not all of the Rights evidenced by the Rights Certificate, will be deemed to have elected not to exercise the balance of such Rights and such unexercised balance of Rights will be void and of no value. Similarly, if a Rights Certificate holder fails to surrender his Rights Certificate to the Subscription Agent prior to the Expiry Time as described below, surrenders his Rights Certificate but fails to complete Form 1 or Form 3 on the Rights Certificate, or fails to make payment of the Subscription Price as described below in respect of any Common Shares which he elects to subscribe for, such holder will be deemed to have elected to waive the Rights represented by such Rights Certificate (or such portion thereof in respect of which he has failed to make payment) and such Rights will be void and of no value after the Expiry Time.

Execution of Rights Certificates

The signature on any form on the Rights Certificate must correspond exactly with the name of the Rights Certificate holder shown on the face of the Rights Certificate. If a form is signed by a trustee, executor, administrator, officer of a corporation or any person acting in a fiduciary or representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign.

To Subscribe for Common Shares - Form 1

Five Rights and US$0.25 are required to subscribe for one Common Share. A Rights Certificate holder may subscribe for all or any lesser number of whole Common Shares for which the Rights Certificate entitles the holder to subscribe by completing Form 1 on the back of the Rights Certificate and delivering the Rights Certificate and the Subscription Price for such Common Shares to the Subscription Agent at the Subscription Office. The Subscription Price is payable in Canadian funds by certified cheque, bank draft or money order payable to or to the order of the Subscription Agent. THE DULY COMPLETED RIGHTS CERTIFICATE TOGETHER WITH THE REQUISITE PAYMENT MUST BE RECEIVED BY THE SUBSCRIPTION AGENT AT THE SUBSCRIPTION OFFICE PRIOR TO THE EXPIRY TIME.

The method of delivery of a subscription is at the holder's discretion and risk. Delivery to the Subscription Agent will only be effective when the subscription is actually received by the Subscription Agent at the Subscription Office. If delivery is to be effected by mail, for the protection of the subscriber it is recommended that registered mail be used and that sufficient time be allowed to ensure the receipt thereof by the Subscription Agent at the Subscription Office prior to the Expiry Time. Deposit in the mail is not delivery to the Subscription Agent at the Subscription Office.
Execution and delivery of a Form 1 constitutes a representation and warranty by the Rights Certificate holder that such holder is a resident of Ontario, Alberta or a jurisdiction where the subscription is not unlawful.

To Subscribe for Additional Common Shares - Form 2

Any holder of Rights who exercises the right (the "Basic Subscription Right") to subscribe for all of the Common Shares that can be subscribed for with the holder's Rights, has the privilege (the "Additional Subscription Privilege") of subscribing for additional Common Shares. The Common Shares available for such purpose (the "Remaining Shares") will be those that have not been subscribed and paid for at the Expiry Time.

To exercise such privilege, any holder of a Rights Certificate who completes Form 1 for the maximum number of Common Shares that can be subscribed for with the number of Rights evidenced by such certificate must also complete Form 2 on the back of the Rights Certificate and specify the number of additional Common Shares desired to be subscribed for. The total Subscription Price of such additional Common Shares must be paid in Canadian funds by certified cheque, bank draft or money order payable to or to the order of the Subscription Agent when the completed Rights Certificate is transmitted to the Subscription Agent.

If there are sufficient Remaining Shares to satisfy all additional subscriptions by participants in the Additional Subscription Privilege, each participant will be allotted the number of additional Common Shares subscribed for.

If the aggregate number of Common Shares subscribed for under the Additional Subscription Privilege exceeds the number of Remaining Shares, the Remaining Shares will be allotted to each participant in the Additional Subscription Privilege on a proportionate basis in accordance with the following formula: the number of the Remaining Shares allotted to each participant in the Additional Subscription Privilege will be the lesser of (a) the number of Common Shares which that participant has subscribed for under the Additional Subscription Privilege and (b) the product (disregarding fractions) of the multiplication of the number of the Remaining Shares by a fraction of which the numerator is the number of Common Shares subscribed for by that participant under the Basic Subscription Right and the denominator is the aggregate number of Common Shares subscribed for under the Basic Subscription Right by all participants in the Additional Subscription Privilege. If any participant has subscribed for fewer Common Shares than the number resulting from the application of the formula in (b) above, the excess Common Shares will be allotted in a similar manner among the participants who were allotted fewer Common Shares than they subscribed for.

If, as a result of the application of the foregoing formula, a participant in the Additional Subscription Privilege is allotted a number of Common Shares which falls short of the number specified in Form 2 on the participant's Rights Certificate, the Subscription Agent will, when mailing the certificates for the Common Shares issued to the participant, refund, without interest, the excess portion of the total Subscription Price paid by the participant.

To Sell or Transfer Rights - Form 3

A Rights Certificate holder, instead of exercising such holder's Rights to subscribe for Common Shares, may sell or transfer such Rights by completing Form 3 on the back of the Rights Certificate and delivering the Rights Certificate to the transferee. The transferee may exercise all of the Rights of a Rights Certificate holder without obtaining a new Rights Certificate. If a Rights Certificate is transferred in blank, the Company and the Subscription Agent may thereafter treat the bearer as the absolute owner of the Rights Certificate for all purposes and neither the Company nor the Subscription Agent shall be affected by any notice to the contrary.

The signature of the transferring Rights Certificate holder on Form 3 must be guaranteed by a Canadian chartered bank or trust company or by a member of The Toronto Stock Exchange or the Investment Dealers Association of Canada or otherwise to the satisfaction of the Subscription Agent. The signature of the transferee on any one or more of the forms on the Rights Certificate must correspond exactly with the name of the transferee shown on Form 3. If a form is signed by a trustee, executor, administrator, officer of a corporation or any person acting in a fiduciary or representative capacity, the Rights Certificate must be accompanied by evidence satisfactory to the Subscription Agent of authority to so sign.

Registration and Delivery of Share Certificates

Common Shares purchased through the exercise of Rights will be registered in the name of the person to whom the Rights Certificate was issued or any transferee indicated on the Rights Certificate. Share certificates will be mailed as soon as practicable to the address shown in the records of the Company for the person to whom the Rights Certificate was issued or to the address of any transferee indicated on the Rights Certificate.

The Common Shares are quoted by CDN under the trading symbol "CGXX.U".

THE COMPANY

The Company was incorporated under the laws of the Province of Ontario by articles of incorporation effective on February 21, 1994. The Company is a junior resource exploration corporation whose primary focus is exploring the oil and gas prospects in Guyana held by the Company's wholly-owned subsidiary, CGX Resources Inc. CGX Resources Inc. was incorporated on April 23, 1997 in the Commonwealth of the Bahamas under the *International Business Companies Act (1990).*

The Company acquired all of the outstanding shares of CGX Resources Inc. on October 27, 1998. Shareholders of the Company approved this acquisition (the "Acquisition") at a special meeting of shareholders held on October 22, 1998 (the "Special Meeting"). In accordance with the terms of the Acquisition, the Company's issued and outstanding common shares were consolidated on a one-for-five basis (resulting in the number of outstanding Common Shares being reduced to approximately 3,524,136), an aggregate of 18,442,620 post-consolidated Common Shares were issued by the Company to the former shareholders of the CGX Resources

Inc. (resulting in such shareholders holding approximately 84% of the Company's outstanding Common Shares), the name of the Company was changed from Northwest Explorations Inc. to CGX Energy Inc., and management of the Company was taken over by the individuals identified in this circular under "Management". Reference is made to the management information circular distributed to shareholders of the Company in connection with the Special Meeting for additional information in respect of the Acquisition and the properties held by CGX Resources Inc.

The Company has an additional wholly-owned subsidiary, Northwest Exploration Company Limited ("Northwest"), a Guyana company, the principal business of which was, prior to shutdown, gold exploration in Guyana. Northwest holds a number of properties in northwest Guyana. However, Northwest effected in August 1998 a temporary shutdown of its exploration activities in Guyana and, as at June 30, 1998, wrote off its aggregate deferred exploration expenditures and wrote down the carrying value of its exploration properties to nil. Northwest is currently inactive.

The head office and registered office of the Company is Suite 512, 120 Adelaide Street West, Toronto, Ontario M5H 1T1.

SHARE CAPITAL

The authorized share capital of the Company consists of an unlimited number of Common Shares, of which 22,206,663 are currently issued and outstanding. The following is a summary of the principal attributes of the Common Shares:

Voting - Each Common Share entitles its holder to receive notice of and to attend and vote at all meetings of shareholders of the Company, and each such Common Share entitles its holder to one vote.

Dividends - The holders of Common Shares are, at the discretion of the board of directors of the Company, entitled to receive out of any or all profits or surplus of the Company properly available for the payment of dividends, any dividends declared by the board and payable by the Company on its Common Shares.

Dissolution - The holders of Common Shares are entitled to receive the remaining property of the Company upon the liquidation, dissolution or winding-up of the Company or other distribution of its assets among its shareholders.

CAPITALIZATION

The following table and notes thereto set forth the unaudited consolidated capitalization of the Company as at November 30, 1998, together with the unaudited *pro forma* consolidated capitalization of the Company as at November 30, 1998 after giving effect to this offering assuming full exercise of all of the Rights offered hereunder.

Description of Security	As at Nov. 30, 1998[1]	Pro Forma as at Nov. 30, 1998 [2,3]
Common Shares[4]	21,966,758 shares US$1,052,044	26,408,088 shares US$2,147,377

Notes: (1) The Company's deficit as at November 30, 1998 was US$271,614 (unaudited).
(2) Without giving effect to the exercise of 2,485,000 stock options exercisable for 2,485,000 Common Shares at prices ranging from Cdn$0.20 per Common Share to Cdn$2.00 per Common Share.
(3) Excluding 239,905 Common Shares issued in December 1998 and January 1999.
(4) The Company has no long term-debt.

PRINCIPAL SHAREHOLDER

To the knowledge of the directors and senior officers of the Company, no person (such person being referred to herein as a "Principal Shareholder") beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of issued and outstanding Common Shares other than the following:

Name and Municipality of Residence	Number of Common Shares Held	Percentage of Outstanding Common Shares
Jaguar Holdings Inc.[1] Nassau, Bahamas	5,236,000	23.6%

Note: (1) Jaguar Holdings Inc. is controlled by Mr. John Cullen, a director of the Company.

The officers and directors of the Company as a group beneficially own, directly or indirectly, or control 8,028,986 Common Shares, representing 36.2% of the outstanding Common Shares

To the knowledge of the directors of the Company, other than as discussed below, there has been no issue or transfer of Common Shares since the last annual meeting of shareholders of the Company held on June 10, 1998 which has materially affected the control of the Company.

As discussed under "The Company", the Company completed on October 27, 1998 the acquisition (the "Acquisition") of all of the outstanding shares of CGX Resources Inc. in exchange for Common Shares issued by the Company. Prior to the Acquisition, to the knowledge of the directors and officers of the Company, the only Principal Shareholder of the Company was Minorca Resources Inc. which held approximately 25% of the then outstanding Common Shares. Following the Acquisition and the Common Share issuances contemplated thereby, the Principal Shareholders of the Company became Jaguar Holdings Inc. and Mr. Wayne Brasseur. Mr. Brasseur has since ceased to be a Principal Shareholder.

TRADING OF COMMON SHARES

The Common Shares are quoted by CDN under the symbol "CGXX.U". Trading in the Common Shares was halted on September 1, 1998 pending the completion of the Acquisition by the Company of CGX Resources Inc. This Acquisition was completed on October 27, 1998 and trading in the Common Shares resumed on December 24, 1998. The high and low sale prices and average daily volume of trading of the Common Shares since the resumption of trading up to and including March 2, 1999 are, respectively, US$0.50, US$0.20 and 37,917. The closing trading price of the Common Shares on March 2, 1999 was US$0.25. As the primary focus of the Company is now the exploration of the oil and gas prospects held by CGX Resources Inc., the trading history of the Common Shares prior to the Acquisition is not material.

USE OF PROCEEDS

The estimated net proceeds of this offering, assuming all of the Rights are exercised, will be approximately US$1,095,333, after payment of the expenses of the offering estimated to be US$15,000. The net proceeds will be used as to approximately US$800,000 to the acquisition and interpretation of seismic, geological and satellite data and as to the balance of approximately US$295,333, for working capital purposes.

MANAGEMENT

The following table sets forth certain information with respect to the directors and officers of the Company:

Name and Municipality of Residence	Office(s) Held With Company	Principal Occupation(s)
Kerry Sully Vancouver, B.C.	Director	Self-employed businessman.
Oliver Lennox-King Toronto, Ontario	Director	Chairman of Southern Cross Resources Inc. (a mineral exploration and production company).
Warren Workman Calgary, Alberta	Vice President, Exploration	Vice President, Exploration of the Company.
Denis Clement Oakville, Ontario	Chief Executive Officer, President and a director	Chief Executive Officer and President of the Company and Chairman of Dumont Nickel Inc. (a mineral exploration company).
John Cullen Barrie, Ontario	Director	Self-employed businessman.
James Fairbairn Toronto, Ontario	Chief Financial Officer	Self-employed chartered accountant, Treasurer of Ausnoram Holding Limited (a holding company), Treasurer of Southern African Minerals Corp. (a mineral exploration company), Treasurer of Acadia Minerals Corp. (a mineral exploration company) and Chief Financial Officer of Band-Ore Resources Ltd. (a mineral exploration company).
David A. Knight Oakville, Ontario	Secretary	Partner of Macleod Dixon, Barristers and Solicitors.

The Acquisition by the Company of CGX Resources Inc., which was approved by shareholders at a special meeting of shareholders held on October 22, 1998 and closed on October 27, 1998, resulted in a change in the management of the Company. The only current members of management as indicated in the above table who were members of management immediately prior to the Acquisition are Mr. Kerry Sully (who was a director of the Company prior to the Acquisition) and Mr. James Fairbairn (who was Secretary-Treasurer and Chief Financial Officer of the Company prior to the Acquisition).

STOCK OPTION PLAN

The Company's stock option plan (the "Plan") was implemented on October 23, 1996. The Plan is administered by the board of directors of the Company (the "Board"). Options may be granted under the Plan by the Board to any director, officer, executive or other key employee of the Company or its subsidiaries or any consultant to the Company or its subsidiaries. The maximum number of Common Shares that may be issued pursuant to the exercise of options granted under the Plan ("Options") is limited to 2,600,000.

No Options may be granted to an optionee if, together with all other share compensation arrangements of the Company, such grant could result in (i) the number of Common Shares reserved for issuance pursuant to Options granted to insiders of the Company exceeding 10% of the then issued and outstanding Common Shares, (ii) the issuance to insiders of the Company, within a one year period, of a number of Common Shares exceeding 10% of the then issued and outstanding Common Shares, or (iii) the issuance to any one insider of the Company and such insider's associates, within a one-year period, of a number of Common Shares exceeding 5% of the then issued and outstanding Common Shares. As well, no Options may be granted to any optionee if the total number of Common Shares issuable to such optionee under the Plan would exceed 5% of the then issued and outstanding Common Shares. Options are non-transferrable, provided, however, that in the event of the death of an optionee, the optionee's personal legal representatives may, within six months after the date of such death, exercise the optionee's Options.

The number of Common Shares subject to each Option, the exercise price of each Option, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each Option shall be determined by the Board, provided that the exercise price of the Option shall, in no circumstances, be lower than the market price of the Common Shares on the date on which the grant of the Option is approved by the Board and the term of an Option shall not exceed 5 years from the date of the grant of the Option.

Options to purchase Common Shares on the following terms are currently outstanding under the Plan:

Number of Common Shares under Option	Exercise Price	Expiry Date
26,400	Cdn$1.85	March 29, 1999
3,600	Cdn$2.00	March 29, 1999
135,720	Cdn$1.85	August 12, 2002
49,280	Cdn$2.00	August 26, 2002
20,000	Cdn$1.00	June 12, 2003
1,428,000	Cdn$0.21	June 30, 2003
737,000	US$0.21	November 3, 2003
85,000(1)	Cdn$0.20	December 16, 2003
2,485,000		

Note: (1) These options are subject to receipt of shareholder approval.

CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of the principal Canadian federal income tax considerations generally applicable to holders of Rights who are, or are deemed to be, residents of Canada, who hold their Rights (and their Common Shares acquired pursuant to the exercise of such Rights) as capital property and who deal at arm's length with the Company. The Rights and Common Shares will generally be considered capital property to the holder thereof unless either the holder holds the Rights or Common Shares in the course of carrying on a business or the holder has acquired the Rights or Common Shares in a transaction or transactions considered to be an adventure in the nature of trade. Rights or Common Shares held by financial institutions, including banks, trust companies, credit unions, insurance companies, registered securities dealers and corporations controlled by one or more of the foregoing, will generally not be held as capital property and will be subject to special "mark-to-market" rules. This summary is therefore not applicable to such holders.

This summary is based on the current provisions of the *Income Tax Act* (Canada) (the "Tax Act"), the regulations thereunder, all specific proposals to amend the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof and an understanding of the current administrative practices of Revenue Canada, Taxation. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, and does not take into account the tax legislation or considerations of any province, territory or foreign jurisdiction.

The following summary is of a general nature only and is not intended to be, and should not be construed to be, a complete analysis of all income tax consequences and should not be interpreted as legal or tax advice to any particular holder of Rights or Common Shares, and no representation with respect to the income tax consequences to any particular holder is made. Accordingly, such persons should consult their own tax advisors for advice with respect to the particular income tax consequences to them having regard to their particular circumstances.

A holder of Common Shares who receives Rights from the Company pursuant to this offering will not be required to include the value of such Rights in computing his income. Rights received by a holder of Common Shares pursuant to this Offering will have a cost of nil and any Common Shares acquired by such holder as a result of the exercise of such Rights will have a cost equal to the Subscription Price.

Rights acquired by a holder other than pursuant to this offering will be regarded as identical to all other Rights held by that holder. The cost of Rights so acquired will be averaged with the cost of the holder of all other Rights held by that holder immediately prior to such acquisition for the purposes of determining the adjusted cost base to that holder of each Right so held. The cost of a Common Share acquired upon the exercise of such Rights will be the aggregate of the adjusted cost base of such Rights and the Subscription Price.

Any Common Shares acquired by a shareholder upon the exercise of Rights will be regarded as identical to all other Common Shares of the Company acquired or held by that shareholder. In determining any capital gain or loss upon a subsequent disposition of any such identical Common Shares, the adjusted cost base of any such Common Shares will be computed by dividing the total cost of all such Common Shares by the total number of such identical Common Shares owned immediately before the disposition.

Upon the disposition of a Right by a holder, a capital gain (or capital loss) will be realized to the extent that his proceeds of disposition exceed, (or are exceeded by) the aggregate of the adjusted cost base to him of the Right and any reasonable costs of disposition.

Upon the expiry of an unexercised Right, the holder will realize a capital loss equal to the adjusted cost base to him of the Right. As an unexercised Right held by a holder who has not acquired Rights other than pursuant to this offering will have an adjusted cost base of nil, the expiry of such Right will not give rise to a capital loss.

RISK FACTORS

An investment in the securities of the Company should be regarded as speculative due to such factors, among others, as the nature of the oil and gas exploration business in which the Company is engaged and the limited extent of the Company's assets. Specifically, the following factors should be considered:

1. Oil and gas exploration and development involves a high degree of risk which even a combination of experience, knowledge and careful evaluation might not be able to overcome.
2. There is no assurance that the Company's properties will prove economically viable. Even in the event the Company discovers economically viable oil and gas deposits, there is no assurance that profitable marketing and sales arrangements can be implemented. Exploration and development of the oil and gas concessions held by the Company will require additional funds. The Company is a start up corporation with no history of operations. The Company has limited funds available for the exploration and development of the Company's oil and gas prospects and there is no assurance that additional funds, if required, will be available.
3. The oil and gas exploration industry is extremely competitive. The Company competes with larger companies which have greater assets and financial and human resources than the Company and which may be able to sustain larger losses than the Company to develop business.
4. Investors will be relying upon the good faith, expertise and judgement of the Company's management and advisors in supervising and providing for the effective management of the business and operations of the Company and in selecting and developing new investment and expansion opportunities.
5. The Company is currently dependent on a relatively small number of key employees, the loss of any one of whom could have an adverse effect on the Company. The Company does not have any long-term employment agreements or key-man insurance in respect of any of its key employees.
6. Investing in resource companies and in companies in a development stage is highly speculative and involves substantial risks. Numerous such companies are unsuccessful and their shares become worthless.
7. The Company is affected by numerous factors beyond its control. These factors include the cost of labour, materials and services, cost of financing, technological change, and government regulation, including regulations relating to prices, taxes, royalties, and environmental protection, the exact effect of which cannot be accurately predicted.
8. The principal operations of the Company are in Guyana, a foreign country. Accordingly, the business of the Company in Guyana will be subject to risks associated with a Canadian company carrying on business in a foreign country. The laws of Guyana and policies of the government of Guyana may change. The laws of Guyana may be different than the laws of Canada and those differences may be

material. Moreover, the legal and court system in Guyana may not provide the same types of remedies which are available in Canada.

9. In the event that the Company makes significant discoveries of oil and gas in Guyana, the business operations of the Company will be affected by fluctuations in the price of those commodities (which are traded in the world markets). The Company could also be affected by foreign currency fluctuations and possible foreign currency controls should they be imposed in Guyana.

10. Title to a significant portion of the Company's oil and gas concessions may be disputed by Surinam which asserts that the boundary between Guyana and Surinam is further west than claimed by Guyana.

In addition to the foregoing, prospective investors should also consider that this offering is not subject to a minimum subscription threshold and therefore any funds received by the Company from this offering will be available to the Company and not refunded to the subscriber.

MATERIAL CHANGES

Since February 25, 1998, the date of the last audited financial statements delivered to the shareholders of the Company, there have been no material changes in the business, operations or capital of the Company which have not been publicly disclosed.

INQUIRIES

Inquiries relating to this offering should be directed either to the Subscription Agent at the Subscription Office or to Mr. Denis Clement, Chief Executive Officer and President of the Company. The Company's telephone number and telecopier number are, respectively, (416) 364-5569 and (416) 364-5400.

FINANCIAL STATEMENTS

Attached to this circular as exhibit 1 are (a) the audited consolidated financial statements of the Company as at August 31, 1998 and for the period April 23, 1997 to August 31, 1998, together with the auditors' report thereon, and (b) the unaudited consolidated financial statements of the Company as at and for the three month period ended November 30, 1998.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it was made.

Dated: March 2, 1999

(Signed)

Denis Clement
President and a director

(Signed)

John Cullen
Director

EXHIBIT 1

Auditors' Report

To the Directors of
CGX ENERGY INC.
(formerly Northwest Explorations Inc.)

We have audited the consolidated balance sheet of CGX Energy Inc. (formerly Northwest Explorations Inc.) as at August 31, 1998 and the consolidated statements of operations and deficit and change in financial position for the period from April 23, 1997 (date of incorporation) to August 31, 1998. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at August 31,1998 and the results of its operations and the changes in its financial position for the period from April 23, 1997 (date of incorporation) to August 31, 1998 in accordance with generally accepted accounting principles.

September 15, 1998 except as to Notes 2
and 6, which are as of March 2, 1999

"Parker & Simone"

Chartered Accountants LLP

Mississauga, Ontario

CGX ENERGY INC.

(FORMERLY NORTHWEST EXPLORATIONS INC.)

Consolidated Balance Sheet – Denominated in United States Dollars

	November 30, 1998	August 31, 1998
Current Assets	**(Unaudited)**	
Cash	**494,357**	25,322
Subscriptions receivable	-	232,000
Other receivables	**40,775**	3,374
	535,132	260,696
Other Assets		
Oil and gas properties and deferred exploration costs (note 4)	**282,009**	133,839
Capital Assets, net of accumulated amortization of $413	**30,284**	903
Due from related company (note 3)	**40,387**	12,730
Other	**900**	-
	353,580	147,472
	888,712	408,168
Current Liabilities		
Accounts payable and accrued liabilities	**108,282**	29,573
Note payable	**80,000**	-
	188,282	29,573
Shareholders' Equity		
Capital Stock (note 5)	**972,044**	519,303
Deficit	**(271,614)**	(140,708)
	700,430	378,595
	888,712	408,168

On behalf of the Board:

(Signed) (Signed)

Director - John Cullen   Director – Denis Clement

CGX ENERGY INC.

(FORMERLY NORTHWEST EXPLORATIONS INC.)

Consolidated Statement of Operations and Deficit - Denominated in United States Dollars

	Three Months Ended November 30, 1998	From April 23, 1997 (date of incorporation) to August 31, 1998
Administrative expenses	**(Unaudited)**	
Administrative and travel	**38,828**	28,297
Professional fees	**24,579**	28,938
Consulting	**23,770**	49,886
Shareholders' information	**15,088**	3,788
General office	**14,240**	16,340
Executive compensation	**6,491**	-
Property evaluation	**6,348**	-
Foreign exchange	**2,967**	9,689
Rent	**754**	3,674
Amortization	**413**	96
Interest income	**(2,572)**	-
Loss for the period	**130,906**	140,708
Deficit at beginning of period	**140,708**	0
Deficit at end of period	**271,614**	140,708
Loss per share	**$0.01**	$0.22

CGX ENERGY INC.

(FORMERLY NORTHWEST EXPLORATIONS INC.)

Consolidated Statement of Change in Financial Position - Denominated in United States Dollars

	Three Months Ended November 30, 1998	**From April 23, 1997 (date of incorporation) to August 31, 1998**
	(Unaudited)	
Operating Activities		
Loss for the period	**(130,906)**	(140,708)
Add: items not affecting cash		
Amortization	**317**	96
	(130,539)	(140,612)
Net change in non-cash working capital balances	**21,108**	25,826
Cash used in operating activities	**(109,431)**	(114,786)
Financing activities		
Subscriptions receivable	**232,000**	(232,000)
Issuance of common shares for cash and conversion of trade debt	**-**	519,303
Issuance of shares on acquisition of CGX Resources Inc.	**452,741**	-
Cash provided by financing activities	**684,741**	287,303
Investing activities		
Acquisition of CGX Resources Inc., net of cash acquired	**69,925**	-
Oil and gas properties and deferred exploration costs	**(148,170)**	(133,839)
Increase in balance due to related parties	**(28,030)**	(12,357)
Additions to capital assets	**-**	(999)
Cash used in investing activities	**(106,275)**	(147,195)
Increase in cash	**469,035**	25,322
Cash at beginning of period	**25,322**	-
Cash at end of period	**494,357**	25,322

CGX ENERGY INC.

(FORMERLY NORTHWEST EXPLORATIONS INC.)

Notes to the Consolidated Financial Statements – Denominated in United States Dollars
(Information with respect to the three months ended November 30, 1998 is unaudited)
From April 23, 1997 (date of incorporation) to August 31, 1998

GENERAL

On October 26, 1998 CGX Energy Inc. (the "Company") filed Articles of Amendment changing its name from Northwest Explorations Inc. to CGX Energy Inc. On October 27, 1998 the Company acquired 100% of the outstanding Ordinary Shares of a Bahamian based company. This acquisition has been accounted for as a reverse takeover (see Note 2) and, as such, these consolidated financial statements reflect the continuation of the legal subsidiary, CGX Resources Inc., and not that of the legal parent.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements include the accounts of the Company together with its wholly-owned subsidiaries, CGX Resources Inc. and Northwest Exploration Company Limited.

(b) Foreign Currency Translation

The Company uses the temporal method of foreign currency translation in accounting for its integrated foreign operations. Under this method foreign currency denominated monetary assets and liabilities are translated into U.S. dollars at the exchange rate prevailing at the balance sheet date while non-monetary assets and liabilities are translated into U.S. dollars at the exchange rate prevailing on the date of the transaction. Revenue and expenditures denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing on the date of the transaction. Foreign exchange gains and losses arising from the translation of these foreign currency denominated transactions are reflected in operations for the period.

(c) Nature of Operations

The Company is in the process of exploring its oil and gas properties and has not yet determined whether the properties contain economically recoverable reserves. The recovery of both the costs of acquiring the oil and gas properties and the related deferred exploration costs is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing necessary to complete the exploration and the development of the oil and gas properties, and upon the future profitable production or alternatively, on the sufficiency of proceeds from disposition.

(d) Oil and Gas Properties and Deferred Exploration Costs

The Company capitalizes the cost of acquiring oil and gas properties and defers the cost of exploring these properties. These unamortized costs are carried as assets until such time that either commercial production commences, the properties are sold or management determines that the carrying value of the properties should be written-down to their net realizable value. The amount at which oil and gas properties and the deferred exploration costs are recorded do not necessarily reflect present or future values. Once a property goes into commercial production its related oil and gas acquisition costs and deferred exploration costs will be amortized using the unit of production method based upon the properties' estimated proved oil and gas reserves. If it is determined that a property is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the cost of acquiring the oil and gas properties and their related deferred exploration costs are written-off. Option payments received, if any, are accounted for as a reduction of the carrying value of the related oil and gas property and deferred exploration costs.

(e) Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives at a rate of 20% using the declining balance method.

(f) Administrative and General Expenditures

Administrative and general expenditures are expensed when incurred.

CGX ENERGY INC.

(FORMERLY NORTHWEST EXPLORATIONS INC.)

Notes to the Consolidated Financial Statements – Denominated in United States Dollars
(Information with respect to the three months ended November 30, 1998 is unaudited)
From April 23, 1997 (date of incorporation) to August 31, 1998

2. ACQUISITION OF CGX RESOURCES INC.

Effective October 27, 1998 the Company acquired all of the outstanding Ordinary Shares of CGX Resources Inc. (the "Subsidiary") for a total cost of US$452,741. As consideration for the Subsidiary's Ordinary Shares the Company issued 18,442,620 post-consolidated common shares. The Subsidiary was incorporated on April 23, 1997 under the Commonwealth of The Bahamas' International Business Companies Act and began active operations in January 1998. It operates principally as an oil and gas exploration company in Guyana, South America.

The acquisition has been accounted for by the purchase method as a reverse takeover of the Company by the Subsidiary since the then existing shareholders of CGX Resources Inc. own more than 84% of the issued and outstanding Common Shares of the Company. Accordingly, for accounting purposes the Subsidiary has been treated as the acquiror of CGX Energy Inc.

The consolidated balance sheet of the Company is based upon the accounts of CGX Resources Inc. at its historic net book value, which have been consolidated with the accounts of CGX Energy Inc. at the estimated fair value of net assets acquired at the time of the transaction. The consolidated statement of operations and deficit and changes in financial position presented, represent the results of operations and changes in financial position of CGX Resources Inc. for the period April 23, 1997 (date of incorporation to November 30, 1998 together with the results of operations and changes in financial position of CGX Energy Inc. from October 27, 1998 to November 30, 1998.

The deemed acquisition of CGX Energy Inc. is recorded at an ascribed value of US$452,741 and is based on the fair value of the assets and liabilities acquired, which are summarized as follows:

	US$
Cash	522,666
Other current assets	4,433
Capital assets and other	30,598
	557,697
Current liabilities	(104,956)
Fair value of net assets acquired	452,741

3. RELATED PARTY TRANSACTIONS

The amounts due from related company, which is controlled by a Company director, is non-interest bearing and without fixed terms of repayment. During the year, the Company incurred expenditures with its directors, senior officers and/or companies to which the directors and/or officers are related. These expenditures, which have been recorded at exchange value, are summarized as follows:

	Three Months Ended November 30, 1998 (Unaudited)	From April 23, 1997 (date of incorporation) to August 31, 1998
Oil and gas properties and deferred exploration costs	9,738	21,984
Administrative expenditures	30,439	32,422

	40,212	54,406

CGX ENERGY INC.
(FORMERLY NORTHWEST EXPLORATIONS INC.)
Notes to the Consolidated Financial Statements – Denominated in United States Dollars
(Information with respect to the three months ended November 30, 1998 is unaudited)
From April 23, 1997 (date of incorporation) to August 31, 1998

4. OIL AND GAS RESOURCE PROPERTIES AND DEFERRED EXPLORATION COSTS

	Three Months Ended November 30, 1998 (Unaudited)	From April 23, 1997 (date of incorporation) to August 31, 1998
Corentyne block, Guyana		
Acquisition costs	**89,641**	114,423
Deferred exploration costs	**58,529**	19,416
	148,170	133,839

(a) **Corentyne Block, Guyana**

On June 24, 1998 the Company was granted petroleum prospecting licence 275/98 for a concession of approximately 12,800 sq. km. in the eastern offshore area of Guyana. The licence is for four years renewable for up to two-3 year periods. The principal terms of the licence are as follows:

Annual fees: Payment of annual fees in the amount of US$80,000.

Guarantee: Performance bond or letter of credit for 10% of work commitment in each year;

Phase 1 (2 years): Examination of geological and seismic data to define anomalies for acquisition of further seismic data. Minimum of 1800 km of new seismic surveys;

Phase 2. Year 1: Minimum of 1500 km of new 2D seismic survey. Year 2: Minimum 500 km of 3D seismic. (The Corporation has the right to drill one exploration well in this phase. If it does so, the obligations in the first renewal described below are somewhat different.)

1st Renewal: At outset, relinquish 20% of Contract Area such that relinquished areas in no more than three areas and reserved area in one contiguous block. 1st 18 Months: Drill one exploration well. 2nd 18 Months: Relinquish another 10% of original area. Drill 2nd exploration well.

2nd Renewal: Relinquish 20% of original area, such that relinquished areas no more than three areas and reserved area no more than two areas. 1st 18 Months: Drill one exploration well. 2nd 18 Months: Drill one exploration well.

Discovery Areas: If a discovery is made, the company shall notify the Minister and has the right to convert the Discovery Area plus reasonable coverage to a Production Licence, subtracting this area from the Contract Area.

Summary of Fiscal Regime: After commencement of commercial production and until capital payback: for first three years, net government share of 12.5% for first 40,000 BPD, and 13.25% for additional production;

for next 2 years, 17.5% for first 40,000 BPD and 18.55% for additional production; thereafter 24.75% until capital payback; thereafter 55% of Profit Oil, in full satisfaction of all income taxes and royalties.

CGX ENERGY INC.

(FORMERLY NORTHWEST EXPLORATIONS INC.)

Notes to the Consolidated Financial Statements – Denominated in United States Dollars
(Information with respect to the three months ended November 30, 1998 is unaudited)
From April 23, 1997 (date of incorporation) to August 31, 1998

5. CAPITAL STOCK

(a) **Authorized**

The Company is authorized to issue an unlimited number of common shares without nominal or par value. On October 26, 1998 the Company filed Articles of Amendment to consolidate its issued and outstanding common shares as at October 23, 1998 on a 1:5 basis. Subsequent to year end the Company filed Articles of Amendment to cancel the authorized Preference and Special Shares which were available to be issued.

(b) **Issued**

The Company's issued and outstanding common shares are as follows:

	Number	US$
Issuance of shares for:		
Cash	4,636,542	322,789
Conversion of trade debt	12,984,138	196,514
Balance August 31, 1998	17,620,680	519,303
5:1 share consolidation	**(14,096,542)**	-
Shares issued on acquisition of CGX Resources Inc. (note 2)	**18,442,620**	**452,741**
Balance November 30, 1998	**21,966,758**	**972,044**

(c) **Options**

The Company has established a stock option plan for certain officers, directors and employees of the Company to issue 2,400,000 common stock options. Under the plan the unexercised common share options at November 30, 1998 are as follows:

Expiry Dates	Exercise Price	Number of shares under option
March 29, 1999	Cdn. $1.85	**26,400**
March 29, 1999	Cdn. $2.00	**3,600**
August 12, 2002	Cdn. $1.85	**135,720**
August 26, 2002	Cdn. $2.00	**49,280**
June 12, 2003	Cdn. $1.00	**20,000**
June 30, 2003	Cdn. $0.21	**1,428,000**
November 3, 2003	US $0.21	**737,000**
		2,400,000

6. SUBSEQUENT EVENTS

(a) **Property acquisition**

On December 9th, 1998 the Company was granted petroleum prospecting licences for 52 Full Blocks and 4 Part Blocks comprising approximately 5,400 square kilometres onshore area of Guyana. The licence is considered part of the Corentyne Block for the terms of the licence (see note 3). The rental fee is US$20,000 per year and the Company paid US$20,000 on signing.

6. SUBSEQUENT EVENTS (Continued)

(b) **Share issuance**

The Company issued 196,905 common shares at US$0.40 per share of which 187,500 shares were issued for cash with the balance issued on conversion of trade debt.

(c) **Rights offering**

On March 3, 1999 the Company filed a rights offering circular which provides for the issuance to eligible shareholders of an "Offer of Rights to Subscribe for Common Shares". Under the terms of the rights offering one right is granted for each outstanding common share of the Company. Five rights and the payment of US$0.25 are required to purchase one common share of the Company. If the Offering is fully subscribed up to 4,441,333 common shares will be issued. The rights will expire on April 15, 1999.

(d) **Common stock option plan**

On December 16, 1998 the Directors approved subject to and conditional upon receipt of shareholder approval and any necessary regulatory approval, to increase the number of options available to 2,600,000 and to grant an additional 85,000 options at a price of Cdn.$0.20 until December 16, 2003.

7. FINANCIAL INSTRUMENTS

(a) **Credit risk**

Credit risk arises from the potential for counter parties to default on their obligations to the Company. The Company is exposed to credit risk in the event of nonperformance, but does not anticipate nonperformance from any of the counter parties. The Company limits its credit risk by dealing with counter parties considered to be of high quality. The maximum credit exposure to the Company is the carrying value of the financial instruments.

(b) **Fair value**

The carrying values of the financial instruments approximate their fair values.

8. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the Company's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

9. DIFFERENCE BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED

ACCOUNTING PRINCIPLES

The Company's consolidated financial statements have been prepared in accordance with generally accepted accounting principles in Canada. There are no differences between these principles and United States principles, which would have had a material impact on these consolidated financial statements.