

CGX ENERGY INC (V.OYLU)

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PROXY CIRCULAR

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NORTHWEST EXPLORATIONS INC.

MANAGEMENT INFORMATION CIRCULAR SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON OCTOBER 22, 1998

SOLICITATION OF PROXIES

This Management Information Circular is furnished in connection with the solicitation of proxies by the management of NORTHWEST EXPLORATIONS INC. (the "Corporation") for use at the Special Meeting of Shareholders (the "Meeting") of the Corporation to be held at The Board of Trade of Metropolitan Toronto, First Canadian Place (Adelaide Street Entrance), Toronto, Ontario, M5X 1C1, at 3:30 o'clock in the afternoon (Toronto Time) on October 22, 1998 for the purposes set out in the enclosed Notice of Meeting, and at any adjournment or adjournments thereof. This Management Information Circular and the enclosed form of proxy have been mailed to the registered holders of all of the common shares of the Corporation of record at the close of business on September 18, 1998. Except to the extent otherwise herein stated, all information set forth herein is given as of September 18, 1998.

Shareholders who are unable to be present at the Meeting in person are requested to fill in, sign, date and return the enclosed proxy instrument to the Corporation's transfer agent and registrar, **Equity Transfer Services Inc., 420 - 120 Adelaide St. West, Toronto, Ont. M5H 4C3** or to the registered office of the Corporation at Suite 512, 120 Adelaide Street West, Toronto, Ontario M5H 1T1 in time for use at the Meeting. An addressed envelope accompanies this Management Information Circular and may be used for such purpose. The solicitation will be primarily by mail; however, proxies may be solicited by telephone or in writing by employees or designated agents of the Corporation. The Corporation will bear the cost of solicitation on behalf of management of proxies in the form furnished herewith.

Appointment and Revocation of Proxies

The persons named in the enclosed proxy instrument will represent management at the Meeting. **A shareholder desiring to appoint some other person (who need not be a shareholder) to represent him at the Meeting may do so either by inserting such person's name in the blank space provided in the proxy instrument and striking out the names of the two specified persons or by completing another proxy instrument and in either case delivering the completed proxy instrument addressed to the Secretary of the Corporation at the address set forth above, or to the Secretary or Chairman of the Meeting at the time of the Meeting.**

A shareholder who has given a proxy instrument may revoke it:

- (a) by signing a proxy instrument bearing a later date and depositing it with the Secretary of the Corporation, or
- (b) as to any matter on which a vote shall not have already been cast pursuant to the authority conferred by such proxy instrument, by signing a written notice of revocation and delivering it to the Secretary or the Chairman of the Meeting, or
- (c) by attending the Meeting in person and personally voting the shares represented by the proxy instrument, or
- (d) in addition to the revocation in any other manner permitted by law, a proxy may be revoked under subsection 110(4) of the *Business Corporations Act* (Ontario) (the "*Act*") by an instrument in writing executed by the shareholder or by his attorney authorized in writing (or if

- 2 -

the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof authorized in writing), deposited either at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof, at which the proxy instrument is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof and upon either of such deposits the proxy shall be revoked.

Exercise of Discretion by Proxies

The common shares represented by the enclosed form of proxy will be voted or withheld from voting on any ballot that may be called for in accordance with the instructions of the shareholder executing the proxy and, if such shareholder has specified a choice with respect to any matter to be acted on at the Meeting, the shares will be voted accordingly. **IN THE ABSENCE OF SUCH INSTRUCTIONS SUCH COMMON SHARES WILL BE VOTED IN FAVOUR OF EACH MATTER IDENTIFIED IN THE FORM OF PROXY TO BE VOTED UPON AT THE MEETING.**

The enclosed proxy instrument confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the Notice of Meeting, or other matters which may properly come before the Meeting. At the time of printing this Management Information Circular, management knows of no such amendments or other matters to come before the Meeting other than matters referred to in the Notice of Meeting. However, if other matters not known to management should properly come before the meeting, the accompanying proxy will be voted on such matters in accordance with the judgement of the person voting the proxy.

VOTING SHARES AND PRINCIPAL HOLDERS THEREOF

There are outstanding as of the date hereof 17,620,680 fully paid and non-assessable common shares of the Corporation. Each common share carries the right to one (1) vote per share. Each holder of outstanding common shares of record at the time of the close of business on September 18, 1998 (the "record date") will be given notice of the Meeting and will be entitled to vote at the Meeting the number of common shares of record held by him on the record date except if such shareholder subsequently transfers the ownership of his common shares and the transferee demands not later than 10 days before the Meeting that the transferee's name be included on the list of shareholders entitled to vote at the Meeting and establishes to the Corporation that he owns such shares in which case the transferee will be entitled to vote his common shares at the Meeting.

As of the record date, to the knowledge of the Directors and officers of the Corporation no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over securities carrying in excess of 10% of the voting rights attached to any class of outstanding voting securities of the Corporation, other than Minorca Resources Inc. which owns 4,500,000 common shares or approximately 25% of the outstanding common shares.

EXECUTIVE COMPENSATION

Compensation of Executive Officers

The following table sets forth all annual and long term compensation of those persons who served as the Corporation's Chief Executive Officer for the fiscal years ended December 31, 1997, 1996 and 1995 (the "Named Executive Officers"). Specific aspects of the compensation of the Named Executive Officers are dealt with in further detail in subsequent tables. The Corporation did not have any executive officers who were serving as executive officers at the end of the most recently completed financial year, whose total salary and bonus exceeded \$100,000.

Name and Principal Position	Year	Annual Compensation			Long-term Compensation			All Other Compensation
		Salary (\$)	Bonus (CDN \$) ⁽⁵⁾	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Options/SARs ⁽¹⁾ Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP ⁽²⁾ Payouts (\$)	
Denis Clement ^(3,4,6) President and CEO	1997	-	50,000	-	325,000	-	-	-
	1996	-	-	-	-	-	-	-
Donald Sheldon ⁽³⁾ President	1996	-	-	-	-	-	-	-
	1995	-	-	-	-	-	-	-

Notes:

- (1) Stock appreciation rights.
- (2) Long-term incentive plans.
- (3) On December 31, 1996, Donald Sheldon resigned as President and Denis Clement was appointed President.
- (4) A consulting business controlled by Mr. Denis Clement, President and Chief Executive Officer of the Corporation, received consulting fees of \$26,500 during the year ended December 31, 1997.
- (5) This amount was paid in consideration of completing the restructuring and financing of the Corporation in 1997.
- (6) On August 24, 1998, Denis Clement resigned as President and Director and cancelled his options.

Stock Option Grants

The following table provides details on stock options granted to the Named Executive Officers in the fiscal year ended December 31, 1997:

Name	Securities Under Options Granted ⁽¹⁾ (#)	% of Total Options Granted to Directors, Officers and Employees in Financial Year	Exercise Price (\$) CDN	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiration Date
Denis Clement ⁽²⁾	285,000	19.0%	\$0.37	\$0.37	Aug. 12, 2002
	40,000	3.7%	\$0.40	\$0.40	Aug. 26, 2002

Notes:

- (1) The number in this column is the number of common shares of the Corporation for which options to purchase were granted.
- (2) On August 24, 1998, Denis Clement resigned as President and Director and cancelled his options.

Stock Options Exercised and Held

The following table provides detailed information regarding options exercised by the Named Executive Officer during the fiscal year ended December 31, 1997 and the financial year-end value of unexercised options on an aggregate basis:

- 4 -

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options/SARs at FY-end (3) ^(1,2) Exercisable/Unexercisable	Value of Unexercised in-the-money Options/SARs at FY-end (\$) Exercisable/ Unexercisable
Denis Clement	-	-	325,000 / 0	0 / 0

- Notes: (1) The numbers in this column are the number of common shares of the Corporation.
(2) On August 24, 1998, Denis Clement resigned as President and Director and cancelled his options

Composition and Report of the Compensation Committee

During the fiscal year ended December 31, 1997 the board members performed the function of a compensation committee. The remuneration payable to executive officers is based on the amount of time and attention such executive officers devote to the affairs of the Corporation.

However, the primary goal of the Board is to assure that the compensation provided to executive officers is determined with regard to the Corporation's business strategies and objectives and financial condition, so that the financial interest of the executive officers is matched with the financial interest of the shareholders.

The Board believes that stock options encourage the Corporation's executive officers to own and hold shares in the Corporation and tie their long-term interests directly to those of the shareholders. Under the terms of the Corporation's stock option plan, the Board may designate employees, including executive officers, eligible to receive options to acquire such numbers of common shares as the Board determines at the then current trading price on the Canadian Dealing Network.

When awarding options, consideration is given to the exercise price of the aggregate options that would be held by an individual after the award under consideration is made. In determining the individual grants, the Board considers the following factors: the executive officer's relative position and performance, and past equity grants.

Other Compensation Matters

The Chief Executive Officer of the Corporation was granted stock options exercisable into 325,000 common shares during the fiscal year ended December 31, 1997; the Chief Executive Officer agreed to cancel these options upon his resignation on August 24, 1998. There are no pension plan benefits in place for the senior officers and directors and none of the senior officers or directors of the Corporation is indebted to the Corporation.

Employment Contracts

The Corporation has no employment contracts in place. Additionally, the Corporation has no compensatory plan or arrangement with respect to the Chief Executive Officer that results or will result from the resignation, retirement or any other termination of his employment with the Corporation, from a change of control of the Corporation or a change in the Chief Executive Officer's responsibility following a change-in-control.

Compensation of Directors

Directors of the Corporation do not receive any fees for acting as directors. Directors may participate in the Corporation's stock option plans. During the financial year ended December 31, 1997, 925,000 options

to purchase common shares were granted to directors other than Denis Clement. During such fiscal year no options to purchase common shares were exercised by directors.

SPECIAL BUSINESS

Amendments to Articles

In connection with the Corporation's proposal to acquire all of the issued and outstanding securities of CGX Resources Inc. ("CGX") (see "Special Business - Acquisition of CGX"), shareholders of the Corporation are being asked to pass the special resolution annexed as Appendix "I" to the Management Information Circular, authorizing the Corporation to amend its Articles as follows:

- (i) consolidating each of the issued and outstanding common shares without par value of the Corporation by changing each five (5) issued common shares without par value into one (1) common share without par value (1:5), with fractions rounded to the nearest whole number;
- (ii) changing the name of the Corporation to "CGX Energy Inc. " or such other name as may be selected by the board of directors of the Corporation and as may be acceptable to the Director appointed under the *Business Corporations Act (Ontario)*.

In view of the proposal to acquire CGX, management of the Corporation favours the proposal to amend the Articles of the Corporation. Such amendment will assist management of the Corporation in its efforts to enhance shareholder value and hopefully better position the Corporation to take advantage of any financing opportunities which may arise.

In order to pass the resolution amending the Corporation's Articles, at least two thirds of the votes cast at the meeting by holders of shares must be voted in favour of the resolution. If the resolution amending the Articles does not receive the requisite shareholder approval, the Corporation will continue with its present share capitalization and name and the acquisition of CGX may not proceed. The special resolution also provides that directors of the Corporation may revoke the special resolution, in whole or in part, at any time prior to the endorsement by the Director under the Business Corporations Act (Ontario) of a Certificate of Amendment giving effect to the Articles of Amendment without further approval of the shareholders of the Corporation. Accordingly, the directors of the Corporation may determine that, notwithstanding shareholder approval, the filing of Articles of Amendment giving effect to the share consolidation and change of name be conditional upon the approval by shareholders of the Acquisition and the completion of those transactions.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE ABOVE AMENDMENTS TO THE ARTICLES OF THE CORPORATION, UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

Acquisition of CGX

Overview

The Corporation intends to acquire all of the issued and outstanding ordinary shares of CGX in exchange for post-consolidated common shares of the Corporation. If all of the ordinary shares of CGX are tendered to the Corporation's offer, CGX will be a wholly owned subsidiary of the Corporation.

Purpose and Effect of Take-over

Exploration results on the Corporation's mineral properties in Guyana have been disappointing. Management of the Corporation has been seeking new ventures to enhance shareholder value. The management of the Corporation has identified CGX as a promising take-over target and has initiated negotiations with the shareholders of CGX. Shareholders are encouraged to review Schedules "A" and "B" hereto which contain descriptions of CGX and the Corporation together with certain audited and unaudited financial information relating thereto, both prior to and following the completion of the Acquisition, assuming approval and completion thereof.

Review by the Board of Directors of the Corporation

In assessing the proposed take-over of CGX, and making the determination to recommend the approval thereof to the shareholders of the Corporation, the board of directors of the Corporation, among other things, considered:

- (a) the prospects and opportunities currently available to the Corporation;
- (b) the unaudited balance sheets and statements of loss and deficit and changes in financial position of the Corporation for the six months ended June 30, 1998 and 1997;
- (c) the audited financial statements of the Corporation as at December 31, 1997 and 1996;
- (d) the audited financial statements of CGX as at August 31, 1998;
- (e) the pro forma balance sheet of the Corporation after giving effect to, among other things, the Acquisition;
- (f) the Apex Report referred to under "Share Consideration"; and,
- (g) the information prepared by CGX and included in this Management Information Circular as Schedule "B" hereto.

Share Consideration

After comprehensive negotiations with the representatives of the major shareholders of CGX, all of whom are at arm's length to the Corporation, the Corporation agreed to offer to acquire all of the issued and outstanding ordinary shares of CGX on the basis of 23.8 post-consolidation shares of the Corporation with a deemed issue price of US\$0.18 per common share for each issued and outstanding ordinary share of CGX. The deemed issue price of US\$0.18 per share was arrived at by the directors of the Corporation, after receiving geological reports and valuations of the CGX properties and was subject to receiving an independent valuation of the CGX properties exceeding US\$3,320,000 (an amount equal to the deemed value of the shares to be issued pursuant to the acquisition of CGX). Management noted that CGX had recently completed financings at US\$5.00 per ordinary share, which equated to an issue price of US\$0.21 per common share of the Corporation, after giving effect to the exchange ratio.

In determining the issue price of US\$0.18 per share for shares of the Corporation, the directors of the Corporation considered the current trading price of the shares of the Corporation. The directors of the Corporation also considered that the value of the Corporation was represented primarily by its status as a reporting issuer in the Province of Ontario plus its working capital. Informal comparative analysis of the prices paid for so-called "shell" reporting issuers indicated a value ranging from US\$100,000 to

US\$180,000, plus approximately US\$500,000 for its current working capital. Accordingly, the directors considered that the Corporation had a value of approximately US\$640,000, resulting in a value per share of US\$0.18 per share, after giving effect to the consolidation. Assuming that the shareholders of the Corporation approve of the consolidation of each five of the currently issued and outstanding common shares of the Corporation into one post-consolidation common share, the Corporation will have 3,524,136 common shares outstanding prior to the Acquisition.

Representatives of the shareholders of CGX, being at arm's length to the Corporation, agreed with management's valuation of the common shares of the Corporation. This will result in the proposed acquisition of all of the 774,900 shares of CGX, in consideration of the issuance by the Corporation of 18,442,620 post-consolidated common shares of the Corporation, if all of the 774,900 outstanding ordinary shares of CGX are tendered. The Corporation received an independent report from Apex Petroleum Consultants Inc. (the "Apex Report") which provided a valuation of US\$179 million for the CGX properties, substantially in excess of the value attributed to CGX for purposes of the offer. The offer described herein for ordinary shares of CGX is conditional upon a minimum of 60% of all issued and outstanding CGX ordinary shares being tendered pursuant to the offer. The Corporation entered into lock-up agreements with Jaguar Holdings Inc., Agridev Company Limited, Wayne Brasseur and Diamond Page International Inc., pursuant to which each of the above is obligated to tender all of the 458,000 ordinary shares of CGX held by them (64% in the aggregate of the issued and outstanding ordinary shares of CGX).

Management's Analysis

Management of the Corporation had undertaken a review of prospective investments and mergers and acquisition targets and identified CGX as an attractive acquisition target.

Management of the Corporation entered into negotiations with CGX and its shareholders relating to the take-over by the Corporation of CGX, which may also be characterized as a reverse take-over of the Corporation by the shareholders of CGX. The Corporation and CGX agreed to conclude a transaction conditional upon shareholders of the Corporation approving of the Acquisition.

Management considered the risk factors described herein and concluded that, considering the risks and the other factors described elsewhere herein, the proposed Acquisition is in the best interests of the Corporation and fair to its shareholders generally. It is contemplated that two directors will resign and two new directors and a new Vice President, Exploration will be appointed upon completion of the acquisition, as described in Schedule A attached hereto.

Recommendation of the Board of Directors of the Corporation

After considering all factors described herein, the board of directors of the Corporation has made the determination to recommend the approval of the Acquisition to the shareholders of the Corporation.

Risk Factors

There can be no assurance that CGX will be operated as a profitable business. Investment in the Corporation should be considered to be speculative due to such factors, among others, as the fundamental nature of the oil and gas business in which the Corporation is engaged and the limited extent of the Corporation's assets. 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.

There is no assurance that CGX's properties will prove economically viable. Even in the event CGX 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 CGX will require additional funds. CGX is a start up corporation with no history of operations. The Corporation and CGX have limited funds available for the exploration and development of CGX's oil and gas prospects and there can be no assurance that additional funds, if required, will be raised.

See the captions "Risk Factors" in each of Schedules "A" and "B" for additional risk factors, particularly risk factors specific to CGX.

Shareholder Approval

Shareholders of the Corporation are being asked to approve the Acquisition. In order to pass the resolution approving the Acquisition, at least a majority of the votes cast at the meeting by the holders of common shares must be cast in favour of the resolution. In the event that shareholder approval is not obtained, the Acquisition will not proceed. Management of the Corporation does not presently have alternative plans for the Corporation in such event. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE ACQUISITION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.**

Private Placements

Shareholders of the Corporation are being asked to pass the following resolution authorizing the Corporation to enter into private placements in the capital of the Corporation through the issuance of up to 9,000,000 common shares of the Corporation, after giving effect to the proposed consolidation. The number of common shares to be authorized for private placement represents approximately 41% of the number of shares to be outstanding following the proposed acquisition of CGX, assuming all the shares of CGX are tendered. To date, the Corporation has not had any discussions regarding possible private placements. In order to be effective, the resolution must be passed by a majority of the votes cast in respect of this resolution. **PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE ORDINARY RESOLUTION AUTHORIZING THE ARRANGEMENT OF SUCH PRIVATE PLACEMENTS, UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.** The text of the proposed resolution is as follows:

NOW THEREFORE BE IT RESOLVED THAT:

1. The directors of the Corporation be and they are hereby authorized and directed to arrange from time to time, private placements in the capital of the Corporation through the issuance of up to 9,000,000 common shares of the Corporation, after giving effect to the consolidation of the common shares on a one-for-one basis.
2. Any one director or officer of the Corporation be and he is hereby authorized and directed to execute and deliver under the corporate seal or otherwise all such deeds, documents, instruments and assurances and to do all such acts and things as in his opinion may be necessary or desirable to give effect to this resolution.

Amendment to Stock Option Plan

The Corporation maintains a Stock Option Plan (the "Plan") for the benefit of directors, officers, employees, consultants and other service providers of the Corporation and its subsidiaries in order to assist the Corporation in attracting, retaining and motivating such persons by providing them with the opportunity, through stock options ("Options"), to acquire an increased proprietary interest in the Corporation.

The Plan currently provides that a maximum of 2,250,000 common shares (on a pre-consolidation basis) may be subject to issuance thereunder. On September 18, 1998, the Board of Directors of the Corporation adopted a resolution approving an amendment to the Plan to set the maximum number of post-consolidated common shares issuable pursuant to Options under the Plan at 2,400,000, subject to receipt of all shareholder and regulatory approvals. The number of shares proposed to be authorized for issuance under the Plan represents 10.9% of the number of shares to be issued and outstanding after giving effect to the acquisition of all of the ordinary shares of CGX. Shareholders are being asked to approve a resolution approving the amendment to the Plan. This resolution will be moved, only if the resolution authorizing the acquisition of CGX as set out herein, is approved.

CGX currently has options outstanding to purchase an aggregate of 60,000 shares of CGX at a price of CDN\$5.00 per share expiring June 30, 2003. If the acquisition of CGX is completed and the amendment to the Plan is approved, it is anticipated that the CGX options will be cancelled and options to purchase an aggregate of 1,428,000 post-consolidation shares of the Corporation exercisable at CDN\$0.21 per share will be granted to the current holders of the CGX options in substitution therefor. The Corporation has agreed that the provision of the plan regarding early termination of options, in the event that an option holder ceases to be associated with the Corporation, will be waived with respect to Mr. Cullen's options.

The text of the proposed resolution approving the amendment to the Plan is as follows:

NOW THEREFORE BE IT RESOLVED THAT:

1. The amendment of the Stock Option Plan (the "Plan") of the Corporation, as authorized and approved by the board of directors of the Corporation as of September 18, 1998, to fix the maximum aggregate number of shares of the Corporation which may be issued and sold under the Plan, after giving effect to the consolidation of the shares of the Corporation on a one-for-five basis, at 2,400,000 shares, is hereby ratified, confirmed and approved.
2. Any director or officer of the Corporation be and he is hereby authorized and directed to take all such steps or proceedings and execute and deliver under the corporate seal or otherwise, all documents and to do all such other acts and things as in his opinion may be necessary or desirable to give effect to this resolution.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE ORDINARY RESOLUTION AUTHORIZING THE AMENDMENT TO THE STOCK OPTION PLAN OF THE CORPORATION, UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS OR HER SHARES ARE TO BE VOTED AGAINST SUCH RESOLUTION.

Other Business

The Corporation knows of no matter to come before the special meeting of shareholders other than the matters referred to in the notice of meeting.

DIRECTORS' APPROVAL

Information contained herein is given as of September 18, 1998. If any matters which are not known should properly come before the Meeting, the accompanying proxy instrument will be voted on such matters, in accordance with the best judgement of the person voting it. The contents and the sending of this Management Information Circular have been approved by the directors of the Corporation.

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.

By Order of the Board of Directors,

(signed)
Michael Whitney
President & Director

APPENDIX "I"

**SPECIAL RESOLUTION OF THE SHAREHOLDERS OF
NORTHWEST EXPLORATIONS INC.
(the "Corporation")**

AMENDMENT TO ARTICLES OF INCORPORATION

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The articles of the Corporation be amended,
 - (a) to consolidate each of the issued and outstanding common shares without par value of the Corporation on a one-for-five basis, fractions to be rounded up or down to the nearest whole number, such consolidation to be effective on October 23, 1998 or such later date as may be determined by the Board of Directors of the Corporation, and
 - (b) to change the name of the Corporation to "CGX Energy Inc." or, if such name is unavailable for any reason, a similar name approved by the Board of Directors of the Corporation.
2. Any officer or director of the Corporation be and is hereby authorized and directed for and in the name of and on behalf of the Corporation, to execute, whether under the corporate seal of the Corporation or otherwise, and to deliver to the Director under the *Business Corporations Act* (Ontario), articles of amendment to give effect to this special resolution.
3. Notwithstanding that this special resolution has been duly passed by the shareholders of the Corporation, the directors of the Corporation are hereby authorized and empowered to revoke this special resolution in whole or in part without further approval of the shareholders of the Corporation at any time prior to the issue by the Director under the *Business Corporations Act* (Ontario) of a certificate of amendment giving effect to the amendment of the articles of the Corporation contemplated by this special resolution.
4. Any officer or director of the Corporation be and is hereby authorized and directed for and in the name of and on behalf of the Corporation, to execute or cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other acts and things, as in the opinion of such officer or director may be necessary or desirable in order to carry out the intent of this special resolution.

APPENDIX "II"

**RESOLUTION OF THE SHAREHOLDERS OF
NORTHWEST EXPLORATIONS INC.
(the "Corporation")**

TAKEOVER BID

BE IT RESOLVED AS A RESOLUTION THAT:

1. The Corporation be and it is hereby authorized to acquire some or all of the 774,900 issued and outstanding ordinary shares of CGX Resources Inc. (but not less than 60% thereof) in consideration of the issuance by the Corporation of up to 18,442,620 post-consolidated common shares therefor, on the basis of 23.8 post-consolidation common shares of the Corporation for each one (1) ordinary share of CGX Resources Inc., subject to such variations as the board of directors of the Corporation deems prudent to satisfy securities regulators (or such adjusted number in the event that the resolution contained in Appendix I attached hereto is not approved) and the Ontario Ministry of Consumer and Commercial Relations.
2. Any officer or director of the Corporation be and is hereby authorized and directed for and in the name of and on behalf of the Corporation, to execute or cause to be executed, whether under the corporate seal of the Corporation or otherwise, and to deliver or to cause to be delivered, all such other documents and instruments, and to do or cause to be done all such other acts and things, as in the opinion of such officer or director may be necessary or desirable in order to carry out the intent of this special resolution.

SCHEDULE "A"
INFORMATION BOOKLET
NORTHWEST EXPLORATIONS INC.

The information contained in this information booklet is supplemental to and forms part of the information provided in the Management Information Circular of Northwest Explorations Inc. which this booklet accompanies. Unless otherwise noted, the information contained herein is given as of September 18, 1998.

TABLE OF CONTENTS

NORTHWEST EXPLORATIONS INC.	2
1. BUSINESS OF THE CORPORATION	2
<i>The Subsidiary</i>	2
<i>Guyana</i>	2
<i>Business of the Subsidiary</i>	2
<i>Location, Size and Means of Access</i>	3
<i>Title</i>	3
<i>Title Issues</i>	3
<i>Previous Exploration</i>	4
<i>Exploration by the Subsidiary</i>	4
<i>Reserves</i>	7
<i>Program</i>	7
2. SHARE CAPITAL	7
3. PRIOR ISSUES OF SECURITIES.....	8
4. PRINCIPAL SHAREHOLDERS	8
5. CONSOLIDATED CAPITALIZATION OF THE CORPORATION.....	8
6. ESCROW ARRANGEMENTS	9
7. DIRECTORS AND OFFICERS	9
8. DIVIDEND POLICY	10
9. MATERIAL CONTRACTS	10
10. STOCK OPTION PLAN.....	13
11. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS	13
12. PRICE RANGE AND TRADING VOLUME OF THE CORPORATION'S SHARES.....	14
13. FINANCIAL STATEMENTS.....	14
14. RISK FACTORS	14
15. AUDITOR	15
16. TRANSFER AGENT AND REGISTRAR.....	16
NORTHWEST EXPLORATIONS INC. FINANCIAL STATEMENTS	17
CGX ENERGY INC.	32
1. BUSINESS OF THE CORPORATION.....	32
2. SHARE CAPITAL OF CGX ENERGY.....	32
3. PRO FORMA CAPITALIZATION OF CGX ENERGY.....	32
4. MANAGEMENT OF CGX ENERGY	33
5. STOCK OPTION PLAN.....	34
6. PRINCIPAL SHAREHOLDERS OF CGX ENERGY	34
7. AUDITORS.....	35
8. TRANSFER AGENT AND REGISTRAR.....	35
9. PRO FORMA FINANCIAL STATEMENTS.....	35
COMPILATION REPORT	36

NORTHWEST EXPLORATIONS INC.

1. Business of the Corporation

Northwest Explorations Inc. (the "Corporation" or "NEI") was incorporated on February 21, 1994 under the *Business Corporations Act* (Ontario). It was originally incorporated as 1069084 Ontario Limited and, by articles of amendment dated October 22, 1996, changed its name to Northwest Explorations Inc. The principal office of the Corporation is located at Suite 502, 120 Adelaide Street West, Toronto, Ontario M5H 1T1.

The Corporation carries on business as a resource exploration company through its Guyana subsidiary, Northwest Exploration Company Limited.

The Subsidiary

Northwest Exploration Corporation Limited (the "Subsidiary") was incorporated under the *Companies Act (Guyana)* by Articles of Association dated October 30, 1994. The Subsidiary's registered office is located at 215 King Street, Georgetown, Guyana and its principal office is at Suite 512, 120 Adelaide Street West, Toronto, Ontario M5H 1T1.

Guyana

Guyana is the only English-speaking nation on the South American continent. Its neighbours are Venezuela to the west, Suriname to the east, and Brazil to the south. Guyana has been a parliamentary democracy since achieving independence from the United Kingdom in 1966. Its legal and land title systems are based on English common law. Guyana is lightly populated, having a population of approximately 900,000 people occupying a land area of approximately 215,000 km², almost the size of Great Britain.

The two largest components of Guyanese export trade are sugar and gold. Mining contributes approximately one-third of all exports. The Guyanese dollar is currently stable and freely convertible (see "Risk Factors"). The exchange rates for the number of Guyanese dollars exchangeable per U.S. dollar over the past five years have been as follows:

Year	Average Annual Exchange Rate G \$/US \$	Exchange Rate as at December 31 G \$/US \$
1992	126.0	125.1
1993	130.8	130.2
1994	142.5	138.2
1995	140.5	141.9
1996	140.3	140.5
1997	142.0	144.0

Business of the Subsidiary

The principal business of the Subsidiary is mineral exploration for gold in Guyana. Between 1994 and 1997, the Subsidiary entered into 18 agreements for the purchase or option of properties in northwest Guyana (collectively the "Arakaka Properties") and has carried out exploration of the Arakaka Properties through geological mapping, geochemical surveys, trenching and sonic drilling as described below and acquired one property in southern Guyana. The Subsidiary retained A.C.A. Howe International Ltd.

("Howe"), consulting geologists, who submitted a geological reports with respect to the Arakaka Properties dated October 1, 1996 (the "1996 Howe Report") and on July 31, 1998 (the "1998 Howe Report") (collectively the "Howe Reports"). The following information has been abstracted from the Howe Reports or from the Subsidiary's records. On August 24, 1998, Northwest announced that the Subsidiary had effected a temporary shutdown of its exploration activities in Guyana, had terminated two of its eighteen exploration agreements in respect to its Arakaka Properties and written down its exploration expenditures. On September 15, 1998, the Subsidiary terminated two more exploration agreements. As of June 30, 1998, the Corporation wrote off its aggregate deferred exploration expenditures and wrote down the carrying value of its exploration properties to nil.

Location, Size and Means of Access

The Arakaka Properties are located in the Northwest Administrative Region of Guyana, near the Venezuela border and within the Northwest Mining District No. 5. The Arakaka Properties are centred around Longitude 60°05' W, and Latitude 7°35' N and consisted of a total of 26 contiguous medium-scale prospecting permits ("PPMS") and 33 small-scale claim licences (which occur within various PPMS claims), which cover an area of approximately 130 km². The Properties are situated approximately 240 km northwest of Georgetown, the capital of the Republic of Guyana. The Properties are situated approximately midway between the settlements of Matthew's Ridge and Arakaka, which are 25.6 km apart and about 25 km southwest of the District Administrative town of Port Kaituma. The exploration agreements terminated in August and September 1998 cover six PPMS and seven small-scale claim licences.

Title

Guyanese law is based on British common law. Mining title in Guyana is defined by the *Mining Act, 1989* (Guyana), which is the successor of the *Mining Act, 1965* (Guyana). In Guyana, under the *Mining Act, 1989* (Guyana), large-scale ("PL") and medium-scale ("PPMS") prospecting permits and small-scale mining claim licenses are permitted. Medium-scale prospecting permits are typically about 600 hectares in size; small-scale claim licenses are typically 800 feet by 1500 feet (about 12.5 hectares) in size. Only Guyanese persons are permitted to hold medium-scale prospecting permits and claim licenses. Under Guyanese law, medium-scale prospecting permits can overlie small-scale claim licenses; however, the land included in an existing claim license is excluded from the land granted under the medium-scale prospecting permit. Similarly, large-scale prospecting permits can overlie small-scale claim licenses and medium-scale prospecting permits, but the prior licenses and permits are excluded from the area of the large-scale prospecting permits. Both prospecting permits and claim licenses must be renewed annually through the payment of rents to the government. Mining permits with a five-year term, renewable for a further five years, may be obtained from the Guyana Geology and Mines Commission ("GGMC") based on the nature of the mineral, the size of area, the projected expenditure and the work program envisioned.

The Subsidiary has exploration and mining agreements for the Arakaka Properties under 13 direct agreements with Guyanese nationals, none of whom are affiliated with the Subsidiary. See "Material Contracts" for a description of these agreements.

Title Issues

In 1991, the Government of Guyana entered into a timber concession (the "Timber Licence") with Barama Company Limited of Guyana ("Barama"), Sunkyong Limited of Korea and Samling Corporation of Malaysia for an area covering much of northwest Guyana, including the Arakaka Properties. Under the terms of the Timber Licence, the Government of Guyana agreed to notify Barama of any proposals to grant any lease, license or permit to third parties to exploit other natural resources in the area of the Timber Licence with a view to obtaining Barama's comments. The Government of Guyana retained the right to grant concessions for exploiting other mineral resources to third parties in the Timber Licence area, but agreed to ensure that activities under such concessions did not interfere with Barama's projects or destroy the environment in the Timber Licence area. The Government of Guyana also granted Barama a right of

first refusal for the grant of such leases, licenses and/or permits. In 1994, notice of GGMC's intention to grant medium-scale prospecting permits to the Guyanese nationals, with whom the Subsidiary entered into exploration and mining agreements, was published in the *Official Gazette*. To the Company's knowledge, Barama did not object to the issuance of the prospecting permits or otherwise exercise a right of first refusal at that time. In 1996, to the Company's understanding, GGMC published a notice of intention in the *Official Gazette* for a proposed prospecting permit in favour of Golden Star Resources Ltd. ("Golden Star"), to which Barama objected. Golden Star subsequently reached an agreement with Barama (the terms of which to the Company's knowledge have not been made public) and the proposed prospecting permit was then granted to Golden Star. It is the Company's belief that Barama's failure to exercise its rights at the time of the original granting of the medium-scale prospecting permits has resulted in the loss of any rights of first refusal, but there is no assurance that the Company's belief is correct. Accordingly, there is a residual risk that the Company's rights to the medium scale prospecting permits granted subsequent to Barama's 1991 Timber Licence may be subject to Barama's right of first refusal (see "Risk Factors").

Previous Exploration

Gold on the Arakaka Properties has been mined by artisanal workers (known locally as "pork-knockers") on the Kim, Fly, Ray, Keepers and Higgins Claims. Pits, adits and small shafts from pork-knocker activities are observable on the Ray, Keepers and Higgins Claims, including relatively recent activities. Howe believes that the Higgins Claims were optioned by Golden Star Resources Ltd. ("Golden Star") in the mid-1980s. In its 1987 Annual Report, Golden Star reported that "chip/channel sampling at the south Higgins pit returned 6.14 g/t over a 75 metre true width, which includes a 6 metre wide zone grading 28 g/t". In its 1987 Annual Report, Golden Star also reported that auger samples on the Higgins Claims indicated a 100 ppb contour zone of 75,000 m² with a weighted average grade of 0.96 g/t to 4.5 meters, including a 500 ppb contour zone of 25,000 m² with a weighted average grade of 2.17 g/t to 5.2 meters.

Exploration by the Subsidiary

Between 1994 and 1996, The Subsidiary carried out reconnaissance sampling, consisting of 3 grab samples, 3 back-hoe pits, 24 post-hole samples and 25 sonic drill-holes on the Kim Claims; 24 post-hole samples and 4 sonic drill-holes on the Madman Claim; and 15 sonic drill holes on the Simone Baird and Shewraj Properties.

In 1996, the Subsidiary carried out 28 sonic drill-holes on the Burnet, Simone Baird and James Properties; Howe carried out reconnaissance geological mapping and a fill-in property-wide soil sampling of the B1 horizon on 100 x 300 m centres over the PPMS claims and on 100 x 60 m centres on the Kim Claims as well as completing a new backhoe trench (#12) on the Kim claim, yielding 341 samples were obtained from the PPMS claims and 207 from the Kim Claims. In August 1996, Howe carried out reconnaissance geological mapping and geochemical soil sampling at 100m by 50m centres on the Annie Creek Claims, collecting 116 samples.

Between late 1996 through June 1998, The Subsidiary completed several exploration programs, which consisted of the following:

- Soil geochemical surveys were carried out over the Property totalling 4,862 soil samples.
- Geological mapping identifying four types of gold mineralization:

TYPE 1	Gold occurring in narrow concordant and discordant quartz veining filling bedding planes and/or fractures found in the multicoloured saprolite with limonitic alteration (epigenetic). Observed at Purple Heart, Monkey Hill "A" and "B", Annie Creek Areas, Location 2 and 3
TYPE 2	Minor occurrences of weakly chemically altered granitoid units (porphyritic diorite at Monkey Hill "B") and quartz stockwork rich granitoid unit (Purple Heart). Observed at Purple Heart and Monkey Hill "B" Areas
TYPE 3	Gold in eluvial, placer gravels. Observed near Arakaka village (along the road)

TYPE 4 Gold in surficially enriched latosols due to mechanical and chemical remobilization processes. Observed in areas of pork-knocker "grading" activity (e.g. Monkey Hill "B" and JMC)

- An airborne magnetic, radiometric and RADARSAT imagery report was prepared for The Subsidiary by Paterson, Grant and Watson.
- Fifty-one (51) trenches totalling 5,300m were excavated over numerous 100ppb Au + B1 soil anomalies in 1997-98.
- A total of 84 Pionjar drill holes totalling 853.65m were carried out by The Subsidiary from December 1997 to June 1998 over various target areas on the Property.
- Four Prospector drill holes totalling 191.50m were conducted at Location 1 in order to test the strike and depth potential of the TYPE I and II targets.

The geochemical surveys indicated the presence of numerous 100ppb Au soil geochemical anomalies on the Property which vary in size from as small as single sample anomalies to a large as 500m by 300m (Monkey Hill "B" Area). Most of the soil anomalies obtained reflect: 1) the surficial enrichment and remobilization of gold in the latosol cover (this type of weathering is typical of humid tropical zones) and 2) false anomalies due to gold dispersion (relief) and past pork-knocker activity (tailings, dumps).

Fifty-one (51) trenches totalling 5,300m were excavated over numerous 100ppb Au + B1 soil anomalies in 1997-98. The trench program was successful in outlining several Au mineralized zones but the following geological observations were noted:

- A majority of the mineralized intervals (whether 2m or more in horizontal length) are for the most part associated with thin discontinuous concordant FeMnOx (\pm limonite) quartz veins/veinlets (max. 0.50m) which are hosted in a yellowish, limonitic altered, saprolitized volcanoclastics. The limonitic alteration is possibly a chemically weathered equivalent of carbonate alteration. Examples of this type of mineralization are found in Trenches 14B, 37, 55, etc.).
- A majority of the trenches (Monkey Hill "A", Arakaka, JMC) generally exposed a flat to shallow NW dipping multicoloured interbedded volcanoclastics with or without quartz veining. Fresh and/or weathered sulphides were not observed in any of the trenches. Assay results from these trenches all returned poor Au values. Trenches 31, 32, 35 exposed a discontinuous horizon of pebbly eluvial-colluvial gravel (TYPE 3). Vertical samples from this material returned poor gold values.
- Trench 37, located in the Monkey Hill "B" Area (L6100E / 000S to 120S) is the only trench which exposed a medium grained porphyritic diorite which assayed 1.18g/TAu over 14.0m. Three vertical channel samples were collected from the fresh exposure and gold values obtained varied from 122ppb Au to 433ppb Au. Note that the horizontal channel samples taken from the west trench wall were along the "transition" halo between the oxidized and fresh porphyritic diorite (possible leaching and enrichment). To date, only one Pionjar hole (Hole 98PJ-7-1) at L6100E/107S has been drilled to test the porphyritic diorite unit at depth. Not knowing if the hole collared into oxidized or fresh porphyritic diorite, results from this hole (1.06g/T Au over 9.0m; includes 4.0m at 2.08g/TAu) indicate that the Au mineralization within the interval is somewhat spotty but that the target remains open at depth. Due to the accidented topography of this zone, this unit was not exposed in the other trenches at Monkey Hill "B" but other saprolitized granitoids (rock type unknown) were exposed but returned poor assay results. It is noted that SE of the Arakaka Property, Toscana Resources Takatu Project concentrated on the drilling of a NW-SE trending shear zone. In a report written to Toscana by Coast Mountain Geological Ltd., a satellite imagery interpretation map shows that a NW-SE trending structural lineament cuts through the Toscana property as well as through The Subsidiary's property southwest of Purple Heart and through the Monkey Hill "B" area (see Figure 7.5). The report mentions that the geology consists of NW-SE striking, SW dipping volcano-sedimentary sequence. Thin section analysis indicates that some of the intersected volcanics may in fact be intrusive dykes and sills of intermediate to mafic in composition. The thin section report completed by Vancouver Petrographics Ltd. indicates that several samples were described as quartz microdiorite or microdiorite. It is possible that this unit may resemble the porphyritic diorite found at Monkey Hill "B" and the outcrop exposure near Arakaka.

- Trenches completed at the Annie Creek Area, located between L4600E and L5200E, cross-cut a 50-100m wide, brownish coloured, medium to coarse grained, moderately kaolinitized, saprolitic feldspar porphyry unit with concordant FeMnOx quartz veining which vary in thickness. Based on trench mapping, this unit has an inferred strike length of 600m. There were no sulphides noted (oxidized or fresh) in the saprolitized feldspar porphyry. This porphyritic unit is in contact to the northwest with a fine-grained diorite unit. Both of these hypabyssal intrusive units intruded the volcanoclastic pile via a N-NNW trending fault and then were displaced by an inferred E-W trending crosscutting fault, which crosses L4900 to L5100E. These intrusives were then cut to the south by the diabase sill/dyke. Soil geochemical results obtained along the trench lines varied from >100ppb Au to >1000ppb Au but the assay results obtained from the horizontal channel samples of these trenches returned poor results (<100ppb Au).

A total of 84 Pionjar drill holes totalling 853.65m were carried out by the Subsidiary from December 1997 to June 1998 over various target areas on the Property. The Pionjar drill program was designed to test the extent of Au mineralization below the mineralized trench intervals. Most of the holes returned poor assay results but where significant Au mineralization was intersected, the mineralization was spotty and had no depth potential due to the flat nature of the volcanoclastic units (e.g. T58-EXT). Of the 84 holes, 8 returned anomalous gold intersections at depth within mineralized intervals obtained in the trenching program. A majority of the mineralized intersections tested by the Pionjar (from the base of the trenches) represent rootless systems. Forty-five (45) Pionjar drill holes were completed on the Kim Detail area. Several anomalous Au intersections were obtained in the auriferous gravel horizon, but the drill program was halted due to the lack of gravel present, which was extracted by past pork-knocker mining activities. Several soil anomalies >100ppb Au were tested with the Pionjar but returned poor Au results.

Intensive work was carried out on the Purple Heart Zone, which consisted of a 0.60m wide 070/25 to 40/1N trending Fe-Mn oxide quartz vein with a hanging wall consisting of a thickly bedded (>5.0m wide) quartz vein stockwork rich limonitic tuffaceous unit and interbedded well laminated/bedded volcanoclastic rocks (i.e.; graphitic schists, ash tuffs, tuffs) along the footwall (TYPE I). Samples taken of the quartz vein as well as the hanging wall and footwall rocks returned the following assays:

DCL-36	17.30g/T Au, 16.90g/TAu (average 17.10g/TAu) over 0.60m	quartz vein
DCL-38	43.30g/T Au, 47.60g/TAu (average 45.45g/TAu) over 0.60m	quartz vein
DCL-34	1.53g/T Au over 0.40m	greenish, well laminated tuff
DCL-35	2.03g/T Au over 0.85m	graphitic ash tuff
DCL-37	954ppb Au, 912ppb Au (average 933ppb Au) over 0.60m	quartz vein stockwork limonitic tuff
DCL-39	36.93g/T Au, 51.20g/T Au (average 44.07g/T Au) over 0.75m	quartz vein stockwork limonitic tuff
DCL-40	1.97g/T Au, 1.47g/T Au (average 1.72g/T Au) over 1.50m	quartz vein stockwork limonitic tuff

Continuous chip sample widths of note are:

DCL-34 to 38	5.40g/T Au over 2.45m
DCL-38 to 39	44.76g/T Au over 1.35m

Samples taken from the exposed granitoid unit (TYPE II) at the northwest corner of the pit yielded the following assays:

DCL42	10.42g/T Au over 1.0m	Quartz vein stockwork granitoid
DCL43	7.13g/T Au over 1.50m	Quartz vein stockwork granitoid
DCL44	195ppb Au over 0.30m	Quartz vein

Workings #2 and #3 within the Purple Heart Zone, located between L6400E and L6550E / 1750 to 1800S is the east strike extension (500m long) of the Purple Heart Quartz Vein and footwall limonitic quartz vein stockwork rich tuff unit. Assay results obtained from these workings range from 225 ppb Au over 1.0m to 1.40g/T Au over 1.20m.

Four Prospector drill holes totalling 191.50 m were conducted at the Purple Heart Zone in order to test the strike and depth potential of the TYPE I and II targets. Hole 98P-2A and 2B did intersect TYPE I material but the zone returned poor assay results (<100ppb Au). Hole 98P-5 did not intersect TYPE II mineralization and the hole returned poor assay results.

The best results from Type I targets were obtained from Rosalie. Assay results obtained from Rosalie are:

DCL12	9.37g/T Au over 1.20m	tuff with quartz veinlets
DCL13	3.43g/T Au over 0.30m	Quartz vein
DCL15	1.70g/T Au over 1.50m	Quartz vein stockwork in tuff
DCL16	2.27g/T Au over 0.75m	Quartz vein stockwork in tuff (HW)
DCL17	10.23g/T Au over 0.20m	Quartz vein
DCL18	1.83g/T Au over 1.0m	Quartz vein stockwork in tuff (FW)
DCL22	1.67g/T Au over 1.50m	Granitoid with quartz veining

Three former CBI diamond drill holes on the Rosalie were re-logged and re-sampled by Howe. The three diamond drill holes totalling 480.65m (JP-1, JP-2, JP-3) intersected a multicoloured saprolitized volcanoclastics unit with minor amounts of quartz veining overlying a chemically weathered hornblende diorite intrusive. A total of 70, 37, and 10 samples were taken from Hole JP-1, JP-2 and JP-3 respectively. Of the 117 samples taken only one returned an assay > 1000ppb Au (JP3-1 - 3770ppb Au over 1.50m).

Reserves

Exploration to date has not enabled the classification of any resources as ore reserves.

Program

Howe recommended in the 1998 Howe Report that no further exploration of the Arakaka Properties take place at this time.

2. Share Capital

The authorized capital of the Corporation consists of an unlimited number of common shares with without nominal or par value.

Common Shares: The holders of common shares are entitled: (i) to dividends *pro rata* if, as and when declared by the board of directors of the Corporation out of funds properly payable therefor; (ii) to one vote per share at all meetings of the shareholders of the Corporation except meetings at which only holders of another specified class of shares are entitled to vote; and (iii) subject to the rights attached to any other shares of the Corporation, to receive *pro rata* the remaining assets of the Company upon liquidation, dissolution or winding up of the Corporation. As of September 18, 1998, 17,620,680 common shares were outstanding as fully paid and non-assessable.

Stock Options: the Corporation has established a stock option plan (the "Stock Option Plan") as an incentive for its directors, officers and employees. Pursuant to the Stock Option Plan, options to purchase the Corporation's common shares may be granted from time to time by the board of directors to directors, officers and employees of the Corporation or any of its subsidiaries at an exercise price fixed by the board of directors at the time of granting such option. See "Stock Option Plan" below.

3. Prior Issues Of Securities

Date	Subscriber	Number of Shares	Price Per Share	Consideration
February 24, 1994	Founder ⁽²⁾	16,500	US\$0.066	Cash
December 10, 1996	Subsidiary shareholders ^(1,2)	2,014,155	US\$0.12	Subsidiary shares
December 10, 1996	Warranholders ^(1,2)	1,982,325	US\$0.07	Cash and subsidiary debt
December 10, 1996	Directors ⁽²⁾	450,000	US\$0.07	Cash
January 20, 1997	Subsidiary shareholders ^(1,2)	31,875	US \$0.12	Subsidiary shares
January 20, 1997	Warranholders ^(1,2)	78,705	US \$0.07	Subsidiary debt
May 5, 1997	Rights holders ⁽²⁾	4,573,560	US \$0.09	Exercise of Rights
August 23, 1997	Warranholders ⁽²⁾	2,597,385	US\$0.27	Exercise of Warrants
September 15, 1997	Minorca Resources Inc.	600,000	US\$0.27	Exercise of Warrants
September 15, 1997	Minorca Resources Inc.	3,900,000	US \$0.27	Private Placement
November 20, 1997	Warranholders ⁽²⁾	1,376,175	US \$0.27	Exercise of Warrants

- Notes: (1) Pursuant to the take-over of the Subsidiary by the Corporation by the exchange of one (1) common share and one (1) warrant of the Corporation for one (1) common share of the Subsidiary.
(2) On September 4, 1997 the common shares of the Corporation were split on a fifteen (15) for one (1) basis. Prior issuances are re-stated to reflect the split.

4. Principal Shareholders

To the best of the knowledge of the directors and senior officers of the Corporation, as at September 18, 1998 no person beneficially owns, directly or indirectly, or exercises control or direction over equity or voting securities carrying more than 10% of the voting rights attached to any class of equity or voting securities of the Corporation other than:

Name of Beneficial Owner	Description of Class	Type of Ownership	Number of Shares	Percentage of Common Shares
Minorca Resources Inc.	Common Shares	Direct	4,500,000	25%

As at September 18, 1998, the officers and directors of the Corporation directly and indirectly own or control 2,918,400 of the Corporation's Common Shares, representing 16.6% of the Corporation's issued and outstanding Common Shares.

5. Consolidated Capitalization of the Corporation

The issued and outstanding consolidated capital of the Corporation is summarized in the following table:

Description of Security	Authorized	As at December 31, 1997 (audited)	As at June 30, 1998 (unaudited)
Long-term debt of Subsidiary		US\$80,000	US\$80,000
Common shares	unlimited	17,620,680 shares (US\$3,046,918)	17,620,680 shares (US\$3,046,918)

- (1) After consolidation of common shares on a one (1) for five (5) basis and assuming 18,442,600 post-consolidation common shares of the Corporation are issued in respect of its offer for CGX shares."
(2) The deficit as at June 30, 1998 was US \$2,567,526.

6. Escrow Arrangements

Pursuant to an escrow arrangement dated April 7, 1997 entered into between Equity Transfer Services Inc. as escrow agent and the Corporation (the "Escrow Agreement"), all of the common shares owned by four shareholders (aggregating 1,887,000 common shares): George Simon Sr. (732,375 shares), Stephen McIntyre (403,995 shares), Northern Coal Inc. (300,000 shares) and Denis Clement (450,630 shares) have been placed in escrow. Pursuant to the terms of the Escrow Agreement, 628,995 escrowed shares have been released to date and the balance of the escrowed shares are eligible for automatic release in accordance with the following schedule:

- (a) 6% on April 7, 1998; and
- (b) 7% on April 7, 1999; and
- (c) 7% on April 7, 1998.

In addition to the foregoing automatic release, but subject to the annual limitations described below, escrowed shares will be released from escrow on the basis of one (1) common share for each "expenditure unit" actually spent by the Corporation on the exploration and/or development of its resource properties. For these purposes, "expenditure units" are US \$0.105. Releases based on expenditures may be applied for by the Corporation to the Ontario Securities Commission at three-month intervals. The Corporation has made sufficient expenditures to release all escrowed shares and has made application for such releases subject to the following limitations.

Notwithstanding the provisions for automatic releases and releases based on expenditures, the number of common shares released from escrow may not exceed:

- (a) two-thirds (2/3) of the original number of shares escrowed before April 7, 1999; and
- (b) the balance of the original number of shares escrowed before April 7, 2000.

The escrowed shares may not be transferred within escrow, released from escrow or otherwise dealt with prior to their respective release dates without the prior express consent of the Ontario Securities Commission. The number of escrowed shares summarized herein has been adjusted to reflect the 15:1 split, which took place in September 1997.

7. Directors and Officers

The directors and officers of the Corporation are currently as follows:

Name and Municipality of Residence	Office Held	Principal Occupation for the past 5 years
Michael Whitney ⁽²⁾ Toronto, Ontario	Director, President and Chief Executive Officer	President and Director of the Corporation since August 1998; also President and Director, Canasia Minex Inc. (a mineral exploration company); from 1995 to 1997 Vice President and Director, SSSE Inc. (a sports entertainment company); also since 1997 Vice President, Administration, Wabana Explorations Inc. (a mineral exploration company)
Oliver Lennox-King ⁽²⁾ Toronto, Ontario	Director	Chairman & Director, Southern Cross Resources Inc. since January 1997; formerly President of Tiomin Resources Inc. (a mineral exploration company) from July, 1992 to January 1997; prior thereto, Vice-President & Director of Midland Walwyn Inc. (a securities dealer) from 1988 to 1992. Currently also a Director of Southern Era Resources Limited (a mineral exploration company), Dumont Nickel Corp. (a mineral exploration company), Tiomin Resources Inc. (a mineral exploration company) and Pangea Goldfields Inc. (a mineral exploration company).

Stephen G. McIntyre Toronto, Ontario	Director and President of the Subsidiary	President & Director of Northwest Exploration Company Limited since October 30, 1994; Vice President and Director of Dumont Nickel Corp. (a mineral exploration company); President and Director of Timmins Nickel Inc. (a mineral exploration company); formerly Chairman and Director of Vedron Gold Inc. (a mineral exploration company).
David Comba Oakville, Ontario	Director	Consulting geologist. From 1994 to 1998, President, Pentland Firth Ventures Ltd. (a mineral exploration company) From 1990 to 1993, Vice President, Exploration, Falconbridge Gold Corporation (a mining and exploration company).
David Hammel ^(1,2) Detroit, Michigan	Director	Certified public accountant. From 1995 to 1998, Executive Vice President, TPX Company (a manufacturing company); prior thereto, proprietor, David Hammel Associates (forensic accountants and business valutors).
Rod Thomas Toronto, Ontario	Director	Vice-president, Exploration, Minorca Resources Inc., (a gold exploration company)
Alfred Lenarciak Montreal, Quebec	Director	Chairman, Minorca Resources Inc., (a gold exploration company)
James Fairbairn Toronto, Ontario	Secretary-Treasurer and Chief Financial Officer	Self-employed chartered accountant. Also, Treasurer of Ausnoram Holding Limited (a holding company); Treasurer of Southern African Minerals Corp. since 1989 (a mineral exploration company); Treasurer of Acadia Minerals Corp. (a mineral exploration company) since July 1994; Chief Financial Officer of Band-Ore Resources Ltd. (a mineral exploration company) since January 1995.

Notes:

- (1) Member of the Audit Committee
(2) Member of the Compensation Committee.

8. Dividend Policy

No dividends have been paid on its common shares by the Corporation. It is not the current intention of the Board of Directors of the Corporation to implement a policy of paying cash dividends on its common shares. The Board of Directors periodically reviews this policy having regard to the Corporation's financial position and its capital expenditures and financing plans.

9. Material Contracts

The only contracts entered into by the Corporation during the three years ended on the date hereof (other than contracts in the ordinary course of business) that can reasonably be regarded as presently material to the Corporation are:

1. The Escrow Agreement dated April 7, 1997 (see "Escrow Arrangements").
2. A subscription agreement with Minorca Resources Inc., dated September 3, 1997, with terms and conditions applying until September 30, 1999, including a standstill on stock purchases until September 30, 1999 and board representation.
3. Lock-up agreements with Jaguar Holdings Inc., Agridev Company Limited, Wayne Brasseur and Diamond Page International Inc., dated August 28, 1998.

The only contracts entered into by the Subsidiary during the three years ended on the date hereof or previously (other than contracts in the ordinary course of business) that can reasonably be regarded as presently material to CGX shareholders are:

1. Exploration and mining agreement with Albert Burnette, Georgetown, Guyana on three medium-scale prospecting permits comprising an area of approximately 3,353.6 acres (1,357 hectares) (the "Burnette Property") dated as of December 15, 1994 and amended as of January 26, 1996 for the total consideration of G\$3,000,000 (US \$22,222). No royalty is payable.
2. Exploration and mining agreement with the Estate of Sydney Higgins, Georgetown, Guyana on five small-scale claim licenses comprising approximately 137.7 acres (55.7 hectares) (Ann 1, Ann 2, Ann 3, Ann 4 and Rice, collectively the "Higgins Claims") dated as of April 10, 1996 for the total consideration of G\$ 2,500,000 (US\$ 18,511), paid in installments of G\$1,000,000 (US\$7,400) in 1996 and G\$1,500,000 (US\$11,111) in 1997, a 3% net smelter return royalty and maintaining annual government rents. The Annie Creek Claims are subject to a lease with Roland Cameron until 2008, under which Roland Cameron is entitled to 88% of the production and the lessors 12% of the production. Cameron's interest in this lease is included in the Subsidiary's agreement with Cameron. In June 1997, the agreement was amended such that an amount of G\$ 200,000 (US \$1,430) was paid on signing of the amendment, with the balance of G\$ 1,300,000 (US\$ 9,290) to be payable upon the expiry or renunciation of the lease with Cameron.
3. Exploration and mining agreement with Millington James and Myrtle James of Grant Two Friends, Dredge Creek, Pomeroon River, Guyana on six medium-scale prospecting permits comprising approximately 7,140 acres (2,890 hectares) (PPMS/152/94; 153/94; 154/94; 155/94; 156/94 and 157/94) (collectively, the "James Property") dated as of December 14, 1994 for the total consideration of G\$3,000,000 (US \$22,222), a net smelter return royalty of 3% and maintaining annual government rents.
4. Exploration and mining agreement with Manoel Melville and Trevor Melville, 20 Hope, East Bank, Demerara, Guyana on one small-scale claim licence comprising approximately 27.5 acres (11.1 hectares) (the "Madman Claim") dated as of January 31, 1995 for the total consideration of G\$50,000 (US \$370), a net smelter return royalty of 3% and maintaining annual government rents.
5. Exploration and mining agreement with Patricia Shewraj, 171 Durban Square, Lamaha Gardens, Guyana and Claude Adams, 100 Barima Avenue, Bel Air Park, Guyana on five medium-scale prospecting permits comprising an area of approximately 5,389 acres (2,181 hectares) (PPMS 43/94; 44/94; 45/94; 46/94 and 47/94) (collectively, the "Shewraj Property") dated as of April 5, 1995 in consideration of the payment of US \$50,000, a net smelter return royalty of 2% and payment of annual government rents.
6. Exploration and mining agreement with Simone Baird, 23 Roxanne Burnham Gardens, Georgetown, Guyana for three medium-scale prospecting permits comprising an area of approximately 3,240 acres (1,311 hectares) (PPMS/50/94; 51/94 and 52/94) (collectively, the "Simone Baird Property") dated as of January 19, 1995 in consideration of the payment of G\$560,000 (US \$4,150), a 3% net smelter return royalty and maintaining annual government rents.
7. A Net Profits Covenant in favour of George Simon Sr., a shareholder, dated as of December 1, 1994, under which the Subsidiary is obligated to pay \$80,000 plus accrued interest on profits from production from the Burnette, James, Simone Baird and Kim Claims. In April 1995, George Simon Sr. entered into an exploration and mining agreement with Gribaker Mining Enterprises Ltd. for three medium-scale prospecting permits comprising an area of approximately 3,327 acres (1,347 hectares) (PPMS/523/94; 524/94 and 525/94) (collectively, the "Three Block") in consideration of the payment of US \$85,000, a net smelter return royalty of 3.5% and maintaining government rents. On July 18, 1996 (as orally amended December 5, 1996), George Simon Sr. orally agreed to assign

such agreement to the Subsidiary on the following terms: (a) the Subsidiary would have a period of five years to exercise its option on the Three Block; (b) upon commencement of mining operations on the Three Block or upon exercise of the option, the Subsidiary would make a payment to George Simon Sr. of \$120,000, which amount would be increased by \$10,000 annually if the option remained unexercised; (c) the Subsidiary would re-structure the Net Profits Covenant, then in the amount of US \$120,000, so that it was re-payable in three annual installments of US \$40,000 commencing July 31, 1997. (See *"Interests of Management and Others in Material Transactions"*.) This assignment transaction failed to close.

8. Exploration and mining agreement with Ernest Higgins Jr. and Sydney Higgins Jr. of Georgetown, Guyana dated as of October 2, 1996 for three small-scale claim licenses comprising approximately 82.6 acres (33.4 hectares) (the Ituni 1, Ituni 2 and May Claims) (collectively, the "Ituni Claims") in consideration of G\$1,500,000 (US \$11,600), a 3% royalty and maintaining government rents.
9. Exploration and mining agreement with Roland Cameron, Demerara, Guyana dated as of October 31, 1996 for (i) a lease with Sydney and Ernest Higgins until 2008 on six small-scale claims (the five Higgins Claims and the May Claim) in which Cameron is entitled to 88% of production and the Higgins to 12% of production; and (ii) three medium-scale prospecting permits (PPMS/111/94; 112/94 and 113/94) (collectively, the "Cameron Property"), comprising approximately 2,969 acres (1,202 hectares) for an option to acquire a 100% interest in the Cameron Property, subject to a 3% net smelter return royalty, by (a) making the following advance royalty payments: US \$25,000 on signing; US \$25,000 on July 1, 1997; US \$50,000 on January 1, 1998; US \$50,000 on January 1, 1999; (b) commencing mining operations. If a feasibility study is being considered or is in progress at the end of three years, the Subsidiary may extend the study period for two additional one-year terms by making annual advance royalty payments of US \$50,000 each. On electing to commence mining operations during the term of the agreement, a joint venture shall be continued for an additional thirty years, subject to the Subsidiary's right to extend for a further thirty-year period provided mining operations are continuing. The Subsidiary has the right to reduce the royalty from 3% to 1% by making an advance royalty payment of US \$1,000,000; after the commencement of commercial production, Cameron has the right to put his royalty interest to the Subsidiary for US \$750,000 plus an additional US \$250,000 after the production of 200,000 ounces of gold. This agreement was terminated on September 3, 1998.
10. Exploration and mining agreement with Peter Jeffrey, dated October 1997, on two claim licenses comprising an area of approximately 55 acres (22 ha): Gold Hill (51/20/79) and Again #1 (51/58/88) for the total consideration of G\$1,000,000 (US\$ 6,900), a 3% net smelter return royalty and maintaining annual government rents.
11. Exploration and mining agreement with Andrew Jeffrey, dated October 1997, on two claim licenses comprising an area of approximately 55 acres (22 ha): Gold Hill #1 (51/105/89) and Joe #2 (51/23/84) for the total consideration of G\$1,000,000 (US\$ 6,900), a 3% net smelter return royalty and maintaining annual government rents.
12. Exploration and mining agreement with Bryan Phillips dated November 1997, on two claim licenses comprising an area of approximately 55 acres (22 ha): Mavis (51/19/79) and Mark (51/30/84) for the total consideration of US\$ 10,000, a 3% net smelter return royalty and maintaining annual government rents.
13. Exploration and mining agreement with John Phillips dated November 1997, on eleven claim licenses comprising an area of approximately 300 acres (121 ha): Good Luck #1 (51/72/80), Good Luck #2 (51/73/80), Good Luck #3 (51/74/80), Good Luck #4 (51/75/80), Good Luck #5 (51/81/80), Flash (51/41/83), Again (51/24/84), Pass Over

(51/43/83), Kevin (51/44/83), Love (51/45/83) and Strong Hope (51/12/84) for the total consideration of US\$30,000 paid on signing plus US\$30,000 payable in November, 1998, US\$20,000 payable in November 1999, a 3% net smelter return royalty and maintaining annual government rents.

14. Assignment to the Subsidiary by John Fitzpatrick dated February 26, 1998 of a 100% interest in eleven medium-scale prospecting licences PPMS/85/97 to PPMS/95/97 comprising an area of approximately 13,200 acres (5,180 ha) (the "Marudi Property").

10. Stock Option Plan

Shareholders have approved the Corporation's incentive stock option plan for directors, officers and employees of the Corporation and its Subsidiary (and their respective RRSP's or holding companies) which was implemented by the directors of the Corporation on October 23, 1996 and amended on April 4, 1997 (the "Plan"). The purpose of the Plan is to attract, retain and motivate management and staff by providing them with the opportunity, through share options, to acquire a proprietary interest in the Corporation and benefit from its growth.

Eligibility for participation in the Plan is restricted to directors, officers, executives, consultants and other key employees (or their holding companies) of the Corporation. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to the lesser of 10% of the number of issued and outstanding common shares from time to time or 2,250,000 in the aggregate with no single individual holding options on more than 5% of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. The exercise price of any option granted under the Plan may not be less than fair market value (*i.e.*, the prevailing market price) of the common shares at the time that the option is granted provided that such exercise price is not less than the minimum price permitted by the policies of the securities regulatory authorities having jurisdiction. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed five years and are subject to earlier termination 90 days after the termination of the optionee's employment, the optionee ceasing to be a director and/or officer of the Corporation, or the retirement or permanent disability of an optionee, except through an express resolution of the board of directors. Similarly, options expire six months after death of an optionee, except through an express resolution of the board of directors. The options are non-transferable (except that, in the event of an optionee's death, the options may be exercised by the optionee's legal representatives).

As at the date hereof, options to purchase common shares are outstanding as set forth in the following table:

<i>Expiry Date</i>	<i>Exercise Price (CDN \$)</i>	<i>Number of Shares under Option</i>
March 29, 1999	\$0.37	132,000
	\$0.40	18,000
August 12, 2002	\$0.37	678,600
August 26, 2002	\$0.40	246,400
June 12, 2003	\$0.20	100,000

11. Interests of Management and others in Material Transactions

George Simon Sr. ("Simon"), who became a shareholder of the Corporation in December 1996, provided financing to the Subsidiary in December 1994 in the amount of US \$120,000. Subsequently, a dispute arose between the Subsidiary and Simon as to the terms of this financing, with Simon asserting the financing was re-payable on demand and the Subsidiary asserting that the financing was re-payable only out of net profits. On or about April 1995, Simon entered into an exploration and mining agreement with Gribaker Mining Enterprises Limited on three medium-scale prospecting permits (the "Three Block") in the vicinity of (but not adjacent to or contiguous with) the Arakaka Properties in consideration of

payments of US \$85,000 and a net smelter return royalty of 3.5%. Also on or about April 1995, Simon entered into an exploration and mining agreement with Gribaker Mining Enterprises Limited for twenty medium-scale prospecting permits (the "Twenty Block") in northwest Guyana in the vicinity of (but not adjacent to or contiguous with) the Arakaka Properties. A dispute arose between the Subsidiary and Simon over whether Simon was obliged to offer the Three Block and/or the Twenty Block to the Subsidiary, over whether Simon had in fact made such an offer and over the allocation of exploration expenditures between the properties of the Subsidiary and the properties acquired by Simon personally. On or about July 18, 1996, an oral agreement was reached between the Subsidiary and Simon resolving these disputes as follows: (a) Simon agreed to assign to the Subsidiary the exploration and mining agreement on the Three Block and the Twenty Block for the total consideration of a royalty of US \$280,000 payable after commencement of commercial production from such property; (b) the Subsidiary agreed to issue Simon a promissory note in the amount of US \$120,000, re-payable in three annual installments of US \$40,000 commencing on July 31, 1997; (c) Simon agreed to waive interest until July 31, 1996; (d) the Subsidiary agreed to waive an allocation of exploration expenditures between the Three Block and the Arakaka Properties. On December 5, 1996, the Subsidiary orally agreed to amend the oral agreement of July 18, 1996 with Simon as follows: (a) Simon would exclude his interest in the Twenty Block from the assignment agreement and retain same; (b) the Subsidiary would have a period of five years to exercise its option on the Three Block; (c) upon commencement of mining operations on the Three Block or upon exercise of the option, the Subsidiary would make a payment to Simon of US \$120,000, which amount would be increased by US \$10,000 annually if the option remained unexercised. In order to complete the transaction, Simon was obliged to obtain a consent to the assignment and a satisfactory legal opinion as to title and the validity of the assignment. Simon failed to complete this assignment transaction. In August 1998, Simon's estate threatened to sue the Subsidiary and the Corporation for the amount of US\$80,000. No legal action has been commenced to date.

12. Price Range and Trading Volume of the Corporation's Shares

<i>Month</i>	<i>High CDN \$</i>	<i>Low CDN \$</i>	<i>Volume</i>
September 1997	\$0.60	\$0.40	498,450
October	0.50	0.32	257,500
November	0.80	0.38	683,320
December	0.48	0.28	186,500
January 1998	\$0.35	\$0.22	222,254
February	0.30	0.22	229,710
March	0.25	0.15	164,500
April	0.20	0.15	82,332
May	0.25	0.20	34,000
June	0.15	0.10	198,000
July	0.10	0.10	10,500
August	0.05	0.05	15,000

13. Financial Statements

The Corporation's consolidated audited financial statements for the years ended December 31, 1996 and December 31, 1997 and the unaudited consolidated financial statements for the period from January 1, 1998 to June 30, 1998 are appended hereto and incorporated by reference.

14. Risk Factors

In addition to normal business risks, the business of the Corporation may be considered speculative for the following reasons:

1 - The Corporation competes with larger companies which have greater assets and financial and human resources than the Corporation and which may be able to sustain larger losses than the Corporation to develop business.

2 - Shareholders of the Corporation should be aware that they will be relying upon the good faith, expertise and judgement of the Corporation, as well as its officers and directors, to make appropriate decisions with respect to investments and operations.

3 - Should the Corporation be successful in acquiring control of CGX, the Corporation will be dependent on maintaining the key staff of CGX to develop CGX's operations in Guyana. The Corporation does not have any long-term employment agreements nor any key-man insurance on any such key staff.

4 - Investing in resource companies and in companies in a development stage is highly speculative and involves substantial risks. While the rewards can be substantial, numerous companies are unsuccessful and their shares become worthless.

5 - The Corporation may require additional equity funds to finance its operations and expand its business. There is no assurance that such additional equity capital will be available to the Corporation when required.

6 - There is no assurance that the Corporation will be successful in its acquisition of all of the common shares of CGX pursuant to the offer described herein. Notwithstanding that the Corporation may acquire a majority of the outstanding common shares of CGX, the Corporation may nonetheless have a significant number or minority shareholders of CGX.

7 - The Corporation 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 Corporation are anticipated to be in Guyana, a foreign country. Accordingly, the operations of the business of the Corporation in Guyana will be subject to risks associate with a Canadian company carrying on business in a foreign country. Policies of the foreign government may change; laws 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 Corporation makes significant discoveries of oil and gas in Guyana, the business operations of the Corporation will be affected by the fluctuations in the price of those commodities (which are traded in the world markets). The Corporation 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 CGX's oil and gas concessions may be disputed by Suriname, which asserts that the boundary between Guyana and Surinam is further west than claimed by Guyana.

15. Auditor

The Auditor of the Corporation is Payette & Associates, Chartered Accountant, 338 Robinson Street, Oakville, Ontario, L6J 7N5. Payette & Associates were asked and have agreed to tender their resignation as auditor of the Corporation, effective upon completion of the acquisition of CGX. Upon such resignation, the Board of Directors of the Corporation proposes to fill the vacancy so created with Parker

& Simone, Chartered Accountants, Mississauga, Ontario for the balance of Payette & Associates' unexplored term.

There have been no reportable events with Payette & Associates related to any matters of audit scope or procedure or any matter of accounting principles or practices of financial statement disclosure or any question with respect to adverse or qualified opinion on the annual financial statements of the Corporation or any similar reservation with respect to their comments on any interim financial information. A notice of change of auditors and the letters of both accounting firms required by National Policy No. 31 of the Canadian Securities Administrators are annexed as Schedule "C" to the Management Information Circular.

16. Transfer Agent and Registrar

The Corporation has appointed Equity Transfer Services Inc., Suite 420, 120 Adelaide Street West, Toronto, Ontario, M5H 4C3, telephone (416) 361-0152, facsimile (416) 361-0470, as the registrar and transfer agent of the Corporation's shares.

Northwest Explorations Inc.

Financial Statements

Unaudited June 30, 1998 and June 30, 1997

Audited December 31, 1997 and December 31, 1996

NORTHWEST EXPLORATIONS INC.

**Consolidated Balance Sheet
As at June 30, 1998 and 1997**

(Unaudited)	1998 US\$	1997 US\$
Current Assets		
Cash and short term deposits	643,044	511,007
Subscriptions receivable	0	67,636
Prepaid property payments	0	15,296
Other receivables	20,338	4,197
	663,382	598,136
Other Assets		
Mineral properties - Guyana	0	406,254
Deferred exploration costs - Guyana	0	751,456
Other assets	900	900
Capital assets (net)	61,078	6,293
	61,978	1,164,903
	725,360	1,763,039
Current Liabilities		
Accounts payable and accrued liabilities	82,890	110,998
Due to related parties	23,078	80,457
Current portion of long term debt of subsidiary company	80,000	38,524
	185,968	229,979
Long term debt of subsidiary company	0	40,000
Shareholders' Equity		
Capital Stock	3,046,918	1,663,157
Deficit	-2,507,526	-170,097
	539,392	1,493,060
	725,360	1,763,039

NORTHWEST EXPLORATIONS INC.
Consolidated Statement of Operations and Deficit
For the Six Months Ended June 30, 1998 and 1997

(Unaudited)	1998 US\$	1997 US\$
Administrative expenditures		
Administrative and travel	35,012	11,918
Amortization	1,129	5,943
Executive compensation	15,836	
General office costs	10,147	8,549
Professional fees	13,306	42,000
Rent net of recoveries	2,348	6,492
Allowance for a bad debt	12,159	0
Shareholders' information	6,660	1,967
Write off of mineral properties and deferred exploration costs	2,176,187	0
(Interest income)	-19,478	848
Loss for the period	2,253,306	77,717
Deficit - beginning of the period	254,220	92,380
Deficit - end of the period	2,507,526	170,097
Loss per share	\$0.128	\$0.007

NORTHWEST EXPLORATIONS INC.
Consolidated Statement of Mineral Properties
For the Six Months Ended June 30, 1998 and 1997

(Unaudited)	1998 US\$	1997 US\$
Balance beginning of the period	543,143	297,330
Acquisitions	119,239	108,924
Write off of mineral properties	-662,382	0
Balance end of the period	0	406,254

NORTHWEST EXPLORATIONS INC.
Consolidated Statement of Change in Financial Position
For the Six Months Ended June 30, 1998 and 1997

(Unaudited)	1998	1997
	US\$	US\$
Operating activities		
Loss for the period	-2,253,306	-77,717
Add: Items not affecting cash		
write off mineral properties and deferred exploration costs	2,176,187	0
Amortization included in deferred exploration	12,740	0
Allowance for a bad debt	12,159	0
Amortization	1,129	5,943
	-51,091	-71,774
Changes in non-cash working capital items	74,715	-148,699
Cash provided by (used in) operating activities	23,624	-220,473
Financing activities		
Reduction in long term debt	-40,000	-131,064
Share subscriptions receivable	9,199	-49,674
Issuance of common shares	0	1,184,603
Reduction of minority interest in subsidiary	0	-1,751
Cash provided by (used in) financing activities	-30,801	1,002,114
Investment activities		
Mineral properties	-119,239	-108,924
Deferred exploration costs	-381,590	0
Purchase of capital assets	-11,538	-192,776
Cash provided by (used in) investing activities	-512,367	-301,700
Increase (decrease) in cash and short term deposits	-519,544	479,941
Cash and short term deposits beginning of the period	1,162,588	31,066
Cash and short term deposits end of the period	643,044	511,007

NORTHWEST EXPLORATIONS INC.
Consolidated Statement of Deferred Exploration Costs
For the Six Months Ended June 30, 1998 and 1997

(Unaudited)	1998	1997
	US\$	US\$
Balance beginning of the period	1,132,215	558,680
Exploration	381,590	192,776
Write off of deferred exploration expenditures	-1,513,805	0
Balance end of the period	0	751,456

Payette & Associates
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Oakville, Ontario
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AUDITOR'S REPORT

**To the Shareholders of
NORTHWEST EXPLORATIONS INC.**

We have audited the consolidated balance sheets of Northwest Explorations Inc as at December 31, 1997 and 1996 and the consolidated statements of operations and deficit and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the then ended in accordance with generally accepted accounting principles.

Oakville, Canada,
February 25, 1998

Payette & Associates
Chartered Accountants

NORTHWEST EXPLORATIONS INC.
Consolidated Balance Sheets
As at December 31, 1997 and 1996

	1997 US\$	1996 US\$
Current Assets		
Cash and short term deposits	1,162,588	31,066
Subscription receivable	21,359	17,962
Prepaid property payments	-	15,296
Other receivables	15,890	2,051
	<u>1,199,837</u>	<u>66,375</u>
Other Assets		
Deferred exploration costs (note 4)	1,132,215	558,680
Mineral resource properties (note 4)	543,143	297,330
Capital Assets (note 3)	63,408	12,236
Other assets	900	900
	<u>1,739,666</u>	<u>869,146</u>
	<u><u>2,939,503</u></u>	<u><u>935,521</u></u>
Current Liabilities		
Accounts payable and accrued liabilities	59,247	97,002
Current portion of long term debt (note 5)	40,000	40,000
Due to related parties	7,558	201,006
	<u>106,805</u>	<u>338,008</u>
Long term debt (note 5)	<u>40,000</u>	<u>209,588</u>
Minority interest in subsidiary company (note 2)	<u>-</u>	<u>1,751</u>
Shareholders' Equity		
Capital Stock (note 6)	3,046,918	478,554
Deficit	(254,220)	(92,380)
	<u>2,792,698</u>	<u>386,174</u>
	<u><u>2,939,503</u></u>	<u><u>935,521</u></u>

On behalf of the Board:

(signed)
Denis Clement
Director

(signed)
Stephen McIntyre
Director

NORTHWEST EXPLORATIONS INC.
Consolidated Statements of Operations and Deficit
For the Years Ended December 31, 1997 and 1996

	1997 US\$	1996 US\$
Administrative expenses		
Administrative and travel	58,684	1,402
Professional fees	41,246	15,000
Executive compensation	19,039	-
General office	15,444	-
Amortization	12,823	24,268
Rent	12,278	-
Shareholders' information	8,345	-
Interest income	(14,315)	(5,900)
	<u>153,544</u>	<u>34,770</u>
Loss on disposal of capital assets	8,296	9,319
Loss for the year before minority interest	161,840	44,089
Minority interest in loss of subsidiary company	-	(236)
Loss for the year	161,840	43,853
Deficit - beginning of year	92,380	48,527
Deficit - end of year	254,220	92,380
Loss per share	\$0.02	\$0.16

NORTHWEST EXPLORATIONS INC.
Consolidated Statements of Change in Financial Position
For the Years Ended December 31, 1997 and 1996

	1997 US\$	1996 US\$
Operating Activities		
Loss for the year	(161,840)	(43,853)
Add: items not affecting cash		
Minority interest in loss of subsidiary company	-	236
Amortization	12,823	24,268
Loss on disposal of capital assets	8,296	9,319
	<u>(140,721)</u>	<u>(10,030)</u>
Net change in non cash working capital balances	(248,439)	212,030
Cash (used in) provided by operating activities	<u>(389,160)</u>	<u>202,000</u>
Financing activities		
Issuance of common shares for cash, net of share issue costs	2,568,364	243,554
Decrease in long term debt	(169,588)	(61,219)
Cash provided by financing activities	<u>2,398,776</u>	<u>182,335</u>
Investing activities		
Increase in other assets	-	(900)
Deferred exploration costs	(573,535)	(236,825)
Mineral properties	(245,813)	(162,791)
(Increase) decrease in capital assets (net)	(63,995)	32,989
Minority interest	(1,751)	1,751
Proceeds on disposal of capital assets	7,000	-
Cash used in investing activities	<u>(878,094)</u>	<u>(365,776)</u>
Increase in cash and short term deposits	1,131,522	18,559
Cash and short term deposits beginning of the year	31,066	12,507
Cash and short term deposits end of year	<u>1,162,588</u>	<u>31,066</u>

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

1. SIGNIFICANT ACCOUNTING POLICIES

(a) **Nature of operations**

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

(b) **Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing on the balance sheet date; 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 are reflected in the income for the year.

(c) **Mineral properties and deferred exploration costs**

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which mineral properties and the deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related mineral properties and deferred exploration costs are amortized over the estimated economic life of the project. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the mineral properties and the related deferred exploration costs are written off. Option payments received are applied against the mineral property and/or deferred exploration costs.

(d) **Capital Assets**

Capital assets are recorded at cost and are amortized over their estimated useful lives at a rate of 33 1/3%. Amortization on capital assets, which are directly related to exploration, is included in the deferred exploration costs.

(e) **Administrative and General Expenditures**

Administrative and general expenditures are expenses when incurred.

2. BUSINESS COMBINATION

On November 4, 1996 (as extended on November 27, 1996), the Company made an offer (the "Offer") to purchase all 136,402 (99.6%) of the issued and outstanding common shares of Northwest Exploration Company Limited (the "Subsidiary"), a Guyana corporation incorporated under the *Companies Act (Guyana)*, which it did not already own. The basis of the Offer was a Unit consisting of one Common Share and one Warrant to purchase one Common Share at US\$1.00 per Common Share. On December 16, 1996, 134,277 common shares (98.1%) of the Subsidiary were tendered pursuant to the Offer and accordingly on December 16, 1996, the Company held a 98.4% interest in the Subsidiary. On December 16, 1996, the Offer was extended until January 20, 1997. On January 20, 1997, the Company acquired the balance of 2,125 common shares (1.6%) of the Subsidiary, increasing its interest in the Subsidiary to 100%.

Since the shareholders of Northwest Exploration Company Limited became shareholders of more than 98% of the issued and outstanding shares of the Company, this transaction has been accounted for as reverse takeover whereby Northwest Exploration Company Limited is deemed to have acquired Northwest Explorations Inc. Accordingly, the consolidated balance sheets of the Company are based upon the accounts of Northwest Exploration Company Limited at their historic net book value and the accounts of Northwest Explorations Inc. at their estimated fair value at the time of the transaction.

The consolidated statements of operations and deficit and changes in financial position for the year ended December 31, 1996 presents the results of operations and changes in financial position of Northwest Exploration Company Limited and the results of operations and changes in financial position of Northwest Explorations Inc. from December 16, 1996 to December 31, 1996.

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

4. BUSINESS COMBINATION (continued)

The deemed acquisition of Northwest Explorations Inc. is at an ascribed value of \$10,900 and is based on the fair value of the assets and liabilities of Northwest Explorations Inc. acquired, which are as follows:

	<u>US\$</u>
Investments	10,000
Other	900
	<u>10,900</u>

3. CAPITAL ASSETS

	<u>1997</u>	<u>1996</u>
	<u>US\$</u>	<u>US\$</u>
Equipment	63,995	36,700
Less amortization	(587)	(24,464)
Net book value	<u>63,408</u>	<u>12,236</u>

4. MINERAL RESOURCE PROPERTIES & DEFERRED EXPLORATION COSTS

	<u>1997</u>	<u>1996</u>
	<u>US\$</u>	<u>US\$</u>
MINERAL RESOURCE PROPERTIES		
Balance beginning of year	297,330	134,539
Property costs	245,813	162,791
Balance end of year	<u>543,143</u>	<u>297,330</u>
DEFERRED EXPLORATION COSTS		
Balance beginning of year	558,680	321,855
Exploration	573,535	236,825
Balance end of year	<u>1,132,215</u>	<u>558,680</u>

(a) Sabrina and Stanhope Baird Properties

On December 14, 1994, the Subsidiary entered into a prospecting and mining agreement on the following five claim licenses comprising an area of approximately 137.7 acres (55.7 ha): Jack (51/40/93), Faith (51/104/93), Fly (51/29/92), Kim #1 (51/5/92) and Kim #1 (51/105/93), in consideration of the payment of G\$ 750,000 (approximately US\$ 5,560), a net smelter return royalty of 3% and maintaining annual government rents. In July 1995, Guyana Geological and Mining Commission ("GGMC") published a notice deeming the location of the Fly Claim null and void under Regulation 6(1) of the Mining Act and in August 1995 published a notice cancelling the two Kim #1 claims under Regulation 22(2) of the Mining Act. The holders of the claim licences objected to these actions by GGMC. Litigation in respect to a similar dispute is pending on the Miggins Claims (see Note 4[f]). If the holders of the small-scale claim uphold their title, then the Subsidiary's title to the Kim and Fly Claims will be through the agreement with the holders of the small-scale claim licences. Otherwise, the Subsidiary's title to Kim and Fly Claims will be through the agreement with Cameron (see Note 4[j]) in respect to the medium-scale prospecting permits overlying these small-scale claim licences. In any event, the Subsidiary will maintain title to the claims.

(b) Burnette Property

On December 15, 1994, the Subsidiary entered into a prospecting and mining agreement on three medium-scale prospecting permits (B-1; B-1/1 and B-1/2) comprising an area of approximately 3,353.6 acres (1,357.2 ha) in consideration of the payment of G\$ 1,500,000 (US\$ 11,111), the initial rental of G\$ 119,000 (US\$ 880) and a net smelter return royalty of 3%. By agreement dated January 26, 1996, for the amount of G\$ 1,500,000 (US\$ 11,111), the net smelter return royalty of 3% was cancelled.

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

4. MINERAL RESOURCE PROPERTIES (continued)

(c) Annie Creek Claims

On April 10, 1996, the Subsidiary entered into a prospecting and mining agreement on the following five claim licenses comprising an area of approximately 137.7 acres (55.7 ha): Ann 1 (51/019/81); Ann 2 (51/020/81); Ann 3 (51/021/81); Ann 4 (51/022/81) and Rice (51/023/81) (collectively the "Annie Creek Claims"), for the total consideration of G\$ 2,500,000 (US\$ 18,511), paid in installments of G\$1,000,000 (US\$7,400) in 1996 and G\$1,500,000 (US\$11,111) in 1997, a 3% net smelter return royalty and maintaining annual government rents. The Annie Creek Claims are subject to a lease with Roland Cameron until 2008, under which Roland Cameron is entitled to 88% of the production and the lessors 12% of the production. Cameron's interest in this lease is included in the Subsidiary's agreement with Cameron (See Note 4[j].) In June 1997, the agreement was amended such that an amount of G\$ 200,000 (US \$1,430) was paid on signing of the amendment, with the balance of G\$ 1,300,000 (US\$ 9,290) to be payable upon the expiry or renunciation of the lease with Cameron.

(d) James Property

On December 16, 1994, the Subsidiary entered into a prospecting and mining for six medium-scale prospecting permits comprising an area of approximately 7,140 acres (2,890 ha): PPMS/152/94; PPMS/153/94; PPMS/154/94; PPMS/155/94; PPMS/156/94; PPMS/157/94 in consideration of the payment of G\$ 3,000,000 (US\$ 22,222), a net smelter return royalty of 3% and maintaining government rents.

(e) Madman Claim

On January 31, 1995, the Subsidiary entered into a prospecting and mining agreement on Madman Claim (51/20/89) comprising 27.5 acres (11.1 ha) in consideration of the payment of G\$ 50,000 (US\$ 370), a net smelter return royalty of 3% and maintaining annual government rents.

(f) Miggins Claims

On December 14, 1995, the Subsidiary entered into a prospecting and mining agreement on two claim licenses (collectively the "Miggins Claims") comprising approximately 55 acres (22.2 ha): Ray (51/101/90) and Keepers (51/100/90) in consideration of a payment of G\$ 750,000 (US\$ 5,556) to be made upon Miggins obtaining clear title to the Miggins Claims, a net smelter return royalty of 3% and maintaining annual government rents. The Miggins Claims are located within the Cameron Property, which has been optioned by the Subsidiary (see Note 4[j]). There is a title dispute on these claims between Cameron and Miggins, but the Miggins Claims are optioned by the Subsidiary from both parties. If the holders of the small-scale claim uphold their title, then the Subsidiary's title to the Kim and Fly Claims will be through the agreement with the holders of the small-scale claim licences. Otherwise, the Subsidiary's title to Kim and Fly Claims will be through the agreement with Cameron (see Note 4[j]) in respect to the medium-scale prospecting permits overlying these small-scale claim licences. In any event, the Subsidiary will maintain title to the claims.

(g) Shewraj and Adams Properties

On April 5, 1995, the Subsidiary entered into a prospecting and mining agreement with for five medium-scale prospecting permits comprising an area of 5,389 acres (2,181 ha): PPMS/43/94; PPMS/44/94; PPMS/45/94; PPMS/46/94; PPMS/47/94 in consideration of the payment of US\$ 50,000, a net smelter return royalty of 2% and maintaining annual government rents. In October 1997, for the consideration of US\$10,000, the Subsidiary entered into an agreement reducing the royalty on PPMS/45/94 and PPMS/46/94 (collectively the "Adams Property") to 1% with an option until October 10, 2000 to reduce the royalty to 0% by making a further payment of US\$30,000.

(h) Simone Baird Property

On January 19, 1995, the Subsidiary entered into a prospecting and mining agreement for three medium-scale prospecting permits comprising an area of approximately 3,240 acres (1,311 ha) (PPMS/50/94; PPMS/51/94 and PPMS/52/94) in consideration of the payment of the amount of G\$ 560,000 (US\$4,150), a net smelter return royalty of 3% and maintaining annual government rents.

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

4. MINERAL RESOURCE PROPERTIES (continued)

(i) Ituni Claims

In September 1996, the Subsidiary entered into a prospecting and mining agreement on three claim licenses comprising an area of approximately 82.6 acres (33.4 ha): Ituni 1 (51/002/94); Ituni 2 (51/003/94); and Mary (51/004/94) for the total consideration of G\$ 750,000 (US\$ 5,800) paid on signing plus G\$ 750,000 (US\$5,800) paid in October, 1997, a 3% net smelter return royalty and maintaining annual government rents.

(j) Cameron Property

On October 31, 1996, the Subsidiary entered into a prospecting and mining agreement for (i) three medium-scale prospecting permits (PPMS 111/94; PPMS/112/94 and PPMS/113/94) comprising approximately 2,969 acres (1,202 hectares); and (ii) a lease on six small-scale claim licences (the five Annie Creek Claims (see Note 4[c]) and the May Claim (51/324/77), under which Cameron is entitled to 88% of production. Under the exploration and mining agreement with Cameron, the Subsidiary has the right to acquire a 100% interest in the Cameron Property, subject to a 3% net smelter return royalty, by (i) making the following advance royalty payments: US\$25,000 on signing; US\$25,000 on July 1, 1997; US\$50,000 on January 1, 1998; and US\$50,000 on January 1, 1999; (ii) commencing mining operations; (iii) maintaining annual government rents. If a feasibility study is being considered or is in progress at the end of three years, Subsidiary may extend the study period by making annual advance royalty payments of US\$50,000 each year. On electing to commence mining operations during the term of the agreement, a joint venture shall be continued for a further thirty years, subject to Subsidiary's right to extend for a further thirty years provided mining operations are continuing. The Subsidiary has the right to reduce the royalty from 3% to 1% by making an advance royalty payment of US\$1,000,000; after the commencement of commercial production, Cameron has the right to put his royalty interest to Subsidiary for US\$ 750,000 plus an additional US\$ 250,000 after the production of 200,000 ounces. The Subsidiary prepaid US\$44,000 of its January 1, 1998 installment in December 1997 and has agreed to provide US\$5,000 of excavating services to Cameron for the balance. The Miggins Claims (see Note 4[f]), the Kim and Fly Claims (see Note 4[a]) are included within the boundaries of the Cameron Property. If the holders of the small-scale claim licences are successful in litigation to uphold their title, then the Subsidiary's title to the Kim and Fly Claims will be through the agreement with the holders of the small-scale claim licences. Otherwise, the Subsidiary's title to the Miggins, Kim and Fly Claims will be through the agreement with Cameron in respect to the medium-scale prospecting permits.

(k) Bryan Phillips Property

On December 5, 1996, the Subsidiary entered into an option agreement in respect to three medium-scale prospecting permits (PPMS/76/94; PPMS/77/94 and PPMS/78/94) comprising approximately 3,200 acres (1,295 hectares). Under the agreement, the Subsidiary would have the right to acquire a 100% interest in the property, subject to a 3% net smelter return royalty, by (a) making the following advance royalty payments: US\$ 15,000 on signing; US\$ 45,000 on January 31, 1997; US\$ 75,000 on January 31, 1998 and US\$ 150,000 on January 31, 1999 and (b) commencing mining operations. If a feasibility study is being considered or in progress at the end of three years, the Subsidiary may extend the study period for two additional one-year terms by making annual advance royalty payments of \$US 125,000 each. On electing to commence mining operations during the term of the agreement, a joint venture shall be continued for an additional thirty year period, subject to the Subsidiary's right to extend for a further thirty year period provided mining operations are continuing.

(l) John Phillips Property

On December 12, 1996, the Subsidiary entered into an option agreement in respect to three medium-scale prospecting permits (PPMS/73/94; PPMS/74/94 and PPMS/75/94) comprising approximately 3,240 acres (1,311 hectares), (the "John Phillips Property"), immediately south of the Arakaka properties. Under the agreement, the Subsidiary would have the right to acquire a 100% interest in the John Phillips Property, subject to a 3% net smelter return royalty, by (a) making the following advance royalty payments: US\$ 15,000 on signing; US\$ 45,000 on January 31, 1997; US\$ 75,000 on January 31, 1998 and US\$ 150,000 on January 31, 1999 and (b), commencing mining operations. If a feasibility study is being considered or in progress at the end of three years, the Subsidiary may extend the study period for two additional one-year terms by making annual advance royalty payments of \$US 125,000 each. On electing to commence mining operations during the term of the agreement, a joint venture shall be continued for an additional thirty year period, subject to the Subsidiary's right to extend for a further thirty year period provided mining operations are continuing.

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

4. MINERAL RESOURCE PROPERTIES (continued)

(m) Peter Jeffrey Property

In October 1997, the Subsidiary entered into a prospecting and mining agreement on two claim licenses comprising an area of approximately 55 acres (22 ha): Gold Hill (51/20/79) and Again #1 (51/58/88) for the total consideration of G\$1,000,000 (US\$ 6,900), a 3% net smelter return royalty and maintaining annual government rents.

(n) Andrew Jeffrey Property

In October 1997, the Subsidiary entered into a prospecting and mining agreement on two claim licenses comprising an area of approximately 55 acres (22 ha): Gold Hill #1 (51/105/89) and Joe #2 (51/23/84) for the total consideration of G\$1,000,000 (US\$ 6,900), a 3% net smelter return royalty and maintaining annual government rents.

(o) Mavis Property

In November 1997, the Subsidiary entered into a prospecting and mining agreement on two claim licenses comprising an area of approximately 55 acres (22 ha): Mavis (51/19/79) and Mark (51/30/84) for the total consideration of US\$ 10,000, a 3% net smelter return royalty and maintaining annual government rents.

(p) Good Luck Property

In November 1997, the Subsidiary entered into a prospecting and mining option agreement on eleven claim licenses comprising an area of approximately 300 acres (121 ha): Good Luck #1 (51/72/80), Good Luck #2 (51/73/80), Good Luck #3 (51/74/80), Good Luck #4 (51/75/80), Good Luck #5 (51/81/80), Flash (51/41/83), Again (51/24/84), Pass Over (51/43/83), Kevin (51/44/83), Love (51/45/83) and Strong Hope (51/12/84) for the total consideration of US\$30,000 paid on signing plus US\$30,000 payable in November, 1998, US\$20,000 payable in November 1999, a 3% net smelter return royalty and maintaining annual government rents.

5. LONG-TERM DEBT

(a) Due from the Subsidiary to a US shareholder.

A \$120,000 Promissory Note payable in three annual installments on July 31, 1997; July 31, 1998 and July 31, 1999, bearing interest at the prime rate of the Michigan National Bank with interest payable semi-annually. The balance outstanding is \$80,000 (1996 - 137,713).

(b) Promissory Notes of the Subsidiary

The balance of the December 31, 1996 unsecured Promissory Notes in the amount \$113,875 were offset during 1997.

6. CAPITAL STOCK

(a) Authorized:

An unlimited number of common shares without nominal or par value

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

6. CAPITAL STOCK (continued)

(b) Issued:

Changes in the issued common shares of the during the years ended December 31, 1996 and 1995 are as follows:

Northwest Exploration Company Limited common shares:	Shares	Amount US\$
Balance as at December 31, 1995	100,000	235,000
Issue of shares for cash - 1996	26,402	67,250
Issue of shares for services - 1996	10,000	25,000
Balance prior to reverse takeover	136,402	327,250
Eliminate common shares of Northwest Exploration Company Limited on reverse takeover (note 2)	(134,277)	(5,000)
Minority interest	(2,125)	(1,751)
 Northwest Explorations Inc. common shares:		
Issued for shares of Northwest Exploration Company Limited	134,277	-
Issued for shares of Northwest Explorations Inc.	1,100	10,900
Issue of shares for exercise of warrants	132,155	132,155
Issuance of shares for cash	30,000	30,000
less issue costs	-	(15,000)
Balance as at December 31, 1996	297,532	478,554
Conversion of shares of Northwest Exploration Company Limited (net of minority interest) net	2,125	1,751
Issuance of share for warrant holders of Northwest Exploration Company Limited	5,247	5,247
Issuance of shares for exercise of rights	304,904	411,620
Issuance of shares for exercise of warrants	213,159	852,636
Balance September 3, 1997	822,967	1,749,808
Share split September 4, 1997 (15 for 1)	12,344,505	1,749,808
Private placement	3,900,000	1,041,500
Issuance of shares for exercise of warrants	1,376,175	366,983
Cost of issuance	-	(111,373)
Balance December 31, 1997	17,620,680	3,046,918

(c) Options

The Company has established a stock option plan for certain officers, directors and employees of the Company. Under the plan the unexercised options at year-end to purchase common shares are as follows:

Expiry Dates	Exercise Price US\$	1997	1996
		Number of shares under option	Number of shares under option
August 12, 2002	0.37	1,194,000	-
August 26, 2002	0.40	306,000	-
		1,500,000	-

NORTHWEST EXPLORATIONS INC.
Notes to Consolidated Financial Statements
For the Years Ended December 31, 1997 and December 31, 1996

7. SEGMENTED INFORMATION

Assets on a geographic basis are as follows:

	1997 US\$	1996 US\$
Guyana	1,732,577	885,593
Canada	1,206,926	49,928
	<u>2,939,503</u>	<u>935,521</u>

Expenses on a geographic basis are as follows:

	1997 US\$	1996 US\$
Guyana	24,427	33,351
Canada	137,413	10,502
	<u>161,840</u>	<u>43,853</u>

8. RELATED PARTY TRANSACTIONS

During the year, the Company incurred the following expenditures with directors and or senior officers. These amounts have been recorded at exchange value

	1997 US\$	1996 US\$
Deferred exploration costs	19,244	-
Administrative expenditures	27,600	-
Financing costs	111,371	15,000
Professional fees	26,245	11,363
	<u>184,460</u>	<u>26,363</u>

9. COMMITMENTS

The Company has entered into property agreements, which require the following cash payments.

	1998 US\$	1999 US\$
	<u>195,000</u>	<u>370,000</u>

10. 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 non-performance, but does not anticipate non-performance 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.

CGX ENERGY INC.

The following information provides a description of the Corporation after giving effect to the acquisition (the "Acquisition") of all of the issued and outstanding shares of CGX Resources Inc., on the assumption that all of the issued and outstanding shares of CGX Resources Inc. are acquired. Upon completion of the Acquisition, CGX will become a wholly owned subsidiary of the Corporation and the shareholders of CGX will become shareholders of the Corporation. For details of CGX, see the information booklet of CGX attached as Schedule "B" to the Corporation's Management Information Circular. Upon completion of the Acquisition, the Corporation will change its name to CGX Energy Inc.

1. Business of the Corporation

CGX Energy Inc. ("CGX Energy") will be a junior resource exploration and development Corporation incorporated under the laws of the Province of Ontario. CGX Energy's primary focus will be, through its wholly owned subsidiary CGX, identifying, acquiring, and developing oil and gas properties in Guyana. See "General" and "Description of Properties" in the information booklet of CGX, which is attached, as Schedule "B" to the Information Circular of the Corporation. CGX Energy's registered and principal office will be located at 512 - 120 Adelaide Street West, Toronto, Ontario M5H 1T1.

2. Share Capital of CGX Energy

The authorized capital of CGX Energy will be an unlimited number of common shares with without nominal or par value.

Common Shares: The holders of common shares of CGX Energy will be entitled: (i) to dividends *pro rata* if, as and when declared by the board of directors of CGX Energy out of funds properly payable therefor; (ii) to one vote per share at all meetings of the shareholders of CGX Energy except meetings at which only holders of another specified class of shares are entitled to vote; and (iii) subject to the rights attached to any other shares of CGX Energy, to receive *pro rata* the remaining assets of CGX Energy upon liquidation, dissolution or winding up of CGX Energy.

Stock Options: CGX Energy will have a stock option plan (the "Stock Option Plan") as an incentive for its directors, officers and employees. Pursuant to the Stock Option Plan, options to purchase CGX Energy's common shares may be granted from time to time by the board of directors to directors, officers and employees of CGX Energy or any of its subsidiaries at an exercise price fixed by the board of directors at the time of granting such option. See "Stock Option Plan" below.

3. Pro Forma Capitalization of CGX Energy

The issued and outstanding capital of CGX Energy is summarized in the following table:

Description of Security	Authorized	As at December 31, 1997 (audited)	As at June 30, 1998 (unaudited)	Pro Forma as at August 31, 1998 ⁽¹⁾⁽²⁾
Long-term debt of Subsidiary		US\$80,000	US\$80,000	US\$80,000
Common shares	unlimited	17,620,680 (US) \$3,046,918	17,620,680 (US) \$3,046,918	21,966,756 (US \$1,058,895)

- (1) After consolidation of common shares on a one (1) for five (5) basis and assuming 18, 442,620 post-consolidation common shares are issued in respect of the offer for CGX shares.
- (2) Consolidated to include CGX as at August 31, 1998. See "Pro Forma Consolidated Financial Statements".
- (3) The deficit as at June 30, 1998 was US \$2,567,526.

4. Management of CGX Energy

The directors and officers of CGX Energy will be as follows:

Name and Municipality of Residence	Office Held	Principal Occupation for the past 5 years
Kerry Sully Vancouver, B.C.	Director	Self-employed businessman, from October, 1995 to present; Chairman and Director, Birch Mountain Resources Ltd. (a mineral exploration company) May 1995; Director, Tesla Industries Inc. (an oil well servicing company); Director, Doreal Energy Corporation (an oil and gas exploration company), April 1996 to present; formerly Director, Canpet Marketing (crude oil marketing company), November 1985 to December 1997; formerly, from July 1989 to September 1995, President, CEO and Director of Ranchmen's Resources Ltd. (an oil and gas exploration and production company).
Oliver Lennox-King Toronto, Ontario	Director	Chairman & Director, Southern Cross Resources Inc. since January 1997; formerly President of Tiomin Resources Inc. (a mineral exploration Corporation) from July, 1992 to January 1997; prior thereto, Vice-President & Director of Midland Walwyn Inc. (a securities dealer) from 1988 to 1992. Currently also a Director of Southern Era Resources Limited (a mineral exploration corporation), Dumont Nickel Corp. (a mineral exploration corporation), Tiomin Resources Inc. (a mineral exploration corporation) and Pangea Goldfields Inc. (a mineral exploration corporation).
Warren Workman Calgary, Alberta	Vice President, Exploration	Vice President, Exploration. Formerly from 1995 to 1997, Vice President, Exploration, Petrorep Resources Ltd.; from 1993 to 1995, Vice President, Exploration, Ranchmen's Resources Ltd.
Denis Clement Oakville, Ontario	Director, President	President and Chief Executive Officer. Also President of Northpoint Corporation (an investment company) since October 8, 1996 and President Dumont Nickel Inc. since July 31, 1998. Previously from July 1994 to January 1996, Chairman and Chief Executive Officer of Northpoint Corp. (a home based marketing company). Previously from January 1, 1997 to August 24, 1998, President and Director, Northwest Explorations Inc. (a mineral exploration company.)
John Cullen Barrie, Ontario	Director	Self-employed businessman and CGX founder. Formerly Investment Adviser, Nesbitt Burns Inc.
James Fairbairn Toronto, Ontario	Secretary-Treasurer and Chief Financial Officer	Self-employed chartered accountant. Also, Treasurer of Ausnoram Holding Limited (a holding corporation); Treasurer of Southern African Minerals Corp. since 1989 (a mineral exploration corporation); Treasurer of Acadia Minerals Corp. (a mineral exploration corporation) since July 1994; Chief Financial Officer of Band-Ore Resources Ltd. (a mineral exploration corporation) since January 1995.

5. Stock Option Plan

Upon completion of the Acquisition, the existing stock option plan of the Corporation will be maintained by CGX Energy. Shareholders of the Corporation approved the incentive stock option plan for directors, officers and employees of the Corporation and its Subsidiary (and their respective RRSP's or holding companies) which was implemented by the directors on October 23, 1996 and amended on April 4, 1997 (the "Plan"). The purpose of the Plan is to attract, retain and motivate management and staff by providing them with the opportunity, through share options, to acquire a proprietary interest in CGX Energy and benefit from its growth.

Eligibility for participation in the Plan is restricted to directors, officers, executives, consultants and other key employees (or their holding companies) of the Corporation and its subsidiaries. The number of common shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to the lesser of 10% of the number of issued and outstanding common shares from time to time or 2,400,000 in the aggregate with no single individual holding options on more than 5% of the number of issued and outstanding common shares of the Corporation at the date of the grant of the option. The exercise price of any option granted under the Plan may not be less than fair market value (*i.e.*, the prevailing market price) of the common shares at the time that the option is granted provided that such exercise price is not less than the minimum price permitted by the policies of the securities regulatory authorities having jurisdiction. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed five years and are subject to earlier termination 90 days after the termination of the optionee's employment, the optionee ceasing to be a director and/or officer, or the retirement or permanent disability of an optionee, unless otherwise extended by the board of directors. Similarly, options expire one year after death of an optionee. The options are non-transferable (except that, in the event of an optionee's death, the options may be exercised by the optionee's legal representatives).

On completion of the share consolidation and the Acquisition, options to purchase common shares will be outstanding as set forth in the following table:

<i>Expiry Date</i>	<i>Exercise Price (CDN \$)</i>	<i>Number of Shares under Option</i>
March 29, 1999	\$1.85	26,400
	\$2.00	3,600
August 12, 2002	\$1.85	135,720
August 26, 2002	\$2.00	49,280
June 12, 2003	\$1.00	20,000
June 30, 2003	\$0.21	<u>1,428,000</u>
		<u>1,663,000</u>

6. Principal Shareholders of CGX Energy

To the best of the knowledge of the directors and senior officers of the Corporation, upon completion of the acquisition of CGX, no person will beneficially own, directly or indirectly, or exercise control or direction over equity or voting securities carrying more than 10% of the voting rights attached to any class of equity or voting securities of CGX Energy other than:

Name of Beneficial Owner	Description of Class	Type of Ownership	Number of Shares	Percentage of Common Shares
Jaguar Holdings Inc	Common	Direct	5,236,000	23.8%
Wayne Brasseur	Common	Direct	2,380,000	10.8%

After giving effect to the acquisition of CGX, the officers and directors of CGX Energy will directly and indirectly own or control 8,028,986 common shares of CGX Energy, representing 36.6% of CGX Energy's issued and outstanding common shares.

7. Auditors

Parker & Simone, Chartered Accountants, Mississauga, Ontario

8. Transfer Agent and Registrar

CGX Energy will continue its appointment of Equity Transfer Services Inc., Suite 400, 120 Adelaide Street West, Toronto, Ontario, M5H 3V1, telephone (416) 361-0152, facsimile (416) 361-0470, as the registrar and transfer agent of the CGX Energy shares.

9. Pro Forma Financial Statements

A pro forma consolidated balance sheet of the Corporation as at August 31, 1998 giving effect to the Acquisition is attached hereto.

Compilation Report

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

We have reviewed, as to compilation only, the accompanying pro-forma consolidated balance sheet of CGX Energy Inc. (formerly Northwest Explorations Inc.) as at August 31, 1998 which has been prepared for inclusion in the Management Information Circular relating to the purchase of all of the issued and outstanding shares of CGX Resources Inc. by Northwest Exploration Inc. In our opinion, the pro-forma consolidated balance sheet has been properly compiled to give effect to the proposed transaction and assumptions described in the notes thereto.

September 15, 1998
Mississauga, Ontario

"Parker & Simone",
Chartered Accountants

Pro-Forma Consolidated Balance Sheet

CGX ENERGY INC.
(formerly Northwest Exploration Inc.)

As at August 31, 1998

Current Assets	<u>US\$</u>
Cash and short term deposits	668,366
Subscriptions receivable	232,000
Due from related parties	12,730
Other receivables	23,712
	<u>936,808</u>
Other Assets	
Mineral properties – Guyana	114,423
Deferred exploration costs - Guyana	19,416
Other assets	900
Capital assets (net)	61,981
	<u>196,720</u>
	<u>1,133,528</u>
Current Liabilities	
Accounts payable and accrued liabilities	112,463
Due to related parties	23,078
Current portion of long term debt of subsidiary company	80,000
	<u>215,541</u>
Shareholders' Equity	
Capital Stock	1,058,695
Deficit	(140,708)
	<u>917,987</u>
	<u>1,133,528</u>

CGX ENERGY INC.
(formerly Northwest Exploration Inc.)

Notes to Pro-Forma Consolidated Balance Sheet
(Unaudited)

As at August 31, 1998

1. Basis of Presentation

The pro-forma consolidated balance sheet has been prepared by management of CGX Energy Inc. (formerly Northwest Exploration Inc.) for inclusion in the Management Information Circular dated September 18, 1998 relating to its proposed acquisition of all of the issued and outstanding Ordinary Shares of CGX Resources Inc. and is based on:

- The audited financial statements of CGX Resources Inc. ("CGX") as at August 31, 1998;
- The unaudited financial statements of Northwest Explorations Inc. ("Northwest") as at June 30, 1998;

This pro-forma consolidated balance sheet should be read in conjunction with these financial statements and notes thereto included elsewhere in the Management Information Circular.

2. Pro-forma Assumptions

The pro-forma balance sheet gives effect, as at August 31, 1998, to the following transactions, which are proposed to occur:

a) Transactions by Northwest

The shareholders of Northwest are being asked to approve certain transactions at the special meeting of shareholders to be held in October 1998. The proposed transactions are summarized as follows:

- Amending Northwest's articles to change its name from Northwest Exploration Inc. to CGX Energy Inc.
- Amending Northwest's articles to consolidate each of the issued and outstanding common shares without par value on a one-for-five basis.
- The acquisition of all of the issued and outstanding Ordinary Shares of CGX in exchange for 18,442,620 post-consolidated Common Shares of Northwest. The pre-acquisition shareholders of CGX will hold greater than 50% of the outstanding post-amalgamation Common Shares of Northwest after this transaction. Therefore, this acquisition is accounted for as a reverse takeover, hence, for accounting purposes CGX will be treated as the acquiror of Northwest.

CGX ENERGY INC.
(formerly Northwest Exploration Inc.)

Notes to Pro-Forma Consolidated Balance Sheet
(Unaudited)

As at August 31, 1998

2. Pro-forma Assumptions (continued)

Under the purchase method of accounting, the net assets of Northwest are deemed to have been acquired by CGX at the following fair values:

	US\$
Working capital, including cash of \$643,044	477,414
Other assets	61,978
Net assets acquired	<u>539,392</u>

3. Share Capital

The authorized share capital will consist of an unlimited number of Common Shares. The pro-forma issued share capital is represented by 21,966,756 Common Shares.

SCHEDULE "B"
INFORMATION BOOKLET
CGX RESOURCES INC.

The information contained in this information booklet is supplemental to and forms part of the information provided in the Management Information Circular of Northwest Explorations Inc., which this booklet accompanies. Unless otherwise noted, the information contained herein is given as of September 18, 1998.

TABLE OF CONTENTS

CGX RESOURCES INC.....	2
1. GENERAL.....	2
2. DESCRIPTION OF PROPERTIES.....	2
3. DIRECTORS AND OFFICERS.....	7
4. DESCRIPTION OF SHARE CAPITAL.....	7
5. PRIOR ISSUES OF SECURITIES.....	8
6. PRINCIPAL SHAREHOLDERS	8
7. CAPITALIZATION OF CGX	8
8. REMUNERATION OF DIRECTORS AND OFFICERS	8
9. DIVIDEND POLICY	11
10. MATERIAL CONTRACTS	11
11. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	11
12. PRICE RANGE AND TRADING VOLUME OF CGX SHARES	11
13. CGX FINANCIAL STATEMENTS	11
14. RISK FACTORS	11
15. AUDITORS.....	12
CGX RESOURCES INC. FINANCIAL STATEMENTS	13

CGX RESOURCES INC.

1. General

CGX Resources Inc. ("CGX") was incorporated on April 23, 1997 under the International Business Companies Act (1990) in the Commonwealth of the Bahamas. It was originally incorporated as "The Cullen Group Inc." and by Certificate of Incorporation (Change of Name) dated October 10th 1997, changed its name to CGX Resources Inc., with its registered head office at Mareva House, 4 George Street, Nassau Bahamas. The principal business of CGX is exploration for oil and gas in Guyana.

In addition, the following terms or abbreviations have the meanings ascribed to them in this as set out below:

bbls	barrels
mmbbls	million barrels
BPD	barrels per day
m	metre
km	kilometre

2. Description of Properties

On June 24, 1998, CGX entered into a Petroleum Agreement (the "Petroleum Agreement") with the Minister Responsible for Petroleum Representing the Government of the Co-operative Republic of Guyana. Pursuant to the Petroleum Agreement, CGX was granted a Petroleum Prospecting Licence (the "Prospecting Licence") in respect of an oil and gas concession, referred to as the "Corentyne Block" in the eastern offshore area of Guyana. CGX retained Apex Energy Consultants Inc., consulting petroleum engineers, who submitted an engineering and geological report dated September 14, 1998 with respect to the Corentyne Block (the "Apex Report"). The following information has been abstracted from the Apex Report or from CGX records.

Location, Size and Means of Access

The Corentyne Block has an area of 12,800 sq km (3,200,000 acres) in the eastern offshore territorial waters of Guyana from near the coastline to the edge of the continental shelf. The Corentyne Block is L-shaped with the west boundary approximately 50 km from Georgetown, the capital of Guyana and the east boundary approximately 200 km from Georgetown.

Title

Guyanese law is based on British common law. CGX's title to the Corentyne block is through the Prospecting Licence issued under the *Petroleum (Exploration and Production) Act 1986, Act No. 3 of 1986* (the "Act"). The principal terms of the Prospecting Licence are as follows:

Term of Prospecting Licence: 4 years, renewable at the option of CGX for up to two 3-year periods in accordance with the Act and Regulations;

Guarantee: CGX is required to post a performance bond or letter of credit for 10% of work commitment in each year;

Annual Fees: US\$80,000 annually, payable in two installments;

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 2-dimensional seismic survey. *Year 2:* Either a minimum 500 km of 3-dimensional seismic or commence drilling of one exploration well. *1st Renewal:* At outset, relinquish 20% of Contract Area such that retained area constitutes a single continuous area and

the relinquished areas comprise no more than three areas. *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 discrete areas and reserved area no more than two discrete areas. *1st 18 Months*: Drill one exploration well. *2nd 18 Months*: Drill one exploration well.

Discovery Areas: If a discovery is made, CGX 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 and operating 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 and operating payback; thereafter 55% of Profit Oil less operating costs, in full satisfaction of all income taxes and royalties.

The concession is within Guyana's offshore exclusive economic zone, but in an area sometimes referred as the "Area of Overlap". This area has been the subject of co-operative effort and its neighbour Suriname. The protocol required notice between countries of concessions granted to avoid conflicting grants of concession. Both Guyana and Suriname are UN members and any conflicts of interest will be resolved by recourse to the UN convention that relate to seabed rights and those appeal procedures that pertain to the International seabed Tribunal and the International Court of Justice. It is the opinion of independent review that any resolution of conflicting claims within the Area of Overlap would be resolved between the countries without affecting the interest of concession holders, their investors or joint venture partners.

Previous Exploration

Ten wells have been drilled in the Guyana Offshore commencing with Tenneco in 1967 and ending with Total in 1991. The well most closely offsetting the Corentyne Block is the Abary #1 drilled by Shell in 1974-5. This well encountered gas and oil shows in the upper Cretaceous and lower Tertiary and was abandoned after reaching T.D. at 13,091 feet. Seismic surveys have been run on the block and/or contiguous areas by Shell (1973), Seagull Denison (1981-2) and most recently Lasmo (1989). Regional studies and source rock analysis have been done by Exploration Consultants Limited (1985), Total (1991), Lasmo (1991) and Mobil (1993).

Exploration by CGX

CGX has reviewed previous seismic data, drill logs, source rock analyses and regional studies and carried out a re-interpretation of the geology and geophysics of the Corentyne Block.

Geological Setting

The Corentyne block is located in the offshore Guyana Basin, which was formed by the rifting of Africa from South America in Cretaceous time. The Guyana offshore consists of continental shelf deposits of early Cretaceous/late Jurassic through Pleistocene age that lie unconformably on the Guyana Shield to the west grading to deep marine deposits lying on the sea floor basement to the east. A major basin-wide angular unconformity occurred in the early Cretaceous as a result of apparent uplift. This relationship is documented by seismic. Subsequent to this event, the Guyana Basin has had a passive margin history. The shape of the basin was a monoclinical ramp with very little evidence of a distinct shelf margin until the Cretaceous-Tertiary boundary. Subsequent to this time, the continental shelf has been well-defined and played an important part in the deposition of the Tertiary.

Stratigraphy

The middle to upper Cretaceous (Aptian to Santonian) is represented by the Stabroek, Potoco, Canje and New Amsterdam formations.

Stabroek: The Stabroek formation is a clastic unit which consists of a basal sand overlain by fluvial and deltaic deposits grading up to marine. This formation has been penetrated in Essequibo #2, Arapaima and Guyana Offshore #1. Some potential exists for a stratigraphic trap within the Stabroek and a structural trap if a closure can be found. This formation would likely have to be sourced for hydrocarbons from the Jurassic/ early Cretaceous source rocks which have not been documented. The Takatu Basin drilling (interior rift basin) encountered oil from an equivalent section. Targets in the Stabroek formation were identified in the shallow anomalies seen on the Lasmo lines LA-25 and LA-33.

Potoco: The Albian-aged Potoco shelf carbonates were deposited conformably upon the Stabroek. This carbonate is laterally equivalent to the golden Lane Trend in Mexico and the Edwards of the Gulf Coast. Reservoir rocks were encountered in the Essequibo #2 Arapaima and Guyana Offshore #1. Targets in the Potoco formation were identified in the shallow anomalies seen on the Lasmo lines LA-25 and LA-33.

Canje: The major petroleum source rock for the basin is the Canje formation, which is Cenomanian to Turonian in age, is an organic rich silt and shale. The formation is equivalent in deposition and age to the La Luna shales of Venezuela and Trinidad which are major source beds for these extremely petroliferous basins. Three wells have penetrated the Canje formation and found type II kerogens. The Canje was deposited during widespread anoxic conditions and as a result abundant organic material was preserved.

New Amsterdam: The Tertiary is represented by the Georgetown, Pomeroon and Corentyne Formations. At the end of New Amsterdam time, two major depositional features occurred as a result of a regional sea level low stand and the development of down to the basin faulting and the formation of the continental shelf margin. The first major feature was the formation of the Berbice Canyon, which is approximately 110 km long and 15 km wide. This formation was formed during a marine regression with deposition of a series of shallowing upward deposits with sand increasing towards the top of the formation. The Arapaima #1 and Guyana Offshore #1 have encountered 177 and 422 feet of reservoir quality sand. The other wells that penetrated the New Amsterdam are in a more distal position and have much less sand. The second major feature was deposition of the sea floor fans on the newly formed oceanic sea floor, mapped as the anomalies E and F. (see Petroleum Geology). The age of infill of the Berbice Canyon is not clear but is likely to be in the basal Georgetown equivalent and would turbidite or density flows interbedded with marine shales. To date, no wells have penetrated this section.

Georgetown (Paleocene): The Georgetown formation is a progradational clastic wedge, which overlies the sequence boundary at the end of the New Amsterdam deposition. The Sea Floor Fan targets E and F occur in this formation.

Pomeroon (Eocene to Mid Miocene): The Pomeroon formation overlies the Georgetown and is marked the deposition of carbonates during a marine transgression. The Pomeroon is a series of clastic and carbonate beds with major reefs occur formed at the continental margin.

Corentyne Formation (Late Miocene to Present): This formation is a result of a significant increase in clastic deposition and has resulted in a major prograding clastic wedge in the eastern offshore of the Guyana Basin.

Petroleum Geology

Source Beds, Maturity, and Migration: The Canje formation is the principal source bed for the Guyana basin. It has total organic carbon in the 2 to 6% range over a width of 900 feet in Arapaima #1, over 1400 feet in Guyana Offshore #2, and over 1000 feet in Essequibo #2. Modeling by Total, Lasmo, and others

indicates that these beds started to reach maturity during the Eocene and are still actively expelling oil and gas (Mobil 1993). The Canje is laterally equivalent to established world-class source beds in Venezuela and Trinidad. While many basins in the Circum-Atlantic region are dominated structurally by Aptian-aged salt induced tectonics and vertical hydrocarbon migration, the Guyana Basin is dominated by lateral migration with a modest amount of tectonics. The prime evidence for lateral migration is the presence of the Tambaredjo field in onshore Suriname. This field has in-place reserves of 900 mmbbls and recoverable reserves of 145 mmbbls of 15° API crude that has been identified as being sourced from the Canje formation (Total, 1992). This implies a lateral migration of at least 65 km or more. Much of the Corentyne Block lies in the migration path and is prospective for oil accumulations similar to the Tambaredjo Field. The other significant show of hydrocarbons was in the Abary #1 well from several zones from 9700 ft to 13091 ft. These shows were encountered on the flank of a deep sea fan feature similar to the Anomalies E and F.

Reservoirs and Seals: The main challenge in finding a significant oil accumulation has been mapping and drilling of sealed stratigraphic or structural closures on a migration path in the Guyana Basin.

Shallow Nearshore Targets: In the shallow water portion of the CGX concession, potential exists for fields similar to the Tambaredjo field in the Paleocene, where a seal has been demonstrated. In addition, structural reversals have been identified on two Lasmo seismic lines (25 & 33) and on regional Mobil Satellite gravity. Additional potential reservoirs exist with seals in the Stabroek and Potoco formations if a structural closure can be mapped with additional seismic.

Berbice Canyon: The updip end of the Berbice Canyon forms an interesting opportunity for a major stratigraphic trap similar to the Chicotepec field in Mexico. The aerial extent of canyon mapping could be in excess of 20,000 acres if a stratigraphic closure exists. No well has penetrated the canyon as yet, so an analogy to the Mexican Canyon would result in reserves up to 400 mmbbl range. The main risk here is adequate reservoir volume production and performance to warrant the drilling and development of the resource. Should Maxus choose to drill their concession, it would most likely be to test the Canyon, which would reduce the risk if they were successful.

Sea Floor Fan Anomalies E and F

Sea Floor Fan Anomalies E and F consist of high-amplitude seismic features that show lateral closure in excess of 600 ft and dip amplitudes of 900 to 1100 ft of closure.

The area is covered by a seismic grid of approximately 5 km by 5 km of various data from Shell (1971) Seagull Dennison (1981, 1982) and Lasmo (1989). Not all data was available, but sufficient data of 1981 Seagull Dennison, 1971 Shell and 1989 Lasmo was used to map two features with definition to cover 42,000 and 60,000 acres respectively. The seismic data is recorded on paper and the original magnetic tapes were not available. No wells have penetrated these features on this concession. One well (Shell Abary #1) was drilled approximately 10 km to the northwest and penetrated a porous section in this interval and had shows of gas and oil. This well is located on the updip distal fringe of a similar feature so Apex anticipated that the reservoir will be much improved in quality and thickness on the main part of the structure with less clays and increased permeability. In the Abary #1, the overlying section is composed of impermeable clays and shales of over 2000 feet, which would provide an excellent seal. These fans are located at the base of continental slope at the end of Cretaceous and are of Paleocene Age. The end of the Cretaceous is regionally recognized as a low sea level period. The offsetting shelf, which was being eroded to provide sediment for the sea floor fans, is the New Amsterdam formation and has abundant sand as discussed earlier.

Many of the Circum-Atlantic discoveries in the last decade are at or near continental margins and have been found in similar sea floor fan settings trapped in both a structural and/or stratigraphic manner. Analogies to these features occur in Offshore Brazil, the Gulf of Guinea in Africa, the Gulf of Mexico and the North Sea in Tertiary sediments.

The features, as seen on the Seagull Dennison seismic survey, show characteristics of sea floor fans, including: onlap of offsetting sediments; location at base of continental slope; downlapping of reflection onto sea floor; and chaotic event within the sea floor fan. In addition, a horizontal event can be seen within the fan, that may represent a hydrocarbon/water interface. Further seismic is needed to delineate a drilling location and test for amplitude attributes before drilling could commence without undue risk.

Based on mapping, Apex estimated the maximum extent of the features E and F is between 45,000 and 60,000 acres of closure and applied a minimum closure of 10,000 acres to account for poorer reservoir extent. Apex analyzed the porosity/area and feet of pay based on various analogies. Mean reservoir porosity is estimated at 23%. Apex analyzed the log-normal distributions of all variables. This method allows for a high degree of variance, which is especially relevant to oil and gas exploration in wildcat basins, and emphasized a range of outcomes and the economically significant Swanson's mean. The possibility exists that the interpretation of the new data will change the assessment of size, value or presence of hydrocarbons in these features.

Reserves

There are no proven reserves on the Corentyne Block.

Apex carried out an assessment of risk for the drilling of a well on either of the two features on the CGX concession. The highest risk is interpreted with reservoir presence and/or quality. In any case, whichever feature is the most attractive for drilling, the results of the drilling will substantially increase or decrease the risk with the drilling of a well on the offsetting prospect. The potential recoverable reserves per prospect are estimated at between 194 million barrels and 3.3 billion barrels. This large variance is consistent with the high degree of uncertainty. The Swanson's mean, which represents the most economically important mean outcome, is estimated at 1.3 billion barrels per feature, while the calculated valuation reserves would be 852.7 million barrels, based on engineering considerations.

Valuation

The Apex Report provided the following valuation (in US\$):

Oil Price (undiscounted)	\$16.00 /bbl
Finding and development cost (undiscounted)	1.24 /bbl
Operating cost (undiscounted)	4.00 /bbl
Average royalty (undiscounted)	<u>5.87 /bbl</u>
Net realization (undiscounted)	<u>\$5.19 /bbl</u>
Chance of success	9%
Net Present Value @12.5%	\$1.332 billion
Risked value	\$0.14 /bbl
Apex Valuation Reserves	0.852 billion bbls
Valuation/first feature	\$140 million
Valuation/second feature (discounted 8 years @12.5%)	\$39 million
Total Valuation	\$179 million

Program

The Apex Report recommended the following program:

1. The continued purchase, processing and interpretation of seismic and geological data;
2. Acquisition of satellite data to evaluate seeps and basin geology, particularly in the shallow-water near-shore area;
3. The acquisition (in part) of 1,800 km of seismic data and interpretation in 1999 at an approximate cost of US\$1,560,000.

3. Directors And Officers

The directors and officers of CGX are currently as follows:

Name and Municipality of Residence	Office Held	Principal Occupation For the past 5 years
John Cullen Barrie, Ontario	Director,	Founder of CGX. Formerly investment adviser, Nesbitt Burns Inc.
Denis Clement Oakville, Ontario	President	President and Chief Executive Officer. Also President of Northpoint Corporation (an investment company) since October 8, 1996 and President Dumont Nickel Inc. since July 31, 1998. Previously from July 1994 to January 1996, Chairman and Chief Executive Officer of Northpoint Corp. (a home based marketing company). Previously from January 1, 1997 to August 24, 1998, President and Director, Northwest Explorations Inc. (a mineral exploration company.)
Oliver Liddell Nassau, Bahamas	Secretary	Corporate lawyer with McKinney, Bancroft and Hughes in the Bahamas.

4. Description of Share Capital

The authorized capital of CGX consists of 10,000,000 ordinary shares without nominal or par value, except that the total capital cannot exceed US\$10,000,000.

Ordinary Shares: The holders of ordinary shares are entitled: (i) to dividends *pro rata* if, as and when declared by the board of directors of CGX out of funds properly payable therefor; (ii) to one vote per share at all meetings of the shareholders of; and (iii) subject to the rights attached to any other shares of CGX, to receive *pro rata* the remaining assets of the Company upon liquidation, dissolution or winding up of CGX. As of September 18, 1998, 774,900 ordinary shares were outstanding as fully paid and non-assessable.

Stock Options: CGX has established a stock option plan (the "Stock Option Plan") as an incentive for its directors, officers, employees and consultants. Pursuant to the Stock Option Plan, options to purchase CGX's ordinary shares may be granted from time to time by the board of directors to directors, officers, employees and consultants of CGX or any of its subsidiaries at an exercise price fixed by the board of directors at the time of granting such option. See "Stock Option Plan" below.

5. Prior Issues Of Securities

Date	Number of Shares	Price Per Share	Consideration	Aggregate consideration
March 31, 1998	550,000	CDN\$0.10	Services	CDN\$55,000
June 15, 1998	20,000	CDN\$2.00	Services	CDN\$40,000
June 15, 1998	158,500	CDN\$2.00	Private placement	CDN\$317,000
August 31, 1998	46,400	US\$5.00	Private placement	US\$232,000
	774,900			US\$519,303

6. Principal Shareholders

To the best of the knowledge of the directors and senior officers of CGX, as at September 18, 1998 no person beneficially owns, directly or indirectly, or exercises control or direction over equity or voting securities carrying more than 10% of the voting rights attached to any class of equity or voting securities of CGX other than:

Name of Beneficial Owner	Description of Class	Type of Ownership	Number of Shares	Percentage of Ordinary Shares
Jaguar Holdings Inc.	Ordinary	Direct	220,000	28.4%
Wayne Brasseur	Ordinary	Direct	100,000	12.9%
Diamond Page International Inc. ⁽¹⁾	Ordinary	Direct	88,000	11.4%

(1) An entity controlled by Denis Clement.

As at September 18, 1998, the officers and directors of CGX directly and indirectly own or control 308,000 of CGX's Ordinary Shares, representing 39.7% of CGX's issued and outstanding Ordinary Shares. It is the intention of the principal shareholders to tender their shares of CGX.

7. Capitalization Of CGX

The issued and outstanding capital of CGX is summarized in the following table:

Description of Security	Authorized	As at August 31, 1998 (audited)
Ordinary shares	10,000,000 (US\$10,000,000)	774,900 (US\$519,303)

8. Remuneration Of Directors And Officers

Compensation of Executive Officers

The following table sets forth all annual and long term compensation of CGX's Chief Executive Officer from incorporation to August 31, 1998, (the "Named Executive Officers"). Specific aspects of the compensation of the Named Executive Officers are dealt with in further detail in subsequent tables.

Name and Principal Position		Compensation			Long-term Compensation			All Other Compensation
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Awards		Payouts	
					Securities Under Option/SARs ⁽¹⁾ Granted (#)	Restricted Shares or Restricted Share Units (\$)	LTIP ⁽²⁾ Payouts (\$)	
Denis Clement ⁽³⁾ President	1998	-	-	-	24,000	-	-	-
	1997	-	-	-	-	-	-	-
John Cullen ⁽³⁾ Director	1998	-	-	-	20,000	-	-	-

Notes:

(1) Stock appreciation rights.

(2) Long-term incentive plans.

(3) On March 12, 1998, John Cullen resigned as President and Denis Clement was appointed President. A consulting business controlled by Mr. Denis Clement, President and Chief Executive Officer of CGX, received consulting fees of \$17,380 during the eight-month period ended August 31, 1998 and a consulting business controlled by Mr John Cullen received consulting fees of \$15,042 for the eight-month period ended August 31, 1998.

Stock Option Grants

The following table provides details on stock options granted to the Named Executive Officers in the eight-month period ended August 31, 1998:

Name	Securities Under Options Granted ⁽¹⁾ (#)	% of Total Options Granted to Directors, Officers and Employees in Financial Period	Exercise Price (CD\$)	Market Value of Securities Underlying Options on the Date of Grant (CD\$)	Expiration Date
Denis Clement	24,000	40.00%	\$5.00	\$2.00	June 30, 2003
John Cullen	20,000 ⁽²⁾	33.33%	\$5.00	\$2.00	June 30, 2003

Notes:

(1) The numbers in this column are the numbers of ordinary shares of CGX for which options to purchase were granted.

(2) These options are vested.

Stock Options Exercised and Held

The following table provides detailed information regarding options exercised by the Named Executive Officer during the period ended August 31, 1998.

Name	Securities Under Options Granted (#)	% of Total Options Granted to Directors, Officers and Employees in Financial Period	Exercise Price (\$)	Market Value of Securities Underlying Options on the Date of Grant (\$)	Expiration Date
Denis Clement	Nil	N/A	N/A	N/A	N/A
John Cullen	Nil	N/A	N/A	N/A	N/A

Composition and Report of the Compensation Committee

During the period ended August 31, 1998 CGX did not have a compensation committee.

Employment Contracts

CGX has no employment contracts in place. Additionally, CGX has no compensatory plan or arrangement with respect to the Named Executive Officers that results or will result from the resignation, retirement or any other termination of employment with CGX, from a change of control of CGX or a change in the Named Executive Officers' responsibilities following a change-in-control.

Compensation of Directors

Directors of CGX do not receive any fees for acting as directors. Directors may participate in CGX's stock option plans. During the period August 31, 1998, no options to purchase ordinary shares were granted to any directors other than John Cullen. During such fiscal period no options to purchase ordinary shares were exercised by the director.

Stock Option Plan

CGX has an incentive stock option plan for directors, officers, employees and consultants of CGX and its subsidiaries (or holding companies) which was implemented by the sole director of CGX on May 31, 1998 (the "Plan"). The purpose of the Plan is to attract, retain and motivate management and staff by providing them with the opportunity, through share options, to acquire a proprietary interest in CGX and benefit from its growth.

Eligibility for participation in the Plan is restricted to directors, officers, executives, consultants and other key employees (or their holding companies) of CGX. The number of ordinary shares subject to options granted under the Plan (and under all other management options and employee stock purchase plans) is limited to the lesser of 10% of the number of issued and outstanding ordinary shares from time to time or 250,000 in the aggregate with no single individual holding options on more than 5% of the number of issued and outstanding ordinary shares of CGX at the date of the grant of the option. The exercise price of any option granted under the Plan may not be less than fair market value (*i.e.*, the prevailing market price) of the ordinary shares at the time that the option is granted provided that such exercise price is not less than the minimum price permitted by the policies of the securities regulatory authorities having jurisdiction. Options issued under the Plan may be exercised during a period determined by the board of directors which cannot exceed five years and, subject to express resolution of the board, are subject to earlier termination 90 days after the termination of the optionee's employment, the optionee ceasing to be a director and/or officer of CGX, or the retirement or permanent disability of an optionee. Similarly, options expire one year after death of an optionee. The options are non-transferable (except that, in the event of an optionee's death, the options may be exercised by the optionee's legal representatives).

As at the date hereof, options to purchase ordinary shares are outstanding as set forth in the following table:

<i>Holder</i>	<i>Number</i>	<i>Exercise Price</i> <i>(CDN\$)</i>	<i>Expiry Date</i>
Denis Clement	24,000	\$5.00	June 30, 2003
John Cullen	20,000	\$5.00	June 30, 2003
Kerry Sully	6,000	\$5.00	June 30, 2003
Warren Workman	5,000	\$5.00	June 30, 2003
James Fairbairn	5,000	\$5.00	June 30, 2003

9. Dividend Policy

No dividends have been paid on its ordinary shares by CGX. It is not the current intention of the Board of Directors of CGX to implement a policy of paying cash dividends on its ordinary shares. The Board of Directors periodically reviews this policy having regard to CGX's financial position and its capital expenditures and financing plans.

10. Material Contracts

The only contracts entered into by CGX during the two years ended on the date hereof (other than contracts in the ordinary course of business) that can reasonably be regarded as presently material to CGX shareholders are:

1. The Petroleum Agreement and Prospecting Licence referred to under "Description of Properties".
2. A letter agreement with Yorkton Securities Limited ("Yorkton"), dated August 13, 1998, under which Yorkton is retained as agent for CGX in the negotiation of a joint venture.

11. Interests Of Management and others in Material Transactions

Other than as disclosed herein, management and other insiders do not have any interest in any material transactions.

12. Price Range and Trading Volume of CGX Shares

CGX is a private company and its shares are not traded on any exchange.

13. CGX Financial Statements

The audited CGX financial statements from April 23, 1997 (date of incorporation) to August 31, 1998 are appended hereto and incorporated by reference.

14. Risk Factors

In addition to normal business risks, the business of CGX may be considered speculative for the following reasons:

- 1 - CGX competes with larger companies which have greater assets and financial and human resources than CGX and which may be able to sustain larger losses than CGX to develop business.
- 2 - Shareholders of CGX should be aware that they will be relying upon the good faith, expertise and judgement of the officers and directors of CGX Energy and CGX, to make appropriate decisions with respect to investments and operations.
- 3 - CGX Energy will be dependent on maintaining the key staff of CGX to develop CGX's operations in Guyana. Neither CGX Energy nor CGX has any long-term employment agreements nor any key-man insurance on any such key staff.
- 4 - Investing in resource companies and in companies in a development stage is highly speculative and involves substantial risks. While the rewards can be substantial, numerous companies are unsuccessful and their shares become worthless.

5 - CGX Energy and CGX may require additional equity funds to finance its operations and expand its business. There is no assurance that such additional equity capital will be available when required.

6 - CGX 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.

7 - The principal operations of CGX are anticipated to be in Guyana, a foreign country. Accordingly, the operations of the business of CGX in Guyana will be subject to risks associate with a Canadian company carrying on business in a foreign country. Policies of the foreign government may change; laws 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.

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

9 - Title to a significant portion of CGX'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.

15. Auditors

The Auditors of CGX are Parker & Simone, Chartered Accountants, 245 Matheson Blvd., Suite 5B, Mississauga, Ontario, L4Z 3C9.

CGX RESOURCES INC.
FINANCIAL STATEMENTS

AUGUST 31, 1998

AUDITED

Parker & Simone Chartered Accountants

AUDITORS' REPORT

**To the Director of
CGX RESOURCES INC.**

We have audited the balance sheet of CGX Resources Inc. as at August 31, 1998 and the statement of operations and deficit and changes in financial position for the period from April 23, 1997 (date of Incorporation) to August 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these 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.

Mississauga, Ontario
September 15, 1998

Parker & Simone
Chartered Accountants

CGX RESOURCES INC.
Balance Sheet
As at August 31, 1998

	US\$
Current Assets	
Cash	25,322
Subscription receivable (note 6)	232,000
Other receivable	3,374
Due from related parties (note 4)	12,730
	<u>273,426</u>
Other Assets	
Deferred exploration costs (note 2)	19,416
Oil and gas properties (note 2)	114,423
Capital Assets	903
	<u>134,742</u>
	<u>408,168</u>
Current Liabilities	
Accounts payable and accrued liabilities	<u>29,573</u>
Shareholders' Equity	
Capital Stock (note 3)	519,303
Deficit	<u>(140,708)</u>
	<u>378,595</u>
	<u>408,168</u>

On behalf of the Board:

Director
John Cullen

CGX RESOURCES INC.
Statement of Operations and Deficit
From April 23, 1997 (date of Incorporation) to August 31, 1998

	US\$
Administrative expenses	
Administrative and travel	28,297
Consulting	49,886
Foreign exchange	9,689
General office	16,436
Professional fees	28,938
Rent	3,674
Shareholders' information	3,788
	<hr/>
	140,708
Loss for the period	<hr/> 140,708
Deficit - beginning of period	-
Deficit - end of period	<hr/> <hr/> 140,708
Loss per share	<hr/> <hr/> \$0.22

CGX RESOURCES INC.
Statement of Change in Financial Position
From April 23, 1997 (date of Incorporation) to August 31, 1998

	US\$
Operating Activities	
Loss for the period	(140,708)
Add: items not affecting cash	
Amortization	96
	<u>(140,612)</u>
Net change in non cash working capital balances	<u>13,469</u>
Cash (used in) provided by operating activities	<u>(127,143)</u>
Financing activities	
Subscription receivable	(232,000)
Issuance of ordinary shares	519,303
Cash provided by financing activities	<u>287,303</u>
Investing activities	
Deferred exploration costs	(19,416)
Oil and gas properties	(114,423)
Purchase of capital assets	(999)
Cash used in investing activities	<u>(134,838)</u>
Increase in cash	<u>25,322</u>
Cash beginning of the period	<u>-</u>
Cash end of period	<u><u>25,322</u></u>

CGX Resources Inc.
Notes to the Financial Statements
From April 23, 1997 (date of Incorporation) to August 31, 1998

1. SIGNIFICANT ACCOUNTING POLICIES

(a) **Incorporation**

CSX Resources Inc. ("CGX") was incorporated on April 23, 1997 under the International Business Companies Act (1990) in the Commonwealth of the Bahamas. It was originally incorporated as "The Cullen Group Inc." and by Certificate of Incorporation (Change of Name) dated October 10th 1997, changed its name to CGX Resources Inc., with its registered head office at Mareva House, 4 George Street, Nassau Bahamas.

(b) **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 expenditures from 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 future profitable production or alternatively, on the sufficiency of proceeds from disposition.

(c) **Foreign Currency Translation**

Monetary assets and liabilities denominated in foreign currencies are translated into U.S. dollars at the exchange rate prevailing on the balance sheet date; 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 are reflected in the income for the year.

(d) **Oil and Gas Properties and Deferred Exploration Costs**

The Company defers the costs of exploration on existing projects and carries them as assets until production commences. The amounts at which oil and gas properties and the deferred exploration costs are recorded do not necessarily reflect present or future values. If a project is successful, the related oil and gas properties and deferred exploration costs are amortized using the unit of production method basis on estimated proved oil and gas reserves before royalties. If a project is unsuccessful, or if exploration has ceased because continuation is not economically feasible, the oil and gas properties and the related deferred exploration costs are written off. Option payments received are applied against the oil and gas property and or 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.

2. OIL AND GAS RESOURCE PROPERTIES & DEFERRED EXPLORATION COSTS

	<u>US\$</u>
OIL AND GAS RESOURCE PROPERTIES	
Property costs	<u>114,423</u>
DEFERRED EXPLORATION COSTS	
Exploration	<u>19,416</u>

(a) **Corentyne Block**

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:

CGX Resources Inc.

Notes to the Financial Statements

From April 23, 1997 (date of Incorporation) to August 31, 1998

Term of Prospecting Licence: 4 years, renewable for up to two 3-year periods in accordance with the Act and Regulations;

Annual fees: Payment of semi-annual fees in the amount of US\$40,000;

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.

3. CAPITAL STOCK

(a) **Authorized:**

Ten million ordinary shares without nominal or par value, except that the total capital cannot exceed US\$ 10 million.

(b) **Issued:**

Changes in the issued ordinary shares of the during the period ended August 31, 1998 are as follows:

	Shares	Amount US\$
Issuance of shares for cash	203,900	322,789
Issuance of shares on conversion of trade debt	571,000	196,514
Balance August 31, 1998	774,900	519,303

(c) **Options**

The Company has established a stock option plan for certain officers, directors, employees and consultants of the Company. Under the plan the unexercised options at year-end to purchase ordinary shares are as follows:

Expiry Dates	Exercise Price CDN\$	1998
		Number of shares under option
June 30, 2003	5.00	60,000

CGX Resources Inc.

Notes to the Financial Statements

From April 23, 1997 (date of Incorporation) to August 31, 1998

4. DUE FROM RELATED PARTIES

The amounts are due from a company with a common director the amount is due on demand with no fixed terms for repayment.

5. RELATED PARTY TRANSACTIONS

During the year, the Company incurred the following expenditures with directors and or senior officers. These amounts have been recorded at exchange value

	<u>US\$</u>
Oil and gas properties	21,984
Consulting	32,422
	<u>54,406</u>

6. SUBSCRIPTION RECEIVABLE

\$180,000 of the share subscription receivables was collected subsequent to the balance sheet date.

SCHEDULE "C"

NOTICE OF CHANGE OF AUDITORS

As previously announced, Northwest Explorations Inc. (the "Corporation") has proposed an acquisition (the "Acquisition") of all of the issued and outstanding securities of CGX Resources Inc. ("CGX"). The current auditors of CGX are Parker & Simone, Chartered Accountants, Mississauga, Ontario.

The Auditors of the Corporation are Payette & Associates, Chartered Accountants, Toronto, Ontario.

As part of the post-Acquisition rationalization of the Corporation and CGX, Payette & Associates were asked and have agreed to tender their resignation as auditors of the Corporation effective upon completion of the Acquisition. Upon such resignation, the directors propose to fill the vacancy so created with Parker & Simone, Mississauga, Ontario for the balance of Payette & Associates unexpired term, being until the next annual meeting of the Corporation.

The directors of the Corporation have accepted the resignation of Payette & Associates and have approved the appointment of Parker & Simone as auditors of the Corporation effective upon the resignation of Payette & Associates.

There were no reservations in the report of the audit of the Corporation's two most recently completed fiscal years ended December 31, 1996 and December 31, 1997, respectively, nor have there been any "reportable events" between the Corporation and Payette & Associates as such term is defined in National Policy No. 31 of the Canadian Securities Administrators.

The Reporting Package, comprising this Notice and letters of both Payette & Associates and Parker & Simone have been reviewed by the Corporation's directors prior to submission of same to the Ontario Securities Commission. In addition, a copy of this Notice has been forwarded to Payette & Associates and Parker & Simone.

DATED as of August 18, 1998

NORTHWEST EXPLORATIONS INC.

(signed)

Michael Whitney
President