Financial Statements

2016 Q3 Interim Report

Interim Consolidated Balance Sheet (Unaudited)

(thousands of United States dollars)	Note	As at September 30 2016	As at December 31 2015
Assets			
Cash and cash equivalents		**4,961**	8,170
Trade and other receivables	5	**7,896**	6,678
Inventory		**1,190**	1,188
Current assets		**14,047**	16,036
Investments	8	**2,395**	2,106
Property, plant and equipment	6	**17,067**	18,401
Intangible exploration and evaluation assets	7	**10,392**	23,473
Non-current assets		**29,854**	43,980
Total assets		**43,901**	60,016
Liabilities			
Trade and other payables	9	**4,042**	3,556
Current income taxes	15	**412**	928
Current liabilities		**4,454**	4,484
Deferred income taxes		**286**	286
Non-current liabilities		**286**	286
Total liabilities		**4,740**	4,770
Equity			
Share capital	10	**40,173**	30,148
Warrants	10	**-**	99
Contributed surplus		**5,071**	5,175
Other comprehensive loss		**(1,154)**	(1,154)
Retained earnings		**(4,929)**	20,978
Equity		**39,161**	55,246
Equity and liabilities		**43,901**	60,016

The notes are an integral part of these interim unaudited consolidated financial statements.

Approved on behalf of the Board of Directors

Paul Welch
Chief Executive Officer

Mark Reid
Chief Financial Officer

Interim Consolidated Statement of Comprehensive Income/(Loss) (Unaudited)

(thousands of United States dollars, except per share data)	Note	Three months ended September 30 2016	Three months ended September 30 2015	Nine months ended September 30 2016	Nine months ended September 30 2015
Revenue, net of royalties	12	**2,929**	2,215	**7,560**	7,930
Revenue		**2,929**	2,215	**7,560**	7,930
Direct operating expense	13	**1,241**	816	**3,530**	2,490
Exploration and evaluation expense	7	**(14)**	-	**24,870**	-
Depletion, depreciation and amortization	6	**800**	333	**2,462**	1,220
Stock based compensation	11	**(298)**	138	**(104)**	461
Equity in income of associate	8	**(401)**	(286)	**(1,113)**	(922)
General and administrative expenses	14	**1,225**	2,020	**2,997**	3,193
Operating income/(loss)		**376**	(806)	**(25,082)**	1,488
Net finance (income)/expense		**(127)**	(149)	**(31)**	(586)
Income/(loss) before income taxes		**503**	(657)	**(25,051)**	2,074
Current income tax expense	15	**363**	55	**856**	822
Deferred income tax (credit)/expense		**-**	(6)	**-**	(95)
Total current and deferred income tax expense		**363**	49	**856**	727
Net income/(loss)		**140**	(706)	**(25,907)**	1,347
Other comprehensive loss					
Foreign exchange		**-**	(323)	**-**	(489)
Total comprehensive income/(loss) for the period		**140**	(1,029)	**(25,907)**	858
Net income/(loss) per share					
Basic	16	**$0.002**	**($0.013)**	**$(0.452)**	**$0.024**
Diluted	16	**$0.002**	**($0.013)**	**$(0.452)**	**$0.021**

The notes are an integral part of these interim unaudited consolidated financial statements.

Interim Consolidated Statement of Changes in Equity (Unaudited)

(thousands of United States dollars)	Nine months ended September 30 2016	2015
Share capital		
Balance, beginning of period	**30,148**	24,512
Private placement - secondary listing on the London Stock Exchange AIM	**10,988**	-
Share issue costs	**(963)**	-
Balance, end of period	**40,173**	24,512
Warrants		
Balance, beginning of period	**99**	99
Expiry of warrants	**(99)**	-
Balance, end of period	**-**	99
Contributed surplus		
Balance, beginning of period	**5,175**	4,414
Share based payments for the period	**(104)**	461
Balance, end of period	**5,071**	**4,875**
Accumulated other comprehensive loss		
Balance, beginning of period	**(1,154)**	(507)
Foreign currency translation adjustment for the period	**-**	(489)
Balance, end of period	**(1,154)**	(996)
Retained earnings		
Balance, beginning of period	**20,978**	10,931
Net (loss)/income for the period	**(25,907)**	1,347
Balance, end of period	**(4,929)**	12,278
Total equity	**39,161**	40,768

The notes are an integral part of these interim unaudited consolidated financial statements.

Interim Consolidated Statement of Cash Flows (Unaudited)

(thousands of United States dollars)	Note	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Cash flows (used in)/from operating activities					
Income before income taxes		**503**	(657)	**(25,051)**	2,074
Adjustments for:					
Depletion, depreciation and amortization	6	**800**	333	**2,462**	1,220
Exploration and evaluation expense		**(275)**	-	**24,435**	-
Finance costs		**(127)**	175	**(31)**	241
Stock-based compensation	11	**(298)**	138	**(104)**	461
Tax paid by state		**(211)**	-	**(605)**	-
Equity in income of associate	8	**(401)**	(286)	**(1,113)**	(922)
Operating cash flow before working capital movements		**(9)**	(297)	**(7)**	3,074
(Increase)/decrease in trade and other receivables		**(1,046)**	1,628	**(1,218)**	1,758
Increase/(decrease) in trade and other payables		**(214)**	303	**(627)**	(1,193)
Cash (used in)/from operating activities		**(1,269)**	1,634	**(1,852)**	4,933
Income taxes paid		**(383)**	(837)	**(766)**	(4,933)
Net cash (used in)/from operating activities		**(1,652)**	797	**(2,618)**	(1,294)
Cash flows used in investing activities:					
Property, plant and equipment expenditures	6	**-**	(447)	**(15)**	(1,406)
Exploration and evaluation expenditures	7	**(2,047)**	(350)	**(11,356)**	(1,309)
Dividends received	8	**824**	(48)	**824**	917
Net cash used in investing activities		**(1,223)**	(845)	**(10,547)**	(1,798)
Cash flows from/(used in) financing activities:					
Repayment of debentures		**-**	-	**-**	(2,052)
Private placement on London Stock Exchange AIM		**858**	-	**10,025**	-
Finance costs paid		**(46)**	(322)	**103**	(386)
Net cash from/(used in) financing activities		**812**	(322)	**10,128**	(2,438)
Change in cash and cash equivalents		**(2,063)**	(370)	**(3,037)**	(5,530)
Effect of foreign exchange on cash and cash equivalents		**75**	(101)	**(172)**	(415)
Cash and cash equivalents, beginning of period		**6,949**	12,461	**8,170**	17,935
Cash and cash equivalents, end of period		**4,961**	11,990	**4,961**	11,990

The notes are an integral part of these interim unaudited consolidated financial statements.

Notes to the Interim Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2016 and 2015

(tabular amounts are in thousands of United States dollars except where stated)

Note 1. Reporting entity

SDX Energy Inc. ("SDX" or "the Company"), is a company domiciled in Canada. The address of the Company's registered office is 1900, 520 – 3rd Avenue SW, Centennial Place, East Tower, Calgary, Alberta T2P 0R3. The interim unaudited consolidated financial statements of the Company as at and for the three and nine months ended September 30, 2016 and 2015 comprise the Company and its wholly owned subsidiaries and associates. The Company is engaged in the exploration for and development and production of oil and natural gas and conducts many of its activities jointly with others. These interim unaudited consolidated financial statements reflect only the Company's proportionate interest in such activities. The Company's principal properties are located in the Arab Republic of Egypt.

The Company is listed on the Toronto Venture Stock Exchange (TSX-V) and on the AIM market of the London Stock Exchange and trades under the symbol SDX.

Note 2. Basis of preparation and accounting policies

Statement of compliance

These condensed interim unaudited consolidated financial statements for the three and nine months ended September 30, 2016 have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed interim unaudited consolidated financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These condensed interim unaudited Consolidated Financial Statements of SDX Energy Inc. were approved by the Audit Committee on November 21, 2016.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The policies applied are based on IFRS that are issued and outstanding as of the date that the Audit Committee approved these financial statements.

Going concern

The Directors have reviewed the Company's forecast cash flows for the next twelve months from the date of publication of these interim unaudited Consolidated Financial Statements and through until December 31, 2017. The capital expenditure and operating costs used in these forecast cash flows are based on the Company's Board approved 2016 corporate budget which reflects approved operating budgets for each of its Joint Ventures and an estimate of 2016 SDX corporate general and administrative expenses. The Company's forecast cash flows also reflect its best estimate of operational and corporate expenditure, including corporate general and administrative costs, for the year to December 31, 2017. The Directors have made enquiries into and considered the Egyptian business environment, future expectations regarding commodity price risk and, in particular, oil price risk given the current low price of Brent and WTI crude oil prices.

On the basis of the budgeted cash flows, and the additional Placing proceeds of US$11m less c. US$1m of expenses received on May 20 and July 25, 2016, the directors are of the opinion that the Company is well funded for the period under review. As such, these interim unaudited Consolidated Financial Statements continue to be prepared under the going concern basis of accounting, using the historical cost convention, except for financial instruments which are measured at fair value.

Note 3. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of financial instrument valuation methods have been defined as follows:
Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings included in the interim unaudited consolidated balance sheet approximate their fair value due to the short term nature of those instruments.

Stock options

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general option holder behavior, expected dividends, and the risk-free interest rate.

Note 4. Financial risk management

(a) Credit risk

Trade and other receivables

All of the Company's operations are conducted in Egypt. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party.

The Company does not anticipate any default as it expects continued payment from customers. As such no provision for doubtful accounts has been recorded as at September 30, 2016 and December 31, 2015.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

	Carrying amount	
$000's	**September 30 2016**	December 31 2015
Current		
Government of Egypt controlled corporations	**6,511**	5,018
Joint venture partners	**372**	862
Other	**1,013**	798
Total trade and other receivables	**7,896**	6,678

Current receivables of US$6.5 million relate to oil sales and production service fees which are due from EGPC (December 31, 2015: US$5.0 million), a Government of Egypt controlled corporation. Receivables in respect of oil sales and service fees are normally collected in one to two months following production. The Company expects to collect outstanding receivables of US$1.4 million for NW Gemsa and US$2.1 million for Block – H Meseda, in the normal course of operation. The remaining US$3.0 million trade receivables relate to invoices from a previously held concession, Shukheir Marine, which have been withheld from payment to act as a rolling production guarantee for the work program of the South Disouq concession. As this work program is now complete the receivables are expected to be received during Q4 2016/Q1 2017.

The joint venture partner current accounts represent the net of monthly cash calls paid less billings received. Joint venture partner receivables of US$0.4 million (2015 - US$0.9 million) relate to the Bakassi West Cameroon concession (2015: South Disouq US$0.8 million and Block – H Meseda US$0.1 million).

The other receivables of US$1.0 million consist of US$0.2 million for accrued gas and liquids revenue yet to be invoiced, US$0.4 million related to prepayments, US$0.2 million for Goods and Services Tax ("GST")/ Value Added Tax ("VAT") and US$0.2 million for other items.

As at September 30, 2016 and December 31, 2015, the Company's trade and other receivables, is aged as follows:

	Carrying amount	
$000's	**September 30 2016**	December 31 2015
Current		
Current (less than 90 days)	**3,903**	3,364
Past due (more than 90 days)	**3,993**	3,314
Total - current	**7,896**	6,678

The balances which are past due are not considered impaired.

Current trade and other receivables past due (more than 90 days old) have increased by US$0.7 million when compared to December 31, 2015. This increase is due to more restricted USD availability in Egypt during Q3 2016 which is expected to improve in Q4 2016.

Subsequent to September 30, 2016 the Company collected US$1.85 million of trade receivables from a government of Egypt controlled corporation for NW Gemsa (US$0.3 million) and Meseda (US$0.8 million) and US$0.75 million of the rolling South Disouq production guarantee referred to above.

(tabular amounts are in thousands of United States dollars except where stated)

(b) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The reporting and functional currency of the Company is the United States dollars (US$). Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between EGP and US$ and GBP and US$. The majority of capital expenditures are incurred in US$ and EGP and oil and service fee revenues are received in both US$ and EGP. The Company is able to utilize EGP to fund its Egyptian office general and administrative expenses and to part-pay cash calls for both capital and operating expenditure, therefore reducing the Company's exposure to foreign exchange risk during the period.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

$000's	Total per FS [1]	US$	EGP	GBP	Other
As at September 30, 2016	US$ equivalent				
Cash and cash equivalents	4,961	2,332	1,412	1,099	118
Trade and other receivables	7,896	7,281	35	559	21
Trade and other payables	(4,042)	(2,232)	(1,276)	(362)	(172)
Current income taxes	(412)	-	(412)	-	-
Balance sheet exposure	8,403	7,381	(241)	1,296	(33)

(1) denotes Financial Statements

The average exchange rates during the three months ended September 30, 2016 and 2015 were 1 US$ equals:

Average: July 1, 2016 to September 30, 2016	USD/EGP	USD/GBP
Period average	8.8796	0.7617

Average: July 1, 2015 to September 30, 2015	USD/EGP	USD/GBP
Period average	7.7966	0.6540

The average exchange rates during the nine months ended September 30, 2016 and 2015 were 1 US$ equals:

Average: January 1, 2016 to September 30, 2016	USD/EGP	USD/GBP
Period average	8.5969	0.7191

Period end: January 1, 2015 to September 30, 2015	USD/EGP	USD/GBP
Period average	7.6257	0.6526

The period end exchange rates as at September 30, 2016 and 2015 were 1 US$ equals:

Period end: September 30, 2016	USD/EGP	USD/GBP
September 30, 2016	8.8801	0.7710

Period end: September 30, 2015	USD/EGP	USD/GBP
September 30, 2015	7.8078	0.6593

Note 5. Trade and other receivables

$000's	Carrying amount September 30 2016	December 31 2015
Trade receivables	**6,511**	5,018
Other receivables	**1,385**	1,660
Total	**7,896**	6,678

Current trade and other receivables are unsecured and non-interest bearing. The normal collection pattern for trade receivables is 30 to 60 days.

Note 6. Property, plant and equipment

$000's	Oil interests	Furniture and fixtures	Total
Cost:			
Balance at December 31, 2014	**12,824**	**174**	**12,998**
Additions	1,375	17	1,392
Acquisitions	16,679	68	16,747
Foreign currency revaluation	–	(32)	(32)
Decommissioning provision release	(208)	–	(208)
Disposals	–	(8)	(8)
Assets scrapped	(7)	(99)	(106)
Balance at December 31, 2015	**30,663**	**120**	**30,783**
Additions	1,113	15	1,128
Balance at September 30, 2016	**31,776**	**135**	**31,911**
Accumulated depletion, depreciation and amortization:			
Balance at December 31, 2014	**(3,478)**	**(128)**	**(3,606)**
Depletion, depreciation and amortization for the year	(2,014)	(43)	(2,057)
Foreign currency revaluation	–	28	28
Impairment charge	(6,842)	–	(6,842)
Assets scrapped	–	95	95
Balance at December 31, 2015	**(12,334)**	**(48)**	**(12,382)**
Depletion, depreciation and amortization for the period to September 30, 2016	(2,426)	(36)	(2,462)
Balance at September 30, 2016	**(14,760)**	**(84)**	**(14,844)**
NBV Property, plant and equipment as at December 31, 2015	**18,329**	**72**	**18,401**
NBV Property, plant and equipment as at September 30, 2016	**17,016**	**51**	**17,067**

During the period ended September 30, 2016 the Company had PP&E additions of US$1.1 million; which related to the NW Gemsa concession.

The NW Gemsa additions were for the drilling of Al Amir SE-23 (US$0.2 million) and Al Amir SE-24 (US$0.3 million), well work over program (US$0.2 million) and the recharge by the operator of indirect costs incurred on PP&E projects (US$0.4 million).

At September 30, 2016 for the purposes of the depletion calculation, US$2.3 million (December 31, 2015 – US$4.1 million) of future development costs are included in the calculation of cost in determining the depletion rate.

Notes to the Interim Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2016 and 2015

(tabular amounts are in thousands of United States dollars except where stated)

Note 7. Intangible exploration and evaluation assets

$000's	
Balance at December 31, 2014	**16,460**
Additions	3,728
Acquisitions	3,267
Exploration and evaluation expense	18
Balance at December 31, 2015	**23,473**
Additions	11,354
Exploration and evaluation expense	(24,435)
Balance at September 30, 2016	**10,392**

Intangible exploration and evaluation ("E&E") additions of US$11.4 million consist of US$5.9 million in relation to the Bakassi West block in Cameroon ("Bakassi West") and US$5.5 million in relation to the South Disouq concession.

The US$5.9 million additions for Bakassi West consisted of well planning (US$0.2 million), drilling costs for the Manatee-1 exploration well (US$5.2 million), other direct costs including G&G (US$0.2 million), training and CSR costs (US$0.1 million) and general overheads (US$0.2 million).

On June 16, 2016 the Company issued a press release announcing its intention to withdraw from the Bakassi West, Cameroon concession (which became effective July 31, 2016). As the Bakassi West drilling operations had been completed by June 30, 2016, the Company made a full provision against the capitalised exploration cost of US$24.4 million and reflected the relevant impairment in the Statement of Comprehensive Income for the period to June 30, 2016. There has been no material change to this position as at September 30, 2016.

The US$5.5 million additions for South Disouq related to the 3D seismic program and consisted of the crew and equipment mobilization costs (US$0.2 million), 3D seismic costs (US$4.7 million), farmer's compensation for crop damage (US$0.1 million), 3rd party quality control (US$0.2 million), timewriting and associated operator costs (US$0.2 million) and the EGas annual training bonus (US$0.1 million).

The Company also had business development costs in the three and nine months ended September 30, 2016 of US$0.4 million. These costs are recognized in the income statement as incurred and form part of the exploration and evaluation expense line shown on the face of the Statement of Comprehensive Income/(Loss) for the period.

Note 8. Investments

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), a company that provides oilfield services and equipment rental and which is incorporated in Egypt. The Company is accounting for this investment using the equity method in accordance with IAS28 – "Investments in Associates". The investment is reviewed regularly for indicators of impairment and no impairment was identified for the period ended September 30, 2016 and the year ended December 31, 2015.

The following table summarizes the changes in investments for the period ended September 30, 2016 and the year ended December 31, 2015:

$000's	**September 30 2016**	December 31 2015
Investments, beginning of year	**2,106**	1,999
Dividends received	**(824)**	(917)
Share of operating income	**1,113**	1,024
Investments, end of year	**2,395**	2,106

The following table summarizes the Company's 50% interest in the assets, liabilities, revenue and operating income of Brentford as at and for the period ended September 30, 2016 and the year ended December 31, 2015:

SDX Energy share (50%) of Brentford:	**September 30 2016**	December 31 2015
Total assets	**2,329**	2,469
Total liabilities	**2**	316
Revenue	**1,223**	1,816
Net income	**1,113**	1,024

During the period ended September 30, 2016 50% (December 31, 2015 – 50%) of Brentford's revenue was earned from fees charged to the Company.

Note 9. Trade and other payables

	Carrying amount	
$000's	**September 30 2016**	December 31 2015
Current		
Trade payables	**108**	198
Accruals	**722**	1,284
Other payables	**3,212**	2,074
Total	**4,042**	3,556

Trade payables are non-interest bearing and are normally settled on 30 day terms or, where this differs, in accordance with supplier payment terms or agreed payment plans.

Accruals of US$0.7 million comprise general and administrative costs related to restructuring, audit, tax and reserve reporting fees.

Other payables of US$3.2 million comprise an estimated liability of US$1.1 million related to the relinquishment of the Shukheir Marine concession, partner current accounts of US$1.9 million for NW Gemsa (US$1.6 million) and Block-H Meseda (US$0.3 million) concessions and UK payroll taxes and deferred payroll of US$0.2 million.

The joint venture partner current accounts present the net of monthly cash calls paid less billings received.

Note 10. Share capital

(a) The Company is authorized to issue unlimited common shares with no-par value and unlimited preferred shares with no-par value.

(b) Common Shares issued

The Company issued a press release on May 20, 2016 announcing its admission to trade ordinary shares on the AIM market of the London Stock Exchange ("AIM") and the successful placement and subscription of 42,201,835 shares, which included 3,910,000 conditional shares. On July 25, 2016 the 3,910,000 conditional placement shares were issued to an investor upon its approval as an insider by the TSX. Trading on AIM of these conditional shares commenced on July 28, 2016.

	September 30, 2016		December 31, 2015	
	Number of shares (000's)	**Stated value ($000's)**	Number of shares (000's)	Stated value ($000's)
Balance, beginning of year	**37,642**	**30,148**	56,348	24,512
Business combination	**-**	**-**	(29,462)	-
Share for share exchange	**-**	**-**	10,756	5,636
Private placing of shares on the London Stock Exchange (AIM)	**42,202**	**10,025**	-	-
Balance, end of the period	**79,844**	**40,173**	37,642	30,148
Weighted average shares outstanding	**57,339**		51,633	

(c) Common share warrants issued *

	September 30, 2016		December 31, 2015	
	Number of shares (000's)	**Stated value ($000's)**	Number of shares (000's)	Stated value ($000's)
Balance, beginning of year	**611**	**99**	1,280	99
Business combination	**-**	**-**	(669)	-
Expiry of warrants	**(611)**	**(99)**	-	-
Balance, end of year	**-**	**-**	611	99

* The warrants expired on July 27, 2016.

(tabular amounts are in thousands of United States dollars except where stated)

Note 11. Stock-based compensation

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company.

Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, directors and key consultants of the Company. The fair value of all options granted is estimated using the Black-Scholes option pricing model. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital.

During the 3 months ended September 30, 2016, it was determined that one of the inputs to the Black-Scholes option pricing model, specifically volatility of returns, required to be updated following the business combination between Sea Dragon and Madison. As a result, non-cash stock based compensation credits of US$0.3m and US$0.1m have been recognized for the three and nine months ended September 30, 2016, respectively. For the three and nine months ended September 30, 2015 the Company recorded non-cash stock based compensation charges of US$0.1 million and US$0.4 million respectively.

The number and weighted average exercise prices of share options for the Company's option program is as follows:

	Number of options (000's)	Weighted average exercise price (CDN$)
Outstanding January 1, 2015	**4,950**	**0.92**
Cancelled during the year	(4,950)	0.92
Issued during the year	2,650	0.63
Outstanding December 31, 2015	**2,650**	**0.63**
Exercisable December 31, 2015	**883**	**0.63**
Outstanding September 30, 2016	**2,650**	**0.63**
Exercisable September 30, 2016	**883**	**0.63**

The exercise price of the outstanding options is as follows:

	Outstanding options		Vested options	
Exercise price range	Number of options	Remaining contractual life	Number of options	Remaining contractual life
$0.63	2,650,000	4.3 years	883,325	4.3 years

Note 12. Revenue, net of royalties

	Three months ended September 30		Nine months ended September 30	
$000's	**2016**	2015	**2016**	2015
Oil revenue	**1,917**	-	**5,512**	-
Royalties	**(823)**	-	**(2,366)**	-
Oil revenue, net of royalties	**1,094**	-	**3,146**	-
Production service fees	**1,835**	2,215	**4,414**	7,930
Total net revenue before tax	**2,929**	2,215	**7,560**	7,930

The oil revenue and royalties relate to the NW Gemsa concession; which is governed by a Production Sharing Contract ("PSC") and the royalties are those attributable to the government take in accordance with the fiscal terms of the PSC.

The production service fees relate to Block-H Meseda, which is governed by a Production Services Agreement ("PSA").

The operator continues to be in the process of addressing contractual invoicing with EGPC in relation to gas and liquids at NW Gemsa. No revenue or sales volumes relating to gas and liquids have been recognized for the three and nine months ended September 30, 2016; pending issuance of invoices.

13. Direct operating expenses

$000's	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
NW Gemsa	**377**	-	**1,157**	-
Block-H Meseda	**863**	816	**2,349**	2,490
Other	**1**	-	**24**	-
Total direct operating expenses	**1,241**	816	**3,530**	2,490

Note 14. General and administration expenses

$000's	Prior quarter	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Wages and employee costs	641	**735**	1,328	**1,929**	1,775
Consultants - inc. PR/IR	226	**99**	42	**370**	233
Legal fees	72	**76**	-	**182**	10
Audit, tax and accounting services	69	**53**	33	**182**	240
Public company fees	81	**158**	-	**293**	-
Travel	39	**21**	17	**104**	164
Office expenses	173	**235**	84	**555**	237
IT expenses	64	**109**	20	**219**	38
Transaction costs	-	**-**	496	**-**	496
Service recharges	(453)	**(261)**	-	**(837)**	-
Total - net G&A	912	**1,225**	2,020	**2,997**	3,193

Note 15. Income tax

Pursuant to the terms of the Company's PSCs, the corporate tax liability of the joint venture partners is paid by the government controlled corporations ("Corporations") who participate in these PSCs, out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes however, the corporate taxes paid by the Corporations are treated as a benefit earned by the Company, with the amount being included in net oil revenues and also being deducted as part of the income tax expense of the Company.

The Company also has a PSA related to Block-H Meseda with legal title residing with Madison Egypt Limited ("Madison Egypt"), an Egyptian incorporated entity. The Company is governed by the laws and tax regulations of the Arab Republic of Egypt and pays corporate taxes on the adjusted profit of Madison Egypt.

The current income tax expense in the Statement of Comprehensive Income for the three and nine months ended September 30, 2016 relates to income tax on North West Gemsa's PSC which is paid by a government controlled corporation and income tax relating to the Company's PSA in Block-H Meseda which it is liable to pay itself. With regards to the three and nine months ended September 30, 2015 the income tax expense only relates to the Company's PSA in Block-H Meseda.

The current income taxes liability in the Consolidated Balance Sheet relates to the Company's PSA in Block-H Meseda.

Note 16. Income per share

$000's	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Net income/(loss) before other comprehensive income for the year	**140**	(706)	**(25,907)**	1,347
Weighted average number of shares (000's)				
Basic	**78,824**	56,348	**57,339**	56,348
Diluted	**78,824**	63,258	**57,339**	63,258
Per share amount				
Basic	**$0.002**	$(0.013)	**$(0.452)**	$0.024
Diluted	**$0.002**	$(0.013)	**$(0.452)**	$0.021

Basic income per share is calculated by dividing the income attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company computes the dilutive impact of common shares assuming the proceeds received from the pro-forma exercise of in-the-money stock options or warrants used to purchase common shares at average market prices. At September 30, 2016 the strike price of such instruments was above the average market share price, therefore they became anti-dilutive which resulted in a diluted EPS equal to the basic EPS.

(tabular amounts are in thousands of United States dollars except where stated)

Note 17. Segmental reporting

The Company is engaged in the business of exploration for and production of oil and gas only, which represents a single operating segment. The executive directors are the Company's chief operating decision maker within the meaning of IFRS 8.

Non-current assets other than financial instruments by country are as follows:

	Carrying amount	
$000's	**September 30 2016**	December 31 2015
Cameroon	**-**	18,795
Egypt	**29,844**	25,145
United Kingdom	**10**	40
Total	**29,854**	43,980

Note 18. Commitments

Pursuant to the concession and production service agreements in Egypt, the Company is required to perform certain minimum exploration and development activities that include a 3D seismic campaign and the drilling of exploration and development wells. Certain of these obligations have not yet been fulfilled and have not been provided for in the consolidated financial statements.

The unfulfilled commitments for the South Disouq license relate to the completion of 3D seismic processing (US$0.1 million) and the drilling of one exploration well, the cost of which is currently estimated at US$3.5 million. The Company's costs for the well are carried by its partner up to a gross cost of US$3.0 million, after which costs will be split by equity holding. Other unfulfilled commitments are for the drilling of one development well and facilities upgrade for South Ramadan (US$2.9 million) and the drilling of one development well for Block-H Meseda (US$0.1 million). The 3D seismic acquisition campaign was completed on September 12, 2016 and the 3D seismic processing and interpretation is expected to be completed during Q4 2016. The drilling of the exploration well is anticipated to commence in Q1 2017. The development well for Block-H Meseda, is secured by a deposit of US$0.1 million withheld from the Company's service fee revenue.

Currently the commitments as part of the concession agreements are as follows:

$000's	**September 30 2016**	December 31 2015
Less than one year	**356**	13,677
Between one and five years	**2,933**	2,933
Total	**3,289**	16,610

Non-cancellable office leases

The Company has lease commitments for its office premises in Calgary and London under non-cancellable operating leases expiring within two to five years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

$000's	**September 30 2016**	December 31 2015
Less than one year	**361**	302
Between one and five years	**582**	813
Total	**943**	1,115

Corporate information

Executive Officers
Paul Welch
President &
Chief Executive Officer &
Chief Operating Officer

Mark Reid
Chief Financial Officer

Ahmed Farid Moaaz
Country Manager

Independent Directors
Michael Doyle
Non-Executive Chairman

David Mitchell
David Richards
Michael Raynes

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