MANAGEMENT'S DISCUSSION & ANALYSIS

Basis of Presentation

The following Management's Discussion and Analysis (the "MD&A") dated November 26 , 2015 is a review of results of operations and the liquidity and capital resources of SDX Energy Inc. ("SDX" or "the Company"), formerly known as Sea Dragon Energy Inc., for the three and nine months ended September 30, 2015. This MD&A should be read in conjunction with the accompanying unaudited interim consolidated financial statements for the three and nine months ended September 30, 2015, and the audited consolidated financial statements for the year ended December 31, 2014.

Certain information contained herein is forward-looking and based upon assumptions and anticipated results that are subject to risks, uncertainties and other factors. Should one or more of these uncertainties materialize or should the underlying assumptions prove incorrect, actual results may vary materially from those expected. See "Forward Looking Statements", below.

All financial references in this MD&A are in thousands of United States Dollars unless otherwise noted.

Additional information related to the Company can be found on SEDAR at *www.sedar.com*.

Forward-Looking Statements

Certain statements included or incorporated by reference in this MD&A constitute forward-looking statements or forward-looking information under applicable securities legislation. Such forward-looking statements or information are for the purpose of providing information about Management's current expectations and plans relating to the future. Readers are cautioned that reliance on such information may not be appropriate for other purposes, such as making investment decisions. Forward-looking statements or information typically contain statements with words such as "anticipate", "believe", "expect", "plan", "intend", "estimate", "propose", "project" or similar words suggesting future outcomes or statements regarding an outlook. Forward-looking statements or information in this MD&A include, but are not limited to, statements or information with respect to: business strategy and objectives; development plans; exploration plans; acquisition and disposition plans and the timing thereof; reserve quantities and the discounted present value of future net cash flows from such reserves; future production levels; capital expenditures; net revenue; operating and other costs; royalty rates and taxes.

Forward-looking statements or information are based on a number of factors and assumptions that have been used to develop such statements and information but may prove to be incorrect. Although the Company believes that the expectations reflected in such forward-looking statements or information are reasonable, undue reliance should not be placed on forward-looking statements because the Company can give no assurance that such expectations will prove to be correct. In addition to other factors and assumptions that may be identified in this MD&A, assumptions have been made regarding, among other things: the impact of increasing competition; the general stability of the economic and political environment in which the Company operates; the timely receipt of any required regulatory approvals; the ability of the Company to obtain qualified staff, equipment and services in a timely and cost-efficient manner; the ability of the operator of the projects which the Company has an interest in to operate the field in a safe, efficient and effective manner; the ability of the Company to obtain financing on acceptable terms; field production rates and decline rates; the ability to replace and expand oil and natural gas reserves through acquisition, development or exploration; the timing and costs of pipeline, storage and facility construction and expansion and the ability of the Company to secure adequate product transportation; future oil and natural gas prices; currency, exchange and interest rates; the regulatory framework regarding royalties, taxes and environmental matters in the countries in which the Company operates; and the ability of the Company to successfully market its oil and natural gas products. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions that may have been used.

Forward-looking statements or information are based on current expectations, estimates and projections that involve a number of risks and uncertainties that could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements or information. The risks and uncertainties that may cause actual results to differ materially from the forward-looking statements or information include, among other things: the ability of Management to execute its business plan; general economic and business conditions; the risk of war or instability affecting countries or states in which the Company operates; the risks of the oil and natural gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas; market demand; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; risks and uncertainties involving geology of oil and natural gas deposits; the uncertainty of reserves estimates and reserves life; the ability of the Company to add production and reserves through acquisition, development and exploration activities; the Company's ability to enter into or renew production sharing concession; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production (including decline rates), costs and expenses; fluctuations in oil and natural gas prices, foreign currency, exchange, and interest rates; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of oil revenue payments; health, safety and environmental risks; risks associated with existing and potential future law suits and regulatory actions against the Company; uncertainties as to the availability and cost of financing; and financial risks affecting the value of the Company's investments. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

USE OF ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions based on information available at the time. These estimates and assumptions affect the reported amounts of assets, particularly the recoverability of accounts receivable and acquisition costs of property and equipment. Estimates and assumptions also affect the recording of liabilities and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Due to various factors affecting future costs and operations, actual results could differ from management's best estimates.

Non-IFRS Measures

The MD&A contains the terms "funds from operations", and "netbacks" which are not recognized measures under IFRS. The Company uses these measures to help evaluate its performance.

Funds from operations

Funds from operations is a non-IFRS measure that represents funds generated from operating activities before changes in non-cash working capital. Funds from operations should not be considered an alternative to, or more meaningful than, cash flow from operating activities. Management uses funds from operations to analyze performance and considers it an indication of the Company's ability to generate the cash necessary to fund future capital investments and to repay debt. The Company's determination of funds from operations may not be comparable to that reported by other companies nor should it be viewed as an alternative to cash flow from operating activities, net earnings or other measures of financial performance calculated in accordance with IFRS.

Reconciliation of cash flow from operations and funds flow used by operations ("FFO"):

	THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's	**2015**	2014	**2015**	2014
Cash from/(used in) operating activities	**1,080**	627	**2,015**	**(607)**
Less: Changes in non-cash working capital	**2,232**	704	**2,121**	**(3,423)**
Funds (used in)/ generated by operations - (FFO)	**(1,152)**	(77)	**(106)**	**2,816**

For the three and nine months ended September 30, 2015 the Company used funds from operations of US$(1.2) million and US$(0.1) million respectively.

Netback

Netback is a non-IFRS measure that represents sales net of all operating expenses and government royalties. Management believes that netback is a useful supplemental measure to analyze operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses. Management considers netback an important measure as it demonstrates the Company's profitability relative to current commodity prices. Netback may not be comparable to similar measures used by other companies. See netback reconciliation schedule under the outlook section below.

SDX ENERGY'S BUSINESS, STRATEGY AND OUTLOOK

SDX Energy's Business

The Company is engaged in the exploration, development and production of oil and gas. Current activities are concentrated in Egypt, where the Company has interests in three concessions with short and long-term potential. The Company's strategy is to develop the potential of its existing concessions while seeking growth opportunities within its region of focus. The Company intends to create shareholder value by enhancing the value of its assets and through growth in production volumes, cash flow and earnings.

Strategy

Increase shareholder value through growth in production, reserves and cash flow. The Company's current portfolio offers both short term development opportunities and long-term exploration opportunities that contain significant oil and gas in place resource potential. Sea Dragon is also continuing to search for, identify and evaluate new and economically attractive investments.

Acquire interests with significant upside potential. The Company's growth strategy is based on working with established companies and identifying and negotiating the acquisition of assets with high growth potential. The Company currently holds working interests ("W.I.") in two development and one exploration concession in Egypt; having relinquished its interest in the Shukheir Marine concession, effective January 31, 2015:

- The NW Gemsa Concession ("NW Gemsa") – (10% W.I.),
- The South Ramadan concession ("South Ramadan") – (12.75% W.I.),
- The South Disouq Concession ("South Disouq") – (55% W.I.).

The Company announced on October 1, 2015 the completion of the previously announced strategic business combination with Madison PetroGas Ltd ("Madison"). As a result of the combination the new enlarged Company acquired interests in two concessions; onshore Egypt and an exploration concession in Cameroon:

- The Meseda Concession ("Meseda") Egypt – (50% W.I.),
- The Bakassi West Concession ("Bakassi West") Cameroon – (35% W.I. and 38.89% P.I.).

Outlook

The Company's expected capital expenditure program for 2015 is approximately US$2.5 million.

The Company incurred capital expenditure of US$1.2 million for the nine months ended September 30, 2015; this comprised US$0.2 million for Shukheir Marine, US$0.2 million for South Disouq and US$0.8 million for NW Gemsa.

The Company's forecast capital expenditure program for the year for NW Gemsa is US$1.3 million and includes, but is not limited to, the drilling of 1.5 development wells and 1 water injector recompletion. The Company spent US$0.8 million during the nine months ended September 30, 2015 on facilities (well flowlines and central processing facilities) and well work overs. The budget of US$1.7 million is higher than the forecasted capital expenditure program by US$0.4 million due to the drilling of 2 wells being pushed out to mid-December 2015 and mid-January 2016.

The Company has no further capital obligations on the Shukheir Marine concession due to the relinquishment of the concession, effective January 31, 2015. Prior to relinquishment the Company incurred capital expenditure of US$0.2 million during the first quarter of 2015 in relation to workovers on the Shukheir Bay-5 well and the Gamma-1 well which took place during the fourth quarter of 2014.

The Company is no longer forecasting a capital expenditure program for South Ramadan in 2015. No expenditure has been incurred during the nine months ended September 30, 2015.

The Company's forecast capital expenditure program for 2015 for the South Disouq concession is US$1.0 million and includes, but is not limited to, preparation for the 3D seismic campaign. The Company incurred US$0.2 million during the nine months ended September 30, 2015 on 2D seismic reprocessing and direct operator costs in preparation for a 3D seismic campaign in 2016.

The Egyptian concession agreement contains a "cost oil" provision which acts as a natural hedge in a low oil price environment. The additional "cost" barrels of oil allocated to the concessionaire act to mitigate a portion of the revenue decrease associated with a drop in oil prices. This effect, combined with a lower royalty payment, allows the Company to preserve a portion of its netback that might otherwise be lost under a different fiscal regime.

OPERATIONAL AND FINANCIAL HIGHLIGHTS:

In accordance with Canadian industry practice, production volumes and revenues are reported on a Company interest basis, before deduction of royalties.

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's except per unit amounts	PRIOR QUARTER[(1)]	**2015**	2014	**2015**	2014
OPERATIONAL					
Oil revenue	3,759	**2,848**	10,974	**10,972**	38,012
Royalties	(1,976)	**(1,058)**	(6,157)	**(4,781)**	(21,836)
Net Oil revenue	1,783	**1,790**	4,817	**6,191**	16,176
Gas revenue	–	**–**	79	**–**	257
Royalties	–	**–**	(34)	**–**	(110)
Net Gas revenue	–	**–**	45	**–**	147
NGL revenue	–	**–**	133	**–**	415
Royalties	–	**–**	(55)	**–**	(173)
Net NGL revenue	–	**–**	78	**–**	242
Total Net Revenue	1,783	**1,790**	4,940	**6,191**	16,565
Operating Costs	336	**(651)**	(2,639)	**(1,066)**	(6,019)
Netback (pre tax)	2,119	**1,139**	2,301	**5,125**	10,546
Oil Sales (bbl/d)	719	**674**	1,248	**794**	1,381
Gas Sales (mcf/d)	–	**–**	855	**–**	942
NGL Sales (bbl/d)	–	**–**	21	**–**	21
Total boe/d	719	**674**	1,412	**794**	1,560
Oil sales volumes (bbls)	65,434	**62,031**	114,840	**216,868**	377,127
Gas sales volumes (mcf)	–	**–**	78,642	**–**	257,310
NGL sales volumes (bbls)	–	**–**	1,936	**–**	5,811
Total sales volumes (boe)	65,434	**62,031**	129,884	**216,868**	425,822
Brent Oil Price (US$/bbl)	$61.72	**$50.26**	$101.87	**$55.24**	$106.55
Realized oil price (US$/bbl)	$57.44	**$45.91**	$95.56	**$50.59**	$100.79
Realized gas price (US$/mcf)	–	**–**	$1.00	**–**	$1.00
Realized NGL price (US$/bbl)	–	**–**	$68.45	**–**	$71.51
Net Realized price (US$/boe)	$57.44	**$45.91**	$86.12	**$50.59**	$90.85
Total Royalties (US$/boe)	$30.19	**$17.06**	$48.09	**$22.04**	$51.95
Operating costs (US$/boe)	$(5.13)	**$10.49**	$20.31	**$4.91**	$14.13
Netback - (US$/boe)	$32.38	**$18.36**	$17.72	**$23.64**	$24.77
Capital expenditures	270	**781**	(349)	**1,239**	5,519

(1) *Three months ended June 30, 2015.*

Oil sales volumes

Total oil sales volumes for the three and nine months ended September 30, 2015 averaged 674 boe/d and 794 boe/d compared to 1,248 boe/d and 1,381 boe/d for the comparative periods in the prior year pursuant to the relinquishment of Shukheir Marine and the NW Gemsa field decline.

The crude oil sales volumes by concession are shown in the table below:

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
	PRIOR QUARTER	**2015**	2014	**2015**	2014
N W Gemsa	65,434	**62,031**	**89,411**	**206,775**	**283,660**
Shukheir Marine	–	**–**	**25,429**	**10,093**	**93,467**
Total Crude Oil Sales	65,434	**62,031**	**114,840**	**216,868**	**377,127**

The Shukheir Marine sales volumes of 10,093, for the nine months ended September 30, 2015, relate to the month of January 2015 only as the concession was relinquished effective January 31, 2015.

Pricing

The Company is exposed to the volatility in commodity price markets for all of its sales volumes and changes in foreign exchange rate between the EGP and US$ for oil revenues and capital and operational expenditure as well as GBP, US$, CAD$ and Euros for certain general and administrative expenses. The Operational and Financial Highlights table on the previous page outlines the changes in the various benchmark commodity prices and economic parameters which affect the prices received for the Company's production.

For the three and nine months ended September 30, 2015 the Company received an average price of US$45.91 per barrel and US$50.59 per barrel, respectively, for oil compared to the average Brent Oil price ("Brent") of US$50.26 and US$55.24 per barrel in the comparative periods; a discount of US$4.35 and US$4.65 per barrel respectively; i.e. a 9% and 8% discount for the three and nine months ended September 30, 2015.

During the three and nine months ended September 30, 2015 the Brent price ranged from a low of US$41.59 per barrel on August 24 to a high of US$66.33 per barrel on May 13. At this time, the Company does not hedge any of its production.

The Company commenced sales of gas and Natural Gas Liquids ("NGL") in February 2013 from the NW Gemsa concession. The operator continues to be in the process of addressing contractual invoicing with EGPC. No revenue or sales volumes have been recognized for the three and nine months ended September 30, 2015; pending issuance of the invoices.

Crude Oil sales

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's except per unit amounts	PRIOR QUARTER	**2015**	2014	**2015**	2014
Crude oil sales	3,759	**2,848**	10,974	**10,972**	38,012
Per bbl	57.44	**45.91**	95.56	**50.59**	100.79

Crude oil sales for the three and nine months ended September 30, 2015 were US$2.8 million and US$11.0 million compared to US$11.0 million and US$38.0 million for the three and nine months ended September 30, 2014. NW Gemsa has seen decreased sales volumes compared to 2014 due to production declining as the field reached plateau production during the fourth quarter of 2014 and is now in natural decline.

Shukheir Marine has seen a decrease in sales volume compared to 2014 due to the relinquishment of the concession effective January 31, 2015 and only one month's sales volume being recognized in 2015.

The crude oil sales per concession were:

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's	PRIOR QUARTER	**2015**	2014	**2015**	2014
N W Gemsa	3,759	**2,848**	8,590	**10,557**	28,833
Shukheir Marine	–	**–**	2,384	**415**	9,179
Total Crude Oil Sales	3,759	**2,848**	10,974	**10,972**	38,012

Variance from prior quarter

For the three months ended September 30, 2015 the decrease in revenue is attributable to a 20 per cent decrease in realized sales price and a 5 percent decrease in sales volumes from the prior quarter ending June 30, 2015. The decrease in sales volume is due to the relinquishment of the Shukheir Marine concession effective January 31, 2015 and the NW Gemsa concession reaching plateau production and entering the decline phase during the fourth quarter of 2014.

$000's	
Three months ended June 30, 2015	3,759
Price variance	(715)
Production variance	(196)
Three months ended September 30, 2015	**2,848**

Variance from prior year

For the nine months ended September 30, 2015 the decrease in revenue is due to a decrease of 50 per cent in realized sales price and 42 per cent in sales volumes from the prior year ending September 30, 2014. The decrease in volume is due to the relinquishment of the Shukheir Marine concession effective January 31, 2015 and the NW Gemsa concession reaching plateau production during the fourth quarter of 2014.

$000's	
Nine months ended September 30, 2014	38,012
Price variance	(10,887)
Production variance	(16,153)
Nine months ended September 30, 2015	**10,972**

Gas and Natural Gas Liquids ("NGL") Sales

The operator continues to be in the process of addressing contractual invoicing with EGPC. No revenue or sales volumes have been recognized for the three and nine months ended September 30, 2015; pending issuance of invoices.

Royalties

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's except per unit amounts	PRIOR QUARTER	**ROYALTIES**	2014	**2015**	2014
Per boe	1,976	**1,058**	6,246	**4,781**	22,119
Royalties as a percent of revenue (%)	30.19	**17.06**	48.09	**22.04**	51.95
Royalties as a percent of revenue (%)	53	**37**	56	**44**	57

Royalties fluctuate in Egypt from quarter to quarter due to changes in the amount of cost oil allocated to the contractors.

The royalties, in part, are lower in the quarter and for the nine months ended September 30, 2015 due to the relinquishment of the Shukheir Marine concession effective January 31, 2015.

The Concession agreements allow for recovery of operating costs and capital costs through a cost oil allocation which has an impact on the government share of production as highlighted below:

CONCESSION	SEA DRAGON'S WI (1)	COST OIL TO CONTRACTOR (2)	CAPITAL COST RECOVERED (2)	OPERATING COST RECOVERED (2)	EXCESS OIL TO CONTRACTOR (3)	PROFIT OIL TO CONTRACTOR (4)
NW Gemsa *(up to 10,000 BOPD Gross)*	10%	30%	5 years	Immediate	Nil	16.1%
NW Gemsa *(10,000 BOPD to 25,000 BOPD Gross)*	10%	30%	5 years	Immediate	Nil	15.4%
NW Gemsa *(Gas and LPG)*	10%	30%	5 years	Immediate	Nil	18.2%

(1) WI denotes the Company's Working interest

(2) Cost oil is the amount of oil revenue that is attributable to the Company and its joint venture partners (the "Contractor") subject to the limitation of the cost recovery pool. Oil revenue, up to a specified percentage, is available for recovery by the Contractor for costs incurred in exploring and developing the concession. Operating costs and capital costs are added to a cost recovery pool (the "Cost Pool"). Capital costs for exploration and development expenditures are amortized into the Cost Pool over a specified number of years with operating costs being added to the Cost Pool as incurred.

(3) If the costs in the Cost Pool are less than the cost oil attributable to the Contractor, the shortfall, referred to as excess cost oil ("Excess Oil"), reverts 100 percent to the State in NW Gemsa (and Shukheir Marine previously).

(4) Profit oil is the amount of oil revenue that is attributable to Contractor.

Direct operating costs

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's except per unit amounts	PRIOR QUARTER	**2015**	2014	**2015**	2014
Direct operating costs	(336)	**651**	2,639	**1,066**	6,019
Per boe	(5.13)	**10.49**	20.31	**4.91**	14.13

Direct operating costs for the three and nine months ended September 30, 2015 were US$0.7 million (US$10.49 per boe) and US$1.1 million (US$4.91 per boe) compared to US$2.6 million (US$20.31 per boe) and US$6.0 million (US$14.13 per boe) in the comparative periods for the prior year.

The NW Gemsa operating costs decreased by 11% in the quarter when compared to the comparative period of the prior year; this is due to the release of production accruals.

The Shukheir Marine operating costs show a net credit for the nine months ended September 30, 2015 of US$0.5 million due to the relinquishment settlement adjustment of US$0.8 million offset by US$0.3 million of operating costs in January, 2015.

Removing the relinquishment adjustments for the Shukheir Marine concession would result in direct operating costs per boe of US$7.71 for the nine months ended September 30, 2015.

The direct operating costs per concession were:

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's	PRIOR QUARTER	**2015**	2014	**2015**	2014
N W Gemsa	443	**595**	672	**1,545**	1,559
Shukheir Marine	(779)	**–**	1,967	**(535)**	4,454
Other	–	**56**	–	**56**	6
Total Direct Operating Costs by Concession	(336)	**651**	2,639	**1,066**	6,019

The direct operating costs (US$/boe) per concession were:

$000's	PRIOR QUARTER	THREE MONTHS ENDED SEPTEMBER 30 2015	THREE MONTHS ENDED SEPTEMBER 30 2014	NINE MONTHS ENDED SEPTEMBER 30 2015	NINE MONTHS ENDED SEPTEMBER 30 2014
N W Gemsa	$ 6.77	**$9.59**	$ 6.43	**$ 7.47**	$ 4.69
Shukheir Marine	–	**–**	$ 77.35	**$ (53.05)**	$ 47.65
Total Direct Operating Costs (US$boe) by Concession	$ (5.13)	**$ 10.49**	$ 20.31	**$ 4.91**	$ 14.14

Current taxes

$000's	PRIOR QUARTER	THREE MONTHS ENDED SEPTEMBER 30 2015	THREE MONTHS ENDED SEPTEMBER 30 2014	NINE MONTHS ENDED SEPTEMBER 30 2015	NINE MONTHS ENDED SEPTEMBER 30 2014
Current taxes	412	**375**	1,138	**1,250**	3,893

Pursuant to the terms of the Company's concession agreements, the corporate tax liability of the joint venture partners is paid, on their behalf, by the government of Egypt controlled corporations ("Corporations") out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes the corporate taxes paid by the Corporations are included in net oil revenues and deducted as an income tax expense.

The current taxes pertaining to the concessions for the three and nine months ended September 30, 2015 are US$314k and US$1,189k respectively

The current taxes for the quarter and nine months ended September 30, 2015 also include the 2014 corporation tax for Sea Dragon Energy (UK) Ltd which amounted to US$61k.

The current taxes per concession were:

$000's	PRIOR QUARTER	THREE MONTHS ENDED SEPTEMBER 30 2015	THREE MONTHS ENDED SEPTEMBER 30 2014	NINE MONTHS ENDED SEPTEMBER 30 2015	NINE MONTHS ENDED SEPTEMBER 30 2014
N W Gemsa	412	**314**	967	**1,159**	3,236
Shukheir Marine	–	**–**	171	**30**	657
Other	–	**61**	–	**61**	–
Total Current Taxes by Concession	412	**375**	1,138	**1,250**	3,893

Capital expenditures

$000's	PRIOR QUARTER	THREE MONTHS ENDED SEPTEMBER 30 2015	THREE MONTHS ENDED SEPTEMBER 30 2014	NINE MONTHS ENDED SEPTEMBER 30 2015	NINE MONTHS ENDED SEPTEMBER 30 2014
Property, plant and equipment expenditures ("PP&E")	(180)	**(764)**	295	**(1,047)**	(1,554)
Exploration and evaluation expenditures ("E&E")	(90)	**(17)**	54	**(192)**	(3,965)
	(271)	**(781)**	349	**(1,239)**	(5,519)

During the three and nine months ended September 30, 2015, the Company incurred US$0.8 million and US$1.2 million, respectively on capital expenditures.

The PP&E additions for the three months ended September 30, 2015 are US$0.8 million and relate to facilities, workovers and capitalized admin expenses for the NW Gemsa concession.

The E&E additions for the nine months ended September 30, 2015 are US$0.2 million and were incurred by the South Disouq concession. The E&E additions relate to 2D seismic reprocessing and direct operator costs in preparation for the award of the 3D seismic contract.

The following table shows the cumulative capitalized costs for property and equipment on all of the Company's oil and gas properties and corporate and operations offices:

$000's	SEPTEMBER 30, 2015	DECEMBER 31, 2014
Oil and gas properties, at cost	**30,791**	34,474
Accumulated depletion and impairment	**(14,112)**	(17,218)
Net Book Value	**16,679**	17,256
Furniture and fixtures, at cost	**515**	519
Accumulated depreciation	**(447)**	(357)
Net Book Value	**68**	162
Property, plant and equipment assets, end of period	**16,747**	17,418

The following table shows the cumulative costs for the intangible exploration and evaluation assets on all of the Company's oil and gas properties:

$000's	SEPTEMBER 30, 2015	DECEMBER 31, 2014
Exploration and evaluation assets, beginning of period	**3,075**	752
Additions	**192**	2,500
Exploration well write off	**–**	(177)
Exploration and evaluation assets, end of period	**3,267**	3,075

General and administrative costs

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's	PRIOR QUARTER	2015	2014	2015	2014
Wages and employee costs	597	**913**	537	**2,010**	1,616
Consultants - inc. PR/IR	9	**17**	74	**95**	381
Legal fees	26	**58**	111	**122**	271
Audit, tax and accounting services	123	**135**	66	**341**	162
Public company fees	70	**48**	90	**155**	159
Travel	37	**76**	128	**157**	244
Office expenses	115	**126**	133	**356**	340
IT expenses	21	**19**	51	**61**	174
Bank charges	8	**7**	11	**23**	23
Service recharges	(165)	**–**	–	**(165)**	–
Total - Net G&A	841	**1,399**	1,201	**3,155**	3,370

General and administrative ("G&A") costs for the three and nine months ended September 30, 2015 were US$1.4 million and US$3.2 million respectively compared to US$1.2 million and US$3.4 million for the comparative periods in the prior year. This represents an increase of US0.2 million in the quarter and a decrease of US$0.2 million when compared to the nine months of the prior year. The increase in the quarter is due to higher salary costs as a result of internal restructuring, audit, tax and accounting services, partially offset by lower legal fees. The decrease for the nine months ended September 30, 2015 is due to service recharges of US$0.2 million, lower consultants' fees, legal fees, travel and IT expenses, partially offset by higher salary costs and audit, tax and accounting services. Audit, tax and accounting services have increased for the nine months ended September 30, 2015 due to higher tax fees and trust services; related to the Dutch entities.

Stock based compensation

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. The non-cash compensation expense for the three and nine months ended September 30, 2015 was US$0.03 million and US$0.1 million respectively.

Depletion, depreciation and amortization ("DD&A")

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's except per unit amounts	PRIOR QUARTER	**2015**	2014	**2015**	2014
Depletion, depreciation and amortization	484	**470**	868	**1,718**	3,662
Per bbl	7.39	**7.57**	6.68	**7.92**	8.33

DD&A by concession was:

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's	PRIOR QUARTER	**2015**	2014	**2015**	2014
N W Gemsa	453	**439**	566	**1,440**	1,799
Shukheir Marine	–	**–**	263	**184**	1,743
Other	31	**31**	39	**94**	120
Total	484	**470**	868	**1,718**	3,662

For the three and nine months ended September 30, 2015, depletion, depreciation and amortization ("DD&A") was US$0.5 million and US$1.7 million compared to US$0.9 million and US$3.7 million for the comparative periods in the prior year. The Shukheir Marine concession has been fully depleted as at January 31, 2015; the effective date of the concession relinquishment.

At September 30, 2015, US$1.5 million (September 30, 2014 - US$0.8 million) of future development costs are included in the calculation of cost in determining the depletion rate.

Net Earnings

For the three and nine months ended September 30, 2015, the Company recorded a net loss of US$1.8 million and US$2.0 million compared to a net loss of US$1.2 million and US$2.5 million for the comparative periods of the prior year. The variance between September 2015 and 2014 is due to lower revenues, partially offset by lower direct operating costs, depletion costs, general and administrative expenses and current income tax.

LIQUIDITY AND CAPITAL RESOURCES

Share capital

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preferred shares, issuable in one or more series. The common shares of SDX trade on the TSX Venture Exchange under the symbol SDX.

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
TRADING STATISTICS	PRIOR QUARTER	**2015**	2014	**2015**	2014
High (CDN)	$0.035	**$0.020**	$0.075	**$0.040**	$0.095
Low (CDN)	$0.020	**$0.015**	$0.050	**$0.015**	$0.050
Average Volume	776,597	**248,652**	315,356	**452,566**	322,137

The following table summarizes the outstanding common shares and options as at November 26 and September 30, 2015 and December 31, 2014.

OUTSTANDING AS AT:	NOVEMBER 26, 2015	SEPTEMBER 30, 2015	DECEMBER 31, 2014
Common shares	37,642,067	10,755,973	376,459,358
Options	–	28,900,000	33,200,000

The following table summarizes the outstanding options as at September 30, 2015.

	OUTSTANDING OPTIONS		VESTED OPTIONS	
EXERCISE PRICE RANGE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE
\$0.075 to \$0.13	**28,900,000**	**2.7 years**	**19,149,991**	**2.5 years**

Capital Resources

As at September 30, 2015 the Company had working capital of approximately US\$3.9 million including cash and cash equivalents of US\$0.5 million. The Company expects to fund its 2015 capital program through funds from operations and cash on hand.

As at September 30, 2015, the Company had US\$5.8 million in current trade and other receivables compared to US\$8.7 million as at December 31, 2014. Approximately US\$4.3 million is due from the government of Egypt controlled corporations for oil sales; US\$1.3 million, related to the NW Gemsa concession is expected to be received in the normal course of operations; the remaining US\$3.0 million, of Shukheir Marine pledged receivables, is with-held as a guarantee for the work program of the South Disouq concession.

As at September 30, 2015 the Company had US\$1.7 million in amounts drawn from the Facility under Tranche B. The Company repaid US\$7.1 million under Tranche A and US\$1.3 million under Tranche B during the nine months ended September 30, 2015. The Company repaid the Facility, in full, on October 7, 2015.

As of the date of the MD&A, November 25, 2015, the Company has collected US\$0.7 million from a government of Egypt controlled corporation in respect of NW Gemsa receivables. NW Gemsa receivables are now current, due within 30 days.

The following table outlines the Company's working capital.

\$000's	SEPTEMBER 30, 2015	DECEMBER 31, 2014
Current Assets		
Cash and cash equivalents	**490**	2,966
Restricted cash	**–**	6,000
Trade and other receivables	**5,782**	8,678
Inventory	**1,594**	1,493
Deferred transaction costs	**378**	373
Current Assets	**8,244**	19,510
Current Liabilities		
Loans and borrowings	**1,650**	10,072
Trade and other payables	**2,683**	4,383
Current Liabilities	**4,333**	14,455
Working Capital	**3,911**	5,055

Working capital is defined as current assets less current liabilities, and includes drilling inventory materials which may not be immediately monetized.

The movement in working capital since December 31, 2014 of US$1.1 million reflects an increase in inventory of US$ 0.1 million offset by a decrease of US$2.5 million in cash and cash equivalents, US$6.0 million in restricted cash, US$2.9 million in trade and other receivables, US$8.4 million in loans and borrowings and US$1.7 million in trade and other payables.

Trade and other receivables decreased by US$2.9 million when compared to December 31, 2014 as a result of:

i. net receipts (invoices and excess cost oil less receipts from government controlled corporations) of US$0.9 million in relation to oil sales for NW Gemsa. This resulted in an improvement in debtors days which stood at 30 days at the end of the quarter;

ii. the receipt of US$1.9 million in past costs related to the farm down of South Disouq;

iii. net decrease of US$0.6 million in relation to the relinquishment of Shukheir Marine and the offset of working capital balances.

iv. an increase in the partner current account for NW Gemsa of US$0.3 million due to an increase in working capital;

v. an increase in prepayments of US$0.1 million;

vi. an increase in other receivables of US$0.1 million;

Trade and other payables decreased by US$1.7 million when compared to December 31, 2014 as a result of:

i. US$1.9 million of outstanding trade payables and US$0.2 million for deferred salary taxes related to the Shukheir Marine concession being offset against bank balances, trade receivables and other receivables as part of the relinquishment settlement process. The Shukheir Marine concession was relinquished effective January 31, 2015 and the Company has been working with the OSOCO representatives of the Relinquishment Committee to agree a final settlement. All agreed working capital balances related to the settlement have been offset and shown as a separate debtor balance of US$0.1 million within other receivables;

ii. an increase in trade payables of US$0.4 million related to the outstanding billings due to the Operator of NW Gemsa.

The following table outlines the Company's sources and uses of cash for the three and nine months ended September 30 2015 and 2014:

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000's	PRIOR QUARTER	**2015**	2014	**2015**	2014
Sources:					
Funds from operations	767	**(1,152)**	(77)	**(106)**	2,816
Cash from disposal of materials inventory	81	**–**	166	**235**	700
Cash from disposal of Kom Ombo Concession	–	**–**	192	**–**	453
Proceeds from bank facility	–	**–**	632	**–**	10,132
Restricted cash/bank guarantees	6,000	**–**	–	**6,000**	–
Changes in non-cash working capital	–	**2,232**	704	**2,121**	–
	6,848	**1,080**	1,617	**8,250**	14,101
Uses:					
Property, plant and equipment expenditures	(1,125)	**(764)**	(1,202)	**(2,073)**	(2,310)
Exploration and evaluation expenditures	(90)	**(17)**	(4)	**(192)**	(4,024)
Restricted cash/bank guarantees	–	**–**	–	**–**	(6,000)
Repayment of bank facility	(6,912)	**(300)**	–	**(8,422)**	(500)
Effect of foreign exchange on cash and cash equivalents	17	**(3)**	(19)	**(39)**	(342)
Changes in non-cash working capital	(1,349)	**–**	–	**–**	(3,423)
	(9,459)	**(1,084)**	(1,225)	**(10,726)**	(16,599)
Increase/(decrease) in cash	(2,611)	**(4)**	392	**(2,476)**	(2,498)
Cash and cash equivalents at beginning of period	3,105	**494**	1,397	**2,966**	4,287
Cash and cash equivalents at end of period	494	**490**	1,789	**490**	1,789

Financial Instruments

The Company is exposed to financial risks due to the nature of its business and the financial assets and liabilities that it holds. The following discussion reviews material financial risks, quantifies the associated exposures, and explains how these risks, and the Company's capital are managed.

Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates could affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the United States dollar and other currencies but also world economic events that impact the perceived levels of supply and demand. The Company may hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company's production is sold on the daily average price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Company will not enter into commodity contracts other than to meet the Company's expected sale requirements.

At September 30, 2015 the Company did not have any outstanding derivatives in place.

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 United States dollars (US$). Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the Egyptian Pound (EGP) and the US$ and Sterling (GBP) and the US$. The majority of capital expenditures are incurred in US$ and oil revenues are received in US$ and EGP. The Company has been so far able to utilize EGP to fund its Egyptian office general and administrative expenses as well as to provide 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:

	TOTAL PER FS[1]	US$	EGP	EUR	CAD	GBP
As at September 30, 2015	*US$ EQUIVALENT*					
Cash and cash equivalents	490	145	101	20	107	117
Trade and other receivables	5,782	5,466	35	27	3	251
Loans & borrowings	(1,650)	(1,650)	–	–	–	–
Trade and other payables	(2,683)	(1,542)	–	(23)	(952)	(166)
Balance sheet exposure	1,939	2,419	136	24	(842)	202

[1] *denotes Financial Statements*

Exchange Rates

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

AVERAGE: July 1, 2015 to September 30, 2015

	USD / CAD	USD / GBP	USD / EUR	USD / EGP
Period Average	1.3066	0.6450	0.8990	7.7966

AVERAGE: July 1, 2014 to September 30, 2014

	USD / CAD	USD / GBP	USD / EUR	USD / EGP
Period Average	1.0879	0.5987	0.7540	7.1215

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

AVERAGE: January 1, 2015 to September 30, 2015

	USD / CAD	USD / GBP	USD / EUR	USD / EGP
Period Average	1.2584	0.6526	0.8969	7.6257

AVERAGE: January 1, 2014 to September 30, 2014

	USD / CAD	USD / GBP	USD / EUR	USD / EGP
Period Average	1.0935	0.5990	0.7377	7.0342

The exchange rates at September 30, 2015 were 1 US$ equals:

PERIOD END: September 30, 2015

	USD / CAD	USD / GBP	USD / EUR	USD / EGP
September 30, 2015	1.3409	0.6593	0.8893	7.8078

PERIOD END: September 30, 2014

	USD / CAD	USD / GBP	USD / EUR	USD / EGP
September 30, 2014	1.1156	0.6157	0.7882	7.1073

Trade and other payables:

The foreign currency risk from a trade and other payables perspective is due to the fact that the Company's operations are conducted in Egypt and its corporate office is in London.

As at September 30, 2015 the Company's trade and other payables were:

	CARRYING AMOUNT	
$000's	**SEPTEMBER 30, 2015**	DECEMBER 31, 2014
Current		
Trade Payables	**702**	2,068
Accruals	**1,955**	2,018
Other payables	**26**	297
	2,683	4,383

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners, oil and natural gas marketers, and cash held with banks. The maximum exposure to credit risk at the end of the period is as follows:

	CARRYING AMOUNT	
$000's	**SEPTEMBER 30, 2015**	DECEMBER 31, 2014
Cash and cash equivalents	**490**	2,966
Restricted cash	**–**	6,000
Trade and other receivables	**5,782**	8,678
Total	**6,272**	17,644

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. Receivables relating to oil sales are due from EGPC, a Government of Egypt controlled corporation and are normally collected in two to four months following production. The Company expects to collect US$1.3 million of outstanding receivables for NW Gemsa, in the normal course of operations; the remaining US$3.0 million being the pledged Shukheir Marine receivables.

The trade receivables of US$3.0 million related to Shukheir Marine have been with-held as a guarantee for the work program of the South Disouq concession. The Shukheir Marine receivables are comprised of oil invoices for the period April to October 2014; and will remain stable. See Note 6 Trade and Other receivables contained within the Financial Statements for further details.

The joint venture partners receivables of US$0.7 million relates to the joint venture current accounts for the NW Gemsa (US$0.6 million) and the South Disouq concession (US$0.1 million).

The other receivables of US$0.7 million consist of US$0.2 million accrued gas and liquid revenue yet to be invoiced, US$0.3 million for prepayments, US$0.1 million related to the relinquishment settlement of the Shukheir Marine concession and US$0.1 million other.

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, 2015**	DECEMBER 31, 2014
Current		
Government of Egypt controlled corporations	**4,313**	5,536
Joint venture partners	**744**	2,592
Other	**725**	550
Total trade and other receivables	**5,782**	8,678

As at September 30, 2015 and December 31, 2014, the Company's trade and other receivables is aged as follows:

	CARRYING AMOUNT	
$000's	**SEPTEMBER 30, 2015**	DECEMBER 31, 2014
Current		
Current (less than 90 days)	**2,593**	6,422
Past due (more than 90 days)	**3,189**	2,256
Total - current	**5,782**	8,678

The balances which are past due are not considered impaired.

Current trade and other receivables past due have decreased by US$3.8 million when compared to December 31, 2014.

Subsequent to September 30, 2015 the Company collected US$0.7 million from a government of Egypt controlled corporation for NW Gemsa receivables, thereby reducing the current (less than 90 days) balance. The receivables balance for NW Gemsa is now current and due within 30 days.

Cash and cash equivalents:

The Company limits its exposure to credit risk by only investing in liquid securities and only with highly rated counterparties. The Companies cash and cash equivalents are currently held by banks with AA or equivalent credit ratings or better. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Company defines and computes its capital as follows:

	CARRYING AMOUNT	
$000's	**SEPTEMBER 30, 2015**	DECEMBER 31, 2014
Equity	**23,925**	25,828
Working capital [(1)]	**(3,911)**	(5,055)
Total capital	**20,014**	20,773

(1) Working capital is defined as current assets less current liabilities.

The Company's objective when managing its capital is to ensure it has sufficient capital to maintain its ongoing operations, pursue the acquisition of interests in producing or near to production oil and gas properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the exploration and development of its interests in its existing properties and to pursue other opportunities.

The working capital has decreased in the nine month period to September 30, 2015, when compared to December 31, 2014 by US$1.1 million. This is due to the utilization of cash and cash equivalents and restricted cash to reduce bank debt and trade and other payables and a reduction in trade and other receivables as a result of improved invoice settlement for NW Gemsa oil sales.

The company received US$12.7 million in receipts during the nine month period to September 30, 2015; US$4.8 million for oil sales invoices, US$1.9 million in past costs from the Farminee of the South Disouq concession and US$6.0 million of restricted cash upon the cancellation of US$6.0 million of guarantees in support of the South Disouq work program.

The funds were utilized to repay US$8.4 million of bank debt under the Facility, US$2.4 million for the Q4 2014 to June 2015 billings of the NW Gemsa concession which represented US$1.3 million of capital expenditure and US$1.1 million of direct operating costs, US$0.5 million for the January 2015 cash call of the Shukheir Marine concession, US$0.6 million to EGAS in regard to costs associated with the 45% farm down of the South Disouq concession and US$1.9 million of general and administrative costs.

SUMMARY OF QUARTERLY RESULTS

FISCAL YEAR	2015			2014				2013
Financial *$000's*	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**
Cash, beginning of period	**494**	3,105	2,966	1,789	1,397	875	4,287	1,300
Cash, end of period	**490**	494	3,105	2,966	1,789	1,397	875	4,287
Working capital	**3,911**	2,838	2,243	5,055	6,317	6,148	5,747	9,879
Funds from operations	**(1,152)**	767	282	(1,261)	(77)	1,598	1,297	178
per share	**(0.00)**	0.00	0.00	(0.00)	(0.00)	0.00	0.00	0.00
Net Income/(loss)	**(1,755)**	230	(516)	(6,471)	(1,207)	(249)	(1,033)	(1,071)
per share	**(0.00)**	0.00	(0.00)	(0.02)	(0.00)	(0.00)	(0.00)	0.00
Capital expenditures	**781**	270	188	(1,204)	(349)	1,015	4,853	1,624
Total assets	**28,258**	29,145	38,011	40,283	45,587	47,119	40,026	39,529
Shareholders' equity	**23,925**	25,644	25,355	25,828	32,208	33,313	33,363	34,341
Common shares outstanding (000's)	**372,484**	376,459	376,459	376,459	376,459	376,459	376,459	376,459
Operational								
Oil sales (bbl/d)	**674**	719	993	1,239	1,248	1,426	1,489	1,570
Gas sales (mcf/d)	**–**	–	–	–	855	927	1,058	1,110
NGL sales (Bbl/d)	**–**	–	–	–	21	21	22	24
Total boe/d	**674**	719	993	1,239	1,412	1,602	1,686	1,779
Brent oil price ($/bbl)	**50.26**	61.72	53.78	76.37	101.87	109.70	108.14	108.70
Realized oil price ($/bbl)	**45.91**	57.44	48.83	71.18	95.56	103.90	102.31	104.26
Realized gas price (US$/mcf)	**0.00**	0.00	0.00	0.00	1.00	1.00	1.00	1.00
Realized NGL price (US$/bbl)	**0.00**	0.00	0.00	0.00	68.45	73.58	72.43	75.18
Net Realized price ($/boe)	**45.91**	57.44	48.83	71.18	86.12	94.05	91.86	93.65
Royalties ($/boe)	**17.06**	30.19	19.53	41.75	48.09	53.69	53.60	51.86
Operating costs ($/boe)	**10.49**	(5.13)	8.40	17.30	20.31	10.57	12.23	14.31
Netback ($/boe)	**18.36**	32.38	20.90	12.13	17.72	29.79	26.02	27.49

SUBSEQUENT EVENTS

a) Business combination

On October 1, 2015 prior to the closing of the business combination between the Company and Madison, the Company cancelled all outstanding stock options. Written agreement was obtained from all directors, officers and employees.

Effective October 1, 2015, SDX Energy Inc. completed an Arrangement Agreement with Madison Petrogas Ltd ("Madison"), whereby SDX Energy Inc. acquired all of Madison's issued and outstanding common shares on the basis of an exchange ratio of 16.7 SDX Energy common shares for each Madison share. The exchange ratio resulted in the issuance of 26,886,094 SDX Energy common shares to former Madison shareholders.

b) South Disouq

On November 5, 2015 the Company signed a contract with Geofisyka Torun for the acquisition of 300km² of 3D seismic data.

c) Changes in Management

On October 1, 2015 the SDX Energy Inc. Board of Directors resigned and a new Board was appointed.

On November 16, 2015 Olivier Serra, former CFO of the Company, notified the Board of his decision to leave SDX. Mark Reid was subsequently appointed as the new CFO of the Company.

The Board also announced the appointment of Cameron Snow as VP Subsurface.

d) Operations

Effective November 26, 2015 the Processing and Treatment Agreement ("PTA") pertaining to NW Gemsa gas was signed by all parties. This will allow the Company to recognize and receive revenues attributable to gas sales going forward as well as collecting backdated revenues from February 2013.

ACCOUNTING POLICIES AND ESTIMATES

The Company is required to make judgments, assumptions and estimates in the application of accounting policies that could have a significant impact on our financial results. Actual results may differ from those estimates, and those differences may be material. The estimates and assumptions used are subject to updates based on experience and the application of new information. The accounting policies and estimates are reviewed annually by the Audit Committee of the Board. Further information on the basis of presentation and our significant accounting policies can be found in the notes to the Consolidated Financial Statements and Annual MD&A for the year ended December 31, 2014.

Accounting policies

The accounting policies adopted are consistent with those of the previous financial year. The policies applied are based on IFRS issued as of September 2015.

Further information on the accounting policies and estimates can be found in the notes to the Consolidated Financial Statements and Annual MD&A for the year ended December 31, 2014.

Future changes in accounting policies

There are no updates to future changes in accounting policies in the third quarter of 2015. Further information on future changes in accounting policies can be found in the notes to the Consolidated Financial Statements and Annual MD&A for the year ended December 31, 2014.

BUSINESS RISK ASSESSMENT

There are a number of inherent business risks associated with oil and gas operations and development. Many of these risks are beyond the control of management. The following outlines some of the principal risks and their potential impact to the Company.

Political Risk

The Company operates in Egypt which has different political, economic and social systems than in North America and which subjects the Company to a number of risks not within its control. Exploration or development activities in such countries may require protracted negotiations with host governments, national oil companies and third parties and are frequently subject to economic and political considerations such as taxation, nationalization, expropriation, inflation, currency fluctuations, increased regulation and approval requirements, corruption and the risk of actions by terrorist or insurgent groups, changes in laws and policies governing operations of foreign-based companies, economic and legal sanctions and other uncertainties arising from foreign governments, any of which could adversely affect the economics of exploration or development projects.

Financial Resources

The Company's cash flow from operations may not be sufficient to fund its ongoing activities and implement its business plans. From time to time the Company may enter into transactions to acquire assets or the shares of other companies. Depending on the future exploration and development plans, the Company may require additional financing, which may not be available or, if available, may not be available on favorable terms. Failure to obtain such financing on a timely basis could cause the Company to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate operations. If the revenues from the Company's reserves decrease as a result of lower oil prices or otherwise, it will impact its ability to expend the necessary capital to replace its reserves or to maintain its production. If cash flow from operations are not sufficient to satisfy capital expenditure requirements, there can be no assurance that additional debt, equity, or asset dispositions will be available to meet these requirements or available on acceptable terms. In addition, cash flow is influenced by factors which the Company cannot control, such as commodity prices, exchange rates, interest rates and changes to existing government regulations and tax and royalty policies.

Exploration, Development and Production

The long-term success of the Company will depend on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. These risks are mitigated by the Company through the use of skilled staff, focusing exploration efforts in areas in which the Company has existing knowledge and expertise or access to such expertise, using up-to-date technology to enhance methods, and controlling costs to maximize returns. Despite these efforts, oil and natural gas exploration involves a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. There is no assurance that the Company will be able to locate satisfactory properties for acquisition or participation or that the Company's expenditures on future exploration will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to accurately project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over-pressured zones, tools lost in the hole and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion, infrastructure and operating costs. In addition, drilling hazards and/or environmental damage could greatly increase the costs of operations and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-in of wells resulting from extreme weather conditions or natural disasters, insufficient transportation capacity or other geological and mechanical conditions. As well, approved activities may be subject to limited access windows or deadlines which may cause delays or additional costs. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

The nature of oil and gas operations exposes the Company to risks normally incident to the operation and development of oil and natural gas properties, including encountering unexpected formations or pressures, blow-outs, and fires, all of which could result in personal injuries, loss of life and damage to the property of the Company and others. The Company has both safety and environmental policies in place to protect its operators and employees, as well as to meet the regulatory requirements in those areas where it operates. In addition, the Company has liability insurance policies in place, in such amounts as it considers adequate. The Company will not be fully insured against all of these risks, nor are all such risks insurable.

Oil and Natural Gas Prices

The price of oil and natural gas will fluctuate based on factors beyond the Company's control. These factors include demand for oil and natural gas, market fluctuations, the stability of regional state-owned monopolies to control gas prices, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulations, including regulations relating to environmental protection, royalties, allowable production, pricing, importing and exporting of oil and natural gas. Fluctuations in price will have a positive or negative effect on the revenue to be received by the Company.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and natural gas liquids, reserves and cash flows to be derived there from, including many factors beyond the Company's control. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows there from are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results. All such estimates are to some degree speculative, and classifications of reserves are only attempts to define the degree of speculation involved. For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected there from prepared by different engineers, or by the same engineers at different times, may vary. The Company's actual production, revenues and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material.

Estimates of proved reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history. Subsequent evaluation of the same reserves based upon production history and production practices will result in variations in the estimated reserves and such variations could be material.

The Company's actual future net cash flows as estimated by independent reserve engineers will be affected by many factors which include, but are not limited to: actual production levels; supply and demand for oil and natural gas; curtailments or increases in consumption by oil and natural gas purchasers; changes in governmental regulation; taxation changes; the value of the Canadian dollar and US$; and the impact of inflation on costs.

Actual production and cash flows derived there from will vary from the estimates contained in the applicable engineering reports. The reserve reports are based in part on the assumed success of activities the Company intends to undertake in future years. The reserves and estimated cash flows to be derived there from contained in the engineering reports will be reduced to the extent that such activities do not achieve the level of success assumed in the calculations.

Reliance on Operators and Key Employees

To the extent the Company is not the operator of its oil and natural gas properties, the Company will be dependent on such operators for the timing of activities related to such properties and will largely is unable to direct or control the activities of the operators. In addition, the success of the Company will be largely dependent upon the performance of its management and key employees. The Company has no key-man insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on the Company.

Government Regulations

The Company may be subject to various laws, regulations, regulatory actions and court decisions that can have negative effects on the Company. Changes in the regulatory environment imposed upon the Company could adversely affect the ability of the Company to attain its corporate objectives. The current exploration, development and production activities of the Company require certain permits and licenses from governmental agencies and such operations are, and will be, governed by laws and regulations governing exploration, development and production, labor laws, waste disposal, land use, safety, and other matters. There can be no assurance that all licenses and permits that the Company may require to carry out exploration and development of its projects will be obtainable on reasonable terms or on a timely basis, or that such laws and regulation would not have an adverse effect on any project that the Company may undertake.

Environmental Factors

All phases of the Company's operations are subject to environmental regulation in Egypt. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines, and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees.

Insurance

The Company's involvement in the exploration for and development of oil and natural gas properties may result in the Company or its subsidiaries, as the case may be, becoming subject to liability for pollution, blow-outs, property damage, personal injury or other hazards. Prior to drilling, the Company or the operator will obtain insurance in accordance with industry standards to address certain of these risks. However, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Company or its subsidiaries, as the case may be, may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The occurrence of a significant event that the Company may not be fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on the Company's financial position.

Regulatory Matters

The Company's operations will be subject to a variety of federal and provincial or state laws and regulations, including income tax laws and laws and regulations relating to the protection of the environment. The Company's operations may require licenses from various governmental authorities and there can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out planned exploration and development projects.

Operating Hazards and Risks

Exploration for natural resources involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages, damages to persons or property and possible environmental damage.

Although the Company has obtained liability insurance in an amount it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Repatriation of earnings

Currently there are no restrictions on the repatriation from Egypt of earnings to foreign entities. However, there are currency controls in place, and there can be no assurance that restrictions on repatriation of earnings from Egypt will not be imposed in the future.

Disruptions in Production

Other factors affecting the production and sale of oil and gas that could result in decreases in profitability include: (i) expiration or termination of permits or licenses, or sales price redeterminations or suspension of deliveries; (ii) future litigation; (iii) the timing and amount of insurance recoveries; (iv) work stoppages or other labor difficulties; (v) changes in the market and general economic conditions, equipment replacement or repair, fires, civil unrest or other unexpected geological conditions that can have a significant impact on operating results.

Foreign Investments

All of the Company's oil investments are located outside of Canada. These investments are subject to the risks associated with foreign investment including tax increases, royalty increases, re-negotiation of contracts, currency exchange fluctuations and political uncertainty. The jurisdiction in which the Company operates, Egypt, has a well-established fiscal regime and there are some improved fiscal terms to encourage investments. The Company will be paid in US dollars and Egyptian Pounds on its oil and gas sales.

Competition

The Company operates in the highly competitive areas of oil and gas exploration, development and acquisition with a substantial number of other companies, including U.S.-based and foreign companies doing business in Egypt. The Company faces intense competition from independent, technology-driven companies as well as from both major and other independent oil and gas companies in seeking oil and gas exploration licences and production licences in Egypt; and acquiring desirable producing properties or new leases for future exploration.

The Company believes it has significant in-country relationships within the business community and government authorities needed to obtain cooperation to execute projects.

Disclosure Controls and Procedures

As the Company is classified as a Venture Issuer under applicable Canadian securities legislation, it is required to file basic Chief Executive Officer and Chief Financial Officer Certificates, which it has done for the period ended September 30, 2015. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures and internal controls over financial reporting as defined under Multilateral Instrument 52-109 as at September 30, 2015.