

Addax Petroleum Corporation

Consolidated Interim Financial Statements

As at March 31, 2009 and for the three month periods ended March 31, 2009 and 2008

ADDAX PETROLEUM CORPORATION
CONSOLIDATED BALANCE SHEETS (unaudited)
(US\$ millions)

	March 31, 2009	December 31, 2008
ASSETS		
Current		
Cash and cash equivalents (note 11)	89	76
Accounts receivable (notes 10 and 13)	425	365
Income taxes and royalties receivable	251	291
Inventories (note 8)	206	248
Prepaid expenses	70	36
	1,041	1,016
Other assets (note 9)	169	162
Property, plant and equipment (note 4)	3,885	3,646
Goodwill	493	493
	4,547	4,301
	5,588	5,317
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (notes 10 and 13)	818	756
Income taxes and royalties payable	147	153
Deferred revenue	-	4
	965	913
Asset retirement obligations	178	175
Future income taxes	326	316
Other long-term liabilities	5	6
Long-term debt (notes 3 and 10)	1,400	1,200
Convertible bonds (note 10)	258	255
	2,167	1,952
Shareholders' equity		
Share capital (note 5)	792	791
Convertible bonds	56	56
Contributed surplus	52	45
Accumulated other comprehensive loss	(24)	(27)
Retained earnings	1,580	1,587
	2,456	2,452
	5,588	5,317

See accompanying notes to the consolidated financial statements

Approved on behalf of the Board of Directors

(signed) "Jean Claude Gandur"
Director

(signed) "Wesley Twiss"
Director

ADDAX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(US\$ millions, except per share amounts)

	Three month periods ended March 31,	
	2009	2008
REVENUE		
Petroleum sales (note 13)	576	1,154
Royalties	(80)	(186)
Net sales	496	968
Other income	-	1
Total net revenue	496	969
EXPENSES		
Operating	110	97
General and administrative	10	9
Depletion, depreciation and accretion (note 4)	175	136
Pre-acquisition and other	14	6
Share-based compensation	7	7
Interest on long-term debt	18	20
Interest on convertible bonds	6	5
Foreign exchange gain	(14)	(4)
Total expenses	326	276
Income before provision for income taxes	170	693
Provision for income taxes		
Current	89	369
Future	76	84
	165	453
Net income	5	240
Earnings per share (note 6)		
Basic	\$0.03	\$1.54
Diluted	\$0.03	\$1.51

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (unaudited)
(US\$ millions)

	Three month periods ended March 31,	
	2009	2008
Net income	5	240
Other comprehensive income		
Unrealized gain on available-for-sale financial assets, net of tax	3	-
Comprehensive income	8	240

See accompanying notes to the consolidated financial statements

ADDAX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
(US\$ millions)

	Three month periods ended March 31,	
	2009	2008
Share capital		
Balance, beginning of period	791	758
Issued during the period	1	1
Balance, end of period	792	759
Convertible bonds		
Balance, beginning of period	56	56
Issued during the period	-	-
Balance, end of period	56	56
Contributed surplus		
Balance, beginning of period	45	38
Share-based compensation	7	7
Balance, end of period	52	45
Accumulated other comprehensive income		
Balance, beginning of period	(27)	-
Other comprehensive income	3	-
Balance, end of period	(24)	-
Retained earnings		
Balance, beginning of period	1,587	862
Net income	5	240
Dividends	(12)	(16)
Balance, end of period	1,580	1,086

See accompanying notes to the consolidated financial statements

ADDAX PETROLEUM CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(US\$ millions)

	Three month periods ended March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	5	240
Items not requiring outlay of cash:		
Future income taxes	76	84
Depletion, depreciation and accretion	175	136
Share-based compensation	7	7
Convertible bond interest accretion	3	2
Other items	10	(3)
	276	466
Changes in non-cash working capital (note 11)	(223)	(383)
	53	83
CASH FLOWS USED IN INVESTING ACTIVITIES		
Expenditures on property, plant and equipment	(462)	(340)
Change in non-cash working capital (note 11)	241	164
Increase in other non-current assets	(7)	9
	(228)	(167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	200	200
Repayment of long-term debt	-	(25)
Dividends paid	(12)	(16)
	188	159
Net increase in cash and cash equivalents	13	75
Cash and cash equivalents, beginning of period	76	32
Cash and cash equivalents, end of period	89	107

See accompanying notes to the consolidated financial statements

ADDAX PETROLEUM CORPORATION
Notes to the Consolidated Financial Statements (unaudited)
March 31, 2009 and 2008
(Tabular amounts in US\$ millions)

1. ACCOUNTING POLICIES

The interim unaudited consolidated financial statements of Addax Petroleum Corporation ("Addax Petroleum") include the accounts of Addax Petroleum, its wholly-owned subsidiaries and its proportionate interests in joint ventures, and have been prepared following the same accounting policies and methods of their application as the audited consolidated financial statements of Addax Petroleum as at December 31, 2008, except as described below. Certain disclosures that are normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or excluded. These financial statements should be read in conjunction with Addax Petroleum's audited consolidated financial statements and notes thereto for the year ended December 31, 2008.

2. CHANGES IN ACCOUNTING POLICIES

Effective January 1, 2009, Addax Petroleum adopted the new Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064, *Goodwill and intangible assets*, replacing Sections 3062, *Goodwill and other intangible assets* and 3450, *Research and development costs*. Various changes have been made to other standards to be consistent with Section 3064. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. No changes were required to these financial statements as a result of this change.

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Future changes in accounting standards

The CICA Accounting Standards Board has adopted the following new or amended Handbook Sections:

In February 2008, the Accounting Standards Board (“AcSB”) confirmed that International Financial Reporting Standards (“IFRS”) will replace Canadian GAAP effective January 1, 2011 for Canadian publicly accountable enterprises. As such, Addax Petroleum will convert its consolidated financial statements to report under IFRS effective January 1, 2011.

The following standards were issued by the CICA during 2009 and will be effective for Addax Petroleum beginning on January 1, 2011:

Section 1582, *Business Combinations* will provide the Canadian equivalent to International Financial Reporting Standard IFRS 3, “Business Combinations” and replace the existing Section 1581, *Business Combinations*. The new Section 1582 will apply prospectively to business combinations for which the acquisition date is on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1601, *Consolidated Financial Statements* and Section 1602, *Non-controlling Interests*.

Section 1601, *Consolidated Financial Statements* establishes standards for the preparation of consolidated financial statements and will replace the existing Section 1600, *Consolidated Financial Statements*. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1602, *Non-Controlling Interests*.

Section 1602, *Non-controlling Interests* establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. Earlier adoption is permitted as of the beginning of a fiscal year, in which case an entity would also early adopt Section 1582, *Business Combinations* and Section 1601, *Consolidated Financial Statements*.

Addax Petroleum is assessing the impact of these new standards on its consolidated financial statements.

ADDAX PETROLEUM CORPORATION
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3. LONG-TERM DEBT

Addax Petroleum has a five year, \$1.6 billion senior reducing revolving debt facility ("the Facility") and a two year, \$500 million unsecured loan facility (the "Unsecured Facility").

The Facility bears interest at the lenders' LIBOR plus an applicable margin between 1.75% and 2.65%. The Unsecured Facility bears interest at LIBOR plus a 2.90% margin. At March 31, 2009, \$1.05 billion was drawn down on the Facility and \$350 million on the Unsecured Facility. The effective interest rate on the facilities for the period ended March 31, 2009 was 5.52% (2008: 6.21%).

In addition to the funds drawn on the facilities, letters of credit totaling \$195 million (2008: \$129 million) related to the Nigerian and Joint Development Zone ("JDZ") assets were outstanding at March 31, 2009.

Costs incurred to arrange both the Facility and the Unsecured Facility have been recorded as other assets and are amortized over the terms of the related debt agreements.

4. PROPERTY, PLANT AND EQUIPMENT

	March 31, 2009	December 31, 2008
Oil and natural gas properties	6,094	5,698
Accumulated depletion	(2,222)	(2,068)
	<u>3,872</u>	<u>3,630</u>
Corporate assets	28	30
Accumulated depreciation	(15)	(14)
	<u>13</u>	<u>16</u>
Balance, end of period	<u>3,885</u>	<u>3,646</u>

Included in property, plant and equipment ("PP&E") are net unamortized capitalized interest costs of \$10 million (2008: \$11 million). No interest costs have been capitalized during the three month period ended March 31, 2009.

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PP&E by cost centre is as follows:

	March 31, 2009	December 31, 2008
Cost Centre		
Nigeria	1,704	1,587
Cameroon	106	93
Gabon	1,507	1,412
Iraq	332	314
Joint Development Zone	221	224
Corporate assets	15	16
Balance, end of period	3,885	3,646

Included in PP&E is capital expenditure relating to unproved properties and major development projects that are not currently subject to depletion and depreciation as follows:

	March 31, 2009	December 31, 2008
Unproved properties		
Nigeria	372	356
Cameroon	106	93
Iraq	332	314
Joint Development Zone	221	224
Gabon	117	98
	1,148	1,085
Major development projects		
Nigeria	312	272
Gabon	247	189
	559	461
Balance, end of period	1,707	1,546

5. SHARE CAPITAL

Addax Petroleum is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series. There are no preferred shares outstanding.

Issued and Outstanding	Three month periods ended March 31,			
	2009		2008	
Common Shares	Number	Amount	Number	Amount
Balance, beginning of period	156,552,001	791	155,641,575	758
Issued during the period	30,317	1	9,512	1
Balance, end of period	156,582,318	792	155,651,087	759

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Addax Petroleum declared a dividend of CDN\$0.10 per share payable on June 18, 2009 to shareholders of record June 4, 2009.

6. EARNINGS PER SHARE

	March 31, 2009		March 31, 2008	
	Shares	Net Income	Shares	Net Income
Basic weighted average number of common shares outstanding	156,580,634	5	155,650,146	240
Effect of share-based compensation	1,017,919	-	885,564	-
Effect of convertible bonds	-	-	5,929,234	5
Diluted weighted average number of common shares outstanding	157,598,553	5	162,464,944	245

The effect of the convertible bonds is anti-dilutive and has been excluded from the calculation of diluted weighted average number of common shares outstanding as at March 31, 2009.

7. CAPITAL MANAGEMENT

Addax Petroleum's capital structure includes shareholders' equity, long-term debt, convertible bonds and cash and cash equivalents.

	March 31, 2009	December 31, 2008
Shareholders' equity	2,456	2,452
Long-term debt	1,400	1,200
Convertible bonds	258	255
Cash and cash equivalents	(89)	(76)
Capital	4,025	3,831

Addax Petroleum regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. Addax Petroleum manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, Addax Petroleum may issue new debt or equity or similar instruments, reduce debt levels, adjust the amount of dividends paid to shareholders, or make adjustments to its capital expenditure program.

Addax Petroleum's objectives with regard to capital management remain unchanged from 2008.

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8. INVENTORIES

	March 31, 2009	December 31, 2008
Crude oil and fuel oil	31	78
Material and supplies	175	170
Balance, end of period	206	248

During the three month period ended March 31, 2009, \$82 million (2008: \$44 million) of inventory has been recognized in the consolidated statements of operations.

9. OTHER ASSETS

	March 31, 2009	December 31, 2008
Partner loan	21	21
Long-term capital inventory	116	110
Other	32	31
Balance, end of period	169	162

Pursuant to the Taq Taq joint venture agreement, Addax Petroleum has advanced \$21 million (2008: \$21 million) to a joint venture partner. The advance is repayable to Addax Petroleum through a reduction in overriding royalties due to the partner.

10. FINANCIAL INSTRUMENTS

Addax Petroleum manages its exposure to financial risks arising from its operations and its use of financial instruments, including market risks (commodity prices, foreign currency exchange rates, and interest rates), credit risk and liquidity risk through its risk management strategy. The objective of the strategy is to support the delivery of Addax Petroleum's financial targets while protecting its future financial security and flexibility.

Financial risks are primarily managed and monitored through operating and financing activities and, if required, through the use of derivative financial instruments. Addax Petroleum does not use derivative financial instruments for purposes other than risk management. The financial risks are evaluated regularly with due consideration to changes in the key economic indicators and up-to-date market information.

Addax Petroleum's risk management policies and procedures have not changed from 2008.

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Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of the business. Addax Petroleum may use derivative financial instruments such as foreign exchange contracts and interest rate swaps to manage certain exposures. These market risks are evaluated by monitoring changes in key economic indicators and market information on an on-going basis.

a) Foreign exchange risk

Addax Petroleum is exposed to foreign exchange risk because subsidiary companies undertake transactions in foreign currencies, primarily with respect to the Swiss franc ("CHF"), the Nigerian naira ("NGN"), the Central African franc ("CFA"), which is pegged to the euro, and the euro ("EUR"). Exchange rate exposures are managed within approved policy parameters which may utilize both local currency borrowing facilities and forward contracts to hedge exposure to foreign currency risk. The forward currency contract must be in the same currency as the hedged item or be directly correlated to that currency.

In December 2008, Addax Petroleum entered into foreign exchange forward contracts to purchase CHF 74 million for \$62 million which expire in December 2009. These forward contracts fix the exchange rate used to convert a portion of Addax Petroleum's Swiss franc denominated expenses to US dollars. These contracts have not been designated as hedges for accounting purposes.

Included in pre-acquisition and other expenses in the statement of operations for the period ended March 31, 2009 are unrealized losses of \$5 million related to these contracts.

A 10% change in the USD/CHF exchange rate would affect net income for the period ended March 31, 2009 by \$7 million. This sensitivity analysis was prepared by using the foreign exchange rates as per the currency contract adjusted for a 10% variation.

b) Interest rate risk

Addax Petroleum is exposed to interest rate cash flow risk on its outstanding borrowings, specifically, on the floating rate element of its long-term debt. Approximately 84% of loans have floating interest rates. Addax Petroleum manages this risk through regular review of market conditions and interest rates, for which, if considered necessary, recommendations for changes to existing financing or new arrangements are presented to the board of directors for approval.

A 1% change in the interest rate would affect net income for the period ended March 31, 2009 by \$3 million. This was calculated by applying the percentage change to the average monthly balance of the long-term debt facilities over the period.

In order to manage cash flow from market fluctuations in the interest rate on the floating rate element of long-term debt, Addax Petroleum entered into the following interest rate swap agreements:

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Agreement date	Fixed Swap rate	Expiry	Coverage	Settlement
September 2008	2.95%	2010	\$250 million	Monthly
December 2008	1.89%	2010	\$250 million	Quarterly

These contracts have not been designated as hedges for accounting purposes. Included in pre-acquisition and other expenses in the statement of operations for the period ended March 31, 2009 are unrealized losses of \$2 million related to these contracts.

c) Commodity price risk

Addax Petroleum is exposed to movements in the prices of crude oil commodities sold during its normal course of operations. Management does not currently use derivative instruments to hedge commodity prices.

Credit risk

Credit risk is the risk of economic loss arising when a counterparty fails to meet its obligations as they come due. Credit risk encompasses both the direct risk of default and the risk of a deterioration of creditworthiness and the respective concentration risk.

Credit risk resulting from joint venture operations is managed through the use of cash calls to partners prior to incurring expenditures. Therefore, management believes that there is no significant credit risk inherent in Addax Petroleum's accounts receivable from joint venture partners.

Approximately 38% of Addax Petroleum's accounts receivable at March 31, 2009, was due from one related party customer (2008 – 27%). Amounts due from this related party have historically been collected when due. Credit risk on trade receivables from non-related parties is managed through dealing with creditworthy counterparties, typically international banks and publicly traded international oil and gas companies for which financial information is readily available for review and is monitored on an ongoing basis. There were no overdue accounts receivable as at March 31, 2009.

The partner loan receivable will be settled through a reduction in overriding royalties due to the partner, from the Taq Taq field, in accordance with the farm-in agreement.

The maximum exposure to credit risk is equal to the carrying amount of financial instruments classified as loans and receivables and cash and cash equivalents.

Liquidity risk

Liquidity risk encompasses the risk that a company cannot meet its financial obligations in full. Addax Petroleum's main sources of liquidity are its cash generated from operations, long-term debt facilities and convertible bonds. These funds are primarily used to finance working capital, operating expenses, capital expenditures, dividends and potential acquisitions.

Addax Petroleum manages its liquidity risk by regularly monitoring its cash flows from operating activities, holding adequate amounts of cash and cash equivalents and utilization of its long-term debt facilities (refer to note 3). The current year's budget is planned to be

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funded from cash flow from operations. The long-term debt facilities provide additional flexibility for short-term timing fluctuations. Addax Petroleum transacts with major international banks and does not anticipate any difficulty in accessing cash and cash equivalents or drawing against committed facilities as and when required.

Fair value

The estimated fair values of purchased derivative financial instruments are recognized in the consolidated balance sheet in accounts receivable and accounts payable with resulting gains and losses being recognized in pre-acquisition and other expenses. These contracts have not been designated as hedges for accounting purposes.

The carrying value and fair value of these financial instruments are as follows:

Financial Instrument	As at		As at	
	March 31, 2009		December 31, 2008	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
Financial Assets				
<i>Held-for-trading</i>				
Cash and cash equivalents	89	89	76	76
<i>Available-for-sale</i>				
Other assets	13	13	10	10
<i>Loans and receivables</i>				
Accounts receivable	425	425	365	365
Other assets	21	21	21	21
Financial Liabilities				
<i>Other liabilities</i>				
Accounts payable and accrued liabilities	818	818	756	756
Long-term debt	1,400	1,400	1,200	1,200
Convertible bonds	258	230	255	185

There has been no change to the classification of financial instruments since December 31, 2008.

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11. SUPPLEMENTARY CASH FLOW INFORMATION

(a) Changes in non-cash working capital

	Period ended March 31	
	2009	2008
Accounts receivable	(65)	(148)
Income taxes and royalties receivable	40	-
Prepaid expenses	(34)	-
Inventories	27	(30)
Accounts payable and accrued liabilities	60	(26)
Income taxes and royalties payable	(6)	(13)
Deferred revenue	(4)	(2)
Changes in non-cash working capital	18	(219)

	Period ended March 31	
	2009	2008
Operating activities	(223)	(383)
Investing activities	241	164
	18	(219)

(b) Other cash flow information

	Period ended March 31	
	2009	2008
Interest paid	10	5
Income taxes paid	14	24
Total	24	29

Addax Petroleum pays taxes and royalties in Nigeria through government liftings taken-in-kind. During the period ended March 31, 2009, government liftings totalled \$81 million (2008: \$529 million).

(c) Cash and cash equivalents

	March 31, 2009	December 31, 2008
Cash and cash equivalents consists of:		
Cash	88	75
Short term deposits	1	1
Balance, end of period	89	76

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12. INVESTMENT IN JOINT VENTURES

Included in the consolidated financial statements are the following items that represent Addax Petroleum's interests in the jointly controlled assets, liabilities, revenues and expenses of the joint ventures:

	March 31, 2009	December 31, 2008
Current assets	223	306
Non-current assets	1,176	1,090
Current liabilities	(1,174)	(1,188)
Non-current liabilities	(6)	(4)
Net assets	219	204

	Period ended March 31 2009	2008
Revenue	24	54
Expenses	9	41

13. RELATED PARTY TRANSACTIONS

The following transactions took place between Addax Petroleum and the following related parties:

	Period ended March 31	
	2009	2008
Sales to Addax Energy S.A.	371	416
Charges:		
Addax Bunkering Services	(10)	(12)
AOG Advisory Services Ltd, London	(1)	(1)
Addax Energy S.A.	(3)	(1)

Addax Energy S.A. markets Addax Petroleum's crude oil for a fee. The charges for AOG Advisory Services Ltd. include management services, trademark licence and information technology support. Charges from Addax Bunkering Services are for the purchase of fuel for Addax Petroleum's FPSO's and other marine support vessels. All transactions with these related parties are recorded at amounts agreed to by the parties and are made on the same terms and conditions as with non-related customers.

Amounts due from (to) related parties are included in accounts receivable and accounts payable in the consolidated balance sheet as follows:

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	March 31, 2009	December 31, 2008
Addax Energy S.A.	162	101
AOG Advisory Services Ltd, London	-	-
Addax Bunkering Services	(7)	(10)

14. CONTINGENCIES

As described in Note 18 to the audited consolidated financial statements as at and for the year ended December 31, 2008, there are a number of lawsuits and claims pending, the ultimate results of which cannot be ascertained at this time. Costs are recorded as they are incurred or become determinable. Management believes the resolution of these matters will not have a material adverse effect on Addax Petroleum's liquidity, consolidated financial position or results of operations. There have been no significant changes or new material claims since December 31, 2008.

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15. GEOGRAPHICAL INFORMATION

Addax Petroleum generates revenue in Nigeria and in Gabon.

	Three month period ended March 31, 2009			
	Nigeria	Gabon	Corporate	Total
REVENUE				
Petroleum sales	454	122	-	576
Royalties	(60)	(20)	-	(80)
Net sales	394	102	-	496
Other income	-	-	-	-
Total net revenue	394	102	-	496
EXPENSES				
Operating	71	39	-	110
General and administrative	-	-	10	10
Depletion, depreciation and accretion	110	61	4	175
Pre-acquisition and other	-	-	14	14
Share-based compensation	-	-	7	7
Interest on long-term debt	-	-	18	18
Interest on convertible bonds	-	-	6	6
Foreign exchange gain	(9)	(3)	(2)	(14)
Total expenses	172	97	57	326
Income before provision for income taxes	222	5	(57)	170
Provision for income taxes				
Current	76	12	1	89
Future	76	-	-	76
	152	12	1	165
Net income	70	(7)	(58)	5

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	Three month period ended March 31, 2008			
	Nigeria	Gabon	Corporate	Total
REVENUE				
Petroleum sales	941	213	-	1,154
Royalties	(171)	(15)	-	(186)
Net sales	770	198	0	968
Other income	1	-	-	1
Total net revenue	771	198	0	969
EXPENSES				
Operating	72	25	-	97
General and administrative	-	-	9	9
Depletion, depreciation and accretion	96	37	3	136
Pre-acquisition and other	-	-	6	6
Share-based compensation	-	-	7	7
Interest on long-term debt	-	-	20	20
Interest on convertible bonds	-	-	5	5
Foreign exchange (gain) loss	(1)	3	(6)	(4)
Total expenses	167	65	44	276
Income before provision for income taxes	604	133	(44)	693
Provision for income taxes				
Current	319	50	-	369
Future	84	-	-	84
	403	50	0	453
Net income	201	83	(44)	240