

# **Addax Petroleum Corporation**

## Consolidated Financial Statements

As at September 30, 2007 and for the three-month and nine-month periods ended September 30, 2007 and 2006

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

	September 30, 2007	December 31, 2006
<b>ASSETS</b>		
Current		
Cash and cash equivalents	82	34
Accounts receivable (note 10)	276	179
Inventories (note 6)	139	121
Prepaid expenses	52	26
	<b>549</b>	<b>360</b>
Partner loan receivable	21	21
Future income taxes	11	16
Other non-current assets	20	5
Property, plant and equipment (note 4)	2,469	2,083
Goodwill	493	493
	<b>3,014</b>	<b>2,618</b>
	<b>3,563</b>	<b>2,978</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current		
Accounts payable and accrued liabilities	473	364
Income taxes and royalties payable	102	510
Deferred revenue	-	4
	<b>575</b>	<b>878</b>
Asset retirement obligations	105	47
Future income taxes	73	44
Other long-term liabilities	9	11
Long-term debt (note 2)	1,025	830
Convertible bonds (note 3)	242	-
	<b>1,454</b>	<b>932</b>
Contingencies (note 9)		
<b>Shareholders' equity</b>		
Share capital (note 5)	758	739
Convertible bonds (note 3)	56	-
Contributed surplus (note 5)	30	20
Retained earnings	690	409
	<b>1,534</b>	<b>1,168</b>
	<b>3,563</b>	<b>2,978</b>

*See accompanying notes to the consolidated financial statements*

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
<b>REVENUE</b>				
Petroleum sales (note 10)	925	584	2,305	1,500
Royalties	(163)	(115)	(373)	(278)
Net sales	762	469	1,932	1,222
Other income	2	5	4	9
<b>Total net revenue</b>	<b>764</b>	<b>474</b>	<b>1,936</b>	<b>1,231</b>
<b>EXPENSES</b>				
Operating	78	56	225	157
General and administrative	7	6	25	14
Share-based compensation	20	7	29	20
Depletion, depreciation and accretion (note 4)	169	87	446	209
Pre-acquisition	5	4	10	21
Interest on long-term debt	22	5	63	7
Interest on convertible bonds	4	-	7	-
PanAfrican acquisition costs	-	2	-	2
Other interest and finance expense	-	-	1	-
Foreign exchange (gain) loss	-	-	1	(2)
<b>Total expenses</b>	<b>305</b>	<b>167</b>	<b>807</b>	<b>428</b>
<b>Income before provision for income taxes</b>	<b>459</b>	<b>307</b>	<b>1,129</b>	<b>803</b>
Provision for income taxes				
Current	(313)	(163)	(720)	(423)
Future	(24)	(69)	(107)	(190)
	<b>(337)</b>	<b>(232)</b>	<b>(827)</b>	<b>(613)</b>
<b>Net income and comprehensive income</b>	<b>122</b>	<b>75</b>	<b>302</b>	<b>190</b>
Earnings per share, basic	\$0.78	\$0.51	\$1.94	\$1.37
diluted	\$0.78	\$0.51	\$1.94	\$1.37
Weighted average number of common shares outstanding,				
- basic	155,496,752	147,990,846	155,217,534	138,805,406
- diluted	162,208,731	148,036,198	158,395,813	138,850,759

**CONSOLIDATED STATEMENTS OF RETAINED EARNINGS (unaudited)**  
(US\$ millions)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
Retained earnings, beginning of period	576	295	410	278
Net income	122	75	302	190
Distribution of earnings	-	-	-	(48)
Dividends	(8)	(7)	(22)	(57)
<b>Retained earnings, end of period</b>	<b>690</b>	<b>363</b>	<b>690</b>	<b>363</b>

*See accompanying notes to the consolidated financial statements*

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

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Net income</b>	<b>122</b>	<b>75</b>	<b>302</b>	<b>190</b>
Items not affecting cash (note 7)	213	169	583	424
	<b>335</b>	<b>244</b>	<b>885</b>	<b>614</b>
Changes in non-cash working capital (note 7)	(27)	59	(444)	152
	<b>308</b>	<b>303</b>	<b>441</b>	<b>766</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Expenditures on property, plant and equipment	(359)	(232)	(836)	(560)
Change in non-cash working capital	(9)	(1,448)	(10)	(1,448)
	<b>(368)</b>	<b>(1,680)</b>	<b>(846)</b>	<b>(2,008)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of long-term debt	75	850	1,325	850
Proceeds from (repayment of) long-term debt	-	-	(1,130)	(80)
Proceeds from issuance of convertible bonds, net of issue costs	4	-	298	-
Issue costs on long-term debt	-	-	(18)	-
Dividends paid	(8)	(7)	(22)	(57)
Proceeds from share issue	-	343	-	713
Distribution of earnings	-	-	-	(48)
	<b>71</b>	<b>1,186</b>	<b>453</b>	<b>1,378</b>
<b>Net increase in cash and cash equivalents</b>	<b>11</b>	<b>(191)</b>	<b>48</b>	<b>136</b>
Cash and cash equivalents, beginning of period	71	334	34	7
<b>Cash and cash equivalents, end of period</b>	<b>82</b>	<b>143</b>	<b>82</b>	<b>143</b>

*See accompanying notes to the consolidated financial statements*

**ADDAX PETROLEUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**September 30, 2007 and 2006**  
(US\$ millions)

**1. ACCOUNTING POLICIES**

The interim consolidated financial statements of Addax Petroleum Corporation (“Addax Petroleum”) include the accounts of Addax Petroleum, its wholly-owned subsidiaries and its 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, 2006, 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, 2006.

**New Accounting Policies**

***Comprehensive Income***

On January 1, 2007, Addax Petroleum prospectively adopted CICA Handbook Section 1530, *Comprehensive Income*. Comprehensive income is the change in a company’s net assets that results from transactions, events and circumstances from sources other than the company’s shareholders and includes items that would not normally be included in net earnings such as unrealized gains or losses on available-for-sale investments. Other comprehensive income includes the holding gains and losses from available for sale securities which are not included in net income (loss) until realized. There were no such components to be recognized in comprehensive income for the three-month and nine-month periods ended September 30, 2007.

On January 1, 2007, Addax Petroleum prospectively adopted CICA Handbook Section 3251, *Equity*. This section was updated to reflect the new CICA Handbook Section 1530 *Comprehensive Income* and its effect on equity. There were no such items requiring additional disclosure for the three-month and nine-month periods ended September 30, 2007.

***Financial Instruments***

On January 1, 2007, Addax Petroleum prospectively adopted CICA Handbook Section 3855, *Financial Instruments – Recognition and Measurement*. In accordance with this new standard, Addax Petroleum now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other liabilities. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in the statement of operations. This new standard did not affect Addax Petroleum’s financial statements.

***Hedges***

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On January 1, 2007, Addax Petroleum prospectively adopted CICA Handbook Section 3865 *Hedges*. This new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. Addax Petroleum has not designated any hedging relationships. This new standard did not affect Addax Petroleum's financial statements.

***Convertible Bonds***

Convertible bonds are classified as debt, net of the fair value of any conversion feature, which is recorded in shareholders' equity. Issue costs are allocated between the debt and equity components and those costs allocated to the equity element are recognized in the consolidated statement of operations in the period of issuance. The issue costs allocated to the debt element are amortized over the term of the bond, and the debt portion will accrete up to the principal balance at maturity using the effective interest method. If the convertible bonds are converted to common shares, a portion of the amount allocated to the conversion feature recorded in shareholders' equity will be reclassified to share capital along with the principal amounts converted.

**Effect of Future Changes in Accounting Policies**

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

The new CICA Handbook Section 3031 *Inventories* was created and is applicable to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The new section provides guidance regarding the measurement of inventories including the allocation of costs such as overhead / fixed production costs and allows for the reversal of previous write-downs. Addax Petroleum does not expect this policy to change its inventory valuation method in the financial statements.

Effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008, (a) CICA Handbook Section 3862, *Financial Instruments – Disclosures*; (b) CICA Handbook Section 3863, *Financial Instruments – Presentation*; (c) CICA Handbook Section 1535, *Capital Disclosures* and (d) CICA Handbook Section 1400, *General Standards of Financial Statement Presentation*. Addax Petroleum is assessing the impact of these new standards on its consolidated financial statements and anticipates the main impact will be in terms of additional disclosures required.

**2. LONG-TERM DEBT**

In January 2007, Addax Petroleum entered into a 5-year, \$1.5 billion senior secured reducing revolving debt facility (the "Facility") arranged by BNP Paribas, Natixis and Standard Chartered Bank (the "Lenders"). The Facility consists of a \$1.2 billion loan and a \$300 million letter of credit facility. The Facility is in the form of a borrowing base loan and is subject to reductions after three years and is secured against a portion of Addax Petroleum's business interests.

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In April 2007, the loan portion of the Facility was increased from \$1.2 billion to \$1.3 billion. The letter of credit portion remains unchanged.

Amounts drawn under the Facility bear interest at the Lenders' LIBOR plus an applicable margin between 1.75% and 2.65%. The effective interest rate on the Facility for the period ended September 30, 2007 was 8.03%.

In addition to the funds drawn on the loan, letters of credit totaling \$131 million related to the Nigerian and JDZ blocks assets were outstanding at September 30, 2007.

Costs incurred to arrange for the Facility have been recorded as other non-current assets and are amortized over the term of the arrangement in accordance with the Emerging Issues Committee's Abstract EIC-101 "Debtor's Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements".

**3. CONVERTIBLE BONDS**

On May 31, 2007, Addax Petroleum issued \$300 million principal amount of 3.75% unsecured convertible bonds (hereafter "the Bonds") for net proceeds of \$294 million. The Bonds have a coupon rate of 3.75% and a maturity date of May 31, 2012. The Bonds pay interest semi-annually and are convertible into Addax Petroleum common shares at the option of the bondholder at a conversion price of CDN\$56.06 per common share, at any time after October 1, 2007 until maturity on May 31, 2012. The convertible bonds include a Net Share Settlement option, allowing Addax Petroleum to settle bondholder conversions by repaying the face value of the convertible bonds in cash, and delivering the difference, between the face value and value of the underlying shares, in common shares of Addax Petroleum.

At any time after June 20, 2010, Addax Petroleum can redeem the Bonds if the common share price exceeds the conversion price by 30% for at least 20 consecutive days.

The Bonds have been classified as a liability, net of the fair value of the conversion feature which has been classified in shareholders' equity as follows:

Allocation to equity element	56
Allocation to liability element, net of transaction costs	239
Transaction costs charged to earnings	(1)
<b>Proceeds received on issuance, net of transaction costs</b>	<b><u>294</u></b>

During the nine months ended September 30, 2007, interest expense totaled approximately \$7 million (three months: \$3 million).

**ADDAX PETROLEUM CORPORATION**  
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**4. PROPERTY, PLANT AND EQUIPMENT**

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Oil and natural gas properties	3,608	2,790
Accumulated depletion	(1,165)	(722)
	<b>2,443</b>	<b>2,068</b>
Corporate assets	34	20
Accumulated depreciation	(8)	(5)
	<b>26</b>	<b>15</b>
<b>Balance</b>	<b>2,469</b>	<b>2,083</b>

Property, plant and equipment by cost centre is as follows:

<b>Cost Centre</b>	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Nigeria	941	786
Cameroon	20	13
Gabon	1,066	1,020
Iraq	206	142
Joint Development Zone	194	107
Other corporate assets	42	15
<b>Balance, end of period</b>	<b>2,469</b>	<b>2,083</b>

In September 2007, Addax Petroleum agreed to acquire from Esso Exploration and Production Nigeria-Sao Tome (One) Limited its 40% working interest in Block 1 of the JDZ for \$78 million.

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Included in property, plant and equipment are certain costs not subject to depletion and depreciation as follows:

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
<b>Unproved properties</b>		
Cameroon	20	13
Gabon	19	11
Iraq	206	142
Joint Development Zone	194	107
Nigeria	180	174
	<b>611</b>	<b>447</b>

**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.

<b>Issued and Outstanding</b>	<b>Nine month period ended September 30, 2007</b>		<b>Year ended December 31, 2006</b>	
	<b>Number</b>	<b>Amount</b>	<b>Number</b>	<b>Amount</b>
<b>Common Shares</b>				
Balance, beginning of period	155,065,556	739	117,000,100	20
Issue pursuant to initial public offering	-	-	23,100,000	371
Issue pursuant to second public offering	-	-	14,750,000	343
Shares issued for Directors services	23,427	1	12,425	-
Issued under employee share award program	539,524	18	203,031	5
<b>Balance, end of period</b>	<b>155,628,507</b>	<b>758</b>	<b>155,065,556</b>	<b>739</b>

On May 24, 2007, Addax Petroleum completed a secondary listing of its common shares on the main market of the London Stock Exchange. No additional shares were issued in conjunction with this secondary listing.

Addax Petroleum declared a dividend of CDN\$0.05 per share for Q3 2007, payable on December 14, 2007 to shareholders of record on November 30, 2007. In accordance with Canada Revenue Agency Guidelines, dividends paid by the Addax Petroleum during the period are eligible dividends.

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**September 30, 2007 and 2006**  
(US\$ millions)

**Contributed surplus**

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Balance, beginning of period	20	-
Share-based compensation	10	20
<b>Balance, end of period</b>	<b>30</b>	<b>20</b>

**6. INVENTORIES**

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Oil products	42	45
Materials and supplies	97	76
<b>Balance</b>	<b>139</b>	<b>121</b>

**7. CASH FLOWS**

**(a) Items not affecting cash**

	<b>Three-month periods ended September 30,</b>		<b>Nine-month periods ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Future income taxes	24	69	107	190
Depletion, depreciation and accretion	169	87	446	209
Foreign exchange	-	-	1	(2)
Share-based compensation	20	7	29	20
Other items	-	6	-	7
<b>Total items not affecting cash</b>	<b>213</b>	<b>169</b>	<b>583</b>	<b>424</b>

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**(b) Changes in non-cash working capital**

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
Accounts receivable	(89)	45	(97)	(5)
Prepaid expenses	(15)	(14)	(26)	(15)
Inventories	23	(13)	(18)	(37)
Partner advance	-	11	-	(18)
Accounts payable and accrued liabilities	128	(21)	109	(44)
Tax and royalties payable	(74)	52	(408)	272
Deferred revenue	-	(1)	(4)	(1)
<b>Changes in non-cash working capital</b>	<b>(27)</b>	<b>59</b>	<b>(444)</b>	<b>152</b>

**(c) Other cash flow information**

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2007	2006	2007	2006
Interest paid	11	1	40	3
Income taxes paid	1	-	1	-
<b>Total items not affecting cash</b>	<b>12</b>	<b>1</b>	<b>41</b>	<b>3</b>

Addax Petroleum pays petroleum profits tax and royalties in Nigeria through government liftings taken-in-kind. For the nine month period ended September 30, 2007, such government liftings totalled \$1,373 million (2006: \$393 million) and \$484 million for the three month period ended September 30, 2007 (2006: \$198 million).

**(d) Cash and cash equivalents**

	September 30, 2007	December 31, 2006
Cash and cash equivalents consists of:		
Cash	81	31
Deposits	1	3
	<b>82</b>	<b>34</b>

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(US\$ millions)

**8. 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.

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
Current assets	97	27
Non-current assets	731	526
Current liabilities	(745)	(480)
Non-current liabilities	(13)	(10)
<b>Net liabilities</b>	<b>70</b>	<b>63</b>
Income	115	-
Expenses	87	18

**9. CONTINGENCIES**

Addax Petroleum has a claim with its insurers relating to the repair of a ruptured pipeline for approximately \$13 million. Management is currently in discussion with the insurers regarding recovery. If recovery cannot be made against the policy, the after tax effect of these costs on the Statement of Operations would be \$3 million.

**10. RELATED PARTY TRANSACTIONS**

The following transactions took place between Addax Petroleum and The Addax and Oryx Group Ltd. and its other subsidiary companies:

	<b>Three-month periods ended September 30,</b>		<b>Nine-month periods ended September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Sales to Addax B.V.	344	370	710	900
<b>Charges:</b>				
Addax Bunkering Services	(9)	(6)	(21)	(16)
AOG Advisory Services Ltd	(1)	(2)	(2)	(3)
Addax B.V.	(1)	(2)	(8)	(5)

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The sales to Addax B.V., a marketer of Addax Petroleum crude oil, were made on the same terms and conditions as with Addax B.V.'s non-related customers. The charges from 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 the Addax Petroleum floating production, storage and offloading vessels and other marine support vessels purchased at market rates.

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

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Addax B.V.	104	87
AOG Advisory Services Ltd.	(1)	-
Other	(2)	(3)

**ADDAX PETROLEUM CORPORATION**  
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(US\$ millions)

**11. GEOGRAPHICAL INFORMATION**

Addax Petroleum generates revenue in Nigeria and in Gabon.

	Nine month period ended September 30, 2007			Total
	Nigeria	Gabon	Corporate	
<b>REVENUE</b>				
Petroleum sales	1,954	351	-	2,305
Royalties	(337)	(36)	-	(373)
Net sales	1,617	315	-	1,932
Other income	1	-	3	4
<b>Total net revenue</b>	<b>1,618</b>	<b>315</b>	<b>3</b>	<b>1,936</b>
<b>EXPENSES</b>				
Operating	170	55	-	225
General and administrative	-	-	25	25
Share-based compensation	-	-	29	29
Depletion, depreciation and accretion	328	107	11	446
Pre-acquisition	-	-	10	10
Interest on long-term debt	-	-	63	63
Interest on convertible bonds	-	-	7	7
Other interest and finance expense	1	-	-	1
Foreign exchange (gain)/loss	(2)	2	1	1
<b>Total expenses</b>	<b>497</b>	<b>164</b>	<b>146</b>	<b>807</b>
<b>Income before provision for income taxes</b>	<b>1,121</b>	<b>151</b>	<b>(143)</b>	<b>1,129</b>
Provision for income taxes				
Current	(645)	(73)	(2)	(720)
Future	(107)	-	-	(107)
	<b>(752)</b>	<b>(73)</b>	<b>(2)</b>	<b>(827)</b>
<b>Net income and comprehensive income</b>	<b>369</b>	<b>78</b>	<b>(145)</b>	<b>302</b>

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	<b>Three month period ended September 30, 2007</b>			<b>Total</b>
	<b>Nigeria</b>	<b>Gabon</b>	<b>Corporate</b>	
<b>REVENUE</b>				
Petroleum sales	777	148	-	925
Royalties	(141)	(22)	-	(163)
Net sales	636	126	-	762
Other income	-	-	2	2
<b>Total net revenue</b>	<b>636</b>	<b>126</b>	<b>2</b>	<b>764</b>
<b>EXPENSES</b>				
Operating	61	17	-	78
General and administrative	-	-	7	7
Share-based compensation	-	-	20	20
Depletion, depreciation and accretion	123	41	5	169
Pre-acquisition	-	-	5	5
Interest on long-term debt	-	-	22	22
Interest on convertible bond	-	-	4	4
Other interest and finance expense	1	-	(1)	-
Foreign exchange (gain)/loss	(1)	2	(1)	-
<b>Total expenses</b>	<b>184</b>	<b>60</b>	<b>61</b>	<b>305</b>
<b>Income before provision for income taxes</b>	<b>452</b>	<b>66</b>	<b>(59)</b>	<b>459</b>
Provision for income taxes				
Current	(281)	(31)	(1)	(313)
Future	(24)	-	-	(24)
	<b>(305)</b>	<b>(31)</b>	<b>(1)</b>	<b>(337)</b>
<b>Net income and comprehensive income</b>	<b>147</b>	<b>35</b>	<b>(60)</b>	<b>122</b>

**ADDAX PETROLEUM CORPORATION**  
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(US\$ millions)

	Nine month period ended September 30, 2006			Total
	Nigeria	Gabon	Corporate	
<b>REVENUE</b>				
Petroleum sales	1,479	21	-	1,500
Royalties	(274)	(4)	-	(278)
Net sales	1,205	17	-	1,222
Other income	1	-	8	9
<b>Total net revenue</b>	<b>1,206</b>	<b>17</b>	<b>8</b>	<b>1,231</b>
<b>EXPENSES</b>				
Operating	152	5	-	157
General and administrative	-	-	14	14
Share-based compensation	-	-	20	20
Depletion, depreciation and accretion	194	11	4	209
Pre-acquisition	-	-	21	21
Interest on long-term debt	-	-	7	7
Interest on convertible bonds	-	-	-	-
PanAfrican acquisition costs	-	1	1	2
Other interest and finance expense	-	-	-	-
Foreign exchange (gain)/loss	(1)	-	(1)	(2)
<b>Total expenses</b>	<b>345</b>	<b>17</b>	<b>66</b>	<b>428</b>
<b>Income before provision for income taxes</b>	<b>861</b>	<b>-</b>	<b>(58)</b>	<b>803</b>
Provision for income taxes				
Current	(419)	(3)	(1)	(423)
Future	(192)	2	-	(190)
	<b>(611)</b>	<b>(1)</b>	<b>(1)</b>	<b>(613)</b>
<b>Net income and comprehensive income</b>	<b>250</b>	<b>(1)</b>	<b>(59)</b>	<b>190</b>

**ADDAX PETROLEUM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (unaudited)**  
**September 30, 2007 and 2006**  
(US\$ millions)

	Three month period ended September 30, 2006			Total
	Nigeria	Gabon	Corporate	
<b>REVENUE</b>				
Petroleum sales	563	21	-	584
Royalties	(111)	(4)	-	(115)
Net sales	452	17	-	469
Other income	1	-	4	5
<b>Total net revenue</b>	<b>453</b>	<b>17</b>	<b>4</b>	<b>474</b>
<b>EXPENSES</b>				
Operating	51	5	-	56
General and administrative	-	-	6	6
Share-based compensation	-	-	7	7
Depletion, depreciation and accretion	74	11	2	87
Pre-acquisition	-	-	4	4
Interest on long-term debt	-	-	5	5
Interest on convertible bond	-	-	-	-
PanAfrican acquisition costs	-	1	1	2
Other interest and finance expense	-	-	-	-
Foreign exchange (gain)/loss	-	-	-	-
<b>Total expenses</b>	<b>125</b>	<b>17</b>	<b>25</b>	<b>167</b>
<b>Income before provision for income taxes</b>	<b>328</b>	<b>-</b>	<b>(21)</b>	<b>307</b>
Provision for income taxes				
Current	(160)	(3)	-	(163)
Future	(71)	2	-	(69)
	<b>(231)</b>	<b>(1)</b>	<b>-</b>	<b>(232)</b>
<b>Net income and comprehensive income</b>	<b>97</b>	<b>(1)</b>	<b>(21)</b>	<b>75</b>