

Dynex Energy S.A.

Public Limited Company
R.C.S. Luxembourg: B164435

75 Parc d'Activités L-8308 Capellen

STATUTORY ANNUAL ACCOUNTS

From 01/01/2017 to 31/12/2017



To the shareholders of
Dynex Energy S.A.

Report on the audit of the annual accounts

Opinion

We have audited the annual accounts of Dynex Energy S.A.(the Company), which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and notes to the annual accounts, including a summary of significant accounting policies.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession (Law of 23 July 2016) and with International Standards on Auditing (ISAs) as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier" (CSSF). Our responsibilities under those law and standards are further described in the « Responsibilities of "Réviseur d'Entreprises Agréé" for the audit of the annual accounts » section of our report. We are also independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the annual accounts, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the "Réviseur d'Entreprises Agréé" for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "Réviseur d'Entreprises Agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

As part of an audit in accordance with the Law dated 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

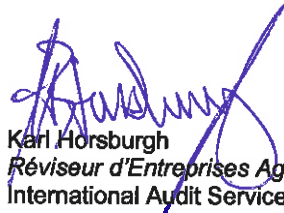
- Identify and assess the risks of material misstatement of the annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



International Audit Services Cabinet de Révision Agréé

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "Réviseur d'Entreprises Agréé" to the related disclosures in the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "Réviseur d'Entreprises Agréé". However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts, including the disclosures, and whether the annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Karl Horschburgh
Réviseur d'Entreprises Agréé
International Audit Services S.à r.l.

Luxembourg, 30/05/2018

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. :

Matricule :

ABRIDGED BALANCE SHEET

Financial year from 01 _____ **to** 02 _____ (in 03 _____)

ASSETS

	Reference(s)	Current year	Previous year
A. Subscribed capital unpaid	1101 _____	101 _____	102 _____
I. Subscribed capital not called	1103 _____	103 _____	104 _____
II. Subscribed capital called but unpaid	1105 _____	105 _____	106 _____
B. Formation expenses	1107 _____	107 _____	108 _____
C. Fixed assets	1109 _____	109 _____	110 _____
I. Intangible assets	1111 _____	111 _____	112 _____
II. Tangible assets	1125 _____	125 _____	126 _____
III. Financial assets	1135 _____	135 _____	136 _____
D. Current assets	1151 _____	151 _____	152 _____
I. Stocks	1153 _____	153 _____	154 _____
II. Debtors	1163 _____	163 _____	164 _____
a) becoming due and payable within one year	1203 _____	203 _____	204 _____
b) becoming due and payable after more than one year	1205 _____	205 _____	206 _____
III. Investments	1189 _____	189 _____	190 _____
IV. Cash at bank and in hand	1197 _____	197 _____	198 _____
E. Prepayments	1199 _____	199 _____	200 _____
TOTAL (ASSETS)		201 _____	202 _____

The notes in the annex form an integral part of the annual accounts

RCSL Nr. :

Matricule :

CAPITAL, RESERVES AND LIABILITIES

	Reference(s)	Current year	Previous year
A. Capital and reserves			
I. Subscribed capital	1301 _____	301 _____	302 _____
II. Share premium account	1303 _____	303 _____	304 _____
III. Revaluation reserve	1305 _____	305 _____	306 _____
IV. Reserves	1307 _____	307 _____	308 _____
V. Profit or loss brought forward	1309 _____	309 _____	310 _____
VI. Profit or loss for the financial year	1319 _____	319 _____	320 _____
VII. Interim dividends	1321 _____	321 _____	322 _____
VIII. Capital investment subsidies	1323 _____	323 _____	324 _____
	1325 _____	325 _____	326 _____
B. Provisions	1331 _____	331 _____	332 _____
C. Creditors	1435 _____	435 _____	436 _____
a) becoming due and payable within one year	1453 _____	453 _____	454 _____
b) becoming due and payable after more than one year	1455 _____	455 _____	456 _____
D. Deferred income	1403 _____	403 _____	404 _____
TOTAL (CAPITAL, RESERVES AND LIABILITIES)		405 _____	406 _____

Annual Accounts Helpdesk :

Tel. : (+352) 247 88 494
Email : centralebilans@statec.etat.lu

RCSL Nr. :

Matricule :

ABRIDGED PROFIT AND LOSS ACCOUNT

Financial year from 01 _____ **to** 02 _____ (in 03 _____)

ABRIDGED PROFIT AND LOSS ACCOUNT

	Reference(s)	Current year	Previous year
1. to 5. Gross profit or loss	1651 _____	651 _____	652 _____
6. Staff costs	1605 _____	605 _____	606 _____
a) Wages and salaries	1607 _____	607 _____	608 _____
b) Social security costs	1609 _____	609 _____	610 _____
i) relating to pensions	1653 _____	653 _____	654 _____
ii) other social security costs	1655 _____	655 _____	656 _____
c) Other staff costs	1613 _____	613 _____	614 _____
7. Value adjustments	1657 _____	657 _____	658 _____
a) in respect of formation expenses and of tangible and intangible fixed assets	1659 _____	659 _____	660 _____
b) in respect of current assets	1661 _____	661 _____	662 _____
8. Other operating expenses	1621 _____	621 _____	622 _____

RCSL Nr. :

Matricule :

	Reference(s)	Current year	Previous year
9. Income from participating interests	1715 _____	715 _____	716 _____
a) derived from affiliated undertakings	1717 _____	717 _____	718 _____
b) other income from participating interests	1719 _____	719 _____	720 _____
10. Income from other investments and loans forming part of the fixed assets	1721 _____	721 _____	722 _____
a) derived from affiliated undertakings	1723 _____	723 _____	724 _____
b) other income not included under a)	1725 _____	725 _____	726 _____
11. Other interest receivable and similar income	1727 _____	727 _____	728 _____
a) derived from affiliated undertakings	1729 _____	729 _____	730 _____
b) other interest and similar income	1731 _____	731 _____	732 _____
12. Share of profit or loss of undertakings accounted for under the equity method	1663 _____	663 _____	664 _____
13. Value adjustments in respect of financial assets and of investments held as current assets	1665 _____	665 _____	666 _____
14. Interest payable and similar expenses	1627 _____	627 _____	628 _____
a) concerning affiliated undertakings	1629 _____	629 _____	630 _____
b) other interest and similar expenses	1631 _____	631 _____	632 _____
15. Tax on profit or loss	1635 _____	635 _____	636 _____
16. Profit or loss after taxation	1667 _____	667 _____	668 _____
17. Other taxes not shown under items 1 to 16	1637 _____	637 _____	638 _____
18. Profit or loss for the financial year	1669 _____	669 _____	670 _____

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Notes to the Annual Accounts 31/12/2017

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NOTE 1: General information

NOTE 1.1: General presentation

Dynex Energy S.A. (hereafter 'the Company') was incorporated on 25 October 2011 and organised under the laws of Luxembourg as a Société Anonyme for an unlimited period.

The registered office of the Company is located in Capellen (Luxembourg).

The main activity of the Company is the acquisition of participations involved in the acquisition and development of oil and gas properties in the United States for the production of crude oil and natural gas and in mining of copper and silver ore in Morocco.

NOTE 1.2: Financial year

The financial year starts on 1 January and ends on 31 December of each year.

NOTE 1.3: Consolidated accounts

The Company is exempted to draw up consolidated accounts as per art. 1711-4 of the amended law of 10 August 1915.

The Company is defined as a small company under the law of 10 August 2016 as amended. Consequently, these annual accounts consist of an abridged Balance Sheet and an abridged Profit and Loss Accounts as permitted by that law.

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NOTE 2: Summary of significant accounting policies

Note 2.1: Basis of preparation

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law of 10 August 2016 as amended, determined and applied by the Directors.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires the Directors to exercise judgement in the process of applying the accounting policies.

Changes in assumptions may have a significant impact on the annual accounts in the period in which the assumptions changed. Management believes that the underlying assumptions are appropriate and that the annual accounts therefore present the financial position and results fairly.

The company makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 2.2: Significant accounting policies

Formation expenses

Formation expenses are written off on the straight line basis over a period of 5 years.

Financial fixed assets

Valuation under the net equity method :

Shares in affiliated undertakings/participating interests held in the capital of undertakings of which they exercise significant influence over the operating and financial policies are valued at the amount corresponding to the proportion of the capital and reserves represented by the participating interest. The value adjustments are directly recorded in equity under revaluation reserves.

Debtors

Debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

Foreign currency translation

Transactions expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the first day of the month of the transaction. Long term assets expressed in currencies other than Euro are translated into Euro at the exchange rate effective at the time of the transaction. At the balance sheet date, these assets remain translated at historic rates.

Cash at bank is translated at the exchange rate effective at the balance sheet date. Exchange losses and gains are recorded in the profit and loss account of the year.

Other assets and liabilities are translated separately respectively at the lower or at the higher of the value converted at the historic exchange rates effective at the balance sheet date. The unrealised exchange losses are recorded in the profit and loss account. The realized exchange gains and losses are recorded in the profit and loss account at the moment of their realisation.

Debts

Liabilities are recorded at their redemption value.

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Taxation

The Company is subject to the applicable general tax regulations in Luxembourg applicable to all companies.

NOTE 3: Formation expenses

The movements of the year are as follows:

	2017 (EUR)	2016 (EUR)
Gross book value – opening balance	45,615.00	45,615.00
<i>Movements for the year</i>	0.00	0.00
Gross book value – closing balance	45,615.00	45,615.00
Depreciation – opening balance	36,007.00	31,684.00
<i>Movements for the year</i>	5,608.00	8,323.00
Depreciation – closing balance	45,615.00	36,007.00
Net book value – opening balance	5,608.00	13,931.00
Net book value – closing balance	0.00	5,608.00

NOTE 4: Financial assets

Undertakings in which the Company holds at least 20% in their share capital or in which it is a general partner are as follows:

Undertaking's name (legal form)	Registered office	Ownership (%)	Financial data as at	Share capital and reserves including profit or loss for the year	Profit or loss of the financial year
Dynex Energy Holdings Inc	1675 S State St Ste B – Dover, Kent – DE 19901 Delaware - USA	100.00	31/12/2017	254,661.00 USD	61,823.00 USD
Encore Resources Sàrl	Box 08 N.09 Bis Bd Omar El Mokhtar Cite Al Massira Agadir - Morocco	100.00	31/12/2017	-2,603,345.18 MAD	-782,866.00 MAD

The Management estimates there is a durable reason on booking an adjustment on both participations.

NOTE 5: Debtors

The debtors consist of debts towards the Luxembourg tax authorities.

NOTE 6: Capital and reserves

NOTE 6.1: Subscribed capital

The share capital amounts to EUR 28,642,666.00 and is represented by 14,321,333 fully paid-up shares with nominal value per unit of EUR 2.00.

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The movements for the year are as follows:

	2017 (EUR)	2016 (EUR)
Subscribed capital – opening balance	28,642,666.00	28,642,666.00
<i>Movements for the year</i>	0.00	0.00
Subscribed capital – closing balance	28,642,666.00	28,642,666.00

NOTE 6.2: Share premium

The movements for the year are as follows:

	2017 (EUR)	2016 (EUR)
Share premium – opening balance	443,346,934.00	443,346,934.00
<i>Movements for the year</i>	0.00	0.00
Share premium – closing balance	443,346,934.00	443,346,934.00

NOTE 6.3: Revaluation reserves

The movements for the year are as follows:

	Opening balance (EUR)	Movements (EUR)	Closing balance (EUR)
Revaluation reserve – Dynex Energy Holdings Inc.	- 471,717,169.30	- 28,089.33	- 471,745,258.63
Revaluation reserve – Encore Resources S.à r.l.	- 19,999,999.00	-	- 19,999,999.00
Total	- 491,717,168.30	- 28,089.33	- 491,745,257.63

NOTE 6.4: Legal reserve

Under Luxembourg Law, an amount equal to at least 5% of the annual net income must be allocated to a legal reserve until such reserve equals 10% of the subscribed capital. This reserve is not available for distribution. As the company has accumulated losses, no allocation to legal reserve has been made to date.

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NOTE 6.5: Movements for the year on the reserves and profit/loss items

The movements for the year are as follows:

	2017 (EUR)	2016 (EUR)
Profit or loss brought forward from earlier periods	EUR -297,462.94	EUR -238,831.38
Profit or loss from the previous year	EUR -75,483.63	EUR -58,631.56
	EUR -372,946.57	EUR -297,462.94
Profit or loss brought forward	EUR -372,946.57	EUR -297,462.94
Current year profit or loss	EUR -90,941.22	EUR -75,483.63

NOTE 7: Creditors

The creditors are as follows:

	Within one year (EUR)	After one year and within five years (EUR)	After more than five years (EUR)	Total 2017	Total 2016
Debts on purchases and provisions of services	44,098.88	0.00	0.00	44,098.88	26,108.31
Other creditors	0.00	0.00	20,428,778.94	20,428,778.94	20,337,381.24
Total	44,098.88	0.00	20,428,778.94	20,472,877.82	20,363,489.55

The detail of "Other creditors" is as follow:

- EUR 20,000,000.00 is related to the shareholder's loan;
- EUR 292,014.74 is related to the shareholder's current account;
- EUR 136,764.20 is related to Dynex Petroleum LP's current account.

NOTE 8: Transactions with related parties

The loans amounting to EUR 20,428,778.94 are interest free. They have not been done at arm's length.

NOTE 9: Staff

The Company had no staff during the financial year, and the prior one.

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NOTE 10: Advances and loans granted to the members of the administrative, managerial and supervisory bodies

The members of the administrative, managerial and supervisory bodies have not received any advance and any loan during the financial year. There were no commitments made by the Company to members of these bodies during the financial year.

NOTE 11: Off balance sheet commitments

The Company does not have off-balance-sheet commitments to report at the end of the financial year.

NOTE 12: Subsequent events

No specific events occurred after the end of the financial year.