



Financial Statements

2018 Q3 Interim Report

These Interim Consolidated Financial Statements for the three and nine months ended September 30, 2018, which are published, inter alia, for the purposes of discharging the Company's obligations arising in connection with the listing of its shares on the Toronto Stock Exchange, have been prepared in accordance with generally accepted accounting principles. They have not been reviewed or audited by the Company's Auditors and do not constitute a preliminary statement of the Company's annual results.

Interim Consolidated Balance Sheet (Unaudited)

US\$'000s	Note	As at September 30 2018	As at December 31 2017
Assets			
Cash and cash equivalents	7	18,713	25,844
Trade and other receivables	6a	30,044	37,656
Inventory	8	4,940	5,157
Current assets		53,697	68,657
Investments	11	3,078	2,724
Property, plant and equipment	9	56,037	54,445
Intangible exploration and evaluation assets	10	33,427	15,231
Non-current assets		92,542	72,400
Total assets		146,239	141,057
Liabilities			
Trade and other payables	12	18,923	19,459
Deferred income	13	495	495
Decommissioning liability	14	-	1,063
Current income taxes	20	1,089	915
Current liabilities		20,507	21,932
Deferred income	13	368	737
Decommissioning liability	14	5,226	3,479
Deferred income taxes	20	290	290
Non-current liabilities		5,884	4,506
Total liabilities		26,391	26,438
Equity			
Share capital	15	88,894	88,785
Contributed surplus		6,646	5,666
Accumulated other comprehensive loss		(917)	(917)
Retained earnings		25,225	21,085
Total equity		119,848	114,619
Equity and liabilities		146,239	141,057

The notes are an integral part of these Interim Consolidated Financial Statements.

The financial statements on pages 39 to 56 were approved by the Board of Directors on November 26, 2018 and signed on its behalf by:



Paul Welch
Chief Executive Officer



Mark Reid
Chief Financial Officer

Interim Consolidated Statement of Comprehensive Income (Unaudited)

US\$'000s	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Revenue, net of royalties	17	15,407	10,124	39,839	28,161
Revenue					
Direct operating expense	18	(3,380)	(2,672)	(8,542)	(7,728)
Gross profit		12,027	7,452	31,297	20,433
Exploration and evaluation expense	10	(193)	(64)	(5,507)	(235)
Depletion, depreciation and amortisation	9	(4,730)	(4,640)	(10,920)	(13,054)
Stock-based compensation	16	(324)	(188)	(980)	(273)
Share of profit from joint venture	11	353	274	879	985
Release of historic operational tax provision	4	-	-	300	-
Inventory write-off	8	-	-	(490)	-
Gain on sale of office asset		-	-	23	-
General and administrative expenses					
- Ongoing general and administrative expenses	19	(1,061)	(2,133)	(3,826)	(6,129)
- Transaction costs	19	-	-	-	(2,373)
Operating income/(loss)		6,072	701	10,776	(646)
Net finance expense		(468)	(25)	(522)	(101)
Foreign exchange (loss)/gain		(313)	220	(751)	820
Gain/(loss) on acquisition	4	-	4,817	(174)	34,218
Income before income taxes		5,291	5,713	9,329	34,291
Current income tax expense	20	(2,122)	(1,305)	(5,189)	(3,350)
Deferred income tax expense	20	-	-	-	-
Total current and deferred income tax expense		(2,122)	(1,305)	(5,189)	(3,350)
Total comprehensive income for the period		3,169	4,408	4,140	30,941
Net income per share					
Basic		\$0.015	\$0.023	\$0.020	\$0.174
Diluted		\$0.015	\$0.023	\$0.020	\$0.172

The notes are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statement of Changes in Equity (Unaudited)

US\$'000s	Note	Nine months ended September 30	
		2018	2017
Share capital			
Balance, beginning of period	15	88,785	40,275
Issuance of common shares		109	49,580
Share issue costs		-	(1,077)
Balance, end of period		88,894	88,778
Contributed surplus			
Balance, beginning of period		5,666	5,128
Stock-based compensation for the period		980	273
Balance, end of period		6,646	5,401
Accumulated other comprehensive loss			
Balance, beginning of period		(917)	(917)
Balance, end of period		(917)	(917)
Retained earnings/(accumulated loss)			
Balance, beginning of period		21,085	(7,222)
Total comprehensive income for the period		4,140	30,941
Balance, end of period		25,225	23,719
Total equity		119,848	116,981

The notes are an integral part of these Interim Consolidated Financial Statements.

Interim Consolidated Statement of Cash Flows (Unaudited)

US\$'000s	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Cash flows generated from/(used in) operating activities					
Income before income taxes		5,291	5,713	9,329	34,291
Adjustments for:					
Depletion, depreciation and amortization	9	4,730	4,640	10,920	13,054
Exploration and evaluation expense	10	-	64	5,033	235
Finance expense		468	25	522	101
Stock-based compensation	16	324	188	980	273
(Gain)/loss on acquisition	4	-	(4,817)	174	(34,218)
Foreign exchange loss/(gain)		213	(235)	155	(148)
Gain on sale of office asset		-	-	(23)	-
Release of historic operational tax provision	4	-	-	(300)	-
Inventory write-off	8	-	-	490	-
Tax paid by state	20	(1,492)	(971)	(3,659)	(2,609)
Share of profit from joint venture	11	(353)	(274)	(879)	(985)
Operating cash flow before working capital movements		9,181	4,333	22,742	9,994
(Increase)/decrease in trade and other receivables	6a	(1,270)	(3,071)	7,072	1,854
Increase/(decrease) in trade and other payables	12	694	(4,878)	983	(4,092)
Increase in inventory	8	(1,628)	(850)	(2,397)	(850)
Cash generated from/(used in) operating activities		6,977	(4,466)	28,400	6,906
Income taxes paid	20	-	(127)	(1,091)	(364)
Net cash generated from/(used in) operating activities		6,977	(4,593)	27,309	6,542
Cash flows (used in)/generated from investing activities:					
Property, plant and equipment expenditures	9	(3,270)	(1,575)	(16,473)	(1,817)
Exploration and evaluation expenditures	10	(10,050)	(1,028)	(18,361)	(2,607)
Dividends received	11	-	-	525	-
Acquisition of subsidiaries	4	-	-	-	(28,056)
Cash balance acquired during the period	4	-	-	-	3,108
Net cash used in investing activities		(13,320)	(2,603)	(34,309)	(29,372)
Cash flows generated from/(used in) financing activities:					
Issuance of common shares	15	109	9,813	109	48,503
Finance costs paid		(74)	(10)	(85)	(77)
Net cash generated from/(used in) financing activities		35	9,803	24	48,426
(Decrease)/increase in cash and cash equivalents		(6,308)	2,607	(6,976)	25,596
Effect of foreign exchange on cash and cash equivalents		(213)	235	(155)	148
Cash and cash equivalents, beginning of period		25,234	27,627	25,844	4,725
Cash and cash equivalents, end of period		18,713	30,469	18,713	30,469

The notes are an integral part of these Interim Consolidated Financial Statements.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

1. Reporting entity

SDX Energy Inc. ("SDX" or "the Company") is a company domiciled in Canada. The address of the Company's registered office is Centennial Place, East Tower, 1900, 520 - 3rd Avenue SW, Calgary, Alberta T2P 0R3. The unaudited Interim Consolidated Financial Statements of the Company as at and for the three months and nine months ended September 30, 2018 and 2017 ("Interim Consolidated Financial Statements") comprise the Company and its wholly owned subsidiaries and include the Company's share of joint arrangements (together the "Group").

The Company's shares trade on the Toronto Venture Stock Exchange ("TSX-V") in Canada and on the London Stock Exchange's Alternative Investment Market ("AIM") in the United Kingdom under the symbol "SDX".

The Company is engaged in the exploration for and development and production of oil and natural gas. The Company's principal properties are in the Arab Republic of Egypt and the Kingdom of Morocco.

As described in note 4 to the Interim Consolidated Financial Statements, on January 27, 2017 the Company acquired the Egyptian and Moroccan assets of Circle Oil plc.

2. Basis of preparation

a) Statement of compliance

These Interim Consolidated Financial Statements for the three months and nine months ended September 30, 2018 and 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These Interim Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These Interim Consolidated Financial Statements of SDX Energy Inc. were approved by the Board of Directors on November 26, 2018

b) Accounting policies

Transactions in foreign currencies are translated to United States dollars at exchange rates available on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars at the period end exchange rate.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates ruling at the period end date of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Previously, such gains and losses were recognized in other comprehensive income. The updated accounting policy has no net effect on prior period total comprehensive income or equity.

Other than the above and as detailed in note 3, the accounting policies adopted are consistent with those of the previous financial year. The policies applied are based on IFRS that are issued and outstanding as of the date that the Board of Directors approved these financial statements.

c) Going concern

The Company Directors have reviewed the Company's forecasted cash flows for the next 12 months from the date of publication of these Interim Consolidated Financial Statements and through until December 31, 2019. The capital expenditure and operating costs used in these forecasted cash flows are based on the Company's Board-approved 2018 SDX corporate budget, which reflects approved operating budgets for each of its joint ventures and an estimate of 2018 SDX corporate general and administrative expenses. The Company's forecasted cash flows also reflect its best estimate of operational and corporate expenditure, including corporate general and administrative costs for the period to December 31, 2019. The Directors have made enquiries into and considered the Egyptian and Moroccan business environment, future expectations regarding commodity price risk and, in particular, oil price risk given the volatility in quoted Brent and WTI crude oil prices.

The Directors have considered the sensitivities and potential outcomes relating to:

- i) country and commodity price risks;
- ii) the Company's ability to change the timing and scale of discretionary capital expenditure;
- iii) the Company's ability to manage operating costs; and
- iv) the Company's ability to manage general and administrative costs.

As a result, they consider that in a low-price environment the Company has sufficient resources at its disposal to continue for the foreseeable future. The foreseeable future is defined as being not less than 12 months from the date of publication of these Interim Consolidated Financial Statements.

Given the above, these Interim Consolidated Financial Statements continue to be prepared under the going concern basis of accounting.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

3. New accounting standards adopted

The Company has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments effective January 1, 2018. Adoption of these standards has not materially affected the way SDX accounts for its revenues or financial instruments. However, the Company will be including the new disclosures required by IFRS 15.

IFRS 9 (revised) “Financial Instruments: Classification and Measurement”

Effective January 1, 2018, the Company adopted IFRS 9 Financial Instruments, which replaced IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a single approach to determine whether a financial asset is measured at amortized cost or fair value. The approach is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of its financial assets. For financial liabilities, IFRS 9 stipulates that where the fair value option is applied to financial liabilities, the change in fair value resulting from an entity's own credit risk is recorded in other comprehensive income rather than net earnings, unless this creates an accounting mismatch. In addition, it incorporates a new expected credit loss model for calculating impairment on financial assets, which will result in more timely recognition of expected credit losses. IFRS 9 also includes a simplified hedge accounting model, aligning hedge accounting more closely with risk management.

On initial recognition, financial instruments are measured at fair value. Measurement in subsequent periods depends on the classification of the financial instrument as described below:

- Fair value through profit or loss - financial instruments under this classification include cash and cash equivalents, and derivative commodity contracts; and
- Amortized cost - financial instruments under this classification include accounts receivable, accounts payable and accrued liabilities, and long-term debt.

The Company does not apply hedge accounting. SDX has discounted its receivables due from one counterparty, as discussed further in Note 6a. As a result of adopting IFRS 9, there was no effect on the Company's retained earnings or prior period amounts.

IFRS 15 “Revenue from Contracts with Customers”

Effective January 1, 2018, the Company adopted IFRS 15 Revenue from Contracts with Customers, which replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. IFRS 15 establishes a comprehensive framework for determining whether, how much, and when revenue from contracts with customers is recognized. Under IFRS 15, revenue is recognized when a customer obtains control of the goods or services as stipulated in a performance obligation. Determining whether the timing of the transfer of control is at a point in time or over time requires judgement and can significantly affect when revenue is recognized. In addition, the entity must also determine the transaction price and apply it correctly to the goods or services contained in the performance obligation.

The Company's revenue is derived exclusively from contracts with customers, except for immaterial amounts related to interest and other income. Royalties are considered to be part of the price of the sale transaction and are therefore presented as a reduction to revenue. Revenue associated with the sale of crude oil, natural gas and natural gas liquids (“NGLs”) is measured based on the consideration specified in contracts with customers. Revenue from contracts with customers is recognized when or as the Company satisfies a performance obligation by transferring a good or service to a customer. A good or service is transferred when the customer obtains control of the good or service. The transfer of control of oil, natural gas, and NGLs usually coincides with title passing to the customer and the customer taking physical possession. SDX mainly satisfies its performance obligations at a point in time and the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Revenues associated with the sales of the Company's crude oil, natural gas, and NGLs in Egypt are recognized by reference to actual volumes sold and quoted market prices in active markets (Dated Brent), adjusted according to specific terms and conditions as applicable according to the sales contracts. Revenue is measured at the fair value of the consideration received or receivable. For reporting purposes, the Company records the government's share of production as royalties and taxes as all royalties and taxes are paid out of the government's share of production.

Revenues associated with the sale of the Company's natural gas in Morocco are recognized when the significant risks and rewards of ownership of the petroleum product have been transferred to the customer. Revenues from the sale of natural gas are recognized by reference to actual volumes delivered at contracted delivery points and contracted prices. Certain contracted prices are fixed, and others are determined by reference to quoted market prices in active markets (Dated Brent). Revenues are measured at the fair value of the consideration received. SDX pays royalties to the Moroccan government in accordance with the established royalty regime.

The Company reviewed its sales contracts with customers and determined that IFRS 15 did not have a material impact on its revenue recognition and accordingly no material impact on the Interim Consolidated Financial Statements. SDX adopted this standard using the modified retrospective approach, whereby the cumulative effect of initial adoption of the standard is recognized as an adjustment to retained earnings. There was no effect on the Company's retained earnings or prior period amounts as a result of adopting this standard.

Revenue segregated by product type and geographical market is found in notes 17 and 22 respectively.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

4. Business combination

On January 27, 2017, the Company announced the acquisition, through two of its wholly-owned subsidiaries, of the entire issued share capital of Circle Oil Egypt Limited ("COEL") and Circle Oil Morocco Limited ("COML") for a cash purchase price of US\$28.1 million. The acquisition was funded by means of a conditional placing of new common shares in SDX at a placing price of 30 pence (C\$0.50) per placing share, amounting to US\$40.0 million before costs.

COEL holds a 40% interest in the NW Gemsa concession, Eastern Desert, Egypt. Prior to the acquisition, SDX held a 10% interest in this concession, bringing the post-acquisition holding to 50%.

COML holds a 75% interest and operatorship in certain licenses, onshore Morocco, with L'Office National des Hydrocarbures et des Mines ("ONHYM") holding a 25% interest.

The acquisition is in accordance with the Company's strategy to pursue value adding production and development opportunities in North Africa to complement its organic growth strategy.

The fair value of the identifiable assets and liabilities of COEL and COML as at the date of acquisition were:

US\$ million	Fair value as at January 27, 2017
Non-current assets	
Property, plant & equipment	43.2
Current assets	
Cash and cash equivalents	3.1
Trade and other receivables	32.7
Inventory	1.1
Current tax	0.1
Non-current liabilities	
Decommissioning liability	(2.8)
Deferred income	(0.7)
Current liabilities	
Trade and other payables	(17.1)
Decommissioning liability	(1.2)
Deferred income	(0.9)
Total identifiable net assets at fair value	57.5
Total consideration	(28.1)
Excess of fair value over cost (bargain purchase)	29.4

Prior to the acquisition, the parent company of COEL and COML, Circle Oil Jersey Limited, was placed into administration. The excess of fair value over cost arises because COEL and COML were distressed businesses and purchased out of administration. A bargain purchase gain amounting to US\$29.4 million was recognized in the Consolidated Statement of Comprehensive Income for periods subsequent to the acquisition, after recording the following adjustments:

- A provision of US\$2.6 million has been recognized against certain aged receivables due from ONHYM relating to its share of historic construction costs, and a further US\$0.5 million of additional deferred income was recognized. These have been partially offset by additional billings for well completions in Morocco of US\$1.0 million (US\$0.8 million net of VAT). Management has further considered the recoverability of the trade receivables balance alongside confirmations received from EGPC and concession operators of amounts to be settled, as well as forecasted uses of Egyptian pounds in operations, and do not consider it necessary to apply discounting. The trade receivables balance and any updates to the conclusion over discounting will be monitored over the coming months.
- Ahead of the drilling campaign that began in the second half of 2017, an assessment was made of the acquired inventory. Certain items were identified as being unfit for use and an obsolescence provision of US\$0.2 million was recognized. Aged working capital of US\$0.9 million associated with legacy suppliers was eliminated.
- A further US\$1.9 million has been recorded for additional liabilities acquired, relating to potential tax and legal claims. During Q2 2018, a settlement was reached in relation to a historic operational tax issue, resulting in a provision release of US\$0.3 million to the Interim Consolidated Statement of Comprehensive Income.
- An accrued payable relating to back-dated tariff charges and other costs of US\$4.8 million at NW Gemsa has been released following the agreement of a payment plan with the operator. The estimate of natural gas and NGL receivable acquired has been revised down by US\$1.5 million following the receipt of additional information from the operator and EGPC (see note 17) to US\$6.7 million.

COEL and COML contributed US\$16.8 million revenue and US\$4.1 million net profit and US\$11.1 million revenue and US\$0.1 million net loss respectively for the nine months ended September 30, 2018.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

5. Determination of fair values

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

The different levels of financial instrument valuation methods have been defined as:

Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 fair value measurements are based on unobservable information.

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

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

6. Financial risk management

a) Credit risk

Trade and other receivables

Following the acquisition described in note 4, all of the Company's operations were conducted in Egypt and Morocco. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party.

The Company does not anticipate any default as it expects continued payment from customers. For this reason, no provision for doubtful accounts against invoiced sales has been recorded as at September 30, 2018 and December 31, 2017.

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

US\$'000s	Carrying amount	
	September 30 2018	December 31 2017
Government of Egypt-controlled corporations	19,368	25,582
Government of Morocco-controlled corporations	3,311	3,597
Third-party gas customers	2,422	3,175
Joint venture partners	2,461	1,586
Other ⁽¹⁾	1,297	841
Total	28,859	34,781

(1) Excludes prepayments of US\$1.2 million which are included in the Interim Consolidated Balance Sheet as Trade and other receivables but which are not categorised as Financial Assets as summarised above (2017: US\$2.9 million).

US\$19.4 million of current receivables relates to oil, gas and NGL sales and production service fees that are due from EGPC (2017: US\$25.6 million), a Government of Egypt-controlled corporation. The Company expects to collect outstanding receivables of US\$16.3 million for NW Gemsa (2017: US\$22.7 million) and US\$3.1 million for Block-H Meseda (2017: US\$2.9 million), in the normal course of operations. As part of the Government of Egypt's commitment to reduce amounts owing to international oil companies, the Company received US\$11.6 million in lump-sum payments during the nine months ended September 30, 2018.

ONHYM, a Government of Morocco-controlled corporation, owes US\$3.3 million, which relates to its outstanding share of well completion and connection and production costs. These receivables are not expected to be fully recovered during the next 12 months and have been discounted at 5%, with an associated finance expense of US\$0.3 million recognized in the Interim Consolidated Statement of Comprehensive Income. During Q2 2018, the Company received US\$0.2 million from ONHYM.

US\$2.4 million is owing from third-party gas customers in Morocco and is expected to be collected within agreed credit terms.

Subsequent to September 30, 2018, the Company collected US\$8.3 million of trade receivables from those outstanding at September 30, 2018; US\$6.5 million from EGPC, US\$1.5 million from third-party gas customers in Morocco and US\$0.3 million from ONHYM. Of the US\$6.5 million collected from EGPC, US\$4.3 million was in cash and US\$2.2 million was offset against South Disouq drilling and development costs and amounts owing to joint venture partners.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

6. Financial risk management (continued)

The joint venture partner current accounts represent the net of monthly cash calls paid less billings received. At September 30, 2018, US\$2.5 million was receivable from the joint venture partner in the South Disouq concession (2017: South Disouq - US\$1.6 million), representing both billed and unbilled amounts.

The other receivables of US\$1.3 million consist of US\$0.8 million for Goods and Services Tax ("GST")/ Value Added Tax ("VAT") and US\$0.5 million for other items.

US\$1.2 million related to prepayments predominantly associated with new venture activity and technical software subscriptions is recorded in the Interim Consolidated Balance Sheet.

As at September 30, 2018 and December 31, 2017, the Company's trade and other receivables, other than prepayments, are aged as follows:

US\$'000s	Carrying amount	
	September 30 2018	December 31 2017
Current (less than 90 days)	16,765	21,261
Past due (more than 90 days)	12,094	13,520
Total	28,859	34,781

Current trade and other receivables are unsecured and non-interest-bearing. The balances that are past due are not considered impaired.

Current trade and other receivables past due (more than 90 days old) have decreased by US\$1.4 million compared to December 31, 2017. This decrease is primarily due to the collection of NW Gemsa natural gas and NGL invoices issued by the operator in Q4 2017, amounting to US\$9.2 million, which were current as at December 31, 2017, and became aged during 2018.

Cash and cash equivalents

The Company limits its exposure to credit risk by investing only in liquid securities and only with highly rated counterparties. The Company's cash and cash equivalents are currently held in established banks in either countries of operation or the UK, the majority of which have A or AA ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

b) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The reporting and functional currency of the Company is United States dollars ("US\$"). Most 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\$, the Moroccan dirham ("MAD") and the US\$, and Sterling ("GBP") and the US\$. The majority of capital expenditures are incurred in US\$, EGP and MAD, and oil, natural gas, NGL and service fee revenues are received in US\$, EGP and MAD. The Company can use EGP and MAD to fund its Egyptian and Moroccan office general and administrative expenses and to part-pay cash requirements for both capital and operating expenditure, thereby 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 US\$ Equivalent	GBP	MAD	Other
As at September 30, 2018						
Cash and cash equivalents	18,713	12,663	1,710	1,796	2,305	239
Trade and other receivables (2)	30,044	20,571	83	1,188	8,137	65
Trade and other payables	(18,923)	(15,748)	(67)	(823)	(1,720)	(565)
Current income taxes	(1,089)	-	(1,089)	-	-	-
Balance sheet exposure	28,745	17,486	637	2,161	8,722	(261)

(1) FS denotes Financial Statements.

(2) Excludes prepayments.

The average exchange rates during the three months ended September 30, 2018 and 2017 were 1 US\$ equals:

Average: July 1, 2018 to September 30, 2018	USD/EGP USD/GBP USD/MAD			Average: July 1, 2017 to September 30, 2017	USD/EGP USD/GBP USD/MAD		
	USD/EGP	USD/GBP	USD/MAD		USD/EGP	USD/GBP	USD/MAD
Period average	17.8982	0.7674	9.4482	Period average	17.9002	0.7846	9.6065

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

6. Financial risk management (continued)

The average exchange rates during the nine months ended September 30, 2018 and 2017 were 1 US\$ equals:

Average: January 1, 2018 to September 30, 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.7851	0.7409	9.3492

Average: January 1, 2017 to September 30, 2017

	USD/EGP	USD/GBP	USD/MAD
Period average	17.8221	0.7640	9.7901

The exchange rates as at September 30, 2018 and 2017 were 1 US\$ equals:

Period end: September 30, 2018

	USD/EGP	USD/GBP	USD/MAD
Period end	17.9136	0.7665	9.4418

Period end: September 30, 2017

	USD/EGP	USD/GBP	USD/MAD
Period end	17.7001	0.7467	9.7694

7. Cash and cash equivalents

US\$'000s	Carrying amount	
	September 30 2018	December 31 2017
Cash and bank balances	17,172	24,248
Restricted cash ⁽¹⁾	1,541	1,596
Total cash and cash equivalents	18,713	25,844

(1) Cash collateral of US\$1.5 million is held at the bank to cover bank guarantees for minimum work commitments on the Company's Moroccan concessions. These guarantees are subject to forfeiture in certain circumstances if the Company does not fulfil its minimum work obligations.

8. Inventory

Following the completion of the Company's drilling campaign in Morocco during Q2 2018, the Company undertook a review of on-hand drilling inventory. It was concluded that a number of items should be written off based on several factors, including condition, operational failure, future utility, and the very limited resale market in Morocco. A charge of US\$0.5 million has been recognized in the Interim Consolidated Statement of Comprehensive Income, resulting in a closing inventory balance as at September 30, 2018 of US\$4.9 million.

9. Property, plant and equipment

US\$'000s	Oil and gas properties	Furniture and fixtures	Total
Cost:			
Balance at December 31, 2016	32,368	188	32,556
Additions	15,975	457	16,432
Acquisitions	43,232	-	43,232
Balance at December 31, 2017	91,575	645	92,220
Additions	11,866	646	12,512
Balance at September 30, 2018	103,441	1,291	104,732
Accumulated depletion, depreciation, amortization and impairment:			
Balance at December 31, 2016	(19,862)	(89)	(19,951)
Depletion, depreciation and amortization for the year	(17,737)	(87)	(17,824)
Balance at December 31, 2017	(37,599)	(176)	(37,775)
Depletion, depreciation and amortization for the period	(10,660)	(260)	(10,920)
Balance at September 30, 2018	(48,259)	(436)	(48,695)
NBV Property, plant and equipment as at December 31, 2017	53,976	469	54,445
NBV Property, plant and equipment as at September 30, 2018	55,182	855	56,037

During the nine months ended September 30, 2018, the PP&E additions of US\$12.5 million were predominantly related to the Morocco drilling campaign and new customer connections (US\$3.5 million), the drilling of the AASE-25, AASE-27 and Al-Ola 4 wells and well workovers in the NW Gemsa concession (US\$7.3 million), the Rabul-4, MH-16, and MH-15 wells in Block-H Meseda and well workovers (US\$1.1 million), the acquisition of additional technical software (US\$0.4 million), and the fit out of the new Cairo office in Egypt (US\$0.2 million). The difference between the US\$12.5 million disclosed above and the US\$16.5 million property, plant and equipment expenditure in the Interim Consolidated Statement of Cash Flows is because payments to creditors associated with Moroccan drilling which were outstanding as at December 31, 2017, exceeded the value of work taken in the nine months ended September 30, 2018.

The Company has also recorded in the table above the assets acquired from Circle Oil plc at fair value of US\$43.2 million.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

10. Exploration and evaluation assets

US\$'000s	
Balance at December 31, 2016	10,623
Additions	4,608
Balance at December 31, 2017	15,231
Additions	23,195
Exploration and evaluation expense	(4,999)
Balance at September 30, 2018	33,427

During the nine months ended September 30, 2018, E&E additions totaling US\$23.2 million included US\$9.2 million at South Disouq for the drilling of the Ibn Yunus-1X, Kelvin-1X, SD-4X and SD-3X wells, as well as preparatory works for the 3D seismic acquisition scheduled to begin in Q4 2018. Following the interpretation of well logs, Kelvin-1X was deemed non-commercial and the associated costs (US\$1.6 million) were expensed to the Interim Consolidated Statement of Comprehensive Income.

Additions in Morocco relate to the drilling of the ELQ-1, KSS-2, LNB-1, and LMS-1 wells (US\$8.6 million) and US\$4.2 million for the current 3D seismic campaign. Following sub-commercial results at the ELQ-1 and KSS-2 wells, the full costs of these two wells (US\$3.4 million) were expensed. US\$1.2 million of costs relating to the South Ramadan SRM-3 well were incurred during the period.

11. Investments

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), an oilfield services business incorporated in Egypt, over which it exercises joint control. Brentford owns all the assets it uses to provide its services and is legally responsible for settling its liabilities. In the current and comparative period, Brentford has provided services only to its shareholders, but it is not contractually obliged to do so. In the past, it has contracted with third parties and continues to seek future opportunities. On the balance of facts, the Company has concluded that Brentford is a joint venture under IFRS 11 - "Joint Arrangements" and the Company's interest is equity accounted for. The investment is reviewed regularly for indicators of impairment and no impairment was identified for the periods ended September 30, 2018 and December 31, 2017.

The following table summarizes the changes in investments for the periods ended September 30, 2018 and December 31, 2017:

US\$'000s	Carrying amount	
	September 30 2018	December 31 2017
Investments, beginning of period	2,724	2,503
Dividends received	(525)	(801)
Share of operating income	879	1,022
Investments, end of period	3,078	2,724

The following table summarizes the Company's 50% interest in the assets, liabilities, revenue, and operating income of Brentford as at September 30, 2018 and December 31, 2017:

US\$'000s	September 30	December 31
	2018	2017
Total assets	2,136	2,235
Total liabilities	9	14
Revenue	1,255	1,448
Net income	879	1,022

During the nine-month period ended September 30, 2018 and the year ended December 31, 2017, 50% of Brentford's revenue was earned from fees charged to the Company.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

12. Trade and other payables

US\$'000s	Carrying amount	
	September 30 2018	December 31 2017
Trade payables	6,232	2,636
Accruals	1,919	9,536
Joint venture partners	10,255	5,686
Other payables	517	1,601
Total trade and other payables	18,923	19,459

Trade payables comprises billed services and goods and, as at September 30, 2018, consisted predominantly of creditors associated with the Moroccan and South Disouq drilling and 3D seismic campaigns (US\$3.7million) and G&A creditors.

The US\$3.6 million increase in trade payables as at September 30, 2018, is due to billed services and goods associated with the Moroccan and South Disouq drilling campaigns, an element of which was included within accruals as at December 31, 2017, and 3D seismic costs billed during 2018.

Accruals include amounts for products and services received which have yet to be invoiced. The US\$7.6 million decrease period on period reflects payments made, or invoices received, for work undertaken but not billed as at December 31, 2017 for the Morocco drilling campaign.

Joint venture partners comprise partner current accounts of US\$5.2 million for NW Gemsa (2017: US\$1.0 million), US\$1.1 million for Block-H Meseda (2017: US\$1.2 million), US\$3.5 million for the Morocco concessions (2017: US\$3.5 million) and US\$0.5 million for South Ramadan (2017: US\$nil). The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

Other payables of US\$0.5 million comprise an estimated liability of US\$0.4 million related to the relinquishment of the Shukheir Marine concession (2017: US\$0.5 million), and employee costs accrued, VAT payable, and other sundry creditors of US\$0.1 million (2017: US\$1.1 million).

The difference between the decrease of US\$0.6 million in trade and other payables in the Interim Consolidated Balance Sheets as at September 30, 2018 and December 31, 2017 and the line item in the Interim Consolidated Statement of Cash Flows relating to the implied increase in trade and other payables of US\$1.0 million relates to the timing differences between the receipt and payment of invoices to operational creditors.

13. Deferred income

Deferred income relates to an advance receipt for gas sales from a customer in Morocco. This payment was used to fund the tie-in of the customer's manufacturing premises to the Company's operated gas pipeline. The amount will be credited to the Consolidated Statement of Comprehensive Income under the terms of an agreement entered into with the customer under which the selling price of gas is discounted by 5% until the advance payment is fully recouped, expected to be during the year ended December 31, 2019.

14. Decommissioning liability

Upon the acquisition of Circle Oil's Moroccan assets, the Company assumed responsibility for the decommissioning of these assets and has drilled further wells since acquisition that will require decommissioning in the future.

As at September 30, 2018, the total future undiscounted cash flows amounted to US\$5.4 million, to be incurred between the years 2020 and 2023, and the liability was discounted using a risk-free rate of 3.0%. No expenditure is anticipated within the next 12 months.

Following the drilling of the exploration and appraisal wells at South Disouq, the Company has a present obligation to decommission these assets under the terms of the concession agreement. The total future undiscounted cash flows amounted to US\$0.6 million, to be incurred in 2025, and the liability was discounted using a risk-free rate of 8.0%.

The discounted value of the cash flows above amounts to US\$5.2 million as at September 30, 2018, as shown below:

US\$'000s	Carrying amount	
	September 30 2018	December 31 2017
Decommissioning liability, beginning of period	4,542	-
Changes in estimate	613	625
Liabilities acquired through business combination	-	3,968
Payments for decommissioning	-	(137)
Accretion	71	86
Decommissioning liability, end of period	5,226	4,542
Of which:		
Current	-	1,063
Non-current	5,226	3,479

No decommissioning liabilities are recorded for the Company's other Egyptian assets, under the terms of the respective concession agreements.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

15. Share capital

The Company is authorized to issue unlimited common shares with no-par value and unlimited preferred shares with no-par value. The table below shows the number and stated value of the common shares issued as at September 30, 2018 and December 31, 2017:

	September 30, 2018		December 31, 2017	
	Number of Shares (000s)	Stated Value (US\$'000s)	Number of Shares (000s)	Stated Value (US\$'000s)
Balance, beginning of period	204,493	88,785	79,844	40,275
Issue of common shares (less share issue costs)	213	109	124,649	48,510
Balance, end of period	204,706	88,894	204,493	88,785
Weighted average shares outstanding	204,513		184,422	

16. Stock-based compensation

The stock-based compensation expense of US\$1.0 million recorded in the Interim Consolidated Statement of Comprehensive income represents the IFRS 2 charge associated with both the stock option plan and the Long-Term Incentive Plan described below.

Stock option plan

The Company has a stock option plan that entitles officers, directors, employees, and certain consultants to purchase shares in the Company.

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

In the nine months to September 30, 2018, 400,000 and 106,667 options previously awarded lapsed and were cancelled respectively. During Q3 2018, 213,333 options were exercised by a former Director of the Company, in accordance with the 90-day post-leaving exercise period stipulated by the stock option plan. In the 12 months ended December 31, 2017, 640,000 stock options were issued to four non-executive Directors of the Company, 100,000 options lapsed, 100,000 options were cancelled due to employees leaving the Company, and 33,332 options were exercised.

The number and weighted average exercise price of stock options for the Company's stock option plan is as follows:

	Number of Options (000s)	Weighted average exercise price (CDN\$)
Outstanding January 1, 2017	2,445	0.61
Lapsed during the year	(100)	0.54
Cancelled during the year	(100)	0.45
Exercised during the year	(33)	0.36
Issued during the year	640	0.76
Outstanding December 31, 2017	2,852	0.65
Exercisable December 31, 2017	2,395	0.64
Lapsed during the period	(400)	0.63
Cancelled during the period	(107)	0.76
Exercised during the period	(213)	0.66
Outstanding September 30, 2018	2,132	0.65
Exercisable September 30, 2018	1,782	0.64

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

16. Stock-based compensation (continued)

The exercise price of the outstanding options under the stock option plan as at September 30, 2018 is as follows:

Exercise price range	Outstanding options		Vested options	
	Number of options	Remaining contractual life	Number of options	Remaining contractual life
CAD \$0.39 - \$0.76	2,131,667	3-5 years	1,781,667	3-5 years

Key assumptions relating the options issued to September 30, 2018 are as follows:

	2017	2016	2015
Fair value at grant date (CDN)	\$0.26	\$0.28	\$0.61
Share price (CDN)	\$0.76	\$0.36	\$0.63
Exercise price (CDN)	\$0.76	\$0.36	\$0.63
Volatility (%)	70	70	70
Forfeiture (%)	0	0	0
Option life	5 years	5 years	5 years
Dividends (%)	0	0	0
Risk-free interest rate (%)	0.8	0.8	0.8

Long Term Incentive Plan ("LTIP")

On July 31, 2017 the Company established a new Long-Term Incentive Plan and issued awards to its Executive Directors and certain other key employees. The Company recognizes the need to ensure that Executive Directors and key employees from its operational, commercial, technical, and financial divisions, who are critical to executing the Company's strategy over the next phase of its development, are retained and incentivized to generate long-term value for shareholders.

The LTIP Awards and CSOP Options granted under the Plan take the form of a base award over a number of common shares. These awards will normally vest on the third anniversary of the date of grant of the awards, subject to meeting certain strategic, operational, financial, and shareholder return performance criteria and the continued employment of the participant. The awards for the Executive Directors are subject to a further two-year holding period from the date of vesting. There are clawback provisions contained in the rules of the Plan that can be applied to awards made to all participants.

The number of common shares granted to Executive Directors, over which the LTIP Awards and CSOP Options may vest, can be increased by a multiple of up to one times, depending on the level of share price growth over the three-year period from the date of grant. The potential level of increased share awards is calculated as follows:

- If the share price growth in the three-year period is less than 11% pa, there will be no increase in the base award number of shares set out above; and
- If the share price growth in the three-year period is between 11% pa and 20% pa, the additional number of shares that vest will increase proportionately within this range up to a cap of a multiple of one times the base award number of shares. This cap will be triggered at share price growth of 20% pa or more.

For the avoidance of doubt, the maximum number of shares that can vest for the CEO and CFO is 3,005,674 and 2,234,707 respectively.

Based on grants to November 26, 2018, the maximum potential number of common shares that can vest to the Executive Directors and other selected employees under the LTIP was in aggregate 7,100,884. All these options are outstanding as at September 30, 2018 and November 26, 2018 but none have vested.

The number of ordinary shares that may be issued or reserved for issuance under the awards granted pursuant to the LTIP, together with all common shares that may be issued under options granted pursuant to the Company's stock option plan, may not exceed 10% of the Company's issued and outstanding common shares at the time of grant.

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

17. Revenue, net of royalties

US\$'000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
NW Gemsa oil sales revenue	12,936	8,411	31,821	22,555
Royalties	(5,552)	(3,610)	(13,657)	(9,680)
Net oil revenue	7,384	4,801	18,164	12,875
Block-H Meseda production service fee revenues	4,094	1,845	10,102	5,768
Morocco gas sales revenue	3,754	3,214	11,118	8,779
Royalties	(216)	-	(216)	-
Net Morocco gas sales revenue	3,538	3,214	10,902	8,779
Net other products revenue	391	264	671	739
Total net revenue before tax	15,407	10,124	39,839	28,161

The oil sales revenue and royalties and net other products revenue relate to the NW Gemsa concession, which is governed by an Egyptian PSC. The royalties are those attributable to the government, taken in accordance with the fiscal terms of the PSC.

The Company sells associated gas and NGLs from its NW Gemsa concession to the Egyptian state. These sales began in February 2013, with revenue recognized from February to September of that year. After September 2013, the Company ceased to recognize revenue because of a dispute with EGPC over entitlement volumes and pricing. During Q4 2016, this dispute was resolved such that outstanding sales for the period October 1, 2013 and December 31, 2016 were recognized. These sales have continued to be recognized for the nine months ended September 30, 2018. In December 2017, the operator of the NW Gemsa concession advised that the invoices it had issued were based on erroneous volumes and prices and that the revised invoices resulted in lower revenues. The adjustment was made during Q4 2017, with the portion relating to the acquired Circle Oil receivables being adjusted through the gain on acquisition (US\$1.3 million), and the remainder through net revenue (US\$0.3 million). A further correction was necessary for Q1 2018, with US\$0.2 million being adjusted through the gain on acquisition and US\$0.2 million through net revenue.

The production service fees relate to Block-H Meseda, which is governed by an Egyptian PSA.

The Moroccan gas sales revenue is derived from a Petroleum Agreement with the Moroccan state. Sales-based royalties become payable when certain inception-to-date production thresholds are reached, according to the terms of each exploitation concession. During Q3 2018, natural gas production from the Ksirri exploitation concession exceeded such a threshold, resulting in the recognition of royalties amounting to 5% of revenue from this concession from that point forward. Royalty payments are made directly to the Government of Morocco biannually, with the next payment due in Q1 2019.

18. Direct operating expense

US\$'000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
NW Gemsa	1,932	1,801	4,774	4,947
Block-H Meseda	1,024	612	2,762	2,003
Morocco - Sebou	424	259	1,006	753
Other	-	-	-	25
Total direct operating expense	3,380	2,672	8,542	7,728

Notes to the Interim Consolidated Financial Statements

For the three and nine months ended September 30, 2018 and 2017

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

19. General and administrative expenses

US\$'000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Wages and employee costs	1,478	1,801	5,275	4,716
Consultants - inc. PR/IR	95	84	387	533
Legal fees	17	135	170	255
Audit, tax and accounting services	142	153	613	510
Public company fees	123	115	487	285
Travel	52	61	199	210
Office expenses	234	235	807	733
IT expenses	95	49	318	261
Service recharges	(1,175)	(500)	(4,430)	(1,374)
Ongoing general and administrative expenses	1,061	2,133	3,826	6,129
Transaction costs	-	-	-	2,373
Total net G&A	1,061	2,133	3,826	8,502

20. Income tax

US\$'000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
NW Gemsa	1,492	971	3,659	2,609
Block-H Meseda	630	334	1,516	741
Morocco - Sebou	-	-	-	-
Other	-	-	14	-
Total current taxes	2,122	1,305	5,189	3,350

Pursuant to the terms of the Company's PSCs, the corporate tax liability of the joint venture partners is paid by the government-controlled corporations ("Corporations") that participate in these PSCs. The tax is paid out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes, however, the corporate taxes the Corporations pay are treated as a benefit that the Company earns, with the amount being "grossed up" and included in net oil revenues. The income tax expense of the Company is recorded in the financial statements.

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

The current income tax expense in the Interim Consolidated Statement of Comprehensive Income for the three months and nine months ended September 30, 2018 relates to income tax on North West Gemsa's PSC and income tax relating to the Company's PSA in Block-H Meseda, as described above.

The current income tax liability of US\$1.1 million in the Consolidated Balance Sheet relates to the Company's PSA in Block-H Meseda and equates to corporate income tax for the nine months ended September 30, 2018, less payments made on account.

The Company's Moroccan operations benefit from a 10-year corporation tax holiday from first production and no taxation is due on Moroccan profits as at September 30, 2018.

21. Income/(loss) per share

US\$'000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Net income before comprehensive income for the period	3,169	4,408	4,140	30,941
Weighted average amount of shares				
- Basic	204,553	189,763	204,513	177,669
- Diluted	206,674	192,391	206,640	179,691
Per share amount				
- Basic	\$0.015	\$0.023	\$0.020	\$0.174
- Diluted	\$0.015	\$0.023	\$0.020	\$0.172

Basic income/(loss) per share is calculated by dividing the income attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company computes the dilutive impact of common shares by assuming that the proceeds received from the pro forma exercise of in-the-money stock options or warrants are used to purchase common shares at average market prices.

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22. Segmental reporting

Following the acquisition of the Egyptian and Moroccan assets of Circle Oil plc, the Company's operations are managed on a geographic basis, by country.

The Company is engaged in one business of upstream oil and gas exploration and production. The Executive Directors are the Company's chief operating decision maker within the meaning of IFRS 8.

	Three months ended September 30, 2018				Three months ended September 30, 2017			
	Egypt	Morocco	Unallocated ⁽¹⁾	Total	Egypt	Morocco	Unallocated ⁽¹⁾	Total
Revenue	11,869	3,538	-	15,407	6,910	3,214	-	10,124
Direct operating expense	(2,956)	(424)	-	(3,380)	(2,413)	(259)	-	(2,672)
Netback (pre tax)	8,913	3,114	-	12,027	4,497	2,955	-	7,452
General and administrative expenses	(224)	(249)	(588)	(1,061)	(449)	(233)	(1,451)	(2,133)
Stock-based compensation	-	-	(324)	(324)	-	-	(188)	(188)
Share of profit from joint venture	353	-	-	353	274	-	-	274
Release of historic operational tax provision	-	-	-	-	-	-	-	-
Inventory write-off	-	-	-	-	-	-	-	-
Gain on sale of office asset	-	-	-	-	-	-	-	-
EBITDAX	9,042	2,865	(912)	10,995	4,322	2,722	(1,639)	5,405
Exploration and evaluation expense	-	-	(193)	(193)	-	-	(64)	(64)
Depletion, depreciation and amortization	(2,893)	(1,723)	(114)	(4,730)	(2,058)	(2,575)	(7)	(4,640)
Operating income/(loss)	6,149	1,142	(1,219)	6,072	2,264	147	(1,710)	701

(1) Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment.

	Nine months ended September 30, 2018				Nine months ended September 30, 2017			
	Egypt	Morocco	Unallocated ⁽¹⁾	Total	Egypt	Morocco	Unallocated ⁽¹⁾	Total
Revenue	28,937	10,902	-	39,839	19,382	8,779	-	28,161
Direct operating expense	(7,536)	(1,006)	-	(8,542)	(6,975)	(753)	-	(7,728)
Netback (pre tax)	21,401	9,896	-	31,297	12,407	8,026	-	20,433
General and administrative expenses	(317)	(839)	(2,670)	(3,826)	(879)	(1,078)	(6,545)	(8,502)
Stock-based compensation	-	-	(980)	(980)	-	-	(273)	(273)
Share of profit from joint venture	879	-	-	879	985	-	-	985
Release of historic operational tax provision	-	300	-	300	-	-	-	-
Inventory write-off	-	(490)	-	(490)	-	-	-	-
Gain on sale of office asset	23	-	-	23	-	-	-	-
EBITDAX	21,986	8,867	(3,650)	27,203	12,513	6,948	(6,818)	12,643
Exploration and evaluation expense	(1,573)	(3,426)	(508)	(5,507)	-	-	(235)	(235)
Depletion, depreciation and amortization	(6,100)	(4,510)	(310)	(10,920)	(6,024)	(7,021)	(9)	(13,054)
Operating income/(loss)	14,313	931	(4,468)	10,776	6,489	(73)	(7,062)	(646)

(1) Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment.

The segment assets and liabilities as at September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018				December 31, 2017			
	Egypt	Morocco	Unallocated ⁽¹⁾	Total	Egypt	Morocco	Unallocated ⁽¹⁾	Total
Segment assets	78,024	47,517	20,698	146,239	74,046	51,277	15,734	141,057
Segment liabilities	(10,563)	(13,401)	(2,427)	(26,391)	(4,703)	(19,523)	(2,212)	(26,438)

(1) Unallocated expenditure, assets and liabilities include amounts of a corporate nature and not specifically attributable to a geographical segment.

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23. Commitments and contingencies

Pursuant to the concession and production service fee agreements in Egypt and Morocco, the Company is required to perform certain minimum exploration and development activities that include the drilling of exploration and development wells. These obligations have not been provided for in the Interim Consolidated Financial Statements.

In Morocco, the commitments are for one exploration well and 240km² of 3D seismic in Gharb Centre. The total estimated cost of these commitments is c.US\$5.5 million.

In Egypt, the commitments are for the drilling of one appraisal well and a facilities upgrade for South Ramadan (remaining commitment of US\$1.8 million) and two exploration wells and no less than 100km² of 3D for the second exploration phase commitment for South Disouq. The Company estimates that its share of this committed exploration cost on South Disouq is \$4.8 million, which will be incurred within the next 12 months.

The anticipated timing of the expenditure associated with the above commitments is shown in the table below.

US\$'000s	September 30 2018	December 31 2017
Less than one year	12,100	31,000
Between one and five years	-	-
Total	12,100	31,000

The Company has a lease commitment for its office premises in London under a non-cancellable operating lease. Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

US\$'000s	September 30 2018	December 31 2017
Less than one year	166	172
Between one and five years	242	375
Total	408	547

There are no contingencies as at September 30, 2018.