



Financial Statements

2017 Annual Report

Consolidated Balance Sheet

as at December 31, 2017 and 2016

(thousands of United States dollars)	Note	As at December 31 2017	As at December 31 2016
Assets			
Cash and cash equivalents	7	25,844	4,725
Trade and other receivables	6b	37,656	9,463
Inventory	8	5,157	1,698
Current assets		68,657	15,886
Investments	11	2,724	2,503
Property, plant and equipment	9	54,445	12,605
Intangible exploration and evaluation assets	10	15,231	10,623
Non-current assets		72,400	25,731
Total assets		141,057	41,617
Liabilities			
Trade and other payables	12	19,459	3,674
Deferred income	13	495	-
Decommissioning liability	14	1,063	-
Current income taxes	15	915	389
Current liabilities		21,932	4,063
Deferred income	13	737	-
Decommissioning liability	14	3,479	-
Deferred income taxes	15	290	290
Non-current liabilities		4,506	290
Total liabilities		26,438	4,353
Equity			
Share capital	16	88,785	40,275
Warrants	16	-	-
Contributed surplus		5,666	5,128
Accumulated other comprehensive loss		(888)	(917)
Retained earnings/(accumulated loss)		21,056	(7,222)
Total equity		114,619	37,264
Equity and liabilities		141,057	41,617

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

The financial statements on pages 45 to 71 were approved by the Board of Directors on March 23, 2018 and signed on its behalf by:



Paul Welch
Chief Executive Officer



Mark Reid
Chief Financial Officer

Consolidated Statement of Comprehensive Income

for the years ended December 31, 2017 and 2016

(thousands of United States dollars)	Note	Twelve months ended December 31	
		2017	2016
Revenue, net of royalties	18	39,166	12,914
Direct operating expense		(10,254)	(5,282)
Gross profit		28,912	7,632
Exploration and evaluation expense		(187)	(24,833)
Depletion, depreciation and amortisation	9	(17,824)	(3,266)
Impairment expense	9	-	(4,303)
Reversal of inventory provision	8	798	479
Stock based compensation	17	(538)	47
Share of profit from joint venture	11	1,022	1,222
General and administrative expenses			
- Ongoing general and administrative expenses	19	(6,420)	(3,679)
- Transaction costs	19	(2,373)	-
Operating income/(loss)		3,390	(26,701)
Net finance (expense)/income		(129)	4
Gain on acquisition	4	29,558	-
Income/(loss) before income taxes		32,819	(26,697)
Current income tax expense	15	(4,541)	(1,499)
Deferred income tax expense	15	-	(4)
Total current and deferred income tax expense		(4,541)	(1,503)
Net income/(loss)		28,278	(28,200)
Other comprehensive income			
Foreign exchange		29	237
Total comprehensive income/(loss) for the period		28,307	(27,963)
Net income/(loss) per share			
Basic	20	\$0.153	\$(0.394)
Diluted	20	\$0.151	\$(0.394)

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

Consolidated Statement of Changes in Equity

for the years ended December 31, 2017 and 2016

(thousands of United States dollars)	Note	Twelve months ended December 31	
		2017	2016
Share capital			
Balance, beginning of period	16	40,275	30,148
Issuance of common shares	16	49,589	10,988
Share issue costs	16	(1,079)	(861)
Balance, end of period		88,785	40,275
Warrants			
Balance, beginning of period		-	99
Expiry of warrants		-	(99)
Balance, end of period		-	-
Contributed surplus			
Balance, beginning of period		5,128	5,175
Share based payments for the period		538	(47)
Balance, end of period		5,666	5,128
Accumulated other comprehensive loss			
Balance, beginning of period		(917)	(1,154)
Foreign currency translation adjustment for the period		29	237
Balance, end of period		(888)	(917)
Retained earnings/(accumulated loss)			
Balance, beginning of period		(7,222)	20,978
Net income/(loss) for the period		28,278	(28,200)
Balance, end of period		21,056	(7,222)
Total equity		114,619	37,264

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

Consolidated Statement of Cash Flows

for the years ended December 31, 2017 and 2016

(thousands of United States dollars)	Twelve months ended December 31	
	2017	2016
Cash flows generated from/(used in) operating activities		
Income/(loss) before income taxes	32,819	(26,697)
Adjustments for:		
Depletion, depreciation and amortization	9 17,824	3,266
Exploration and evaluation expense	10 187	24,416
Impairment expense	9 -	4,303
Reversal of inventory provision	8 (798)	(479)
Finance expense/(income)	129	(4)
Stock based compensation	17 538	(47)
Gain on acquisition	4 (29,558)	-
Tax paid by State	15 (3,551)	(1,272)
Share of profit from joint venture	11 (1,022)	(1,222)
Operating cash flow before working capital movements	16,568	2,264
Decrease/(increase) in trade and other receivables	6b 4,871	(3,001)
Decrease/(increase) in trade and other payables	12 2,496	(408)
Increase in inventory	8 (1,951)	(31)
Payments for decommissioning	14 (4)	-
Cash generated from/(used in) operating activities	21,980	(1,176)
Income taxes paid	15 (364)	(766)
Net cash generated from/(used in) operating activities	21,616	(1,942)
Cash flows (used in)/generated from investing activities:		
Property, plant and equipment expenditures	9 (21,132)	(161)
Exploration and evaluation expenditures	10 (3,785)	(11,729)
Dividends received	11 760	825
Acquisition of subsidiaries	4 (28,056)	-
Cash balance acquired during the period	4 3,108	-
Net cash used in investing activities	(49,105)	(11,065)
Cash flows generated from/(used in) financing activities:		
Issuance of common shares	16 48,510	10,127
Finance costs paid	(43)	(96)
Net cash generated from financing activities	48,467	10,031
Increase/(decrease) in cash and cash equivalents	20,978	(2,976)
Effect of foreign exchange on cash and cash equivalents	141	(469)
Cash and cash equivalents, beginning of period	4,725	8,170
Cash and cash equivalents, end of period	25,844	4,725

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

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

(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 1900, 520 – 3rd Avenue SW, Centennial Place, East Tower, Calgary, Alberta T2P 0R3. The Consolidated Financial Statements of the Company as at and for the years ended December 31, 2017 and 2016 comprise the Company and its wholly owned subsidiaries and include the Company's share of joint arrangements as explained in note 11 below (together the "Group"). As described in note 4 to the Consolidated Financial Statements, on January 27, 2017, the Company acquired the Egyptian and Moroccan assets of Circle Oil plc.

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

The Company's share 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".

2. Basis of preparation

(a) Statement of compliance

The Consolidated Financial Statements of the Company have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and with IFRS Interpretations Committee ("IFRS IC") interpretations. These accounting standards and interpretations are collectively referred to as "IFRS" in this report.

The accounting policies that follow set out those policies that apply in preparing the Consolidated Financial Statements for the year ended December 31, 2017. The policies applied are based on IFRS issued and outstanding as of March 23, 2018.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The functional currency for each entity in the Group, and for joint arrangements and associates, is the currency of the primary economic environment in which that entity operates. Transactions denominated in other currencies are converted to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates.

The Group's financial statements are presented in US dollars, as that presentation currency most reliably reflects the business performance of the Group as a whole. On consolidation, income statement items for each entity are translated from the functional currency into US dollars at average rates of exchange where the average is a reasonable approximation of rates prevailing on the transaction date. Balance sheet items are translated into US dollars at period-end exchange rates.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and affect the results reported in these Consolidated Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Purchase price allocations, depletion, depreciation and amortization, and amounts used in impairment calculations are based on estimates of crude oil and natural gas reserves. Reserve estimates are based on engineering data, estimated future prices, expected future rates of production and the timing of future capital expenditures, all of which are subject to many uncertainties, interpretations and judgements. The Company expects that, over time, its reserve estimates will be revised upward or downward based on updated information such as the results of future drilling, testing and production levels, and may be affected by changes in commodity prices.

In accounting for property, plant and equipment, during the drilling of oil and gas wells, at period end it is necessary to estimate the value of work done ("VOWD") for any unbilled goods and services provided by contractors.

The invoicing of produced crude oil, natural gas and Natural Gas Liquids is, for non-operated concessions, performed by the Company's joint venture partners. In certain concessions, the operator is reliant on production and/or price information from other third parties, which may not be consistently prepared and received on a timely basis. In such instances, the Company may be required to estimate production volumes and/or prices based upon the most robust available data.

(e) Going concern

The Directors have reviewed the Company's forecast cash flows for the next twelve months from the date of publication of this Annual Report and through until December 31, 2019. The capital expenditure and operating costs used in these forecast cash flows are based on the Company's Board approved 2018 SDX corporate budget which reflects approved operating budgets for each of its operating assets and an estimate of 2019 SDX corporate general and administrative expenses. The Company's forecast cash flows also reflect its best estimate of operational and corporate expenditure, including corporate general and administrative costs for the year to December 31, 2019. The Directors have made enquiries into and considered the Egyptian 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.

Having considered these 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.

The Directors consider that in a lower cost environment the Company has sufficient resources at its disposal to continue for the foreseeable future. The foreseeable future is defined as not being less than twelve months from the date of publication of the 2017 Annual Report.

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

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these Consolidated Financial Statements and have been applied consistently by the Company and its subsidiaries.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists where the Company has: power over the entities, that is existing rights that give it the current ability to direct the relevant activities of the entities (those that significantly affect the Companies' returns); exposure, or rights, to variable returns from its involvement with the entities; and the ability to use its power to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(ii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control such that decisions about the relevant activities of the arrangement (those that significantly affect the Companies' returns) require the unanimous consent of the parties sharing control. The Company has one joint arrangement, being its 50% equity interest in Brentford Oil Tools LLC ("Brentford"). As the parties sharing joint control in this entity have rights to its net assets, the arrangement constitutes a joint venture and is accounted for using the equity accounting method. Under the equity method of accounting, the investment in Brentford was initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. The Company's Consolidated Statement of Comprehensive Income includes its share of Brentford's profit or loss. The Company's other comprehensive income includes its share of Brentford's other comprehensive income. Dividends received or receivable from Brentford are recognized as a reduction in the carrying amount of the investment.

(iii) Investments in associates

An associate is an entity over which the Company has significant influence, and is equity accounted for.

(iv) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the Consolidated Financial Statements.

(b) Foreign currency

Transactions in foreign currencies are translated to United States dollars at exchange rates at 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.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, deposits with banks, term deposits, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are designated as loans and receivables.

Financial assets at fair value through the Consolidated Statement of Comprehensive Income

An instrument is classified at fair value through the Consolidated Statement of Comprehensive Income if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the Consolidated Statement of Comprehensive Income if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in the Consolidated Statement of Comprehensive Income when incurred. Financial instruments are measured at fair value, and changes therein are recognized in the Consolidated Statement of Comprehensive Income.

Financial liabilities

Financial liabilities at amortized cost include trade payables. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial assets

Trade and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

(ii) Equity instruments

Equity instruments are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects, if any.

(d) Inventory

Inventories consist of tangible drilling materials, and other consumables. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price less applicable selling expenses.

(e) Property, plant and equipment and intangible exploration and evaluation expenses

(i) Recognition and measurement

Development and production costs

Property, plant and equipment is stated at cost, less accumulated depletion and depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or the construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditures on major maintenance, inspections or overhauls are capitalized when the item enhances the life or performance of an asset above its original standard. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Consolidated Statement of Comprehensive Income as incurred. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance expenditures are expensed as incurred.

Intangible exploration and evaluation expenditures

Pre-licence costs are recognized in the Consolidated Statement of Comprehensive Income in the period that they are incurred.

Exploration and evaluation expenditures, including the costs of acquiring licences and directly attributable general and administrative costs, geological and geophysical costs, acquisition of mineral and surface rights, technical studies, other direct costs of exploration (drilling, trenching, sampling and evaluating the technical feasibility and commercial viability of extraction) and appraisal are accumulated and capitalized as intangible exploration and evaluation ("E&E") assets.

On a quarterly basis, a review of any areas classified and accounted for as E&E is performed to determine whether enough information exists to make a determination of the technical feasibility and commercial viability of the area. Where appropriate, review may indicate that an area should be further sub-divided due to a significant portion having been explored whilst a significant undeveloped portion with different traits (i.e. different zone, technical approach, play type, etc.) remains that requires additional E&E activities to arrive at the point where it can be assessed for technical feasibility and commercial viability.

The assessment of technical feasibility and commercial viability is performed on an area level basis unless further sub-division is merited. Depending on the extent and complexity of the prospective play, many wells may need to be drilled and potentially significant E&E costs accumulated prior to obtaining enough information to make the determination of technical feasibility and commercial viability possible.

E&E costs are not amortized prior to the conclusion of appraisal activities. At the completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, the carrying value of the relevant E&E asset will be reclassified as a development and production asset (“D&P”) into the cash generating unit (“CGU”) to which it relates, but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. Typically, technical feasibility and commercial viability of extracting a mineral resource is considered to be demonstrable when proven or probable reserves are determined to exist. However, if the Company determines the area is not technically feasible and commercially viable, accumulated E&E costs are expensed in the period during which this determination is made.

(ii) Depletion and depreciation

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

For other assets (see below), a straight-line basis is used over the assets’ estimated useful lives, as follows:

Fixtures and fittings	1 – 5 years
Office equipment	1 – 5 years
Vehicles	1 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the Consolidated Statement of Comprehensive Income.

An impairment loss is reversed when there is a significant change in the underlying estimates or other objective evidence. For financial assets measured at amortized cost the reversal is recognized in the Consolidated Statement of Comprehensive Income.

(ii) Non-financial assets

Exploration and evaluation costs are tested for impairment when reclassified to D&P assets or whenever facts and circumstances indicate potential impairment. Exploration and evaluation assets are tested separately for impairment. An impairment loss is recognized for the amount by which the exploration and evaluation expenditure’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation expenditure’s fair value less cost of disposal and their value in use.

Values of oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset’s recoverable amount is calculated. Assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (the CGU). The recoverable amount of a CGU is the greater of its fair value less cost of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. An impairment loss is charged to the income statement. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased, and if such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(g) Share based payments

The grant date fair value of options granted to employees is recognized as stock based compensation expense, with a corresponding increase in contributed surplus over the vesting period. Each tranche granted is considered a separate grant with its own vesting period and grant date fair value. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(h) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior operating decision-makers. The senior operating decision-makers have been identified as the Executive directors that, as a group, make strategic decisions regarding the Company.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

3. Significant accounting policies (continued)

(i) Provisions

A provision is recognized, if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(j) Decommissioning obligations

The Company's activities can give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision is established.

(k) Revenue

Revenue from the sale of oil, condensates, natural gas and natural gas liquids ("NGLs") is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline or is delivered to the refinery or other end customer. Revenue is measured net of discounts, customs duties and royalties.

Revenue from the services provided in the production of oil and natural gas is recognized when title passes from the Company to the customer. Production service fee revenue represents the Company's share of oil and gas production that remains after all obligations under its contracts have been recorded, inclusive of any royalty obligations to government and other mineral interest owners.

Tariffs and tolls charged to other entities for the use of pipelines and facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreements.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Pursuant to the terms of the Company's Egyptian concession agreements, the corporate tax liability of the joint venture partners is paid by the government controlled corporations ("Corporations") out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes the corporate taxes paid by the Corporations are treated as a benefit earned by the Company; the amount is included in net oil revenues and in income tax expense, therefore having a net neutral impact on reported net income. Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Company also has a production service agreement in Egypt relating to Block – H Meseda. The Company's subsidiary, Madison Egypt Ltd ("MEL") an Egyptian registered entity, is the SDX contracting party in this production service agreement. Corporate tax is payable by MEL based on its taxable income, from this production service agreement, for the year using tax rates enacted or substantively enacted at the reporting date.

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 December 31, 2017.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

(m) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants.

(n) Business combinations

Business combinations are accounted for using the acquisition method. Assets and acquired and liabilities assumed in a business combination are recognized at their fair value at the date of the acquisition. Any excess of the consideration paid over the fair value of the net assets acquired is recognized as an asset. Any excess of the fair value of the net assets acquired over the consideration paid is recognized in the Consolidated Statement of Comprehensive Income.

(o) New standards and interpretations

The Consolidated Financial Statements have been prepared on the basis of accounting policies consistent with those applied in the Consolidated Financial Statements for the year ended December 31, 2016. The amendment to IAS 12: "Recognition of Deferred Tax Assets for Unrealised Losses", which is mandatory for 2017, clarifies the accounting treatment for deferred tax assets related to debt instruments measured at fair value. An amendment to IAS 7 "Statement of Cash Flows: Disclosure Initiative", which is mandatory for 2017, requires entities to provide disclosures about changes in liabilities arising from financing activities, including changes from financing cash flows and non-cash changes (such as foreign exchange gains or losses). Neither of these amendments have had a material impact on the Consolidated Financial Statements. The clarification in "Annual Improvements 2014 -2016 – IFRS 12 Disclosure of interests in other entities" regarding the scope of the standard is not relevant to the Consolidated Financial Statements.

At the date of authorization of these Consolidated Financial Statements, the International Accounting Standards Board ("IASB") has issued the following new and revised standards which are not yet effective for the relevant periods:

IFRS 9 – Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9, which replaces IAS 39, Financial Instruments – Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual Consolidated Financial Statements commencing January 1, 2018. The Company does not expect this standard to have a significant impact on its Consolidated Financial Statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 and will provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach and enhanced qualitative disclosure requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard is effective for annual periods beginning on or after January 1, 2018. Entities will have a choice of full retrospective application, or prospective application with additional disclosures (simplified transition method). The Company has assessed the impact of IFRS 15 and determined that its application will result in no changes in its revenue recognition.

IFRS 16 – Leases ("IFRS 16")

On January 13, 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17 'Leases' ("IAS 17"). Classification of leases by the lessor under IFRS 16 continues as either an operating or a finance lease, as was the treatment under IAS 17 'Leases'. The treatment of leases by the lessee will require capitalization of most leases resulting in accounting treatment similar to finance leases under IAS 17. Exemptions for leases of very low value or short term leases will be applicable. The new standard will result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the Consolidated Statement of Comprehensive Income with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under IAS 17. The Company's leases will come on balance sheet on adoption of IFRS16 and the impact is still being assessed. IFRS 16 will be applied for annual periods beginning on or after 1 January 2019 with the cumulative effect of initially applying the standard recognised at the date of initial application.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

(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 licences, 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 provisional 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	32.9
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	57.7
Total consideration	(28.1)
Excess of fair value over cost (bargain purchase)	29.6

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 due to the fact that COEL and COML were distressed businesses and purchased out of administration. A provisional bargain purchase gain amounting to US\$30.0 million has been recognised in the Consolidated Statement of Comprehensive Income for the twelve months ended December 31, 2017, after recording the following adjustments:

- A provision of US\$2.6 million has been recognised against certain aged receivables due from ONHYM relating to its share of historic construction costs, and US\$0.5 million additional deferred income identified. 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 forecast 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 commenced 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 recognised. 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.
- 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\$1.3 million following the receipt of additional information from the operator (see note 6b) to US\$6.9 million.

COEL and COML contributed US\$14.1 million revenue and US\$0.5 million net profit and US\$12.4 million revenue and US\$0.4 million net profit respectively to the Consolidated Financial Statements for the twelve months to December 31, 2017.

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 follows:

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 a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general option holder behavior, expected dividends, and the risk-free interest rate.

6. Financial risk management

(a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk;
- market risk;
- foreign currency risk; and
- other price risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these Consolidated Financial Statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit risk

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

\$000's	Carrying amount	
	December 31 2017	December 31 2016
Cash and cash equivalents	25,844	4,725
Trade and other receivables ⁽¹⁾	34,781	8,809
Total	60,625	13,534

(1) Excludes prepayments

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

6. Financial risk management (continued)

(b) Credit risk (continued)

Trade and other receivables

Subsequent to 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. As such no provision for doubtful accounts has been recorded as at December 31, 2017 and 2016. Receivables have not been discounted.

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

\$000's	Carrying amount	
	December 31 2017	December 31 2016
Government of Egypt controlled corporations	25,582	7,745
Government of Morocco controlled corporations	3,597	-
Third party gas customers	3,175	-
Joint venture partners	1,586	578
Other ⁽¹⁾	841	486
Total trade and other receivables	34,781	8,809

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

As a result of the acquisition of Circle Oil plc on January 27, 2017, US\$32.9 million of Trade and other receivables were added to SDX's Trade and other receivables upon completion of the transaction, and this is the reason for the significant increase in these balances as at December 31, 2017.

US\$25.6 million of current receivables related to oil, gas and NGL sales and production service fees which are due from EGPC (2016: US\$7.7 million), a Government of Egypt controlled corporation. The Company expects to collect outstanding receivables of US\$22.7 million for NW Gemsa (2016: US\$3.4 million) and US\$2.9 million for Block – H Meseda (2016: US\$2.3 million), in the normal course of operations. During 2017, as part of the Government of Egypt's commitment to reduce amounts owing to international oil companies, the Company received US\$10.0 million in lump-sum payments, of which US\$9.0 million related to the acquired Circle Oil NW Gemsa receivables.

US\$3.6 million is owed by ONHYM and relates to ONHYM's share of well completion and connection and production costs outstanding. During Q4 2017 the Company received US\$2.2 million in settlement of 8" pipeline construction and some well completion costs.

US\$3.2 million is owing from third party gas customers in Morocco and is expected to be collected within agreed credit terms.

Subsequent to December 31, 2017, the Company collected US\$12.9 million of trade receivables from those that were outstanding at December 31, 2017; US\$7.9 million for NW Gemsa, US\$2.8 million for Block-H Meseda and US\$2.2 million from third party gas customers in Morocco.

The joint venture partner current accounts represent the net of monthly cash calls paid less billings received. At December 31, 2017, US\$1.6 million was receivable from joint venture partners in the South Disouq concession (2016: South Disouq – US\$0.6 million).

The other receivables of US\$0.8 million consist of US\$0.3 million for Goods and Services Tax ("GST")/ Value Added Tax ("VAT") and US\$0.5 million for other items. US\$2.9 million related to prepayments predominantly associated with the Morocco and South Disouq drilling campaigns is recorded in the Consolidated Balance Sheet.

As at December 31, 2017 and December 31, 2016, the Company's trade and other receivables, other than prepayments, are aged as follows:

\$000's	Carrying amount	
	December 31 2017	December 31 2016
Current		
Current (less than 90 days)	21,261	6,209
Past due (more than 90 days)	13,520	2,600
Total trade and other receivables	34,781	8,809

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

Current trade and other receivables past due (more than 90 days old) have increased by US\$10.9 million when compared to December 31, 2016. This increase is primarily due to the acquired Circle NW Gemsa and Morocco receivables, which had a significantly more aged profile than those previously managed by the Company. This US\$10.9 million increase however is after taking account of the collection of US\$2.0 million of the Company's Shukheir Marine receivables, and the receipt of US\$10.0 million of lump-sum payments from the Government of Egypt which were applied to aged receivables, of which US\$9.0 million related to the acquired Circle Oil NW Gemsa receivables.

Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with highly rated counterparties. The 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.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political unrest. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on projects to further manage capital expenditure and has a Board of Director approved signing authority matrix. The Company also attempts to match its payment cycle with collection of oil and service fee revenue to the extent possible.

As at December 31, 2017, other than the non-current elements of the deferred income and decommissioning liabilities, the Company's financial liabilities are due within one year.

(d) Market risk

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

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

(e) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The reporting and functional currency of the Company is United States dollars ("US\$"). Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities, primarily on exchange fluctuations between the Egyptian Pound ("EGP") and the US\$, 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 is able to utilize 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, therefore reducing the Company's exposure to foreign exchange risk during the period.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

	Total per FS ⁽¹⁾	US\$	EGP	GBP	MAD	Other
As at December 31, 2017		US\$ equivalent				
Cash and cash equivalents	25,844	9,673	1,314	2,840	12,011	6
Trade and other receivables ⁽²⁾	34,781	25,742	75	145	8,783	36
Trade and other payables	(19,459)	(12,606)	(810)	(315)	(2,945)	(2,783)
Current income taxes	(915)	-	(915)	-	-	-
Balance sheet exposure	40,251	22,809	(336)	2,670	17,849	(2,741)

(1) FS denotes Financial Statements

(2) Excludes prepayments

The average exchange rates during the three months ended December 31, 2017 and 2016 were 1 US\$ equals:

Average: October 1, 2017 to December 31, 2017	USD/EGP USD/GBP USD/MAD			Average: October 1, 2016 to December 30, 2016	USD/EGP USD/GBP USD/MAD		
	USD/EGP	USD/GBP	USD/MAD		USD/EGP	USD/GBP	USD/MAD
Period average	17.7107	0.7537	9.4442	Period average	14.3634	0.8044	9.9607

The average exchange rates during the twelve months ended December 31, 2017 and 2016 were 1 US\$ equals:

Average: January 1, 2017 to December 31, 2017	USD/EGP USD/GBP USD/MAD			Average: January 1, 2016 to December 31, 2016	USD/EGP USD/GBP USD/MAD		
	USD/EGP	USD/GBP	USD/MAD		USD/EGP	USD/GBP	USD/MAD
Period average	17.8534	0.7770	9.7047	Period average	10.0211	0.7405	9.8042

The exchange rates as at December 31, 2017 and 2016 were 1 US\$ equals:

Period end: December 31, 2017	USD/EGP USD/GBP USD/MAD			Period end: December 31, 2016	USD/EGP USD/GBP USD/MAD		
	USD/EGP	USD/GBP	USD/MAD		USD/EGP	USD/GBP	USD/MAD
December 31, 2017	17.7875	0.7398	9.3519	December 31, 2016	18.1274	0.8113	10.1132

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

6. Financial risk management (continued)

(f) Other price risk

Other price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the United States dollar and other currencies but also macro-economic events that impact the perceived levels of supply and demand.

The Company may hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company's production is sold on the daily average price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts.

At December 31, 2017 the Company did not have any outstanding derivatives in place.

(g) Capital management

The Company defines and computes its capital as follows:

\$000's	Carrying amount	
	December 31 2017	December 31 2016
Equity	114,619	37,264
Working capital ⁽¹⁾	(46,725)	(11,823)
Total capital	67,894	25,441

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

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

7. Cash and cash equivalents

\$000's	Carrying amount	
	December 31 2017	December 31 2016
Cash and bank balances	24,248	4,725
Restricted cash ⁽¹⁾	1,596	-
Total cash and cash equivalents	25,844	4,725

(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.

Cash at bank earns interest at floating rates based on the daily bank deposit rates.

8. Inventory

As at December 31, 2017 the Company undertook a comprehensive stockcounting exercise over all spare parts and consumables inventory across its Moroccan and Egyptian operations. Given the forthcoming exploration and development drilling operations on the South Disouq concession, and in order to identify an optimal use for the Company's inventory, a quantity of on hand drill pipe and casing was inspected and certified for use in the planned wells. This inventory was from legacy operations and previously was carried at nil value as it was not planned to be used and thus was uncertified. Furthermore, the inventory had been attributed zero realizable value due to the limited resale market in Egypt and was therefore fully provided-for. The reversal of the provision previously recognized against this inventory has resulted in a US\$0.8 million credit to the Consolidated Statement of Comprehensive Income.

9. Property, plant and equipment

\$000's	Oil and gas properties	Furniture and fixtures	Total
Cost:			
Balance at December 31, 2015	30,663	120	30,783
Additions	1,705	68	1,773
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
Accumulated depletion, depreciation, amortization and impairment:			
Balance at December 31, 2015	(12,334)	(48)	(12,382)
Depletion, depreciation and amortization for the year	(3,225)	(41)	(3,266)
Impairment charge	(4,303)	-	(4,303)
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)
NBV Property, plant and equipment as at December 31, 2016	12,506	99	12,605
NBV Property, plant and equipment as at December 31, 2017	53,976	469	54,445

During the year ended December 31, 2017, the PP&E additions of US\$16.0 million predominantly related to the Morocco drilling campaign (US\$11.4 million), as well as well workovers in the NW Gemsa field, well workovers in the Block-H Meseda concession, the acquisition of additional technical software, and the refurbishment of the Rabat corporate office in Morocco. The difference between the US\$16.0 million disclosed above and the US\$21.1 million Property, plant and equipment expenditure in the Consolidated Statement of Cash Flows is due to the fact that c.US\$8.1 million of aged capital expenditure payables acquired from Circle Oil were paid during 2017, partially offset by accrued payables for Moroccan drilling, which are part of Trade and other payables as at December 31, 2017.

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

Impairment assessment

At the reporting date, management performed an impairment indicator assessment and concluded that no such indicators existed for the Company's properties in Egypt and Morocco.

In the prior period the NW Gemsa field was impaired by US\$4.3 million, due to increased forecast operating expenditure and a reduction in the proved and probable reserves.

10. Intangible exploration and evaluation assets

\$000's	
Balance at December 31, 2015	23,473
Additions	11,566
Exploration and evaluation expense	(24,416)
Balance at December 31, 2016	10,623
Additions	4,608
Balance at December 31, 2017	15,231

During the twelve months ended December 31, 2017, E&E additions totaling US\$4.6 million consisted of US\$2.8 million at South Disouq for seismic interpretation, SDX's share of drilling costs of the SD-1X well and preparatory work for the 2018 drilling campaign and US\$1.8 million in Morocco in respect of work for the ongoing drilling campaign, primarily the ELQ-1 well, and annual training fees for the exploration concessions.

The difference between the US\$4.6 million additions above, and the US\$3.8 million reflected in the Cash Flow relates to unpaid charges at the year end.

During the prior year, the Company completed its activities in Cameroon and made a full provision against the capitalized exploration cost of US\$24.4 million.

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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 assets which it uses to provide its services and is legally responsible for settling its liabilities. Although in the current and comparative period Brentford has only provided services to its shareholders, it is not contractually obliged to do so and in the past it has contracted with third parties and continues to seek opportunities to do so. 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 December 31, 2017 and December 31, 2016.

The following table summarizes the changes in investments for the periods ended December 31, 2017 and December 31, 2016:

	December 31 2017	December 31 2016
\$000's		
Investments, beginning of period	2,503	2,106
Dividends received	(801)	(825)
Share of operating income	1,022	1,222
Investments, end of period	2,724	2,503

The following table summarizes the Company's 50% interest in the assets, liabilities, revenue and operating income of Brentford as at December 31, 2017 and 31 December 2016:

	December 31 2017	December 31 2016
SDX share (50%) of Brentford (\$000s)		
Total assets	2,235	2,405
Total liabilities	14	3
Revenue	1,448	1,656
Net income	1,022	1,222

During the year ended December 31, 2017 50% (December 31, 2016 – 50%) of Brentford's revenue was earned from fees charged to the Company.

12. Trade and other payables

	Carrying amount	
	December 31 2017	December 31 2016
\$000's		
Current		
Trade payables	2,636	663
Accruals	9,536	684
Joint venture partners	5,686	1,743
Other payables	1,601	584
Total trade and other payables	19,459	3,674

The US\$2.0 million increase in Trade payables as at December 31, 2017, is due to billed services and goods associated with the Moroccan drilling campaign, as well to the increased size of the Group post-Circle Oil acquisition.

Accruals include amounts for products and services received which have yet to be invoiced. The US\$8.8 million increase period on period reflects work undertaken but not yet billed on the Morocco drilling campaign well and additional liabilities incurred with the business combination, relating to potential tax and legal claims.

Joint venture partners comprise partner current accounts of US\$1.0 million for NW Gemsa (2016: US\$1.2 million), US\$1.2 million Block-H Meseda (2016: US\$0.5 million) and US\$3.5 million for the Morocco concessions (2016: US\$nil). The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

Other payables of US\$1.6 million comprise an estimated liability of US\$0.5 million related to the relinquishment of the Shukheir Marine concession (2016: US\$0.5 million), employee costs accrued and associated taxes of US\$0.7 million (2016: \$0.1 million) and sundry creditors of US\$0.4 million (2016: US\$nil).

The difference between the increase of US\$15.8 million in trade and other payables in the Consolidated Balance Sheets as at December 31, 2017 and December 31, 2016 and the line item in the Consolidated Statement of Cash Flows relating to the implied increase in Trade and other payables of US\$2.5 million relates primarily to the introduction of US\$17.1 million of Trade and Other Payables from Circle Oil plc which is included in the cash flow statement as part of the US\$29.6 million Gain on acquisition and the US\$28.1 million Acquisition of subsidiaries.

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 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 future periods.

As at December 31, 2017 the total future undiscounted cash flows amounted to US\$4.9 million, to be incurred between the years 2018 and 2021 and the liability was discounted using a risk-free rate of 3.0%. Expenditure of US\$0.1 million was incurred during Q4 2017 with a further US\$1.1 million anticipated within the next 12 months.

In addition, following the drilling of the SD-1X well and submission of the South Disouq field development plan, the Company has a present obligation to decommission this asset, under the terms of the concession agreement. The total future undiscounted cash flows amounted to US\$0.1 million, to be incurred in 2022, and the liability was discounted using a risk-free rate of 8.0%.

\$000's	Carrying amount	
	December 31 2017	December 31 2016
Decommissioning liability, beginning of period	-	-
Changes in estimate	625	-
Liabilities acquired through business combination	3,968	-
Payments for decommissioning	(137)	-
Accretion	86	-
Decommissioning liability, end of period	4,542	-
Of which:		
Current	1,063	-
Non-current	3,479	-

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

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15. Income tax - current and deferred

Pursuant to the terms of the Company's Egyptian PSCs, the corporate tax liability of the joint venture partners is paid by the government controlled corporations ("Corporations") who participate in these PSCs, out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes however, the corporate taxes paid by the Corporations are treated as a benefit earned by the Company, with the amount being "grossed up" and included in net oil revenues and the income tax expense of the Company. During 2017 US\$3.55 million of corporation tax was paid by government corporations.

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 Consolidated Statement of Comprehensive Income for the three and twelve months ended December 31, 2017 relates to income tax on North West Gemsa's PSC and income tax relating to the Company's PSA in Block-H Meseda.

The current income tax liability of US\$0.9 million in the Consolidated Balance Sheet relates to the Company's PSA in Block H Meseda.

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 December 31, 2017.

(a) Income tax expense differs from that which would be expected from applying the effective Canadian federal and provincial income tax rates of 27% (2016: 27%) to income before income taxes as follows:

Consolidated Statement of Comprehensive Income

\$000's except per unit amounts	Twelve months ended December 31	
	2017	2016
Income before income taxes	32,819	(26,697)
Canadian statutory income tax rate	27%	27%
Expected income taxes	8,861	(7,208)
Adjustments:		
Non deductible items	518	(57)
Non taxable gain on acquisition	(7,981)	-
Unrecognized income tax benefit	518	385
Foreign tax differential	1,291	433
Expenses incurred with no recognized tax benefit	1,334	7,950
Total current and deferred income tax expense	4,541	1,503

(b) The components of the deferred income tax assets and liabilities at December 31, 2017 and 2016 include the following:

Consolidated Balance Sheet

\$000's except per unit amounts	Twelve months ended December 31	
	2017	2016
Deferred tax assets/(liabilities):		
Investments	(10)	(9)
Property and equipment	(324)	(292)
Other	44	11
Deferred income tax liability	(290)	(290)

(c) The Company has US\$61.5 million of non-capital losses available at December 31, 2017 (2016: US\$56.5 million) to shelter future taxable income, the majority of which were incurred in Canada and expire between 2026 and 2035. The Company has not recognized any deferred tax assets as at December 31, 2017 and 2016 primarily relating to its Canadian business as it has determined that its deferred tax assets are not probable to be realized from current operations.

16. Share capital

(a) The Company is authorized to issue unlimited common shares with no-par value and unlimited preferred shares with no-par value.

(b) Common Shares issued

	December 31, 2017		December 31, 2016	
	Number of Shares (\$000's)	Stated Value (\$000's)	Number of Shares (\$000's)	Stated Value (\$000's)
Balance, beginning of period	79,844	40,275	37,642	30,148
Issue of common shares (less share issue costs)	124,649	48,510	42,202	10,127
Balance, end of period	204,493	88,785	79,844	40,275
Weighted average shares outstanding	184,422		71,509	

(c) Common Share Warrants issued

	December 31, 2017		December 31, 2016	
	Number of Shares (\$000's)	Stated Value (\$000's)	Number of Shares (\$000's)	Stated Value (\$000's)
Balance, beginning of period	-	-	611	99
Expiry of warrants	-	-	(611)	(99)
Balance, end of period	-	-	-	-

The 610,743 warrants expired on July 27, 2016.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

17. Stock-based compensation

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 in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital. Using this methodology, the charge for 2017 is US\$0.5 million.

During the year ended December 31, 2016, 395,000 options were cancelled as a result of two non-executive Directors and one employee leaving the Company. In addition, 190,000 options were issued during the year to three new employees. During the twelve months ended December 31, 2017, 640,000 stock options were issued to four non-executive Directors of the Company, 100,000 options lapsed and 100,000 options were cancelled due to employees leaving the Company, and 33,332 options were exercised.

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

	Number of Options (000's)	Weighted average exercise price (CDN\$)
Outstanding January 1, 2016	2,650	0.63
Cancelled during the year	(395)	0.63
Issued during the year	190	0.36
Outstanding December 31, 2016	2,445	0.61
Exercisable December 31, 2016	1,567	0.62
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

The exercise price of the outstanding options under the stock option plan as at December 31, 2017 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	2,851,667	3-5 years	2,395,000	3-5 years

Key assumptions relating the options issued to December 31, 2017 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 number of shares subject to the LTIP Awards has been determined by reference to the mid-market price of a share on July 28, 2017 (£0.45 pence per share). The Company has granted market value options as defined under UK tax legislation ("CSOP Options") to certain participants. The exercise price of each CSOP Option is £0.45 pence per share, being the closing mid-market price of a share on July 28, 2017.

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 with clawback provisions contained in the rules of the Plan which can be applied to awards made to all participants.

The following awards were granted to the two Executive Directors. These grants equate to 100% of each of the Executive Directors' salaries on 31 July 2017.

Name	Status	Number of common shares subject to LTIP award	Number of common shares subject to CSOP option
Paul Welch	Director	770,500	66,666
Mark Reid	Director	555,555	66,666

The above 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 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 a range of 11% pa and 20% pa, the additional number of shares which 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 which can vest for the CEO and CFO respectively is 1,541,000 and 1,111,111, as if any of the CSOP options vest there will be a commensurate reduction in LTIP units vesting.

Based upon the grant at 31 July 2017, the maximum potential number of common shares that can vest to the Executive Directors and other selected employees under the LTIP was in aggregate 3,449,461. All of these options are outstanding as at December 31, 2017 and March 23, 2018 but none have vested. A further 3,765,045 options were awarded subsequent to the period end, and none have vested.

The LTIP will be presented to the Company's shareholders for approval at the next annual general meeting of shareholders. 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 which 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. No ordinary shares of the Company will be issued pursuant to awards granted under the LTIP until such time as such shareholder approval is received.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

18. Revenue, net of royalties

\$000's	Twelve months ended December 31	
	2017	2016
NW Gemsa oil sales revenue	31,641	7,432
Royalties	(13,580)	(3,190)
Net oil revenue	18,061	4,242
Block H Meseda production service fee revenues	8,045	6,359
Morocco gas sales revenue	12,425	-
Net other products revenue	635	2,313
Total net revenue before tax	39,166	12,914

The oil, gas and NGLs revenue and royalties relate to the NW Gemsa concession, which is governed by a PSC. The royalties are those attributable to the government take in accordance with the fiscal terms of the PSC. Gas and NGLs are disclosed as 'other products' in the table above.

The Company commenced sales of gas and NGLs in February 2013 from the NW Gemsa concession, recognizing revenue from February to September of that year. Subsequent to this, the Company ceased recognizing revenue due a dispute with EGPC over entitlement volumes. This dispute was resolved in Q4 2016 and revenues from October 1, 2013 to December 31, 2016, which equate to US\$2.2 million of gas sales and US\$2.4 million of NGLs were recognized in Q4 2016 and are reflected in the Consolidated Financial Statements. These sales have continued to be recognized for the twelve months ended December 31, 2017. In December 2017, the operator of the NW Gemsa concession advised that the invoices that it had issued were based on erroneous volumes and prices and that the actuals were lower. The adjustment has been made during Q4 2017, with the portion relating to the acquired Circle Oil receivables (US\$1.3 million) adjusted through the gain on acquisition, and the remainder through revenue (US\$0.3 million).

The Moroccan gas sales revenue is derived from a Petroleum Agreement with the Moroccan state.

19. General and administrative expenses

\$000's	Twelve months ended December 31	
	2017	2016
Wages and employee costs	6,513	2,532
Consultants - inc. PR/IR	699	479
Legal fees	332	237
Audit, tax and accounting services	641	246
Public company fees	365	332
Travel	382	166
Office expenses	1,092	668
IT expenses	303	322
Service recharges	(3,907)	(1,303)
Ongoing general and administrative expenses	6,420	3,679
Transaction costs	2,373	-
Total net G&A	8,793	3,679

20. Income/(loss) per share

\$000's	Twelve months ended December 31	
	2017	2016
Net income/(loss) before comprehensive income for the period	28,278	(28,200)
Weighted average amount of shares		
Basic	184,422	71,509
Diluted	187,389	71,557
Per share amount		
Basic	\$0.153	\$(0.394)
Diluted	\$0.151	\$(0.394)

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 assuming 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.

21. 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. Prior year comparative figures have been updated to reflect the new basis of reporting.

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.

	Twelve months ended December 31, 2017				Twelve months ended December 31, 2016 (restated)				
	Egypt	Morocco	Unallocated ¹	Total	Egypt	Morocco	Cameroon ²	Unallocated ¹	Total
Revenue	26,741	12,425	-	39,166	12,914	-	-	-	12,914
Operating costs	(9,166)	(1,088)	-	(10,254)	(5,282)	-	-	-	(5,282)
Netback (pre tax)	17,575	11,337	-	28,912	7,632	-	-	-	7,632
Exploration and evaluation expense	(2)	-	(185)	(187)	-	-	(24,731)	(102)	(24,833)
Depletion, depreciation & amortization	(7,797)	(9,898)	(129)	(17,824)	(3,225)	-	-	(41)	(3,266)
Impairment expense	-	-	-	-	(4,303)	-	-	-	(4,303)
Reversal of inventory provision	798	-	-	798	479	-	-	-	479
Stock based compensation	-	-	(538)	(538)	-	-	-	47	47
Share of profit from joint venture	1,022	-	-	1,022	1,222	-	-	-	1,222
General and administrative expenses	(1,053)	(957)	(6,783)	(8,793)	(879)	-	-	(2,800)	(3,679)
Operating income/(loss)	10,543	482	(7,635)	3,390	926	-	(24,731)	(2,896)	(26,701)

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

(2) As described in note 10, in 2017 the Company no longer operates in Cameroon.

The segment assets and liabilities as at December 31, 2017 and December 31, 2016 are as follows:

	December 31, 2017				December 31, 2016 (restated)				
	Egypt	Morocco	Unallocated ¹	Total	Egypt	Morocco	Cameroon ²	Unallocated ¹	Total
Segment assets	74,046	51,277	15,734	141,057	37,696	-	-	3,921	41,617
Segment liabilities	(4,703)	(19,523)	(2,212)	(26,438)	(2,926)	-	-	(1,427)	(4,353)

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

(2) As described in note 10, in 2017 the Company no longer operates in Cameroon.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

22. 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 Consolidated Financial Statements.

In Morocco, the commitments are for the drilling of four development/appraisal wells (ELQ-1 (ongoing over the period end), ONZ-7, KSS-2 and SAH-2) in the Sebou and Gharb Centre permits, and two exploration wells in the Lalla Mimouna permit, LMS-1 and LNB-1. In addition, as a condition of being awarded the Gharb Centre permit, the Company has committed to undertake an exploration work program consisting of 240km² of 3D seismic and at least two exploration wells. The total estimated cost of these commitments is c.US\$19.5 million, including unpaid well costs at the period end.

In Egypt the Commitments are for the drilling of one development well and facilities upgrade for South Ramadan (US\$3.0 million) and two exploration wells, two development well 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 \$8.5 million which will be incurred within the next twelve months.

The anticipated timing of the expenditure associated with the above commitments is as follows:

	December 31 2017	December 31 2016
\$000's		
Less than one year	31,000	1,340
Between one and five years	-	2,933
Total	31,000	4,273

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:

	December 31 2017	December 31 2016
\$000's		
Less than one year	172	318
Between one and five years	375	499
Total	547	817

There are no contingencies as at December 31, 2017.

23. Related party transactions

All subsidiaries and joint arrangements (Brentford Oil Tools) are listed below. A list of the investments in subsidiary undertakings (all of whose operations comprise one class of business, being oil and gas exploration, development and production), including the name, proportion of ownership interest, country of operation and country of registration, is given below.

Name	Percentage	Country of operation	Country of registration
Sea Dragon Energy (UK) Ltd	100%	U.K.	U.K.
SDX Energy Investments (UK) Ltd	100%	U.K.	U.K.
SDX Energy Morocco (UK) Ltd	100%	U.K.	U.K.
Sea Dragon Cooperatieve U.A. (Netherlands)	100%	Netherlands	Netherlands
Sea Dragon Energy Holding B.V. (Netherlands)	100%	Netherlands	Netherlands
Sea Dragon Energy (Kom Ombo) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy (GOS) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy (Nile) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy (NW Gamsa) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy Holding Ltd (BVI)	100%	British Virgin Islands	British Virgin Islands
NPC (Shukheir Marine) Ltd (BVI)	100%	Egypt	British Virgin Islands
NPC (South Ramadan) Ltd (BVI)	100%	Egypt	British Virgin Island
Madison International Oil & Gas Ltd	100%	Barbados	Barbados
Madison Egypt Oil & Gas Ltd	100%	Egypt	Barbados
Madison Cameroon Oil & Gas Ltd	100%	Cameroon	Barbados
Madison Egypt Ltd	100%	Egypt	Egypt
SDX Energy Morocco (Jersey) Ltd	100%	Morocco	Jersey
SDX Energy Egypt (Jersey) Ltd	100%	Egypt	Jersey
Brentford Oil Tools	50%	Egypt	Egypt

24. Compensation of key management personnel

The remuneration of directors and other key management personnel during the years ended December 31, 2017 and 2016 was as follows:

	Twelve months ended December 31	
	2017	2016
Salaries, incentives and short term benefits	2,489	1,087
Directors' fees	173	153
Stock based compensation	417	(114)
Total	3,079	1,126

Key management personnel have been identified as the non-executive directors and executive officers of the Company. The executive officers include the President and CEO and CFO.

In the year ended December 31, 2017, termination benefits of \$383k were paid to Ahmed Moaaz, the former Egypt Country Manager.

Notes to the Consolidated Financial Statements

for the years ended December 31, 2017 and 2016

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

25. Post balance sheet events

On January 4, 2018, it was announced that the Company had completed drilling of the ELQ-1 well in the Gharb Centre permit in Morocco to a total depth of 1,484 meters and encountering 23 net meters of reservoir interval and two meters of marginal net conventional gas pay in the Hoot formation. These results are considered non-commercial and well will be plugged and abandoned.

On January 23, 2018, it was announced by the Company that a gas discovery has been made at its ONZ-7 development well on the Sebou permit in Morocco. The ONZ-7 well was drilled to a total depth of 1,167 meters with 5 meters of net conventional natural gas pay in the Hoot formation. The well will be completed, tested and connected to existing infrastructure.

On February 21, 2018, it was announced that the Company had completed drilling of the KSS-2 well in the Sebou permit in Morocco to a total depth of 1,293 meters and encountered 8 net meters of high quality reservoir interval in the Gaddari and Guebbas sequences. These results are considered non-commercial and well will be plugged and abandoned.

On March 9, 2018, it was announced by the Company that a gas discovery has been made at its SAH-2 development well on the Sebou permit in Morocco. The SAH-2 well was drilled to a total depth of 1,304 meters with 5 meters of net conventional natural gas pay across two zones in the Guebbas and Hoot formations. The well will be completed, tested and connected to existing infrastructure.

On March 14, 2018 it was announced that the Company had completed drilling of the Rabul 5 Well in the West Gharib Concession in Egypt. The well was drilled to 5,280 feet total depth and encountered approximately 151 feet of net heavy oil pay across the Yusr and Bakr formations, with an average porosity of 18%. Further evaluation of the discovery is ongoing, after which the Company expects the well to be completed as a producer and connected to the central processing facilities at Meseda.

Corporate information

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Paul Welch
President &
Chief Executive Officer &
Chief Operating Officer

Mark Reid
Chief Financial Officer

Independent Directors

Michael Doyle
Non-Executive Chairman

David Mitchell
David Richards
Michael Raynes

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Symbol: SDX

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