Financial Statements
2017 Q3 Interim Report

Interim Consolidated Balance Sheet (Unaudited)

(thousands of United States dollars)	Note	As at September 30 2017	As at December 31 2016
Assets			
Cash and cash equivalents	6	**30,469**	4,725
Trade and other receivables	5a	**42,920**	9,463
Inventory		**2,877**	1,698
Current assets		**76,266**	15,886
Investments	9	**3,488**	2,503
Property, plant and equipment	7	**46,150**	12,605
Intangible exploration and evaluation assets	8	**12,994**	10,623
Non-current assets		**62,632**	25,731
Total assets		138,898	41,617
Liabilities			
Trade and other payables	10	**15,410**	3,674
Deferred income	11	**493**	-
Decommissioning liability	12	**1,200**	-
Current income taxes	18	**766**	389
Current liabilities		**17,869**	4,063
Deferred income	11	**861**	-
Decommissioning liability	12	**2,897**	-
Deferred income taxes	18	**290**	290
Non-current liabilities		**4,048**	290
Total liabilities		21,917	4,353
Equity			
Share capital	13	**88,778**	40,275
Warrants	13	**-**	-
Contributed surplus		**5,401**	5,128
Accumulated other comprehensive loss		**(97)**	(917)
Retained earnings/(accumulated loss)		**22,899**	(7,222)
Total equity		116,981	37,264
Equity and liabilities		138,898	41,617

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

The financial statements on pages 35 to 51 were approved by the Board of Directors on November 21, 2017 and signed on its behalf by:

Paul Welch
Chief Executive Officer

Mark Reid
Chief Financial Officer

Interim Consolidated Statement of Comprehensive Income (Unaudited)

(thousands of United States dollars)	Note	Three months ended September 30 2017	2016	Nine months ended September 30 2017	2016
Revenue, net of royalties	15	**10,124**	2,929	**28,161**	7,560
Revenue					
Direct operating expense	16	**(2,672)**	(1,241)	**(7,728)**	(3,530)
Exploration and evaluation expense		**(64)**	14	**(235)**	(24,870)
Depletion, depreciation and amortisation	7	**(4,640)**	(800)	**(13,054)**	(2,462)
Stock based compensation	14	**(188)**	298	**(273)**	104
Share of profit from joint venture	9	**274**	401	**985**	1,113
General and administrative expenses					
- Ongoing general and administrative expenses	17	**(2,133)**	(1,225)	**(6,129)**	(2,997)
- Transaction costs	17	**-**	-	**(2,373)**	-
Operating income/(loss)		**701**	376	**(646)**	(25,082)
Net finance (expense)/income		**(25)**	127	**(101)**	31
Gain on acquisition	3	**4,817**	-	**34,218**	-
Income/(loss) before income taxes		**5,493**	503	**33,471**	(25,051)
Current income tax expense	18	**(1,305)**	(363)	**(3,350)**	(856)
Deferred income tax expense	18	**-**	-	**-**	-
Total current and deferred income tax expense		**(1,305)**	(363)	**(3,350)**	(856)
Net income/(loss)		**4,188**	140	**30,121**	(25,907)
Other comprehensive income					
Foreign exchange		**220**	-	**820**	-
Total comprehensive income/(loss) for the period		**4,408**	140	**30,941**	(25,907)
Net income/(loss) per share					
Basic	19	**$0.022**	$0.002	**$0.170**	$(0.452)
Diluted	19	**$0.022**	$0.002	**$0.168**	$(0.452)

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

Financial Statements

Interim Consolidated Statement of Changes in Equity (Unaudited)

(thousands of United States dollars)	Note	Nine months ended September 30 2017	2016
Share capital			
Balance, beginning of period	13	**40,275**	30,148
Issuance of common shares	13	**49,580**	10,988
Share issue costs	13	**(1,077)**	(963)
Balance, end of period		**88,778**	40,173
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		**273**	(104)
Balance, end of period		**5,401**	5,071
Accumulated other comprehensive loss			
Balance, beginning of period		**(917)**	(1,154)
Foreign currency translation adjustment for the period		**820**	-
Balance, end of period		**(97)**	(1,154)
Retained earnings/(accumulated loss)			
Balance, beginning of period		**(7,222)**	20,978
Net income/(loss) for the period		**30,121**	(25,907)
Balance, end of period		**22,899**	(4,929)
Total equity		**116,981**	39,161

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

Interim Consolidated Statement of Cash Flows (Unaudited)

		Three months ended September 30		Nine months ended September 30	
(thousands of United States dollars)	Note	**2017**	2016	**2017**	2016
Cash flows generated from/(used in) operating activities					
Income/(loss) before income taxes		**5,493**	503	**33,471**	(25,051)
Adjustments for:					
Depletion, depreciation and amortization	7	**4,640**	800	**13,054**	2,462
Exploration and evaluation expense	8	**64**	(275)	**235**	24,435
Finance expense/(income)		**25**	(127)	**101**	(31)
Stock based compensation	14	**188**	(298)	**273**	(104)
Gain on acquisition	3	**(4,817)**	-	**(34,218)**	-
Tax paid by State	18	**(971)**	(211)	**(2,610)**	(605)
Share of profit from joint venture	9	**(274)**	(401)	**(985)**	(1,113)
Operating cash flow before working capital movements		**4,348**	(9)	**9,321**	(7)
(Increase)/decrease in trade and other receivables	5a	**(3,071)**	(1,046)	**1,854**	(1,218)
Decrease in trade and other payables	10	**(4,893)**	(214)	**(3,419)**	(627)
Increase in inventory		**(850)**	-	**(850)**	-
Cash (used in)/generated from operating activities		**(4,466)**	(1,269)	**6,906**	(1,852)
Income taxes paid		**(127)**	(383)	**(364)**	(766)
Net cash (used in)/generated from operating activities		**(4,593)**	(1,652)	**6,542**	(2,618)
Cash flows (used in)/generated from investing activities:					
Property, plant and equipment expenditures	7	**(1,575)**	-	**(1,817)**	(15)
Exploration and evaluation expenditures	8	**(1,028)**	(2,047)	**(2,607)**	(11,356)
Dividends received	9	**-**	824	**-**	824
Acquisition of subsidiaries	3	**-**	-	**(28,056)**	-
Cash balance acquired during the period	3	**-**	-	**3,108**	-
Net cash used in investing activities		**(2,603)**	(1,223)	**(29,372)**	(10,547)
Cash flows generated from/(used in) financing activities					
Issuance of common shares	13	**9,813**	858	**48,503**	10,025
Finance costs paid		**(10)**	(46)	**(77)**	103
Net cash generated from financing activities		**9,803**	812	**48,426**	10,128
Increase/(decrease) in cash and cash equivalents		**2,607**	(2,063)	**25,596**	(3,037)
Effect of foreign exchange on cash and cash equivalents		**235**	75	**148**	(172)
Cash and cash equivalents, beginning of period		**27,627**	6,949	**4,725**	8,170
Cash and cash equivalents, end of period		**30,469**	4,961	**30,469**	4,961

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, 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"), formerly known as Sea Dragon Energy Inc., 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 and nine month periods ended September 30, 2017 and 2016 ("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 principle properties are located in the Arab Republic of Egypt and the Kingdom of Morocco.

As described in note 3 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 and nine months ended September 30, 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, 2016, 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 Audit Committee on November 21, 2017.

(b) Accounting policies

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 Audit Committee approved these financial statements.

(c) Going concern

The Directors have reviewed the Company's forecast cash flows for the next twelve months from the date of publication of these Interim Consolidated Financial Statements and through until December 31, 2018. The capital expenditure and operating costs used in these forecast cash flows are based on the Company's Board approved 2017 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 forecast cash flows also reflect its best estimate of operational and corporate expenditure, including corporate general and administrative costs for the period to December 31, 2018. 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.

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

3. 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	35.5
Inventory	0.7
Current tax	0.1
Non-current liabilities	
Decommissioning liability	(2.8)
Deferred income	(0.7)
Current liabilities	
Trade and other payables	(14.8)
Decommissioning liability	(1.2)
Deferred income	(0.8)
Total identifiable net assets at fair value	62.3
Total consideration	(28.1)
Excess of fair value over cost (bargain purchase)	34.2

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$34.2 million has been recognised in the Interim Consolidated Statement of Comprehensive Income for the nine months ended September 30, 2017, after recording the following adjustments:

- A provision of US$1.5 million has been recognised against US$3.0 million of aged receivables due from ONHYM relating to its share of the construction costs of the 8” pipeline, 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$0.5 million was recognised.
- A further US$0.5 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.

COEL and COML contributed US$10.6 million revenue and US$0.4 million net profit and US$8.8 million revenue and US$0.3 million net loss respectively to the Interim Consolidated Financial Statements for the nine months to September 30, 2017.

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

4. 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.

5. Financial risk management

(a) Credit risk

Trade and other receivables

Subsequent to the acquisition described in note 3, 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 against invoiced sales has been recorded as at September 30, 2017 and December 31, 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:

	Carrying amount	
$000's	**September 30 2017**	December 31 2016
Current		
Government of Egypt controlled corporations	**30,601**	7,745
Government of Morocco controlled corporations	**6,342**	-
Third party gas customers	**2,365**	-
Joint venture partners	**962**	578
Other	**2,650**	1,140
Total trade and other receivables	**42,920**	9,463

As a result of the acquisition of Circle Oil plc on January 27, 2017, US$35.5m 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 September 30, 2017.

US$30.6 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$29.0 million for NW Gemsa (2016: US$3.4 million) and US$1.6 million for Block – H Meseda (2016: US$2.3 million), in the normal course of operations. During Q2 2017, as part of the Government of Egypt's commitment to reduce amounts owing to international oil companies, the Company received US$6.0 million in lump-sum payments, of which US$5.0 million related to the acquired Circle Oil NW Gemsa receivables.

US$6.3 million is owed by ONHYM and relates to ONHYM's share of well completion, pipeline construction and production costs outstanding. Subsequent to September 30, 2017, the Company received US$2.2 million of this outstanding amount in settlement of pipeline construction and well completion costs.

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, 2017, the Company collected US$5.8 million of trade receivables from those that were outstanding at September 30, 2017; US$2.0 million for NW Gemsa, US$0.5 million for Block-H Meseda, US$2.2 million from ONHYM and US$1.1 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 September 30, 2017, US$1.0 million was receivable from joint venture partners in the South Disouq concession (2016: South Disouq - US$0.6 million).

The other receivables of US$2.7 million consist of US$1.9 million related to prepayments predominantly associated with the Morocco drilling campaign, US$0.2 million for Goods and Services Tax ("GST")/ Value Added Tax ("VAT") and US$0.6 million for other items.

As at September 30, 2017 and December 31, 2016, the Company's trade and other receivables are aged as follows:

	Carrying amount	
	September 30	December 31
$000's	**2017**	2016
Current (less than 90 days)	**22,355**	6,863
Past due (more than 90 days)	**20,565**	2,600
Total trade and other receivables	**42,920**	9,463

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$18.0 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$18.0 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$6.0 million of lump-sum payments from the Government of Egypt which were applied to aged receivables, of which US$5.0 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 ash 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 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$**	**EGP**	**GBP**	**MAD**	**Other**
As at September 30, 2017			**US$ Equivalent**			
Cash and cash equivalents	30,469	15,070	1,851	4,107	9,290	151
Trade and other receivables	42,920	31,057	156	501	11,177	29
Trade and other payables	(15,410)	(7,943)	(2,634)	(74)	(1,908)	(2,851)
Current income taxes	(766)	-	(766)	-	-	-
Balance sheet exposure	**57,213**	**38,184**	**(1,393)**	**4,534**	**18,559**	**(2,671)**

(1) denotes Financial Statements

The average exchange rates during the three months ended September 30, 2017 and 2016 were 1 US$ equals:

Average: July 1, 2017 to September 30, 2017

	USD/EGP	USD/GBP	USD/MAD
Period average	17.9002	0.7846	9.6065

Average: July 1, 2016 to September 30, 2016

	USD/EGP	USD/GBP	USD/MAD
Period average	8.8796	0.7617	9.7537

The average exchange rates during the nine months ended September 30, 2017 and 2016 were 1 US$ equals:

Average: January 1, 2017 to September 30, 2017

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

Average: January 1, 2016 to September 30, 2016

	USD/EGP	USD/GBP	USD/MAD
Period average	8.5969	0.7191	9.7523

The exchange rates as at September 30, 2017 and 2016 were 1 US$ equals:

Period end: September 30, 2017

	USD/EGP	USD/GBP	USD/MAD
September 30, 2017	17.7001	0.7467	9.7694

Period end: September 30, 2016

	USD/EGP	USD/GBP	USD/MAD
September 30, 2016	8.8801	0.7110	9.7236

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

6. Cash and cash equivalents

	Carrying amount	
$000's	**September 30 2017**	December 31 2016
Cash and bank balances	**28,931**	4,725
Restricted cash [1]	**1,538**	-
Total cash and cash equivalents	**30,469**	4,725

(1) Cash collateral of US$1.5 million (2016: US$nil) 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 Group does not fulfil its minimum work obligations.

7. 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	3,278	89	3,367
Acquisitions	43,232	-	43,232
Balance at September 30, 2017	**78,878**	**277**	**79,155**
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 period	(13,039)	(15)	(13,054)
Balance at September 30, 2017	**(32,901)**	**(104)**	**(33,005)**
NBV Property, plant and equipment as at December 31, 2016	12,506	99	12,605
NBV Property, plant and equipment as at September 30, 2017	**45,977**	**173**	**46,150**

During the period ended September 30, 2017, the PP&E additions of US$3.4 million related to well workovers in the NW Gemsa field, well workovers in the Block-H Meseda concession, the drilling of the KSR-14 development well in the Sebou licence and the refurbishment of the Rabat corporate office in Morocco. The difference between the US$3.4 million disclosed above and the US$1.8 million Property, plant and equipment expenditure in the Consolidated Statement of Cash Flows is due to the fact that c.US$1.2 million of the KSR-14 drilling costs and US$0.4 million of the NW Gemsa and Block H-Meseda well workover costs are part of Trade and other payables as at September 30, 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.

8. 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	2,371
Balance at September 30, 2017	**12,994**

During the nine months ended September 30, 2017, E&E additions totaling US$2.4 million consisted of US$1.7 million at South Disouq for seismic interpretation and SDX's share of drilling costs of the SD-1X well and US$0.7 million in Morocco in respect of work for the ongoing drilling campaign and annual training fees for the exploration concessions.

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.

9. 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 September 30, 2017 and December 31, 2016.

The following table summarizes the changes in investments for the periods ended September 30, 2017 and December 31, 2016.

$000's	**September 30 2017**	December 31 2016
Investments, beginning of period	**2,503**	2,106
Dividends received	**-**	(825)
Share of operating income	**985**	1,222
Investments, end of period	**3,488**	2,503

The following table summarizes the Company's 50% interest in the assets, liabilities, revenue and operating income of Brentford as at September 30, 2017 and 31 December 2016:

SDX share (50%) of Brentford:	**September 30 2017**	December 31 2016
Total assets	**3,089**	2,405
Total liabilities	**3**	3
Revenue	**1,121**	1,656
Net income	**985**	1,222

During the nine month period ended September 30, 2017 and the year ended December 31, 2016 50% of Brentford's revenue was earned from fees charged to the Company.

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

10. Trade and other payables

$000's	Carrying amount September 30 2017	December 31 2016
Current		
Trade payables	**488**	663
Accruals	**2,577**	684
Joint venture partners	**10,501**	1,743
Other payables	**1,844**	584
Total trade and other payables	**15,410**	3,674

As a result of the acquisition of Circle Oil plc on January 27, 2017, US$14.8 million of Trade and other payables were added to SDX's Trade and other payables upon completion of the transaction, and this is the reason for the significant increase in these balances as at September 30, 2017.

As at December 31, 2016, trade payables included US$0.3 million of NGL and gas transportation and treatment costs associated with the sales of these products recognized during Q4 2016.

Accruals include amounts for products and services received which have yet to be invoiced. The increase period on period reflects work undertaken but not yet billed on the KSR-14 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$6.1 million for NW Gemsa (2016:US$1.2 million), US$1.0 million Block-H Meseda (2016: US$0.5 million) and US$3.4 million for the Morocco concessions (2016: US$nil). The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

Other payables of US$1.8 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$0.6 million (2016: US$0.1 million).

The difference between the increase of US$11.7 million in trade and other payables in the Consolidated Balance Sheets as at September 30, 2017 and December 31, 2016 and the line item in the Consolidated Statement of Cash Flows relating to the implied decrease in Trade and other payables of US$3.4 million relates primarily to the introduction of US$14.8 million of Trade and Other Payables from Circle Oil plc which is included in the cashflow statements as part of the US$34.2 million Gain on acquisition and the US$28.1 million Acquisition of subsidiaries.

11. 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, 2018.

12. Decommissioning liability

Upon acquisition of Circle Oil's Moroccan assets, the Company assumed responsibility for the decommissioning of these assets.

As at September 30, 2017 the total future undiscounted cash flows amounted to US$4.4 million, to be incurred between the years 2017 and 2020 and the liability was discounted using a risk-free rate of 3.0%. Expenditure of US$1.2 million is expected to be incurred 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 September 30 2017	December 31 2016
Decommissioning liability, beginning of period	**-**	-
Changes in estimate	**68**	-
Liabilities acquired through business combination	**3,968**	-
Accretion	**61**	-
Decommissioning liability, end of period	**4,097**	-
Of which:		
Current	**1,200**	-
Non-current	**2,897**	-

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

13. 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

	September 30, 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)	**124,615**	**48,503**	42,202	10,127
Balance, end of period	**204,459**	**88,778**	79,844	40,275
Weighted average shares outstanding	**177,669**		71,509	

(c) Common Share Warrants issued

	September 30, 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.

14. 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.

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 nine months ended September 30, 2017, 640,000 stock options were issued to four non-executive Directors of the Company, 66,667 options lapsed and 100,000 options were cancelled due to employees leaving the Company.

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 period	**(67)**	0.63
Cancelled during the period	**(100)**	0.45
Issued during the period	**640**	0.76
Outstanding September 30, 2017	**2,918**	**0.65**
Exercisable September 30, 2017	**1,713**	**0.64**

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

14. Stock-based compensation (continued)

Stock option plan (continued)

The exercise price of the outstanding options under the stock option plan as at September 30, 2017 is as follows:

Outstanding as at:	November 21 2017	September 30 2017	December 31 2016
Common shares	204,459,708	204,459,708	79,843,902
Options (stock option plan)	2,918,333	2,918,333	2,445,000
Options (long term incentive plan)	3,390,815	3,390,815	-

Key assumptions relating the options issued to September 30, 2017 are as follows:

	2017	2016	2015
Fair value at grant date (CDN)	$0.26	$0.29	$0.29
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). In order to optimize the post-tax value of the LTIP for participants, 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 respectively.

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 3,390,815. All of these options are outstanding as at September 30, 2017 and November 21, 2017 but 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.

15. Revenue, net of royalties

$000's	Three months ended September 30 2017	2016	Nine months ended September 30 2017	20166
Oil revenue	**8,411**	1,917	**22,555**	5,512
Royalties	**(3,610)**	(823)	**(9,680)**	(2,366)
Oil revenue, net of royalties	**4,801**	1,094	**12,875**	3,146
Gas revenue	**3,414**	-	**9,340**	-
Royalties	**(67)**	-	**(188)**	-
Gas revenue, net of royalties	**3,347**	-	**9,152**	-
NGL revenue	**232**	-	**647**	-
Royalties	**(101)**	-	**(281)**	-
NGL revenue, net of royalties	**131**	-	**366**	-
Production service fees	**1,845**	1,835	**5,768**	4,414
Total net revenue before tax	**10,124**	2,929	**28,161**	7,560

With the exception of Moroccan gas sales, the oil, gas and NGLs revenue and royalties relate to the NW Gemsa concession, which is governed by an Egyptian PSC. The royalties are those attributable to the government take in accordance with the fiscal terms of the PSC. No royalties are yet payable in respect of Moroccan gas.

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 has now been resolved such that the Company believes it appropriate to recognize revenues from October 1, 2013 to December 31, 2016, which equates to US$2.2 million of gas sales and US$2.4 million of NGLs. These sales were recognized in Q4 2016. Sales of these product have continued to be recognized for the period ended September 30, 2017.

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

16. Direct operating expense

$000's	Three months ended September 30 2017	2016	Nine months ended September 30 2017	20166
NW Gemsa	**1,801**	377	**4,947**	1,157
Block-H Meseda	**612**	863	**2,003**	2,349
Morocco - Sebou	**259**	-	**753**	-
Other	**-**	1	**25**	24
Total direct operating costs	**2,672**	1,241	**7,728**	3,530

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

17. General and administrative expenses

	Three months ended September 30		Nine months ended September 30	
$000's	**2017**	2016	**2017**	2016
Wages and employee costs	**1,801**	735	**4,716**	1,929
Consultants - inc. PR/IR	**84**	99	**533**	370
Legal fees	**135**	76	**255**	182
Audit, tax and accounting services	**153**	53	**510**	182
Public company fees	**115**	158	**285**	293
Travel	**61**	21	**210**	104
Office expenses	**235**	235	**733**	555
IT expenses	**49**	109	**261**	219
Service recharges	**(500)**	(261)	**(1,374)**	(837)
Ongoing general and administrative expenses	**2,133**	1,225	**6,129**	2,997
Transaction costs	**-**	-	**2,373**	-
Total net G&A	**2,133**	1,225	**8,502**	2,997

18. Income tax

	Three months ended September 30		Nine months ended September 30	
$000's	**2017**	2016	**2017**	2016
NW Gemsa	**971**	210	**2,609**	605
Block-H Meseda	**334**	153	**741**	251
Morocco - Sebou	**-**	-	**-**	-
Total current taxes	**1,305**	363	**3,350**	856

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") 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.

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 and nine months ended September 30, 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$0.8 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 September 30, 2017.

19. Income/(loss) per share

	Three months ended September 30		Nine months ended September 30	
$000's	**2017**	2016	**2017**	2016
Net income/(loss) before comprehensive income for the period	**4,188**	140	**30,121**	(25,907)
Weighted average amount of shares				
Basic	**189,763**	78,824	**177,669**	57,339
Diluted	**192,391**	78,824	**179,691**	57,339
Per share amount				
Basic	**$0.022**	$0.002	**$0.170**	$(0.452)
Diluted	**$0.022**	$0.002	**$0.168**	$(0.452)

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. At September 30, 2016 the strike price of such instruments was above the average market share price, therefore they became anti-dilutive, resulting in a diluted EPS equal to the basic EPS.

20. 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.

	Three months ended September 30, 2017				Three months ended September 30, 2016 (restated)				
	Egypt	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Cameroon[2]	Unallocated[1]	Total
Revenue	**6,910**	**3,214**	**-**	**10,124**	2,929	-	-	-	2,929
Operating costs	**(2,413)**	**(259)**	**-**	**(2,672)**	(1,241)	-	-	-	(1,241)
Netback (pre tax)	**4,497**	**2,955**	**-**	**7,452**	1,688	-	-	-	1,688
Exploration and evaluation expense	**(1)**	**-**	**(63)**	**(64)**	-	-	-	14	14
Depletion, depreciation and amortization	**(2,058)**	**(2,582)**	**-**	**(4,640)**	(793)	-	-	(7)	(800)
Stock based compensation	**-**	**-**	**(188)**	**(188)**	-	-	-	298	298
Share of profit from joint venture	**274**	**-**	**-**	**274**	401	-	-	-	401
General and administrative expenses	**(449)**	**(233)**	**(1,451)**	**(2,133)**	(289)	-	-	(936)	(1,225)
Operating income/(loss)	**2,263**	**140**	**(1,702)**	**701**	1,007	-	-	(631)	376

(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 8, in 2017 the Company no longer operates in Cameroon.

	Nine months ended September 30, 2017				Nine months ended September 30, 2016 (restated)				
	Egypt	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Cameroon[2]	Unallocated[1]	Total
Revenue	**19,382**	**8,779**	**-**	**28,161**	7,560	-	-	-	7,560
Operating costs	**(6,975)**	**(753)**	**-**	**(7,728)**	(3,530)	-	-	-	(3,530)
Netback (pre tax)	**12,407**	**8,026**	**-**	**20,433**	4,030	-	-	-	4,030
Exploration and evaluation expense	**(1)**	**-**	**(234)**	**(235)**	-	-	(24,731)	(139)	(24,870)
Depletion, depreciation and amortization	**(5,936)**	**(7,027)**	**(91)**	**(13,054)**	(2,432)	-	-	(30)	(2,462)
Stock based compensation	**-**	**-**	**(273)**	**(273)**	-	-	-	104	104
Share of profit from joint venture	**985**	**-**	**-**	**985**	1,113	-	-	-	1,113
General and administrative expenses	**(879)**	**(1,078)**	**(6,545)**	**(8,502)**	(736)	-	-	(2,261)	(2,997)
Operating income/(loss)	**6,576**	**(79)**	**(7,143)**	**(646)**	1,975	-	(24,731)	(2,326)	(25,082)

(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 8, in 2017 the Company no longer operates in Cameroon.

The segment assets and liabilities as at September 30, 2017 and December 31, 2016 are as follows:

	September 30, 2017				December 31, 2016 (restated)				
	Egypt	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Cameroon[2]	Unallocated[1]	Total
Segment assets	**76,016**	**41,164**	**21,718**	**138,898**	37,696	-	-	3,921	41,617
Segment liabilities	**(9,391)**	**(10,719)**	**(1,807)**	**(21,917)**	(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 8, in 2017 the Company no longer operates in Cameroon.

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

21. 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 the drilling of seven development/appraisal wells (six in the Sebou permit and one in the Gharb Centre permit) and two exploration wells in the Lalla Mimouna permit. In addition, as a condition of being awarded the Gharb Centre permit, the Company has committed to undertake an exploration work program consisting of 200km^2 of 3D seismic and at least two exploration wells. The total estimated cost of these commitments is US$29.9 million.

In Egypt the Commitments are for the drilling of one development well and facilities upgrade for South Ramadan (US$2.9 million) and two exploration wells and no less than 100km^2 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 $6.9m which will be incurred within the next twelve months.

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

$000's	**September 30 2017**	December 31 2016
Less than one year	**37,200**	1,340
Between one and five years	**2,500**	2,933
Total	**39,700**	4,273

During the nine months ended September 30, 2017, the Company's commitment to drill an exploration well on the South Disouq concession was discharged, resulting in the SD-1X discovery. Development options are under review.

The Company has a lease commitment for its office premises and vehicles in Calgary, Rabat and London under non-cancellable operating leases expiring within one to five years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

$000's	**September 30 2017**	December 31 2016
Less than one year	**493**	318
Between one and five years	**743**	499
Total	**1,236**	817

There are no contingencies as at September 30, 2017.