Financial Statements
2019 Q1 Interim Report

These Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2019, which are published, inter alia, for the purposes of discharging the Company's obligations arising in connection with the listing of its shares on the Toronto Stock Exchange, have been prepared in accordance with generally accepted accounting principles. They have not been reviewed or audited by the Company's Auditors and do not constitute a preliminary statement of the Company's annual results.

Interim Consolidated Balance Sheet
(Unaudited)

US$'000s	Note	As at March 31 2019	As at December 31 2018
Assets			
Cash and cash equivalents	6	**11,354**	17,345
Trade and other receivables	5a	**21,723**	24,324
Inventory	7	**3,637**	5,236
Current assets		**36,714**	46,905
Investments	10	**3,763**	3,394
Property, plant and equipment	8	**44,334**	48,680
Exploration and evaluation assets	9	**50,788**	39,128
Right-of-use assets	23	**2,031**	-
Non-current assets		**100,916**	91,202
Total assets		**137,630**	138,107
Liabilities			
Trade and other payables	11	**11,297**	14,418
Deferred income	12	**495**	495
Decommissioning liability	13	**1,125**	1,125
Current income taxes	19	**1,784**	1,458
Lease liability	23	**590**	-
Current liabilities		**15,291**	17,496
Deferred income	12	**119**	240
Decommissioning liability	13	**4,053**	4,042
Deferred income taxes	19	**290**	290
Lease liability	23	**1,386**	-
Non-current liabilities		**5,848**	4,572
Total liabilities		**21,139**	22,068
Equity			
Share capital	14	**88,899**	88,899
Contributed surplus		**7,180**	6,860
Accumulated other comprehensive loss		**(917)**	(917)
Retained earnings		**21,329**	21,197
Total equity		**116,491**	116,039
Equity and liabilities		**137,630**	138,107

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

The financial statements on pages 40 to 58 were approved by the board of directors on May 17, 2019 and signed on its behalf by:

Paul Welch
Chief Executive Officer

Mark Reid
Chief Financial Officer

Interim Consolidated Statement of Comprehensive Income
(Unaudited)

US$'000s	Note	Three months ended March 31 2019	2018
Revenue, net of royalties	16	**12,681**	10,960
Revenue			
Direct operating expense	17	**(3,374)**	(1,994)
Gross profit		**9,307**	8,966
Exploration and evaluation expense	9	**(235)**	(3,250)
Depletion, depreciation and amortisation	8, 23	**(5,898)**	(2,533)
Stock-based compensation	15	**(320)**	(332)
Share of profit from joint venture	10	**369**	234
General and administrative expenses			
- Ongoing general and administrative expenses	18	**(1,210)**	(1,245)
- Transaction costs	18	**(338)**	-
Operating income		**1,675**	1,840
Net finance expense		**(142)**	(21)
Foreign exchange gain		**12**	14
Loss on acquisition		**-**	(174)
Income before income taxes		**1,545**	1,659
Current income tax expense	19	**(1,413)**	(1,328)
Deferred income tax expense		**-**	-
Total current and deferred income tax expense		**(1,413)**	(1,328)
Total comprehensive income for the period		**132**	331
Net income per share			
Basic	20	**$0.001**	$0.002
Diluted	20	**$0.001**	$0.002

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

Financial Statements

Interim Consolidated Statement of Changes in Equity
(Unaudited)

US$'000s	Note	Three months ended March 31 2019	2018
Share capital			
Balance, beginning of period	14	88,899	88,785
Issuance of common shares		-	-
Share issue costs		-	-
Balance, end of period		88,899	88,785
Contributed surplus			
Balance, beginning of period		6,860	5,666
Stock-based compensation for the period		320	332
Balance, end of period		7,180	5,998
Accumulated other comprehensive loss			
Balance, beginning of period		(917)	(888)
Balance, end of period		(917)	(888)
Retained earnings/(accumulated loss)			
Balance, beginning of period		21,197	21,056
Total comprehensive income for the period		132	331
Balance, end of period		21,329	21,387
Total equity		116,491	115,282

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

Interim Consolidated Statement of Cash Flows
(Unaudited)

US$'000s	Note	Three months ended March 31 2019	2018
Cash flows generated from/(used in) operating activities			
Income before income taxes		**1,545**	1,659
Adjustments for:			
Depletion, depreciation and amortization	8, 23	**5,898**	2,533
Exploration and evaluation expense	9	**-**	3,250
Finance expense		**142**	21
Stock-based compensation	15	**320**	332
Loss on acquisition		**-**	174
Foreign exchange loss/(gain)		**(118)**	(327)
Amortisation of deferred income	12	**(121)**	(125)
Tax paid by state	19	**(980)**	(975)
Share of profit from joint venture	10	**(369)**	(234)
Operating cash flow before working capital movements		**6,317**	6,308
Decrease in trade and other receivables	5a	**2,429**	7,272
Decrease in trade and other payables	11	**(1,156)**	(2,040)
Increase in inventory	7	**(627)**	(589)
Cash generated from operating activities		**6,963**	10,951
Income taxes paid	19	**-**	-
Net cash generated from operating activities		**6,963**	10,951
Cash flows (used in)/generated from investing activities:			
Property, plant and equipment expenditures	8	**(1,805)**	(5,477)
Exploration and evaluation expenditures	9	**(11,063)**	(2,365)
Net cash used in investing activities		**(12,868)**	(7,842)
Cash flows generated from/(used in) financing activities:			
Payments of lease liabilities	23	**(134)**	-
Finance costs paid		**(70)**	(3)
Net cash used in financing activities		**(204)**	(3)
(Decrease)/increase in cash and cash equivalents		**(6,109)**	3,106
Effect of foreign exchange on cash and cash equivalents		**118**	327
Cash and cash equivalents, beginning of period		**17,345**	25,844
Cash and cash equivalents, end of period		**11,354**	29,277

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

1. Reporting entity

SDX Energy Inc. ("SDX" or "the Company") is a company domiciled in Canada. The address of the Company's registered office is Centennial Place, East Tower, 1900, 520-3rd Avenue SW, Calgary, Alberta T2P 0R3. The unaudited interim condensed consolidated financial statements of the Company as at and for the three months ended March 31, 2019 and 2018 ("Interim Consolidated Financial Statements") comprise the Company and its wholly owned subsidiaries and include the Company's share of joint arrangements (together the "Group").

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

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

2. Basis of preparation

a) Statement of compliance

These Interim Consolidated Financial Statements for the three months ended March 31, 2019 and 2018 have been prepared in accordance with IAS 34 "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). These interim condensed consolidated financial statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB.

These Interim Consolidated Financial Statements of SDX Energy Inc. were approved by the board of directors on May 17, 2019.

b) Accounting policies

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

c) Going concern

The Company directors have reviewed the Company's forecasted cash flows for the next 12 months from the date of publication of these Interim Consolidated Financial Statements and through until December 31, 2020. The capital expenditure and operating costs used in these forecasted cash flows are based on the Company's board-approved 2019 SDX corporate budget, which reflects approved operating budgets for each of its joint ventures and an estimate of 2019 SDX corporate general and administrative expenses. The Company's forecasted cash flows also reflect its best estimate of operational and corporate expenditure, including corporate general and administrative costs for the period to December 31, 2020. The directors have made enquiries into and considered the Egyptian and Moroccan business environments and future expectations regarding commodity price risk and, in particular, oil price risk given the volatility in quoted Brent and WTI crude oil prices.

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

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

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

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

3. New accounting standards adopted

The Company has adopted IFRS 16 Leases effective January 1, 2019. In accordance with the transition provisions in IFRS 16, the new rules have been adopted retrospectively, with the cumulative effect of initially applying the new standard recognized on January 1, 2019. Comparatives for the 2018 financial year have not been restated. See note 23 below for further details on the impact of the change in accounting policy.

IFRS 16 Leases

Adjustments recognized on adoption of IFRS 16

On adoption of IFRS 16, the Company recognized lease liabilities in relation to leases that had previously been classified as "operating leases" under the principles of IAS 17 Leases. These lease liabilities were measured at the present value of the remaining lease payments and discounted using entity-specific incremental borrowing rates at January 1, 2019. The incremental borrowing rate applied to each lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the contracting entity and the terms and conditions of the lease. The weighted average incremental borrowing rate applied by the Company upon transition was 8%.

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet as at December 31, 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognized right-of-use assets relate to property, motor vehicles and software.

The change in accounting policy affected the following items in the consolidated balance sheet on January 1, 2019:
- right-of-use assets-increase by US$ 2.2 million
- prepayments-decrease by US$ 0.1 million
- lease liabilities-increase by US$ 2.1 million

(i) Impact on segment disclosures and earnings per share

EBITDAX, segment assets and segment liabilities for Q1 2019 all increased as a result of the change in accounting policy.

(ii) Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the accounting for operating leases with a remaining lease term of less than 12 months as at January 1, 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to apply IFRS 16 to contracts that were not identified as containing a lease under IAS 17 and IFRIC 4, "Determining whether an Arrangement contains a Lease".

(iii) The Company's leasing activities and how these are accounted for

The Company leases various properties, motor vehicles, and software. Rental contracts are typically made for fixed periods, but might have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets cannot be used as security for borrowing purposes.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments), less any lease incentives receivable. The lease payments are discounted using the Company's incremental borrowing rate.

The Company recognizes a right-of-use asset and a lease liability at the commencement of the lease. The right-of-use asset is initially measured based on the present value of lease payments, plus initial direct costs and the cost of obligations to refurbish the asset, adjusted for any lease payments made at or before the commencement date less any incentives received.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company has elected not to recognize right-of-use assets and liabilities for leases where the total lease term is less than or equal to 12 months, or for leases of low-value assets. Low-value assets comprise IT equipment and small items of office furniture. Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss.

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:

Level 1 fair value measurements are based on unadjusted quoted market prices.
Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
Level 3 fair value measurements are based on unobservable information.

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

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

5. Financial risk management

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:

	Carrying amount	
US$'000s	**March 31 2019**	December 31 2018
Cash and cash equivalents	**11,354**	17,345
Trade and other receivables[1]	**20,179**	23,689
Total	**31,533**	41,034

(1) Excludes prepayments of US$1.5 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 (2018: US$0.6 million).

a) Credit risk

Trade and other receivables

All 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 applies the IFRS 9 simplified model for measuring the expected credit losses which uses a lifetime expected loss allowance and are measured on the days past due criterion. Having reviewed past payments combined with the credit profile of its existing trade debtors in order to assess the potential for impairment, the Company has concluded that this is insignificant as there has been no history of default or disputes arising on invoiced amounts since inception and as such the credit loss percentage is assumed to be almost zero. No provision for doubtful accounts against these sales has been recorded as at March 31, 2019 and December 31, 2018.

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

	Carrying amount	
US$'000s	**March 31 2019**	December 31 2018
Government of Egypt-controlled corporations	**8,638**	14,846
Government of Morocco-controlled corporations	**2,969**	3,053
Third-party gas customers	**3,943**	2,715
Joint venture partners	**3,040**	1,761
Other[1]	**1,589**	1,314
Total	**20,179**	23,689

(1) Excludes prepayments of US$1.5 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 (2018: US$0.6 million).

5. Financial risk management (continued)

US$8.6 million of current receivables relates to oil, gas and NGL sales and production service fees that are due from EGPC (2018: US$14.8 million), a Government of Egypt-controlled corporation. The Company expects to collect outstanding receivables of US$3.5 million for NW Gemsa (2018: US$10.0 million) and US$5.1 million for Block-H Meseda (2018: US$4.8 million), in the normal course of operations. The Company continues to use its accounts receivable balance to fund operations, with US$8.9 million of South Disouq development expenditure and US$1.4 million of South Ramadan drilling costs offset during the three months ended March 31, 2019.

ONHYM, a Government of Morocco-controlled corporation, owes US$3.0 million, which relates to its outstanding share of well completion and connection and production costs. No payments were received from ONHYM during Q1 2019.

US$3.9 million is owing from third-party gas customers in Morocco and is expected to be collected within agreed credit terms.

Subsequent to March 31, 2019 the Company collected US$5.9 million of trade receivables from those outstanding at March 31, 2019; US$4.7 million from EGPC and US$1.2 million from third-party gas customers in Morocco. Of the US$4.7 million collected from EGPC, US$1.1 million was in cash and US$3.6 million was offset against South Disouq drilling and development costs and amounts owing to joint venture partners.

The joint venture partner current accounts represent the net of monthly cash calls paid less billings received. At March 31, 2019, US$2.0 million was receivable from the joint venture partner in the South Disouq concession (2018: South Disouq-US$1.8 million), representing both billed and unbilled amounts and US$1.0m relating to an overcall from the joint venture partner in the NW Gemsa concession, which is expected to unwind as accounts payable are paid down. At March 31, 2019, the Company's share of NW Gemsa materials inventory was US$2.1 million and accounts payable was US$(3.7) million. The balance due from the South Disouq joint venture partner was collected post-period end.

The other receivables of US$1.6 million consist of US$1.0 million for Goods and Services Tax ("GST")/Value Added Tax ("VAT") and US$0.6 million for other items.

US$1.5 million related to prepayments predominantly associated with the South Disouq development is recorded in the Consolidated Balance Sheet.

As at March 31, 2019 and December 31, 2018, the Company's trade and other receivables, other than prepayments, are aged as follows:

	Carrying amount	
	March 31	December 31
US$'000s	**2019**	2018
Current (less than 90 days)	**14,528**	14,805
Past due (more than 90 days)	**5,651**	8,884
Total	**20,179**	23,689

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

Current trade and other receivables past due (more than 90 days old) have decreased by US$3.2 million compared to December 31, 2018. This decrease is primarily due to using aged receivables from EGPC to fund South Disouq development costs as per the discussion above.

Cash and cash equivalents

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

5. Financial risk management (continued)

b) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The reporting and functional currency of the Company is United States dollars ("US$"). Most of the Company's operations are in foreign jurisdictions and, as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities, primarily on exchange fluctuations between the Egyptian pound ("EGP") and the US$, the Moroccan dirham ("MAD") and the US$, and Sterling ("GBP") and the US$. Most capital expenditures are incurred in US$, EGP and MAD, and oil, natural gas, NGL and service fee revenues are received in US$, EGP and MAD. The Company can use EGP and MAD to fund its Egyptian and Moroccan general and administrative expenses and to part-pay cash requirements for both capital and operating expenditure, thereby reducing the Company's exposure to foreign exchange risk during the period.

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

	Total per FS[1]	US$	EGP	MAD	GBP	Other
As at March 31, 2019			**US$ equivalent**			
Cash and cash equivalents	11,354	5,227	1,024	3,258	1,763	82
Trade and other receivables[2]	20,179	10,900	1,003	7,065	1,170	41
Trade and other payables	(11,297)	(4,109)	(1,221)	(3,866)	(1,799)	(302)
Current income taxes	(1,784)	-	(1,784)	-	-	-
Balance sheet exposure	18,452	12,018	(978)	6,457	1,134	(179)

(1) FS denotes financial statements

(2) Excludes prepayments

The average exchange rates during the three months ended March 31, 2019 and 2018 were 1 US$ equals:

Average: Jan 1, 2019 to March 31, 2019

	USD/EGP	USD/GBP	USD/MAD
Period average	17.5407	0.7682	9.5613

Average: Jan 1, 2018 to March 31, 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.6371	0.7188	9.1789

The exchange rates as at March 31, 2019 and 2018 were 1 US$ equals:

Period end: March 31, 2019

	USD/EGP	USD/GBP	USD/MAD
Period average	17.2600	0.7678	9.6631

Period end: March 31, 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.6249	0.7134	9.1977

6. Cash and cash equivalents

	Carrying amount	
US$'000s	**March 31 2019**	December 31 2018
Cash and bank balances	**9,783**	15,809
Restricted cash[1]	**1,571**	1,536
Total cash and cash equivalents	**11,354**	17,345

(1) Cash collateral of US$1.6 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.

7. Inventory

During the three months ended March 31, 2019, US$1.6 million of inventory was consumed in the South Disouq development project, reducing the balance from US$5.2 million as at December 31, 2018 to US$3.6 million as at March 31, 2019.

8. Property, plant and equipment

US$'000s	Oil and gas properties	Furniture and fixtures	Total
Cost:			
Balance at December 31, 2017	**91,575**	**645**	**92,220**
Additions	14,288	735	15,023
Balance at December 31, 2018	**105,863**	**1,380**	**107,243**
Additions	1,359	22	1,381
Balance at March 31, 2019	**107,222**	**1,402**	**108,624**
Accumulated depletion, depreciation, amortization and impairment:			
Balance at December 31, 2017	**(37,599)**	**(176)**	**(37,775)**
Depletion, depreciation and amortization for the year	(16,890)	(378)	(17,268)
Impairment expense	(3,520)	-	(3,520)
Balance at December 31, 2018	**(58,009)**	**(554)**	**(58,563)**
Depletion, depreciation and amortization for the period	(5,607)	(120)	(5,727)
Balance at March 31, 2019	**(63,616)**	**(674)**	**(64,290)**
NBV Property, plant and equipment as at December 31, 2018	47,854	826	48,680
NBV Property, plant and equipment as at March 31, 2019	**43,606**	**728**	**44,334**

During the three months ended March 31, 2019, the PP&E additions of US$1.4 million were predominantly related to new customer connections and facilities in Morocco (US$0.8 million) and well workovers in NW Gemsa (US$0.4 million) and Block-H Meseda (US$0.2 million).

The difference between the US$1.4 million disclosed above and the US$1.8 million property, plant and equipment expenditure in the Interim Consolidated Statement of Cash Flows is the result of the timing of payment of capital creditors.

9. Exploration and evaluation assets

US$'000s	
Balance at December 31, 2017	**15,231**
Additions	29,000
Exploration and evaluation expense	(5,103)
Balance at December 31, 2018	**39,128**
Additions	11,660
Balance at March 31, 2019	**50,788**

During the three months ended March 31, 2019, E&E additions totalled US$11.7 million. South Disouq additions of US$10.2 million were development project-related (US$8.5 million), and the costs of the 3D seismic acquisition that began in Q4 2018 (US$1.7 million). US$1.2 million of costs relating to the South Ramadan SRM-3 well were incurred during the period.

Additions in Morocco relate to US$0.3 million for the current 3D seismic campaign and other studies.

The difference between the US$11.7 million disclosed above and the US$11.1 million exploration and evaluation expenditure in the Interim Consolidated Statement of Cash Flows is because of the timing of payment of capital creditors.

10. Investments

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), an oilfield services business incorporated in Egypt, over which it exercises joint control. Brentford owns all the assets it uses to provide its services and is legally responsible for settling its liabilities. In the current and comparative period, Brentford has provided services only to its shareholders, but it is not contractually obliged to do so. In the past, it has contracted with third parties and continues to seek future opportunities. On the balance of facts, the Company has concluded that Brentford is a joint venture under IFRS 11-"Joint Arrangements" and the Company's interest is equity accounted for. The investment is reviewed regularly for indicators of impairment and no impairment was identified for the periods ended March 31, 2019 and December 31, 2018.

The following table summarizes the changes in investments for the periods ended March 31, 2019 and December 31, 2018:

	Carrying amount	
US$'000s	**March 31 2019**	December 31 2018
Investments, beginning of period	**3,394**	2,724
Dividends received	**-**	(525)
Share of operating income	**369**	1,195
Investments, end of period	**3,763**	3,394

The following table summarizes the Company's 50% interest in the assets, liabilities, revenue, and operating income of Brentford as at March 31, 2019 and December 31, 2018:

US$'000s	**March 31 2019**	December 31 2018
Total assets	**2,821**	2,454
Total liabilities	**262**	9
Revenue	**493**	1,787
Net income	**369**	1,195

During the three-month period ended March 31, 2019 and the year ended December 31, 2018, 50% of Brentford's revenue was earned from fees charged to the Company and 50% (2018: 50%) to the Company's partner in the Block-H concession.

11. Trade and other payables

	Carrying amount	
	March 31	December 31
US$'000s	**2019**	2018
Trade payables	**2,011**	3,870
Accruals	**4,247**	3,747
Joint venture partners	**3,482**	5,409
Other payables	**1,557**	1,392
Total trade and other payables	**11,297**	14,418

Trade payables comprise billed services and goods. As at March 31, 2019, they consisted predominantly of creditors associated with the Moroccan facilities and 3D seismic campaigns (US$0.7 million) and G&A creditors.

The US$1.9 million decrease in trade payables as at March 31, 2019, is due to payments made for South Disouq 3D seismic and development costs incurred in Q4 2018.

Accruals include amounts for products and services received which have yet to be invoiced. The US$0.5 million increase period on period reflects the value of work undertaken but not billed as at March 2019 for the South Disouq development project.

Joint venture partners comprise partner current accounts of US$0.1 million for Block-H Meseda (2018: US$1.3 million) and US$3.4 million for the Morocco concessions (2018: US$3.3 million). 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$0.3 million related to the relinquishment of the Shukheir Marine concession (2018: US$0.5 million), and employee costs accrued, VAT payable, and other sundry creditors of US$1.3 million (2018: US$0.9 million).

The difference between the decrease of US$3.1 million in trade and other payables in the Interim Consolidated Balance Sheets as at March 31, 2019 and December 31, 2018 and the line item in the Interim Consolidated Statement of Cash Flows pertaining to the implied decrease in trade and other payables of US$1.2 million relates to the timing differences between the receipt and payment of invoices to operational creditors.

12. 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 with the customer by which the selling price of gas is discounted by 5% until the advance payment is fully recouped, which is expected to be during the year ended December 31, 2019.

13. Decommissioning liability

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

As at March 31, 2019, the total future undiscounted cash flows relating to Moroccan assets amounted to US$5.1 million, to be incurred between the years 2019 and 2023, and the liability was discounted using a risk-free rate of 3.0%. Decommissioning expenditure of US$1.1 million is anticipated within the next 12 months.

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

The discounted value of the cash flows above amounts to US$5.2 million as at March 31, 2019, is shown below:

	Carrying amount	
US$'000s	**March 31 2019**	December 31 2018
Decommissioning liability, beginning of period	**5,167**	4,542
Changes in estimate	**-**	575
Payments for decommissioning	**-**	(23)
Accretion	**11**	73
Decommissioning liability, end of period	**5,178**	5,167
Of which:		
Current	**1,125**	1,125
Non-current	**4,053**	4,042

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

14. Share capital

The Company is authorized to issue unlimited common shares with no-par value and unlimited preferred shares with no-par value. The table below shows the number and stated value of the common shares issued as at March 31, 2019 and December 31, 2018:

	March 31 2019		December 31 2018	
	Number of shares ('000s)	**Stated value (US$'000s)**	Number of shares ('000s)	Stated value (US$'000s)
Balance, beginning of period	**204,723**	**88,899**	204,493	88,785
Issue of common shares (less share issue costs)	**-**	**-**	230	114
Balance, end of period	**204,723**	**88,899**	204,723	88,899
Weighted average shares outstanding	**204,723**		204,565	

15. Stock-based compensation

The stock-based compensation expense of US$0.3 million recorded in the Interim Consolidated Statement of Comprehensive income represents the IFRS 2 charge associated with both the stock option plan and the Long-Term Incentive Plan described below.

Stock option plan

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

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

During the 12 months to December 31, 2018, 400,000 options previously awarded lapsed, 106,667 options were cancelled, and 230,001 options were exercised. There have been no option transactions in 2019.

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

	Number of options ('000s)	Weighted average exercise price (CDN$)
Outstanding January 1, 2018	**2,852**	**0.65**
Lapsed during the year	(400)	0.63
Cancelled during the year	(107)	0.76
Exercised during the year	(230)	0.66
Outstanding December 31, 2018	**2,115**	**0.65**
Exercisable December 31, 2018	**1,795**	**0.64**
Outstanding March 31, 2019	**2,115**	**0.65**
Exercisable March 31, 2019	**1,795**	**0.64**

The exercise price of the outstanding options under the stock option plan as at March 31, 2019 is as follows:

	Outstanding options		Vested options	
	Number of options	Contractual life	Number of options	Contractual life
CAD $0.39-$0.76	2,115,000	3-5 years	1,795,000	3-5 years

Long-Term Incentive Plan ("LTIP")

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

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

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

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

15. Stock-based compensation (continued)

Long-Term Incentive Plan ("LTIP") (continued)

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

Based on grants to May 17, 2019, the maximum potential number of common shares that can vest to the executive directors and other selected employees under the LTIP was in aggregate 7,100,884. All these options are outstanding as at March 31, 2019 and May 17, 2019 but none have vested.

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

16. Revenue, net of royalties

	Three months ended March 31	
US$'000s	**2019**	2018
NW Gemsa oil sales revenue	**8,312**	8,519
Royalties	**(3,568)**	(3,656)
Net oil revenue	**4,744**	4,863
Block-H Meseda production service fee revenues	**3,536**	2,513
Morocco gas sales revenue	**4,213**	3,597
Royalties	**(186)**	-
Net Morocco gas sales revenue	**4,027**	3,597
Net other products revenue	**374**	(13)
Total net revenue before tax	**12,681**	10,960

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

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

The Moroccan gas sales revenue is derived from a Petroleum Agreement with the Moroccan state. Sales-based royalties become payable when certain inception-to-date production thresholds are reached, according to the terms of each exploitation concession. During Q3 2018, natural gas production from the Ksiri exploitation concession exceeded such a threshold, resulting in the recognition of royalties amounting to 5% of revenue from this concession from that point forward. Royalty payments are made directly to the Government of Morocco biannually, with the next payment scheduled for Q2 2019.

17. Direct operating expense

	Three months ended March 31	
US$'000s	**2019**	2018
NW Gemsa	**1,799**	889
Block-H Meseda	**1,110**	809
Morocco-Sebou	**465**	296
Total direct operating expense	**3,374**	1,994

18. General and administrative expenses

	Three months ended March 31	
US$'000s	**2019**	2018
Wages and employee costs	**1,902**	1,883
Consultants-inc. PR/IR	**175**	128
Legal fees	**152**	94
Audit, tax and accounting services	**104**	132
Public company fees	**158**	195
Travel	**11**	83
Office expenses	**118**	278
IT expenses	**129**	156
Service recharges	**(1,539)**	(1,704)
Ongoing general and administrative expenses	**1,210**	1,245
Transaction costs	**338**	-
Total net G&A	**1,548**	1,245

19. Income tax

	Three months ended March 31	
US$'000s	**2019**	2018
NW Gemsa	**980**	975
Block-H Meseda	**433**	339
Morocco-Sebou	**-**	-
Other	**-**	14
Total current taxes	**1,413**	1,328

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

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

The current income tax expense in the Interim Consolidated Statement of Comprehensive Income for the three months ended March 31, 2019 relates to income tax on North West Gemsa's PSC and income tax relating to the Company's PSA in Block-H Meseda, as described above.

The current income tax liability of US$1.8 million in the Consolidated Balance Sheet relates to the Company's PSA in Block-H Meseda and equates to corporate income tax for the period Q1 2018 to Q1 2019, less payments made on account.

The Company's Moroccan operations benefit from a 10-year corporation tax holiday from first production and no taxation is due on Moroccan profits as at March 31, 2019.

20. Income per share

US$'000s	Three months ended March 31 2019	2018
Net income before comprehensive income for the period	**132**	331
Weighted average amount of shares		
- Basic	**204,723**	204,493
- Diluted	**204,784**	206,763
Per share amount		
- Basic	**$0.001**	$0.002
- Diluted	**$0.001**	$0.002

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

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.

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 March 31, 2019				Three months ended March 31, 2018			
US$'000s	**Egypt**	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Unallocated[1]	Total
Revenue	**8,655**	**4,026**	**-**	**12,681**	7,363	3,597	-	10,960
Direct operating expense	**(2,909)**	**(465)**	**-**	**(3,374)**	(1,698)	(296)	-	(1,994)
Netback (pre tax)	**5,746**	**3,561**	**-**	**9,307**	5,665	3,301	-	8,966
General and administrative expenses	**54**	**(690)**	**(912)**	**(1,548)**	(124)	-	(1,121)	(1,245)
Stock-based compensation	**-**	**-**	**(320)**	**(320)**	-	-	(332)	(332)
Share of profit from joint venture	**369**	**-**	**-**	**369**	234	-	-	234
EBITDAX	**6,169**	**2,871**	**(1,232)**	**7,808**	5,775	3,301	(1,453)	7,623
Exploration and evaluation expense	**-**	**-**	**(235)**	**(235)**	-	(3,083)	(167)	(3,250)
Depletion, depreciation and amortization	**(2,807)**	**(2,888)**	**(203)**	**(5,898)**	(1,120)	(1,363)	(50)	(2,533)
Operating income/(loss)	**3,362**	**(17)**	**(1,670)**	**1,675**	4,655	(1,145)	(1,670)	1,840

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

The segment assets and liabilities as at March 31, 2019 and December 31, 2018 are as follows:

	March 31, 2019				December 31, 2018			
US$'000s	**Egypt**	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Unallocated[1]	Total
Segment assets	**75,621**	**49,630**	**12,379**	**137,630**	74,442	48,399	15,266	138,107
Segment liabilities	**(6,098)**	**(11,961)**	**(3,080)**	**(21,139)**	(7,229)	(11,227)	(3,612)	(22,068)

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

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 Interim Consolidated Financial Statements.

In Morocco, the commitments are for one exploration well in Gharb Centre, one exploration well in Lalla Mimouna Sud and one exploration well, acquisition of 100km^2 of 3D seismic data and re-processing of 150km of 2D seismic data in Moulay Bouchta Ouest. The estimated cost of these commitments is US$11.1 million.

In Egypt, there were no remaining commitments as at March 31, 2019.

There are no contingencies as at March 31, 2019.

23. Leases

Note 3 explains the changes and new accounting policy introduced on January 1, 2019, resulting from the adoption of the new accounting standards IFRS 16 Leases.

The Group has entered into various fixed-term leases, mainly for properties and vehicles.

a) Amounts recognized in the balance sheet

The lease liability recorded on January 1, 2019 was US$2.1 million and the right-of-use assets were US$2.2 million.

The right-of-use assets at January 1, 2019 by underlying class of asset comprise the following:

US$'000s	January 1, 2019
Properties	1,971
Motor Vehicles	186
Others	45
Total right-of-use assets[1]	**2,202**

(1) Right-of-use assets were higher than the lease liability at the date of implementation of IFRS 16 by US$0.1 million due to adjustments made for prepayments and accrued lease payments recognized at December 31, 2018.

The lease liability at March 31, 2019 and January 1, 2019 is as follows:

US$'000s	March 31, 2019	January 1, 2019
Current	**590**	587
Non-current	**1,386**	1,523
Total lease liabilities	**1,976**	2,110

Previous disclosures of operating lease commitments were limited to the non cancellable operating lease of the office premises in London. Reconciliation of lease commitment disclosed on December 31, 2018, and lease liability recorded on January 1, 2019 is as follows:

US$'000s	January 1, 2019
Disclosed undiscounted future minimum lease payments under operating leases at December 31, 2018	355
Impact of discounting	(81)
Liabilities additionally recognized based on the initial application of IFRS 16 as of January 1, 2019	1,836
Total lease liability	**2,110**

There was no net impact on retained earnings upon implementation of IFRS 16 on 1 January 2019.

The maturity analysis of the lease liability at March 31, 2019, is as follows:

US$'000s	March 31, 2019
Less than one year	670
Between one and two years	316
Between two and three years	278
Between three and four years	212
Between four and five years	180
After five years	320
Total lease liability	**1,976**

23. Leases (continued)

b) Amounts recognized in the statement of profit or loss

The right-of-use assets at March 31, 2019, amounted to US$2.0 million and the depreciation charge amounted to US$0.2 million and is shown below by underlying class of asset:

US$'000s	March 31, 2019 Carrying value	Depreciation charge Q1 2019
Properties	1,831	140
Motor Vehicles	162	24
Others	38	7
Total	2,031	171

There were no additions to right-of-use assets for the three months ended March 31, 2019.

The lease liability at March 31, 2019 was US$2.0 million. The corresponding interest expense for three months ended March 31, 2019, amounted to US$0.1 million. The portion of the lease payments recognized as a reduction of the lease liabilities and as a cash outflow from financing activities for the three months ended March 31, 2019 amounted to US$0.1 million.

The Company accounts for the expense of short-term leases of twelve months or less and underlying assets of low-value leases on a straight line basis over the lease term. The expense for the three months ended March 31, 2019, related to these leases amounted to US$0.1 million and US$0.01 million, respectively.