



Financial Statements

2019 Q2 Interim Report

Low cost
High margin production

South Disouq
Ibn Yunus, SD-4X and SD-3X
discoveries in 2018. First gas
targeted Q4 2019. Plateau of
c.50 MMscfe/d by Q1 2020

9,250 boe/d



Production

Combined Egyptian and Moroccan daily average gross production for the six months ended 30 June 2019

24.6 MMboe (gross)
13.1 MMboe (net)



Reserves

Asset reserves-NW Gemsa, Meseda, South Disouq and Morocco as at 31 December 2018

Interim Consolidated Balance Sheet

(Unaudited)

US\$'000s	Note	As at 30 June 2019	As at December 31 2018
Assets			
Cash and cash equivalents	6	11,195	17,345
Trade and other receivables	5a	21,764	24,324
Inventory	7	3,741	5,236
Current assets		36,700	46,905
Investments	10	3,479	3,394
Property, plant and equipment	8	41,652	48,680
Exploration and evaluation assets	9	56,374	39,128
Right-of-use assets	23	1,917	-
Non-current assets		103,422	91,202
Total assets		140,122	138,107
Liabilities			
Trade and other payables	11	16,018	14,418
Deferred income	12	491	495
Decommissioning liability	13	1,125	1,125
Current income taxes	19	938	1,458
Lease liability	23	524	-
Current liabilities		19,096	17,496
Deferred income	12	-	240
Decommissioning liability	13	4,080	4,042
Deferred income taxes	19	290	290
Lease liability	23	1,310	-
Non-current liabilities		5,680	4,572
Total liabilities		24,776	22,068
Equity			
Share-capital	14	2,593	88,899
Share-based payment reserve		6,521	6,860
Accumulated other comprehensive loss		(917)	(917)
Merger reserve	14	37,034	-
Retained earnings		70,115	21,197
Total equity		115,346	116,039
Equity and liabilities		140,122	138,107

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

The financial statements on pages 38 to 56 were approved by the board of directors on 22 August 2019 and signed on its behalf by:



Michael Doyle
Chairman



Mark Reid
Interim Chief Executive Officer
and Chief Financial Officer

Interim Consolidated Statement of Comprehensive Income (Unaudited)

US\$'000s	Note	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Revenue, net of royalties	16	12,732	13,472	25,413	24,432
Direct operating expense	17	(3,589)	(3,168)	(6,963)	(5,162)
Gross profit		9,143	10,304	18,450	19,270
Exploration and evaluation expense	9	(380)	(2,064)	(615)	(5,314)
Depletion, depreciation and amortisation	8,23	(6,047)	(3,657)	(11,945)	(6,190)
Share-based compensation	15	658	(324)	339	(656)
Share of profit from joint venture	10	355	292	724	526
Release of historic operational tax provision		-	300	-	300
Inventory write-off		-	(490)	-	(490)
Gain on sale of office asset		-	23	-	23
General and administrative expenses					
- Ongoing general and administrative expenses	18	(2,083)	(1,520)	(3,293)	(2,765)
- Transaction costs	18	(766)	-	(1,104)	-
Operating income		880	2,864	2,556	4,704
Net finance expense		(105)	(33)	(246)	(54)
Foreign exchange loss		(18)	(452)	(5)	(438)
Loss on acquisition		-	-	-	(174)
Income before income taxes		757	2,379	2,305	4,038
Current income tax expense	19	(1,246)	(1,739)	(2,659)	(3,067)
Deferred income tax expense		-	-	-	-
Total current and deferred income tax expense		(1,246)	(1,739)	(2,659)	(3,067)
Total comprehensive (loss)/income for the period		(489)	640	(354)	971
Net (loss)/income per share					
Basic	20	\$(0.002)	\$0.003	\$(0.002)	\$0.005
Diluted	20	\$(0.002)	\$0.003	\$(0.002)	\$0.005

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

Interim Consolidated Statement of Changes in Equity (Unaudited)

US\$'000s	Note	Six months ended 30 June	
		2019	2018
Share capital			
Balance, beginning of period	14	88,899	88,785
Share-for-share exchange - old	14	(88,899)	-
Share-for-share exchange - new	14	51,865	-
Capital reduction	14	(49,272)	-
Balance, end of period		2,593	88,785
Share based payment reserve			
Balance, beginning of period		6,860	5,666
Share-based compensation for the period		(339)	656
Balance, end of period		6,521	6,322
Accumulated other comprehensive loss			
Balance, beginning of period		(917)	(917)
Balance, end of period		(917)	(917)
Merger reserve			
Balance, beginning of period		-	-
Share-for-share exchange	14	37,034	-
Balance, end of period		37,034	-
Retained earnings			
Balance, beginning of period		21,197	21,085
Capital reduction	14	49,272	-
Total comprehensive (loss)/income for the period		(354)	971
Balance, end of period		70,115	22,056
Total equity		115,346	116,246

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 30 June		Six months ended 30 June	
		2019	2018	2019	2018
Cash flows generated from/(used in) operating activities					
Income before income taxes		757	2,379	2,305	4,038
Adjustments for:					
Depletion, depreciation and amortization	8, 23	6,047	3,657	11,945	6,190
Exploration and evaluation expense	9	-	1,783	-	5,033
Finance expense		105	33	246	54
Share-based compensation	15	(658)	324	(339)	656
Loss on acquisition		-	-	-	174
Foreign exchange loss/(gain)		(73)	269	(190)	(58)
Gain on sale of office asset		-	(23)	-	(23)
Release of historic operational tax provision		-	(300)	-	(300)
Inventory write-off		-	490	-	490
Amortisation of deferred income	12	(122)	(365)	(243)	(489)
Tax paid by state	19	(921)	(1,192)	(1,901)	(2,167)
Share of profit from joint venture	10	(355)	(292)	(724)	(526)
Operating cash flow before working capital movements		4,780	6,763	11,099	13,072
(Increase)/decrease in trade and other receivables	5a	(112)	1,070	2,317	8,342
Increase in trade and other payables	11	2,701	2,819	1,543	778
Payments for inventory	7	(227)	(180)	(854)	(769)
Cash generated from operating activities		7,142	10,472	14,105	21,423
Income taxes paid	19	(1,303)	(1,091)	(1,303)	(1,091)
Net cash generated from operating activities		5,839	9,381	12,802	20,332
Cash flows generated from/(used in) investing activities:					
Property, plant and equipment expenditures	8	(3,007)	(7,726)	(4,811)	(13,203)
Exploration and evaluation expenditures	9	(3,430)	(5,946)	(14,494)	(8,311)
Dividends received	10	639	525	639	525
Net cash used in investing activities		(5,798)	(13,147)	(18,666)	(20,989)
Cash flows used in financing activities:					
Payments of lease liabilities	23	(243)	-	(418)	-
Finance costs paid		(30)	(8)	(58)	(11)
Net cash used in financing activities		(273)	(8)	(476)	(11)
Decrease in cash and cash equivalents		(232)	(3,774)	(6,340)	(668)
Effect of foreign exchange on cash and cash equivalents		73	(269)	190	58
Cash and cash equivalents, beginning of period		11,354	29,277	17,345	25,844
Cash and cash equivalents, end of period		11,195	25,234	11,195	25,234

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

Notes to the Interim Consolidated Financial Statements

For the three and six months ended 30 June 2019 and 2018

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

1. Reporting entity

SDX Energy Plc (“SDX” or “the Company”) is a company domiciled in the United Kingdom. The address of the Company’s registered office is 38 Welbeck Street, London, United Kingdom, W1G 8DP. The unaudited interim condensed consolidated financial statements of the Company as at and for the three and six months ended 30 June 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 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.

On 28 May 2019, the Company obtained control of the entire issued share capital of SDX Energy Inc. via a share-for-share exchange. There were no changes in rights or proportion of control exercised as a result of this transaction. As no change in legal ownership occurred, this was a common control transaction and therefore outside the scope of IFRS3. In substance these Interim Consolidated Financial Statements reflect the continuation of the pre-existing Group headed by SDX Energy Inc., and they have been prepared applying the principals of predecessor accounting ownership.

As a result, the comparatives presented in these Interim Consolidated Financial Statements are the consolidated results of SDX Energy Inc.. The prior year Consolidated Balance Sheet reflects the capital structure of SDX Energy Inc.. The current period balance sheet presents the legal change in ownership of the Group, including the share capital of SDX Energy Plc and the merger reserve arising as a result of the share-for-share exchange transaction.

On 4 June 2019, the High Court of Justice Chancery Division made an order confirming the reduction of share capital of SDX Energy Plc pursuant to section 648 of the Companies Act 2006.

The Interim Consolidated Statement of Changes in Equity and the additional disclosures in note 14 explain the impact of the share-for-share exchange and the reduction of share capital in more detail.

2. Basis of preparation

a) Statement of compliance

These Interim Consolidated Financial Statements for the three and six months ended 30 June 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 31 December 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 Plc were approved by the board of directors on 22 August 2019.

b) Accounting policies

Other than as detailed in note 3, the accounting policies adopted by the Group 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 through until 31 December 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 31 December 2020. The directors have made enquiries into and considered the Egyptian and Moroccan business environments and future expectations regarding commodity price risk, particularly, the oil price risk given the volatility in quoted Brent and WTI crude oil prices.

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

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

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

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

Notes to the Interim Consolidated Financial Statements

For the three and six months ended 30 June 2019 and 2018

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

3. New accounting standards adopted

The Company has adopted IFRS 16 Leases effective 1 January 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 recognised on 1 January 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 recognised on adoption of IFRS 16

On adoption of IFRS 16, the Company recognised 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 1 January 2019. The incremental borrowing rate applied to each lease was determined by 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 recognised on the balance sheet as at 31 December 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 recognised 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 1 January 2019:

(i) Impact on segment disclosures and earnings per share

EBITDAX, segment assets and segment liabilities for H1 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 1 January 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 can 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 recognised 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 recognises a right-of-use asset and a lease liability at the start 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 recognise 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 recognised on a straight-line basis as an expense in profit or loss.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended 30 June 2019 and 2018

(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:

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:

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Cash and cash equivalents	11,195	17,345
Trade and other receivables ⁽¹⁾	19,889	23,689
Total	31,084	41,034

(1) excludes prepayments of US\$1.9 million which are included in the Interim Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (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 30 June 2019 and 31 December 2018.

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

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Government of Egypt-controlled corporations	7,490	14,846
Government of Morocco-controlled corporations	3,218	3,053
Third-party gas customers	3,223	2,715
Joint venture partners	4,137	1,761
Other ⁽¹⁾	1,821	1,314
Total	19,889	23,689

(1) excludes prepayments of US\$1.9 million which are included in the Interim Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2018: US\$0.6 million).

Notes to the Interim Consolidated Financial Statements

For the three and six months ended 30 June 2019 and 2018

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

5. Financial risk management (continued)

US\$7.5 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\$3.0 million for NW Gemsa (2018: US\$10.0 million) and US\$4.5 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\$13.5 million of South Disouq development expenditure and US\$1.4 million of South Ramadan drilling costs offset during the six months ended 30 June 2019.

ONHYM, a Government of Morocco-controlled corporation, owes US\$3.2 million, which relates to its outstanding share of well completion and connection costs, and production costs. During Q4 2018, these receivables had been discounted at 5% with an associated finance expense of US\$0.3 million recognised. No payments have been received from ONHYM during 2019, however this is due to the time required to authorise payments in the Moroccan Ministry of Finance, as opposed to this balance being disputed by ONHYM.

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

Subsequent to 30 June 2019, the Company collected US\$5.7 million of trade receivables from those outstanding at 30 June 2019; US\$3.9 million from EGPC and US\$1.8 million from third-party gas customers in Morocco. Of the US\$3.9 million collected from EGPC, US\$3.5 million was in cash and US\$0.4 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 30 June 2019, US\$1.8 million was receivable from the joint venture partner in the South Disouq concession (2018: US\$1.8 million), representing both billed and unbilled amounts and US\$2.3 million 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 30 June 2019, the Company's share of NW Gemsa materials inventory was US\$2.6 million and accounts payable was US\$(3.7) million.

The other receivables of US\$1.8 million consist of US\$1.1 million for Goods and Services Tax ("GST")/Value Added Tax ("VAT") and US\$0.7 million for other items.

US\$1.9 million related to prepayments predominantly associated with the South Disouq development and planned Morocco drilling campaign is recorded in the Interim Consolidated Balance Sheet.

As at 30 June 2019 and 31 December 2018, the Company's trade and other receivables, other than prepayments, are aged as follows:

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Current (less than 90 days)	15,918	14,805
Past due (more than 90 days)	3,971	8,884
Total	19,889	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\$4.9 million compared to 31 December 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 with established financial institutions with high credit ratings in either countries of operation or the UK. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended 30 June 2019 and 2018

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

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 the British pound ("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 US\$ equivalent	MAD	GBP	Other
As at 30 June 2019						
Cash and cash equivalents	11,195	1,840	1,680	5,132	2,429	114
Trade and other receivables ⁽²⁾	19,889	9,495	2,397	6,547	1,406	44
Trade and other payables	(16,018)	(6,868)	(2,647)	(3,335)	(3,166)	(2)
Current income taxes	(938)	-	(938)	-	-	-
Balance sheet exposure	14,128	4,467	492	8,344	669	156

(1) FS denotes Financial Statements.

(2) Excludes prepayments.

The average exchange rates during the three months ended 30 June 2019 and 2018 were:

Average: 1 April 2019 to 30 June 2019

	USD/EGP	USD/GBP	USD/MAD
Period average	16.9675	0.7782	9.6424

Average: 1 April 2018 to 30 June 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.7878	0.7358	9.3380

The average exchange rates during the six months ended 30 June 2019 and 2018 were:

Average: 1 January 2019 to 30 June 2019

	USD/EGP	USD/GBP	USD/MAD
Period average	17.2525	0.7732	9.6021

Average: 1 January 2018 to 30 June 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.7268	0.7273	9.2981

The exchange rates as at 30 June 2019 and 2018 were:

Period end: 30 June 2019

	USD/EGP	USD/GBP	USD/MAD
Period average	16.6500	0.7880	9.5718

Period end: 30 June 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.8962	0.7600	9.5050

6. Cash and cash equivalents

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Cash and bank balances	9,123	15,809
Restricted cash ⁽¹⁾	2,072	1,536
Total cash and cash equivalents	11,195	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. The remaining balance of US\$0.5 million relates to a vendor letter of credit.

Notes to the Interim Consolidated Financial Statements

For the three and six months ended 30 June 2019 and 2018

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

7. Inventory

During the six months ended 30 June 2019, the inventory balance decreased from US\$5.2 million as at 31 December 2018 to US\$3.7 million as at 30 June 2019 due to US\$2.1 million of inventory consumed in the South Disouq development project, partly offset by further additions of US\$0.6 million to be used later in 2019.

8. Property, plant and equipment

US\$'000s	Oil and gas properties	Furniture and fixtures	Total
Cost:			
Balance at 31 December 2017	91,575	645	92,220
Additions	14,288	735	15,023
Balance at 31 December 2018	105,863	1,380	107,243
Additions	4,512	60	4,572
Balance at 30 June 2019	110,375	1,440	111,815
Accumulated depletion, depreciation, amortisation and impairment:			
Balance at 31 December 2017	(37,599)	(176)	(37,775)
Depletion, depreciation and amortisation for the year	(16,890)	(378)	(17,268)
Impairment expense	(3,520)	-	(3,520)
Balance at 31 December 2018	(58,009)	(554)	(58,563)
Depletion, depreciation and amortisation for the period	(11,360)	(240)	(11,600)
Balance at 30 June 2019	(69,369)	(794)	(70,163)
NBV Property, plant and equipment as at 31 December 2018	47,854	826	48,680
NBV Property, plant and equipment as at 30 June 2019	41,006	646	41,652

During the six months ended 30 June 2019, the PP&E additions of US\$4.6 million were predominantly related to new customer connections and facilities in Morocco (US\$3.1 million) and well workovers in NW Gemsa (US\$0.8 million) and Block-H Meseda (US\$0.7 million).

The difference between the US\$4.6 million disclosed above and the US\$4.8 million property, plant and equipment expenditure in the Interim Consolidated Statement of Cash Flows is the result of the timing of payment of capital expenditure creditors.

Notes to the Interim Consolidated Financial Statements

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9. Exploration and evaluation assets

US\$'000s	
Balance at 31 December 2017	15,231
Additions	29,000
Exploration and evaluation expense	(5,103)
Balance at 31 December 2018	39,128
Additions	17,246
Balance at 30 June 2019	56,374

During the six months ended 30 June 2019, E&E additions totalled US\$17.2 million. South Disouq additions of US\$15.8 million were related to the development project (US\$14.0 million) and the costs of the 3D seismic acquisition that began in Q4 2018 (US\$1.8 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\$0.2 million for the 2018/19 3D seismic campaign and other studies.

The difference between the US\$17.2 million disclosed above and the US\$14.5 million exploration and evaluation expenditure in the Interim Consolidated Statement of Cash Flows is because of the timing of payment of capital expenditure 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 30 June 2019 and 31 December 2018.

The following table summarises the changes in investments for the periods ended 30 June 2019 and 31 December 2018:

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Investments, beginning of period	3,394	2,724
Dividends received	(639)	(525)
Share of operating income	724	1,195
Investments, end of period	3,479	3,394

The following table summarises the Company's 50% interest in the assets, liabilities, revenue, and operating income of Brentford as at 30 June 2019 and 31 December 2018:

US\$'000s	30 June	31 December
	2019	2018
Total assets	2,022	2,454
Total liabilities	15	9
Revenue	981	1,787
Net income	724	1,195

During the six-month period ended 30 June 2019 and the year ended 31 December 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 Meseda concession.

Notes to the Interim Consolidated Financial Statements

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11. Trade and other payables

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Trade payables	2,835	3,870
Accruals	6,869	3,747
Joint venture partners	4,241	5,409
Other payables	2,073	1,392
Total trade and other payables	16,018	14,418

Trade payables comprise billed services and goods. As at 30 June 2019, they consisted predominantly of creditors associated with the Moroccan facilities, royalties payable to the Moroccan government, and G&A creditors.

The US\$1.1 million decrease in trade payables as at 30 June 2019 is mainly due to payments made for South Disouq 3D seismic and development costs incurred in Q4 2018, offset by additional costs relating to Moroccan facilities and G&A transaction costs.

Accruals include amounts for products and services received that have yet to be invoiced. US\$2.2 million of the increase period on period reflects the value of work undertaken but not billed as at 30 June 2019 for the South Disouq development project and US\$0.8 million for customer connection costs accrued in Morocco.

Joint venture partners comprise partner current accounts of US\$0.8 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\$2.1 million comprise VAT payable of US\$1.4 million (2018: US\$0.7 million), an estimated liability of US\$0.3 million related to the relinquishment of the Shukheir Marine concession (2018: US\$0.5 million), employee costs accrued, and other sundry creditors.

The difference between the increase of US\$1.6 million in trade and other payables in the Interim Consolidated Balance Sheets as at 30 June 2019 and 31 December 2018 and the line item in the Interim Consolidated Statement of Cash Flows pertaining to the implied increase in trade and other payables of US\$1.5 million relates to the timing differences between the receipt and payment of invoices to operational expenditure 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 first half of the year ended 31 December 2020.

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13. Decommissioning liability

As at 30 June 2019, the total future undiscounted cash flows relating to Moroccan assets amounted to US\$5.2 million, to be incurred between 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 30 June 2019 and is shown below:

US\$'000s	Carrying amount	
	30 June 2019	31 December 2018
Decommissioning liability, beginning of period	5,167	4,542
Changes in estimate	-	575
Payments for decommissioning	-	(23)
Accretion	38	73
Decommissioning liability, end of period	5,205	5,167
Of which:		
Current	1,125	1,125
Non-current	4,080	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 share capital of the Group is represented by the share capital of the parent company, SDX Energy Plc. This company was incorporated on 20 March 2019 to act as the holding company of the Group, issuing 500,000 shares of nominal value £0.10. Prior to this, the share capital of the Group was represented by the share capital of the previous parent, SDX Energy Inc.

On 4 April 2019, the Company's 500,000 issued shares of nominal value £0.10 were consolidated into 250,000 ordinary shares at a nominal value of £0.20 per share.

On 28 May 2019, the Company issued a further 204,473,041 shares to execute a share-for-share acquisition of the entire share capital of SDX Energy Inc., being in total 204,723,041 shares. There were no changes in rights or proportion of control exercised as a result of this transaction. A merger reserve of US\$37.0 million was created as a result of this transaction, representing the difference between the new aggregate share capital of SDX Energy Plc before the capital reduction and the aggregate share capital of SDX Energy Inc. prior to the share-for-share exchange.

On 4 June 2019, the High Court of Justice Chancery Division made an order confirming the reduction of share capital of SDX Energy Plc pursuant to section 648 of the Companies Act 2006 by cancelling the paid up capital of the Company to the extent of 19 pence on each ordinary share of £0.20 in the issued share capital of the Company (the "Capital Reduction"). As a result of the Capital Reduction, the nominal value of ordinary shares in the issued share capital of the Company is £0.01 each, with US\$49.3 million transferred from share capital to retained earnings. There was no change in the number of the Company's ordinary shares in issue.

The purpose of the Capital Reduction was to restructure the issued share capital and reserves of the Company and to create distributable reserves to facilitate the payment of future dividends, when it becomes commercially prudent to do so. The Company's retained earnings are not equal to its distributable profits.

	30 June 2019		31 December 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
Creation of merger reserve	-	(37,034)	-	-
Reduction of share capital	-	(49,272)	-	-
Balance, end of period	204,723	2,593	204,723	88,899
Weighted average shares outstanding	204,723		204,565	

The share-for-share exchange had no impact on the number of shares in issue.

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15. Stock-based compensation

The stock-based compensation credit of US\$0.3 million recorded in the Interim Consolidated Statement of Comprehensive income represents the IFRS 2 charge. It is offset by a one-off release in 2019, which is 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 amortisation 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 share based payment reserve. When stock options are exercised, the cash proceeds and the amount previously recorded as contributed surplus are recorded as share capital.

During Q2 2019, 106,667 options were cancelled. In the 12 months to 31 December 2018, 400,000 options previously awarded lapsed, 106,667 options were cancelled, and 230,001 options were exercised.

On 28 May 2019, as part of the share-for-share exchange transaction between SDX Energy Inc. and SDX Energy Plc, each outstanding SDX Energy Inc. share option that was not duly exercised at that date was "rolled over" and following completion of the transaction entitled the holder to acquire the same number of SDX Energy Plc shares. The exercise price of each option was converted at the GBP/CAD rate prevailing on the date of the transaction.

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 (GBP£)
Outstanding 1 January 2018	2,852	0.38
Lapsed during the year	(400)	0.37
Cancelled during the year	(107)	0.45
Exercised during the year	(230)	0.39
Outstanding 31 December 2018	2,115	0.38
Exercisable 31 December 2018	1,795	0.37
Outstanding 1 January 2019	2,115	0.38
Cancelled during the period	(107)	0.45
Outstanding 30 June 2019	2,008	0.38
Exercisable 30 June 2019	1,795	0.37

The exercise price of the outstanding options under the stock option plan as at 30 June 2019 is as follows:

Exercise price range	Outstanding options		Vested options	
	Number of options	Contractual life	Number of options	Contractual life
GBP £0.21-£0.45	2,008,334	3-5 years	1,795,000	3-5 years

Long-Term Incentive Plan ("LTIP")

On 31 July 2017 the Company established a new Long-Term Incentive Plan and issued awards to its Executive Directors and certain other key employees. The Company recognises 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 incentivised 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.

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15. Stock-based compensation (continued)

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

The maximum number of shares that can vest for the CFO is 2,234,707. The awards made to the former CEO were cancelled on his departure in Q2 2019, with the previously recognised expense credited to the Interim Consolidated Statement of Comprehensive Income.

Based on grants to 22 August 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, 3,837,099. All these options are outstanding as at 30 June 2019 and 22 August 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

US\$'000s	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
NW Gemsa oil sales revenue	7,838	10,366	16,150	18,885
Royalties	(3,364)	(4,449)	(6,932)	(8,105)
Net oil revenue	4,474	5,917	9,218	10,780
Block-H Meseda production service fee revenues	3,989	3,495	7,525	6,008
Morocco gas sales revenue	4,105	3,767	8,318	7,364
Royalties	(170)	-	(356)	-
Net Morocco gas sales revenue	3,935	3,767	7,962	7,364
Net other products revenue	334	293	708	280
Total net revenue before tax	12,732	13,472	25,413	24,432

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.

17. Direct operating expense

US\$'000s	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
NW Gemsa	2,150	1,953	3,949	2,842
Block-H Meseda	901	929	2,011	1,738
Morocco-Sebou	538	286	1,003	582
Total direct operating expense	3,589	3,168	6,963	5,162

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18. General and administrative expenses

US\$'000s	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Wages and employee costs	2,419	1,914	4,321	3,797
Consultants-inc. PR/IR	160	164	335	292
Legal fees	119	59	271	153
Audit, tax and accounting services	236	339	340	471
Public company fees	148	169	306	364
Travel	86	64	97	147
Office expenses	88	295	206	573
IT expenses	154	67	283	223
Service recharges	(1,327)	(1,551)	(2,866)	(3,255)
Ongoing general and administrative expenses	2,083	1,520	3,293	2,765
Transaction costs	766	-	1,104	-
Total net G&A	2,849	1,520	4,397	2,765

19. Income tax

US\$'000s	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
NW Gemsa	921	1,192	1,901	2,167
Block-H Meseda	325	547	758	886
Morocco-Sebou	-	-	-	-
Other	-	-	-	14
Total current taxes	1,246	1,739	2,659	3,067

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 SDX Meseda.

The current income tax expense in the Interim Consolidated Statement of Comprehensive Income for the three and six months ended 30 June 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\$0.9 million in the Interim Consolidated Balance Sheet relates to the Company's PSA in Block-H Meseda and equates to corporate income tax for the six months ended 30 June 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 30 June 2019.

20. Income per share

US\$'000s	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
Net (loss)/income before comprehensive income for the period	(489)	640	(354)	971
Weighted average amount of shares				
- Basic	204,723	204,493	204,723	204,493
- Diluted	204,723	208,263	204,723	208,099
Per share amount				
- Basic	\$(0.002)	\$0.003	\$(0.002)	\$0.005
- Diluted	\$(0.002)	\$0.003	\$(0.002)	\$0.005

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

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21. Segmental reporting

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.

US\$'000s	Three months ended 30 June 2019				Three months ended 30 June 2018			
	Egypt	Morocco	Unallocated ⁽¹⁾	Total	Egypt	Morocco	Unallocated ⁽¹⁾	Total
Revenue	8,797	3,935	-	12,732	9,705	3,767	-	13,472
Direct operating expense	(3,051)	(538)	-	(3,589)	(2,882)	(286)	-	(3,168)
Netback (pre tax)	5,746	3,397	-	9,143	6,823	3,481	-	10,304
General and administrative expenses	(135)	(630)	(2,084)	(2,849)	(19)	(597)	(904)	(1,520)
Share-based compensation	-	-	658	658	-	-	(324)	(324)
Share of profit from joint venture	355	-	-	355	292	-	-	292
Release of historic operational tax provision	-	-	-	-	-	300	-	300
Inventory write-off	-	-	-	-	-	(490)	-	(490)
Gain on sale of office asset	-	-	-	-	23	-	-	23
EBITDAX	5,966	2,767	(1,426)	7,307	7,119	2,694	(1,228)	8,585
Exploration and evaluation expense	-	-	(380)	(380)	(1,607)	(342)	(115)	(2,064)
Depletion, depreciation and amortisation	(2,513)	(3,330)	(204)	(6,047)	(2,087)	(1,424)	(146)	(3,657)
Operating income/(loss)	3,453	(563)	(2,010)	880	3,425	928	(1,489)	2,864

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

US\$'000s	Six months ended 30 June 2019				Six months ended 30 June 2018			
	Egypt	Morocco	Unallocated ⁽¹⁾	Total	Egypt	Morocco	Unallocated ⁽¹⁾	Total
Revenue	17,451	7,962	-	25,413	17,068	7,364	-	24,432
Direct operating expense	(5,960)	(1,003)	-	(6,963)	(4,580)	(582)	-	(5,162)
Netback (pre tax)	11,491	6,959	-	18,450	12,488	6,782	-	19,270
General and administrative expenses	(81)	(1,320)	(2,996)	(4,397)	(143)	(590)	(2,032)	(2,765)
Share-based compensation	-	-	339	339	-	-	(656)	(656)
Share of profit from joint venture	724	-	-	724	526	-	-	526
Release of historic operational tax provision	-	-	-	-	-	300	-	300
Inventory write-off	-	-	-	-	-	(490)	-	(490)
Gain on sale of office asset	-	-	-	-	23	-	-	23
EBITDAX	12,134	5,639	(2,657)	15,116	12,894	6,002	(2,688)	16,208
Exploration and evaluation expense	-	-	(615)	(615)	(1,607)	(3,426)	(281)	(5,314)
Depletion, depreciation and amortisation	(5,321)	(6,217)	(407)	(11,945)	(3,207)	(2,787)	(196)	(6,190)
Operating income/(loss)	6,813	(578)	(3,679)	2,556	8,080	(211)	(3,165)	4,704

(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 30 June 2019 and 31 December 2018 are as follows:

US\$'000s	30 June 2019				31 December 2018			
	Egypt	Morocco	Unallocated ⁽¹⁾	Total	Egypt	Morocco	Unallocated ⁽¹⁾	Total
Segment assets	79,291	50,405	10,426	140,122	74,442	48,399	15,266	138,107
Segment liabilities	(7,227)	(12,792)	(4,757)	(24,776)	(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.

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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, the acquisition of 100km² of 3D seismic data, and the 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 30 June 2019.

The Group operates in several countries and, accordingly, it is subject to the various tax and legal regimes in the countries in which it operates. From time to time the Group is subject to a review of its related tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Group's business conducted within the country involved. If the Group is unable to resolve any of these matters favourably, there may be an adverse impact on the Group's financial performance, cash flows or results of operations. This may also be the case for any legal claims that the Group is required to defend. In the event that management's estimate of the future resolution of these matters changes, the Group will recognise the effects of the changes in its consolidated financial statements in the period that such changes occur.

There are no contingencies as at 30 June 2019.

23. Leases

Note 3 explains the changes and new accounting policy introduced on 1 January 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 recognised in the balance sheet

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

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

US\$'000s	1 January 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 recognised at 31 December 2018.

The lease liability at 30 June 2019 and 1 January 2019 is as follows:

US\$'000s	30 June 2019	1 January 2019
Current	524	587
Non-current	1,310	1,523
Total lease liabilities	1,834	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 31 December 2018, and lease liability recorded on 1 January 2019 is as follows:

US\$'000s	1 January 2019
Disclosed undiscounted future minimum lease payments under operating leases at 31 December 2018	355
Impact of discounting	(81)
Liabilities additionally recognised based on the initial application of IFRS 16 as of 1 January 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.

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23. Leases (continued)

a) Amounts recognised in the balance sheet (continued)

The maturity analysis of the lease liability at 30 June 2019 is as follows:

US\$'000s	30 June 2019
Less than one year	524
Between one and two years	401
Between two and three years	268
Between three and four years	195
Between four and five years	186
After five years	260
Total lease liability	1,834

b) Amounts recognised in the statement of profit or loss

The right-of-use assets at 30 June 2019 amounted to US\$1.9 million and the depreciation charge amounted to US\$0.3 million and is shown below by underlying class of asset:

US\$'000s	30 June 2019 Carrying value	Depreciation charge H1 2019
Properties	1,712	282
Motor vehicles	175	48
Others	30	15
Total	1,917	345

The lease liability at 30 June 2019 was US\$1.8 million. The corresponding interest expense for the six months ended 30 June 2019 amounts to US\$0.1 million. The portion of the lease payments recognised as a reduction of the lease liabilities and as a cash outflow from financing activities for the six months ended 30 June 2019 amounted to US\$0.4 million.

The Company accounts for the expense of short-term leases of 12 months or less and underlying assets of low-value leases on a straight-line basis over the lease term. The expense for the six months ended 30 June 2019 related to these leases amounted to US\$0.1 million and US\$0.01 million, respectively.

24. Post balance sheet event

On 1 July 2019, the Company was awarded a 25-year development lease covering the Ibn Yunus development area, which together with the 25-year South Disouq development lease granted on 2 January 2019 comprises the South Disouq development project. Gas sales agreements have been signed for both development leases, confirming pricing of US\$2.85/Mcf.