Financial Statements
2019 Q3 Interim Report

These Interim Condensed Consolidated Financial Statements for the three and nine months ended 30 September 2019, which are published, inter alia, for the purposes of discharging the Company's obligations arising in connection with its status as a reporting issuer in Canada, 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.

Low cost

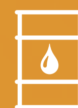
High margin production

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

9,130boe/d

Production
Combined Egyptian and Moroccan daily average gross production for the nine months ended 30 September 2019

24.6MMboe (gross)
13.1MMboe (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 September 2019	As at 31 December 2018
Assets			
Cash and cash equivalents	6	**12,587**	17,345
Trade and other receivables	5a	**18,497**	24,324
Inventory	7	**6,380**	5,236
Current assets		**37,464**	46,905
Investments	10	**3,843**	3,394
Property, plant and equipment	8	**37,222**	48,680
Exploration and evaluation assets	9	**59,267**	39,128
Right-of-use assets	23	**1,746**	-
Non-current assets		**102,078**	91,202
Total assets		**139,542**	138,107
Liabilities			
Trade and other payables	11	**15,499**	14,418
Deferred income	12	**378**	495
Decommissioning liability	13	**616**	1,125
Current income taxes	19	**1,196**	1,458
Lease liability	23	**468**	-
Current liabilities		**18,157**	17,496
Deferred income	12	**-**	240
Decommissioning liability	13	**4,108**	4,042
Deferred income taxes	19	**290**	290
Lease liability	23	**1,181**	-
Non-current liabilities		**5,579**	4,572
Total liabilities		**23,736**	22,068
Equity			
Share capital	14	**2,593**	88,899
Share-based payment reserve		**6,650**	6,860
Accumulated other comprehensive loss		**(917)**	(917)
Merger reserve	14	**37,034**	-
Retained earnings		**70,446**	21,197
Total equity		**115,806**	116,039
Equity and liabilities		**139,542**	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 November 2019 and signed on its behalf by:

Mark Reid
Chief Executive Officer

Nicholas Box
Chief Financial Officer

Interim Consolidated Statement of Comprehensive Income
(Unaudited)

US$'000s	Note	Three months ended 30 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Revenue, net of royalties	16	**12,547**	15,407	**37,960**	39,839
Direct operating expense	17	**(3,503)**	(3,380)	**(10,466)**	(8,542)
Gross profit		**9,044**	12,027	**27,494**	31,297
Exploration and evaluation expense	9	**(179)**	(193)	**(794)**	(5,507)
Depletion, depreciation and amortisation	8,23	**(6,436)**	(4,730)	**(18,381)**	(10,920)
Stock-based compensation	15	**(128)**	(324)	**210**	(980)
Share of profit from joint venture	10	**364**	353	**1,088**	879
Release of historic operational tax provision		**-**	-	**-**	300
Inventory write-off		**-**	-	**-**	(490)
Gain on sale of office asset		**-**	-	**-**	23
General and administrative expenses					
- Ongoing general and administrative expense	18	**(964)**	(1,061)	**(4,258)**	(3,826)
- Transaction costs	18	**-**	-	**(1,104)**	-
Operating income		**1,701**	6,072	**4,255**	10,776
Net finance expense		**(124)**	(468)	**(370)**	(522)
Foreign exchange loss		**(42)**	(313)	**(47)**	(751)
Loss on acquisition		**-**	-	**-**	(174)
Income before income taxes		**1,535**	5,291	**3,838**	9,329
Current income tax expense	19	**(1,202)**	(2,122)	**(3,861)**	(5,189)
Deferred income tax expense		**-**	-	**-**	-
Total current and deferred income tax expense		**(1,202)**	(2,122)	**(3,861)**	(5,189)
Total comprehensive income/(loss) for the period		**333**	3,169	**(23)**	4,140
Net income/(loss) per share					
Basic	20	**$0.002**	$0.017	**$(0.000)**	$0.020
Diluted	20	**$0.002**	$0.017	**$(0.000)**	$0.020

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

Interim Consolidated Statement of Changes in Equity
(Unaudited)

US$'000s	Note	Nine months ended 30 September 2019	2018
Share capital			
Balance, beginning of period	14	**88,899**	88,785
Issuance of common shares		**-**	109
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**	88,894
Share-based payment reserve			
Balance, beginning of period		**6,860**	5,666
Share-based compensation for the period		**(210)**	980
Balance, end of period		**6,650**	6,646
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		**(23)**	4,140
Balance, end of period		**70,446**	25,225
Total equity		**115,806**	119,848

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 September 2019	Three months ended 30 September 2018	Nine months ended 30 September 2019	Nine months ended 30 September 2018
Cash flows generated from/(used in) operating activities					
Income before income taxes		**1,535**	5,291	**3,838**	9,329
Adjustments for:					
Depletion, depreciation and amortisation	8, 23	**6,436**	4,730	**18,381**	10,920
Exploration and evaluation expense	9	**-**	-	**-**	5,033
Finance expense		**124**	468	**370**	522
Stock-based compensation	15	**128**	324	**(210)**	980
Loss on acquisition		**-**	-	**-**	174
Foreign exchange loss/(gain)		**23**	213	**(167)**	155
Gain on sale of office asset		**-**	-	**-**	(23)
Release of historic operational tax provision		**-**	-	**-**	(300)
Inventory write-off		**-**	-	**-**	490
Amortisation of deferred income	12	**(112)**	(107)	**(355)**	(369)
Tax paid by state	19	**(838)**	(1,492)	**(2,738)**	(3,659)
Share of profit from joint venture	10	**(364)**	(353)	**(1,088)**	(879)
Operating cash flow before working capital movements		**6,932**	9,074	**18,031**	22,373
Decrease/(increase) in trade and other receivables	5a	**3,267**	(1,270)	**5,584**	7,072
(Decrease)/increase in trade and other payables	11	**(4,037)**	801	**(2,497)**	1,352
Payments for inventory	7	**(868)**	(1,628)	**(1,722)**	(2,397)
Payments for decommissioning	14	**(56)**	-	**(56)**	-
Cash generated from operating activities		**5,238**	6,977	**19,340**	28,400
Income taxes paid	19	**-**	-	**(1,302)**	(1,091)
Net cash generated from operating activities		**5,238**	6,977	**18,038**	27,309
Cash flows generated from/(used in) investing activities:					
Property, plant and equipment expenditures	8	**(622)**	(3,270)	**(5,433)**	(16,473)
Exploration and evaluation expenditures	9	**(2,874)**	(10,050)	**(17,367)**	(18,361)
Dividends received	10	**-**	-	**639**	525
Net cash used in investing activities		**(3,496)**	(13,320)	**(22,161)**	(34,309)
Cash flows generated from/(used in) financing activities:					
Issuance of common shares		**-**	109	**-**	109
Payments of lease liabilities	23	**(180)**	-	**(639)**	-
Finance costs paid		**(147)**	(74)	**(163)**	(85)
Net cash generated from/(used in) financing activities		**(327)**	35	**(802)**	24
Increase/(decrease) in cash and cash equivalents		**1,415**	(6,308)	**(4,925)**	(6,976)
Effect of foreign exchange on cash and cash equivalents		**(23)**	(213)	**167**	(155)
Cash and cash equivalents, beginning of period		**11,195**	25,234	**17,345**	25,844
Cash and cash equivalents, end of period		**12,587**	18,713	**12,587**	18,713

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

Notes to the Interim Consolidated Financial Statements
For the three and nine months ended 30 September 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 nine months ended 30 September 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 IFRS 3. 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 principles 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 nine months ended 30 September 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 November 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, the directors 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, which came into effect on 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:
- right-of-use assets-increased by US$ 2.2 million
- prepayments-decreased by US$ 0.1 million
- lease liabilities-increased by US$ 2.1 million

(i) Impact on segment disclosures and earnings per share

EBITDAX, segment assets, and segment liabilities for the nine months ended 30 September 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.

4. Determination of fair values

Some 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 methods set out below. 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 because of 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 as the result of publicly available information), the weighted average expected life of the instruments based on historical experience and general option holder behaviour, 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	**30 September 2019**	31 December 2018
Cash and cash equivalents	**12,587**	17,345
Trade and other receivables[1]	**17,285**	23,689
Total	**29,872**	41,034

(1) excludes prepayments of US$1.2 million which are included in the Interim Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2018: US$0.6 million).

a) Credit risk

Trade and other receivables

All the Company's operations are 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, 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 September 2019 and 31 December 2018.

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

	Carrying amount	
US$'000s	**30 September 2019**	31 December 2018
Government of Egypt-controlled corporations	**5,742**	14,846
Government of Morocco-controlled corporations	**3,218**	3,053
Third-party gas customers	**3,150**	2,715
Joint venture partners	**4,477**	1,761
Other[1]	**698**	1,314
Total	**17,285**	23,689

(1) excludes prepayments of US$1.2 million which are included in the Interim Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2018: US$0.6 million).

5. Financial risk management (continued)

US$5.7 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$2.1 million for NW Gemsa (2018: US$10.0 million) and US$3.6 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 capital expenditure, with US$15.2 million of South Disouq development expenditure and US$1.7 million of South Ramadan drilling costs offset during the nine months ended 30 September 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. No payments have been received from ONHYM during 2019 because of the time required to authorise payments in the Moroccan Ministry of Finance, as opposed to the 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 September 2019, the Company collected US$5.3 million of trade receivables from those outstanding at 30 September 2019; US$4.2 million from EGPC, and US$1.1 million from third-party gas customers in Morocco. Of the US$4.2 million collected from EGPC, US$2.0 million was in cash and US$2.2 million was offset against South Disouq 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 September 2019, US$1.3 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$3.2 million relating to an overcall from the joint venture partner in the NW Gemsa concession, which is expected to unwind as the Joint Venture's accounts payable are paid down. At 30 September 2019, the Company's share of Joint Venture materials inventory was US$2.4 million and accounts payable was US$(7.2) million.

The other receivables of US$0.7 million consist of US$0.1 million for Goods and Services Tax ("GST")/Value Added Tax ("VAT"), US$0.2 million for deposits, and US$0.4 million for other items.

US$1.2 million related to prepayments predominantly associated with the South Disouq development is recorded in the Interim Consolidated Balance Sheet.

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

	Carrying amount	
US$'000s	**30 September 2019**	31 December 2018
Current (less than 90 days)	**13,672**	14,805
Past due (more than 90 days)	**3,613**	8,884
Total	**17,285**	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$5.3 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 the countries of operation or the UK. 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$, and the British pound ("GBP") and the US$. 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	MAD	GBP	Other
As at 30 September 2019			**US$ equivalent**			
Cash and cash equivalents	12,587	6,722	2,102	1,944	1,729	90
Trade and other receivables[2]	17,285	6,921	3,562	6,522	251	29
Trade and other payables	(15,499)	(9,492)	(237)	(4,631)	(1,100)	(39)
Current income taxes	(1,196)	-	(1,196)	-	-	-
Balance sheet exposure	13,177	4,151	4,231	3,835	880	80

(1) FS denotes Financial Statements.

(2) Excludes prepayments.

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

Average: 1 July 2019 to 30 September 2019	USD/EGP	USD/GBP	USD/MAD
Period average	16.4802	0.8115	9.6239

Average: 1 July 2018 to 30 September 2018	USD/EGP	USD/GBP	USD/MAD
Period average	17.8982	0.7674	9.4482

The average exchange rates during the nine months ended 30 September 2019 and 2018 were:

Average: 1 January 2019 to 30 September 2019	USD/EGP	USD/GBP	USD/MAD
Period average	16.9922	0.7861	9.6094

Average: 1 January 2018 to 30 September 2018	USD/EGP	USD/GBP	USD/MAD
Period average	17.7851	0.7409	9.3492

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

Period end: 30 September 2019	USD/EGP	USD/GBP	USD/MAD
Period end	16.2300	0.8132	9.7468

Period end: 30 September 2018	USD/EGP	USD/GBP	USD/MAD
Period end	17.9136	0.7665	9.4418

6. Cash and cash equivalents

	Carrying amount	
US$'000s	**30 September 2019**	31 December 2018
Cash and bank balances	**11,103**	15,809
Restricted cash[1]	**1,484**	1,536
Total cash and cash equivalents	**12,587**	17,345

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

7. Inventory

During the nine months ended 30 September 2019, the inventory balance increased from US$5.2 million as at 31 December 2018 to US$6.4 million as at 30 September 2019. The increase is due to inventory additions of US$2.1 million for the Morocco drilling campaign, and further additions of US$1.2 million for the South Disouq development project, which are partly offset by consumption of US$2.1 million in the nine months ended 30 September 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	6,229	177	6,406
Balance at 30 September 2019	**112,092**	**1,557**	**113,649**
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	(17,514)	(350)	(17,864)
Balance at 30 September 2019	**(75,523)**	**(904)**	**(76,427)**
NBV Property, plant and equipment as at 31 December 2018	47,854	826	48,680
NBV Property, plant and equipment as at 30 September 2019	**36,569**	**653**	**37,222**

During the nine months ended 30 September 2019, the PP&E additions of US$6.4 million were predominantly related to new customer connections and facilities in Morocco and capital expenditure relating to the 2019 Morocco drilling campaign (US$4.3 million) and, well workovers in NW Gemsa (US$0.9 million) and Block-H Meseda (US$1.0 million).

The difference between the US$6.4 million disclosed above and the US$5.4 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.

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	20,139
Balance at 30 September 2019	**59,267**

During the nine months ended 30 September 2019, E&E additions totalled US$20.1 million. South Disouq additions of US$17.3 million were related to the development project (US$15.3 million) and the costs of the 3D seismic acquisition that began in Q4 2018 (US$2.0 million). US$1.6 million of costs relating to the South Ramadan SRM-3 well were incurred during the period.

Additions in Morocco of US$1.2 million relate to the 2019 drilling campaign, 2018/19 3D seismic campaign and other studies.

The difference between the US$20.1 million disclosed above and the US$17.4 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. No impairment was identified for the periods ended 30 September 2019 and 31 December 2018.

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

	Carrying amount	
US$'000s	**30 September 2019**	31 December 2018
Investments, beginning of period	**3,394**	2,724
Dividends received	**(639)**	(525)
Share of operating income	**1,088**	1,195
Investments, end of period	**3,843**	3,394

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

US$'000s	**30 September 2019**	31 December 2018
Total assets	**2,378**	2,454
Total liabilities	**23**	9
Revenue	**1,464**	1,787
Net income	**1,088**	1,195

During the nine-month period ended 30 September 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.

11. Trade and other payables

US$'000s	Carrying amount 30 September 2019	 31 December 2018
Trade payables	**4,432**	3,870
Accruals	**5,753**	3,747
Joint venture partners	**4,603**	5,409
Other payables	**711**	1,392
Total trade and other payables	**15,499**	14,418

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

The US$0.5 million increase in trade payables as at 30 September 2019 is mainly due to additional costs associated with the Moroccan drilling campaign and facilities and unpaid transaction costs, partly offset by payments made for South Disouq 3D seismic and development costs incurred in Q4 2018.

Accruals include amounts for products and services received that have yet to be invoiced. US$2.3 million of the increase period-on-period reflects the value of work undertaken but not billed as at 30 September 2019 for the South Disouq development project and US$0.6 million for the Moroccan drilling campaign. This is partly offset by payments of US$0.8 million made relating to transaction costs accrued as at 31 December 2018.

Joint venture partners comprise partner current accounts of US$1.0 million for Block-H Meseda (2018: US$1.3 million), US$3.5 million from ONHYM for the Morocco concessions (2018: US$3.3 million) and US$0.1m for the South Ramadan concession (2018: US$0.2 million). The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

Other payables of US$0.7 million comprise VAT payable of US$0.3 million (2018: US$0.7 million), an estimated liability of US$0.2 million related to the relinquishment of the Shukheir Marine concession (2018: US$0.5 million), and the remaining amount relates to employee costs accrued and other sundry creditors.

The difference between the increase of US$0.5 million in trade and other payables in the Interim Consolidated Balance Sheets as at 30 September 2019 and 31 December 2018 and the line item in the Interim Consolidated Statement of Cash Flows pertaining to the decrease in trade and other payables of US$2.5 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.

13. Decommissioning liability

As at 30 September 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$0.6 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$4.7 million as at 30 September 2019 and is shown below:

	Carrying amount	
US$'000s	**30 September 2019**	31 December 2018
Decommissioning liability, beginning of period	**5,167**	4,542
Changes in estimate	**-**	575
Utilisation of provision	**(509)**	(23)
Accretion	**66**	73
Decommissioning liability, end of period	**4,724**	5,167
Of which:		
Current	**616**	1,125
Non-current	**4,108**	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 at the nominal value of £0.10. Prior to this date, 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., 204,723,041 shares in total. 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. The merger reserve represents the difference between the share capital of SDX Energy Inc. immediately prior to the share-for-share exchange and the share capital of SDX Energy Plc immediately after 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 September 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.

15. Stock-based compensation

The stock-based compensation credit of US$0.2 million recorded in the Interim Consolidated Statement of Comprehensive income represents the IFRS 2 charge 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 the nine months to 30 September 2019, 106,667 options were cancelled and 853,333 options previously awarded lapsed. 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 exercise price of the outstanding options under the stock option plan as at 30 September 2019 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**
Lapsed during the year	(853)	0.37
Cancelled during the year	(107)	0.45
Outstanding 30 September 2019	**1,155**	**0.38**
Exercisable 30 September 2019	**995**	**0.37**

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

	Outstanding options		Vested options	
Exercise price range	Number of options	Contractual life	Number of options	Contractual life
GBP £0.21-£0.45	1,155,000	3-5 years	995,000	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.

15. Stock-based compensation (continued)

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

The maximum number of shares that can vest for the current CEO and CFO is 2,234,707 and 134,083 respectively. 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 November 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, 4,430,812. All these options are outstanding as at 30 September 2019 and 22 November 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 30 September		Nine months ended 30 September	
US$'000s	**2019**	2018	**2019**	2018
NW Gemsa oil sales revenue	**7,186**	12,936	**23,337**	31,821
Royalties	**(3,084)**	(5,552)	**(10,016)**	(13,657)
Net oil revenue	**4,102**	7,384	**13,321**	18,164
Block-H Meseda production service fee revenues	**3,577**	4,094	**11,101**	10,102
Morocco gas sales revenue	**4,734**	3,754	**13,051**	11,118
Royalties	**(140)**	(216)	**(496)**	(216)
Net Morocco gas sales revenue	**4,594**	3,538	**12,555**	10,902
Net other products revenue	**274**	391	**983**	671
Total net revenue before tax	**12,547**	15,407	**37,960**	39,839

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

	Three months ended 30 September		Nine months ended 30 September	
US$'000s	**2019**	2018	**2019**	2018
NW Gemsa	**1,803**	1,932	**5,752**	4,774
Block-H Meseda	**1,238**	1,024	**3,249**	2,762
Morocco-Sebou	**462**	424	**1,465**	1,006
Total direct operating expense	**3,503**	3,380	**10,466**	8,542

18. General and administrative expenses

	Three months ended 30 September		Nine months ended 30 September	
US$'000s	**2019**	2018	**2019**	2018
Wages and employee costs	**1,586**	1,478	**5,908**	5,275
Consultants-inc. PR/IR	**126**	95	**461**	387
Legal fees	**18**	17	**290**	170
Audit, tax and accounting services	**160**	142	**500**	613
Public company fees	**159**	123	**465**	487
Travel	**61**	52	**157**	199
Office expenses	**87**	234	**293**	807
IT expenses	**144**	95	**426**	318
Service recharges	**(1,377)**	(1,175)	**(4,242)**	(4,430)
Ongoing general and administrative expenses	**964**	1,061	**4,258**	3,826
Transaction costs	**-**	-	**1,104**	-
Total net G&A	**964**	1,061	**5,362**	3,826

19. Income tax

	Three months ended 30 September		Nine months ended 30 September	
US$'000s	**2019**	2018	**2019**	2018
NW Gemsa	**838**	1,492	**2,738**	3,659
Block-H Meseda	**364**	630	**1,123**	1,516
Morocco-Sebou	**-**	-	**-**	-
Other	**-**	-	**-**	14
Total current taxes	**1,202**	2,122	**3,861**	5,189

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 nine months ended 30 September 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$1.2 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 nine months ended 30 September 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 September 2019.

20. Income/(loss) per share

	Three months ended 30 September		Nine months ended 30 September	
US$'000s	**2019**	2018	**2019**	2018
Net income/(loss) before comprehensive income for the period	**333**	3,169	**(23)**	4,140
Weighted average amount of shares				
- Basic	**204,723**	204,553	**204,723**	204,513
- Diluted	**204,723**	206,674	**204,723**	206,640
Per share amount				
- Basic	**$0.002**	$0.015	**$(0.000)**	$0.020
- Diluted	**$0.002**	$0.015	**$(0.000)**	$0.020

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

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 30 September 2019				Three months ended 30 September 2018			
US$'000s	**Egypt**	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Unallocated[1]	Total
Revenue	**7,953**	**4,594**	**-**	**12,547**	11,869	3,538	-	15,407
Direct operating expense	**(3,041)**	**(462)**	**-**	**(3,503)**	(2,956)	(424)	-	(3,380)
Netback (pre tax)	**4,912**	**4,132**	**-**	**9,044**	8,913	3,114	-	12,027
General and administrative expenses	**(125)**	**(502)**	**(337)**	**(964)**	(224)	(249)	(588)	(1,061)
Stock-based compensation	**-**	**-**	**(128)**	**(128)**	-	-	(324)	(324)
Share of profit from joint venture	**364**	**-**	**-**	**364**	353	-	-	353
Release of historic operational tax provision	**-**	**-**	**-**	**-**	-	-	-	-
Inventory write-off	**-**	**-**	**-**	**-**	-	-	-	-
Gain on sale of office asset	**-**	**-**	**-**	**-**	-	-	-	-
EBITDAX	**5,151**	**3,630**	**(465)**	**8,316**	9,042	2,865	(912)	10,995
Exploration and evaluation expense	**-**	**-**	**(179)**	**(179)**	-	-	(193)	(193)
Depletion, depreciation and amortisation	**(2,505)**	**(3,740)**	**(191)**	**(6,436)**	(2,893)	(1,723)	(114)	(4,730)
Operating income/(loss)	**2,646**	**(110)**	**(835)**	**1,701**	6,149	1,142	(1,219)	6,072

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

	Nine months ended 30 September 2019				Nine months ended 30 September 2018			
US$'000s	**Egypt**	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Unallocated[1]	Total
Revenue	**25,404**	**12,556**	**-**	**37,960**	28,937	10,902	-	39,839
Direct operating expense	**(9,001)**	**(1,465)**	**-**	**(10,466)**	(7,536)	(1,006)	-	(8,542)
Netback (pre tax)	**16,403**	**11,091**	**-**	**27,494**	21,401	9,896	-	31,297
General and administrative expenses	**(205)**	**(1,823)**	**(3,334)**	**(5,362)**	(317)	(839)	(2,670)	(3,826)
Stock-based compensation	**-**	**-**	**210**	**210**	-	-	(980)	(980)
Share of profit from joint venture	**1,088**	**-**	**-**	**1,088**	879	-	-	879
Release of historic operational tax provision	**-**	**-**	**-**	**-**	-	300	-	300
Inventory write-off	**-**	**-**	**-**	**-**	-	(490)	-	(490)
Gain on sale of office asset	**-**	**-**	**-**	**-**	23	-	-	23
EBITDAX	**17,286**	**9,268**	**(3,124)**	**23,430**	21,986	8,867	(3,650)	27,203
Exploration and evaluation expense	**-**	**-**	**(794)**	**(794)**	(1,573)	(3,426)	(508)	(5,507)
Depletion, depreciation and amortisation	**(7,826)**	**(9,957)**	**(598)**	**(18,381)**	(6,100)	(4,510)	(310)	(10,920)
Operating income/(loss)	**9,460**	**(689)**	**(4,516)**	**4,255**	14,313	931	(4,468)	10,776

(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 September 2019 and 31 December 2018 are as follows:

	30 September 2019				31 December 2018			
US$'000s	**Egypt**	**Morocco**	**Unallocated[1]**	**Total**	Egypt	Morocco	Unallocated[1]	Total
Segment assets	**78,241**	**51,554**	**9,747**	**139,542**	74,442	48,399	15,266	138,107
Segment liabilities	**(7,636)**	**(13,662)**	**(2,438)**	**(23,736)**	(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, the acquisition of 100km^2 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 September 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 September 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 September 2019 and 1 January 2019 is as follows:

US$'000s	**30 September 2019**	1 January 2019
Current	**468**	587
Non-current	**1,181**	1,523
Total lease liabilities	**1,649**	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.

23. Leases (continued)

a) Amounts recognised in the balance sheet (continued)

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

US$'000s	30 September 2019
Less than one year	525
Between one and two years	330
Between two and three years	247
Between three and four years	181
Between four and five years	190
After five years	176
Total lease liability	**1,649**

b) Amounts recognised in the statement of profit or loss

The right-of-use assets at 30 September 2019 amounted to US$1.7 million and the depreciation charge for the nine moths ended 30 September 2019 amounted to US$0.5 million and is shown below by underlying class of asset:

US$'000s	**30 September 2019 Carrying value**	Depreciation charge Nine months ended September 2019
Properties	**1,570**	422
Motor vehicles	**153**	72
Others	**23**	23
Total	**1,746**	517

The lease liability at 30 September 2019 was US$1.6 million. The corresponding interest expense for the nine months ended 30 September 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 nine months ended 30 September 2019 amounted to US$0.6 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 nine months ended 30 September 2019 related to these leases amounted to US$0.2 million and US$0.01 million, respectively.

24. Subsequent events

On 25 October 2019, the Company announced the start of a 12-well drilling campaign, targeting a mean 15 bcf of gross unrisked prospective resources, in its operated Gharb Basin acreage in Morocco (SDX: 75% working interest). The drilling campaign, which is expected to complete in Q1 2020, will target reserves sufficient to satisfy forecast demand based on existing customers and test new play opening areas of prospectivity across the portfolio.

On 12 November 2019, the Company announced that first gas had been achieved from the South Disouq gas field on 7 November 2019 (SDX: 55% working interest). Initial flow rates are in line with the Company's expectations and the Company will continue to gradually ramp up production, targeting a gross plateau production rate of c.50 MMscfe/d in Q1 2020.

The Company also announced, on 12 November 2019, the appointment of Mark Reid as Chief Executive Officer ("CEO") of SDX on a permanent basis, having acted as interim CEO since May 2019. In addition, the Board has appointed Nicholas Box to the position of Chief Financial Officer and Director. A further announcement was made on 20 November 2019 confirming the appointment of Amr Al Menhali as Non-Executive Director of the Company. In September 2019, Mr. Al Menhali was appointed Chief Executive Officer of Waha Capital, SDX's largest shareholder with a 19.48% interest in the Company.