SDX Energy Plc
2019 Annual Report

Supplying energy in an environmentally conscious manner to the benefit of all our stakeholders

About Us

SDX is a North Africa-focused, exploration and production company, listed on the AIM market of the London Stock Exchange. SDX has a balanced portfolio of production, development and exploration assets across Egypt and Morocco.

SDX's strategy is to leverage our existing organisational capabilities and competitive relationships, supported by strong ESG values, to access organic and inorganic, low-cost, high-margin opportunities which generate stable cash flows and self-funded upside. Our vision is to become a growing mid-sized independent energy company in 3-5 years with strong, natural mitigations to low commodity prices that delivers on our purpose of supplying energy in an environmentally conscious manner to the benefit of all our stakeholders.

Overview
Our Highlights 01
Where We Operate 02

Strategic Report
Our Strategy 06
Chairman's Statement 07
Chief Executive Officer's Review 08
Review of Operations 10
Financial Review 22
Principal Risks & Uncertainties 30
S.172 Statement 31
ESG Report 34

Corporate Governance
Board of Directors 38
Chairman's Introduction to Corporate Governance 40
Statement of Corporate Governance 41
Directors' Report 43
QCA Code Compliance Disclosures 45
Remuneration Committee Report 53
Audit Committee Report 57
Reserves Committee Report 58
Statement of Directors' Responsibilities 59

Financial Statements
Independent Auditors' Report 62
Consolidated Balance Sheet 66
Consolidated Statement of Comprehensive Income 67
Consolidated Statement of Changes in Equity 68
Consolidated Statement of Cash Flows 69
Notes to the Consolidated Financial Statements 70
Independent Auditors' Report-Company 94
Parent Company Balance Sheet 98
Parent Company Statement of Changes in Equity 99
Notes to the Parent Company Financial Statements 100
Corporate Information IBC

Our Highlights

Operational

4,062 boe/d

FY2019 working interest production, 14% higher than FY2018

50 MMscfe/d

South Disouq plateau production rate, achieved ahead of plan in December 2019

OYF-2 & BMK-1

Discovery wells in Morocco confirm productive area extends to the north

- 2019 entitlement production of 4,062 boe/d was 14% higher than 2018, and by individual asset, production either exceeded or was at the upper end of 2019 guidance. The 24% year on year production increase in Morocco supported our customers' growth using natural gas, a less carbon-intensive fuel source.
- South Disouq field brought on production as planned in Q4 2019. The performance of the Central Processing Facility ("CPF") and wells exceeded expectations and resulted in an accelerated ramp up to plateau of gross 50 MMscfe/d in mid-December, which was three months ahead of expectations. This performance has been sustained to date in 2020.
- Continuing the exploration drilling campaign in South Disouq, the SD-12X well targeting gross 33 bcfe as estimated by management was spud on 18 March 2020. The SD-6X well encountered sub-economic quantities of gas, however this has no anticipated read across to SD-12X.
- The Moroccan drilling campaign, which commenced in Q4 2019, has resulted in seven discoveries from nine wells drilled to date, with the tenth well, LMS-2, completed and awaiting crew mobilisation for testing. Significantly, the discoveries at OYF-2 and BMK-1 have confirmed that the prospectivity in SDX's existing core production and development area extends to the north, and have de-risked c.20 bcf of P50 prospective resources. Five commercial discoveries close to existing infrastructure have increased gross 2P gas reserves to 6.0 bcf as at 31 December 2019, up from 5.1 bcf as at 31 December 2019. All of the objectives of the drilling campaign were achieved with 10 wells allowing the Company to preserve capital and defer the final two wells to a later campaign.
- As at 31 December 2019, the Company's working interest share of audited 2P reserves was 12.0 mmboe and audited 2C contingent resources was 2.6 mmboe[1]. Approximately 2.3 mmboe of the 2.6 mmboe of contingent resources relates to the Company's Meseda and Rabul producing assets in its West Gharib concession in Egypt. These contingent resources will be converted to 2P reserves upon approval of the development plan for the wells required to produce them. The Company's 2P reserves and 2C resources estimates have been audited in accordance with the COGE Handbook & PRMS by Gaffney, Cline & Associates, an independent qualified reserves evaluator and auditor.

(1) Using a conversion ratio of 6.0 Mcf:1 boe.

Financial

US$39.3m

FY2019 netback includes growth in Morocco and first production from South Disouq

US$43.0m

FY2019 capex, predominantly for the South Disouq development (US$21.4 million) and Morocco drilling (US$14.5 million)

US$18.6m

Available liquidity at 31 December 2019, US$11.1 million of cash and US$7.5 million undrawn EBRD facility

- Realised prices: FY2019 realised Moroccan gas prices of US$10.39/mcf (FY2018: US$10.33/mcf) and oil prices of US$55.93/bbl (FY2018: US$62.43/bbl). Noting the recent significant fall in crude oil prices, and assuming a US$35 Brent planning price, the Company advises that, due to its gas businesses having fixed priced contracts of US$2.65/MMbtu (US$2.85/mcf) in Egypt and approximately US$10-US$12/mcf in Morocco and assuming no prolonged business interruptions as result of COVID-19, approximately 90% of the Company's 2020 cash flows will be generated from these gas business, increasing to over 95% in 2021.
- Netback: FY2019 netback of US$39.3 million was driven by strong production growth in Morocco and Meseda together with South Disouq starting up. However, overall netback was 6% lower than FY 2018 due to production decline in NW Gemsa, lower realised oil price and a US$2.0 million increase in opex due to the production increase/start-up at South Disouq and a greater allocation of employee costs to opex in FY2019 compared to FY2018 which had a greater allocation to capex.
- EBITDAX: FY2019 EBITDAX of US$34.2 million in line with FY2018 of US$34.3 million due to lower netback being partly offset by lower transaction costs and lower share-based payment charges.
- Operating cash flow (before capex): FY2019 operating cash flow (before capex) of US$25.1 million, lower than FY2018 of US$36.2 million primarily due to FY2018 reflecting US$11.2 million of cash inflows from the reduction of backdated Egyptian receivables compared to cash inflows from receivables of US$2.0 million in FY2019. The Company has no aged Egyptian receivables as at 31 December 2019.

Where We Operate

Egypt

SDX Energy is actively involved in exploration and development activities in Egypt's Eastern Desert, Nile Delta, and Gulf of Suez basins.

The Eastern Desert and Gulf of Suez areas account for the bulk of Egypt's historical oil production. These two areas are geologically related and expertise acquired in one translates across to the other. The Nile Delta area offers exciting exploration opportunities in a prolific and proven hydrocarbon system with multiple productive horizons.

959km²
Combined concession area

4
Concessions

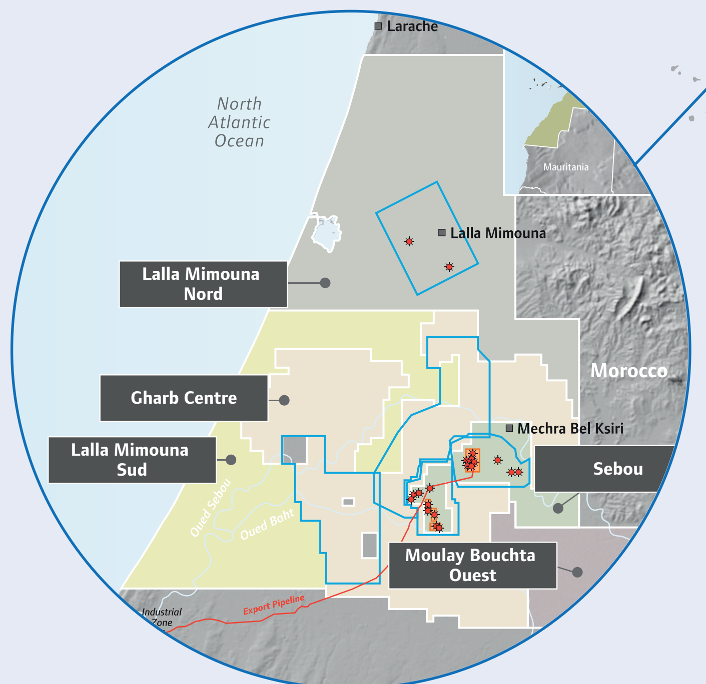
Morocco

The Company's Moroccan acreage consists of five concessions, all of which are located in the Gharb Basin in northern Morocco.

In April 2017, the Sebou Onshore permit was renewed for eight years over a larger area and renamed Sebou Central. In June 2017, the Gharb Centre Exploration permit was acquired directly from the State, and in February 2019, the Moulay Bouchta concession was awarded and Lalla Mimouna Sud concession re-awarded by the State.

4,239km²
Combined concession area

5
Concessions
75% working interest in each



Our Expertise **Onshore**

Strategic Report

Our Strategy	06
Chairman's Statement	07
Chief Executive Officer's Review	08
Review of Operations	10
Financial Review	22
Principal Risks & Uncertainties	30
S.172 Statement	31
ESG Report	34

Our Strategy

SDX's strategy is to leverage our existing organisational capabilities and competitive relationships, supported by strong ESG values, to access organic and inorganic, low-cost, high-margin opportunities which generate stable cash flows and self-funded upside. Our vision is to become a growing mid-sized independent energy company in 3-5 years with strong, natural mitigations to low commodity prices that delivers on our purpose of supplying energy in an environmentally conscious manner to the benefit of all our stakeholders.

We will execute this strategy using our strategic capabilities across five areas:

Chairman's Statement

2019 saw SDX hit the key milestone of first gas at its South Disouq asset in Egypt in the last quarter of the year. The Group achieved this goal on time and on budget, which is both testament to the hard work and the level of skill we have within our team.

2019 saw SDX hit the key milestone of first gas at its South Disouq asset in Egypt in the last quarter of the year. The Group achieved this goal on time and on budget, which is both testament to the hard work and the level of skill we have within our team. We ended 2019 having grown production against the comparative period, with ramp up at South Disouq being achieved three months earlier than anticipated. As well as proving the aforementioned skills at SDX to develop such projects of scale, South Disouq production has put the Group in a strong position as the low opex and high free cashflow allows us more optionality to grow the Company further in 2020 and beyond.

In Morocco, we increased production by 24% versus 2018, as all of our customers reached stabilised production rates. Our long-term, fixed-priced contracts provide both high operating margins and also mitigation against oil price volatility, which has been especially pronounced in the first few months of 2020. Given this, we have been encouraged by several exploration well results that confirm that our core productive acreage in the Gharb basin extends further to the north.

As well as growing from an operational perspective in 2019, I am proud to say that SDX has also been strengthening its focus on the environmental, social and governance ("ESG") issues that surround its operations and stakeholders. We have put together an ESG committee, led by Mark Reid our CEO supported by team members from across the business, whose task it is to ensure that we focus on the sustainability of our business and bring ESG issues into the corporate narrative.

Our exemplary safety record was continued in 2019 as we incurred zero Lost Time Incidents, building once again on our strong HSE track record. The safety of our employees remains of the utmost importance for SDX and our strong record not only means operations run efficiently, but we also show to our employees that they are working for a Company that makes their safety its number one priority.

The leadership of SDX saw some major changes during 2019 with Mark Reid appointed as CEO on a permanent basis and Nick Box being appointed to the position of CFO, having previously served as Group Financial Controller. As well as changes in CEO and CFO roles, SDX was pleased to announce the appointment of Amr Al Menhali as Non-Executive Director of SDX. Mr Al Menhali is the CEO of Waha Capital, the Company's largest shareholder, and has a track record of over 20 years in senior leadership positions across a number of high profile institutions which will bring further strength to our Board. Post-period, the Board also announced the appointment of Catherine Stalker as independent Non-Executive Director. Catherine is an extremely experienced director and consultant to the Boards of FTSE companies, public sector bodies, regulators, pension funds and not-for-profit organisations. I can confidently say that we have significantly strengthened our Board in the period, and we sit with a wealth of experience as we navigate our growth plan in 2020.

To conclude, on behalf of my fellow Board members, I would like to thank our shareholders for their continued support. I would also like to thank our employees for their tireless work and commitment to the Company during what was a period of delivering on targets efficiently. We can be proud of what we all have built thus far, and with our strong portfolio of cash-generative assets, a strong balance sheet and talented workforce, and notwithstanding the current wider uncertainties associated with the COVID-19 pandemic, we can continue to grow and deliver value for all of our stakeholders.

Michael Doyle
Non-Executive Chairman
7 April 2020

Chief Executive Officer's Review

Overall, production in 2019 was strong at 4,062 boe/d, which was 14% higher than the previous year, and on an individual asset basis, production either exceeded expectations or was at the upper end of our 2019 guidance.

After being appointed as Interim CEO in May, I was delighted to be asked to take the position permanently in November and at the same time to welcome Nick Box as my successor to become CFO. After achieving first gas at South Disouq during Q4 2019, and with the hard work of the executive team and colleagues in Cairo, Rabat and London, we have successfully progressed our drilling campaigns in Morocco and Egypt. Morocco is now completed and we look forward to completing the campaign in Egypt in the near future and to growing our business further during 2020 and beyond.

Overall, production in 2019 was strong at 4,062 boe/d, which was 14% higher than the previous year, and on an individual asset basis, production either exceeded expectations or was at the upper end of our 2019 guidance.

FY2019 netback of US$39.3 million was driven by strong production growth in Morocco and Meseda together with South Disouq starting up. However, overall netback was 6% lower than FY 2018 due to production decline in NW Gemsa, lower realised oil price and a US$2.0 million increase in opex due to the production increase/start-up at South Disouq and a greater allocation of employee costs to opex in FY2019 compared to FY2018 which had a greater allocation to capex.

During the year at South Disouq in Egypt, the CPF, the 12″ gas export line and four 6″ well flowlines were constructed and, in line with Market guidance, the South Disouq field was successfully brought onto production in Q4 2019. Since coming online, the CPF and the wells have exceeded expectations, enabling us to accelerate our ramp up to a plateau of gross 50 MMcfe/d in mid-December which was approximately three months ahead of expectations. Elsewhere in Egypt, two new production wells, RB-7 and MSD-19, were successfully drilled and completed at West Gharib during 2019. These two wells, in conjunction with the on-going workover programme, supported strong gross production in the first nine months of the year, resulting in the full year out-turn being at the upper end of guidance. In North West Gemsa, the 2019 well workover programme continued and performed solidly with gross production being approximately 500 boe/d above guidance due to a slower rate of pressure decline, and a slowdown in water cut increases.

In Morocco, the drilling campaign which commenced in Q4 2019, has resulted in seven discoveries out of nine wells drilled to date and we plan to test our tenth well, LMS-2, after the COVID-19 restrictions in Morocco are lifted. Two additional compressors and well workovers in the second half of the year added significant gas deliverability to the existing well stock. The recent discoveries at OYF-2 and BMK-1, drilled post-period end, were the most significant wells in the campaign as they have confirmed that the prospectivity in SDX's existing core production and development area extends to the north and consequently de-risks c.20 bcf of P50 prospective resources.

SDX remains fully funded for all 2020 activities from existing liquidity, with a cash balance of US$11.1 million at the year-end and a further US$7.5 million of undrawn availability in our EBRD credit facility. US$43.0 million of capital expenditure was invested into the Company during the year, with US$21.4 million invested into the South Disouq development project and US$14.5 million in Morocco for the 2019/2020 drilling campaign.

I would also like to draw the reader's attention to our first ESG report, on pages 34 to 35. I am proud of the contribution that we are making to CO_2 emission reductions in Morocco as we support our customers' transition away from heavy fuels to our cleaner-burning natural gas. In Egypt we have designed, constructed and commissioned a CPF at South Disouq that has efficient and environmentally sensitive operation at its core. We take pride in investing in our people and I am delighted to lead a team that has 98% of its in-country roles populated by citizens of Egypt or Morocco. Furthermore, SDX has established an ESG committee, headed by myself, that will continue to drive engagement with ESG during 2020 and beyond. This is an initiative that I am passionate about.

In summary, 2019 resulted in many changes for the Company, and we are pleased to have delivered on the objectives that were set out in May when I became interim CEO. Our delisting from the TSX-V in Canada and the change in management was delivered smoothly by the Board and operationally, SDX continues to go from strength to strength. In line with our strategy, we continue to evaluate sensible and accretive M&A opportunities and will update the Market at the appropriate time should any of these evaluations progress accordingly.

Looking ahead, we see significant challenges in the industry, not least in the downward revision in both oil prices and equity valuations and the uncertainty caused by COVID-19. However, we feel it important to note that after the restart of operations at our three Moroccan customers that are temporarily closed due to COVID-19 issues, at an oil price of US$35/bbl approximately 90% of 2020 and over 95% of 2021 forecast cash flows come from our fixed price gas businesses in Egypt and Morocco, insulating us from much of the impact of falling oil price. That said, we recognise that the full extent of the potential impact this issue remains unclear. We will of course take the necessary steps at all times to ensure the safety of our employees, contractors and operations.

Finally, I would like to thank our shareholders, the Board, the senior leadership team and all of our employees for their unfaltering support in a transformational year for SDX. The past year has highlighted the strength of the Company as it operated seamlessly through a change of CEO and at the same time, efficiently delivered on multiple work programmes in Egypt and Morocco. We look forward to keeping everyone up to date on an exciting year ahead for SDX.

Mark Reid
Chief Executive Officer and Director
7 April 2020

7 out of 9

Gas discovery wells in 2019/20 Morocco drilling campaign

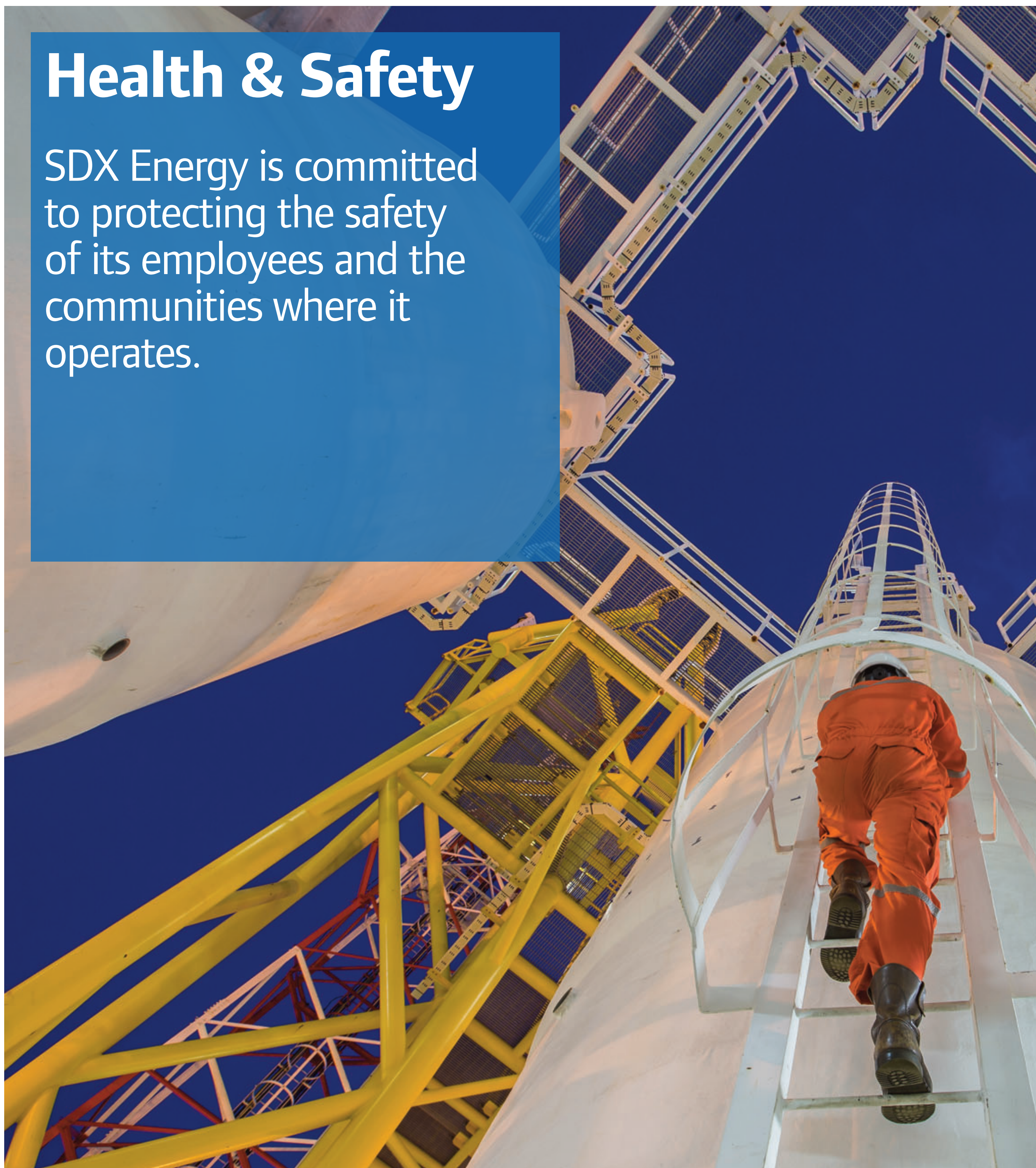
US$18.6m

Liquidity as at 31 December 2019, US$11.1million cash and US$7.5 million undrawn EBRD facility

50MMscfe/d

South Disouq plateau production rate achieved ahead of plan in December 2019

Review of Operations



Health & Safety

SDX Energy is committed to protecting the safety of its employees and the communities where it operates.

SDX Energy is committed to protecting the safety of its employees and the communities where it operates. SDX has had no recordable injuries to date in any of its operations. We are implementing a Safety Management System in our assets that will ensure uniform policies and practices are in place across all SDX's operations to safeguard the wellbeing of our employees and the communities in which we operate. With one eye on the future, we have established a suitably flexible and sophisticated safety system to suit our growing portfolio.

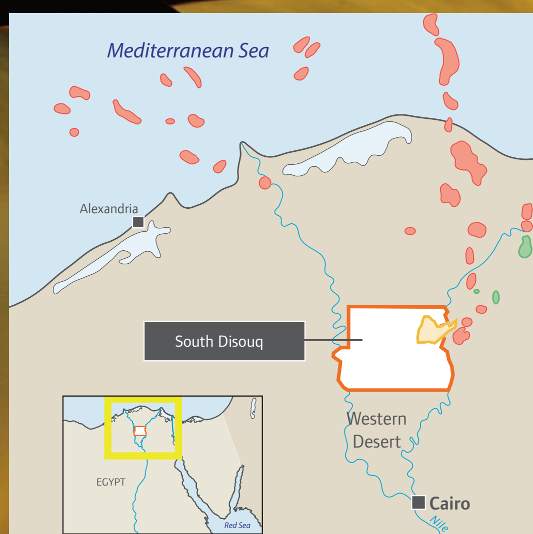
In 2019 we commenced production at our South Disouq CPF which brought new process safety challenges to our business. These challenges were dealt with through having safety-critical devices and systems already identified and having a full maintenance and performance standard process in place for the CPF starting up. SDX's planning for critical incidents includes having an Emergency Response Plan in place and we regularly conduct critical incident simulations that include both in-country teams and the emergency response centre in London.

SDX holds its partners to the same level of safety standards as it applies to itself. We intend to audit our partners against our Safety Management System in 2020 and share with them areas for improvement.

South Disouq

Overview

South Disouq is a 828km^2 concession located 65km north of Cairo in the Nile Delta region.



2019 was a year of major progress at the South Disouq asset. Central to this was the design, fabrication, installation, testing and commissioning of the CPF, alongside the construction, testing and completion of the 12″ export gas pipeline to the Egyptian national grid and the four 6″ well flow lines to the CPF. Prior to the start of production, flow tests were conducted on all four wells (SD-1X, -3X and -4X and IY-1X), with each flowing at expected rates.

The CPF commenced production and delivery of natural gas into the national grid on 7 November 2019, in line with market guidance, and on budget. The performance of the CPF and the wells exceeded expectations, leading to an accelerated ramp up to gross plateau production of 50 MMscfe/d in mid-December which was three months ahead of expectations. Post-year end the CPF has continued to operate without issue.

Concurrent with the drilling and development activity, a subsurface remapping and re-evaluation of the South Disouq and Ibn Yunus discoveries was conducted and subsequently audited by the Company's qualified independent reserves auditor, Gaffney, Cline & Associates, resulting in a 35% increase in gross 2P reserves from 66 bfce to 89 bcfe.

Evaluation of the exploration prospectivity over the wider South Disouq concession continued during the year. Field operations to acquire a 170km^2 3D seismic survey were safely and successfully completed in February 2019. Final processed 3D seismic data from the 170km^2 survey that was completed in February 2019 was received in Q2 2019 and interpreted alongside the re-processing of the 300km^2 3D seismic data acquired in 2016.

In Q4, the final prospect list for future drilling was completed and the Company commenced plans to drill two exploration wells in 2020, Salah and Sobhi, targeting gross unrisked P50 volumes of up to 104 bcf from gas sands in the Kafr El Sheikh and Abu Madi formations.

The SD-6X (Salah) well was drilled in Q1 2020, to a total depth of 3,167 metres. The well encountered 1.7 metres of net gas bearing sand in the Kafr El Sheikh Formation (average porosity 34%), 1.0 metre of net gas bearing sand in the Abu–Madi Formation which has 143 metres of high quality net reservoir (average porosity 24%) and 258 metres of high quality net reservoir in the Qawasim Formation (average porosity 20%). The gas sands in both the Kafr El Sheikh and Abu Madi were deemed to be sub-economic and the Qawasim had low gas saturation. The thinner than expected gas columns encountered in SD-6X is attributable to the absence of a sealing mechanism in the stratigraphic traps being targeted by the well. The well results are currently being analysed.

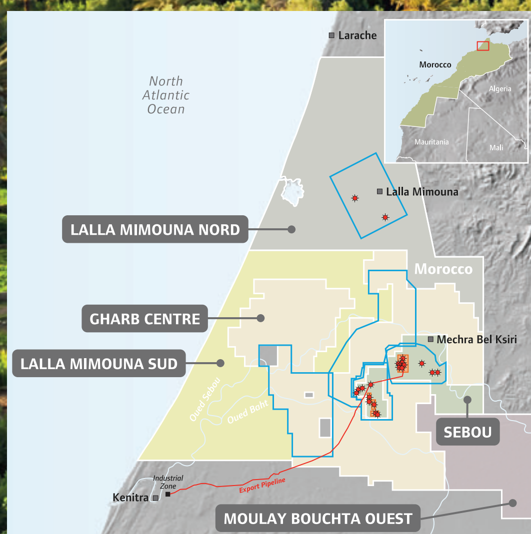
The rig subsequently moved to the site of the next drilling location on the South Disouq licence, the SD-12X (Sobhi) exploration well, which is to the north and structurally up dip of the Ibn Yunus discovery, and was spud on 18 March 2020. The result of SD-6X is not anticipated to have any technical read across to SD-12X which is targeting a management estimate of 33 bcfe. If this well is successful it will be completed and tied back to the CPF.

The 2020 total gross capex is expected to be approximately US$8.7 million, with SDX's share being approximately US$7.2 million.

Morocco

Overview

The Company's Moroccan acreage (SDX 75% working interest and operator) consists of five concessions, all of which are in the Gharb Basin in Northern Morocco.



Commencing in Q4 2019, seven "close to infrastructure" appraisal/development wells were drilled in the 2019/20 campaign, resulting in five commercial discoveries. Five of these wells were completed by 31 December 2019, four of which were discoveries. These four discoveries have increased gross gas reserves to 6.0 bcf as at 31 December 2019, up from 5.1 bcf as at 31 December 2018.

The subsequent two wells, OYF-2 and BMK-1, have confirmed that the Company's core productive area extends to the north. The OYF-2 well intersected both pre-drill targets in the Upper and Lower Guebbas horizons, and has been successfully tested. Management estimates that 1.3-1.9 bcf of gas is recoverable from the horizons encountered at OYF-2. The BMK-1 well, further to the north, also encountered gas in both the Upper and Lower Guebbas horizons, albeit due to downhole issues only the former could be logged and completed. Management estimates that 0.9 bcf of gas is recoverable from both of these horizons. The BMK-1 well will be tested in the coming months.

Significantly, the OYF-2 and BMK-1 wells have de-risked up to 20 bcf of close-by P50 prospective resources for future drilling, of which approximately 10 bcf is located in and around BMK-1.

On 19 March 2020, it was announced that the LMS-2 well had been drilled to a measured depth of 1,190 metres, with electric logging showing that a 10.6 metre net gas reservoir with 30.9% porosity had been encountered on prognosis at the base of the H9/Srafen formation. Unlike previous gas discoveries in the south of the acreage, analyses while drilling indicated that the different thermogenic composition of the gas suggests that it is from a new and likely deeper source rock. The well has been cased and completed and, when changes to COVID-19 restrictions make it possible to bring a well testing crew into the country, it will be perforated and tested to determine its potential.

Following the play-opening discoveries made during the campaign, the Company is undertaking an analysis to optimise tie-in costs and future drilling activity in this new area.

Having fulfilled the objectives for the Morocco campaign, being; (i) to add reserves in and around its existing infrastructure; (ii) to determine if its existing producing area extends to the north; and (iii) to test the prospectivity within the Lalla Mimouna concession, the Company has decided not to drill the final two planned wells. The last two planned wells would not have been immediately tied into the Company's infrastructure or contributed cash flows in the near term, and so the Company has decided to preserve its capital and postpone these last two wells, at no incremental cost, for a future campaign.

The above developments will allow the Company to significantly extend reserve life and continue to support lower CO_2 emissions at our customers.

During the second half of 2019, all eight customers connected to the Company's gas delivery infrastructure and reached expected consumption rates, with annual average gross production of 6.4 MMscf/d being at the upper end of 2019 guidance of 6.0-6.5 MMscf/d gross annual average.

In order to extend the life of currently producing wells beyond their natural flow limits, the Company acquired two compressors, which were purchased in Q2 2019. Well workovers were also carried out during the second half of the year. Both of these initiatives added significant gas deliverability to the existing well stock, meaning that the connection of the new discovery wells from the 2019/20 campaign has been able to be deferred into 2020.

The 2020 total gross capex is expected to be approximately US$14.6 million, with SDX's share being approximately US$13.5 million.

Meseda

Overview

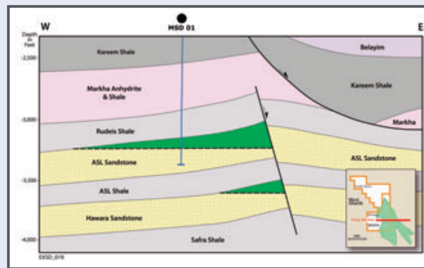
Block-H is located in the Eastern Desert, 230km southeast of Cairo.

The concession covers an area of 22km².

During 2019, the Company participated in the drilling of two development wells.

In Q2 2019 the Rabul-7 well was drilled t o a total depth of 1,774 metres and encountered approximately 45 metres of net heavy oil pay across the Yusr and Bakr formations, with an average porosity of 18%. The well was completed as a producer and brought on-line at an average stabilised rate over five days of approximately 415 bbl/d (gross).

In Q3 2019 the MSD-19 well was drilled to a total depth of 1,555 metres and encountered approximately 45 metres of net heavy oil pay across the Asl Formation, with an average porosity of 24%. The well was completed as a producer and brought online at an average stabilised rate over five days of approximately 315 bbl/d (gross).



These wells, in conjunction with the ongoing workover programme, supported strong gross production in the first nine months of 2019 from new wells. This ensured that, despite increasing water cut in the field in the latter part of the year, annual gross production of 4,171 bbl/d was at the upper end of guidance of 4,000-4,200 bbl/d.

On 10 March 2020, the Company announced that the Rabul-3 development well in the West Gharib Concession in Egypt had been drilled to a total depth of 1,709 metres and encountered approximately 39 metres of net heavy oil pay across the Yusr and Bakr formations. The well will be completed as a producer in mid-April 2020, connected to the central processing facilities at Meseda and is expected to be brought on-line at an average stabilised rate of approximately 300 bbl/d, which is at the upper end of pre-drill expectations.

Gross capex in 2020 is expected to be approximately US$4.0 million (US$2.0 million net to SDX) for two development wells, workovers and pump replacements, and facilities upgrades.

Review of Operations

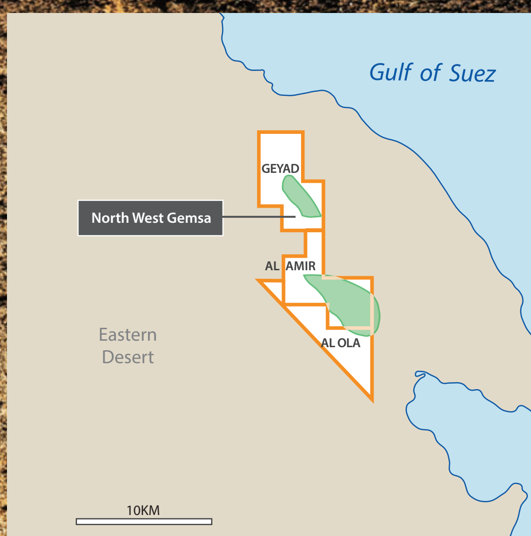
continued

NW Gemsa

Overview

The North West Gemsa concession is located in the Eastern Desert, 300km southeast of Cairo.

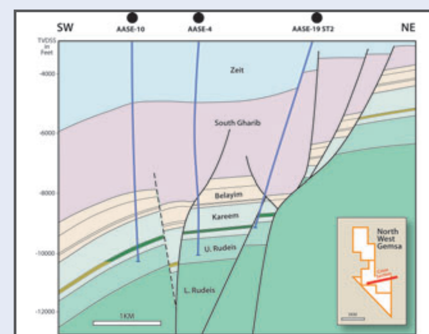
The concession covers an area of $83km^2$.



The NW Gemsa concession is a mature, late-life asset that is increasingly challenged by actual and forecast oil prices, and a high cost base. As such, it is currently considered non-core and the Company expects to exit in 2020.

No wells were drilled during 2019, but the ongoing workovers programme, a slower rate of pressure decline, and a slowdown in water cut increases, helped generate gross annual average production of 3,672 boe/d, which was above 2019 guidance of 3,000-3,200 boe/d.

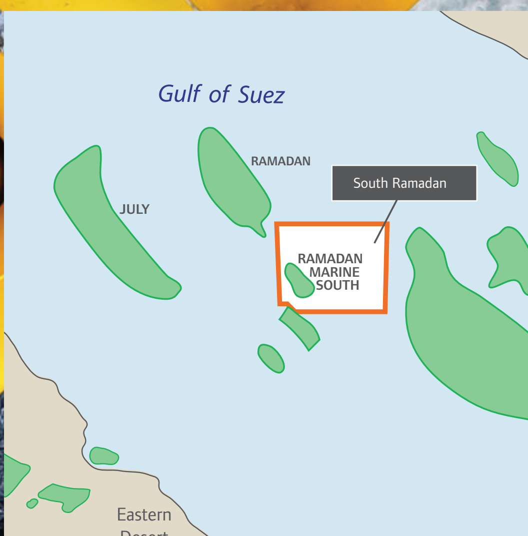
As the field is fully developed, gross capex in 2020 is expected to be approximately US$4.0 million (US$2.0 million net to SDX) consisting of up to 10 workovers and infrastructure maintenance, but no additional wells.



South Ramadan

Overview

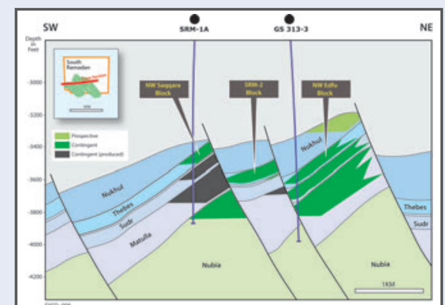
The 26km² South Ramadan development concession is located in the offshore Gulf of Suez, between the prolific Ramadan and Morgan fields.



During 2019 the Company continued to participate in the re-development of the South Ramadan field, following the drilling of the SRM-3 well. This well reached a target depth of 5,212 metres on 13 January 2019. The operator reported encountering 25 metres of net conventional oil pay in the Matulla section (primary target), 7 metres of net conventional oil pay in the Brown Limestone formation and a further 5 metres of net conventional oil pay in the Sudr section. The well was completed over the Thebes, Brown Limestone, and Sudr Formations.

Following the discovery, offshore and onshore pipework was carried out in 2019, alongside the offshore unmanned platform rehabilitation. First production is expected in Q2 2020.

Given the Company's low equity share in the South Ramadan concession, and its immateriality compared to the remainder of the Company's portfolio, the asset is considered non-core. In 2020 the Company will decide how best to optimise its position in the licence.



Group proved plus probable reserves and contingent resources

The proved and probable reserves and contingent resources of the SDX Energy Plc Group presented below are extracted from an independent technical and economic valuation of the Group's Egyptian and Moroccan assets performed by Gaffney, Cline & Associates which has an effective date of 31 December 2019. The reserve definitions used are contained within the Petroleum Resources Management System ("PRMS") as approved by the Society of Petroleum Engineers and the Canadian Oil and Gas Evaluation Handbook.

Gas reserves at as 31 December 2018 and 31 December 2019 have been converted to barrels of oil equivalent ("boe") using a factor of 6,000 cubic feet per boe for reporting and comparison purposes. Actual calorific value of produced gas may result in a different conversion factor for individual assets.

All figures below are SDX Energy working interest in boe:

	Egypt				**Morocco**	**Total**
Asset	South Disouq	West Gharib	NW Gemsa	South Ramadan	Gharb Basin	
Working interest	55%	50%	50%	12.75%	75%	
As at 31 December 2018	6.22	4.56	1.65	-	0.66	13.09
Discoveries	-	-	-	-	0.19	0.19
Re-classification	-	(2.20)	-	0.19	-	(2.01)
Revisions	2.07	0.60	(0.20)	-	0.19	2.66
Production	(0.25)	(0.76)	(0.66)	-	(0.29)	(1.96)
As at 31 December 2019	**8.04**	**2.20**	**0.79**	**0.19**	**0.75**	**11.97**
Proved reserves	4.28	1.46	0.40	0.11	0.51	6.76
Probable reserves	3.76	0.74	0.39	0.08	0.24	5.21
As at 31 December 2019	**8.04**	**2.20**	**0.79**	**0.19**	**0.75**	**11.97**

	Egypt				**Morocco**	**Total**
Asset	South Disouq	West Gharib	NW Gemsa	South Ramadan	Gharb Basin	
Working interest	55%	50%	50%	12.75%	75%	
2C contingent resources	-	2.34	0.10	0.15	-	2.59
As at 31 December 2019	**-**	**2.34**	**0.10**	**0.15**	**-**	**2.59**

Financial Review

Operational and financial highlights

In accordance with industry practice, production volumes and revenues are reported on a Company interest basis, before the deduction of royalties.

		Three months ended 31 December		Year ended 31 December	
US$'000s	Prior quarter[1]	**2019**	2018	**2019**	2018
NW Gemsa oil sales revenue	7,186	**6,458**	10,439	**29,794**	42,260
Royalties	(3,084)	**(2,772)**	(4,480)	**(12,787)**	(18,137)
Net oil revenue	4,102	**3,686**	5,959	**17,007**	24,123
Block-H Meseda production service fee revenues	3,577	**3,289**	4,083	**14,390**	14,185
South Disouq gas sales revenue[2]	-	**3,735**	-	**3,735**	-
Royalties	-	**(1,270)**	-	**(1,270)**	-
Net South Disouq gas revenue		**2,465**		**2,465**	-
Morocco gas sales revenue	4,734	**5,207**	3,496	**18,258**	14,614
Royalties	(140)	**(240)**	(118)	**(736)**	(334)
Net Morocco gas sales revenue	4,594	**4,967**	3,378	**17,522**	14,280
Net other products revenue	274	**866**	420	**1,849**	1,091
Total net revenue	12,547	**15,273**	13,840	**53,233**	53,679
Direct operating expense	(3,503)	**(3,434)**	(3,392)	**(13,900)**	(11,934)
Netback: NW Gemsa oil[3]	2,299	**2,133**	4,085	**9,702**	17,475
Netback: Block-H Meseda	2,339	**2,037**	2,894	**9,889**	10,234
Netback: South Disouq gas[3]	-	**2,281**	-	**2,281**	-
Netback: Morocco gas	4,132	**4,522**	3,049	**15,612**	12,945
Netback: Other products[3]	274	**866**	420	**1,849**	1,091
Netback (pre-tax)	9,044	**11,839**	10,448	**39,333**	41,745
EBITDAX	8,316	**10,813**	7,103	**34,244**	34,306
NW Gemsa oil sales (bbl/d)	1,354	**1,216**	1,808	**1,370**	1,743
Block-H Meseda production service fee (bbl/d)	798	**738**	864	**795**	734
South Disouq gas sales (boe/d)	-	**2,375**	-	**599**	-
Morocco gas sales (boe/d)	827	**890**	648	**802**	646
Other products sales (boe/d)	448	**502**	604	**496**	451
Total sales volumes (boe/d)	3,427	**5,721**	3,924	**4,062**	3,574
NW Gemsa oil sales volumes (bbls)	124,576	**111,902**	166,296	**499,869**	636,249
Block-H Meseda production service fee volumes (bbls)	73,445	**67,855**	79,530	**290,091**	267,834
South Disouq gas sales (boe)	-	**218,535**	-	**218,535**	-
Morocco gas sales volumes (boe)	76,039	**81,887**	59,573	**292,741**	235,694
Other products sales volumes (boe)	41,212	**46,202**	55,564	**181,080**	164,468
Total sales volumes (boe)	315,272	**526,381**	360,963	**1,482,316**	1,304,245
Brent oil price (US$/bbl)	$61.92	**$63.41**	$67.75	**$64.33**	$71.06
West Gharib oil price (US$/bbl)	$57.31	**$57.04**	$60.09	**$58.39**	$62.05
Realised NW Gemsa oil price (US$/bbl)	$57.68	**$57.71**	$62.77	**$59.60**	$66.42
Realised Block-H Meseda service fee (US$/bbl)	$48.70	**$48.47**	$51.34	**$49.61**	$52.96
Realised oil sales price and service fees (US$/bbl)	$54.35	**$54.22**	$59.07	**$55.93**	$62.43
Realised Morocco gas price (US$/mcf)	$10.38	**$10.60**	$9.78	**$10.39**	$10.33
Total royalties (US$/boe)	$10.80	**$9.07**	$13.53	**$10.76**	$14.86
Operating costs (US$/boe)	$11.11	**$6.52**	$9.40	**$9.38**	$9.15
Netback (US$/boe)	$28.68	**$22.49**	$28.94	**$26.53**	$32.01
Capital expenditures	8,777	**16,444**	8,316	**42,989**	44,023

(1) Three months ended 30 September 2019

(2) South Disouq gas is sold to the Egyptian State at a fixed price of US$2.65 MMbtu, which equates to approximately US$2.85/Mcf

(3) When calculating netback for other products (NW Gemsa natural gas and NGLs and South Disouq condensate), all NW Gemsa and South Disouq operating costs are allocated to oil and gas respectively, as associated products have assumed nil incremental operating costs.

Oil sales and production service fee revenues

		Three months ended 31 December		Year ended 31 December	
US$'000s	Prior quarter	**2019**	2018	**2019**	2018
Oil sales revenue	7,186	**6,458**	10,439	**29,794**	42,260
Production service fee revenues	3,577	**3,289**	4,083	**14,390**	14,185
Total oil sales and production service fees revenue	10,763	**9,747**	14,522	**44,184**	56,445

Oil sales revenue (relates to NW Gemsa only)

Oil sales volumes

Total oil sales volumes for the three and 12 months ended 31 December 2019 averaged 1,216 bbl/d and 1,370 bbl/d against 1,808 bbl/d and 1,743 bbl/d for the comparative periods of the prior year.

Total sales volumes decreased by 136,380 barrels, 21%, to 499,869 barrels in the 12 months ended 31 December 2019, compared to 636,249 barrels in the comparative period of 2018. This decrease was due to water cut increase in several wells due to natural field decline, partly offset by increased production from two new wells that came into production in Q3 2018, AASE-27 and Al Ola-4, which had a full 12 months' impact in 2019.

Total sales volumes decreased by 12,674 barrels, 10%, in the three months ended 31 December 2019, compared to the previous quarter due to downhole issues and water cut increase, partly offset by well workover results.

Oil sales pricing

The Company has exposure to the volatility of commodity price markets for all its oil sales and service fee volumes and changes in the foreign exchange rate between the Egyptian pound and the US dollar for capital and operational expenditure. The Operational and Financial Highlights table in this Financial Review outlines the changes in various benchmark commodity prices and the economic parameters that affect the prices received for the Company's oil sales and service fee volumes.

During the 12 months ended 31 December 2019, the Brent price ranged from a low of US$53.23 per barrel on 3 January 2019 to a high of US$74.94 per barrel on 25 April 2019. The Company does not currently hedge any of its production.

For the three and 12 months ended 31 December 2019, the Company's oil sales achieved an average realised price per barrel of oil of US$57.71 and US$59.60 respectively compared to the average Brent Oil price ("Brent") for the periods of US$63.41 and US$64.33 respectively. This is a discount of US$5.70 (9%) and US$4.73 (7%) per barrel respectively. The Company receives a discount to Brent because of the quality of the oil produced. A further deduction is reflected in the realised price as a result of marketing fees. For the three and twelve months ended 31 December 2018, the Company achieved an average realised price of US$62.77 and US$66.42 respectively.

Oil sales revenue variance from prior year

For the 12 months ended 31 December 2019 (compared to the 12 months ended 31 December 2018), oil sales revenue decreased by US$12.5 million as a result of a decrease in the sales price of US$3.4 million, 8%, and a decrease in sales volume of US$9.1 million, 21%, owing to increased water cut as the result of natural field decline. The decrease was partly compensated for by a full 12 months' production from two new wells that were brought online during Q3 2018.

US$'000s	
Twelve months ended 31 December 2018	42,260
Price variance	(3,408)
Production variance	(9,058)
Twelve months ended 31 December 2019	**29,794**

Oil sales revenue variance from prior quarter

For the three months ended 31 December 2019 (compared to the three months ended 30 September 2019), oil sales revenue decreased by US$0.7 million, 10%, as a result of a decrease in sales volume due to increased water cut and downhole issues in one well.

US$'000s	
Three months ended 30 September 2019	7,186
Price variance	3
Production variance	(731)
Three months ended 31 December 2019	**6,458**

Financial Review

continued

Production service fees (relates to Meseda only)

Production service fee volumes

The Company recorded service fee revenue relating to the oil production that is delivered to the State Oil Company ("GPC") from the Meseda and Rabul areas of Block H. The Company is entitled to a service fee of between 19.0% and 19.25% of the delivered volumes and has a 50% working/paying interest. The service fee revenue is based on the current market price of West Gharib crude oil, adjusted for a quality differential.

Total production service fee volumes for the 12 months ended 31 December 2019, increased by 22,257 barrels, 8%, to 290,091 barrels, compared to the 12 months ended 31 December 2018. The increase was mainly due to a full 12 months' production from wells put on production in the second half of 2018 and production from two new wells in 2019, RB-7 and MSD-19. This increase was partly offset by a reduction in production resulting from increased water cut in several wells. Barrels produced per day during Q4 2019 decreased by 8% to 738bbl/d, compared to 798bbl/d during Q3 2019 as a result of a water cut increase across several wells and downhole issues, which offset increased production from the new well MSD-19, which came into production during Q3 2019.

Production service fee pricing

For the three and 12 months ended 31 December 2019, the Company received an average service fee per barrel of oil of US$48.47 and US$49.61 respectively, compared to the average West Gharib prices for the periods of US$57.04 and US$58.39, representing a discount of US$8.57 (15%) per barrel and a discount of US$8.78 (15%) per barrel. The Company receives a discount to West Gharib because of the quality of the oil produced. For the three and 12 months ended 31 December 2018, the Company received an average service fee of US$51.34 and US$52.96 per barrel of oil respectively.

Production service fee variance from prior year

For the 12 months ended 31 December 2019 (compared to the 12 months ended 31 December 2018), the increase in production service fee revenue of US$0.2 million, 1%, to US$14.4 million was the result of increased production of US$1.2 million, 8%, which was partially offset by a decrease in pricing in 2019. The higher production was the result of three new wells coming on production in late 2018 (MSD-16, MSD-15 and RB-2), two new wells on production in 2019 (MSD-19 and RB-7) and well workover results that were partially offset by an increase in water cut.

US$'000s	
Twelve months ended 31 December 2018	14,185
Price variance	(973)
Production variance	1,178
Twelve months ended 31 December 2019	**14,390**

Production service fee variance from prior quarter

For the three months ended 31 December 2019 (compared to the three months ended 30 September 2019), the decrease in production service fee revenue of US$0.3 million, 8%, was mainly due to a decrease in production, caused by increased water cut. The decrease was partly compensated for by a full quarter's production from MSD-19, a new well that was put on production in Q3 2019.

US$'000s	
Three months ended 30 September 2019	3,577
Price variance	(16)
Production variance	(272)
Three months ended 31 December 2019	**3,289**

South Disouq gas sales revenue

The Company sells gas production from the South Disouq concession to the Egyptian national gas company, EGAS, at a fixed price of US$2.65 MMbtu, which equates to approximately US$2.85/Mcf, with the Government of Egypt's entitlement share of gross production equating to approximately 51%. Production from the South Disouq field commenced during Q4 2019, reaching plateau of 50 MMscfe/d in mid-December, several months ahead of plan.

Morocco gas sales revenue

The Company currently sells natural gas to eight industrial customers in Kenitra, northern Morocco.

Morocco gas sales variance from prior year

For the 12 months ended 31 December 2019 (compared to the 12 months ended 31 December 2018), the increase in Morocco gas sales revenue of US$3.7 million, 25%, is primarily due to an increase in sales volumes as a result of all customers achieving stabilised consumption rates during the second half of 2019.

US$'000s	
Twelve months ended 31 December 2018	14,614
Price variance	105
Production variance	3,539
Twelve months ended 31 December 2019	**18,258**

Morocco gas sales variance from prior quarter

For the three months ended 31 December 2019 (compared to the three months ended 30 September 2019), the increase in Morocco gas sales revenue of US$0.5 million, 11%, is the result of all customers achieving stabilised consumption volumes following operational ramp-up phases and greater sales volumes to customers with higher-priced contracts.

US$'000s	
Three months ended 30 September 2019	4,734
Price variance	109
Production variance	364
Three months ended 31 December 2019	**5,207**

Royalties

Royalties fluctuate in Egypt from quarter to quarter because of changes in production and the impact of commodity prices on the amount of cost oil or gas allocated to the contractors. In turn, there is an impact on the amount of profit oil or gas from which royalties are calculated.

In Morocco, sales-based royalties become payable when certain inception-to-date production thresholds are reached, according to the terms of each exploitation concession.

Direct operating costs

Direct operating costs for the three and 12 months ended 31 December 2019 were US$3.4 million and US$13.9 million respectively, compared to US$3.4 million and US$11.9 million respectively for the comparative period of the prior year. During Q4 2019, the direct operating costs decreased marginally to US$3.4 million, compared to the prior quarter costs of US$3.5 million.

The direct operating costs per concession were:

		Three months ended 31 December		Year ended 31 December	
US$'000s	Prior quarter	**2019**	2018	**2019**	2018
NW Gemsa	1,803	**1,553**	1,874	**7,305**	6,648
Block-H Meseda	1,238	**1,252**	1,189	**4,501**	3,951
South Disouq	-	**184**	-	**184**	-
Morocco-Sebou	462	**445**	329	**1,910**	1,335
Total direct operating expense	3,503	**3,434**	3,392	**13,900**	11,934

The direct operating costs per boe per concession were:

		Three months ended 31 December		Year ended 31 December	
US$/boe	Prior quarter	**2019**	2018	**2019**	2018
NW Gemsa	10.88	**10.55**	8.45	**10.90**	8.30
Block-H Meseda	16.86	**18.45**	14.95	**15.52**	14.75
South Disouq	-	**0.80**	-	**0.80**	-
Morocco-Sebou	6.08	**5.43**	5.52	**6.52**	5.66
Total direct operating costs per boe	11.11	**6.52**	9.40	**9.38**	9.15

Morocco gas sales revenue (continued)

Direct operating costs (continued)

NW Gemsa

NW Gemsa direct operating costs for the 12 months to 31 December 2019 were US$7.3 million, US$0.7 million higher than the comparative period of the prior year. The variance is the result of the allocation of certain employee costs to direct operating expense that had been previously allocated to capital expenditure during the 2018 drilling campaign. The quarter-on-quarter decrease in the NW Gemsa direct operating costs per US$/boe to US$10.55/boe from US$10.88/boe is due to lower workover-related costs in Q4 2019, while production decreased at a comparatively lower rate.

Block-H Meseda

Direct operating costs for the 12 months to 31 December 2019 for Block H-Meseda were US$0.5 million higher than the comparative period of the prior year owing to an increase in production and higher operational staff costs. For the three months to 31 December 2019, the direct operating costs per bbl increased to US$18.45/bbl, 9%, compared to the prior quarter due to lower production and a higher cost base.

South Disouq

Direct operating costs for South Disouq for both periods to 31 December 2019 for South Disouq were US$0.2 million, reflecting the start-up of the operations during Q4 2019.

Morocco-Sebou

Direct operating costs for the 12 months to 31 December 2019 for Morocco were US$0.6 million higher than in the comparative period of the prior year. The variance is the result of higher production in 2019 and higher allocated operational employee costs to direct operating expenses in the 12 months to 31 December 2019, an element of which was allocated to drilling in 2018.

Direct operating costs for the three months to 31 December 2019 were slightly lower than the previous quarter. For the three months to 31 December 2019, the cost per bbl decreased to US$5.43/bbl, compared to US$6.08/bbl in the previous quarter due to higher volumes taken by customers against a relatively stable cost base

General and administrative expenses

	Year ended 31 December	
US$'000s	**2019**	2018
Wages and employee costs	**7,678**	6,433
Consultants-inc. PR/IR	**570**	544
Legal fees	**401**	272
Audit, tax and accounting services	**761**	968
Public company fees	**652**	602
Travel	**252**	348
Office expenses	**391**	1,051
IT expenses	**545**	426
Service recharges	**(6,257)**	(5,829)
Ongoing general and administrative expenses	**4,993**	4,815
Transaction costs	**1,079**	2,455
Total net G&A	**6,072**	7,270

Ongoing general and administrative ("G&A") costs for the 12 months ended 31 December 2019 were US$5.0 million compared to US$4.8 million for the same period of the prior year. Ongoing G&A costs in 2019 were higher primarily as the result of higher wages and employee costs due to London staff severance payments to two employees in Q2 2019. These costs were partly offset by lower office expenses in 2019, resulting from the change to the accounting standard for leases under IFRS 16.

Transaction costs in 2019 related to the re-domicile of the Group from Canada to the UK, the Group's capital reduction, and previous business development initiatives. 2018 transaction costs mainly related to the proposed acquisition of a package of assets in Egypt from BP.

Capital expenditures

The following table shows the capital expenditure for the Company. It agrees with notes 9 and 10 to the Consolidated Financial Statements for the year ended 31 December 2019, which include discussion therein.

	Year ended 31 December	
US$'000s	**2019**	2018
Property, plant and equipment expenditures ("PP&E")	**5,387**	14,288
Exploration and evaluation expenditures ("E&E")	**37,403**	29,000
Office furniture and fixtures	**199**	735
Total capital expenditures	**42,989**	44,023

Impairment expense

Following declining performance in the NW Gemsa asset and a reduction in oil price assumptions, management tested the NW Gemsa asset for impairment, resulting in an estimated nil recoverable amount and an impairment expense of US$8.3 million. Please see note 9 to the Consolidated Financial Statements for further discussion.

Exploration and evaluation expense

For the year ended 31 December 2019, exploration and evaluation expenses stood at US$11.4 million, compared to US$5.7 million in the comparative period of the previous year. In the year ended 31 December 2019, the expense relates mainly to:

- the write-off of the South Disouq 3D seismic data acquired in 2018/19 (US$3.7 million). Following review of the prospectivity of the area covered by this survey, in the southern area of the concession, it has been determined that there is insufficient time before the concession expires in 2020 to drill the identified prospects;
- the write-off of the capitalised expenditure relating to the South Ramadan asset. At the reporting date, management performed an assessment of discovered volumes and likely future capital and operating expenditure requirements for this concession which indicated that the Company's historic capitalised expenditure will not be fully recovered. As such, a write off of US$5.1 million has been recognised to reflect the nil recoverable amount of this asset; and
- the write-off of a non-commercial well, CGD-15, which was drilled in Q4 2019 during the 2019/20 Morocco drilling campaign (US$1.5 million).

The remaining expense of US$1.1 million relates to new business evaluation activities that occurred during 2019.

Depletion, depreciation and amortisation

For the 12 months ended 31 December 2019, depletion, depreciation, and amortisation ("DD&A") amounted to US$26.3 million, compared to US$17.3 million in the comparative period of the previous year. The variance is mainly the result of new wells and production growth in Morocco and Block-H Meseda and the start of production in South Disouq in Q4 2019. The variance is partly offset by a downward 2P reserve revision at NW Gemsa in 2018.

The DD&A for right of use assets relates had been recorded in line with IFRS 16. Please refer to note 23 in the Consolidated Financial Statements.

	Year ended 31 December	
US$'000s	**2019**	2018
NW Gemsa	**7,618**	7,763
Block-H Meseda	**2,437**	1,897
South Disouq	**1,356**	-
Morocco-Sebou	**13,752**	7,230
Right of use assets	**697**	-
Other	**435**	378
Total DD&A	**26,295**	17,268

Sources and uses of cash

The Company reported a cash position of US$11.1 million as at 31 December 2019, with an undrawn facility with EBRD amounting to US$7.5 million. The following table sets out the Company's sources and uses of cash for the 12 months ended 31 December 2019 and 2018:

	Year ended 31 December	
US$'000s	**2019**	2018
Sources		
Operating cash flow before working capital movements	**26,875**	28,744
Issuance of common shares	**-**	114
Changes in non-cash working capital	**-**	8,584
Dividends received	**639**	525
Effect of foreign exchange on cash and cash equivalents	**382**	-
Total sources	**27,896**	37,967
Uses		
Changes in non-cash working capital	**(504)**	-
Property, plant and equipment expenditures	**(25,739)**	(21,945)
Exploration and evaluation expenditures	**(5,576)**	(22,865)
Payments of lease liabilities	**(795)**	-
Finance costs paid	**(267)**	(197)
Income taxes paid	**(1,306)**	(1,091)
Effect of foreign exchange on cash and cash equivalents	**-**	(368)
Total uses	**(34,187)**	(46,466)
Decrease in cash	**(6,291)**	(8,499)
Cash and cash equivalents at beginning of period	**17,345**	25,844
Cash and cash equivalents at end of period	**11,054**	17,345

Financial Review

continued

Going concern and actual and potential impacts of the COVID-19 virus and the low oil price environment

SDX acknowledges the continuing impact of the COVID-19 virus and oil price volatility on financial markets. In this regard, it is important to note that SDX's core business is underpinned by long-term fixed-price natural gas contracts, with production from our Gharb Basin gas fields in Morocco and South Disouq in Egypt. Assuming a US$35/bbl oil price, and no prolonged business interruptions as result of COVID-19, 90% of our operating cash flows in 2020 and over 95% in 2021 are generated by these assets, which are also characterised by low operating costs of less than US$6.50/boe. Our other core asset, the Meseda oil field in Egypt, is also profitable at US$35/bbl price levels, based on existing operating costs, which we are working with the operator to reduce. Following completion of the Morocco (Q1 2020) and South Disouq (Q2 2020) drilling campaigns, SDX's forecast capital expenditure reduces materially, with operating costs and general & administrative expenses being stable and predictable.

We have also considered counter party credit risk. In Egypt all our gas is sold directly to the Egyptian state and to date SDX has collected all amounts owing to it. In Morocco we make sales to eight industrial users, for whom natural gas is integral to their process and that work across a number of sectors including ceramics, packaging, food, and automotive. The majority of our customers are owned by national or international corporations who are considered to be financially robust, and these customers account for c.90% of normal daily consumption. All Moroccan contracts also contain take or pay provisions with minimum contracted volumes, albeit that Force Majeure claims may challenge the applicability of these clauses. Since SDX acquired the Moroccan assets in 2017, there have been no bad debt defaults and invoices are typically collected within credit terms. At the time of issuance of the 2019 Annual Report, three customers in Morocco had advised the Company that they were temporarily closing down operations as a result of the impact of COVID-19 on their businesses, initially in line with current Moroccan government requirements to 22 April 2020, however this may be extended if considered necessary. These three customers account for approximately 50% of the revenues of the Moroccan businesses. Whilst consumption by the Company's other customers is unaffected by COVID-19 at the time of writing, such is the seriousness and unpredictability of the situation, there is no certainty that further disruptions will be avoided in the future. Given the low operating and G&A cash costs of running the Moroccan operation, the business is cash flow positive at 20% of current consumption levels, with no remedial actions put in place. We will continue to monitor activity at our customers. At this point COVID-19 has not impacted production operations in Egypt. To date, there have been no significant impacts on the Company's employees, contractors or suppliers.

From a liquidity perspective, SDX seeks to maintain a robust cash balance (US$11.1 million as at 31 December 2019) in all price environments and has an undrawn credit facility with EBRD which is available if required, and which amortises through to July 2021. We are in discussions with the ERBD to maintain the available facility at its current level of US$7.5 million. We maintain bank accounts with financially-robust and credit-worthy institutions, and can move cash reserves around the Group if necessary.

At the time of writing, there are substantial uncertainties surrounding the impact of the COVID-19 virus and the volatility of the oil price. SDX remains committed to open and transparent disclosure of information as the situation evolves. SDX believes it is well positioned to weather the current challenges given its focus on fixed-price gas, high margin projects, diverse counterparty exposure, flexibility around capital expenditures, and robust liquidity.

Nicholas Box
Chief Financial Officer and Director
7 April 2020

Summary of quarterly results

Fiscal year	2019				2018			
Financial US$'000s	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash, beginning of period	**12,587**	11,195	11,354	17,345	18,713	25,234	29,277	25,844
Cash, end of period	**11,054**	12,587	11,195	11,354	17,345	18,713	25,234	29,277
Working capital	**12,511**	19,307	17,604	21,423	29,409	33,190	36,355	43,091
Comprehensive (loss)/income	**(18,162)**	333	(489)	132	(4,029)	3,169	640	331
Net (loss)/income per share-basic	**(0.084)**	0.002	(0.002)	0.001	(0.020)	0.015	0.003	0.002
Capital expenditure	**16,444**	4,728	8,777	13,041	8,316	11,017	14,742	9,948
Total assets	**133,018**	139,542	140,122	137,630	138,107	146,239	143,419	140,497
Shareholders' equity	**98,031**	115,806	115,346	116,491	116,039	119,848	116,246	115,282
Common shares outstanding (000s)	**204,723**	204,723	204,723	204,723	204,723	204,706	204,493	204,493

Fiscal year	2019				2018			
Operational	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NW Gemsa oil sales (bbl/d)	**1,216**	1,354	1,326	1,586	1,808	1,987	1,665	1,507
Block-H Meseda production service fee (bbl/d)	**738**	798	818	826	864	802	706	558
South Disouq gas sales (boe/d)	**2,375**	-	-	-	-	-	-	-
Morocco gas sales (boe/d)	**890**	827	729	761	648	615	656	664
Other products sales (boe/d)	**502**	448	493	542	604	485	403	307
Total boe/d	**5,721**	3,427	3,366	3,715	3,924	3,889	3,430	3,036
NW Gemsa oil sales volumes (bbls)	**111,902**	124,576	120,624	142,768	166,296	182,803	151,520	135,630
Block-H Meseda production service fee volumes (bbls)	**67,855**	73,445	74,475	74,315	79,530	73,761	64,286	50,257
South Disouq gas sales (boe)	**218,535**	-	-	-	-	-	-	-
Morocco gas sales volumes (boe)	**81,887**	76,039	66,358	68,458	59,573	56,602	59,740	59,779
Other products sales volumes (boe)	**46,202**	41,212	44,875	48,791	55,564	44,575	36,681	27,646
Total sales and service fee volumes (boe)	**526,381**	315,272	306,332	334,332	360,963	357,741	312,227	273,312
Brent oil price (US$/bbl)	**63.41**	61.92	68.95	63.02	67.75	75.18	74.53	66.86
West Gharib oil price (US$/bbl)	**57.04**	57.31	63.16	56.03	60.09	65.36	63.99	58.75
Realised oil price (US$/bbl)	**57.71**	57.68	64.98	58.22	62.77	70.76	68.41	62.81
Realised service fee (US$/bbl)	**48.47**	48.70	53.56	47.58	51.34	55.50	54.37	50.00
Realised oil sales price and service fees	**54.22**	54.35	60.62	54.58	59.07	66.38	64.23	59.34
Realised Morocco gas price (US$/mcf)	**10.60**	10.38	10.31	10.26	9.78	11.05	10.51	10.03
Royalties (US$/boe)	**9.07**	10.80	12.27	11.99	13.53	16.88	14.90	13.92
Operating costs (US$/boe)	**6.52**	11.11	11.72	10.09	9.40	9.45	10.15	7.30
Netback-(US$/boe)	**22.49**	28.69	29.84	27.84	28.94	33.62	33.00	32.80

Non-IFRS measures

The Financial Review contains the terms "netback" and "EBITDAX", which are not recognised measures under IFRS. The Company uses these measures to help evaluate its performance.

Netback

Netback is a non-IFRS measure that represents sales net of all operating expenses and government royalties. Management believes netback to be a useful supplemental measure to analyse operating performance and provide an indication of the results generated by the Company's principal business activities prior to the consideration of other income and expenses. Management considers netback an important measure because it demonstrates the Company's profitability relative to current commodity prices. Netback may not be comparable to similar measures other companies use. See Netback reconciliation to operating income/(loss) in note 21 to the Consolidated Financial Statements.

EBITDAX

EBITDAX is a non-IFRS measure that represents earnings before interest, tax, depreciation, amortisation, exploration expense, and impairment, which is operating income/(loss) adjusted for the add-back of depreciation and amortisation, exploration expense, and impairment of property, plant, and equipment (if applicable). EBITDAX is presented so that users of the financial statements can understand the cash profitability of the Company, excluding the impact of costs attributable to exploration activity, which tend to be one-off in nature, and the non-cash costs relating to depreciation, amortisation, and impairments. EBITDAX may not be comparable to similar measures other companies use. See EBITDAX reconciliation to operating income/(loss) in note 21 to the Consolidated Financial Statements.

Strategic Report

Principal Risks & Uncertainties

SDX continuously monitors and assesses its risks across the organisation. Risk registers are maintained at the group, country and project level. At the group level, each risk is managed by a member of the Executive Committee, and owned by either an Executive Director, or the Board, as appropriate.

The current principal risks and their mitigations are detailed below:

Risk	Mitigation
Investment returns	
Insufficient liquidity to ensure business remains a going concern/ funded for planned activity	• Establish and maintain an effective cash forecasting process. • Collect receivables on a timely basis • Maintain relationship with lenders/establish new relationships if necessary. • Effective working capital management. • Establish and maintain effective contracting processes.
Material reduction in oil prices	• SDX currently has a low portfolio exposure to the oil price as gas sold from South Disouq and in Morocco is on long-term, fixed-price contracts
Loss of support of major shareholder(s)	• Management and the Board maintains and agreed dialogue with key shareholders, the largest of which has the right to appoint a Non-Executive Director to the Company's Board. • The Company aims to deliver on its strategy • Management seeks to ensure that shareholders' investment generates adequate returns.
Operations and HSE	
Major operational incident	• Implementation of SDX Safety Management System • Monitoring of key process safety metrics • Regular inspections of non-operated assets • Insurance is procured to address insurable risks
Failure of exploration and development strategy	• Robust G&G resources and process for evaluation of exploration and development opportunities are in place • Work only with reputable outsourced drilling contractors/service providers • Strategy does not require SDX to be a world class explorer
Unable to achieve production targets/ recover reserves	• Established field development planning process • Production reporting produced on a timely basis • Establishing maintenance and operability process • Establishing reservoir management process • Adequate human/technical resources in place within organisation
Terrorism & sabotage	• Develop and implement SDX security system (in conjunction with expert third party) • Specialist terrorism and sabotage insurance cover is maintained.
Political and commercial environment	
Political stability in asset geographies leads to loss of ability to operate effectively	• Capital allocation is carried out having regard for perceived country risk • Management teams across the business carry out passive monitoring • The company develops and maintains strong in-country relationships with the authorities
Non-compliance with laws and regulations	• Established and fully communicated/embedded ABC policy and Code of Conduct • Annual ABC training, with written confirmations from recipients • Appropriate tone at the top

SDX Energy Plc Directors' S.172 Statement 2019

SDX Energy maintains high operating standards, with a clear focus on health, safety and the environment to ensure the safety of its employees, local communities and the environment in which the Company operates.

The Board of Directors of SDX Energy recognises the importance of building and sustaining relationships with stakeholders on a daily basis, considering the long term consequences of our decisions, and the need to foster a sound business reputation. The Board of Directors believe that all stakeholders must be treated with fairness and respect, and have identified the following groups as being important to our success:

- Employees
- Shareholders
- Communities local to where we work
- National and local governments and regulatory agencies
- Asset partners
- Suppliers
- Financial institutions

The following mapping sets out responsibilities for each of the above stakeholder groups and how we engage with them, as overseen by the Board as a whole:

Stakeholder	Internal responsibility	Communication channels	Issues typically considered
Employees	Chief Executive Officer	E-mail Telephone and video conferences Town hall meetings	Training and development HR policies and procedures Health and safety Anti-Bribery and Corruption Corporate initiatives
Shareholders	Chairman of the Board and Chief Executive Officer	E-mail Telephone and videoconferences Face to face meetings RNS announcements Investor conferences Website Annual and interim reporting Via third party advisors including brokers	Investment returns Operational and financial performance Strategy Funding Risk management
Communities local to where we work	Country managers	Face to face meetings Public meetings E-mail Telephone	Environmental management Social development initiatives Community health
National and local governments and regulatory agencies	Country managers	Face to face meetings E-mail Telephone Written communications	Asset management Environmental compliance Social investment Cash collections
Asset partners	Chief Executive Officer & Country Managers	Face to face meetings E-mail Telephone Written communications	Operational planning and performance Billing and cash calling Asset development planning
Suppliers	Chief Executive Officer & Country Managers	Telephone Email Face to face meetings	Operations Funding
Financial institutions	Chief Financial Officer	Telephone Email Face to face meetings	Funding

SDX Energy Plc Directors’ S.172 Statement 2019

continued

Shareholders

The key decision made by the Board of Directors of SDX Energy during 2019 was the re-domicile of the SDX Group from Canada to the United Kingdom (see note 1 to the Consolidated Financial Statements for further detail of the transaction). The determination to proceed with the re-domicile was reached as part of a corporate review that included identifying the most efficient and cost-effective procedures for managing the business, given the location of the Group’s operations in Egypt and Morocco and the location of its management and majority of its directors in London.

The stakeholders affected by this decision were primarily the shareholders of SDX Energy Inc., a Canadian-domiciled entity who, under the proposed plan, would become shareholders of SDX Energy Plc, a UK-domiciled entity. In contemplating the transaction, the Board of Directors engaged and sought advice from the AIM NOMAD, external legal counsel, and third-party tax and accounting structuring advisors, each addressing issues arising in Canada and the UK.

Having followed the above process, the Board of Directors of SDX Energy Inc. concluded that the re-domicile of SDX Energy Inc. in accordance with the terms of a plan of arrangement and the admission of SDX Energy Plc shares to trading on AIM was in the best interests of SDX Energy Inc. and its shareholders. Given the geographic spread of SDX Energy Inc.’s and its affiliates’ production, development and exploration licences, the Board believed that a UK domiciled company would be more appropriate operationally and from an investor standpoint for the reasons set out below:

- The Board viewed the costs and benefits of maintaining a dual listing on AIM and the TSX-Venture and retaining a corporate domicile under the Canada Business Corporations Act, given that, at the time of the transaction approximately 80% of the SDX Energy Inc.’s shares were not held by Canadians and approximately 77% of average daily trading volumes in the preceding year (2018) took place on AIM. SDX was incurring high costs associated with having a dual listing on AIM and on the TSXV and retaining a corporate domicile under the CBCA. On completion of the re-domicile and delisting from the TSXV, annual cost savings of between US$0.5 million and US$1 million were expected to be realized.
- The Board determined that the possibilities for optimising SDX Energy Inc.’s tax structure and reducing its regulatory compliance burden would be greater following the re-domicile.
- Since dual listing on AIM in 2016, SDX had successfully raised over US$61 million of new equity, the significant majority of which was sourced from non-Canadian shareholders. Given the market appetite in Canada at the time of the transaction for SDX’s business and operations, the Board was of the opinion that there would continue to be a lack of interest from Canadian institutions to support future equity raises and, therefore, it did not see any benefit in maintaining a listing on the TSXV.
- There would be no impact on any employees as none was employed by SDX Energy Inc..
- There would be no impact on the community or the environment as SDX’s Group approach to these stakeholders/considerations would not be altered through the re-domicile.
- The re-domicile of SDX Canada to the UK would further raise SDX UK’s profile and status amongst:
    i. UK and European investors who are unable to invest in non-UK domiciled public companies; and
    ii. the international oil and gas sector generally.

  Both of these benefits were expected to provide SDX Energy Plc with incremental access to equity capital from an international market with considerable equity research expertise and coverage and, a broader, more relevant peer group.

- Registered SDX Energy Inc. shareholders had the ability to exercise dissent rights in respect of the Arrangement and to be paid the fair value of their SDX Energy Inc. shares. In the event, there were no dissenting shareholders.

It was acknowledged that Canadian resident shareholders of SDX Energy Inc. could, depending on individual circumstances, be required to address personal tax issues arising from the re-domicile. However, the decision to undertake the re-domicile was considered, on balance, to promote the success of the company for the benefit of its members as a whole and the transaction was executed on 28 May 2019.

Employees

The Board regularly engages with its employees. Management holds frequent “town hall” meetings with staff in the UK, Egypt and Morocco and the Board of Directors seeks to hold at least one scheduled Board meeting annually in Cairo or Rabat, in addition to meetings in London. During these Board visits, time is set aside to meet with local employees to communicate key messages and receive feedback.

Communities local to where we work

The Board has overseen the Company’s environmental, social and governance initiatives during the year, which are discussed in more detail in the 2019 ESG report on pages 34 to 35 of the Annual Report.

Financial institutions (Lenders)

As detailed in the 2019 Financial Review, the Board has maintained its relationship with EBRD throughout 2019. There is currently US$7.5 million of availability from the existing, undrawn facility and discussions are underway with the bank to extend the tenor and re-establish the US$10 million availability under the facility. The Board seeks to ensure that all times the Company is fully funded for all planned activities and regards EBRD as a highly valued partner for SDX Energy.

Suppliers

The Board fully supports collaboration with suppliers as it reduces risk in our supply chain and ensures we maintain high standards of business conduct which benefits our communities. We interact with suppliers during day to day field operations, major and smaller scale projects, tendering exercises and in planning future activity. In 2019, our suppliers successfully helped us to deliver the South Disouq project on time and on budget and to commence the Moroccan drilling campaign. Similarly, the Board aims to foster productive relationships with our asset partners. Throughout 2019 the Board has worked to achieve the goals established within each partnership, primarily set in Operating and Technical Committee meetings and updated as necessary through frequent communications.

National and local governments and regulatory agencies

The Board understands the importance of strong relationships with our host national and local governments. Respecting our agreements with the Egyptian and Moroccan states is at the heart of our licence to operate, and we engage in regular discussions with government representatives to ensure that expectations are understood and that the assets are managed effectively. We acknowledge that our responsibility includes adherence to local environmental and social regulations, which in 2019 included conducting environmental impact assessments ahead of drilling in Morocco and Egypt, produced water management in Morocco and land use rental and farmers compensation at the South Disouq development.

ESG Report

SDX's purpose is to supply energy in an environmentally conscious manner to the benefit of all its stakeholders. During 2019, our ESG strategy was renewed and expanded as part of our longer-term strategic planning process. As an oil and gas exploration and production company, we recognise our responsibilities to our investors, the environment, particularly in the countries in which we operate, local communities impacted by our business, our employees, host governments and all of our other business partners.

During 2019, SDX established an ESG committee, led by our CEO, supported by other staff members and overseen by the Board. In early 2020 the ESG committee will seek Board approval for a formal update to our ESG policy, the purpose of which is to continue to embed our ESG values and principles across our business. Our goal is to ensure consideration of ESG using a top-down approach, which will be reflected in procurement, hiring, financing and investment decision-making.

Environmental

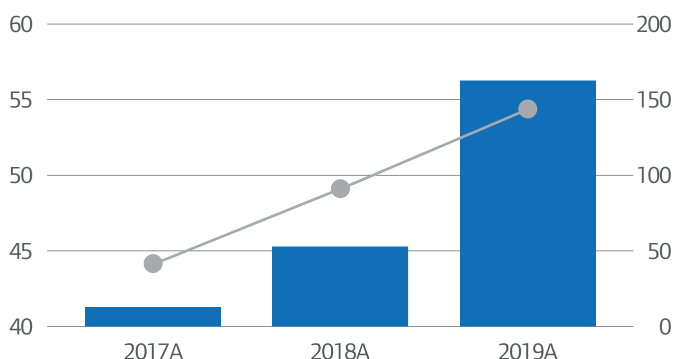
SDX's goal is to minimise its potential impact on the environment in a responsible and respectful manner in the countries in which we operate. We recognise the influence of greenhouse gases on the Earth's climate and seek to minimise emissions from our own assets and assist in supporting the energy transition with our gas-weighted portfolio.

Morocco

In Morocco, SDX is supporting its customers in delivering CO_2 emission reductions by replacing more polluting heavy fuels at their operations with our cleaner-burning natural gas. We supply natural gas to eight industrial users in the Kenitra area, who work across the ceramics, packaging, automotive and food sectors. Although each industrial process is different, all would require an alternative hydrocarbon fuel without a supply of natural gas, and SDX's business model specifically targets users with high non-electric energy demands. Per EIA published CO_2 emission factors, all such fuels would result in higher emissions than natural gas.

Since acquiring the Moroccan business in 2017 by the end of 2019 SDX and its partner ONHYM had sold c.6.0 bcf of natural gas into the Kenitra market, reducing carbon emissions by c.143,000 tonnes of CO_{2e} as shown below.

Tonnes of CO_{2e} reduced by end user vs fuel oil



CO_{2e} emissions reduced vs fuel oil (tonnes of CO_{2e})

Cum. CO_{2e} emissions reduced (tonnes of CO_{2e})

Note-emission reductions assume alternative fuel is heavy fuel oil

As part of reducing the carbon intensity of our production sites, existing instrumentation at well sites has been converted to run on solar power. We see further opportunities to use solar-powered meters and control valves following the recent drilling campaign. In order to safeguard the local environment, in 2020 SDX intends to construct a new gathering station into which discoveries from the 2019/20 drilling campaign will flow, with produced water handling centralised at this location. This reduces the risk of produced water spills when being collected for disposal and the system will serve as the model for future production hubs. There were no reportable hydrocarbon or chemical spills above a 25 litre threshold in Morocco in 2019.

Egypt

The development of the South Disouq asset, which was brought into production in November, has been a major achievement for SDX in 2019. Throughout the design and fabrication of the South Disouq CPF, environmental impact mitigations were integral to the project. The CPF is powered by produced gas from the South Disouq and Ibn Yunus fields, meaning that it is not reliant on heavier hydrocarbon fuels such as diesel, or the Egyptian national electricity grid, which also has a more carbon intensive fuel mix.

In addition, the CPF condensate export system is designed to minimise methane emissions and a vapour recovery unit is provided to ensure flaring is reduced as much as possible. At South Disouq there is zero routine flaring and we aim to make this a standard throughout our operated portfolio. There were no reportable hydrocarbon or chemical spills above a 25 litre threshold at South Disouq in 2019.

Social

SDX seeks to ensure the safety and wellness of our employees and contractors, and to contribute to the economic and social development of the countries that we work in.

Safety and Wellness

The safety and wellness of our employees and contractors, compliance with legal and local safety requirements, and aiming for industry best practice are key priorities for SDX. As outlined in the Strategic Report, this is embedded in the core values of how we operate and do business. SDX continually assesses and aims to improve measures in place to raise awareness of potential dangers related to our operations locally. We currently have a robust set of procedures in place to communicate any high potential incidents across our operations and remediation plans to address these. In 2019, there were no lost time injuries recorded across our operations and we maintain a continuous focus on providing a safe working environment for our employees and contractors. Our goal is to continue our impeccable record with regard to lost time injuries and keep the safety and wellness of our employees at the heart of our business.

E

Climate impact,
Waste reduction

S

Safety and Wellness,
Local workforce and community

G

Good governance,
Promoting diversity and equality

SDX team in Egypt visiting staff and pupils of the Kafr El Gezira-Zifta Primary School

Local workforce and community engagement

SDX contributes to the economic and social development of our countries of operation by creating meaningful partnerships to ensure alignment of local priorities and business cultures with our operations. As a result, we have a strong focus on employing and nurturing local talent-of our 51 permanent salaried roles across Egypt and Morocco, 50 (98%) are filled by national citizens, a fact that we are very proud of. We also prioritise the recruitment of local resources at our operating sites, and prefer to use domestic suppliers and contractors where possible.

SDX proactively engages with local communities impacted by our operations, as we recognise the importance of being of benefit to our local communities.

Kafr El Gezira-Zifta Primary School

- As part of the development of the South Disouq gas project, our Egypt team met with community leaders in the Nile Delta to understand local needs and how SDX could contribute to resolving issues.
- It was brought to our attention that the primary school in the small town of Kafr El Gezira-Zifta (close to the site of the original SD-1X discovery well) was in danger of being closed due to the disrepair of its facilities.
- The restoration project was discussed by the SDX team in Cairo and our Board and it was agreed that it was an initiative that SDX wished to support through a cash donation of EGP1,000,000.
- The work was completed during 2019 and pupils were able to continue to attend school.
- Our team on the ground continues to screen opportunities to assist the local community, with medical facilities and education.

Governance

SDX recognises the importance of best practice corporate governance structure and conducting our business ethically and legally. Our Anti-Bribery and Corruption policy has zero tolerance for bribery, corruption and other financial crime, and training in this area is provided on annual basis to all employees in the Company. We have procedures throughout our organisation to act as safeguards against anti-corruption and anti-competitive practices, including annual training for all employees. Following our re-domicile to the UK, we have adopted the Quoted Companies Alliance Corporate Governance Code (the "Code"), and include discussion on our compliance with the Code on pages 45 to 52 of the Annual Report.

We also believe in the importance of promoting diversity and equality, which are essential to create a rich mix of skills and abilities across the business. As discussed above, we are proud of the composition of our team and were pleased to welcome Catherine Stalker to the Board as a Non-Executive Director in February 2020. Across the business, 15% of our employees are female, including the Senior Geologist and Group Financial Reporting Manager in London, the Head of Exploration and Business Development in Cairo and the Head of Legal and HR in Rabat.

ESG reporting

SDX is taking steps to accurately measure and internally report certain key EGS metrics. A number of recognised external reporting frameworks are under consideration and SDX is committed to providing stakeholders with details of our ESG performance on an annual basis.

Our Focus
North Africa

Corporate Governance

Board of Directors	38
Chairman's Introduction to Corporate Governance	40
Statement of Corporate Governance	41
Directors' Report	43
QCA Code Compliance Disclosures	45
Remuneration Committee Report	53
Audit Committee Report	57
Reserves Committee Report	58
Statement of Directors' Responsibilities	59

Board of Directors

Executive Directors

Mark Reid
Chief Executive Officer and Director

Mr Reid has over 20 years' experience in numerous sectors including the Financial Services, Investment Banking and Oil and Gas industries. He has had significant exposure to M&A transactions and the equity and debt capital markets. Most recently, between 2009 and 2015 he was Finance Director at AIM listed Aurelian Oil and Gas PLC and Chariot Oil and Gas Limited. Prior to this, he spent 7 years as an Emerging Markets E&P banker and was Head of Oil and Gas in the London office of BNP Paribas Fortis. He has also spent 7 years with Ernst & Young Corporate Finance advising on M&A, IPO and other fundraising transactions.

Mr Reid has an MBA (Distinction) from Strathclyde University, is a Member of the Institute of Chartered Accountants of Scotland, a Fellow of the Chartered Association of Certified Accountants and a Member of the Chartered Institute for Securities and Investment.

Nicholas Box
Chief Financial Officer and Director

Mr Box leads SDX's finance team and is a qualified Chartered Accountant as a member of the Institute of Chartered Accountants in England and Wales. Prior to joining SDX Energy Plc as Group Financial Controller in 2016, he worked for PwC in the UK, Australia and Mongolia, primarily in the natural resources sector, and has over 13 years' professional experience in accounting, capital markets transactions, post-merger integrations and internal controls.

Mr Box was appointed Chief Financial Officer and Director of SDX Energy Plc in November 2019.

Non-Executive Directors

Michael Doyle
Non-Executive Chairman

Mr Doyle is a Professional Geophysicist and a Certified Corporate Director with more than 35 years industry experience. Mr Doyle is a principal of privately held CanPetro International Ltd and its affiliates. He has been a director of Equal Energy Ltd since 1997.

Mr Doyle was previously a principal and Chief Executive Officer of Petrel Robertson Ltd where he was responsible for providing advice and project management to clients throughout the world. Prior to that, he held a variety of exploration positions at Dome Petroleum and Amoco Canada. Mr Doyle holds a Bachelor of Science (Maths and Physics) from University of Victoria.

Mr Doyle was a founding director and Chairman of Madison PetroGas from its inception in 2003.

David Mitchell
Non-Executive Director

Mr Mitchell is a successful oil and gas executive with more than 35 years proven track record in the international arena, including with BP and Nexen.

During this time, Mr Mitchell discovered and built projects with his teams in the Middle East, West Africa, Latin America and the North Sea. He has lived and worked in a number of countries including a year with BP Egypt. Mr Mitchell received his BSc Honours, Geology from the University of London and his MPhil Mining Engineering from the University of Nottingham, UK.

Mr Mitchell was appointed CEO of Madison PetroGas on joining in 2008, building the company prior to the merger with Sea Dragon Energy.

Timothy Linacre
Non-Executive Director

Mr Linacre is a Fellow of the Institute of Chartered Accountants in England and Wales and an experienced City practitioner. After qualifying with Deloitte Haskins and Sells he spent 5 years with Hoare Govett before moving to Panmure Gordon in 1992, working at that firm for 20 years including 8 years as CEO. Tim is currently Senior Managing Partner at Instinctif Partners, a leading Business Communications firm.

During his career in the City Tim has advised a range of businesses in a variety of sectors, including oil and gas, from FTSE 100 companies to fast growing listed and private companies.

Amr Al Menhali
Non-Executive Director

Amr Al Menhali joined Waha Capital, SDX Energy's largest shareholder, as Chief Executive Officer in September 2019.

Mr Al Menhali has a track record of over 20 years in the financial services industry in a variety of leadership positions, including his prior role as the CEO of one of the leading banks in the UAE.

During his career, he has developed strong leadership skills and expertise in strategy, finance, risk, credit and corporate governance. In his previous roles, he has led several strategic transformation projects, building high performance businesses to achieve sustainable growth.

Mr Al Menhali currently sits on the Boards of several local and international companies in diverse sectors. He holds a Bachelor's Degree, with Honours, in Business Administration, and also completed the General Management Program at Harvard Business School in Boston.

Catherine Stalker
Non-Executive Director

Ms. Stalker is an experienced Non-Executive Director and consultant to the Boards of FTSE companies, public sector bodies, regulators, pension funds and not-for-profits. She started her career at the Bank of England in 1991. From 1995-2007, she worked at PwC in Moscow and Berlin, heading the HR consulting practice. She is currently a partner at Independent Audit Limited, a leading Board evaluation firm with offices in London, Brussels and Dublin. She sits on the Boards of two subsidiaries of DTEK, a Dutch energy company with vertically integrated assets in Ukraine. She is also a Non-Executive Director on the Board of the Ukrainian retail bank, PUMB.

Ms. Stalker holds an MSc from the London School of Economics in International Political Economy and a BA (Honours) from Heriot Watt University in Russian and French.

Chairman's Introduction to Corporate Governance

I look forward to continuing to build upon the existing values that we have in place and to ensuring that sound corporate governance supports our growth.

As Chairman of the Company, I am committed to ensuring that an effective and focused Board leads the business and continues its track record of delivery. Strong corporate governance helps underpin the foundations of a solid and successful business.

The Board seeks to embed good corporate governance throughout the business, from executive level to operations in country. In 2020, following our re-domicile from Canada to the United Kingdom last year, we have decided to adopt the Quoted Companies Alliance Corporate Governance Code 2018 (the "Code"), transitioning from its Canadian equivalent. My fellow directors and I believe that, in becoming a UK PLC, the Code is now the most appropriate recognised framework for the Company, and this is discussed in more detail in our annual Code disclosures on pages 45 to 52.

As we reflect on the successes of 2019, I look forward to continuing to build upon the existing values that we have in place and to ensuring that sound corporate governance supports our growth, for the benefit of all stakeholders.

Michael Doyle
Non-Executive Chairman
7 April 2020

Statement of Corporate Governance

Board composition

The composition of the Board changed during 2019. Paul Welch resigned as Chief Executive Officer in May 2019, with Mark Reid appointed as interim Chief Executive Officer at that time and then permanently from November 2019. Michael Raynes, who served as Non-Executive Director nominee of Waha Capital, the Company's largest shareholder, resigned from the Board in June 2019 having left his role as Chief Executive Officer of Waha Capital. Amr Al Menhali, the current Chief Executive Officer of Waha Capital, was appointed to the Board as a Non-Executive Director in November 2019. Nick Box was appointed Chief Financial Officer in November 2019, succeeding Mark Reid upon his permanent appointment as CEO. Catherine Stalker was appointed to the Board in February 2020. The Company believes that the above changes have strengthened the Board and bring the governance structure of the Board in line with the requirements of the QCA Code and general good governance.

As at 31 December 2019, the Board of the Company consisted of the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, and three Non-Executive Directors. As discussed above, an additional Non-Executive Director was appointed in February 2020. All the Non-Executive Directors are independent in character and judgement and have the range of experience and calibre to bring independent judgement on issues of strategy, performance, resources and standards of conduct which is vital to the success of the Group.

The Board believes that there is an adequate balance between the Non-Executive and Executive directors, both in number and in experience and expertise, to ensure that the Board operates independently of executive management. There is no formal Board performance appraisal system currently in place, but this will be implemented in 2020, as discussed below.

Corporate governance framework

The Board of Directors recognises that good corporate governance is of fundamental importance to the success of the Company, and believes that the QCA Code provides the company with the right framework to sustain a strong level of governance. The annual QCA Code disclosures are contained on pages 45 to 52 of the annual report.

The Board holds scheduled meetings each year. Additional meetings are held where necessary to consider matters of importance which cannot be held over until the next scheduled meeting. At these meetings financial, operational and other reports are considered and, where appropriate, voted on. The Board is responsible for the Group's strategy, performance, key financial and compliance issues, approval of all annual budgets and the framework of internal controls. The matters reserved for the Board include, amongst others, approval of the Group's strategy and annual objectives, monitoring of compliance with significant policies and procedures including health & safety, oversight of communications and public disclosure, approval of the Group's annual report and accounts, succession planning, and ensuring maintenance of sound systems of internal control.

The Board delegates certain of its responsibilities to the Board committees, detailed below, which have clearly defined terms of reference.

There is a clearly defined organisational structure with lines of responsibility and delegation of authority to executive management. The Board is responsible for monitoring the activities of the executive management. The Chairman has the responsibility of ensuring that the Board discharges its responsibilities. In the event of an equality of votes at a meeting of the Board, the Chairman has a second or casting vote.

The Company is committed to a corporate culture that is based on sound ethical values and behaviours and it seeks to instil these values across the organisation as a whole. The Company promotes its commitment through its public statements on its website, in its report and accounts and internally through its communications to its employees and other stakeholders.

The Company has a zero-tolerance approach to bribery and corruption and has adopted an anti-bribery policy to protect the Group, its employees and those third parties with which the Company engages. Annual training sessions are held with all employees to ensure compliance with the anti-bribery policy.

The Company has adopted a whistleblowing policy which enables employees to raise any concerns that they may have in confidence with the Chairman, CEO or the Chair of the Audit Committee.

Board Committees and Structure

The Board has established an Audit Committee, a Reserves Committee, and a Remuneration Committee. Nominations and Health, Safety and Environmental matters are within the remit of the full Board. All Committees report back to the Board following a Committee meeting.

Audit Committee

The Audit Committee meets regularly and consists of three members, all of whom are Non-Executive Directors.

The Committee's purpose is to assist the Board's oversight of the integrity of the financial statements and other financial reporting, the application of significant accounting policies, the effectiveness of financial and internal controls and the independence and performance of the auditors, including the provision of non-audit services. The Audit Committee may hold private sessions with management and with the external auditor without management present.

The Audit Committee met four times in 2019 and proposes to meet at least four times during the next financial year. The Committee is chaired by Tim Linacre and the other members are Michael Doyle and Amr Al Menhali.

Reserves Committee

The Reserves Committee meets at least annually and consists of two members, both of whom are Non-Executive Directors.

The Committee's purpose is to review the reports of the independent reserves auditors pursuant to Canadian regulations which require that the Board discuss the reserves reports with the independent reserves auditors or delegate authority to a reserves committee comprised of at least two Non-Executive Directors. The Committee is chaired by David Mitchell and its other member is Michael Doyle. The Committee met once in 2019 and typically meets once a year prior to publication of the annual results.

Statement of Corporate Governance

continued

Remuneration Committee

The Remuneration Committee meets regularly to consider all material elements of remuneration policy, share schemes, the remuneration and incentivisation of Executive Directors and senior management. The role of the Committee is to keep under review the remuneration policies to ensure that SDX attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company. The Committee met once in 2019 and proposes to meet at least twice during the next financial year.

The Committee is composed of three Non-Executive Directors, two of whom are independent. Until his resignation in June 2019, the Committee was chaired by Michael Raynes. Michael Doyle then chaired the Committee until Catherine Stalker was appointed as Chairman in February 2020. During this period, and to date, the other member of the Committee was Tim Linacre.

Directors' attendance at meetings

The Board generally has one scheduled Board meeting every quarter over the course of the financial year with informal discussions scheduled as required. Additional meetings are held depending upon opportunities or issues to be dealt with by the Company from time to time. The Non-Executive Directors hold informal meetings during the course of the year at which members of management are not in attendance. The Directors' attendance at scheduled Board meetings and Board committees during 2019 is detailed in the table below:

Director(1)	Board	Audit	Remuneration(2)	Reserves
Michael Doyle	4*	4	1	1
Mark Reid	4	4+	1+	1+
Nick Box(3)	1	1+	-	-
Paul Welch(4)	2	2+	1+	1+
Tim Linacre	4	4*	1	-
David Mitchell	4	4	-	1*
Michael Raynes(5)	2	2	1*	-
Amr Al Menhali(6)	1	-	-	-
Total meetings	4	4	1	1

* Chairman

+ Invitee

Notes:

(1) The Non-Executive Chairman, CEO (Paul Welch succeeded by Mark Reid), CFO (Mark Reid succeeded by Nick Box), and Non-Executive Directors attended a number of meetings of Committees of which they were not members during the course of the year at the invitation of the Committee chairman.

(2) Following Michael Raynes' resignation as a Director, Michael Doyle acted as Chairman of the remuneration committee until Catherine Stalker's appointment in February 2020. No meetings of the remuneration committee took place between Mr. Raynes' resignation and Ms. Stalker's appointment.

(3) Nick Box was appointed CFO and Director on 12 November 2019.

(4) Paul Welch resigned as CEO and Director on 31 May 2019.

(5) Michael Raynes resigned as a Director on 25 June 2019.

(6) Amr Al Menhali was appointed as a Director on 20 November 2019.

Board Evaluation

The Board considers that its effectiveness and the individual performance of its directors is vital to the success of the Company.

The Board believes that it functions effectively and the need for formal Board evaluation has not been considered necessary to date. However, it is recognised that with the need to meet the requirements of the QCA Code a formal process will be necessary. Given her expertise and background in Board evaluations, this process will be led by Catherine Stalker. The Company will introduce a structure to set clear targets and objectives for improving and monitoring performance of the Board and will introduce a formal evaluation for all Board members to monitor their individual contribution and commitment.

The evaluation process will set out criteria against which Board, Committee and individual effectiveness is measured.

The directors have a wide knowledge of the Company's business and understand their duties as directors of a company quoted on AIM. The directors have access to the Company's Nominated Adviser, auditors and legal counsel as and when required. These advisors are available to provide formal support and advice to the Board from time to time and do so in accordance with good practice. The directors are also able, at the Company's expense, to obtain advice from external advisers if required.

The Board is mindful of the need for succession planning and the Board was pleased to announce the appointments of Catherine Stalker in February 2020. The Board will continue to meet and monitor the requirements for succession planning and Board appointments to ensure that the Board is fit for purpose. If external training or assistance with recruitment is required by the Board, this will be made available.

Mark Reid
Chief Executive Officer and Director
7 April 2020

Directors' Report

The Directors of the Company present their report and the Consolidated and Company Financial Statements of SDX Energy plc ("SDX" or the "Company") for the year ended 31 December 2019.

Principal activities

The principal activity of the Company and its subsidiary undertakings (the "Group") is the exploration for and production of oil and gas. Its current activities are located in Arab Republic of Egypt and the Kingdom of Morocco.

Business review and future developments

A review of the business and the future developments of the Group is presented in the Strategic Report (including the Chief Executive Officer's Report, Review of Operations and Financial Review) and Chairman's Statement (all of which, together with the Corporate Governance Statement, are incorporated by reference into this Directors' Report).

Results and dividends

The consolidated loss for the year was US$18,186k (2018: profit of US$112k). The Directors do not recommend the payment of a dividend for 2019 (2018: US$nil).

Financial instruments

The Group's financial risk management objectives and policies are discussed in note 6 to the Consolidated Financial Statements.

Events since the balance sheet date

Events since the balance sheet date are disclosed in note 26 to the Consolidated Financial Statements.

Directors and their interests

The Company was incorporated on 20 March 2019. As described in note 1 to the Consolidated Financial Statements on 28 May 2019, the Company obtained control of the entire issued share capital of SDX Energy Inc. via a share-for-share exchange.

The following Directors have held office in the Company since 20 March 2019:

Mark Reid	(appointed 20 March 2019)
Paul Welch	(appointed 20 March 2019, resigned 31 May 2019)
Michael Doyle	(appointed 28 May 2019)
Timothy Linacre	(appointed 28 May 2019)
David Mitchell	(appointed 28 May 2019)
Michael Raynes	(appointed 28 May 2019, resigned 25 June 2019)
Nicholas Box	(appointed 12 November 2019)
Amr Al Menhali	(appointed 20 November 2019)
Catherine Stalker	(appointed 6 February 2020)

Directors' Report

continued

The Directors who held office at the end of the financial year had the following interests in the ordinary shares of the Company according to the register of Directors' interests:

Director	Class of share	Interest at end of year	Interest at date of appointment
Michael Doyle	Ordinary	2,169,669	2,169,669
Mark Reid	Ordinary	461,203	366,970
Nick Box	Ordinary	20,030	20,030
Tim Linacre	Ordinary	160,000	50,000
David Mitchell	Ordinary	1,809,450	1,671,950
Amr Al Menhali[(1)]	Ordinary	39,876,803	39,876,803

(1) Amr Al Menhali is the Chief Executive Officer of Waha Capital PJSC. Waha Capital PJSC, through its wholly-owned subsidiary SDX SPV Ltd, owns 39,876,803 ordinary shares in the Company although Mr. Al Menhali owned no ordinary shares in the Company in a personal capacity at the end of the year or at the date of his appointment.

None of the Directors who held office at the end of the financial year had any disclosable interest in the shares of other Group companies.

No rights to subscribe for shares in or debentures of Group companies were granted to any of the Directors or their immediate families, or exercised by them, during the financial year. Rights to subscribe for shares held by Directors are disclosed in note 17 to the Consolidated Financial Statements and in the 2019 Remuneration Report on pages 53 to 56 of the Annual Report.

Auditor

A resolution to reappoint PricewaterhouseCoopers LLP as auditor will be put to the members at the annual general meeting.

Disclosure of information to auditors

The directors who were members of the Board at the time of approving the Directors' Report are listed above. So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Group's auditor, each director has taken all the steps that he or she is obliged to take as a director in order to made him or herself aware of any relevant audit information and to establish that the auditor is aware of that information.

On behalf of the Board

Mark Reid
Chief Executive Officer and Director
7 April 2020

QCA Code Compliance Disclosures

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

Explain the Company's business model and strategy, including key challenges in their execution (and how those will be addressed)
SDX's strategy is to leverage existing our organisational capabilities and competitive positions/relationships, supported by strong ESG values, to access organic and inorganic, low-cost, high-margin opportunities which generate stable cash flows and self-funded upside. As the Company operates in the upstream oil and gas sector it is exposed to political, operational, commercial, product pricing and hazard risk.

Further discussion of the Company's business model, strategy and key challenges is contained within the Strategic Report on pages 4 to 35.

Principle 2: Seek to understand and meet shareholder needs and expectations

Explain the ways in which the Company seeks to engage with shareholders. This should include information on those responsible for shareholder liaison or specification of the point of contact for such matters
The Company engages with its shareholders through regulatory news flow, providing statutory financial results on a half yearly basis, operational and financial updates to maintain information on overall performance, releases relating to matters of material importance to the Company's business, releases of a regulatory nature and scheduled events such as capital markets days. The Company maintains an informative and regularly updated website at www.sdxenergy.com through which shareholders can obtain copies of the Company's annual reports, interim reports and other regulatory documents and regulatory news service releases. The website includes copies of all presentations made from time to time to analysts, shareholders and the general market and includes a facility under which shareholders may submit questions or make comments relating to the Company's business. The Company also includes contact details on all regulatory announcements. Whenever possible the Company endeavours to respond to enquiries.

The Company's Annual General Meeting is a regular opportunity for shareholders to meet with the Company and receive a corporate presentation. There is also an opportunity for shareholders to ask questions after the presentation, during the formal business of the meeting and informally following the meeting. The Chairman and the CEO are together responsible for shareholder liaison and act as a listening Board for shareholders. In all communications with shareholders and the general market the Company maintains strict compliance with the requirements of the AIM Rules and Market Abuse Regulations.

The Company also retains advisors, including public/investor relations and brokers, who maintain a regular dialogue with current and prospective shareholders and inform management of relevant feedback and market perceptions of the Company.

QCA Code Compliance Disclosures

continued

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Explain how the business model identifies the key resources and relationships on which the business relies
The Company's business model and strategy are described in Principle 1.

The Company is aware of its stakeholder and social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Company's host governments, employees, joint venture and industry partners, suppliers, customers and regulatory authorities across the Company's activities. These activities have the potential to impact on local communities where our assets are located and the environment more generally. Accordingly, the Company has in place positive strategies to engage with each stakeholder group, whether individually or collectively, as part of its ongoing operations, including a comprehensive Environmental, Social and Governance ("ESG") strategy, which is outlined on pages 34 to 35 of this Annual Report.

The Company's operations and working methodologies take account of the need to balance the needs of all of these stakeholder groups whilst maintaining a primary focus on the promotion of the success of the Company for the benefit of shareholders as a whole. A broad range of stakeholders, including our supply chain partners, our employees and taxing authorities benefit when the Group is successful.

Explain how the Company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products)
The Company values the feedback received from its stakeholders and takes every opportunity to ensure that where possible the wishes of stakeholders are considered. The operations of the Company need to be carefully managed and conducted in order to reduce environmental impact, enhance rather than impair communities, and to protect Company employees and others who operate at the Company's assets.

As outlined in Principle 2, the Company maintains a regular dialogue with its shareholders through various channels.

The Company meets with its asset partners frequently, including at scheduled Technical and Operating Committee Meetings. In-country personnel lead the day-to-day management of the relationships with host governments, represented by ONHYM in Morocco and EGPC, EGAS and GPC in Egypt. Plans and budgets presented to partners and host governments are updated for feedback received and for example may impact field development plans, production optimisation, JV organisation charts, etc..

The Company conducts regular employee engagement sessions, run by the executive team, where employees are able to voice their opinions and make suggestions.

During the development of the South Disouq project, following the solicitation of feedback from the local community as to how SDX could contribute to their needs, the Company funded the refurbishment of a local primary school. See further detail in the 2019 ESG report on page 34 to 35.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Describe how the Board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the Board does to identify, assess and manage risk and how it gets assurance that the risk management and related control systems in place are effective
The Company encourages a culture of risk awareness and management at all levels throughout the Company. Strategic risks are regularly reviewed by the Board and, at the Executive Committee level each member of the team is responsible for continuously monitoring and managing risk within the relevant business areas. Corporate, country and project risk registers are maintained and monitored at the appropriate levels within the organisation. The Company employs outside advisors to assess and advise on risk when it is felt additional third-party expertise is required. The Board, through its collective experience, has a strong awareness of potential risks, and with frequent reviews of the business and operations keeps this current, and identifies new risks arising. The Audit Committee oversees the Company's system of internal control and obtains assurance over its effectiveness both via the external audit and review processes and internal management reporting.

The Company maintains appropriate insurance cover in respect of its activities. The insured values and type of cover are comprehensively reviewed on an at least annual basis.

The Company's approach to the management and identification of risk is set out in the Principal Risks and Uncertainties section of the Financial Review contained in the 2019 annual report on page 30.

Principle 5: Maintain the Board as a well-functioning, balanced team led by the chair

Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained
The Board currently has a Non-Executive Chairman, a Chief Executive Officer (CEO), a Chief Financial Officer and four Non-Executive Directors. The biography of each director is set out in the Annual Report on pages 38 to 39.

All Non-Executive Directors have extensive and complementary skills, knowledge and experience covering all facets of the business which requires both entrepreneurial and custodian oversight and all are considered independent in terms of character and judgement. The Board is aware of the need to maintain and build upon this balance of backgrounds and to maintain a diversity of talent through succession planning as the Company further develops and the needs of the business grows.

Michael Doyle and David Mitchell both hold shares and options in the Company in excess of 1% of the Company's issued share capital. Amr Al Menhali is the CEO of the Company's largest shareholder, Waha Capital PSJC. Per the UK Corporate Governance Code, these directors would not be considered independent, however the Board believes that each provides independent judgement and challenge.

The Board considers Tim Linacre to be an Independent Director. The Company is delighted that Mr. Linacre has decided to invest personal funds into ordinary shares in the Company. The Company believes that this investment demonstrates an alignment of interests between Mr. Linacre as a Non-Executive Director and the Company. However, the size of this holding represents less than 1% per cent of the Company's issued share capital and therefore the Company does not consider the size of the holding to compromise independence.

The Board considers Catherine Stalker to be an Independent Director. Alongside Mr. Linacre, the Company meets the QCA guidelines of having two Independent Non-Executive Directors.

Describe the time commitment required from directors (including Non-Executive Directors as well as part-time executive directors)
The executive Directors are expected to devote substantially the whole of their time to their duties with the Company. The Non-Executive Directors have a lesser time commitment. It is anticipated that Non-Executive Directors will each dedicate 12 days a year to their duties as Board members.

Include the number of meetings of the Board (and any committees) during the year, together with the attendance record of each director
Full details of the number of Board and Committee meetings held and the attendance record of each of the Directors is provided in the 2019 annual report on page 42.

QCA Code Compliance Disclosures
continued

Principle 6: Ensure that between them the directors have the necessary up-to-date experience, skills and capabilities

Identify each director
Information on each of the Directors is provided in the 2019 annual report on pages 38 to 39.

Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the Board (a simple list of current and past roles is insufficient); the statement should demonstrate how the Board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the company for the benefit of the shareholders over the medium to long-term
The Board of Directors possesses a wide range of experience and skills. To meet the requirements of an independent upstream oil and gas exploration, development and production company these experience and skills must cover financial, legal, operational and technical knowledge of risk management and growth in the independent sector and of public markets. Each of the directors on the Board, both executive and Non-Executive, have considerable experience and all have demonstrated skills which are complementary and sufficient to cover all of the requirements of the Board. The composition of the Board is kept under review to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group and is actively engaged in developing key members of the management team. These include full consideration to maintain a healthy diversity where this is possible, including gender diversity. For background history of each of the directors refer to pages 38 to 39 of the 2019 annual report.

Explain how each director keeps his/her skillset up-to-date
The Board as a whole has significant experience both within the industry and in public and financial markets. The Board receives support and advice from its Nomad on AIM requirements as and when required, as well as briefings from other advisors (including legal counsel and the independent auditors) on developments relevant to their roles. In addition, each director is encouraged to discuss any matter of interest with the Company's professional advisors on as-required basis.

Where the Board or any committee has sought external advice on a significant matter, this must be described and explained
During 2019 advice was received from the Company's professional advisors and Nomad in relation to the documentation and procedures necessary to effect the re-domicile transaction from Canada to the United Kingdom. The Reserves Committee engages independent reserves auditors to provide an independent competent persons report on the Company's end of year reserves.

Where external advisers to the Board or any of its committees have been engaged, explain their role
Details of the Company's advisors can be found on the website:
www.sdxenergy.com/investors/advisors/

In 2020, the Remuneration Committee retained the services of PricewaterhouseCoopers LLP ("PwC") to provide information on market and corporate governance practice in relation to executive remuneration and the use of share plans. PwC is the Company's external auditor. The Committee is satisfied that the advice received was independent and objective as it was factual and not judgemental. The fees charged for this service were £12,000.

Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the Board
The directors have access to the Company's Nomad, outsourced company secretary, lawyers and auditors and are able to obtain advice from other external bodies as and when required. The Executive Directors keep the Board up to date on areas of new governance and liaise with the Company's lawyers and Nomad on areas of AIM requirements.

The Board does not consider it necessary to appoint a Senior Independent Director currently. The Chairman discusses matters arising with fellow Non-Executive Directors and the group is available to hold discussions with shareholders, when necessary.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Include a high-level explanation of the Board performance effectiveness process
During 2019 the composition of the Board underwent a number of changes, including the appointment of a new CEO (Mark Reid, replacing Paul Welch), new CFO (Nick Box, replacing Mark Reid), and the appointment of new major shareholder representative (Amr Al Menhali, replacing Michael Raynes).

During 2020, the Company intends to carry out a structured review and evaluation of the performance of the directors as a unit in order to maximise the effective and productive operations of the Board. The Board has not yet determined the extent to which the evaluation will bring in external contributions. However, the Board expects to repeat a form of evaluation exercises in each year and anticipates an element of external facilitation within the first two years.

The following areas will be covered by the review:

- Assess how well the Board is addressing the key business risks and adhering to internal controls;
- Assess the progress made in realising the assets and returning the net proceeds to shareholders;
- Understanding of the viewpoint of the Company's shareholders;
- Reduction of ongoing operating costs where possible;
- Compliance with current and prospective legislation and regulations;
- Sufficient succession planning;
- Performance of roles of committees;
- Directors' self-assessment of awareness of current issues faced by the Company;
- Personal development requirements and ensuring they are satisfied;
- Level and quality of information provided by service providers; and
- Additional relevant areas.

All Board members will be asked to complete questionnaires providing a rating across a variety of criteria. Completed questionnaires will then be submitted to the Company Secretary who, where necessary, will seek clarification on any responses given. The responses will be collated and consolidated so that the Board can have an open follow-up discussion, potentially involving third parties. Conclusions reached will result in an agreed set of actions, with timescales.

Where a Board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed
As explained above, no Board evaluation process took place during 2019.

Include a more detailed description of the Board performance evaluation process/cycle adopted by the Company. This should include a summary of:

- The criteria against which Board, committee and individual effectiveness is considered;
- How evaluation procedures have evolved from previous years, the results of the evaluation process and action taken or planned as a result; and
- How often Board evaluations take place

As explained above, no Board evaluation process took place during 2019.

Explain how the Company approaches succession planning and the processes by which it determines Board and other senior management appointments, including any links to the Board evaluation process
Succession planning is undertaken by the Board.

QCA Code Compliance Disclosures

continued

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

Include in the Chair's corporate governance statement how the culture is consistent with the company's objectives, strategy and business model in the strategic report and with the description of principal risks and uncertainties. The statement should explain what the Board does to monitor and promote a healthy corporate culture and how the Board assesses the state of the culture at present

The corporate culture of the Company is established from the Board of directors, led by the Chairman, and communicated to the Company through the Chief Executive Officer through scheduled internal meetings with the Executive Committee, who in turn disseminate it throughout the organisation. The corporate culture, which places strong emphasis on conducting business ethically, transparently and with clear lines of responsibility, underpins the delivery our strategy of leveraging existing our organisational capabilities and competitive positions/relationships, supported by strong ESG values, to access organic and inorganic, low-cost, high-margin opportunities which generate stable cash flows and self-funded upside.

The Board receives feedback from the Executive Committee, whose meetings cover corporate culture and staff matters arising. The Board also aims to hold at least one scheduled meeting per year in Cairo or Rabat, as well as London, and during these visits town hall meetings are held with employees and contractors where all attendees are encouraged to express their views. The Board currently views the corporate culture as being embedded throughout the organisation and is confident that any concerns or issues can be dealt with in a timely manner.

Explain how the Board ensures that the Company has the means to determine that ethical values and behaviours are recognised and respected

The Company operates a feedback system with direct access to the Chairman, Chief Executive Officer or Chairman of the Audit Committee which provides the mechanism to enable the Company to become aware of any deviation from the Company's ethical values. On a day-to-day basis, the Executive Committee members take responsibility for monitoring values and behaviours through engagement with their teams.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Describe the roles and responsibilities of the chair, chief executive and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups)
Other than as described above, there are no specific individual responsibilities or remits.

Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the Board for its consideration
Refer to 2019 annual report pages 53 to 58.

Further information relating to the Company's Committees can be found on the Company's website: https://www.sdxenergy.com/about/corporate-governance/

Describe which matters are reserved for the Board
The Company's terms of reference are published on the corporate website. The following matters are a summary of the matters which require the approval of the Board.

Strategy and Plans: responsibility to supervise the formulation of strategic direction, plans and priorities for the Company; approve capital expenditure budgets and related operating plans; approve material divestitures and acquisitions;

Financial and Corporate Issues: responsibility to take steps to ensure implementation and integrity of the Company's internal control and management information systems; approval of financial statements and approve the release thereof by management;

Identification and Management of Risks: responsibility to ensure that management has identified the principal risks of the Company's business and implemented appropriate strategies to manage the risks;

Policies and Procedures: responsibility to monitor compliance with all significant policies and procedures by which the Company is operated;

Oversight of Communications and Public Disclosure: ensuring that the Company has in place effective, accurate and timely disclosure and communication processes with shareholders and financial, regulatory and other recipients;

Corporate Governance Matters: review of the Company's overall corporate governance arrangements;

Other: Empowered to retain, oversee, compensate and terminate independent advisors to assist the Board in its activities.

Describe any plans for evolution of the governance framework in line with the Company's plans for growth
The Board will monitor the governance framework on an ongoing basis and develop additional procedures and policies as required, in line with the Company's growth.

QCA Code Compliance Disclosures

continued

Principle 10: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Describe the work of any Board committees undertaken during the year
Refer to 2019 annual report pages 53 to 58.

Include an audit committee report (or equivalent report if such committee is not in place)
Refer to 2019 annual report page 57.

Include a remuneration committee report (or equivalent report if such committee is not in place)
Refer to 2019 annual report pages 53 to 56.

If the company has not published one or more of the disclosures set out under Principles 1-9, the omitted disclosures must be identified and the reason for their omission explained
The Company has published all of the disclosures set out under Principles 1-9 and has not omitted any disclosures.

Remuneration Committee Report

The purpose of the Committee is to assist the Board in discharging its oversight responsibilities relating to the attraction, compensation, evaluation and retention of Executive Directors, being currently the Chief Executive Officer and Chief Financial Officer, and senior management.

The Remuneration Committee (the "Committee") is a standing committee of the Board of the Company and is comprised of two independent Non-Executive Directors, and one non-independent Non-Executive Director.

The Committee currently comprises of Catherine Stalker (Chairman), Tim Linacre and Amr Al Menhali. Until his resignation in June 2019, Michael Raynes was Chairman of the Committee. From this time until Catherine Stalker's appointment in February 2020, the Committee was chaired by Michael Doyle. Tim Linacre has been a member of the Committee throughout this period.

The purpose of the Committee is to assist the Board in discharging its oversight responsibilities relating to the attraction, compensation, evaluation and retention of Executive Directors (currently the Chief Executive Officer and Chief Financial Officer) and senior management. The Committee aims to ensure that the Company has the right skills and expertise needed to enable it to achieve its goals and strategies and that fair and competitive compensation is awarded with appropriate performance incentives. SDX's remuneration policy is intended to support the Company's purpose, values and strategy.

The Committee held one meeting during 2019. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

Consideration by the Committee of matters relating to Directors' and senior managers' remuneration

The Committee exercises general responsibility regarding the overall compensation policy for the senior managers and Executive Directors of the Company. Subject to the approval of the Board, it is responsible for:

- setting the remuneration policy for all executive directors, senior managers and the Company's chairman, including pension rights and any compensation payments or benefits such as share options, share schemes or any other benefit;
- recommending and monitoring the level and structure of remuneration for senior management;
- reviewing the on-going appropriateness and relevance of the remuneration policy;
- obtaining reliable, up-to-date information about remuneration in other companies of comparable scale, sector and complexity;
- approving the design of any performance-related pay schemes operated by the Company, including determining associated performance targets, and approving the total annual payments made under such schemes. These schemes will enable the Company to recover sums paid or withhold payment in certain circumstances;
- reviewing the design of all share incentive plans for approval by the Board and shareholders and determining each year whether awards will be made, and if so, the overall amount of such awards, the individual awards to executive directors and other designated senior executives and the performance targets to be used;
- determining the policy for, and scope of, pension arrangements for each executive director and other designated senior executives;
- ensuring that contractual terms on termination, and any payments made, are fair to the individual, and the Company, that failure is not rewarded and that the duty to mitigate loss is fully recognised;
- reviewing the directors' compensation disclosure required to be included in the Annual Report; and
- reviewing and making recommendations on any material changes in human resources policy, procedure, remuneration, and benefits.

The Company is committed to maintaining an open and transparent dialogue with shareholders on all aspects of remuneration within the Group.

Remuneration Committee Report
continued

Summary of work undertaken during 2019

- The Committee reviewed and recommended the 2018 cash bonus payout to executive directors and selected senior management and the 2019 cash bonus KPIs.
- The Committee reviewed and recommended the proposed compensation of the Company's new Egypt Country Manager.
- The Committee reviewed and recommended all other material payments including severance payments.
- The Committee reviewed Chairman and Non-Executive Director fees based on a benchmarking exercise completed by external advisors.

2020 looking forward

In 2020 the Committee intends to review and update the Company's remuneration policy to maintain alignment with market trends, and to consider and approve if appropriate any performance-based remuneration.

Executive Directors' service contracts

The commencement date and notice period of the Executive Director service contracts are set out below:

Director	Commencement date	Notice period
Mark Reid	12 November 2019	6 months from the Executive and Company 12 months in the event of a Change of Control[1]
Nick Box	12 November 2019	6 months from the Executive and Company 12 months in the event of a Change of Control[1]

(1) "Change of Control" means the acquisition by any person (or the right to acquire), whether by a series of transactions over a period of time or not, an interest in shares of the Company which (taken together with shares in which persons acting in concert with him are interested) carry 50% or more of the voting rights of the Company.

Executive Remuneration

The table below sets out the remuneration and breakdown for each Executive director paid for the 2019 financial year:

	Mark Reid[1] (US$)	Nick Box[2] (US$)	Paul Welch[3] (US$)
Salary	327,850	25,444	187,500
Annual bonus[4]	-	-	-
Benefits[5]	1,690	635	61,230
Pension[6]	16,393	1,272	-
Severance	-	-	631,384
Total 2019	**345,933**	**27,351**	**880,114**
Total 2018[7]	597,152	-	539,376

Where underlying transactions includes in the figures above were in a currency other than the US$, currency translations have been performed at the annual average exchange rate between the source currency and the US$.

(1) On his appointment as Chief Executive Officer on 12 November 2019, Mark Reid's annual salary increased to £300,000.

(2) Nick Box was appointed as Chief Financial Officer on 12 November 2019, with an annual salary of £150,000. The information given in the table above covers the period that he served as a Director of the Company during the year i.e. from 12 November 2019 to 31 December 2019.

(3) Paul Welch resigned as Chief Executive Officer and Director on 31 May 2019.

(4) The award of 2019 annual bonuses to Mark Reid and Nick Box has been deferred.

(5) Benefits include participation in the Group's medical insurance, income protection insurance and life insurance schemes.

(6) Until the time of his resignation, Paul Welch elected to opt-out of the Company's defined contribution pension scheme

(7) It was disclosed in the 2018 Annual Report that the annual bonuses for Messrs. Welch and Reid had been deferred pending the achievement of strategic targets. Mark Reid was subsequently awarded a bonus of US$245,000, which was paid in July 2019. Paul Welch was not awarded a bonus.

Share Option Plans

The Company operates three discretionary incentive share option plans: the SDX Energy Plc Long Term Incentive Plan (the "LTIP"), which permits the grant of share-based awards, the SDX Energy plc Company Share Option Plan ("CSOP"), and the SDX Energy Plc Stock Option Plan. All three plans were re-adopted by the Board on 28 May 2019 following the re-domicile and are known together as the "Discretionary Plans".

The Discretionary Plans will govern all future grants of options by the Company to Directors, officers, employees and certain consultants of the Group. The directors intend that the maximum number of ordinary shares which may be utilised pursuant to the Discretionary Plans will not exceed 10% of the issued ordinary shares of the Company from time to time in line with the recommendations of the Association of British Insurers. The objective of the Discretionary Plans is to develop the interest of directors, officers, employees and certain consultants of the Group in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

In 2019, the Company incurred share-based payment charges of US$400k (2018: US$996k) in respect of Discretionary Plan awards to directors.

Long Term Incentive Plan

The following awards have been granted to certain directors and employees under the LTIP, these were deemed to be granted on 28 May 2019 under IFRS 2 in accordance with the Re-Admission Document.

Director/employees	Total number of LTIP awards granted
Mark Reid	2,234,707
Nick Box	134,083
Employees below Board level (in aggregate)	2,062,022
Total	**4,430,812**

LTIP Awards are structured as nil-cost options and vesting is subject to the satisfaction of certain performance targets at the end of a three year period from the date of grant. Vested options may be exercised up to ten years from the date of grant. For the LTIP awards made in July 2017 and March 2018, the performance targets were set with reference to the following:

- Earnings Before Interest, Taxation, Depreciation, Amortisation and Exploration Expense ("EBITDAX") in US$ millions;
- Working interest production in barrels of oil equivalent per day;
- Proved Developed Producing and Proved Undeveloped Reserves in barrels of oil equivalent; and
- Total Shareholder Return relative to the FTSE All Share Oil & Gas Index.

The number of common shares granted to executive directors, over which the LTIP Awards 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.

For the avoidance of doubt, the maximum number of shares that can vest for the CEO and CFO of 2,234,707 and 134,083 respectively requires 100% attainment of all performance targets and at least 20% pa share price growth.

Remuneration Committee Report

continued

Stock Option Plan

The following awards have been granted to certain directors and employees under the Stock Option Plan, these were deemed to be granted on 28 May 2019 under IFRS 2 in accordance with the Re-Admission Document.

Director/employees	Total number of Stock Options granted
Mark Reid	400,000
Michael Doyle	320,000
David Mitchell	320,000
Nick Box	40,000
Employees below Board level (in aggregate)	75,000
Total	**1,155,000**

Stock Option Plan awards contain an exercise price, which is determined at the date of grant with reference to the market value. The options are not subject to performance targets and vest annually over a three year period. Vested options may be exercised up to five years from the date of grant. The exercise price of the outstanding options ranges between £0.21 and £0.45.

Non-Executive Director fees

	2019 fees US$[1]	2018 fees US$
Michael Doyle	**76,801**	73,414
Tim Linacre	**48,940**	23,359
Amr Al Menhali[2]	**5,816**	-
David Mitchell	**49,066**	46,718
Michael Raynes[3]	**18,614**	46,718

(1) Effective 1 September 2019, the Chairman's fee was increased to £70,000 (previously £55,000) and Director fees were increased to £40,000 (previously £30,000). Committee Chair fees remained at £5,000.

(2) Amr Al Menhali was appointed as a Director on 20 November 2019.

(3) Michael Raynes resigned as a Director on 25 June 2019.

External advisors

Subsequent to the 2019 financial year end, the committee retained the services of PricewaterhouseCoopers LLP ("PwC") to provide information on market and corporate governance practice in relation to executive remuneration and the use of share plans. PwC is the Company's external auditor. The Committee is satisfied that the advice received was independent and objective as it was factual and not judgemental. The fees charged for this service were £12,000.

Catherine Stalker
Chairman of the Remuneration Committee
7 April 2020

Audit Committee Report

The Audit Committee (the "Committee") is a standing committee of the Board of the Company and is comprised of three Non-Executive directors.

An important part of the role of the Committee is its responsibility for reviewing and monitoring the effectiveness of the Group's financial reporting, internal control policies, and procedures for the identification, assessment and reporting of risk. The Audit Committee is also responsible for overseeing the relationship with the external auditor, including ongoing assessment of their independence and objectivity.

As at 1 January 2020 SDX Energy plc is a Designated Foreign Issuer within the meaning of the Canadian National Instrument 71-102-Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to the foreign regulatory requirements of the AIM market of the London Stock Exchange. As such, the Company is exempt from certain requirements otherwise imposed on reporting issuers in Canada. This status will mean that the preparation of quarterly financial statements and MD&A will not be required in 2020. Quarterly operating and financial updates will, however, be published following each quarter end.

During the year, the Committee met four times and the members attendance record at Committee meetings during the financial year is set out in the Corporate Governance section on page 42. After each meeting, the Chairman of the Audit Committee reports to the Board on its proceedings.

An essential part of the integrity of the financial statements lies around the key assumptions and estimates or judgments to be made. The Committee reviews key judgments prior to publication of the financial statements at both the end of the financial year and at the end of interim periods, as well as considering significant issues throughout the year. During 2019, these matters included:

- Reviewing key assumptions used by management in assessing the carrying values of assets for potential impairment. The carrying value of the NW Gemsa asset was impaired, and the capitalised exploration and evaluation expenditure incurred at the South Ramadan concession and for the 2018/19 South Disouq 3D seismic survey was written off;
- The application of the new IFRS 16 leasing standard to the Group's financial statements; and
- The accounting for the Group's redomicile from Canada to the United Kingdom, including the changes to the Group's capital structure

Overall, the Committee reviewed and was satisfied that the judgments exercised by management on material items contained within the Annual Report and Financial Statements are reasonable.

The Audit Committee has considered the Group's internal control and risk management policies and systems, their effectiveness and the requirements for an internal audit function in the context of the Group's overall risk management system. The Committee is satisfied that the Group does not currently require an internal audit function; however, it will continue to periodically review this position.

The Board has engaged PricewaterhouseCoopers LLP ("PwC") to act as external auditors and they are also invited to attend Committee meetings, unless a conflict of interest exists. PwC were re-appointed during the financial year, having held office with the Company and its predecessors since 2012. The SDX Group fee to PwC for the financial year to 31 December 2019 is GB£210,000. The Audit Committee shall undertake a comprehensive review of the quality, effectiveness, value and independence of the audit provided by PwC each year, seeking the views of the wider Board, together with relevant members of the Committee.

Whilst PwC have been the Company's auditors for seven years, the Committee are comfortable that PwC's audit remains independent.
The Company has not adopted specific policies and procedures for the engagement of non-audit services, however, the duties of the Audit Committee include the review and pre-approval of all non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees) and the consideration of the effect of such services on the independence of the external audit.

Responsibilities

The Committee reviews and makes recommendations to the Board on:

- the application of significant accounting policies and any changes to them;
- whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor and the financial statements;
- compliance with accounting standards and legal and regulatory requirements;
- disclosures in the interim and annual report and financial statements;
- reviewing the effectiveness of the Group's financial and internal controls;
- any significant concerns of the external auditor about the conduct, results or overall outcome of the annual audit of the Group;
- the provision of any non-audit services by the external auditor's firm or its affiliates; and
- any matters that may significantly affect the independence of the external auditor

Tim Linacre
Chairman of the Audit Committee
7 April 2020

Reserves Committee Report

The Committee is responsible, inter alia, for arranging the preparation of the Company's annual regulatory reserve reporting, which it will then review, liaising with the Company's qualified independent reserves auditor, and recommend to the Board for approval.

The Reserves Committee (the "Committee") is a standing committee of the Board of the Company and is comprised of two Non-Executive directors. The Committee comprises of David Mitchell (Chairman) and Michael Doyle.

The Committee is responsible, inter alia, for arranging the preparation of the Company's annual regulatory reserve reporting, which it will then review, liaising with the Company's qualified independent reserves auditor, and recommend to the Board for approval. It is also responsible for appointing the qualified independent reserves auditor, ensuring their independence, assessing performance, and relationship with the Company.

The Committee meets at least once a year prior to the approval of the Annual Report and annual regulatory reserve reporting.

2019

- Evaluated the effectiveness of the Company's policies, practices and procedures for estimating oil and gas reserves.
- Met with the qualified independent reserves auditor to discuss the performance of their audit, their access to management and information, their estimation methodologies and key judgements, and their independence.
- Met as a Committee to discuss and recommend for approval to the Board the Gaffney, Cline & Associates' Competent Persons Report for the SDX Energy plc Group (effective date 31 December 2019), and associated regulatory filings.

2020 looking forward

- Review the Company's procedures for providing information to the qualified reserves evaluator or auditor who reports on reserves data.
- Meet with management and the qualified reserves evaluator or auditor, to review the reserves data and the auditor's annual reserves report.
- Determine whether any restrictions affect the ability of the qualified reserves evaluator or auditor to report on reserves data without reservation.
- Review and recommend to the Board for approval the content and filing of the Company's annual statement of reserves data and other oil and gas information.

David Mitchell
Chairman of the Reserves Committee
7 April 2020

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group and company's position and performance, business model and strategy.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

Low cost **High margin production**

Financial Statements

Independent Auditors' Report	62
Consolidated Balance Sheet	66
Consolidated Statement of Comprehensive Income	67
Consolidated Statement of Changes in Equity	68
Consolidated Statement of Cash Flows	69
Notes to the Consolidated Financial Statements	70
Independent Auditors' Report-Company	94
Parent Company Balance Sheet	98
Parent Company Statement of Changes in Equity	99
Notes to the Parent Company Financial Statements	100
Corporate Information	IBC

Independent Auditors' Report

to the members of SDX Energy Plc

Report on the audit of the group financial statements

Opinion

In our opinion, SDX Energy Plc's group financial statements (the "financial statements"):

- Give a true and fair view of the state of the group's affairs as at 31 December 2019 and of its loss and cash flows for the year then ended;
- Have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Balance Sheet as at 31 December 2019; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, and the Consolidated Statement of Changes in Equity for the year then ended; and the Notes to the Consolidated Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

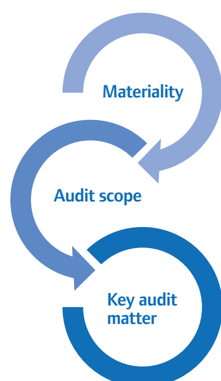
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality	• Overall group materiality: US$1.33 million (2018: US$1.40 million), based on 1% of total assets.
Audit scope	• We conducted full scope audits of five components out of the Group's twenty-two components which were selected due to their size and risk characteristics. Specific audit procedures were performed on certain balances and transactions at a further 6 components. • This enabled us to obtain coverage of 100% of consolidated revenue, 87% coverage of consolidated loss before tax and 98% coverage of consolidated total assets for the Group. • The Group audit team visited the Egypt offices as part of the audit in order to have sufficient oversight of our component auditors in Egypt. • The Group audit team performed a site visit to the Morocco operations.
Key audit matters	• Carrying value of tangible and intangible assets • Basis of going concern • Impact of COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Carrying value of oil and gas properties and exploration and evaluation assets Refer to note 3 Significant Accounting Policies, note 9 Property, Plant and Equipment and note 10 Exploration and Evaluation Assets. As at 31 December 2019, the consolidated balance sheet carrying value of property, plant and equipment totalled US$67.9 million (comprising US$67.3 million of oil and gas properties) and US$18.7 million of capitalised exploration costs. At the reporting date, management performed an impairment indicator assessment and concluded that due to a reduction in the proved and probable reserves for the North West Gemsa concession and reduction in oil prices the asset should be tested for impairment. Management also performed an impairment assessment for South Disouq on transferring the exploration and evaluation assets to oil and gas properties. Management recorded an impairment charge of US$8.3 million on its North West Gemsa concession during the year to fully impair the asset. No impairment has been recognised on the South Disouq concession. Management has assessed all other exploration assets for impairment triggers under IFRS 6 and concluded that the assets related to South Disouq 3D seismic data (US$3.7 million), South Ramadan (US$5.1 million) and Sebou CGD-15 non-commercial well (US$1.5 million) should be written off. We focused on this area due to the material nature of the balance, the judgement involved in assessing for impairment and the estimates required to calculate the value in the current economic climate.	**Oil and gas assets** We tested management's impairment analysis on NW Gemsa and South Disouq concessions by performing the work described below: • Obtained management's discounted cash flow model and checked the mathematical accuracy; • Validated management's underlying cash flow projections to other external and internal sources where appropriate, including recent production, oil price forecasts and comparing cost assumptions to historic actuals and underlying budgets; • Assessed the competency, independence and objectivity of the experts in relation to the commercial reserves. We discussed the key judgments and assumptions used in the report directly with experts; • Benchmarked oil price assumptions to external sources including forward curves and found these to be reasonable and validated the gas selling prices to the underlying contracts; and • Assessed the discount rates used by management in the discounted cash flow model of 12.5%. Our review focused on the sensitivity of the impairment assessments to movements in the oil price and changes in the production profiles. **Exploration and evaluation assets** We challenged management's assessment of impairment triggers for exploration assets under IFRS 6 including challenging and validating management's plans to perform further evaluation of the development opportunity in Egypt and in Morocco. After performing the above tests, the evidence we obtained supported management's conclusion on the carrying amount of the oil and gas assets and exploration and evaluation assets, including the various impairments and write offs recognised during the year. Finally we considered the adequacy of management's disclosure of the key judgements and sensitivities in relation to the impairment assessment in note 9. These were deemed to be in line with the requirements of IAS 36.
Basis of going concern Refer to page 28 Financial Review and note 2 (e) Basis of preparation. We focused on this area given the recent volatility in oil price and potential impact on demand as a result of the COVID-19 virus. The ability of the Group to continue as a going concern is dependent on Management's ability to maintain liquidity in order to repay its existing creditors. Management sensitised their cash flow forecast to take into consideration a decline in both oil prices and production as a result of the COVID-19 virus. Management's assessment of going concern is based on cash flow projections and business plans, each of which is dependent on management's judgement and can be influenced by management bias.	In assessing the appropriateness of the going concern assumption used in preparing the financial statements, we: • Checked the mathematical accuracy of Management's cash flow forecast and validated the opening cash position; • Validated Management's underlying cash flow projections for the Group to other external and internal sources where appropriate, including recent production, oil price forecasts and comparing cost assumptions to historic actuals and underlying budgets; • Performed sensitivity analysis to assess the impact of the key assumptions underlying the forecast such as a reduction in oil price, weaker operational performance and timing of the receipts of cash from debtors, and the Group's ability to take mitigating actions, if required; and • Reviewed the completeness and appropriateness of management's going concern disclosures in the financial statements. Our conclusions on going concern are set out the "Conclusions relating to going concern" section below.
Impact of COVID-19 Refer to page 28 Financial review and note 2 (e) Basis of preparation. Management has considered the impact of the COVID-19 virus on the SDX Energy Group's future oil and gas sales and specifically the Group's ability to continue as a going concern. The virus may result in a sustained low oil price and short term decline in oil and gas demand from customers which negatively impacts future cash inflows and the Group's ability to continue as a going concern. Having assessed the possible impact of COVID-19 on the Group, the Directors have prepared the financial statements of the Group on a going concern basis and believe this assumption remains appropriate.	With reference to the basis of going concern key audit matter, we have evaluated the Directors' assessment of the impact of COVID-19 on the Group by: • For oil sales, challenged the key inputs of an oil price of US$30/bbl in the short term and US$35/bbl in the longer term; • For gas sales, reviewed key contracts with Moroccan customers which supports fixed priced nature of the gas sales and the minimum quantities of production on a "take or pay" basis; • For both oil and gas sales, we have performed further sensitivity analysis to assess the impact on the cash flows resulting from a decline in production in the short term; • Considered the financial condition of the Group's customers and the impact of a delay in their payments on the Group's cashflows; and We have evaluated the completeness and appropriateness of management's disclosures in the financial statements related to the impact of the COVID-19 virus. From the evidence obtained we concluded that the financial statements appropriately reflect the effects of COVID-19 on the Group. Our conclusions relating to going concern are set out in the "Conclusions relating to going concern" section below.

Independent Auditors' Report

to the members of SDX Energy Plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group financial statements are a consolidation of twenty-two components and has only two operating segments, that being Morocco and Egypt. In establishing the overall approach to the group audit, we determined the type of work that needed to be performed over the components either by the group engagement team or the component auditors from other PwC network firms operating under our instruction.

Our interactions and procedures over our component auditors in Egypt comprised of the following:

- We determined the areas of key audit risks that related to Egyptian entities' business activities and the audit procedures that would be required to address these risks. We allocated the execution of these procedures between the group audit team and our component audit team in Egypt;
- The group audit team had ongoing communication with our component team in Egypt throughout the interim and year end audit, which included a visit to Egypt by group senior manager; and
- We reviewed the component auditors' audit file documentation.

We identified five components that, in our view, required full scope audits due to their relative size or risk characteristics. The full scope audit of three Egyptian components were performed by our component audit team in Egypt. In addition, our component audit team in Egypt performed specific audit procedures on certain balances and transactions on a further four Egyptian components. The group engagement team performed the full scope audit of the Morocco component and one UK component and in addition, performed specific audit procedures on certain balances and transaction on a further two UK components. The above gave us coverage of 100% of consolidated revenue, 87% coverage of consolidated loss before tax and 98% coverage of consolidated total assets for the Group.

The Group engagement team directly performed the audit of the consolidation. This together with additional procedures performed at the Group level gave us the evidence we needed for our opinion of the Group financial statements as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	US$1.33 million (2018: US$1.40 million).
How we determined it	1% of total assets.
Rationale for benchmark applied	This benchmark reflects the Group's primary focus to continue to enlarge its assets through significant investment in its exploration and development assets.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was US$0.1 million and US$1.2 million.

Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above US$67,000 (2018: US$69,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 59, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the Parent Company financial statements of SDX Energy Plc for the period ended 31 December 2019.

Richard Spilsbury
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
7 April 2020

Financial Statements

Consolidated Balance Sheet

As at 31 December 2019

US$'000s	Note	As at 31 December 2019	As at 31 December 2018
Assets			
Cash and cash equivalents	7	**11,054**	17,345
Trade and other receivables	6a	**21,774**	24,324
Inventory	8	**7,972**	5,236
Current assets		**40,800**	46,905
Investments	11	**3,916**	3,394
Property, plant and equipment	9	**67,895**	48,680
Exploration and evaluation assets	10	**18,720**	39,128
Right-of-use assets	23	**1,687**	-
Non-current assets		**92,218**	91,202
Total assets		**133,018**	138,107
Liabilities			
Trade and other payables	12	**25,724**	14,418
Deferred income	13	**258**	495
Decommissioning liability	14	**317**	1,125
Current income taxes	15	**1,484**	1,458
Lease liability	23	**506**	-
Current liabilities		**28,289**	17,496
Deferred income	13	**-**	240
Decommissioning liability	14	**5,287**	4,042
Deferred income taxes	15	**290**	290
Lease liability	23	**1,121**	-
Non-current liabilities		**6,698**	4,572
Total liabilities		**34,987**	22,068
Equity			
Share capital	16	**2,593**	88,899
Share-based payment reserve		**7,038**	6,860
Accumulated other comprehensive loss		**(917)**	(917)
Merger reserve	16	**37,034**	-
Retained earnings		**52,283**	21,197
Total equity		**98,031**	116,039
Equity and liabilities		**133,018**	138,107

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

The financial statements of the Group (SDX Energy Plc registered number 11894102) on pages 66 to 93 were approved by the Board of directors on 7 April 2020 and signed on its behalf by:

Mark Reid
Chief Executive Officer and Director

Nicholas Box
Chief Financial Officer and Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

US$'000s	Note	Year ended 31 December 2019	2018
Revenue, net of royalties	18	**53,233**	53,679
Direct operating expense		**(13,900)**	(11,934)
Gross profit		**39,333**	41,745
Exploration and evaluation expense	10	**(11,427)**	(5,744)
Depletion, depreciation and amortisation	9, 23	**(26,295)**	(17,268)
Impairment expense	9	**(8,327)**	(3,520)
Stock-based compensation	17	**(178)**	(1,194)
Share of profit from joint venture	11	**1,161**	1,195
Bad debt expense		**-**	(123)
Release of historic operational tax provision		**-**	300
Inventory write-off		**-**	(370)
Gain on sale of office asset		**-**	23
General and administrative expenses			
- Ongoing general and administrative expenses	19	**(4,993)**	(4,815)
- Transaction costs	19	**(1,079)**	(2,455)
Operating (loss)/income		**(11,805)**	7,774
Finance costs		**(511)**	(542)
Foreign exchange (loss)/gain		**(94)**	75
Loss on acquisition		**-**	(174)
(Loss)/income before income taxes		**(12,410)**	7,133
Current income tax expense	15	**(5,776)**	(7,021)
Total current and deferred income tax expense		**(5,776)**	(7,021)
(Loss)/profit and total comprehensive (loss)/income for the period		**(18,186)**	112
Net (loss)/income per share			
Basic	20	**$(0.089)**	$0.001
Diluted	20	**$(0.089)**	$0.001

There were no Other Comprehensive Income for the year ended 31 December 2019 other than those included in the Consolidated Statement of Comprehensive Income.

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

US$'000s	Note	Year ended 31 December 2019	2018
Share capital			
Balance, beginning of period	16	**88,899**	88,785
Issuance of common shares		-	114
Share-for-share exchange-old	16	**(88,899)**	-
Share-for-share exchange-new	16	**51,865**	-
Capital reduction	16	**(49,272)**	-
Balance, end of period		**2,593**	88,899
Share-based payment reserve			
Balance, beginning of period		**6,860**	5,666
Share-based compensation for the period		**178**	1,194
Balance, end of period		**7,038**	6,860
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	16	**37,034**	-
Balance, end of period		**37,034**	-
Retained earnings			
Balance, beginning of period		**21,197**	21,085
Capital reduction	16	**49,272**	-
Total comprehensive (loss)/income for the period		**(18,186)**	112
Balance, end of period		**52,283**	21,197
Total equity		**98,031**	116,039

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

US$'000s	Note	Year ended 31 December 2019	2018
Cash flows generated from/(used in) operating activities			
(Loss)/income before income taxes		**(12,410)**	7,133
Adjustments for:			
Depletion, depreciation and amortisation	9, 23	**26,295**	17,268
Exploration and evaluation expense	10	**10,256**	5,103
Impairment expense	9	**8,327**	3,520
Finance costs		**511**	542
Stock-based compensation	17	**178**	1,194
Loss on acquisition		**-**	174
Foreign exchange (gain)/loss		**(382)**	368
Gain on sale of office asset		-	(23)
Bad debt expense		**-**	123
Release of historic operational tax provision		**-**	(300)
Inventory write-off		**-**	370
Amortisation of deferred income	13	**(477)**	(497)
Tax paid by state	15	**(4,262)**	(5,036)
Share of profit from joint venture	11	**(1,161)**	(1,195)
Operating cash flow before working capital movements		**26,875**	28,744
Decrease in trade and other receivables	6a	**1,992**	11,195
(Decrease)/Increase in trade and other payables	12	**(1,785)**	330
Payments for inventory	8	**(556)**	(2,801)
Payments for decommissioning	14	**(155)**	(140)
Cash generated from operating activities		**26,371**	37,328
Income taxes paid	15	**(1,306)**	(1,091)
Net cash generated from operating activities		**25,065**	36,237
Cash flows generated from/(used in) investing activities:			
Property, plant and equipment expenditures	9	**(25,739)**	(21,945)
Exploration and evaluation expenditures	10	**(5,576)**	(22,865)
Dividends received	11	**639**	525
Net cash used in investing activities		**(30,676)**	(44,285)
Cash flows generated from/(used in) financing activities:			
Issuance of common shares		**-**	114
Payments of lease liabilities	23	**(795)**	-
Finance costs paid		**(267)**	(197)
Net cash used in financing activities		**(1,062)**	(83)
Decrease in cash and cash equivalents		**(6,673)**	(8,131)
Effect of foreign exchange on cash and cash equivalents		**382**	(368)
Cash and cash equivalents, beginning of period		**17,345**	25,844
Cash and cash equivalents, end of period		**11,054**	17,345

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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 Consolidated Financial Statements of the Company as at and for the year ended 31 December 2019 ("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 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.

As a result, the comparatives presented in these 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 Consolidated 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 Consolidated Statement of Changes in Equity and the additional disclosures in note 16 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 Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, adopted for use by the European Union (IFRSs).

These Consolidated Financial Statements of SDX Energy Plc were approved by the Board of directors on 7 April 2020.

b) Basis of measurement

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

c) Functional and presentation currency

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

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

d) Use of significant estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. The group has not applied any significant judgments in the application of accounting policies however some estimates have been made. Actual results may differ from these estimates and affect the results reported in these Consolidated Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future years affected.

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

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

Provisions recognised for decommissioning costs and related accretion expense, derivative fair value calculations, fair value of share-based payments expense, deferred tax provisions, and fair values assigned to any identifiable assets and liabilities in business combinations are also based on estimates.

The above estimates are not considered to be critical as they do not relate to assumptions and estimates at the end of the current reporting period that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

e) 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 Consolidated Financial Statements. The capital expenditure and operating costs used in these forecasted cash flows are based on the Company's Board-approved 2020 SDX corporate budget, which reflects approved operating budgets for each of its joint ventures and an estimate of 2020 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. 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.

The directors have considered the impact on the forecasted cash flows of the low oil price environment and potential impact on demand resulting from the COVID-19 virus, as well as counterparty credit risk. In addition, the directors have considered the counterparty credit risk as a result of the low oil price and COVID-19 virus. The directors have performed sensitivities on these forecasted cash flows and considered that the Company's underlying long-term fixed-price contracts in Gharb Basin gas fields in Morocco and South Disouq in Egypt mitigated the potential risk on going concern.

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 Consolidated Financial Statements.

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

f) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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 year ended 31 December 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 Consolidated Financial Statements

For the year ended 31 December 2019

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

4. Significant accounting policies

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

a) Basis of consolidation

i) Subsidiaries

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

ii) Joint arrangements

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

iii) Investments in associates

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

iv) Transactions eliminated on consolidation

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

b) Foreign currency

Transactions in foreign currencies are translated to United States dollars at exchange rates available on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars at the period end exchange rate.

Foreign exchange gains and losses resulting from the settlement of such transactions and the translation at exchange rates ruling at the period end date of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Previously, such gains and losses were recognised in other comprehensive income. The updated accounting policy has no net effect on prior period total comprehensive income or equity.

c) Financial instruments

i) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

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

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

Cash and cash equivalents

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

4. Significant accounting policies (continued)

c) Financial instruments (continued)

i) Non-derivative financial instruments (continued)

Financial liabilities

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

Financial assets

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

ii) Equity instruments

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

d) Inventory

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

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

i) Recognition and measurement

Development and production costs

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

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

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

Exploration and evaluation expenditures

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

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

On a quarterly basis, a review of any areas classified and accounted for as E&E is performed to determine whether enough information exists to assess the technical feasibility and commercial viability of the area. Where appropriate, the review may indicate that an area should be further subdivided because a significant portion has already been explored, while a significant undeveloped portion with different traits (i.e. different zone, technical approach, play type, etc.) remains that requires additional E&E activities to assess it for technical feasibility and commercial viability.

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

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

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

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

Fixtures and fittings	1-5 years
Office equipment	1-5 years
Vehicles	1-5 years
Software licenses	1-3 years

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

f) Impairment
i) Financial assets
Recognition of impairment provisions under IFRS 9 is based on the expected credit losses ("ECL") model. The ECL model is applicable to financial assets classified at amortised costs and contract assets under IFRS 15: Revenue from Contracts with Customers. The measurement of ECL reflects an unbiased and probability weighted amount that is available without undue cost or effort at the reporting date, about past events, current conditions and forecasts of future economic conditions.

The Group applied the simplified approach to determine impairment of its trade and other receivables. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. This involves determining the expected loss rates using a provision matrix that is based on the Group's historical default rates observed over the expected life of the receivables and adjusted forward looking estimates. This is then applied to the gross carrying amount of the receivables to arrive at the loss allowance for the period.

ii) Non-financial assets
Exploration and evaluation costs are tested for impairment when reclassified as D&P assets or whenever facts and circumstances indicate potential impairment. Exploration and evaluation assets are tested separately for impairment. An impairment loss is recognised for the amount by which the exploration and evaluation expenditure's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation expenditure's fair value less the cost of disposal and its value in use.

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

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

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

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

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

4. Significant accounting policies (continued)

j) Decommissioning obligations

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

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

k) Revenue

Revenue is measured at the fair value of the consideration received or receivable for goods in the normal course of business.

i) Sale of goods

Revenue from the sale of hydrocarbons is recognised when the Company has passed control of the hydrocarbons to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company, the production service fee can be measured reliably, and the Company has no significant continuing involvement and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is when insurance risk has passed to the buyer and the goods have been collected at the agreed location.

The performance obligation is satisfied when the hydrocarbons are delivered to the agreed location with the appropriate required documentation and the customer accepts control of the shipment by signature. Production service fees are based on published indices, with agreed contractual adjustments for quality, marketing fees, and other variables.

ii) Provision of production services

Revenue from the provision of production services is recognised when the Company has passed control of the produced hydrocarbons to the buyer, it is probable that economic benefits associated with the transaction will flow to the Company, the production service fee can be measured reliably, and the Company has no significant continuing involvement and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is when insurance risk has passed to the buyer and the goods have been collected at the agreed location.

The performance obligation is satisfied when the produced hydrocarbons are delivered to the agreed location with the appropriate required documentation and the customer accepts control of the shipment by signature. Production services fees are based on published indices, with agreed contractual adjustments for quality, marketing fees, and other variables.

iii) Royalties

In the Arab Republic of Egypt, under the terms of the Company's Production Sharing Contracts ("PSCs"), the state is entitled to a percentage in kind of hydrocarbons produced. The Company accounts for this production share as a royalty, netted against gross revenues.

In the Kingdom of Morocco, under the terms of the Company's 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. The Company nets these royalties against gross revenues.

l) Income tax

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

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

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

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

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

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

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

m) Earnings per share

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

n) Business combinations

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

5. 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.

6. 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 year is as follows:

	Carrying amount	
US$'000s	**31 December 2019**	31 December 2018
Cash and cash equivalents	**11,054**	17,345
Trade and other receivables [1]	**20,298**	23,689
Total	**31,352**	41,034

(1) excludes prepayments of US$1.6 million which are included in the Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2018: US$0.6 million)

a) Credit risk

Trade and other receivables

All the Company's operations 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 because there has been no history of default or disputes arising on invoiced amounts since inception. As a result, the credit loss percentage is assumed to be almost zero. No provision for doubtful accounts against these sales has been recorded as at 31 December 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	**31 December 2019**	31 December 2018
Government of Egypt-controlled corporations	**7,489**	14,846
Government of Morocco-controlled corporations	**3,909**	3,053
Third-party gas customers	**3,703**	2,715
Joint venture partners	**4,025**	1,761
Other [1]	**1,172**	1,314
Total	**20,298**	23,689

(1) excludes prepayments of US$1.6 million which are included in the Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2018: US$0.6 million)

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$2.5 million for NW Gemsa (2018: US$10.0 million) and US$2.8 million for Block-H Meseda (2018: US$4.8 million), and US$2.2 million (2018:nil) for South Disouq in the normal course of operations. The Company has agreed with EGPC to offset its accounts receivable balance to fund capital expenditure, with US$17.9 million of South Disouq development expenditure and US$2.2 million of South Ramadan drilling costs offset during the year ended 31 December 2019.

ONHYM, a Government of Morocco-controlled corporation, owes US$3.9 million, which relates to its outstanding share of well completion and connection costs, and production costs.

US$3.7 million is owing from third-party gas customers in Morocco and is expected to be collected within agreed credit terms.

Subsequent to 31 December 2019, the Company collected US$10.8 million of trade receivables from those outstanding at 31 December 2019; US$6.0 million from EGPC, US$0.7 million from EGAS (offset), US$0.5 million from ONHYM and US$3.6 million from third-party gas customers in Morocco. Of the US$6.0 million collected from EGPC, US$2.7 million was in cash and US$3.3 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 31 December 2019, US$2.1 million was receivable from the joint venture partner in the South Disouq concession (2018: US$1.8 million), representing both billed and unbilled amounts, with US$1.8 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 and US$0.1 million relating to an overcall from the joint venture partner in the South Ramadan concession.

The other receivables of US$1.2 million consist of US$0.2 million for Goods and Services Tax ("GST")/Value Added Tax ("VAT"), US$0.7 million for deposits, and US$0.3 million for other items.

US$1.6 million related to prepayments predominantly associated with the South Disouq development and exploration drilling is recorded in the Consolidated Balance Sheet.

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

	Carrying amount	
US$'000s	**31 December 2019**	31 December 2018
Current (less than 90 days)	**16,713**	14,805
Past due (more than 90 days)	**3,585**	8,884
Total	**20,298**	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 owing 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.

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$**	**EGP**	**MAD**	**GBP**	**Other**
As at 31 December 2019			**US$ equivalent**			
Cash and cash equivalents	11,054	4,185	1,493	3,510	1,796	70
Trade and other receivables[(2)]	20,298	10,198	2,048	7,766	257	29
Trade and other payables	(25,724)	(17,453)	(2,369)	(4,775)	(1,096)	(31)
Current income taxes	(1,484)	-	(1,413)	-	(71)	-
Balance sheet exposure	4,144	(3,070)	(241)	6,501	886	68

(1) FS denotes financial statements

(2) Excludes prepayments

6. Financial risk management (continued)

b) Foreign currency risk (continued)

The average exchange rates during the years ended 31 December 2019 and 2018 were:

Average: 1 January 2019 to 31 December 2019

	USD/EGP	USD/GBP	USD/MAD
Period average	16.7656	0.7838	9.6178

Average: 1 January 2018 to 31 December 2018

	USD/EGP	USD/GBP	USD/MAD
Period average	17.8191	0.7499	9.3893

The exchange rates as at 31 December 2019 and 2018 were:

Period end: 31 December 2019

	USD/EGP	USD/GBP	USD/MAD
Period end	15.9900	0.7585	9.5932

Period end: 31 December 2018

	USD/EGP	USD/GBP	USD/MAD
Period end	17.8919	0.7812	9.5610

c) Liquidity risk

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

Typically, the company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political unrest. To achieve this objective, the company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the company utilises authorisations for expenditures on projects to further manage capital expenditure and has a Board of Director approved signing authority matrix.

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months US$'000s	6 to 12 months US$'000s	Between 1 and 2 years US$'000s	Between 2 and 5 years US$'000s	Over 5 years US$'000s	Total contractual cash flows US$'000s	Carrying amount liabilities US$'000s
At 31 December 2019							
Trade and other payables	25,724	-	-	-	-	25,724	25,724
Decommissioning liability	-	317	-	5,554	-	5,871	5,604
Lease liability	543	250	437	894	-	2,124	1,627
Total liabilities	**26,267**	**567**	**437**	**6,448**	**-**	**33,719**	**32,955**
At 31 December 2018							
Trade and other payables	14,418	-	-	-	-	14,418	14,418
Decommissioning liability	-	1,125		4,618	-	5,743	5,167
Total liabilities	14,418	1,125	-	4,618	-	20,161	19,585

7. Cash and cash equivalents

	Carrying value	
US$'000s	**31 December 2019**	31 December 2018
Cash and bank balances	**9,451**	15,809
Restricted cash [(1)]	**1,603**	1,536
Total cash and cash equivalents	**11,054**	17,345

(1) Cash collateral of US$1.6 million (2018: US$ 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.

8. Inventory

During the year ended 31 December 2019, the inventory balance increased from US$5.2 million as at 31 December 2018 to US$8.0 million as at 31 December 2019. The increase is due to inventory additions of US$4.9 million for the Morocco drilling campaign, and further additions of US$1.5 million for the South Disouq development project and exploration drilling, which are partly offset by consumption of US$3.6 million in the year ended 31 December 2019.

9. Property, plant and equipment

US$'000s	Oil and gas properties	Other	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	5,387	199	5,586
Transfer from exploration and evaluation assets	47,556	-	47,556
Balance at 31 December 2019	**158,806**	**1,579**	**160,385**
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 year	(25,165)	(435)	(25,600)
Impairment expense	(8,327)	-	(8,327)
Balance at 31 December 2019	**(91,501)**	**(989)**	**(92,490)**
NBV Property, plant and equipment as at 31 December 2018	47,854	826	48,680
NBV Property, plant and equipment as at 31 December 2019	**67,305**	**590**	**67,895**

During the year ended 31 December 2019, the PP&E additions of US$5.6 million were predominantly related to capital expenditure for new customer connections and facilities (US$1.6 million) and compressors (US$0.9 million) in Morocco, well workovers in NW Gemsa (US$1.0 million) and drilling and well workovers in Block-H Meseda (US$1.1 million). US$1.0 million relates to the decommissioning asset for the South Disouq development project. Please refer to note 14 for further discussion.

The reclassification of US$47.6 million from exploration and evaluation ("E&E") assets primarily relates to US$37.3 million of costs incurred for the South Disouq development project, including associated 3D seismic costs, transferred to PP&E following commissioning and start-up of the CPF, and US$10.3 million relating to the cost of four wells (CDG-14, SAH-6, CDG-16 and SAH-4) drilled in Q4 2019 in Morocco that have been transferred to PP&E as commercial discoveries.

Impairment assessment

At the reporting date, management performed an impairment indicator assessment on its NW Gemsa asset and concluded that due to an underperforming asset and reduced oil price assumptions, the asset should be tested for impairment.

The impairment test was carried out in accordance with the Company's accounting policy stated in note 3. The recoverable amount of the field has been determined based on a value-in-use calculation. This calculation requires the use of estimates. The present values of future cash flows were computed by applying forecast prices for oil and gas reserves to estimated future production of proved and probable reserves. The present value of estimated future net revenues is computed using a discount factor of 12.5%. The discount rate used reflects the specific risks relating to the underlying cash generating unit.

Based on this calculation for NW Gemsa an impairment of US$8.3 million has been recorded to bring the recoverable amount to nil as at 31 December 2019.

The value in use calculation assumes Brent oil sales prices in US$/bbl as follows:

2020	2021	2022	2023	2024	2025
44.0	56.1	57.2	58.4	59.5	60.7

The difference between the US$5.6 million of additions disclosed above and the US$25.7 million property, plant, and equipment expenditure in the Consolidated Statement of Cash Flows is the result of the transfer of 2019 additions included in the assets transferred from E&E and the timing of payment of capital expenditure creditors.

10. 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	37,403
Transfer to property, plant and equipment	(47,556)
Exploration and evaluation expense	(10,255)
Balance at 31 December 2019	**18,720**

During the year ended 31 December 2019, E&E additions totalled US$37.4 million. US$20.4 million was related to the South Disouq development project, costs of the 2018 3D seismic and preparatory costs incurred ahead of the drilling of the SD6X (Salah) and SD12X (Sobhi) exploration wells in 2020. US$1.9 million of costs relating to the South Ramadan SRM-3 well were incurred during the period.

Additions in Morocco of US$15.1 million relate primarily to the 2019/20 drilling campaign, the 2018/19 3D seismic campaign and other studies.

Following the construction, commissioning and start-up of the South Disouq development project, US$37.3 million of capitalised E&E expenditure (wells, tie-ins, CPF, and allocated 3D seismic costs) were transferred to PP&E. A further US$10.3 million representing the costs of the four successful wells drilled in Q4 2019 were also transferred to PP&E.

For the year ended 31 December 2019, exploration and evaluation expenses in the Consolidated Statement of Comprehensive Income stood at US$11.4 million. Out of this, the following non-cash exploration and evaluation expenses amounting to US$10.3 million were:

- the write-off of the South Disouq 3D seismic data acquired in 2018/19 (US$3.7 million). Following review of the prospectivity of the area covered by this survey, in the southern area of the concession, it has been determined that there is insufficient time before the concession expires in 2020 to drill the identified prospects;
- the write-off of the capitalised expenditure relating to the South Ramadan asset. At the reporting date, management performed an assessment of discovered volumes and likely future capital and operating expenditure requirements for this concession which indicated that the Company's historic capitalised expenditure will not be fully recovered. As such, a write off of US$5.1 million has been recognised to reflect the recoverable amount of this asset which has been valued at nil recoverable amount as at 31 December 2019; and
- the write-off of a non-commercial well, CGD-15, which was drilled in Q4 2019 during the 2019/20 Morocco drilling campaign (US$1.5 million).

The difference between the US$37.4 million disclosed above and the US$5.6 million exploration and evaluation expenditure in the Consolidated Statement of Cash Flows is because of the 2019 additions included assets transferred to PPE and the timing of payment to capital expenditure creditors.

11. Investments

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), an oilfield services business incorporated in Egypt, over which it exercises joint control. Brentford owns all 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 years ended 31 December 2019 and 31 December 2018.

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

	Carrying value	
US$'000s	**31 December 2019**	31 December 2018
Investments, beginning of period	**3,394**	2,724
Dividends received	**(639)**	(525)
Share of operating income	**1,161**	1,195
Investments, end of period	**3,916**	3,394

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

US$'000s	**31 December 2019**	31 December 2018
Total assets	**2,823**	2,454
Total liabilities	**348**	9
Revenue	**1,915**	1,787
Net income	**1,161**	1,195

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

12. Trade and other payables

	Carrying amount	
US$'000s	**31 December 2019**	31 December 2018
Trade payables	**11,634**	3,870
Accruals	**9,213**	3,747
Joint venture partners	**4,105**	5,409
Other payables	**772**	1,392
Total trade and other payables	**25,724**	14,418

Trade payables comprise billed services and goods. As at 31 December 2019, they consisted predominantly of the Morocco drilling campaign creditors, royalties payable to the Moroccan government, and G&A creditors.

The US$7.7 million increase in trade payables as at 31 December 2019 is mainly the result of the costs associated with the 2019/20 Moroccan drilling campaign and facilities. It was 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$5.5 million of the increase period-on-period reflects the value of work undertaken but not billed as at 31 December 2019 for the 2019/2020 Moroccan drilling campaign and for the South Disouq development project and 2020 exploration drilling. It is partly offset by invoiced and paid costs during the year that relate to transaction costs accrued as at 31 December 2018.

Joint venture partners comprise partner current accounts of US$0.5 million for Block-H Meseda (2018: US$1.3 million) and US$3.6 million from ONHYM 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$0.8 million comprise VAT payable of US$0.4 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$11.3 million in trade and other payables in the Consolidated Balance Sheets as at 31 December 2019 and 31 December 2018 and the line item in the Consolidated Statement of Cash Flows pertaining to the decrease in trade and other payables of US$1.8 million relates to the timing differences between the receipt and payment of invoices to operational expenditure creditors.

13. Deferred income

Deferred income relates to an advance receipt for gas sales from a customer in Morocco. This payment was used to fund the tie-in of the customer's manufacturing premises to the Company's operated gas pipeline. The amount will be credited to the Consolidated Statement of Comprehensive Income under the terms of an agreement 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.

14. Decommissioning liability

As at 31 December 2019, the total future undiscounted cash flows relating to Moroccan assets amounted to US$4.8 million, to be incurred up to 2023, and the liability was discounted using a risk-free rate of 3%. Decommissioning expenditure of US$0.3 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. As part of the concession agreement, the Company also has to provide for decommissioning of the CPF for South Disouq. The total future undiscounted cash flows amounted to US$1.8 million, to be incurred in 2023, and the liability was discounted using a risk-free rate of 9.5%.

The discounted value of the cash flows above amounts to US$5.6 million as at 31 December 2019 and is shown below:

	Carrying amount	
US$'000s	**31 December 2019**	31 December 2018
Decommissioning liability, beginning of period	**5,167**	4,542
Recognition of provision during the year	**1,485**	-
Changes in estimate	**(293)**	575
Utilisation of provision	**(808)**	(23)
Accretion	**53**	73
Decommissioning liability, end of period	**5,604**	5,167
Of which:		
Current	**317**	1,125
Non-current	**5,287**	4,042

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

15. Income tax-current and deferred

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

The Company also has a Production Services Agreement ("PSA") related to Block-H Meseda, with the legal title held by SDX Energy Egypt (Meseda) Ltd ("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 Consolidated Statement of Comprehensive Income for the year ended 31 December 2019 relates to income tax on North West Gemsa's PSC, South Disouq's PSC and income tax relating to the Company's PSA in Block-H Meseda.

The current income tax liability of US$1.5 million in the Consolidated Balance Sheet relates to the Company's PSA in Block H Meseda.

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

The analysis of the expense for the year is as follows:

	Year ended 31 December	
US$'000s	**2019**	2018
Current tax		
Corporation tax charge on (loss)/income for the year	**5,707**	7,021
Adjustments in respect of prior periods	**69**	-
Total current tax	**5,776**	7,021
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Adjustments in respect of prior periods	**-**	-
Total deferred tax	**-**	-
Total tax expense	**5,776**	7,021

The differences between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the (loss)/income before tax is detailed below. The tax assessed for the current and comparative year have different standard rate of corporation tax applied. The current year is the standard rate of corporation tax in the United Kingdom of 19% and the comparative year represents the 2018 Canadian standard rate of corporation tax of 27%.

	Year ended 31 December	
US$'000s	**2019**	2018
(Loss)/income before income taxes	**(12,410)**	7,133
Standard rate of corporation tax	**19%**	27%
Expected income taxes	**(2,358)**	1,926
Adjustments:		
Non-deductible items	**7,499**	528
Non-taxable gain on acquisition	-	47
Unrecognised income tax benefit	**1,811**	5,777
Foreign tax differential	**(1,176)**	(1,257)
Total current and deferred income tax	**5,776**	7,021

The components of the deferred income tax assets and liabilities at 31 December 2019 and 2018 include the following:

	Year ended 31 December	
US$'000s	**2019**	2018
Deferred tax assets/(liabilities):		
Investments	**(14)**	(14)
Property, plant and equipment	**(448)**	(448)
Other	**172**	172
Deferred income tax liability	**(290)**	(290)

The Group has US$71.8 million of non-capital losses available at 31 December 2019 (2018: US$68.4 million) to shelter future taxable income, the majority of which were incurred in Canada and expire between 2026 and 2035. The Group has not recognised any deferred tax assets as at 31 December 2018 and 2017 primarily relating to its Canadian business as it has determined that its deferred tax assets are not probable to be realised from current operations.

16. 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.

	31 December 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.

17. Stock-based compensation

The stock-based compensation charge of US$0.2 million recorded in the 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.

In the year to 31 December 2019, 106,667 options were cancelled and 853,333 options previously awarded lapsed. During 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**
Lapsed during the year	(853)	0.37
Cancelled during the year	(107)	0.45
Outstanding 31 December 2019	**1,155**	**0.38**
Exercisable 31 December 2019	**942**	**0.37**

The exercise price range of the outstanding options under the stock option plan as at 31 December 2019 is between £0.21 and £0.45.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

17. 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 Consolidated Statement of Comprehensive Income.

On 28 May 2019, as part of the share-for-share exchange transaction between SDX Energy Inc. and SDX Energy Plc, any option granted under LTIP Awards and CSOP Options by SDX Energy Inc. were replaced with new options in SDX Energy Plc. There were no changes in the vesting conditions from the previous awards.

Based on grants to 7 April 2020, the maximum potential number of common shares that can vest to the executive directors and other selected employees under the LTIP were, in aggregate, 4,430,812. All these options are outstanding as at 31 December 2019 and 7 April 2020, 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.

18. Revenue, net of royalties

	Year ended 31 December	
US$'000s	**2019**	2018
NW Gemsa oil sales revenue	**29,794**	42,260
Royalties	**(12,787)**	(18,137)
Net oil revenue	**17,007**	24,123
Block-H Meseda production service fee revenues	**14,390**	14,185
South Disouq gas sales revenue	**3,735**	-
Royalties	**(1,270)**	-
Net South Disouq gas revenue	**2,465**	-
Morocco gas sales revenue	**18,258**	14,614
Royalties	**(736)**	(334)
Net Morocco gas sales revenue	**17,522**	14,280
Net other products revenue	**1,849**	1,091
Total net revenue before tax	**53,233**	53,679

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 Company sells gas production from the South Disouq concession to the Egyptian national gas company, EGAS, at a fixed price of US$2.65 MMbtu, which equates to approximately US$2.85/Mcf. The royalties are those attributable to the government, taken in accordance with the fiscal terms of the PSC.

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.

19. General and administrative expenses

US$'000s	Year ended 31 December 2019	2018
Wages and employee costs	**7,678**	6,433
Consultants-inc. PR/IR	**570**	544
Legal fees	**401**	272
Audit, tax and accounting services	**761**	968
Public company fees	**652**	602
Travel	**252**	348
Office expenses	**391**	1,051
IT expenses	**545**	426
Service recharges	**(6,257)**	(5,829)
Ongoing general and administrative expenses	**4,993**	4,815
Transaction costs	**1,079**	2,455
Total net G&A	**6,072**	7,270

The average monthly number of employees (including executive directors) was 66 (2018: 65).
Their aggregate remuneration comprised:

US$'000s	Year ended 31 December 2019	2018
Wages and salaries	**4,197**	3,987
Social security costs	**507**	401
Other pension costs	**167**	193
Total	**4,871**	4,581

The fees payable to the company's auditor and its associates for the audit of the company's annual accounts are as follows:

US$'000s	Year ended 31 December 2019	2018
The audit of the company	**114**	-
The audit of subsidiaries	**163**	220
Total audit fees	**277**	220
Taxation compliance services	**54**	113
Corporate finance services	**78**	-
Other services	**20**	25
Total non-audit fees	**152**	138

20. (Loss)/income per share

US$'000s	Year ended 31 December 2019	2018
Net (loss)/income before comprehensive income for the period	**(18,186)**	112
Weighted average amount of shares		
- Basic	**204,723**	204,513
- Diluted	**204,723**	206,640
Per share amount		
- Basic	**$(0.089)**	$0.001
- Diluted	**$(0.089)**	$0.001

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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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

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.

	Year ended 31 December 2019				Year ended 31 December 2018			
US$'000s	Egypt	Morocco	Unallocated[1]	Total	Egypt	Morocco	Unallocated[1]	Total
Revenue	35,711	17,522	-	53,233	39,399	14,280	-	53,679
Direct operating expense	(11,990)	(1,910)	-	(13,900)	(10,599)	(1,335)	-	(11,934)
Netback (pre tax)	23,721	15,612	-	39,333	28,800	12,945	-	41,745
General and administrative expenses	(516)	(1,683)	(3,873)	(6,072)	(389)	(1,375)	(5,506)	(7,270)
Stock-based compensation	-	-	(178)	(178)	-	-	(1,194)	(1,194)
Share of profit from joint venture	1,161	-	-	1,161	1,195	-	-	1,195
Bad debt expense	-	-	-	-	-	(123)	-	(123)
Release of historic operational tax provision	-	-	-	-	-	300	-	300
Inventory write-off	-	-	-	-	-	(370)	-	(370)
Gain on sale of office asset	-	-	-	-	23	-	-	23
EBITDAX	24,366	13,929	(4,051)	34,244	29,629	11,377	(6,700)	34,306
Exploration and evaluation expense	(8,739)	(1,516)	(1,172)	(11,427)	(1,727)	(3,478)	(539)	(5,744)
Depletion, depreciation and amortisation	(11,423)	(14,098)	(774)	(26,295)	(9,489)	(7,269)	(510)	(17,268)
Impairment expense	(8,327)	-	-	(8,327)	(3,520)	-	-	(3,520)
Operating (loss)/income	(4,123)	(1,685)	(5,997)	(11,805)	14,893	630	(7,749)	7,774

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

	31 December 2019				31 December 2018			
US$'000s	Egypt	Morocco	Unallocated[1]	Total	Egypt	Morocco	Unallocated[1]	Total
Segment assets	62,327	62,174	8,517	133,018	74,442	48,399	15,266	138,107
Segment liabilities	(7,730)	(25,133)	(2,124)	(34,987)	(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 Consolidated Financial Statements.

In Morocco, the commitments are for one exploration well in Lalla Mimouna Sud and the acquisition of 50km^2 of 3D seismic data, 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$8.2 million.

In Egypt, there were no remaining commitments as at 31 December 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 31 December 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 as at 31 December 2019 and 1 January 2019 is as follows:

US$'000s	31 December 2019	1 January 2019
Current	**506**	587
Non-current	**1,121**	1,523
Total lease liabilities	**1,627**	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.

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

US$'000s	31 December 2019
Less than one year	506
Between one and two years	349
Between two and three years	256
Between three and four years	169
Between four and five years	345
After five years	2
Total lease liability	**1,627**

23. Leases (continued)

b) Amounts recognised in the statement of profit or loss

The right-of-use assets at 31 December 2019 amounted to US$1.7 million and the depreciation charge for the 12 months ended 31 December 2019 amounted to US$0.7 million and is shown below by underlying class of asset:

US$'000s	31 December 2019 Carrying value	Year ended 31 December 2019
Properties	**1,431**	561
Motor vehicles	**241**	106
Others	**15**	30
Total	**1,687**	697

The lease liability at 31 December 2019 was US$1.6 million. The corresponding interest expense for the year ended 31 December 2019 amounts to US$0.2 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 year ended 31 December 2019 amounted to US$0.8 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 year ended 31 December 2019 related to these leases amounted to US$0.3 million and US$0.01 million, respectively.

24. Related party transactions

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

Name	Percentage ownership	Country of operation	Registered address
SDX Energy Holdings (UK) Limited	100%	U.K.	38, Welbeck street, London W1G 8DP, U.K.
SDX Energy Inc	100%	Canada	1900, 520-3rd Avenue SW, Centennial Place, East Tower, Calgary, Alberta T2P 0R3
Sea Dragon Energy (UK) Limited	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Investments (UK) Ltd	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Morocco (UK) Ltd	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Cooperatieve U.A.	100%	Netherlands	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy Holding B.V.	100%	Netherlands	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Egypt (Nile Delta) B.V.	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy (GOS) B.V.	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy (Nile) B.V.	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy (NW Gemsa) B.V.	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy Holding Ltd.	100%	British Virgin Islands	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
NPC (Shukheir Marine) Ltd	100%	Egypt	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
NPC (South Ramadan) Ltd	100%	Egypt	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
Madison International Oil & Gas Ltd	100%	Barbados	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Egypt Oil & Gas Ltd	100%	Egypt	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Cameroon Oil & Gas Ltd	100%	Cameroon	Erin Court, Bishop's Court Hill, St. Michael, Barbados
SDX Energy Egypt (Meseda) Ltd	100%	Egypt	10, Road 261, New Maadi, Cairo, Egypt
SDX Energy Morocco (Jersey) Ltd	100%	Morocco	P.O. Box 771, Ground Floor, Colomberie Close, St.Helier, Jersey
Limerick Services SARL	100%	Morocco	2 Rue Ghazaoua la pinède Souissi, Rabat, Morocco
SDX Energy Egypt (Jersey) Ltd	100%	Egypt	P.O. Box 771, Ground Floor, Colomberie Close, St.Helier, Jersey
Brentford Oil Tools	50%	Egypt	7 Nazeh Khalifa st., El Korba, Misr El Gadiga, Cairo, Egypt

25. Compensation of key management personnel

The remuneration of directors and other key management personnel during the years ended 31 December 2019 and 2018 was as follows:

	Year ended 31 December	
US$'000s	**2019**	2018
Salaries, incentives and short term benefits	**1,253**	892
Directors' fees	**199**	214
Stock based compensation	**400**	996
Total compensation	**1,852**	2,102

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

In the year ended 31 December 2019, termination benefits of US$0.6 million were paid to Paul Welch, the previous Chief Executive Officer and are included in the table above.

26. Subsequent events

On 7 January 2020, the Company announced that the South Disouq 2P reserves had been upgraded to gross 89 BCFE, as a result of the 2019 reprocessed 3D seismic data providing a better understanding of the structure and distribution of the reservoir around the production wells. The upgrade represented an increase of 35% from gross 66 BCFE as included in the Company's 31 December 2018 reserve audit.

On 28 January 2020, the Company announced that the OYF-2 well in Morocco had been drilled to a measured depth of 1,210 metres and has encountered commercial quantities of gas in excess of pre-drill estimates. The discovery will be tied into the Company's infrastructure when required, at an estimated cost of approximately US$2.0 million net to SDX.

On 7 February 2020, the Company announced the appointment of Catherine Stalker as independent Non-Executive Director effective 6 February 2020.

On 4 March 2020, the Company announced the BMK-1 discovery which had been drilled to a measured depth of 1,551 metres and has encountered commercial quantities of gas in both target horizons in line with pre-drill estimates. However, due to down-hole issues, only the upper target was wireline logged and will be completed.

It was also announced that the SD-6X (Salah) exploration well at South Disouq, Egypt had been drilled to a total depth of 3,167 metres. The well encountered 1.7 metres of net gas bearing sand in the Kafr El Sheikh formation, 1.0 metre of net gas bearing sand in the Abu-Madi formation which has 143 metres of high quality net reservoir and 258 metres of high quality net reservoir in the Qawasim formation. The gas sands in both the Kafr El Sheikh and Abu Madi were deemed to be sub-economic and the Qawasim has low gas saturation. The cost of the well will be expensed to the Consolidated Statement of Comprehensive Income.

On 10 March 2020, the Company announced that the Rabul-3 development well in the West Gharib Concession in Egypt had been drilled to a total depth of 1,709 metres and encountered approximately 39 metres of net heavy oil pay across the Yusr and Bakr formations. The well will be completed as a producer in March 2020, connected to the central processing facilities at Meseda and is expected to be brought on-line at an average stabilised rate of approximately 300 bbl/d, which is at the upper end of pre-drill expectations.

The outbreak of novel COVID-19 in early 2020 has affected business and economic activity around the world, including certain countries in which we operate. The Group considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of COVID-19, the range of potential outcomes for the global economy are difficult to predict at this point in time.

In late March 2020, the Company was notified by three of its Moroccan gas customers that they were temporarily closing down operations as a result of the impact of COVID-19 on their businesses. These three customers account for approximately 50% of the revenues of the Moroccan businesses. Whilst consumption by the Company's other customers is unaffected by COVID-19 at the time of issuance, such is the seriousness and unpredictability of the situation, there is no certainty that further disruptions will be avoided in the future. Given the low operating and G&A cash costs of running the Moroccan operation, the business is cash flow positive at 20% of current consumption levels, with no remedial actions put in place. Management will continue to monitor activity at the Company's customers. At the time of issuance, COVID-19 had not impacted production operations in Egypt.

Independent Auditors' Report-Company

to the members of SDX Energy Plc

Report on the audit of the parent company financial statements

Opinion

In our opinion, SDX Energy Plc's company financial statements (the "financial statements"):

- Give a true and fair view of the state of the parent company's affairs as at 31 December 2019;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Parent Company Balance Sheet as at 31 December 2019; the Parent Company Statement of Changes in Equity for the period then ended; and the Notes to the Parent Company Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

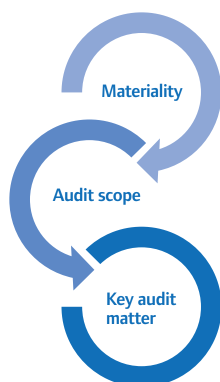
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



Materiality	• Overall materiality: £188,000 based on 1% of total assets.
Audit scope	• A full scope audit has been completed based on the above overall materiality threshold.
Key audit matters	• Carrying value of investment in subsidiaries • Impact of COVID-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit
Carrying value of the investment in subsidiaries following the SDX Energy Group ("the Group") restructure Refer to note 6 Investments in subsidiaries. The carrying value of the parent company's investments in subsidiaries was £40.9 million at 31 December 2019. This represents 99% of the parent company's total assets. We focused on this area due to the material nature of the balance. During the year SDX Energy Inc. delisted from the Canadian Stock Exchange and listed on the Alternative Investment Market by incorporating a UK company, SDX Energy Plc. As part of the Group restructure, SDX Energy Plc became the listed holding company of the SDX Energy Group, resulting in the recognition of an investments in subsidiaries with a carrying value of £40.9 million.	We have obtained management's assessment over whether the carrying value of the investments in subsidiaries is supportable. This included comparing the fair value of each entity with the carrying value of the parent company investments. Fair values were derived from a combination of the subsidiary net assets and the fair value of subsidiaries oil and gas properties based on the group impairment model. We have reviewed managements accounting treatment of the Group restructure, the capital reduction as a result of the Group restructure and the recognition of the investments in subsidiaries. Based on the procedures performed we concur with management that the carrying value of the investment in subsidiaries, following the Group restructure, of £40.9 million is supportable.
Impact of COVID-19 Refer to page 28 Financial review, note 2 (e) Basis of preparation of the Consolidated Financial Statements and note 1 Basis of preparation of the Parent Company Financial statements. Management has considered the impact of the COVID-19 virus on the SDX Energy Group's future oil and gas sales and specifically the parent company's ability to continue as a going concern. The virus may result in a sustained low oil price and short term decline in oil and gas demand from customers which negatively impacts future cash inflows and the parent company's ability to continue as a going concern. Having assessed the possible impact of COVID-19 on the Group, the Directors have prepared the financial statements of the parent company on a going concern basis and believe this assumption remains appropriate.	With reference to the basis of going concern key audit matter, we have evaluated the Directors' assessment of the impact of COVID-19 on the Group and parent company by: • For oil sales, challenged the key inputs of an oil price of US$30/bbl in the short term and US$35/bbl in the longer term; • For gas sales, reviewed key contracts with Moroccan customers which supports fixed priced nature of the gas sales and the minimum quantities of production on a "take or pay" basis; • For both oil and gas sales, we have performed further sensitivity analysis to assess the impact on the cash flows resulting from a decline in production in the short term; • Considered the financial condition of the Group's customers and the impact of a delay in their payments on the Group's cashflows; and • We have evaluated the completeness and appropriateness of management's going concern disclosures in the financial statements related to the impact of the COVID-19 virus. From the evidence obtained we concluded that the financial statements appropriately reflect the effects of COVID-19 on the parent company. Our conclusions relating to going concern are set out in the "Conclusions relating to going concern" section below.

Independent Auditors' Report–Company

to the members of SDX Energy Plc

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the parent company, the accounting processes and controls, and the industry in which it operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£188,000
How we determined it	1% of total assets.
Rationale for benchmark applied	We believe that total assets is the primary measure used by the shareholders in assessing the performance of the entity, and is a generally accepted auditing benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £9,400 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the parent company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the parent company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 59, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- We have not received all the information and explanations we require for our audit; or
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- The financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other matter

We have reported separately on the group financial statements of SDX Energy Plc for the year ended 31 December 2019.

Richard Spilsbury
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
7 April 2020

Financial Statements

Parent Company Balance Sheet

As at 31 December 2019

£'000s	Note	As at 31 December 2019
Fixed assets		
Investments in subsidiaries	6	**40,945**
		40,945
Current assets		
Cash at bank and in hand		**29**
Debtors: amounts falling due within one year	7	**75**
Amounts owed from group companies	8	**169**
		273
Creditors: Amounts falling due within one year		
Creditors	9	**(279)**
Amounts owed to group companies	10	**(2,133)**
		(2,412)
Net current liabilities		**(2,139)**
Net assets		**38,806**
Capital and reserves		
Called-up share capital	11	**2,097**
Share-based payment reserve		**451**
Retained earnings		**36,258**
Shareholders' funds		**38,806**

As a Consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a loss for the period of £2.6 million

The Company financial statements on pages 98 to 106 of SDX Energy Plc registered number 11894102 were approved by the Board of Directors on 7 April 2020 and signed on their behalf by:

Mark Reid
Chief Executive Officer and Director
7 April 2020

Parent Company Statement of Changes in Equity

For the nine month period ended 31 December 2019

£'000s	Note	Nine months ended 31 December 2019
Share capital		
Balance, beginning of period		-
Issuance of common shares	11	**50**
Share-for-share exchange	11	**40,944**
Capital reduction	11	**(38,897)**
Balance, end of period		**2,097**
Share-based payment reserve		
Balance, beginning of period		-
Share-based compensation for the period		**451**
Balance, end of period		**451**
Retained earnings		
Balance, beginning of period		-
Capital reduction	11	**38,897**
Total comprehensive loss for the period		**(2,639)**
Balance, end of period		**36,258**
Total equity		**38,806**

Notes to the Parent Company Financial Statements

1. Accounting policies

Basis of preparation

The Parent Company financial statements of SDX Energy Plc (the Company) have been prepared in accordance with FRS 102 as they apply to the Company for the nine-month period ended 31 December 2019, and with the Companies Act 2006. The financial statements were approved by the Board and authorised for issue on 7 April 2020. SDX Energy Plc is a public limited company incorporated, registered in England and Wales and is listed on the Alternative Investment Market (AIM).

The Company has been incorporated on 20 March 2019 with a year end of 31 December 2019 in order to act as the ultimate holding company of its subsidiaries. This is the Company's first set of financial statements presented for a nine-month period.

The Company's financial statements are presented in UK pound sterling and all values are rounded to the nearest thousand (£000) except when otherwise indicated.

As a Consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a loss for the period of £2.6 million.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to share-based payments, financial instruments, presentation of a cash flow statement and remuneration of key management personnel.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied throughout the period, unless otherwise stated.

Basis of measurement

The financial statements have been prepared on a historical cost basis.

Going concern

The financial statements have been prepared using the going concern basis of accounting. Although the Company is in a net current liability position, the Directors have a reasonable expectation that the Company has adequate resources and the ability to loan from its subsidiaries or defer payment of its amounts owed to group companies in order to settle its debts as they become due.

The Company directors have reviewed the Company and its subsidiaries forecasted cash flows for the next 12 months from the date of publication of these Financial Statements. The directors have considered the impact on the forecasted cash flows of the low oil price environment and potential impact on demand resulting from the COVID-19 virus. In addition, the directors have considered the counterparty credit risk as a result of the low oil price and COVID-19 virus. The directors have performed sensitivities on these forecasted cash flows and considered that the Company subsidiaries' underlying long-term fixed-price contracts in Gharb Basin gas fields in Morocco and South Disouq in Egypt mitigated the potential risk on going concern of the Company.

Therefore, after making appropriate enquiries and considering the risks described above, the Directors have a reasonable expectation that the Company has adequate resources to continue in existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in the preparation of the financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities is the recoverable value of investment in subsidiaries. The Company evaluates investments in subsidiaries for indicators of impairment if required. Any impairment test, where required, involves estimates and associated assumptions related to several factors. Refer to the accounting policy as described in note 3.

3. Significant accounting policies

Foreign currency translation:
Transactions in foreign currencies are translated to the functional currency using the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to GBP at the period end exchange rate.

Financial instruments:
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions of being "basic" financial instruments as defined in paragraph 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

Debt instruments that have no stated interest rate (and do not constitute financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments
Investments in non-derivative instruments that are equity of the issuer (where shares are publicly traded or their fair value is reliably measurable) are measured at fair value through profit or loss. Where fair value cannot be measured reliably, investments are measured at cost less impairment.

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

Impairment of assets
Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets
An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The recoverable amount of goodwill is derived from measurement of the present value of the future cash flows of the cash-generating units of which the goodwill is a part. Any impairment loss in respect of a CGU is allocated first to the goodwill attached to that CGU, and then to other assets within that CGU on a pro-rata basis.

Where indicators exist for a decrease in impairment loss previously recognised for assets other than goodwill, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. Where a reversal of impairment occurs in respect of a CGU, the reversal is applied first to the assets of the CGU, except for goodwill, on a pro-rata basis. Impairment of goodwill is never reversed.

Notes to the Parent Company Financial Statements
continued

3. Significant accounting policies (continued)

Impairment of assets (continued)

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Cash at bank and in hand

Cash and cash equivalents comprise cash in hand and deposits held at call with banks.

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Current and deferred corporation tax

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the company and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Share-based payments

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

4. Financial risk management:

Overview

The company's activities expose it to a variety of financial risks that arise as a result of its operations and financing activities such as:

- credit risk; and
- liquidity risk;

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

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

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables and cash held with banks.

Cash at bank and in hand

The company limits its exposure to credit risk by only investing in liquid securities and only with highly rated counterparties. The company's cash at bank is currently held by banks with AA or equivalent credit ratings or better. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

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

Typically, the company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political unrest. To achieve this objective, the company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the company utilises authorisations for expenditures on projects to further manage capital expenditure and has a Board of Director approved signing authority matrix.

As at 31 December 2019, the company's financial liabilities are due within one year.

Capital management:

The company's objective when managing its capital is to ensure it has sufficient capital to maintain its ongoing operations.

5. Compensation of key management personnel

The remuneration of directors and other key management personnel during the period ended 31 December 2019 was as follows:

	2019 £'000s
Salaries, incentives and short term benefits	277
Directors' fees	118
Stock based compensation	313
Total compensation	**708**

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

Notes to the Parent Company Financial Statements
continued

6. Investments in subsidiaries

Name	Holding	Percentage ownership	Country of operation	Registered address
SDX Energy Holdings (UK) Limited	Direct	100%	U.K.	38, Welbeck street, London W1G 8DP, U.K.
SDX Energy Inc	Indirect	100%	Canada	1900, 520-3rd Avenue SW, Centennial Place, East Tower, Calgary, Alberta T2P 0R3
Sea Dragon Energy (UK) Limited	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Investments (UK) Ltd	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Morocco (UK) Ltd	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Cooperatieve U.A.	Indirect	100%	Netherlands	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy Holding B.V.	Indirect	100%	Netherlands	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Egypt (Nile Delta) B.V.	Indirect	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy (GOS) B.V.	Indirect	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy (Nile) B.V.	Indirect	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy (NW Gemsa) B.V.	Indirect	100%	Egypt	38, Welbeck Street, London W1G 8DP, U.K.
Sea Dragon Energy Holding Ltd.	Indirect	100%	British Virgin Islands	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
NPC (Shukheir Marine) Ltd	Indirect	100%	Egypt	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
NPC (South Ramadan) Ltd	Indirect	100%	Egypt	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
Madison International Oil & Gas Ltd	Indirect	100%	Barbados	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Egypt Oil & Gas Ltd	Indirect	100%	Egypt	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Cameroon Oil & Gas Ltd	Indirect	100%	Cameroon	Erin Court, Bishop's Court Hill, St. Michael, Barbados
SDX Energy Egypt (Meseda) Ltd	Indirect	100%	Egypt	10, Road 261, New Maadi, Cairo, Egypt
SDX Energy Morocco (Jersey) Ltd	Indirect	100%	Morocco	P.O. Box 771, Ground Floor, Colomberie Close, St.Helier, Jersey
Limerick Services SARL	Indirect	100%	Morocco	2 Rue Ghazaoua la pinède Souissi, Rabat, Morocco
SDX Energy Egypt (Jersey) Ltd	Indirect	100%	Egypt	P.O. Box 771, Ground Floor, Colomberie Close, St.Helier, Jersey
Brentford Oil Tools	Indirect	50%	Egypt	7 Nazeh Khalifa st., El Korba, Misr El Gadiga, Cairo, Egypt

7. Debtors

	2019 £'000s
Prepayments	46
Other debtors	29
Total	**75**

8. Amounts owed from group companies

	2019 £'000s
Current	
SDX Energy Morocco (Jersey) Ltd	154
Madison Egypt Oil and Gas Ltd	5
Madison International Oil and Gas Limited	5
Madison Cameroon Oil & Gas Ltd	5
Total	**169**

Current accounts due from group companies are non-interest bearing and repayable on demand.

9. Creditors

	2019 £'000s
Trade creditors	204
Other creditors	75
Total	**279**

10. Amounts owed to group companies

	2019 £'000s
Sea Dragon Energy (Nile) BV	148
Sea Dragon Energy (UK) Ltd	1,872
SDX Energy Inc.	113
Total	**2,133**

Current accounts due to group companies are non-interest bearing and repayable on demand.

11. Called-up share capital

	2019 £'000s
Authorised, issued and fully paid ordinary shares of £0.01 each	2,097

12. Related parties

The company in the ordinary course of business, entered into certain related party transactions.

	2019 £'000s
SDX Energy Inc.	(113)
Sea Dragon Energy (Nile) B.V.	(148)
Sea Dragon Energy (UK) Limited	(1,872)
SDX Energy Morocco (Jersey) Limited	154
Madison Cameroon Oil & Gas Limited	5
Madison International Oil & Gas Limited	5
Madison Egypt Oil & Gas Ltd	5

The balances with related parties are presented in notes 8 and 10.

Notes to the Parent Company Financial Statements
continued

13. Financial instruments and risk management

Capital risk management

The capital structure of the company consists of debt, which includes the Amounts owed to group companies disclosed in note and equity attributable to equity holders of the parent and related parties, comprising issued capital and an accumulated loss as disclosed in the statement of changes in equity.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Categories of financial instruments

	2019 £'000s
Financial assets	
Cash and trade and other receivables	104
Amounts owed from group companies	169
Total	**273**
Financial Liabilities	
Creditors	279
Amounts owed to group companies	2,133
Total	**2,412**

Financial risk management objectives

The company seeks to minimise the effects of fair value interest rate risk and price risk through active management processes. The company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

14. Subsequent events

The outbreak of novel COVID-19 in early 2020 has affected business and economic activity around the world, including certain countries in which the Company and its subsidiaries operate. The Company considers this outbreak to be a non-adjusting post balance sheet event as of 31 December 2019. Given the spread of COVID-19, the range of potential outcomes for the global economy are difficult to predict at this point in time.

Corporate information

Executive Directors
Mark Reid
Chief Executive Officer

Nicholas Box
Chief Financial Officer

Non-Executive Directors
Michael Doyle
Non-Executive Chairman

Timothy Linacre
David Mitchell
Amr Al Menhali
Catherine Stalker

Stock Exchange Listing
London Stock Exchange AIM
Symbol: SDX

Registrar (United Kingdom)
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