SDX Energy Plc
2020 Annual Report & Accounts

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

SDX ENERGY

CEO's Comment

"After what has been a very disruptive period for both businesses and people, I am extremely pleased to announce a set of results featuring record production, a strong balance sheet and successful drilling results.

Operationally, 2020 was a strong year for the Group and although the COVID-19 pandemic contributed to a low oil price environment, SDX's high fixed-price gas assets in both Egypt and Morocco demonstrated the cash-generative resilience that exists within our portfolio. While Morocco production saw demand fluctuations early in the period, we are now back to pre-lockdown levels of production with 2021 production expected to be 8-12% higher than in 2020.

Our exploration efforts in the period were also positive in both Egypt and Morocco, with our largest discovery, the SD-12X well in South Disouq, having been brought on stream before the end of the year. As well as adding reserves through the drill bit, the Group also continued to manage its portfolio with the sale of non-core assets in North West Gemsa and South Ramadan, adding further to the Group's cash and reducing its associated capex.

With a 39% increase in EBITDAX from continuing operations to US$32.9 million, our strong focus on capital discipline and our balance sheet stewardship, we have ended the year with a healthy cash balance and clarity over our work programme for the next two years, funded from our cash position. This work programme includes a transformational prospect with the Hanut well having the potential to significantly increase Company reserves. Furthermore, the recently approved ten-year extension of our West Gharib oil concession increases our share of reserves in the asset by 60% year on year and 119% taking account of 2020 production. With a breakeven Brent price of approximately US$20/bbl this is an extremely positive development given current oil prices. We have also made excellent progress with various ESG initiatives and I am particularly proud to announce that our carbon intensity in 2020 was only 1.8kgCO_{2e}/boe for our operated assets, one of the best performances in the industry.

Finally, I would like to thank all of our team for their tireless work rate and commitment in what was tough period for all as we tackled challenges seldom seen before. The outlook for SDX is extremely bright and we look forward to delivering on our goals for the coming period and enhancing value for all stakeholders in the Company."

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Our Highlights

Operational

6,397boe/d

FY 2020 average entitlement production, an increase of 57% year on year

SD-12X

South Disouq brought on stream within 2020 average entitlement production

1.8kgCO_{2e}/boe

FY2020 carbon intensity at SDX's operated assets

- Average entitlement production of 6,397 boe/d, an increase of 57% year on year due to strong production levels mainly from South Disouq, at 49.5 MMscfe/d equating to 4,532 boe/d net to SDX.
- 2020 production from core assets either exceeded or was at the top end of market guidance, despite COVID-19 interruptions in Morocco. Capex was below guidance, primarily due to drilling at West Gharib being deferred due to the lower oil price environment in 2020.
- 2021 guidance for production is 5,620-5,920 boe/d and for capex is US$25.0-US$26.5 million.
- The Company's operated assets recorded a carbon intensity of 1.8kgC02e/boe in 2020 which is one of the lowest rates in the industry.
- The 2020 South Disouq two-well drilling campaign finished with a discovery at, SD-12X (100% working interest to SDX). First gas was achieved in December 2020, 5-6 weeks ahead of schedule.

Financial

US$36.5m

FY 2020 netback, an increase of 29% year on year

US$32.9m

FY 2020 EBITDAX, an increase of 39% year on year

US$24.7m

FY 2020 CAPEX, below market guidance of US$26.1m

- Following further review of the 3D seismic after the SD-12X discovery, c.233bcf of close to infrastructure, mean unrisked recoverable volumes, located in productive horizons have been high-graded to drill-ready prospects.
- Subject to receipt of final Ministerial and Parliamentary approval for a two-year exploration concession extension, the Company plans to drill the Hanut prospect targeting 139bcf in Q3 2021
- As at 31 December 2020, the Company's working interest share of audited 2P reserves was 11.1 mmboe and audited 2C contingent resources was 0.9 mmboe. The 0.9 mmboe of 2C resources relates to the Meseda and Rabul producing assets in its West Gharib concession in Egypt and will be converted to 2P reserves upon approval of a development plan.
- 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.

Our Expertise / Onshore

Strategic Report

Where We Operate

A MENA focused Oil & Gas company

Morocco

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

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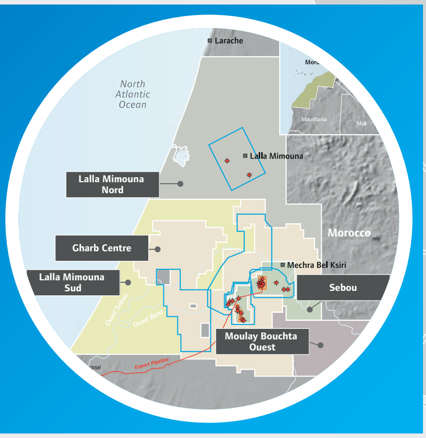
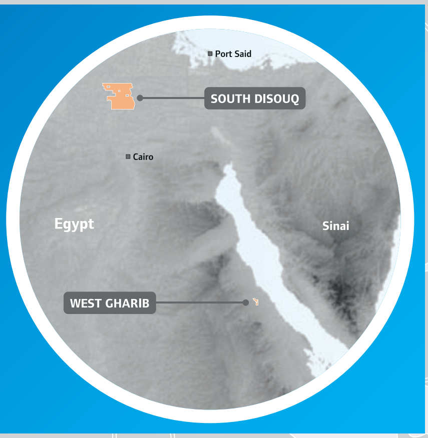


4,239km²
Combined concession area

5
Concessions
75% working interest in each

Egypt

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



See more on page 12

143km²

Combined concession area

2

Concessions

Our Strategy

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. Our vision is become a mid-cap 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

I am especially pleased to tell you that SDX has delivered on its commitment to ESG principles by reporting key metrics externally for the first time.

2020 was a challenging year for both business and society in general, with the COVID-19 pandemic affecting how we as a Company went about our business, and how we as people lived our lives. While the challenges the pandemic created were vast, it brings me a real sense of pride that the team at SDX overcame these admirably to complete what was a successful period for the Company, both operationally and financially. SDX finished the year with a healthy cash position, its highest annual production rate to date, and two drilling campaigns resulting in several discoveries, which have already been brought into production.

I am especially pleased to tell you that SDX has delivered on its commitment to ESG principles by reporting key metrics externally for the first time. SDX has a powerful ESG message with natural gas making up 90% of current production, meaning that in Morocco alone, our operation reduces CO2 emissions at our customer locations by over 60,000 tonnes per year by removing more polluting fuels from the energy mix. Our South Disouq asset in Egypt runs on produced natural gas, a key driver for its low carbon intensity.

2020 was our first year of full production from the South Disouq field, where uptime from the production facilities has been exceptional. This cornerstone asset, where gas production is sold under 25-year fixed-price contracts, means that in disruptive periods, such as the past 12 months, we can continue to generate cash and plan for the future. It was therefore good news to have exploration success in April 2020 as the SD-12X well proved to be a commercial gas discovery. It was tied in before year end and will contribute to our cash flow in 2021 and beyond.

Although COVID-19 created some disruption in demand from our customers in Morocco early in 2020, demand steadily increased throughout the year to return to its pre-lockdown levels by year end. The period also saw several of Morocco's successful wells from the 2019-20 campaign being tied in, enabling the Company to benefit from attractive gas prices.

The coming period will see a busy schedule of more high-impact wells in both Egypt and Morocco, which SDX will fund through its carefully managed balance sheet. These new wells will allow the Group to increase production and reserves in a sustainable manner. It is this careful management of the Company's finances during periods of disruption that has enabled SDX to maintain a healthy cash balance, strong free cashflow, and a significant inventory of drill-ready prospects.

On behalf of all my fellow board members, I would like to thank all our stakeholders for their continued support and commitment throughout the period. The COVID-19 pandemic has changed our world, making it more difficult than usual to deliver on our targets. I am proud of how resilient, committed, and focussed on our goals our employees have remained over the past many months. I am confident that the coming period will see us further strengthen our portfolio of cash-generative assets, strong balance sheet, and talented workforce, and that we will continue to grow and deliver value for all our stakeholders.

Michael Doyle
Non-Executive Chairman
19 March 2021

Chief Executive Officer's Review

I would like to thank our shareholders, the Board and the senior leadership team for their continued support and understanding during what must have been one of the hardest years for the industry yet.

It is impossible to talk about 2020 without referring to the COVID-19 pandemic. However, considering the spectrum of outcomes seen across our and other industries, I believe that the past year has demonstrated the quality and resilience of our people and operations.

At the start of 2020, SDX enjoyed business as usual conditions, reporting drilling successes in both Morocco (OYF-2 and BMK-1 wells) and Egypt (SD-12 X (Sobhi) exploration well). n March, we received notice that three of our Moroccan gas customers, accounting for approximately 50% of daily consumption, were being required to shut their plants to comply with government restrictions. This closure was lifted in May and we have seen a strong rebound in demand, such that by the end of the year, all customers were back to pre-COVID-19 levels. I am delighted that our Egyptian operations have been unaffected to date, with both South Disouq and West Gharib continuing to produce and sell as normal.

As the situation evolved, our UK team transitioned to working from home, which they did with admirable spirit and productivity. The Egyptian and Moroccan teams both dealt admirably with their own countries' imposed limitations. All the SDX staff handled 2020 with tenacity, determination, and positivity, which I was proud to see, and I would like to begin my review by thanking each and every one of our employees and contractors.

Despite the disruption to our Moroccan customers, 2020 production increased by 57% from 2019 to an average entitlement of 6,397boe/d. The 2020 production guidance for all our core assets either exceeded or was at the top end of the market guidance. We deferred drilling at West Gharib in the lower oil price environment, which brought our 2020 capex in below guidance.

In Egypt, the South Disouq two-well exploration drilling campaign was completed in the first half of the year, resulting in a successful commercial discovery with the second well, SD-12X (Sobhi). This well was then tied back into the CPF and first gas was achieved in December, six weeks ahead of schedule. As a part of our ongoing commitment to capital discipline and careful management of the portfolio, we made the decision to sell our North West Gemsa and South Ramadan assets in Egypt, with the net US$2.1 million proceeds exceeding our expectations and providing additional cash to further strengthen the balance sheet.

Gas consumption levels from our Moroccan customers have returned to March 2020 pre-COVID-19 levels. In December, we added another factory from an existing customer to our distribution network. The testing of the tenth well from the 2019-20 Moroccan drilling campaign, LMS-2, was delayed last year due to COVID-19 restrictions but is expected to be tested as part of the 2021 campaign. Further analysis of the well results and reinterpretation of 3D seismic across all our concessions has revealed that structures similar to that penetrated by LMS-2 are present throughout the Company's acreage, including in the existing producing area. Subject to a successful test at LMS-2, we may seek to test this prospectivity during the 2021 drilling by deepening one of the planned wells.

Demonstrating SDX's continued strength over the past year, our netback of US$36.5 million is 29% higher than the same period in 2019, driven by a full year of production from South Disouq. Our Morocco netback was also higher, reflecting a strong recovery from COVID-19 shutdowns, albeit our West Gharib asset was affected by lower sales realisations and increasing water cut due to natural decline. As we have now been granted an extension to the West Gharib concession, we plan to arrest this by starting a 12-well development drilling programme with up to four wells in 2021.

The 2020 annual report includes our enhanced ESG reporting on pages 33 to 35, which demonstrates the low carbon footprint (1.8kgCO_{2e}/boe) of our operated assets. We continue to save c.60,000 tons of CO_{2e} in our Moroccan operation and have had no produced water discharges or hydrocarbon spills in 2020. We did, unfortunately, have one minor Lost Time Injury at South Disouq, but there has been a rigorous review of the safety system and I am confident in the updated protocols that have been put in place.

Overall, SDX remains well placed to weather the current macroeconomic uncertainties and continues to screen a number of business development opportunities. We expect cash generation to continue strongly through 2021 and beyond as approximately 90% of the Company's cash flows are expected to be generated from our fixed-price gas businesses. Our 2021 and 2022 work programmes are fully funded and we continue to assess the optimum use of capital in the interests of all stakeholders, whether that be investment into new projects or returning cash to shareholders. At present the Company is focussed on investing in new projects and considers this the most appropriate use of the Company's capital. This focus will be assessed on an ongoing basis.

Finally, I would like to thank our shareholders, the Board and the senior leadership team for their continued support and understanding during what must have been one of the hardest years for the industry yet. The pandemic has tested us all, and I am proud to say that SDX has persevered and grown stronger. We look forward to keeping everyone up to date on an active and exciting year ahead for SDX.

Mark Reid
Chief Executive Officer and Director
19 March 2021

SD-12X

South Disouq brought on stream within 2020 average entitlement production, an increase of 57% year on year

US$32.9m

FY 2020 EBITDAX, an increase of 39% year on year

6,397boe/d

FY 2020 average entitlement production, an increase of 57% year on year

Health & Safety

SDX is committed to protecting the safety of its employees, contractors, and the communities in which it operates.

Regrettably, there was one minor Lost Time Injury ("LTI") at South Disouq during 2020 where a contractor was injured but returned to work after three days. SDX immediately conducted an incident report and lessons learned exercise. The safety management system was modified to ensure that similar incidents should not occur in future. This LTI was the first to be recorded by SDX Energy.

2020 was another incident and injury-free year for Morocco, which has operated without incident since SDX acquired the asset in 2017.

SDX maintains process safety by having a robust programme of safety-critical device identification, maintenance, and performance testing. Despite the challenges of 2020, critical device maintenance compliance remained above our target of 98% compliance. We regularly test the effectiveness of our incident management processes by conducting both live and simulated emergency response scenarios.


HyFlex

South Disouq / Egypt

South Disouq is a 121km^2 concession located 65km north of Cairo in the Nile Delta region.

It is on trend with several other prolific gas fields in the Abu Madi Formation. SDX Energy holds a 55% interest and operates the concession, other than in Ibn Yunus North field, in which it has a 100% interest. Its partner, IPR, holds a 45% interest in the asset (excl. Ibn Yunus North). Development leases have been granted for the South Disouq, Ibn Yunus, and Ibn Yunus North gas fields.

2020 Activity
Two exploration wells were drilled in H1 2020 in the South Disouq concession. The first well, SD-6X (Salah), reached TD on 28 February 2020, with sub-commercial gas accumulations in the Kafr El Sheikh and the Abu Madi Formation sands. SD-6X was subsequently temporarily abandoned.

The second well, SD-12X (Sobhi), reached TD on 29 March 2020 when it encountered 108 feet of gas-bearing sands. A drill stem test (DST) conducted on SD-12X achieved a maximum rate of 25 mmscf/d on a 54/64" choke and the well was confirmed as a commercial discovery and completed as a gas producer. An FDP and a development lease application for Sobhi were submitted to the Egyptian authorities and subsequently approved. During the second half of 2020, a 5.8km flowline was laid, connecting the well to the CPF via the IY-1X tie in, and first gas was achieved in December.

Following further review of the 3D seismic after the SD-12X discovery, six prospects with c.233bcf of close to infrastructure, mean unrisked recoverable volumes located in productive horizons, have been high-graded to ready-to-drill prospects. The Company has agreed terms with EGAS for a two-year exploration concession extension, which will enable the prospectivity in Hanut, Mohsen, El Deeb, and Ibn Newton to be tested. The Shikabala and Warda prospects are within 25-year development leases.

Prospect name	Working interest %	Interval	Concession detail	Comment	Unrisked mean (bcf)	Chance of success (%)
Hanut	55	KES	Proposed 2 Yr[2] exploration extension	Single Target	139	33
Mohsen	55-100[1]	KES	Proposed 2 Yr[2] exploration extension	Single Target	26	51
El Deeb	55-100[1]	Qawasim	Proposed 2 Yr[2] exploration extension	Single Target	22	29
Ibn Newton/Newton	55-100[1]	KES/Abu Madi	Proposed 2 Yr[2] exploration extension	Dual Target	16	40-45
Shikabala prospects (two wells)	100	KES/Qawasim	Up to 25 Yr Development Lease to 31 August 2045	Single Target & Dual Target	16	25-40
Warda	55	KES	Up to 25 Yr Development Lease to 2 January 2044	Single Target	14	35
Total					**233**	

(1) Working interest % dependant on partner's decision to participate in the extension. The Company's partner has confirmed its participation in the Hanut-1X well.

(2) Two-year extension period commences on date of parliamentary approval.

SD-12X

discovery at South Disouq, drilled and brought on stream within 2020


3M
OPTIME
98
KROHNE
FB.SPooL

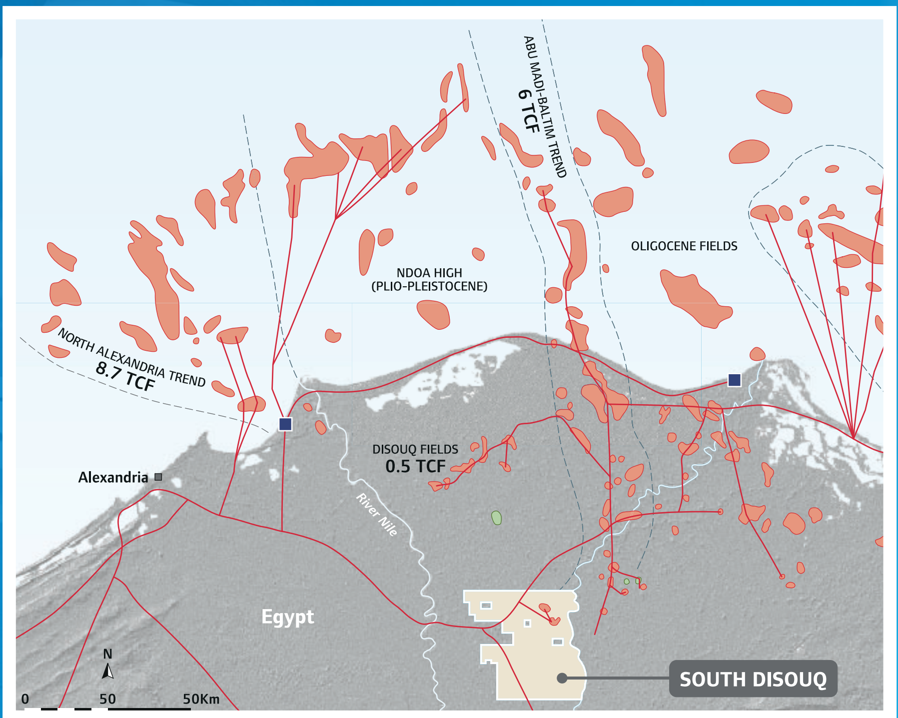
South Disouq /continued
Egypt

2020 Activity (continued)
Production operations at the asset exceeded expectations during the 12 months to 31 December 2020, with all four wells flowing ahead of expected rates for the year and the CPF achieving higher than planned levels of uptime, resulting in gross production of 49.5 MMscfe/d for the year (4,532 boe/d net to SDX). During the second half of the year, the SD-4X and SD-1X wells began to produce increased levels of water and sand, resulting in reduced production. The SD-4X well was successfully worked over in Q1 2021 and was put back on production, with SD-1X expected to be worked over later in the year.

2021 Outlook
One development well, Ibn Yunus-2X, and one exploration well, Hanut-1X, will be drilled consecutively, commencing in Q2 2021. The IY-2X well will access the eastern compartment of the Ibn Yunus field and is expected to be completed and tied back rapidly once drilled. The Hanut-1X well is targeting unrisked mean recoverable volumes of 139bcf with a 33% chance of success. The Company's partner has confirmed that it will participate in both wells. An inlet compressor will be installed at the CPF site to maximise recovery from the fields, and well workovers will be carried out. Once the exploration concession extension that includes the Hanut and Mohsen prospects has been ratified by Parliament, the Company will pay its share of signature and training bonuses.

2021 capex is expected to be approximately US$7.0-US$7.5 million net to SDX.

4,532boe/d
FY2020 working interest production



West Gharib / Egypt

West Gharib is 22km^2 in area and is currently producing from the Meseda and Rabul fields, both of which are included in the Block-H development lease.

626bbl/day

FY2020 working interest production

10 year

licence extension received in 2021

2021

Development drilling campaign of up to 4 wells to commence

The concession is covered by a production service agreement ("PSA"), which allows for lower cost operations than the traditional joint venture structure. SDX Energy has a 50% working interest in the operation, with Dublin International Petroleum, the operator, holding the remaining 50% working interest.

The Meseda field produces 18º API oil from the high-quality Miocene-aged Asl sands of the Rudeis formation. The Rabul field produces 16º API oil from the Miocene-aged Yusr and Bakr sands, which are also part of the Rudeis formation.

In early 2021, SDX received confirmation that the PSA has been extended to November 2031.

2020 Activity

During the early part of H1 2020, the Company participated in the drilling of the Rabul-3 well, reaching TD on 1 March 2020, when oil was discovered in the Yusr and Bakr sands with a total net pay of 116 feet. The well was completed as a producer and came online on 13 April 2020. It stabilised, as expected, at gross 300 bbl/d.

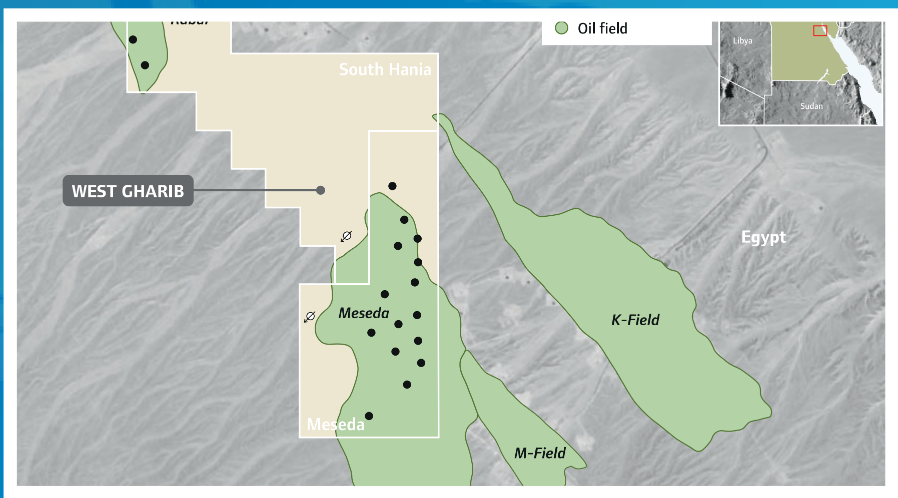
A total of 15 well workovers were completed during 2020 in the West Gharib and Rabul Fields: Rabul-3 was recompleted in the Yusr reservoir and the other workovers predominantly related to pump and tubing replacements were also completed.

For 2020, West Gharib average gross sales production stood at approximately 3,285 boe/d (626 boe/d net to SDX).

2021 Outlook

Having been granted the PSA extension, the Company and its partner plan to develop both the Meseda and Rabul fields via a drilling programme of up to 12 wells over the next three years with the goal of growing gross production back to around 3,000 bbl/d, starting with four wells in 2020.

2021 capex is expected to be approximately US$2.5-US$3.0 million net to SDX.



Morocco

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: Sebou, Gharb Occidental, Lalla Mimouna Nord, Lalla Mimouna Sud, and Moulay Bouchta Ouest.

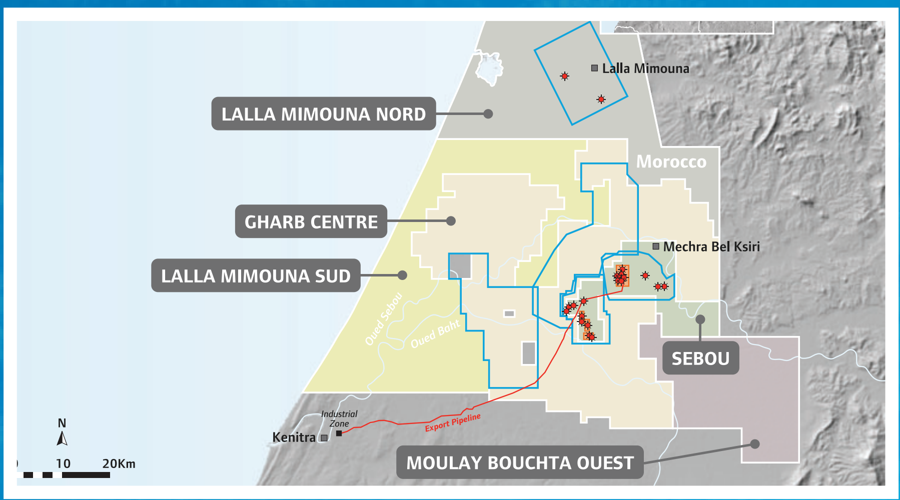
The Sebou Central concession is a 220km² exploration permit with several exploitation concessions contained within it. The exploitation concessions granted under the Sebou Onshore Petroleum Agreement are:

- Gueddari Sud, expired 18 January 2020
  - Gueddari Sud is essentially depleted and the small remaining volumes were produced past the expiry date with ONHYM's agreement.
- Sidi Al Harati SW, expiry 20 September 2023
- Ksiri Central, expiry 18 January 2025
- Sidi Al Harati W, expiry 17 October 2024

The Lalla Mimouna area comprises the Lalla Mimouna Nord and Lalla Mimouna Sud permits for a total land area of 2,211km². SDX has completed the work programme requirements of the final extension of the Lalla Mimouna Petroleum Agreement. In 2018 it applied for and was granted an extension of two years to the Lalla Mimouna Nord permit (1,371km²). The two-year extension was used to evaluate how best to commercialise the discoveries in the area. This extension did not include any additional work commitments. However, due to ongoing COVID-19 restrictions in Morocco, the licence, which was due to expire in July 2020, was granted a further one-year extension, albeit this was also impacted by the State of Emergency in Morocco preventing foreign equipment and personnel from being brought into the country. Now that SDX has obtained permission from the authorities to bring in equipment and personnel from certain approved countries, it is expected that the Company will test LMS-2, (discussed further below), as part of the planned drilling campaign later in 2021.

The Lalla Mimouna Sud permit lapsed in July 2018 and a new application was made in a separate request. On 7 February 2019, the Company was re-awarded the Lalla Mimouna Sud permit (857km²) for a period of eight years, with a commitment to drill one exploration well and acquire 50km² of 3D seismic within the first two-and-a-half-year period, formally starting on 14 March 2019.

The permit for the Gharb Occidental concession was acquired on 1 June 2017 for a period of eight years. Covering an area of over 1,362km², it has a work programme commitment to acquire 200km² of 3D seismic, which was fulfilled in Q3 2018, and to drill two exploration wells within the first four-year period, the first of which was drilled in Q1 2018. The drilling of CGD-14 in October 2019 completed our work commitments for the initial period of this programme. Furthermore, the additional drilling that has already been conducted in the permit will offset future commitments in subsequent exploration periods.



Morocco /continued

The Company announced the award of the Moulay Bouchta Ouest concessions from the Government of Morocco on 7 February 2019. This exploration concession was been awarded to SDX for a period of eight years for a commitment to reprocess 150 kilometres of 2D seismic data, acquire $100km^2$ of new 3D seismic, and drill one exploration well within the first three-and-a-half-year period that formally started on 14 March 2019.

2020 Activity

The company completed its drilling campaign in Morocco with the drilling of SAH-5 (spudded in late 2019), SAH-3, OYF-2, BMK-1, and LMS-2. Originally planned as a 12-well campaign, the company achieved its objectives with 10 wells, and elected to defer the remaining two wells to preserve capital. The two postponed wells will be drilled as part of a future campaign.

SAH-5 (TD 5 January 2020) was a sub-commercial gas discovery made in Gharb Centre, which was subsequently plugged and abandoned. The SAH-3 well (TD 14 January 2020, testing operation complete 20 February) was a commercial gas discovery in Gharb Centre. OYF-2 was a low-risk step-out exploration well, which reached TD 22 January 2020 and was a commercial gas discovery. A brief flow test was completed on OYF-2 on 25 February 2020. The BMK-1 well was a similarly low-risk step- out exploration well in the northern part of Gharb Centre. Due to down hole issues, the well was side-tracked (BMK-1) and reached TD on 29 February 2020. It was subsequently suspended as a commercial gas discovery. The success of BMK-1 opens up a new area for further drilling. The last well in the campaign was the LMS-2 appraisal well in the Lalla Mimouna Nord permit. LMS-2 reached TD on 13 March 2020 with the discovery of 10.6m of net gas pay in 30.9% porosity sandstones, in a new Top Nappe play. The LMS-2 well has been cased and completed and is expected to be tested as part of the 2021 drilling campaign. The success of LMS-2, and the discovery of the new Top Nappe play, has the potential to open up the Lalla Mimouna Nord permit to further drilling, thereby de-risking a number of other prospects.

During the second half of the year, the OYF-2, SAH-4, CGD-16, and SAH-6 wells were connected. In December, an existing customer, CITIC Dicastal, completed construction and began commissioning its second factory premises, having been tied into the Company's distribution infrastructure.

Morocco gross production averaged 6.5 MMscf/d for 2020. Following a period of strong demand in January and February, three customers accounting for 50% of normal daily consumption were required to close between mid-March and early May due to COVID-19 restrictions imposed by the Government of Morocco. Upon the recommencement of production, these customers gradually increased their consumption back to pre-closure levels.

2021 Outlook

Four or five wells will be drilled in two campaigns in Q2 and Q4 2021. As the drilling rig is stacked in the Company's yard in Morocco, there will be no significant mobilisation cost. In addition, splitting the campaign into two parts allocates the capital investment over approximately eight months, which allows the cost of these wells to be comfortably covered by cash generated in that period. Four wells will target shallow biogenic gas that can be tied into the Company's infrastructure quickly and at low cost. As discussed above, the tenth well from the previous campaign, LMS-2, which penetrated a Top Nappe target, will be tested. Should this test be successful, one of the 2021 campaign wells may be deepened to test the Top Nappe prospectivity in the Company's core production area. On the assumption that the rig continues to be available after the drilling of the four firm wells, a fifth contingent well would target an additional prospect in the portfolio. A workover programme of up to seven wells will also be conducted, including re-perforation and sliding sleeve operations to exploit behind-pipe reserves and maximise production and recovery from the existing well stock. The second compressor was commissioned in early 2021.

2021 capex is expected to be approximately US$15.5-US$16.0 million net to SDX.

Asset disposals

The period saw the sale of the Group's non-core North West Gemsa and South Ramadan assets in Egypt.

The Company sold its 50% working interest in North West Gemsa asset in July 2020, with an effective date of 1 April 2020. Gross production to 31 March 2020 was 3,056 boe/d (1,528 boe/d net to SDX), which equates to equivalent actual entitlement production to the Company of 382 boe/d for the full year. Prior to its sale, the field exceeded expectations, primarily due to a slower rate of pressure depletion and water cut increase.

South Ramadan, situated offshore in the Gulf of Suez, commenced production in Q2 2020 at approximately gross 350 bbl/d. Post completion of an acid stimulation operation, production stabilised at gross 500-600 bbl/d. The asset was sold effective 1 November 2020, with Company equivalent actual entitlement production of 45 bbl/d for the year.

The net US$2.1 million proceeds received from these asset sales exceeded management's expectations and demonstrated the ongoing focus and commitment to capital discipline and careful management of the Group's portfolio. The proceeds also provided additional cash to strengthen the balance sheet further.

US$2.1m

Net disposal proceeds from NW Gemsa and South Ramadan asset sales

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 2020. The reserve definitions used are contained within the Petrol 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 2019 and 31 December 2020 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 MMboe:

	Egypt				**Morocco**	**Total**
Asset	South Disouq	West Gharib	NW Gemsa	South Ramadan	Gharb Basin	
Working interest	55/100%	50%	50%	12.75%	75%	
As at 31 December 2019	8.04	2.20	0.79	0.19	0.75	11.97
Asset disposals	-	-	(0.65)	(0.17)	-	(0.82)
Discoveries	2.11	-	-	-	0.32	2.43
Re-classification	-	1.90	-	-	0.09	1.99
Revisions	(1.48)	0.02	-	-	(0.31)	(1.77)
Production	(1.63)	(0.60)	(0.14)	(0.02)	(0.30)	(2.69)
As at 31 December 2020	**7.04**	**3.52**	**-**	**-**	**0.55**	**11.11**
Proved reserves	3.23	2.36	-	-	0.40	5.99
Probable reserves	3.81	1.16	-	-	0.15	5.12
As at 31 December 2020	**7.04**	**3.52**	**-**	**-**	**0.55**	**11.11**

	Egypt				**Morocco**	**Total**
Asset	South Disouq	West Gharib	NW Gemsa	South Ramadan	Gharb Basin	
Working interest	55/100%	50%	50%	12.75%	75%	
2C contingent resources	-	0.90	-	-	-	0.90
As at 31 December 2020	**-**	**0.90**	**-**	**-**	**-**	**0.90**

Financial Review

For the year ended 31 December 2020

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.

	Quarter ended 31 December		Year ended 31 December	
US$'000s	**2020**	2019	**2020**	2019
West Gharib production service fee revenues	**1,855**	3,289	**7,328**	14,390
South Disouq gas sales revenue(1)	**6,009**	3,735	**26,891**	3,735
Royalties	**(2,026)**	(1,270)	**(9,115)**	(1,270)
Net South Disouq gas revenue	**3,983**	2,465	**17,776**	2,465
Morocco gas sales revenue	**6,402**	5,207	**19,246**	18,258
Royalties	**(278)**	(241)	**(730)**	(736)
Net Morocco gas sales revenue	**6,124**	4,966	**18,516**	17,522
Net other products revenue	**570**	445	**2,448**	445
Total net revenue(2)	**12,532**	11,165	**46,068**	34,822
Direct operating expense	**(2,817)**	(1,881)	**(9,535)**	(6,595)
Netback: West Gharib	**1,037**	2,037	**3,642**	9,889
Netback: South Disouq gas (3)	**2,820**	2,281	**13,740**	2,281
Netback: Morocco gas	**5,288**	4,522	**16,703**	15,612
Netback: Other products	**570**	444	**2,448**	445
Netback (pre-tax) (2)	**9,715**	9,284	**36,533**	28,227
EBITDAX (2)	**8,745**	8,405	**32,874**	23,550
NW Gemsa sales (boe/d)	**-**	1,601	**382**	1,836
West Gharib production service fee (bbl/d)	**589**	738	**626**	795
South Disouq gas sales (boe/d)	**3,790**	2,375	**4,286**	599
Morocco gas sales (boe/d)	**1,038**	890	**812**	802
Other products sales (boe/d)	**242**	117	**291**	30
Total sales volumes (boe/d) (4)	**5,659**	5,721	**6,397**	4,062
NW Gemsa sales (boe)	**-**	147,296	**139,949**	670,141
West Gharib production service fees (bbls)	**54,159**	67,855	**229,275**	290,091
South Disouq gas sales (boe)	**348,698**	218,535	**1,568,735**	218,535
Morocco gas sales (boe)	**95,508**	81,887	**297,026**	292,741
Other products sales (boe)	**22,308**	10,808	**106,623**	10,808
Total sales volumes (boe) (4)	**520,673**	526,381	**2,341,608**	1,482,316
Brent oil price (US$/bbl)	**$44.24**	$63.41	**$40.88**	$64.33
West Gharib oil price ($US/bbl)	**$40.38**	$57.04	**$37.46**	$58.39
Realised West Gharib service fee (US$/bbl)	**$34.25**	$48.47	**$31.96**	$49.61
Realised Morocco gas price (US$/mcf)	**$11.17**	$10.60	**$10.80**	$10.39
Royalties (US$/boe)(2)	**$4.87**	$4.50	**$4.94**	$2.71
Operating costs (US$/boe)(2)	**$5.44**	$4.96	**$4.35**	$8.12
Netback (US$/boe)(2)	**$18.75**	$24.49	**$16.73**	$34.75
Capital expenditures	**3,033**	16,444	**24,733**	42,989

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

(2) The NW Gemsa and South Ramadan concessions have been recognised as a discontinued operations. All revenues, costs and taxation from these assets have been consolidated into a single line item "profit/(loss) from discontinued operations" in both periods reported and are not included in this table. Royalties/boe, operating costs/boe and netback/boe also exclude NW Gemsa and South Ramadan.

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

(4) NW Gemsa and South Ramadan sales volumes included to show Group's entitlement interest production

Production service fees (relates to West Gharib 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 fields within 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 interest. The service fee revenue is based on the current market price of West Gharib crude oil, adjusted for a quality differential.

Production service fee pricing

For the 12 months ended 31 December 2020, the Company received an average service fee per barrel of oil of US$31.96, compared to the average West Gharib price for the period of US$37.46, representing a discount of US$5.50 (15%) per barrel. The Company receives a discount on the West Gharib price because of the quality of the oil produced.

Production service fee variance from prior year

For the 12 months ended 31 December 2020 (compared to the 12 months ended 31 December 2019), the decrease in production service fee revenue by US$7.1 million, 49%, to US$7.3 million, was prompted by a decrease in price of US$4.0 million, 28%, in 2020 as the result of a declining oil price environment and a 21% decrease in production of US$3.0 million. The lower production reflects an increase in water cut across several wells, which was partly offset by a full 12 months' contribution from a new well that came into production in the second half of 2019 (MSD-19) and a further well drilled and put into production in April 2020 (RB-3). During the year, there was no COVID-19 impact on production operations.

US$'000s	
Year ended 31 December 2019	14,390
Price variance	(4,046)
Production variance	(3,016)
Year ended 31 December 2020	**7,328**

Production service fee quarterly variance from prior year

For the 3 months ended 31 December 2020 (compared to the 3 months ended 31 December 2019), the decrease in production service fee revenue by US$1.4 million, 42%, to US$1.9 million, was due to a 30% decrease in price and a 20% production decline, driven by increased water cut.

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 (approximately US$2.85/Mcf). The Government of Egypt's entitlement share of gross production from the asset equates to approximately 51%.

Having commenced production in November 2019, during the 12 months ended 31 December 2020, production averaged 49.5MMscfe/d (gross). Wells flowed ahead of expected rates and the Central Processing Facility achieved higher than planned levels of uptime during the first half of the year. However, during Q3 and into Q4 2020, increased water and sand production at SD-4X resulted in lower gas volumes from this well. In late December 2020, the SD-12X well, which was announced as a discovery in April 2020, was brought on to production. The Company has a 100% working interest in this well. During the year, there was no COVID-19 impact on production operations.

Morocco gas sales revenue

The Company currently sells natural gas to eight industrial customers in Kenitra, northern Morocco. During the second half of March 2020 and into April 2020, COVID-19 containment restrictions in Morocco had a temporary impact on our operations, with three customers being required to close their operations. In early May, these same customers were able to resume production, and consumption steadily increased such that all customers had returned to pre-COVID consumption levels in Q4. The Company's Moroccan business remains extremely resilient and can break even with customer consumption levels at 20% of pre-COVID-19 2020 levels.

In December an existing customer brought its second factory online, which is expected to contribute to sales volumes in 2021.

Morocco gas sales variance from prior year

For the year ended 31 December 2020 (compared to the period ended 31 December 2019), the increase in Morocco gas sales revenue of US$1.0 million, 5%, was primarily driven by increased sales realisations (US$0.7 million, 4%) due to a strengthening of the Moroccan dirham and increased sales to higher-priced contracts. In addition, production increased period on period (US$0.3 million, 1%), as COVID-19 shutdowns at three customer sites early in the year were compensated for by a strong recovery in demand and an existing customer's additional factory coming online in Q4 2020.

US$'000s	
Year ended 31 December 2019	18,258
Price variance	721
Production variance	267
Year ended 31 December 2020	**19,246**

Morocco gas sales quarterly variance from prior year

For the 3 months ended 31 December 2020 (compared to the 3 months ended 31 December 2019), the increase Morocco gas sales revenue by US$1.2 million, 23%, to US$6.4 million, was due to a 6% decrease in price due to a stronger Moroccan dirham and sales to higher-priced contracts and a 17% production increase driven by strong customer demand following COVID-19 shutdowns earlier in 2020.

Financial Review

For the year ended 31 December 2020

Morocco gas sales revenue (continued)

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 year ended 31 December 2020 were US$9.5 million compared to US$6.6 million for the prior year. The direct operating costs per concession were:

	Year ended 31 December	
US$'000s	**2020**	2019
West Gharib	**3,686**	4,501
South Disouq	**4,036**	184
Morocco	**1,813**	1,910
Total direct operating expense	**9,535**	6,595

The direct operating costs per boe per concession were:

	Year ended 31 December	
US$/boe	**2020**	2019
West Gharib	**16.08**	15.52
South Disouq	**2.43**	0.80
Morocco	**6.10**	6.52
Total direct operating costs per boe	**4.35**	8.12

West Gharib

Direct operating costs for the 12 months ended 31 December 2020 for West Gharib were lower by US$0.8 million compared to the prior year, at US$3.7 million due to lower field operational costs and lower workover activity. For the period ended 31 December 2020, the direct operating costs per bbl were higher at US$16.08/bbl compared to US$15.52/bbl in the previous year due to fixed costs remaining unchanged against lower production, partly offset by savings achieved on variable costs in the lower price environment.

South Disouq

Direct operating costs for South Disouq for the year ended 31 December 2020 were US$4.0 million. These costs included the Company's US$0.6 million share of a one-off production bonus. The production bonus was payable following sustained gross production of 5,000+ boe/d as per the terms of the PSC.

Morocco

Direct operating costs for the year ended 31 December 2020 for Morocco were US$0.1 million lower than in the prior year. The variance is the result of lower field operational costs due to cost saving initiatives in the second half of the year.

Discontinued operations

During the year ended 31 December 2020, the Company disposed of its interests in the NW Gemsa and South Ramadan oil concessions in Egypt. These assets have been classified as discontinued operations and contributed a net profit of US$1.8 million in 2020 (2019: net loss of US$0.4 million). Neither disposal has had an impact on continuing operations.

General and administrative expenses

	Year ended 31 December	
US$'000s	**2020**	2019
Wages and employee costs	**6,527**	7,678
Consultants-inc. PR/IR	**514**	517
Legal fees	**225**	387
Audit, tax and accounting services	**767**	684
Public company fees	**576**	652
Travel	**156**	240
Office expenses	**492**	383
IT expenses	**360**	546
Service recharges	**(5,645)**	(6,506)
Ongoing general and administrative expenses	**3,972**	4,581
Transaction costs	**152**	1,079
Total net G&A	**4,124**	5,660

Ongoing general and administrative ("G&A") costs for the period ended 31 December 2020 were US$4.0 million compared to US$4.6 million for the same period of the prior year. Ongoing G&A costs in 2020 were lower primarily as the result of lower wages and employee costs due to the departure of the former CEO and Head of BD in Q2 2019 which also included associated severance payments.

Transaction costs in 2020 related to professional services in support of the disposal of NW Gemsa and South Ramadan. 2019 transaction costs related to the re-domicile of the Group from Canada to the UK, the Group's capital reduction, and previous business development initiatives.

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 period ended 31 December 2020, which include discussion therein.

	Year ended 31 December	
US$'000s	**2020**	2019
Property, plant and equipment expenditures ("PP&E")	**14,438**	5,387
Exploration and evaluation expenditures ("E&E")	**10,192**	37,403
Office furniture and fixtures	**103**	199
Total capital expenditures	**24,733**	42,989

The Company has future capital commitments associated with its oil & gas assets, details of which can be found in note 21 to the Consolidated Financial Statements.

Exploration and evaluation expense

For the 12 months ended 31 December 2020, exploration and evaluation expenses stood at US$5.8 million, compared to US$11.4 million in the prior year. The current period expense relates mainly to:

- The US$2.3 million write-off of a non-commercial well, SD-6X (Salah), including associated seismic costs, which was drilled during the 2020 Egypt exploration drilling campaign; and
- the write-off of US$2.2 million for a non-commercial well, SAH-5, which was drilled during the period as part of the Morocco drilling campaign

The remaining expense of US$1.3 million relates to new business evaluation activities that occurred during the year ended 2020, and predominantly relates to internal management costs.

In the prior year, US$5.1 million of expense related to the write-off of capitalised expenditure on the South Ramadan asset, US$3.7 million of expenditure on the 2018/19 South Disouq 3D seismic was written off, and US$1.5 million of dry-hole costs for the CGD-15 well in Morocco were expensed. The remaining expense of US$1.1 million was for new business evaluation activities.

Depletion, depreciation and amortisation

For the period ended 31 December 2020, depletion, depreciation, and amortisation ("DD&A") amounted to US$25.2 million, compared to US$18.7 million in the comparative period of the previous year. The variance is primarily the result of South Disouq coming on production from Q4 2019. Lower Morocco DD&A was the result of an increase in reserves from the successful wells drilled in 2019 and early 2020.

	Year ended 31 December	
US$'000s	**2020**	2019
West Gharib	**2,314**	2,437
South Disouq	**11,963**	1,356
Morocco	**10,147**	13,752
Right of use assets	**636**	697
Other	**132**	435
Total DD&A	**25,192**	18,677

Please refer to note 9 in the Consolidated Financial Statements. The DD&A for right of use assets was recorded in line with IFRS 16. Please refer to note 22 in the Consolidated Financial Statements.

Financial Review

For the year ended 31 December 2020

Sources and uses of cash

The Company reported a cash position of US$10.1 million as at 31 December 2020, with an undrawn facility with EBRD amounting to US$2.5 million. Agreement has been reached over a new facility with EBRD that will have a five-year term and US$10 million of availability once conditions precedent are met. The existing facility will not be cancelled until this is the case.

The following table sets out the Company's sources and uses of cash for the period ended 31 December 2020 and 2019:

	Year ended 31 December	
US$'000s	**2020**	2019
Sources		
Operating cash flow of continuing operations before working capital movements	**25,735**	19,283
Operating cash flow from discontinued operations	**2,445**	12,957
Net proceeds from sale of assets	**3,500**	-
Dividends received	**773**	639
Effect of foreign exchange on cash and cash equivalents	**369**	381
Total sources	**32,822**	33,260
Uses		
Changes in non-cash working capital	**(3,273)**	(5,867)
Property, plant and equipment expenditures	**(18,188)**	(24,777)
Property, plant and equipment expenditures on discontinued operations	**-**	(2,892)
Exploration and evaluation expenditures	**(10,333)**	(3,647)
Payments of lease liabilities	**(636)**	(795)
Finance costs paid	**(269)**	(267)
Income taxes paid	**(1,121)**	(1,306)
Total uses	**(33,820)**	(39,551)
Decrease in cash	**(998)**	(6,291)
Cash and cash equivalents at beginning of period	**11,054**	17,345
Cash and cash equivalents at end of period	**10,056**	11,054

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.

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.

Summary of quarterly results

Fiscal year	2020				2019			
Financial US$'000s	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash, beginning of period	**11,054**	9,275	8,807	11,054	12,587	11,195	11,354	17,345
Cash, end of period	**10,056**	11,054	9,275	8,807	11,054	12,587	11,195	11,354
Net revenue	**12,532**	11,586	9,163	12,787	11,163	7,740	8,356	7,563
Comprehensive income/(loss)	**149**	1,747	(801)	(3,153)	(18,162)	333	(489)	132
Net income/(loss) per share-basic	**0.001**	0.009	(0.004)	(0.015)	(0.089)	0.002	(0.002)	0.001
Capital expenditure	**2,672**	2,689	3,840	15,533	16,444	4,728	8,777	13,041
Total assets	**124,603**	127,611	129,231	135,648	133,018	139,542	140,122	137,630
Shareholders' equity	**96,342**	96,452	94,390	95,123	98,031	115,806	115,346	116,491
Common shares outstanding (000's)	**205,378**	205,378	204,723	204,723	204,723	204,723	204,723	204,723

Fiscal year	2020				2019			
Operational	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
NW Gemsa sales (bbl/d)[1]	**-**	-	-	1,538	1,216	1,354	1,326	1,586
West Gharib production service fee (bbl/d)	**589**	623	628	666	738	798	818	826
South Disouq gas sales (boe/d)	**3,790**	4,246	4,401	4,713	2,375	-	-	-
Morocco gas sales (boe/d)	**1,038**	792	551	863	890	827	729	761
Other products sales (boe/d)	**242**	323	318	282	502	448	493	542
Total boe/d	**5,659**	5,984	5,898	8,062	5,721	3,427	3,366	3,715
NW Gemsa sales volumes (bbls)b[1]	**-**	-	-	139,949	111,902	124,576	120,624	142,768
West Gharib production service fee volumes (bbls)	**54,159**	57,309	57,166	60,641	67,855	73,445	74,475	74,315
South Disouq gas sales (boe)	**348,698**	390,609	400,525	428,903	218,535	-	-	-
Morocco gas sales volumes (boe)	**95,508**	72,877	50,116	78,525	81,887	76,039	66,358	68,458
Other products sales volumes (boe)	**22,308**	29,722	28,935	25,658	46,202	41,212	44,875	48,791
Total sales and service fee volumes (boe)	**520,673**	550,517	536,742	733,676	526,381	315,272	306,332	334,332

(1) Until 31 December 2019, NW Gemsa sales of gas, condensate and NGLs were reported in other product sales. Sales of these products made in Q1 2020 were reported with NW Gemsa sales.

Selected annual information

	Year ended 31 December		
US$'000s	**2020**	2019	2018
Total net revenue	**46,068**	34,822	28,465
(Loss)/profit and total comprehensive (loss)/income for the year ended	**(2,058)**	(18,186)	112
Net (loss)/income per share			
Basic	**$(0.010)**	$(0.089)	$(0.001)
Diluted	**$(0.010)**	$(0.089)	$(0.001)
Total assets	**124,603**	133,018	138,107
Total non-current liabilities	**7,112**	6,698	4,572

Nicholas Box
Chief Financial Officer and Director
19 March 2021

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 set out below:

Risk	Mitigation
Investment returns	
Insufficient liquidity to ensure the business remains a going concern/funded for planned activity	• An effective cash forecasting process is established and maintained. Management undertakes severe but plausible downside analysis. • Receivables are collected on a timely basis. • Relationships with lenders are maintained and/new relationships are formed, if necessary. • There is effective working capital management. • Effective contracting processes are established and maintained.
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 maintain an 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' investments generate adequate returns.
Operations and HSE	
Major operational incident	• The SDX safety management system is implemented. • Key process safety metrics are measured. • Regular inspections of non-operated assets are carried out. • Insurance is procured to address insurable risks.
Failure of exploration and development strategy	• Robust G&G resources and a process for evaluating exploration and development opportunities are put in place. • The Company only works 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	• A field development planning process is established. • Production reports are produced on a timely basis. • A maintenance and operability process is established. • A reservoir management process is established. • Adequate human/technical resources are in place within the organisation.
Terrorism & sabotage	• Develop and implement the 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 in relation to the 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	• A fully communicated and embedded ABC policy and Code of Conduct is established and maintained. • Annual ABC training, with written confirmations from recipients, takes place. • Appropriate tone at the top

SDX Energy Plc Directors' S.172 Statement

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, considering the long-term consequences of our decisions, and the need to foster a sound business reputation. The Board of Directors believes that all stakeholders must be treated with fairness and respect, and has 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 chart sets out the responsibilities of each of the above stakeholder groups and the methods by which we engage with them, as overseen by the Board as a whole:

Stakeholder	Internal responsibility	Communication channels	Issues typically considered
Employees	Chief Executive	Email Telephone and videoconferences 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 Email Telephone	Environmental management Social development initiatives Community health
National and local governments and regulatory agencies	Country managers	Face-to-face meetings Email Telephone Written communications	Asset management Environmental compliance Social investment Cash collections
Asset partners	Chief Executive Officer & Country Managers	Face to face meetings Email 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

continued

Shareholders

The Board places equal importance on all shareholders and recognises the significance of transparent and effective communications with shareholders.

The primary communication tool with our shareholders is through the Regulatory News Service, ("RNS") on regulatory matters and matters of material substance. The Company's website provides details of the company, its operations, corporate presentations, AIM rule 26 information, and QCA code disclosures.

The Company's annual report and Notice of Annual General Meetings ("AGM") are available to all shareholders. Unfortunately, due to UK government guidelines during 2020, our shareholders were asked not to attend our most recent AGM, but we look forward to welcoming participants when it is next possible.

During 2020, investor events were held to enable a dialogue with the Executive Directors and other members of management. We delivered on our commitment to hold at least two conference calls specifically for retail investors and, in addition to the quarterly operating and financial results forums, we arranged a virtual Capital Markets Event in November.

By providing a variety of ways to communicate with investors, the Company feels that it reaches out to engage with a wide range of its stakeholders.

Employees

The Board regularly engages with its employees. Management holds frequent 'town hall' meetings with staff in the UK, Egypt, and Morocco. It 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 2020 ESG report on pages 33 to 35 of the annual report.

Financial institutions (Lenders)

As detailed in the 2020 Financial Review, the Board has renewed its relationship with EBRD through the agreement of a new, five-year reserves-based lending facility. It will replace the existing facility with EBRD and re-establish US$10 million of availability once customer conditions precedent are met.

The Board seeks to ensure at all times that 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 that we maintain high standards of business conduct, which benefit 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 2020, our suppliers successfully helped us to deliver our South Disouq and Morocco drilling campaigns, tie-in our SD-12X discovery well, and connect a number of wells in Morocco, all while dealing with the challenges that COVID-19 has posed.

The Board also aims to foster productive relationships with our asset partners. Throughout 2020 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 assets are managed effectively. We acknowledge that our responsibility includes adhering to local environmental and social regulations, which in 2020 included conducting environmental impact assessments ahead of drilling in Morocco and Egypt, produced water management in Morocco and at South Disouq, and land use rental and farmers' compensation at the South Disouq asset.

ESG Report

SDX's purpose is to supply energy in an environmentally conscious manner to the benefit of all its stakeholders. 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 affected by our business, our employees, host governments, and all our other business partners.

Our 2019 annual report featured our inaugural reporting on ESG. In it, SDX committed to measure and report key ESG metrics to be able to provide stakeholders with information about our ESG performance on an annual basis. During 2020, several reporting frameworks were considered and the Company has adopted elements of the Sustainability Accounting Standard Board ("SASB") framework. Metrics reported are calculated in accordance with methodologies set out in the SASB standards.

Materiality assessment

SDX has undertaken a materiality assessment and mapping exercise to SDX has undertaken a materiality assessment and mapping exercise to rank ESG topics according to their significance to our business and stakeholders. Material topics were those considered to be financially material or that may reasonably be considered important for reflecting the organisation's economic, environmental, and social impacts, or that could influence the decisions of stakeholders.

The following ESG topics were identified as material to SDX:

- Greenhouse gas emissions
- Water and wastewater management
- Ecological impacts
- Health and safety
- Business ethics
- Critical incident risk management and systemic risk management
- Employee engagement, diversity, and inclusion
- Human rights, labour practices, and community relations

Reporting boundaries

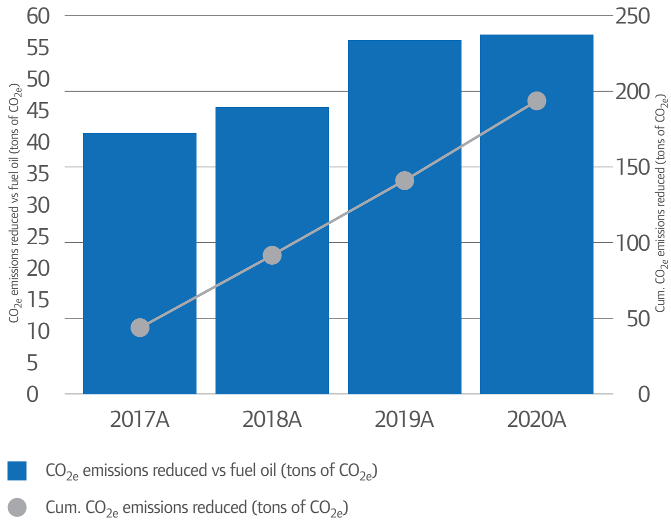
The ESG reporting boundary for this report is SDX's operated assets and office locations. Non-operated assets are currently outside the reporting boundary for these reasons:

- It is not yet possible to gain sufficient assurance over the accuracy and completeness of data from non-operated assets across all ESG topics; and
- Non-operated assets are less material. As at 31 December 2020, non-operated assets (West Gharib) accounted for 10% of Group working interest production, 10% of Group netback, and 5% of Group assets.

Greenhouse gas emissions

FY2020 scope 1 greenhouse gas emissions in Morocco were 869 tons of CO_{2e}, and at South Disouq, 5,830 tons of CO_{2e}. The carbon intensity of the operations was 2.2kgCO_{2e}/boe and 1.8kgCO_{2e}/boe, respectively. Both operations compare favourably to peers and the wider industry. The Morocco operation is characterised by a simple process whereby the only treatment of the natural gas is separation of produced water before it is flowed into our pipeline and distribution network. At South Disouq, produced natural gas is used as the primary fuel for the CPF, which was constructed and assembled in 2019 and incorporates the latest energy-efficient technologies.

In Morocco, scope 3 emissions at our eight industrial customers consisted of 113,000 tons of CO_{2e} in 2020. However, given that these factories would otherwise consume more polluting fuels, the company's supply of natural gas reduced our customers' CO2 emissions by 57,000 tons of CO_{2e} during the year versus heavy fuel oil.



Note-emission reductions assume alternative fuel is heavy fuel oil

Water and wastewater management

Produced water is a natural by-product of oil and gas production. Untreated, produced water can be harmful to the environment. SDX operates assets located in agricultural areas and ensures that there is no discharge of produced water into the environment.

In Morocco, all produced water is transferred to lined pits and naturally evaporates. At South Disouq, produced water is first stored in bunded tanks at the CPF and then is trucked offsite for treatment and recycling. No water is injected or discharged at either operation.

Ecological impacts

As noted above, due to the sensitivity of the location of our operations, the company takes appropriate steps to mitigate the risk of hydrocarbon spills. Morocco does not produce liquid hydrocarbons, and at South Disouq the condensate tanks are newly commissioned with strict protocols in place to prevent spills, such as when loading road tankers. These operations take place in bunded areas to reduce environmental contamination risk.

There were no hydrocarbon spills at either operation during 2020.

Energy efficient technologies

Health and safety

SDX is committed to protecting the safety of its employees, contractors, and the communities in which it operates.

Regrettably, there was one minor Lost Time Injury ("LTI") at South Disouq during 2020 in which a contractor was injured but returned to work after three days. SDX immediately conducted an incident report and lessons learned exercise. The safety management system was modified to ensure that a similar incident will not occur in future. This LTI was the first to be recorded by SDX Energy.

There were no recordable injuries in Morocco.

Business ethics

Peace, stability, human rights, and effective governance based on the rule of law are important conduits of sustainable development. SDX conducts its business in a fair and transparent manner, empowering our employees to adhere to the required standards of practice, wherever our business takes us.

SDX has in place the following codes, policies and procedures that seek to address ethical matters:

- Code of business conduct
- Anti-bribery and corruption policy
- Whistleblowing procedures
- Privacy notices and personal data protection (GDPR Compliance)

These policies are distributed to all employees.

None of the SDX's oil and gas reserves are in countries within the 20 lowest rankings in Transparency International's Corruption Perception Index (CPI).

Critical incident risk management and systemic risk management

Risk management and mitigation is a key tenet in SDX's operating philosophy. We have embedded a risk process that runs from the operations teams in the field through to senior management and board levels. The foundation of this process is risk identification and assessment through tools such as safety analysis, project risk assessment, and business risk planning. A regular review process ensures that these risks are mitigated and remain evergreen. Risks that are material to the Company overall are reviewed at the executive committee level and are approved by the CEO and the remainder of the board.

Employee engagement, diversity and inclusion

SDX is committed to providing equal opportunities to all employees. Employees receive equal treatment regardless of:

- Age
- Disability
- Gender reassignment
- Marital or civil partner status
- Pregnancy, maternity or paternity
- Race
- Colour
- Nationality, ethnic, or national origin
- Sex or sexual orientation

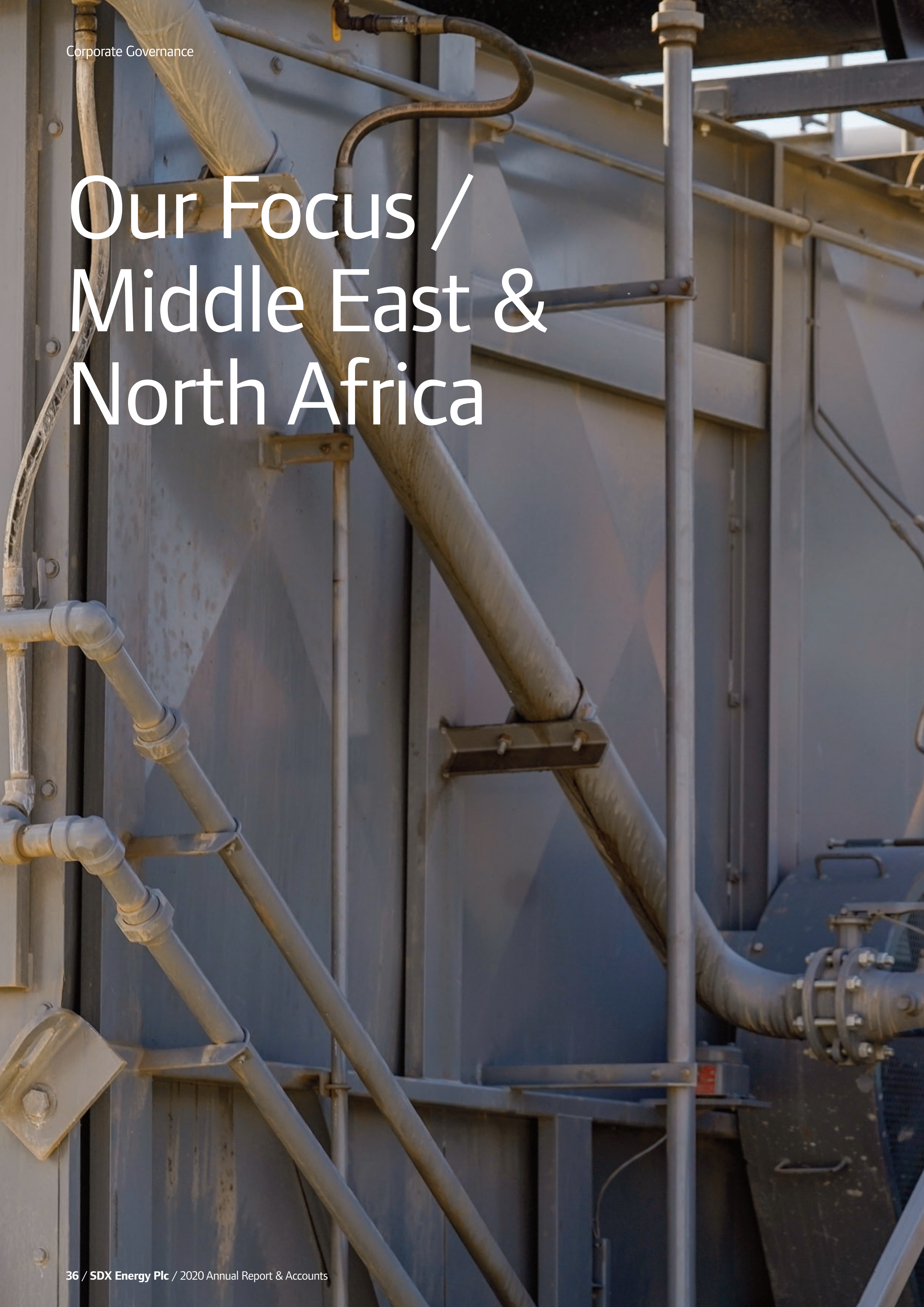
We also believe in the importance of promoting diversity and equality, which are essential to create a rich mix of skills and abilities across the business. We are proud of the composition of our team and were pleased to welcome Catherine Stalker to the Board as a Non-Executive Director in February 2020. Across the business, 15% of our employees are female, including the senior reservoir engineer, 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.

Human rights, labour practices and community relations

SDX respects the human rights of all our employees, contractors, and those within our supply chain. We have a zero-tolerance approach to human rights abuse and modern slavery and seek to operate in accordance with all applicable UK, Egyptian, and Moroccan human rights rules and labour laws. SDX works exclusively with reputable local and international contractors and conducts industry-standard tender exercises for all significant projects.

SDX contributes to the economic and social development of our countries of operation by creating meaningful partnerships to ensure that our operations align with local priorities and business cultures. Wherever possible, we employ and nurture local talent. Of our 51 permanent salaried roles across Egypt and Morocco, we are proud that 50 (98%) are filled by national citizens. We also use domestic suppliers and contractors at our operating sites whenever possible.

SDX proactively engages with the local communities that are affected by our operations and strive to be of benefit to them. While our ability to undertake community initiatives in Egypt and Morocco was limited by the restrictions put in place to counter the COVID-19 pandemic, our teams remain mandated to seek out opportunities, with a focus on health care and education.



Our Focus / Middle East & North Africa

Corporate Governance

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. He has had significant exposure to M&A transactions and the equity and debt capital markets. Between 2009 and 2015 he was Finance Director at the AIM-listed Aurelian Oil and Gas Plc and Chariot Oil and Gas Limited. Prior to this, he spent seven years as an emerging markets E&P banker and was head of oil and gas in the London office of BNP Paribas Fortis. He also spent seven years with Ernst & Young Corporate Finance advising on M&A, IPO, and other fundraising transactions.

Mr. Reid has an MBA (Distinction) from Strathclyde University. He 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 was appointed chief financial officer and director of SDX Energy Plc in November 2019. He is a Chartered Accountant and a Fellow of the Institute of Chartered Accountants in England and Wales. Prior to joining SDX Energy Plc as Group Financial Controller in 2016, Mr. Box worked for PwC in the UK, Australia, and Mongolia, primarily in the natural resources sector. He has over 14 years of professional experience in accounting, capital markets transactions, post-merger integrations, and internal controls.

Non-Executive Directors

Michael Doyle
Non-Executive Chairman

Mr Doyle is a Professional Geophysicist and a Certified Corporate Director with more than 35 years of industry experience. He is a principal of privately-held CanPetro International Ltd. and its affiliates and has been a director of Equal Energy Ltd. since 1997. Mr. Doyle was a founding director and chairman of Madison PetroGas in 2003.

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 role, he held a variety of exploration positions at Dome Petroleum and Amoco Canada. Mr. Doyle holds a Bachelor of Science (Maths and Physics) from the University of Victoria.

David Mitchell
Non-Executive Director

Mr. Mitchell is an international oil and gas executive with more than 35 years of experience, including with BP and Nexen. He was CEO of Madison PetroGas and built the company prior to the merger with Sea Dragon Energy.

Mr. Mitchell built projects with teams in the Middle East, West Africa, Latin America, and the North Sea. He has lived and worked in several countries, including a year in Egypt with BP. Mr. Mitchell received his BSc Honours degree in, Geology from the University of London and his Mhil 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. He moved to Panmure Gordon in 1992, where he worked for 20 years, including eight years as CEO. Mr. Linacre is currently Senior Managing Partner at Instinctif Partners, a leading business communications firm.

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

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 has worked at the Bank of England, and at PwC in Moscow and Berlin, where she headed 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. Ms. Stalker 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.

Amr Al Menhali
Non-Executive Director

Mr Al Menhali has a track record of over 20 years in the financial services industry in a variety of leadership positions, including as former CEO of Waha Capital PJSC and 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.

Chairman's Introduction to Corporate Governance

The board seeks to embed good corporate governance throughout the business, from the executive level to in-country operations.

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

The board seeks to embed good corporate governance throughout the business, from the executive level to in-country operations. In 2020, following our re-domicile from Canada to the United Kingdom, we adopted the Quoted Companies Alliance Corporate Governance Code 2018 (the "Code") after transitioning from its Canadian equivalent. My fellow directors and I believe that, in becoming a UK Plc, the Code is the most appropriate recognised framework for the Company, and this is discussed in more detail in our annual Code disclosures on pages 44 to 49.

As we reflect on the successes and challenges of 2020, I look forward to continuing to build upon the existing values 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
19 March 2021

Statement of Corporate Governance

Board composition
Catherine Stalker was appointed to the Board in February 2020 as an independent Non-Executive Director, and named Chair of the Remuneration and Nominations committees. The Board was delighted to welcome Catherine, particularly given her background in governance and energy.

As at 31 December 2020, the Board of the Company consisted of the Non-Executive Chairman, the Chief Executive Officer, the Chief Financial Officer, and four Non-Executive Directors. All the non-Executive directors are independent in character and judgement and have the range of experience and expertise 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 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. During 2020 a Board performance evaluation was undertaken, 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 44 to 49 of the annual report.

The Board holds scheduled meetings each year. Additional meetings are held when necessary to consider matters of importance that 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, among others, approval of the Group's strategy and annual objectives, monitoring compliance with significant policies and procedures including health and safety, oversight of communications and public disclosure, approval of the Group's annual report and accounts, succession planning, and the 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 the executive management. The Board is responsible for monitoring the activities of the executive management. The Chairman is responsible for ensuring that the Board discharges its responsibilities. In the event of a tied vote 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. The Company promotes its commitment through its public statements on its website, in its report and accounts, and internally through its communications to 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 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, a Nominations Committee, and a Remuneration Committee. 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. Its purpose is to help the board oversee 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 2020 and proposes to meet at least four times during the next financial year. It 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. Its 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. David Mitchell chairs the Reserves Committee and the other member is Michael Doyle. The committee met once in 2020 and typically meets once a year prior to publication of the annual results.

Statement of Corporate Governance

continued

Board Committees and Structure (continued)

Remuneration Committee

The Remuneration Committee meets regularly to consider all material elements of remuneration policy, share schemes, and the remuneration and incentivisation of Executive Directors and senior management. Its role is to monitor and review 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 three times in 2020 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. The committee is chaired by Catherine Stalker and the other members are Tim Linacre and Amr Al Menhali.

Nominations Committee

The Nominations Committee was created in 2020 as a standing committee of the Board It is comprised of two independent Non-Executive Directors, and three non-independent Non-Executive Directors. It oversees succession planning, the structure, effectiveness, and performance of all members of the Board and all Board committees, and the recruitment and induction of directors.

The committee is currently comprised of Catherine Stalker (Chair), Michael Doyle, Amr Al Menhali, Tim Linacre, and David Mitchell. The committee held its inaugural meeting in 2020 and proposes to meet at least twice during the next financial year.

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 from time to time to deal with issues that arise. The Non-Executive Directors hold informal meetings during the year at which members of management are not in attendance. The Directors' attendance at scheduled Board meetings and committees during 2020 is detailed in the table below:

Board Evaluation

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

A Board performance evaluation was carried out in 2020, led by the Nominations Committee. The process and results are discussed in the Nominations Committee report on page 54.

The directors have a wide knowledge of the Company's business and understand their duties as directors of a company quoted on AIM. They have access to the Company's Nominated Adviser, auditors, and legal counsel as and when required. These advisers 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 was pleased to announce the appointment of Catherine Stalker in February 2020. The Board, supported by the Nominations Committee, 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
19 March 2021

Director(1)	Board	Audit	Nominations(2)	Remuneration(3)	Reserves
Michael Doyle	4*	4	1	3+	1
Mark Reid	4	4+	1+	3+	1+
Nick Box	4	4+	1+	3+	–
Tim Linacre	4	4*	1	3	–
David Mitchell	4	4+	1	3+	1*
Amr Al Menhali (4)	1	1	–	1	–
Catherine Stalker (5)	4	4+	1*	3*	–
Total meetings	**4**	**4**	**1**	**3**	**1**

* Chairman

\+ Invitee

Notes:

(1) The Non-Executive Chairman, CEO, CFO, 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) The nominations committee was established on 17 November 2020, with each Non-Executive Director a member and Catherine Stalker appointed as Chairman.

(3) Following her appointment as a Director in February 2020, Catherine Stalker was appointed Chairman of the remuneration committee.

(4) When Mr. Al Menhali was unable to attend a scheduled Board or committee meeting, a senior member of Waha Capital's management team attended as his representative.

(5) Catherine Stalker was appointed as a Director on 6 February 2020.

Directors' Report

The Directors of the Company present their report and the audited Consolidated Financial Statements of SDX Energy plc ("SDX" or the "Company") for the year ended 31 December 2020.

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 the 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 loss for the year was US$2,058k (2019: loss of US$18,186k). The Directors do not recommend the payment of a dividend (2019: US$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 during the year and to the date of this report:

Mark Reid	(appointed 20 March 2019)
Michael Doyle	(appointed 28 May 2019)
Timothy Linacre	(appointed 28 May 2019)
David Mitchell	(appointed 28 May 2019)
Nicholas Box	(appointed 12 November 2019)
Amr Al Menhali	(appointed 20 November 2019)
Catherine Stalker	(appointed 6 February 2020)

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	692,897	366,970
Nick Box	Ordinary	97,261	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
Catherine Stalker	Ordinary	111,359	-

(1) Amr Al Menhali, the former CEO of Waha Capital PJSC, is the shareholder representative 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.

During the financial year, Mark Reid and Nick Box were both granted rights to subscribe for shares in the Company as part of the Company's Long Term Incentive Plan. Mr. Reid and Mr. Box were also awarded shares in the Company during 2020 as a component of the 2019 bonus. Details of these awards is given in the 2020 Remuneration Report on pages 50 to 53 of the Annual Report. Neither Mr. Reid nor Mr. Box exercised rights to subscribe for shares in the Company during the financial year.

No rights to subscribe for shares in, or debentures of, Group companies were granted to any of the other 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 16 to the Consolidated Financial Statements and in the 2020 Remuneration Report on pages 50 to 53 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 auditors in connection with preparing its report, of which the auditors are unaware. Having made enquiries of fellow directors and the Group's auditors, each director has taken all the steps that he or she is obliged to take as a director in order to make him or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

On behalf of the Board

Mark Reid
Chief Executive Officer and Director
19 March 2021

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)

The Company's strategy is to develop and maintain a portfolio of onshore/near-shore oil and gas exploration and production assets in the MENA region that deliver high-margin production, such that SDX would generate, on average, US$15/boe in operating profit in any price environment. 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 6 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 points of contact for such matters

The Company engages with its shareholders through regulatory news flow, providing statutory financial results, 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. It also includes a facility under which shareholders may submit questions or make comments relating to the Company's business. Contact details for all regulatory announcements can be found on the website. Whenever possible, the Company endeavours to respond to enquiries.

Under normal circumstances, the Company's Annual General Meeting ("AGM") 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. In 2020, and in accordance with the then-prevailing UK Government requirements for people to avoid both gatherings of more than two people who did not live together and all non-essential travel and social contact, shareholders were asked not to attend the AGM. The Company will continue to observe applicable guidelines for the 2021 and future AGMs.

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.

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 affect 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 33 to 35 of this Annual Report.

The Company's operations and working methodologies take account of the need to balance the needs of all stakeholder groups while maintaining a primary focus on the promotion of the success of the Company for the benefit of all shareholders. 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 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 several 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 in line with feedback received and, for example, may have an impact on field development plans, production optimisation, JV organisation charts, etc.

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

QCA Code Compliance Disclosures

continued

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

A culture of risk awareness and management is encouraged at all levels throughout the Company. The board regularly reviews strategic risks. 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 that additional third-party expertise is required. By receiving frequent updates on developments pertaining to the business and operations, the board maintains a full and active awareness of operational and financial risks and the assurances that effective control systems are in place.

The Company maintains appropriate insurance cover in respect of its activities. The insured values and type of cover are comprehensively reviewed on a periodic basis.

The Company's approach to the management and identification of risk is set out in the Business Risks and Uncertainties section of the Financial Review, contained in the 2020 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 that require 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 continues to develop and the needs of the business grow.

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. As set out in 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 and Catherine Stalker to be Independent Directors. The Company is delighted that Mr. Linacre and Ms. Stalker have decided to invest personal funds into ordinary shares in the Company. The Company believes that this investment demonstrates an alignment of interests between these individuals as Non-Executive Directors and the Company. However, the size of these holdings represents less than 1% per cent of the Company's issued share capital and therefore the Company does not consider the size of the holdings to compromise independence. The Company thereby 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 the whole of their working 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 2020 annual report on page 42.

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 2020 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 possess a wide range of experience and skills. To meet the requirements of an independent upstream oil and gas exploration, development, and production company their experience and skills must cover financial, legal, operational, and technical knowledge of risk management and growth in the independent sector and in public markets. Each of the directors on the Board, both executive and non-executive, has considerable experience and all have skills which are complementary and sufficient to cover all the requirements of the Board. The composition of the board is regularly reviewed to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group and the management team. The Company strives to maintain a diverse board. For a background history of each of the directors, please refer to pages 38 to 39 of the 2020 annual report.

Explain how each director keeps his/her skillset up to date

Board members have significant experience 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, and from other advisors (including legal counsel and the independent auditors) on developments relevant to directors' roles. Each director is also encouraged to discuss any matter of interest with the Company's professional advisors, as needed.

Where the board or any committee has sought external advice on a significant matter, this must be described and explained

The Reserves Committee engages independent reserves auditors to provide an independent competent persons report on the Company's end of year reserves. The Remuneration Committee engages external advisors to provide external benchmarking for executive and non-executive remuneration.

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/

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 can 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 AIM requirements.

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

QCA Code Compliance Disclosures

continued

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). Catherine Stalker was appointed to the Board in February 2020.

Following these changes, in late 2020 the Nominations Committee carried out a Board performance review, the results of which were evaluated in 2021. This exercise was conducted internally, drawing on the experience of the Chairman of the Nominations Committee in conducting similar evaluations in her other roles. In future external facilitation may be used.

The following areas were covered by the review:

- Board oversight of development and implementation of strategy;
- Creation and support of a high-performing management team;
- Financial reporting;
- Risk management;
- Stakeholder management;
- Effectiveness of board and committee meetings;
- Personal development requirements and ensuring they are satisfied; and
- Additional relevant areas.

For further discussion, see the Nominations Committee report, on page 54 of the 2020 Annual Report.

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

See the Nominations Committee report, on page 54 of the 2020 annual report.

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

See the Nominations Committee report, on page 54 of the 2020 annual report. The next Board evaluation will be undertaken at an appropriate time, expected to be within two years.

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

The Nominations Committee, reporting to the Board, is responsible for succession planning.

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 Board of Directors establishes the corporate culture of the Company and the Chief Executive Officer communicates it to the Company through scheduled internal meetings with the Executive Committee, which in turn disseminate it throughout the organisation. By this means the Company's strategy, objectives, and approach to health, safety, environmental, and diversity issues are communicated to all employees with the Board maintaining full oversight.

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 full feedback system by which the Chairman, Chief Executive Officer or Chairman of the Audit Committee are made aware of any deviation from the Company's ethical values.

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

Please, refer to the 2020 annual report pages 50 to 56.

Further information relating to the Company's Committees can be found on the Company's website https://www.SDX-energy.com/boardcommittees

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 that require Board approval.

Strategy and plans: responsible for supervising the formulation of the strategic direction, plans, and priorities for the Company; approving capital expenditure budgets and related operating plans; and approving material divestitures and acquisitions;

Financial and corporate issues: responsible for ensuring the implementation and integrity of the Company's internal control and management information systems; approving financial statements and approving the release thereof by management;

Identification and management of risks: responsible for ensuring that management has identified the principal risks of the Company's business and implemented appropriate strategies to manage the risks;

Policies and procedures: responsible for monitoring 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 the Company's overall corporate governance arrangements;

Other: retain, oversee, compensate, and terminate the independent advisors who assist the board in its activities.

Describe any plans for evolution of the governance framework in line with the Company's plans for growth

As the business grows and Committee member changes are made, the Company plans to focus on the results of the recent Board evaluation. Each Committee chairman also plans to refresh each Committee terms of reference which shall reflect the Company's plans for growth.

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

Please refer to the 2020 Annual Report, pages 50 to 56.

Include an audit committee report (or equivalent report if such committee is not in place)

Please refer to the 2020 Annual Report, page 55.

Include a remuneration committee report (or equivalent report if such committee is not in place)

Please refer to the 2020 Annual Report, pages 50 to 53.

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 (including the Committee Chair), and one non-independent Non-Executive Director.

The Committee is currently comprised of Catherine Stalker (Chairman), Tim Linacre and Amr Al Menhali.

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, who are currently the Chief Executive Officer, and Chief Financial Officer, and senior management. The Committee's role is to ensure that the Company has the right skills and expertise it needs to achieve its strategy 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 three meetings during 2020. 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 oversees the overall compensation policy for the senior employees and Executive Directors of the Company. Subject to the approval of the board, it is responsible for:

- setting and regularly reviewing 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;
- monitoring the level and structure of remuneration for senior management;
- obtaining reliable, up-to-date information about remuneration in other companies of comparable scale 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 the overall and individual amount of awards, if any, to be granted, 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
- taking a wider view on workforce remuneration and human resource policies.

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

Remuneration Committee Report

Summary of work undertaken during 2020

- The Committee reviewed attainment against the 2019 KPIs and associated bonus pool. The allocation and payment of this bonus pool, which in prior periods has been made in March, was deferred given prevailing uncertainty associated with COVID-19 and oil market volatility.
- The Committee considered a number of alternatives for the 2019 KPI bonus and, taking into consideration resilient performance and that no government support such as furlough or tax holidays were taken, the Board subsequently approved a partial bonus to be paid in September in a combination of cash and shares; this helped preserve the Company's liquidity and supported alignment of management with shareholders.
- The Committee reviewed and recommended the 2020 KPIs for the bonus plan
- The Committee reviewed and recommended the 2020 awards granted under the Company's Long Term Incentive Plan ("LTIP"), new joiner awards, and the partial vesting of the 2017 LTIP awards.

2021 looking forward

During the year, the Committee will:

- Consider the bonus outturn for 2020
- Establish KPIs for the 2021 bonus
- Consider an LTIP award grant
- Look more widely at remuneration arrangements for senior management

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 2020 and 2019 financial years in USD:

	Mark Reid (US$)	Nick Box (US$)
Salary(1)	384,185	192,092
Annual bonus(2)	-	-
Benefits(3)	1,935	4,474
Pension	19,209	9,605
Total 2020	**405,329**	**206,171**
Salary(4)	327,850	25,444
Annual bonus(5)	153,674	76,837
Benefits(3)	1,690	635
Pension	16,393	1,272
Total 2019	**499,607**	**104,188**

(1) No adjustment was made to Mr. Reid's or Mr Box's salary in 2020.

(2) 2020 bonuses for Messrs. Reid and Box have been deferred due to ongoing macroeconomic uncertainty.

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

(4) Mr. Box was appointed as a Director on 12 November 2019. The 2019 information given in the table above covers the period that he served as a Director during that year.

(5) It was disclosed in the 2019 Annual Report that the annual bonuses for Messrs. Reid and Box had been deferred. In September 2020, Mark Reid was awarded a bonus of £120,000, of which £48,000 was paid in cash and £72,000 in shares in the Company, and Mr. Box was awarded a bonus of £60,000, of which £36,000 was paid in cash and £24,000 in shares in the Company. Both Mr. Reid's and Mr. Box's shares are subject to holding periods. These bonuses reflect 40% attainment of possible target opportunity in 2019 against KPIs.

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, known together as the "Discretionary Plans".

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.

The Discretionary Plans governs all future grants of share awards by the Company to Directors, officers, employees and certain consultants of the Group. The directors will ensure that the maximum number of ordinary shares which may be issued 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. As at the date of this report, this figure is 3.7%.

In 2020, the Company incurred share-based payment charges of US$114k (2019: US$400k) in respect of Discretionary Plan awards to directors.

Remuneration Committee Report

continued

Long Term Incentive Plan

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 10 years from the date of grant.

An LTIP award was made in September 2020, which included the following performance measures, stretch targets, and weightings:

Performance measure	Stretch target	Weighting
Post-tax operating cash flow	US$135 million	16.67%(1)
Working interest production	27,000 boe/d	16.67%(1)
Proved and probable reserves	75 million boe	16.67%(1)
Total shareholder return	Outperform the FTSE All-Share Oil & Gas index(2)	50.00%

(1) Rounded to the nearest 0.01%

(2) Outperformance of the FTSE All-Share Oil & Gas index constitutes threshold performance and would result in a 25% attainment of this performance measure. The degree of outperformance will be considered by the Board of Directors when assessing attainment above this initial 25% level.

The vesting date for the LTIP awards granted in July 2017 LTIP was in July 2020. The Committee considered outturn against the performance targets within the award, and concluded that the targets had been partially achieved (22% attainment) such that a total of 263,548 options would vest over ordinary shares, representing 0.129% of the Company's current issued share capital at that time. This recommendation was made to the Board of Directors, which exercised its discretion in approving the partial vesting.

As at the date of this report, the following awards made to certain directors and employees under the LTIP were outstanding:

Director/employees	Total number of LTIP awards outstanding
Mark Reid	2,003,523
Nick Box	912,593
Employees below Board level (in aggregate)	4,205,428
Total	**7,121,545**

It is the intention that LTIPs are awarded on an annual basis, and the Committee will consider an award in 2021.

Stock Option Plan

The following awards have been granted to certain directors and employees under the Stock Option Plan. The most recent grant was July 2017.

Director/employees	Total number of Stock Options granted
Michael Doyle	160,000
David Mitchell	160,000
Nick Box	40,000
Employees below Board level (in aggregate)	-
Total	**360,000**

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. All 360,000 outstanding options have vested. Vested options may be exercised up to five years from the date of grant. During the period, 795,000 vested options expired.

The exercise price of the outstanding options ranges between £0.21 and £0.45, with expiries in 2021 and 2022.

Non-Executive Director fees

	2020 fees US$[1]	2019 fees US$
Michael Doyle	**89,770**	76,801
Tim Linacre	**57,628**	48,940
Amr Al Menhali[2]	**51,225**	5,816
David Mitchell	**57,709**	49,066
Michael Raynes[3]	-	18,614
Catherine Stalker[4]	**51,997**	-

(1) In 2020, the Chairman's fee remained at £70,000 and Director fees remained at £40,000. Committee Chair fees remained at £5,000, other than the Nominations Committee Chair fee which is £nil.

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

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

(4) Catherine Stalker was appointed as a Director on 6 February 2020

External advisors

The committee retained the services of PricewaterhouseCoopers LLP, who provided a paper on market practice for:

i) Executive remuneration package structure; and

ii) Incentive design and operation including structure, measures, weightings, and reference points for targets.

Fees totalling US$49,000 were charged for this engagement.

Catherine Stalker
Chairman of the Remuneration Committee
19 March 2021

Nominations Committee Report

The Nominations Committee (the "Committee") was created in 2020 as a standing committee of the Board of the Company and is comprised of five Non-Executive Directors.

The Committee is currently comprised of Catherine Stalker (Chairman), Michael Doyle, Amr Al Menhali, Tim Linacre, and David Mitchell.

The purpose of the Committee is to oversee:

- effective succession planning for the Board, its committees, and the senior executives of the Company
- the structure, effectiveness, and performance of all members of the Board and of all Board committees; and
- the recruitment and induction of directors.

The Committee was constituted in November 2020 and it held one meeting during the year, with a further meeting in February 2021. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

Subject to the approval of the board, the Committee is responsible for:

- regularly reviewing the structure, size, and composition (including the skills, knowledge, experience, and diversity) of the Board and making recommendations to the Board with regard to any changes;
- succession planning for directors and other senior executives, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future;
- identifying and nominating for the approval of the Board, candidates to fill Board vacancies as and when they arise; and
- establishing, reviewing, and leading the Board performance evaluation process.

Summary of work undertaken during 2020

- The Committee was established in November 2020
- The Committee agreed the approach to be taken to a Board performance evaluation. This exercise was conducted internally, drawing on the experience of the Chairman of the Committee in conducting similar evaluations in her other roles.
- The evaluation took the form of an online questionnaire that all directors completed in December 2020 followed by a discussion of the results at the Committee meeting in February 2021.
- The evaluation found that the Board was focusing well on development of the strategy and overseeing risk management. Meetings are felt to be efficient with management providing good information to the non-executives. The following areas were identified for further attention:
    - Working more closely with senior management to provide feedback and develop the team. To address this, a meeting was held in February 2021 to consider specifically the performance of the top nine senior managers, identify areas for development and potential gaps in the team. It is planned that the Nominations Committee will do this at least once per year going forward.
    - Improving how the Board monitors the company culture to support delivery of the Company's strategy. It was agreed that the Board will gain more visibility of the team by increasing participation at meetings; and
    - Additional engagement with stakeholders. It was agreed that the company would undertake an employee engagement survey which has been launched in March 2021. Further information on suppliers and customers will be provided in board reports to supplement the information already produced.

2021 looking forward

It is intended that the Committee will meet at least twice in 2021. A board evaluation at the end of 2021 is planned to review how the Board's effectiveness is developing, and to track progress made on the points identified in this year's evaluation. Succession planning for the Board will also be given more focus in 2021.

Catherine Stalker
Chairman of the Nominations Committee
19 March 2021

Audit Committee Report

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

The Committee is currently comprised of Tim Linacre (Chairman), Michael Doyle, and Amr Al Menhali.

An important part of the role of the Committee is 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 its independence and objectivity.

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 is 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. It also considers significant issues throughout the year. During 2020, these matters included:

- Reviewing the key assumptions management uses to assess the carrying values of assets for potential impairment. As disclosed in the financial statements, the South Disouq asset was tested for impairment, but no charge was required.
- Accounting for the disposal of the Group's interest in the NW Gemsa and South Ramadan concessions, including classification of each as a discontinued operation; and
- Assessing the impact of COVID-19 and oil price volatility on the Group's financial statements and other disclosures.

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 review this position periodically.

The Board has engaged PricewaterhouseCoopers LLP ("PwC") to act as external auditor. PwC is also invited to attend Committee meetings, unless a conflict of interest exists. PwC was 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 2020 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.

Although PwC has been the Company's auditor for eight years, the Committee is comfortable that PwC's audit remains independent. As required under applicable regulations, the current senior statutory auditor, Richard Spilsbury, will be replaced by Tim McAllister for the 2021 financial year.

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 auditors 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 auditors about the conduct, results, or overall outcome of the annual audit of the Group;
- the provision of any non-audit services by the external auditors' firm or its affiliates; and
- any matters that may significantly affect the independence of the external auditors.

Tim Linacre
Chairman of the Audit Committee
19 March 2021

Reserves Committee Report

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.

2020

- 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 2020), and associated regulatory filings.

2021 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
19 March 2021

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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in 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). In preparing the group financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

Under company law, 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 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 international accounting standards in conformity with the requirements of the Companies Act 2006, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB 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's 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

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's 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's and company's auditors are aware of that information.

Low cost / High margin production

Group Financial Statements

Independent Auditors’ Report

Report on the audit of the financial statements

Opinion

In our opinion:

- SDX Energy Plc’s group financial statements and parent company financial statements (the “financial statements”) give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2020 and of the group’s loss and the group’s cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements 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
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts, which comprise: the Consolidated Balance Sheet and the Parent Company Balance Sheet as at 31 December 2020; the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity and the Parent Company Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the group financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 2 to the financial statements, the group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

In our opinion, the group financial statements have been properly prepared in accordance with IFRSs as issued by the IASB.

Basis for opinion

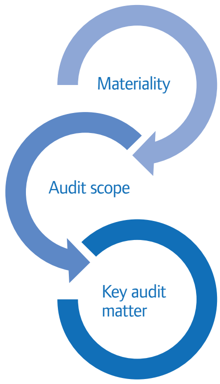
We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”), International Standards on Auditing (“ISAs”) and applicable law. Our responsibilities under ISAs (UK) and ISAs are further described in the Auditors’ responsibilities for the audit of the financial statements 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 and the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview



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. An audit of one or more account balances, classes of transactions or disclosures was performed on certain balances and transactions at a further four components.
	•	This enabled us to obtain coverage of 99% of consolidated revenue, 93% coverage of consolidated loss before tax and 99% coverage of consolidated total assets of the Group.
Key audit matters	•	Carrying value of oil and gas properties and exploration and evaluation assets (group)
	•	Impact of COVID-19 (group and parent)
	•	Carrying value of investment in subsidiaries (parent)
Materiality	•	Overall group materiality: US$1,245,000 (2019: US$1,330,000) based on 1% of total assets.
	•	Overall parent company materiality: £380,000 (2019: £188,000) based on 1% of total assets.
	•	Performance materiality: US$933,750 (group) and £285,000 (parent company).

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.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to tax regulations, employment laws, health and safety regulation, competition and anti-bribery laws and data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management and making enquiries of the Group's legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud.
- Understanding and evaluating controls designed to prevent and detect irregularities and fraud.
- Assessing significant judgements and estimates in particular those relating to impairment of oil & gas assets, impairment of exploration and evaluation assets and investment impairment assessments, and the disclosure of these items (and as outlined further in the 'Key audit matters' section of this report).
- Identifying and testing journal entries, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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.

Going Concern, which was a key audit matter last year, is no longer included because of facts and circumstances at the current report date, in our professional judgement, mean there is less judgement and uncertainty as to the appropriateness of the going concern assumption compared with the prior reporting year. Specifically, there is less risk and uncertainty as to the potential impact of the Covid-19 pandemic on the operations and business of the Group. Our conclusions in respect of Going Concern for the current year are set out in the "Conclusions relation to going concern" section below. Otherwise, the key audit matters below are consistent with last year.

Independent Auditors' Report

to the members of SDX Energy Plc

Our audit approach (continued)

Key audit matter	How our audit addressed the key audit matter
Carrying value of oil and gas properties and exploration and evaluation assets (group) Refer to note 4 Significant Accounting Policies, note 9 Property, Plant and Equipment and note 10 Exploration and Evaluation Assets. As at 31 December 2020, the consolidated balance sheet carrying value of property, plant and equipment totalled US$57.9 million (comprising US$57.3 million of oil and gas properties) and capitalised exploration costs totalled US$24.5 million. As disclosed in note 9, management identified an impairment trigger in respect of South Disouq. Management prepared an assessment of recoverable amount using Fair Value less Costs of Disposal ("FVLCD") methodology for this cash-generating unit ("CGU"), concluding that no impairment loss had occurred. We focused on this area due to the material nature of the balance, the judgement involved in identifying whether an impairment trigger had arisen and the judgement and estimation uncertainty in preparing the estimate of recoverable amount of this CGU.	We evaluated management's impairment trigger assessment for its oil and gas properties and its exploration and evaluation assets. We agreed with its assessment that an impairment trigger has arisen in respect of South Disouq. In respect of management's assessment of the FVLCD of South Disouq we: • Evaluated the compliance of management's assessment of recoverable amount for South Disouq with applicable accounting standards; • Obtained management's discounted cash flow model and assessed its mathematical accuracy; • Verified that its gas price assumptions were in line with the underlying contractual agreements for the asset; • Engaged PwC Valuation experts to assist us in assessing the reasonableness of the discount rate applied by management; • Assessed the competency, independence and objectivity of the experts in relation to the estimation of commercial reserves. We discussed the key judgments and assumptions used in the report directly with experts; • Assessed the extent to which risk had been appropriately taken into account in management's estimate; and • Evaluated the reasonableness of the valuation ascribed to the exploration acreage within the CGU. Based on the above procedures, we are satisfied that management's conclusion that no impairment loss has occurred is reasonable. Finally, we considered the adequacy of management's disclosure of the key judgements and sensitivities in relation to the impairment assessment and found these to be reasonable.
Impact of COVID-19 (group and parent) As set out in the Annual Report & Accounts, management has considered the impact of Covid-19 on the Group, alongside the actions that have been taken i n response to the pandemic. Refer to the Financial review, note 2 (e) Basis of preparation for the group and note 1 for the Parent Company. As a result of the pandemic and oil price reduction in 2020 there is a heightened level of uncertainty in respect of certain accounting estimates, such as impairment assessments. Management has also considered the potential impact of Covid-19 in undertaking their assessment of going concern. In addition to the impact on financial reporting, management has adjusted its ways of working in response to the pandemic. This has resulted in change to the Group's financial reporting processes and the control environment.	Our procedures in respect of impairment for both the Group and parent company are set out in separate key audit matters of this report. Our procedures and conclusions in respect of going concern are set out separately within the "Conclusions relating to going concern" section of this report. We considered whether changes to working practices brought about by Covid-19 had an adverse impact on the effectiveness of management's business processes controls. Our work did not identify any changes which had a significant impact on our audit approach other than needing to perform most of our work remotely. We increased the frequency and extent of our oversight over component audit teams, using video conferencing and undertaking remote review of working papers, to satisfy ourselves as to the sufficiency and adequacy of audit work performed at local components. We used local PwC resources to attend an inventory count in Morocco due to current travel restrictions in the United Kingdom. We considered the appropriateness of disclosures in the financial statements in relation to the impact of the pandemic on the relevant accounting estimates and concluded that these are appropriate.
Carrying value of investment in subsidiaries (parent) The carrying value of the parent company's investments in subsidiaries was £40.9 million at 31 December 2020. This represents 99% of the parent company's total assets. Investments in subsidiaries are accounted for at historical cost less accumulated impairment. Judgement is required to assess if impairment triggers exist and where triggers are identified, if the investment carrying value is supported by the recoverable amount. In assessing for impairment triggers, management considers if the underlying net assets of the investment support the carrying amount and whether other facts and circumstances, including impairments recorded in the Group financial statements, would be indicative of a trigger. Based on management's assessment, no impairment triggers in respect of the carrying value of investments in subsidiaries were identified at the balance sheet date. Refer to note 3 of the parent company financial statements. We focused on this area due to the material nature of the balance.	In respect of investments in subsidiaries in the parent company, we undertook the following to test management's assessment for indicators of impairment: • evaluated and challenged management's assessment and judgements, including ensuring that consideration had been given to the results of the Group's impairment assessment; and • independently performed an assessment of other internal and external impairment triggers, including considering the market capitalisation of the Group with reference to the carrying value of investments in subsidiaries in the parent company to identify other possible impairment indicators. As a result of our work, we are satisfied that management's assessment is appropriate and that there are no indicators of impairment in respect of the carrying value of the parent company's investments in subsidiaries at 31 December 2020.

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 parent 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; and
- We reviewed the component auditors' key working papers.

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 an audit of one or more account balances, classes of transactions or disclosures on a further two Egyptian components. The group engagement team performed the full scope audit of the Morocco component and one UK component and in addition, performed an audit of one or more account balances, classes of transactions or disclosures on one two further UK components. The above gave us coverage of 99% of consolidated revenue, 93% coverage of consolidated loss before tax and 99% 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:

	Financial statements-group	Financial statements-parent company
Overall materiality	US$1,245,000 (2019: US$1,330,000).	£380,000 (2019: £188,000).
How we determined it	1% of total assets	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.	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.

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 to US$1.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to US$933,750 for the group financial statements and £285,000 for the parent company financial statements.

In determining the performance materiality, we considered a number of factors-the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls-and concluded that an amount in the middle of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above US$62,250 (group audit) (2019: US$67,000) and £19,000 (parent company audit) (2019: £9,400) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Independent Auditors' Report

to the members of SDX Energy Plc

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- 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, reduction in production 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.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report & Accounts 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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2020 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 parent company and their 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, 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 and 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 group or 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) and ISAs 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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and parent company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group and parent company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group and parent company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Use of this report

This report, including the opinions, has been prepared for and only for the 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 obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the 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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Richard Spilsbury (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Aberdeen
19 March 2021

Consolidated Balance Sheet

As at 31 December 2020

US$´000s	Note	As at 31 December 2020	As at 31 December 2019
Assets			
Cash and cash equivalents	7	**10,056**	11,054
Trade and other receivables	6a	**18,608**	21,774
Inventory	8	**8,414**	7,972
Current assets		**37,078**	40,800
Investments	11	**3,790**	3,916
Property, plant and equipment	9	**57,880**	67,895
Exploration and evaluation assets	10	**24,455**	18,720
Right-of-use assets	22	**1,400**	1,687
Non-current assets		**87,525**	92,218
Total assets		**124,603**	133,018
Liabilities			
Trade and other payables	12	**20,120**	25,982
Decommissioning liability	13	**327**	317
Current income taxes	14	**241**	1,484
Lease liability	22	**461**	506
Current liabilities		**21,149**	28,289
Decommissioning liability	13	**5,862**	5,287
Deferred income taxes	14	**290**	290
Lease liability	22	**960**	1,121
Non-current liabilities		**7,112**	6,698
Total liabilities		**28,261**	34,987
Equity			
Share capital	15	**2,601**	2,593
Share premium	15	**130**	-
Share-based payment reserve	16	**7,269**	7,038
Accumulated other comprehensive loss		**(917)**	(917)
Merger reserve	15	**37,034**	37,034
Retained earnings		**50,225**	52,283
Total equity		**96,342**	98,031
Equity and liabilities		**124,603**	133,018

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

The Consolidated Financial Statements on pages 66 to 90 were approved by the board of directors on 19 March 2021 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 2020

		Year ended 31 December	
US$'000s	Note(s)	**2020**	2019
Revenue, net of royalties	17	**46,068**	34,822
Direct operating expense		**(9,535)**	(6,595)
Gross profit		**36,533**	28,227
Exploration and evaluation expense	10	**(5,809)**	(11,427)
Depletion, depreciation and amortisation	9,22	**(25,192)**	(18,677)
Impairment expense	9	**-**	(8,327)
Stock-based compensation	16	**(231)**	(178)
Share of profit from joint venture	11	**696**	1,161
General and administrative expenses			
-Ongoing general and administrative expenses	18	**(3,972)**	(4,581)
-Transaction costs	18	**(152)**	(1,079)
Operating income/(loss)		**1,873**	(14,881)
Finance costs		**(598)**	(510)
Foreign exchange gain/(loss)		**153**	(150)
Income/(loss) before income taxes		**1,428**	(15,541)
Current income tax expense	14	**(5,254)**	(2,249)
Profit/(loss) from discontinued operations	23	**1,768**	(396)
Loss and total comprehensive loss for the period		**(2,058)**	(18,186)
Net loss per share			
Basic	19	**$(0.010)**	$(0.089)
Diluted	19	**$(0.010)**	$(0.089)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

		Year ended 31 December	
US$'000s	Note	**2020**	2019
Share capital			
Balance, beginning of period	15	**2,593**	88,899
Share-for-share exchange-old	15	**-**	(88,899)
Share-for-share exchange-new	15	**-**	51,865
Capital reduction	15	**-**	(49,272)
Issue of shares	15	**8**	-
Balance, end of period		**2,601**	2,593
Share premium			
Balance, beginning of period		**-**	-
Issue of shares	15	**130**	-
Balance, end of period		**130**	-
Share-based payment reserve			
Balance, beginning of period		**7,038**	6,860
Share-based compensation for the period		**231**	178
Balance, end of period		**7,269**	7,038
Accumulated other comprehensive loss			
Balance, beginning of period	15	**(917)**	(917)
Balance, end of period		**(917)**	(917)
Merger reserve			
Balance, beginning of period	15	**37,034**	-
Share-for-share exchange		**-**	37,034
Balance, end of period		**37,034**	37,034
Retained earnings			
Balance, beginning of period		**52,283**	21,197
Capital reduction	15	**-**	49,272
Total comprehensive loss for the year		**(2,058)**	(18,186)
Balance, end of period		**50,225**	52,283
Total equity		**96,342**	98,031

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

		Year ended 31 December	
US$'000s	Note(s)	**2020**	2019
Cash flows generated from/(used in) operating activities			
Income/(loss) before income taxes		**1,428**	(15,541)
Adjustments for:			
Depletion, depreciation and amortisation	9,22	**25,192**	18,677
Exploration and evaluation expense	10	**4,457**	10,255
Impairment expense		**-**	8,327
Finance expense		**598**	510
Stock-based compensation charge	16	**231**	178
Foreign exchange gain		**(369)**	(437)
Tax paid by state	14	**(5,107)**	(1,525)
Share of profit from joint venture	11	**(696)**	(1,161)
Operating cash flow before working capital movements		**25,734**	19,283
Increase in trade and other receivables	6a	**(1,243)**	(3,572)
Increase/(decrease) in trade and other payables	12	**3,041**	(1,584)
Payments for inventory	8	**(4,459)**	(556)
Payments for decommissioning	13	**(611)**	(155)
Cash generated from operating activities		**22,462**	13,416
Income taxes paid	14	**(1,121)**	(1,306)
Net cash generated from operating activities		**21,341**	12,110
Cash generated from discontinued operations		**2,445**	12,957
Cash flows generated from/(used in) investing activities:			
Property, plant and equipment expenditures	9	**(18,188)**	(24,777)
Exploration and evaluation expenditures	10	**(10,333)**	(3,647)
Proceeds on disposal	23	**3,500**	-
Dividends received	11	**773**	639
Net cash used in investing activities		**(24,248)**	(27,785)
Cash used in investing activities of discontinued operations		**-**	(2,892)
Cash flows generated from/(used in) financing activities:			
Payments of lease liabilities	22	**(636)**	(795)
Finance costs paid		**(269)**	(267)
Net cash used in financing activities		**(905)**	(1,062)
Decrease in cash and cash equivalents		**(1,367)**	(6,672)
Effect of foreign exchange on cash and cash equivalents		**369**	381
Cash and cash equivalents, beginning of period		**11,054**	17,345
Cash and cash equivalents, end of period		**10,056**	11,054

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 2020 ("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.

The prior period Consolidated Statement of Changes in Equity presents the legal change in ownership of the Group, including the share capital of SDX Energy Plc and the merger reserve arising from 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 15 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 accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. In preparing the Consolidated Financial Statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

These Consolidated Financial Statements of SDX Energy Plc were approved by the board of directors on 19 March 2021.

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 into 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 period-end exchange rates.

d) Use of 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. 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.

The invoicing of produced crude oil, natural gas, and natural gas liquids is, for non-operated concessions, performed by the Company's joint venture partners. In certain concessions, the operator relies on production and/or price information from other third parties, which may not be consistently prepared and received on a timely basis. In such instances, the Company may be required to estimate production volumes and/or prices based on the most robust available data.

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. By their nature, the estimates are subject to measurement uncertainty and the impact on the Consolidated Financial Statements of future periods could be material.

The accounting estimate for the reporting period that had the highest degree of estimation uncertainty was the recoverable amount for the South Disouq asset, which was tested for impairment following the identification of impairment indicators. Please refer to note 9 for further discussion.

e) Going concern
The Company directors have reviewed the Company's forecasted cash flows for the next 12 months from the date of approval 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 2021 SDX corporate budget, which reflects approved operating budgets for each of its joint ventures and an estimate of 2021 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 volatile 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 resulting from the COVID-19 virus. The directors have performed sensitivities on these forecasted cash flows and note 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 of this analysis, 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 approval of these Consolidated Financial Statements.

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

3. New accounting standards adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 into United States dollars at exchange rates available on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into 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.

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 are 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.

A review of any areas classified and accounted for as E&E is performed on a quarterly basis 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.

Notes to the Consolidated Financial Statements

4. Significant accounting policies (continued)

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. It 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. It 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 of options 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. These are 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.

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. Following 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 price 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 the point at which 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. Prices are based on published indices, with agreed contractual adjustments for quality, marketing fees, and other variables, or contractually agreed

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 West Gharib. 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 2020.

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) Discontinued operations
A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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 the 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 period is as follows:

Credit risk

	Carrying amount	
US$'000s	**31 December 2020**	31 December 2019
Cash and cash equivalents	**10,056**	11,054
Trade and other receivables [(1)]	**17,212**	20,298
Total	**27,268**	31,352

(1) excludes prepayments of US1.4 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 (2019: US$1.5 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 counterparty.

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 2020 (31 December 2019: no provision).

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 2020**	31 December 2019
Government of Egypt-controlled corporations	**6,205**	7,489
Government of Morocco-controlled corporations	**4,508**	3,909
Third-party gas customers	**4,289**	3,703
Joint venture partners	**905**	4,025
Other [(1)]	**1,305**	1,172
Total	**17,212**	20,298

(1) excludes prepayments of US$1.4 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 (2019: US$1.5 million)

US$6.2 million of current receivables relates to oil, gas, and condensate/NGL sales and production service fees that are due from EGPC, GPC, and EGAS (2019: US$7.5 million), Government of Egypt-controlled corporations. The Company expects to collect outstanding receivables of US$4.8 million (2019: US$2.2 million) for South Disouq and US$1.4 million for West Gharib (2019: US$2.8 million) in the normal course of operations. As at 31 December 2019, there were US$2.5 million of receivables associated with the NW Gemsa concession, which were collected ahead of the asset's disposal in Q3 2020. The cash collection of these receivables is included in cash generated from discontinued operations in the Consolidated Statement of Cash Flows.

ONHYM, a Government of Morocco-controlled corporation, owes US$4.5 million, which relates to its outstanding share of well completion and connection costs, and production costs. Of this US$4.5 million, US$3.9 million is long-dated. A payment of US$0.5 million was received from ONHYM during Q1 2020. A payable of US$4.2 million (2019: US$3.6 million) to ONHYM is also held on the Consolidated Balance sheet.

US$4.3 million is owing from third-party gas customers in Morocco and is expected to be collected within agreed credit terms.

Subsequent to 31 December 2020, the Company collected US$8.0 million of trade receivables from those outstanding at 31 December 2020; US$3.0 million from EGAS for South Disouq, US$0.7 million from GPC for West Gharib, and US$4.3 million from third-party gas customers in Morocco.

The joint venture partner current accounts represent the net of monthly cash calls paid less billings received. At 31 December 2020, US$0.9 million was receivable from the joint venture partner in the South Disouq concession (2019: US$2.1 million), representing both billed and unbilled amounts. As at 31 December 2019, the joint venture partner balance included an overcall of US$1.8 million due from the joint venture partner in the NW Gemsa concession, which was subsequently reduced by Q1 2020 billings to US$1.0 million. This asset was sold in Q3 2020, see note 23.

The other receivables of US$1.3 million consist of US$0.3 million for Goods and Services Tax ("GST")/Value Added Tax ("VAT"), US$0.6 million for deposits, and US$0.4 million for other items.

As at 31 December 2020 and 31 December 2019, the Company's trade and other receivables, other than prepayments, are aged as follows:

	Carrying amount	
US$'000s	**31 December 2020**	31 December 2019
Current (less than 90 days)	**13,108**	16,713
Past due (more than 90 days)	**4,104**	3,585
Total	**17,212**	20,298

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 increased by US$0.5 million compared to 31 December 2019. This increase is owing to ONHYM's share of 2019/20 drilling campaign costs and operating expenses.

(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$**	**EGP**	**MAD**	**GBP**	**Other**
As at 31 December 2020			**US$ equivalent**			
Cash and cash equivalents	10,056	814	2,822	4,706	1,699	15
Trade and other receivables (2)	17,212	7,951	-	8,940	290	31
Trade and other payables	(20,120)	(15,851)	(239)	(2,134)	(1,804)	(92)
Current income taxes	(241)	-	(241)	-	-	-
Balance sheet exposure	6,907	(7,086)	2,342	11,512	185	(46)

(1) FS denotes financial statements

(2) Excludes prepayments

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For the year ended 31 December 2020

6. Financial risk management (continued)

(b) Foreign currency risk (continued)

The average exchange rates during the years ended 31 December 2020 and 2019 were:

Average: 1 January 2020 to 31 December 2020	USD/EGP	USD/GBP	USD/MAD	Average: 1 January 2019 to 31 December 2019	USD/EGP	USD/GBP	USD/MAD
Period average	15.7596	0.7869	9.5035	Period average	16.7656	0.7838	9.6178

The exchange rates as at 31 December 2020 and 2019 were:

Period end: 31 December 2020	USD/EGP	USD/GBP	USD/MAD	Period end: 31 December 2019	USD/EGP	USD/GBP	USD/MAD
Period end	15.6700	0.7327	8.9048	Period end	15.9900	0.7585	9.5932

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 2020							
Trade and other payables	20,120	-	-	-	-	20,120	20,120
Decommissioning liability	-	-	-	5,979	2,160	8,139	6,189
Lease Liability	227	213	439	1,187		2,066	1,421
Total liabilities	**20,347**	**213**	**439**	**7,166**	**2,160**	**30,325**	**27,730**
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**

7. Cash and cash equivalents

	Carrying amount	
US$'000s	**31 December 2020**	31 December 2019
Cash and bank balances	**8,402**	9,451
Restricted cash (1)	**1,654**	1,603
Total cash and cash equivalents	**10,056**	11,054

(1) Cash collateral of US$1.7 million (2019: US$1.6 million) is held at the bank to cover bank guarantees for minimum work commitments on the Company's Moroccan concessions. These guarantees are subject to forfeiture in certain circumstances if the Company does not fulfil its minimum work obligations.

8. Inventory

The inventory balance was US$8.4 million as at 31 December 2020 compared to US$8.0 million 31 December 2019. During the period US$2.8 million of inventory was consumed in the Morocco and South Disouq drilling campaigns. This was offset by US$1.5 million of drilling inventory additions in Morocco, which are expected to be consumed in the upcoming 2021 drilling campaign, and US$1.7 million of additions at South Disouq, associated with the field development and drilling materials in preparation for 2021 activities.

9. Property, plant and equipment

US$'000s	Oil and gas properties	Other	Total
Cost:			
Balance at 1 January 2019	**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**
Additions	3,330	103	3,433
Transfer from exploration and evaluation assets	11,108	-	11,108
Balance at 31 December 2020	**173,244**	**1,682**	**174,926**
Accumulated depletion, depreciation, amortisation and impairment:			
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)**
Depletion, depreciation and amortisation for the year	(24,424)	(132)	(24,556)
Balance at 31 December 2020	**(115,925)**	**(1,121)**	**(117,046)**
NBV Property, plant and equipment as at 31 December 2019	**67,305**	**590**	**67,895**
NBV Property, plant and equipment as at 31 December 2020	**57,319**	**561**	**57,880**

During the year ended 31 December 2020, additions of US$3.4 million were incurred as follows. US$1.5 million related to costs incurred in the South Disouq development project for additional pipeline work, training fees, and insurance spares for the CPF. In West Gharib, US$0.4 million was incurred for well drilling costs and workovers and, in Morocco US$1.4 million was incurred relating to well decommissioning, well tie-ins and customer connection costs. US$0.1 million of other assets were added.

Out of the reclassification of US$11.1 million from exploration and evaluation ("E&E") assets, US$3.8 million relates to the cost of two wells, SAH-3 and OYF-2, drilled in Morocco and US$7.3 million to the cost of the SD-12X discovery in Egypt, including the flow line from this well to the CPF. These wells were transferred to PP&E as commercial discoveries during 2020. The transfer includes an allocation of 3D seismic data costs.

Impairment assessment

At the reporting date, management performed an impairment indicator assessment on its South Disouq asset and concluded that due to a revised subsurface interpretation of the reservoirs within the concession leading to lower estimated recoverable reserves, and increased costs relating to earlier than expected sand and water production, 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 fair value less costs to dispose calculation. This calculation requires the use of estimates. The present values of future cash flows were computed by applying expected prices for gas (contracted price) and condensate (forecast prices) 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 South Disouq, no impairment charge has been recognised. However, in the event that planned development wells, such as the Ibn Yunus-2X, or exploration wells, are unsuccessful, it is possible that an impairment charge will be recognised in a future period. If at the reporting date the IY-2X well had been drilled, and the results had shown that the recoverable hydrocarbons from the entire Ibn Yunus field were c.35% lower than those estimated in the recoverable amount, an impairment charge would have been recognised.

The difference between the US$3.4 million addition disclosed above and the US$18.2 million cash outflow from property, plant, and equipment expenditure in the Consolidated Statement of Cash Flows is the result of the cash flow reflecting the US$11.1 million of E&E expenditure in Morocco for the SAH-3 and OYF-2 discoveries and SD-12X discovery in Egypt. These discoveries were ultimately transferred to PP&E from E&E additions, together with the normal timing differences of recognising additions on an accruals basis and the timing of the actual payment of capital expenditure creditors.

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For the year ended 31 December 2020

10. Exploration and evaluation assets

US$'000s	
Balance at 1 January 2019	**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**
Additions	21,300
Transfer to property, plant and equipment	(11,108)
Exploration and evaluation expense	(4,457)
Balance at 31 December 2020	**24,455**

During the year ended 31 December 2020, E&E additions totalled US$21.3 million. US$8.5 million of this amount related to South Disouq, covering the dry-hole drilling costs of SD-6X (Salah-55% working interest), amounting to US$1.2 million, and the drilling, completion, testing, and tie-in costs of SD-12X (Sobhi-100% working interest), as well as a US$0.3 million development lease bonus, in total amounting to US$7.3 million. Within the US$8.5 million total, decommissioning costs of US$0.2 million have been recognised, covering both wells. The US$7.3 million cost of SD-12X was transferred to PP&E during the year as a commercial discovery.

Additions in Morocco of US$12.8 million relate primarily to the drilling campaign that was completed in Q1 2020, of which US$3.8 million represents the costs of the SAH-3 and OYF-2 wells (including allocated 3D seismic), which were commercial discoveries and have been transferred to PP&E.

For the year ended 31 December 2020, exploration and evaluation expenses in the Consolidated Statement of Comprehensive Income stood at US$5.8 million. The following exploration and evaluation expenses of US$4.5 million were included in this total:

- the write-off of a non-commercial well, SD-6X, which was drilled during the South Disouq Q1 2020 exploration drilling campaign, including associated 3D seismic costs (US$2.3 million); and
- the write-off of a non-commercial well, SAH-5, which was drilled in Q1 2020 during the 2019/20 Morocco drilling campaign, including associated 3D seismic costs (US$2.2 million).

The remaining expense of US$1.3 million was for new venture activities during the period, comprising mostly internal management time.

The difference between the US$21.3 million disclosed above and the US$10.3 million exploration and evaluation cash expenditure in the Consolidated Statement of Cash Flows relates to the 2020 additions included in 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 2020 and 31 December 2019.

The following table summarises the changes in investments for the years ended 31 December 2020 and 31 December 2019:

	Carrying amount	
US$'000s	**31 December 2020**	31 December 2019
Investments, beginning of period	**3,916**	3,394
Dividends received	**(822)**	(639)
Share of operating income	**696**	1,161
Investments, end of period	**3,790**	3,916

The following table summarises the Company's 50% interest in the assets, liabilities, revenue, and operating income of Brentford as at 31 December 2020 and 31 December 2019:

US$'000s	**31 December 2020**	31 December 2019
Total assets	**2,296**	2,823
Total liabilities	**229**	348
Revenue	**1,222**	1,915
Net income	**696**	1,161

During the years ended 31 December 2020 and 31 December 2019, 50% of Brentford's revenue was earned from fees charged to the Company and 50% to the Company's partner in the West Gharib concession.

12. Trade and other payables

US$'000s	Carrying amount **31 December 2020**	 31 December 2019
Trade payables	**8,466**	11,634
Accruals	**5,001**	9,213
Joint venture partners	**5,272**	4,105
Deferred income	**-**	258
Other payables	**1,381**	772
Total trade and other payables	**20,120**	25,982

Trade payables comprise billed services and goods. As at 31 December 2020, they consisted predominantly of the Morocco and South Disouq drilling campaign creditors and royalties payable to the Moroccan government. The US$3.1 million decrease in trade payables from the balance as at 31 December 2019 is mainly the result of payments made during the year relating to the 2019/20 Morocco drilling campaign.

Accruals include amounts for products and services received that have yet to be invoiced. The US$4.2 million decrease period-on-period primarily reflects invoicing during the year ended 31 December 2020 for the value of work undertaken but not billed as at December 2019 for the Morocco drilling campaign, partly offset by an accrual for the SD-12X pipeline project.

Joint venture partners comprise partner current accounts of US$1.1 million for West Gharib (2019: US$0.5 million) and US$4.2 million due to ONHYM for the Morocco concessions (2019: US$3.6 million). A receivable of US$4.5 million (2019: US$3.9 million) from ONHYM is also held on the Consolidated Balance sheet. The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

Other payables of US$1.4 million (2019: US$0.8 million) comprise withholding tax payable from the Moroccan drilling campaign of US$0.9 million, an estimated liability of US$0.2 million related to the relinquishment of the Shukheir Marine concession, employee costs accrued, and other sundry creditors.

The difference between the decrease of US$5.9 million in trade and other payables in the Consolidated Balance Sheets as at 31 December 2020 and 31 December 2019 and the line item in the Consolidated Statement of Cash Flows pertaining to the increase in trade and other payables of US$3.0 million, is due to the fact that trade and other payables in the Consolidated Balance Sheets include capital expenditure items and the movement in the Consolidated Statement of Cash Flows relates only to the movement in operational expenditure and G&A creditors.

13. Decommissioning liability

As at 31 December 2020, the total future undiscounted cash flows relating to the decommissioning of Moroccan assets amounted to US$5.4 million, to be incurred up to 2023, and the liability was discounted using a risk-free rate of 2%. This figure includes the decommissioning costs of three new wells drilled in Q1 2020. As at 31 December 2020, the discounted amount of the liability was US$5.0 million.

Following the drilling of the exploration and appraisal wells at South Disouq, as well as the construction of the CPF, the Company has an obligation to decommission these assets under the terms of the concession agreement. The total future undiscounted cash flows amounted to US$3.0 million, to be incurred in 2023, and the liability was discounted using a risk-free rate of 9.5%. This includes the decommissioning costs of SD-12X and SD-6X wells drilled in 2020. As at 31 December 2020, the discounted amount of the liability was US$1.2 million.

The discounted value of the cash flows above amounts to US$6.2 million as at 31 December 2020 and is shown below:

US$'000s	Carrying amount **31 December 2020**	 31 December 2019
Decommissioning liability, beginning of period	**5,604**	5,167
Recognition of provision	**688**	1,485
Changes in estimate	**(305)**	(293)
Utilisation of provision	**-**	(808)
Accretion	**202**	53
Decommissioning liability, end of period	**6,189**	5,604
Of which:		
Current	**327**	317
Non-current	**5,862**	5,287

No decommissioning liability is recorded for the Company's West Gharib asset under the terms of the Production Services Agreement.

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14. 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 West Gharib, with the legal title held by SDX Energy Egypt (Meseda) Ltd. ("SDX West Gharib"), 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 West Gharib.

The current income tax expense in the Consolidated Statement of Comprehensive Income for the year ended 31 December 2020 relates to income tax on South Disouq's PSC and income tax relating to the Company's PSA in West Gharib.

The current income tax liability of US$0.2 million in the Consolidated Balance Sheet relates to the Company's PSA in West Gharib.

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 2020.

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

	Year ended 31 December	
US$'000s	**2020**	2019
Current tax		
Corporation tax charge on income/(loss) for the year	**5,468**	2,180
Adjustments in respect of prior periods	**(214)**	69
Total current tax	**5,254**	2,249
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Adjustments in respect of prior periods	**-**	-
Total deferred tax	**-**	-
Total tax expense	**5,254**	2,249

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%.

	Year ended 31 December	
US$'000s	**2020**	2019
Income/(loss) before income taxes	**1,428**	(15,541)
Standard rate of corporation tax	**19%**	19%
Expected income taxes	**271**	(2,953)
Adjustments:		
Non-deductible items	**3,272**	2,284
Unrecognised income tax benefit	**1,457**	1,811
Foreign tax differential	**469**	1,038
Prior year adjustments	**(215)**	69
Total current and deferred income tax	**5,254**	2,249

The components of the deferred income tax assets and liabilities at 31 December 2020 and 2019 include the following:

	Year ended 31 December	
US$'000s	**2020**	2019
Deferred tax assets/(liabilities):		
Investments	**(14)**	(14)
Property, plant and equipment	**(448)**	(448)
Other	**172**	172
Deferred income tax liability	**(290)**	(290)

The Company has US$73.3 million million of non-capital losses available at 31 December 2020 (2019: US$71.8 million) to shelter future taxable income, the majority of which were incurred in Canada and expire between 2026 and 2035. The Company has not recognised any deferred tax assets as at 31 December 2020 and 2019 primarily relating to its Canadian business as it has determined that its deferred tax assets are not probable to be realised from current operations.

15. 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 2020		31 December 2019	
	Number of shares ('000s)	**Stated value (US$'000s)**	Number of shares ('000s)	Stated value (US$'000s)
Balance, beginning of period	**204,723**	**2,593**	204,723	88,899
Issue of common shares	**655**	**8**	-	-
Creation of merger reserve	**-**	**-**	-	(37,034)
Reduction of share capital	**-**	**-**	-	(49,272)
Balance, end of period	**205,378**	**2,601**	204,723	2,593
Weighted average shares outstanding	**204,969**		204,723	

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

During September 2020, the Company issued a total of 655,028 ordinary shares of £0.01 to its Executive Directors and certain other employees as part of the bonus awarded for 2019 performance. These shares were issued at a price of £0.1647 per share, representing the 60-day volume weighted average price of a share on 25 September 2020. US$0.08 million was posted to the share capital during the period, with the remainder recognised as share premium.

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16. 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 which is associated with the Long-Term Incentive Plan ("LTIP").

During the year ended 31 December 2020, options of up to 6,340,116 ordinary shares in the Company were issued under the LTIP to Executive Directors and certain other key employees. In the same period, 263,548 LTIP options vested from the award made in July 2017, none have yet been exercised. From this award, 1,489,230 LTIP options did not vest.

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 ended 31 December 2020, 795,000 options previously awarded lapsed. During the year to 31 December 2019, 106,667 options were cancelled and 853,333 options previously awarded lapsed.

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 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**	**0.42**
Exercisable 31 December 2019	**942**	**0.38**
Outstanding 1 January 2020	**1,155**	**0.42**
Lapsed during the year	(795)	0.37
Outstanding 31 December 2020	**360**	**0.42**
Exercisable 31 December 2020	**360**	**0.42**

The exercise price range of the outstanding options under the stock option plan as at 31 December 2020 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.

As at the date of these Consolidated Financial Statements, the maximum number of shares that can vest for the current CEO and CFO is 2,003,523 and 912,593 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 options 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 19 March 2021, the maximum potential number of common shares that can vest to the executive directors and other selected employees under the LTIP were, in aggregate, 7,121,545. All these options are outstanding as at 31 December 2020 and 19 March 2021, and 1,236,175 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.

17. Revenue, net of royalties

	Year ended 31 December	
US$'000s	**2020**	2019
West Gharib production service fee revenues	**7,328**	14,390
South Disouq gas sales revenue	**26,891**	3,735
Royalties	**(9,115)**	(1,270)
Net South Disouq gas revenue	**17,776**	2,465
Morocco gas sales revenue	**19,246**	18,258
Royalties	**(730)**	(736)
Net Morocco gas sales revenue	**18,516**	17,522
Net other products revenue	**2,448**	445
Total net revenue before tax	**46,068**	34,822

The production service fees relate to West Gharib, 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 (approximately US$2.85/Mcf). The royalties are those attributable to the government, taken in accordance with the fiscal terms of the PSC. The net other products revenue relates to condensate sales from this concession.

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.

18. General and administrative expenses

	Year ended 31 December	
US$'000s	**2020**	2019
Wages and employee costs	**6,527**	7,678
Consultants-inc. PR/IR	**514**	517
Legal fees	**225**	387
Audit, tax and accounting services	**767**	684
Public company fees	**576**	652
Travel	**156**	240
Office expenses	**492**	383
IT expenses	**360**	546
Service recharges	**(5,645)**	(6,506)
Ongoing general and administrative expenses	**3,972**	4,581
Transaction costs	**152**	1,079
Total net G&A	**4,124**	5,660

The average monthly number of employees (including executive directors) was 63 (2019: 66). Their aggregate remuneration comprised:

	Year ended 31 December	
US$'000s	**2020**	2019
Wages and salaries	**3,529**	4,197
Social security costs	**434**	507
Other pension costs	**154**	167
Total	**4,117**	4,871

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

	Year ended 31 December	
US$'000s	**2020**	2019
The audit of the company	**182**	114
Audit related assurance services	**15**	15
The audit of subsidiaries	**71**	148
Total audit fees	**268**	277
Taxation compliance services	**61**	54
Corporate finance services	**-**	78
Other services	**32**	20
Total non-audit fees	**93**	152

19. Loss per share

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.

	Year ended 31 December	
US$'000s	**2020**	2019
Net loss before comprehensive loss for the year	**(2,058)**	(18,186)
Weighted average amount of shares		
-Basic	**204,969**	204,723
-Diluted	**204,969**	204,723
Per share amount		
-Basic	**$(0.010)**	$(0.089)
-Diluted	**$(0.010)**	$(0.089)

20. 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.

The segment assets and liabilities as at 31 December 2020 and 31 December 2019 are as follows:

	Year ended 31 December 2020				Year ended 31 December 2019			
US$'000s	Egypt	Morocco	Unallocated(1)	Total	Egypt	Morocco	Unallocated(1)	Total
Revenue	27,552	18,516	-	46,068	**17,300**	**17,522**	-	**34,822**
Direct operating expense	(7,722)	(1,813)	-	(9,535)	(4,685)	(1,910)	-	(6,595)
Netback (pre tax)	19,830	16,703	-	36,533	12,615	15,612	-	28,227
General and administrative expenses	(2,676)	(2,557)	1,109	(4,124)	(104)	(1,683)	(3,873)	(5,660)
Stock-based compensation	-	-	(231)	(231)	-	-	(178)	(178)
Share of profit from joint venture	696	-	-	696	1,161	-	-	1,161
EBITDAX	17,850	14,146	878	32,874	13,672	13,929	(4,051)	23,550
Exploration and evaluation expense	(2,261)	(2,196)	(1,352)	(5,809)	(8,739)	(1,516)	(1,172)	(11,427)
Depletion, depreciation and amortisation	(14,144)	(10,476)	(572)	(25,192)	(3,805)	(14,098)	(774)	(18,677)
Impairment expense	-	-	-	-	(8,327)	-	-	(8,327)
Operating income/(loss)	1,445	1,474	(1,046)	1,873	(7,199)	(1,685)	(5,997)	(14,881)

(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 2020 and 31 December 2019 are as follows:

	31 December 2020				31 December 2019			
US$'000s	Egypt	Morocco	Unallocated(1)	Total	Egypt	Morocco	Unallocated(1)	Total
Segment assets	53,732	63,599	7,272	124,603	62,327	62,174	8,517	133,018
Segment liabilities	(6,755)	(19,652)	(1,854)	(28,261)	(7,730)	(25,133)	(2,124)	(34,987)

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

21. Commitments and contingencies

Pursuant to the concession and production service fee agreements in Egypt and Morocco, the Company is required to perform certain minimum exploration and development activities that include the drilling of exploration and development wells. These obligations have not been provided for in the 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 2020. In 2021, subject to ratification by the Egyptian Parliament, the Company expects to enter into a two-year exploration concession extension period for part of the South Disouq concession, to enable it to target additional identified prospectivity. Upon ratification, the Company will pay its 55% share of a US$1.0 million signature bonus and be committed to drill two exploration wells, with a combined dry-hole cost of approximately US$4.0 million (gross).

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 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

22. Leases

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

a) Amounts recognised in the balance sheet

The analysis of the lease liability at 31 December 2020 is as follows:

US$'000s	**31 December 2020**	31 December 2019
Current	**461**	506
Non-current	**960**	1,121
Total lease liabilities	**1,421**	1,627

The maturity analysis of the lease liability at 31 December 2020 is as follows:

US$'000s	**31 December 2020**
Less than one year	461
Between one and two years	388
Between two and three years	192
Between three and four years	202
Between four and five years	178
After five years	-
Total lease liability	**1,421**

b) Amounts recognised in the statement of profit or loss

The right-of-use assets at 31 December 2020 amounted to US$1.4 million and the depreciation charge for the period ended 31 December 2020 amounted to US$0.6 million and is shown below by underlying class of asset:

US$000s	**31 December 2020 Carrying value**	Depreciation charge year ended 31 December 2020
Properties	**1,277**	502
Motor vehicles	**123**	119
Others	**-**	15
Total	**1,400**	636

The lease liability at 31 December 2020 was US$1.4 million. The corresponding interest expense for the year ended 31 December 2020 amounts to US$0.1 million. The portion of the lease payments recognised as a reduction of the lease liabilities and as a cash outflow from financing activities for the year ended 31 December 2020 amounted to US$0.6 million.

23. Discontinued operations

During 2020, SDX Energy Plc entered into sale and purchase agreements for NW Gemsa, which was executed on 13 July 2020, and South Ramadan, which was executed on 1 November 2020. The disposal of these assets has been accounted for in line with IFRS 5-Disposal of subsidiaries, businesses and non-current assets. The effective date of the sale and purchase agreement for NW Gemsa was 1 April 2020 with discontinued operations reflecting operations for the first quarter of 2020 and that of South Ramadan was 1 November 2020 with discontinued operations reflecting operations for the first 10 months of 2020.

The underlying entity that owns the interest in the NW Gemsa asset, SDX Energy Egypt (Jersey) Ltd., has been considered as a disposal group and its operations qualified as discontinued operations for the year ended 31 December 2020. The purchaser, Gulf Energy, a private Egyptian oil and gas company, paid US$3.0 million in consideration for the Company's interest, of which US$1.4 million was used to discharge the Company's remaining pre-effective date liabilities on the licence. The net gain on disposal of US$0.8 million represents the excess of the US$3.0 million proceeds over the value of the remaining net assets of SDX Energy Egypt (Jersey) Ltd. at disposal date.

The South Ramadan asset was sold by its immediate holding entity, Sea Dragon Energy Holding Ltd., to the purchaser International Oil Services (IOS)-LLC with effective date 1 November 2021. The purchaser, a private Egyptian company, paid US$0.5 million as consideration. A net gain on disposal of US$0.5 million was realised.

The following table provides additional information on the profit/(loss) from discontinued operations for each asset as disclosed in the Consolidated Income Statement:

	Year ended 31 December	
US$'000s	**2020**	2019
SDX Energy Egypt (Jersey) Ltd.		
Revenue, net of royalties	**3,263**	18,412
Operating and administrative expenses	**(1,529)**	(15,235)
Income tax expense	**(626)**	(3,527)
Gain on disposal	**790**	-
Profit/(loss) from discontinued operations	**1,898**	(350)

	Year ended 31 December	
US$'000s	**2020**	2019
National Petroleum Company South Ramadan Ltd.		
Revenue, net of royalties	**327**	-
Operating and administrative expenses	**(896)**	(46)
Income tax expense	**(61)**	-
Gain on disposal	**500**	-
Loss from discontinued operations	**(130)**	(46)

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	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) Limited	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Morocco (UK) Limited	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
Madison International Oil and Gas Ltd.	Indirect	100%	Barbados	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Egypt Oil and Gas Ltd.	Indirect	100%	Egypt	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Cameroon Oil and 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) Limited	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
Brentford Oil Tools	Indirect	50%	Egypt	7 Nazeh Khalifa st., El Korba, Misr El Gadiga, Cairo, Egypt

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

25. Compensation of key management personnel

The remuneration of directors and other key management personnel during the years ended 31 December 2020 and 2019 was as follows:

	Year ended 31 December	
US$'000s	**2020**	2019
Salaries, incentives and short term benefits	**611**	1,253
Directors' fees	**309**	199
Stock based compensation	**114**	400
Total compensation	**1,034**	1,852

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 (2020: nil) were paid to Paul Welch, the previous Chief Executive Officer.

26. Subsequent events

On 5 February 2021, the Company announced that it had been awarded a 10-year extension to its West Gharib Production Services Agreement in Egypt until 9 November 2031.

The key terms of the extension, in which SDX has a 50% working interest, are as follows:

- A commitment, irrespective of Brent price, to drill six development wells by 31 December 2022 and one water injection well;
- If Brent reaches US$55 for twelve consecutive months during the extension period, four further development wells will be drilled during the extension period;
- If Brent reaches US$60 for twelve consecutive months during the extension period, two further development wells will be drilled during the extension period;
- Payment of a deferred signature bonus of US$2.0 million (SDX share US$1.0 million). US$1.0 million of this deferred bonus will be paid in monthly installments in the next 12 months and the remaining US$1.0 million will be paid in two installments of US$0.5 million each, on 31 December 2022 and 31 December 2023; and
- A further contingent bonus of up to US$2.0 million (SDX share US$1.0 million) would be payable if Brent reaches the following price points;
    - US$75 for a period of six months-a further US$0.5 million is payable
    - US$80 for a period of six months-a further US$0.5 million is payable
    - US$85 for a period of six months-a further US$1.0 million is payable

Company Financial Statements

Parent Company Balance Sheet

As at 31 December 2020

£'000s	Note	As at 31 December 2020	As at 31 December 2019
Fixed assets			
Investments	6	**40,945**	40,945
		40,945	40,945
Current assets			
Cash at bank and in hand		**22**	29
Debtors: amounts falling due within one year	7	**296**	75
Amounts owed by group undertakings	8	**2,271**	169
		2,589	273
Current liabilities			
Creditors: amounts falling due within one year	9	**(438)**	(279)
Amounts owed to group undertakings	10	**(5,053)**	(2,133)
		(5,491)	(2,412)
Net current liabilities		**(2,902)**	(2,139)
Net assets		**38,043**	38,806
Capital and reserves			
Called-up share capital	11	**2,104**	2,097
Share premium account		**101**	-
Share-based payment reserve		**651**	451
Retained earnings		**35,187**	36,258
Total shareholders' funds		**38,043**	38,806

As a consolidated income statement is presented 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 year of £1.1 million (2019: £2.6 million).

The financial statements on pages 92 to 100 of SDX Energy Plc registered number 11894102 were approved by the Board of Directors on 19 March 2021 and signed on their behalf by:

Signed on behalf of the Board of Directors

Director
Mark Reid

Parent Company Statement of Changes in Equity

For the year ended 31 December 2020

£'000s	Note	Year ended 31 December 2020	Nine months ended 31 December 2019
Share capital			
Balance, beginning of period		**2,097**	-
Issuance of common shares	11	**7**	50
Share-for-share exchange	11	**-**	40,944
Capital reduction	11	**-**	(38,897)
Balance, end of period		**2,104**	2,097
Share premium			
Balance, beginning of period		**-**	-
Issuance of common shares	11	**101**	-
Balance, end of period		**101**	-
Share-based payment reserve			
Balance, beginning of period		**451**	-
Share-based compensation for the period		**200**	451
Balance, end of period		**651**	451
Retained earnings			
Balance, beginning of period		**36,258**	-
Capital reduction	11	**-**	38,897
Total comprehensive loss for the period		**(1,071)**	(2,639)
Balance, end of period		**35,187**	36,258
Total equity		**38,043**	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 year ended 31 December 2020, and with the Companies Act 2006. The financial statements were approved by the Board and authorised for issue on 19 March 2021. SDX Energy Plc is a public limited company limited by shares incorporated, registered in the United Kingdom and is listed on the Alternative Investment Market (AIM). The company's registered address is 38 Welbeck Street, London, United Kingdom, W1G 8DP.

The Company was incorporated on 20 March 2019 with a year end of 31 December in order to act as the ultimate holding company of its subsidiaries.

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 year of £1.1 million (2019: £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 receive loans 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 approval of these Financial Statements. The directors have considered the impact on the forecasted cash flows of the volatile 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 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

The functional currency is the currency of the primary economic environment in which that entity operates. Transactions denominated in other currencies are converted into 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 UK pound sterling, as that presentation currency most reliably reflects the business performance of the entity.

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.

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)

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 2020 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 was as follows:

£'000s	**Year ended 31 December 2020**	Nine months ended 31 December 2019
Salaries, incentives and short term benefits	**471**	277
Directors' fees	**241**	118
Stock based compensation	**90**	313
Total compensation	**802**	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

The parent Company has investments in the following subsidiary undertakings and other significant investments.

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) Limited	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Morocco (UK) Limited	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
Madison International Oil and Gas Ltd.	Indirect	100%	Barbados	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Egypt Oil and Gas Ltd.	Indirect	100%	Egypt	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Cameroon Oil and 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) Limited	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
Brentford Oil Tools	Indirect	50%	Egypt	7 Nazeh Khalifa st., El Korba, Misr El Gadiga, Cairo, Egypt

7. Debtors: amounts falling due within one year

£'000s	**31 December 2020**	31 December 2019
Prepayments	**99**	46
Other debtors	**197**	29
Total	**296**	75

8. Amounts owed by group companies undertakings

£'000s	31 December 2020	31 December 2019
Sea Dragon Energy (Nile) B.V.	562	-
Sea Dragon Energy (NW Gemsa) B.V.	67	-
SDX Energy Egypt (Meseda) Ltd.	696	-
Sea Dragon Energy Holding B.V.	38	-
SDX Energy Morocco (Jersey) Limited	883	154
Madison Egypt Oil and Gas Ltd.	8	5
Madison International Oil and Gas Limited	8	5
Madison Cameroon Oil and Gas Ltd.	9	5
Total	2,271	169

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

9. Creditors

£'000s	31 December 2020	31 December 2019
Trade creditors	200	204
Other creditors	238	75
Total	438	279

10. Amounts owed to group companies

£'000s	31 December 2020	31 December 2019
Sea Dragon Energy (Nile) B.V.	-	148
Sea Dragon Energy (UK) Limited	4,868	1,872
SDX Energy Inc.	185	113
Total	5,053	2,133

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

11. Called-up share capital

	2020 £'000	2019 £'000
Authorised, issued and fully paid ordinary shares of £0.01 each	2,104	2,097

During September 2020, the Company issued a total of 655,028 ordinary shares of £0.01 to its Executive Directors and certain other employees as part of the bonus awarded for 2019 performance. These shares were issued at a price of £0.1647 per share, representing the 60-day volume weighted average price of a share on 25 September 2020. £0.007 million was posted to the share capital during the year, with the remainder recognised as share premium.

12. Related parties

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

	31 December 2020	31 December 2019
SDX Energy Inc.	(185)	(113)
Sea Dragon Energy (Nile) B.V.	562	(148)
Sea Dragon Energy (UK) Limited	(4,868)	(1,872)
SDX Energy Morocco (Jersey) Limited	883	154
Sea Dragon Energy (NW Gemsa) B.V.	67	-
SDX Energy Egypt (Meseda) Ltd.	696	-
Sea Dragon Energy Holding B.V.	38	-
Madison Cameroon Oil and Gas Limited	9	5
Madison International Oil and Gas Limited	8	5
Madison Egypt Oil & Gas Ltd.	8	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

£'000s	**31 December 2020**	31 December 2019
Financial assets		
Cash and trade and other receivables	**318**	104
Amounts due by group undertakings	**2,271**	169
Total	**2,589**	273

£'000s	**31 December 2020**	31 December 2019
Financial liabilites		
Creditors	**438**	279
Amounts due to group undertakings	**5,053**	2,133
Total	**5,491**	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.

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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Joint Brokers
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