Financial Statements

SDX ENERGY

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.

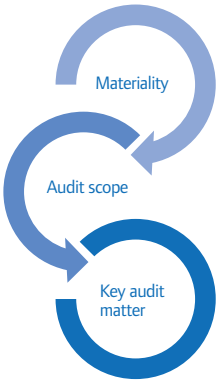
Basis for opinion

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

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

US$'000s	Note(s)	Year ended 31 December 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

For the year ended 31 December 2020

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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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
Decommisioning 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
Decommisioning 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

US$'000s	Carrying amount **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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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

US$'000s	Year ended 31 December 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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	2020	31 December
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:

US$'000s	Year ended 31 December 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)

US$'000s	Year ended 31 December 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

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Nominated Advisor and Joint Broker
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Joint Brokers
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