SDX Energy Plc
2022 Annual Report & Financial Statements

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

SDX
ENERGY

Our Highlights

The directors assess the performance of the Group across the below key performance indicators ("KPIs"). Our KPIs provide a balanced set of metrics that give emphasis to both financial and non-financial measures.

Operational

3,723boe/d

FY 2022 average entitlement production, net of minority interest

12 wells

drilled and connected during 2022

3.6kgCO_2e/boe

FY 2022 carbon intensity at SDX's operated assets

Financial

US$33.2m

FY 2022 gross profit/Netback

US$24.6m

FY 2022 EBITDAX

US$27.6m

FY 2022 CAPEX

- Net Production, 3,723 boe/d (507 bbls/d and 19.3mmscf/d), marginally ahead of mid-point full year guidance of 3,480 – 3,795 boe/d.
- Out of 14 wells completed across SDX's portfolio in the year to date, twelve were put on production during 2022.
- Carbon intensity of 3.6kg CO2e/boe at operated assets during FY 2022.
- Gross Profit / Netback of US$33.2 million, EBITDAX of US$24.6 million and operating cash flow (before capex) of US$16.9 million.
- Capex US$27.6 million compared to full year guidance of US$26.5 – 28.0 million.
- During the year a number of Board changes were announced. The Board is now led by Jay Bhattacherjee as Executive Chairmen, with his fellow directors being Tim Linacre and Krzysztof Zielicki.
- Aleph Commodities and a group of investors acquired a strategic stake in the Company with a view to provide support and financing for growth initiatives.
- As at 31 December 2022, the Company's working interest share of audited 2P reserves was 4.9 MMboe.

Strategic Report

Corporate Governance

Financial Statements

Executive Chairman's Review

2022 was a busy year for the Company operationally and corporately. During the summer of 2022 the shareholders rejected a takeover attempt and the Company welcomed new shareholders to support the Company's growth.

SDX enters 2023 with a renewed focus on delivering long term sustainable returns to shareholders by pursuing opportunities both within and outside our current portfolio across the wider energy space.

During 2022, SDX welcomed Aleph Commodities Limited as a new shareholder during the unsuccessful takeover process by Tenaz. This change in our shareholder register was reflected in changes to the Board: Michael Doyle stepped down as Chairman in September 2022, Krzysztof Zielicki was appointed to the Board as Non-Executive Director, and I was appointed end of October as Chairman. Both Mark Reid CEO and Nick Box CFO left the business near the end of the year, drawing a fresh start for the new Executive team to deliver on growth initiatives that will create long term sustainable value.

Looking next to our operations, in February the Company sold 33% of its holding in South Disouq for US$5.5 million, leaving SDX with a remaining 36.9% holding in the concession. The planned three well drilling campaign was completed during the year, as well as a necessary workover programme on several existing wells. Our drilling campaign targeting liquids continued at West Gharib, with eight infill wells and one exploration well drilled in the year, as well as 18 well workovers completed at the concession. Both the infill and workover campaigns at West Gharib will continue into 2023 to maximise production and recovery from the Meseda and Rabul fields.

While our Egyptian assets continue to produce, Egypt remains a difficult environment for energy companies with currency fluctuations and receivables positions posing challenges that have hampered growth. Historically, the cash generated by our Egyptian assets have funded the initiatives of SDX, and now with the flow of capital restricted due to a fiscal environment outside of our control, the Company is having to find alternative solutions to fund its growth initiatives. This is a key focus of the Board's in 2023 and shareholders will be updated in due course on our efforts to find a solution which maximises shareholder value and minimises our risk exposure.

In Morocco, SDX drilled two new wells which were put into production during the year and the Company is currently maximising recovery from our existing wells to maintain customer supply. We expect to look to an expanded drilling programme later in 2023 to continue to meet existing demand and to produce to meet any increase or additional customer. Morocco remains a core piece of the portfolio and as the country's only gas producer, we maintain an opportunity to grow into a market that is hungry for every molecule of gas we can produce.

The changes made in 2022 and the ongoing modifications we make as part of our strategic review have positioned SDX with a foundation from which to grow. We are revaluating our standing in the wider energy sector and will consider all reasonable avenues, including transition fuels and alternative energies, to deliver long term sustainable returns to shareholders. As we look ahead to 2023, the Board remains vigilant in its responsibility in the interests of shareholders, employees, and society. Thank you to everyone for your support for SDX in 2022.

Jay Bhattacherjee
Executive Chairman
28 April 2023

Review of Operations

SOUTH DISOUQ

South Disouq is a 115km^2 concession located 65km north of Cairo in the Nile Delta region. It is on trend with several other prolific gas fields in the Abu Madi Formation.

Development leases have been granted for South Disouq (18km^2), Ibn Yunus (24km^2), and Ibn Yunus North (32km^2), and all development leases are operated by SDX. Production is currently from the Messinian-aged Abu Madi and Pliocene-aged Kafr El Sheikh formations. In addition, SDX operates the Amendment Concession Agreement Area, which is an exploration permit of 41km^2.

At the start of the year, SDX held a 55% interest in the South Disouq and Ibn Yunus development leases and a 100% interest in the Ibn Yunus North development lease. Its partner, IPR, holds a 45% interest in the South Disouq and Ibn Yunus development leases. In February 2022, it was announced that SDX sold 33% of the shares in the entity that holds its interests across its South Disouq concession to Energy Flow Global ("EFG"), a private company with upstream and oilfield services activities in Egypt, the Middle East and Asia. After this transaction, SDX Energy has a 36.9% working interest in the South Disouq and Ibn Yunus development leases and a 67.0% working interest in the Ibn Yunus North development lease.

2022 Activity

Throughout 2022, planned field management operations were carried out on several of the existing wells. SD-3X was worked-over to replace corroded / eroded tubing and packer and returned to production from the AM-III reservoir. IY-2X was worked-over to isolate the bottom perforations and perforate the upper reservoir section. Throughout 2022, the Central Processing Facility showed excellent performance with a 99% uptime.

The planned three well drilling campaign was completed during the year. The first of the wells, the SD-5X exploration well on the Warda prospect, spud on 4 March 2022 and reached TD on 16 March 2022. SD-5X encountered gas in the basal Kafr El Sheikh formation and was tied-in and brought on production on 26 April 2022. SD-5X is currently producing at around 10 MMscf/d. The second well in the campaign was the SD-12_East development well, targeting the Kafr El Sheikh gas reservoir in the Sobhi Field within the Ibn Yunus North development lease, spud on 17 April 2022 and reached TD on 26 April 2022. SD-12_East was tied-in and brought on production on 11 June 2022 and is currently producing at around 7 MMscf/d. The third well, MA-1X, was an exploration well on the Mohsen prospect in the Amendment Concession Agreement Area. MA-1X spud on 21 May 2022 and reached TD on 31 May 2022 discovering gas in high-quality basal Kafr El Sheikh formation. The Mohsen field is currently under evaluation to determine future development options.

With the drilling campaign now complete, SDX is working on updating its plans for future drilling and identifying remaining targets in the acreage. The SD-12X well is currently shut-in as this well shares a flow-line with the SD-12_East well and the higher pressure is backing-out SD-12X. Once the pressure equilibrates, SD-12X will be brought back on-line.

SD-1X has been producing intermittently since July 2022 and IY-2X has been shut-in since August 2022 waiting on workover to take place in Q2 2023.

Production operations at the asset ended up in the expected range during the 12 months to 31 December 2022, resulting in gross production of 38.5 MMscfe/d for the year (2,720 boe/d net to SDX).

2023 Outlook

The primary work in 2023 will be around finalising the analysis of the MA-1X well on Mohsen and defining when and where to drill appraisal wells on the discovery. Workovers of the existing wells will continue, with the wells being recompleted to shallower reservoirs as the main reservoir becomes fully depleted.

WEST GHARIB

West Gharib is 22km^2 in area and is currently producing from the Meseda and Rabul fields, both of which are included in the Block-H development lease. The concession is covered by a production service agreement, which allows for lower cost operations than the traditional joint venture structure. SDX has a 50% working interest in the operation, with Dublin International Petroleum, the operator, holding the remaining 50% working interest.

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

In 2021, a 10-year extension for both Meseda and Rabul was agreed with GPC, extending the licence to 9 November 2031. As part of the agreement, the contractors have a minimum commitment to drill six infill development wells (four in Meseda and two in Rabul) and one water-injection well in Rabul by 31 December 2022, and up to another six wells across the concession depending on the prevailing oil price. To take advantage of low drilling costs and the current oil price environment, however, the partnership planned to drill 13 infill development wells through 2022 and into 2023.

2022 Activity

Much of the activity in the West Gharib concession during 2022 was centred around the aforementioned infill drilling campaign. During 2022, eight infill wells and one exploration well (Rabul Deep-1) were drilled. The Rabul Deep-1 well was a dry-hole but is waiting on workover to convert it to a water-injector for the Rabul Field.

Eighteen well workovers across the concession were completed during 2022.

For 2022, West Gharib average gross sales production stood at approximately 2,033 boe/d (389 boe/d net to SDX).

2023 Outlook

The infill campaign will continue in 2023, with two infill development wells in the Rabul Field and an exploration well in the area to the south-east of Rabul. The goal of the development campaign is to fully exploit the volumes in the West Gharib fields. Post these three planned wells, the partnership will review the results of all the drilling and consider additional development wells.

Workovers of the existing wells will continue throughout 2023 to maximise production and recovery from the Meseda and Rabul Fields.

Review of Operations continued

MOROCCO

The Company's Moroccan acreage (SDX 75% working interest and operator) consists of four concessions. All SDX's concessions are in the Gharb Basin in northern Morocco: Sebou Central, Gharb Occidental, Lalla Mimouna Sud, and Moulay Bouchta Ouest.

The Sebou Central concession is a 132km^2 exploration permit with several exploitation concessions contained within it. The exploitation concessions granted under the Sebou Onshore Petroleum Agreement are:

- Sidi Al Harati SW, expiry 20 September 2023
- Ksiri Central, expiry 18 January 2025
- Sidi Al Harati W, expiry 17 October 2024

The Gharb Occidental concession is an 806km^2 exploration permit with numerous prospects and leads already identified on the existing 3D seismic, which covers the southern part of the permit.

The Company has held the Lalla Mimouna Sud permit since February 2019. This permit has a duration of eight years, with a commitment to drill one exploration well and acquire 50km^2 of 3D seismic within the first two-and-a-half-year period, which has been met, and started on 14 March 2019. In August 2021, the Company requested a force majeure extension of this period to September 2022 which was agreed with The Ministry of Energy with the support of ONHYM. In September 2022, Mimouna Sud, and Moulay Bouchta Ouest.

In September 2021, according to the regulations governing Petroleum Agreements, SDX relinquished 25% of the original Sebou Central acreage and entered into the extension period of 2.5 years. The Lalla Mimouna Sud concession is now a 629.9km^2 permit.

The Company was awarded the Moulay Bouchta Ouest exploration concession in February 2019 for a period of eight years. The commitment to reprocess 150km^2 of 2D seismic data, acquire 100km^2 of new 3D seismic, and drill one exploration well within the first three-and-a-half-year period, started on 14 March 2019. SDX, with support from ONHYM, has requested a one-year force majeure extension to the permit, which is currently under review with the Ministry of Energy.

2022 Activity

During 2022, five wells were worked-over to known gas bearing horizons in the wells to maximise recovery from our wells and to maintain supply to customers. The two compressors SDX operates in Morocco have also been actively managed maximising recovery from existing wells.

During the summer/autumn of 2022, the Company completed a two well drilling campaign. The campaign consisted of the following wells:

- SAK-1 spud on 6 August 2022 and reached TD at 1,196 metres MD on 24 August 2022. The well encountered two gas bearing sands at the Guebbas interval, totalling 5m of net gas pay. The well opens up a new exploration area for SDX and completed the drilling commitment for the first phase of the Lalla Mimouna Sud permit.
- KSR-20 spud on 12 September 2022 and reached TD at 1,410 metres MD on 1 October 2022. In the Guebbas reservoir, the well encountered around 5 m net gas sand pay.

Both wells have been tested, connected, and are now producing into our infrastructure.

Morocco gross production averaged 4.9 MMscf/d for 2022.

2023 Outlook

Planning has started on further 2023 drilling, which will likely consist of four wells to be drilled from Q3 2023 onwards. Some of the wells will target low-risk prospects and some will target new areas, expanding the development footprint, or with be targeting new plays. All the wells will be shallow targets with biogenic gas. Gas from these wells will supply the existing customers and an additional factory that has been constructed by one of those existing customers.

Workovers of existing wells, including re-perforation and sliding sleeve operations to exploit behind-pipe reserves, will continue throughout 2023. In addition, the two compressors will be actively managed to deliver the maximum recovery from the existing well stock.

In partnership with ONHYM, SDX will be reviewing older wells that were gas discoveries but were not produced (e.g., DOB-1) and wells that were produced but have remaining gas, for the potential to connect these wells and maximise gas recovery.

Group proved plus probable reserves and contingent resources

The proved and probable reserves and contingent resources of the SDX Energy Plc Group presented below are extracted from an independent technical and economic valuation of the Group's Egyptian and Moroccan assets performed by Gaffney, Cline & Associates which has an effective date of 31 December 2022.

The reserve definitions used are contained within the Petroleum Resources Management System ("PRMS") as approved by the Society of Petroleum Engineers and the Canadian Oil and Gas Evaluation Handbook.

Gas reserves at as 31 December 2021 and 31 December 2022 have been converted to barrels of oil equivalent ("boe") using a factor of 6,000 cubic feet per boe for reporting and comparison purposes. Actual calorific value of produced gas may result in a different conversion factor for individual assets. All figures below are SDX Energy working interest in MMboe:

	Egypt		**Morocco**	**Total**
Asset	South Disouq	West Gharib	Gharb Basin	
Working interest	36.85/67%	50%	75%	
As at 31 December 2021	3.05	3.57	0.39	7.01
Asset disposals	(1.00)	-	-	(1.00)
Discoveries	1.51	-	0.10	1.61
Re-classification	-	-	-	-
Revisions	(0.31)	(0.75)	(0.08)	(1.14)
Production	(0.95)	(0.37)	(0.22)	(1.54)
As at 31 December 2022	**2.30**	**2.45**	**0.19**	**4.94**
Proved reserves	1.39	1.55	0.08	3.02
Probable reserves	0.91	0.90	0.11	1.92
As at 31 December 2021	**2.30**	**2.45**	**0.19**	**4.94**

	Egypt		**Morocco**	**Total**
Asset	South Disouq	West Gharib	Gharb Basin	
Working interest	36.85/67%	50%	75%	
2C contingent resources (1)	0.14	0.35	-	0.49
As at 31 December 2022	**0.14**	**0.35**	**-**	**0.49**

(1) Unrisked 2C contingent resources disclosed. Risked 2C contingent resources are 0.10MMboe for South Disouq and 0.28MMboe for West Gharib.

Environmental, Social and Governance (ESG)

SDX's purpose is to supply energy in an environmentally conscious manner to the benefit of all its stakeholders. As an oil and gas exploration and production company, we recognise our responsibilities to our investors, the environment, particularly in the countries in which we operate, local communities affected by our business, our employees, host governments, and all our other business partners.

SDX is committed to measuring and reporting key EGS metrics so that we can provide stakeholders with information about our ESG performance on an annual basis. The Company considered several reporting frameworks before adopting elements of the Sustainability Accounting Standard Board ("SASB") framework. In this 2022 report, metrics reported are calculated in accordance with the methodologies set out in the SASB standards.

MATERIALITY ASSESSMENT

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

The following ESG topics were identified as material to SDX:

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

REPORTING BOUNDARIES

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

- It is not yet possible to gain sufficient assurance over the accuracy and completeness of data from non-operated assets across all ESG topics; and
- Non-operated assets are less material. As at 31 December 2022, non-operated assets (West Gharib) accounted for 8% of Group working interest production, 23% of Group netback, and 13% of Group assets.

GREENHOUSE GAS EMISSIONS

FY2022 scope 1 greenhouse gas emissions in Morocco comprised 1,300 tons (2021: 1,600 tons) of CO2e, and at South Disouq, 8,300 tons (2021: 8,300 tons) of CO2e. The carbon intensity of the operations was 4.3 kgCO2e /boe (2021: 3.3kgCO2e/boe) and 3.5 kgCO2e /boe (2021: 3.0kgCO2e/boe), respectively. Both operations compare favourably to peers and the wider industry. The Morocco operation is characterised by a simple process whereby the only treatment of the natural gas is separation of produced water before it is flowed into our pipeline and distribution network. At South Disouq, produced natural gas is used as the primary fuel for the CPF, which was constructed and assembled in 2019 and incorporates energy-efficient technologies.

In Morocco, scope 3 emissions at our seven industrial customers consisted of 93,900 tons (2021: 147,900 tons) of CO2e in 2022. Given that these factories would otherwise consume more polluting fuels, however, the Company's supply of natural gas reduced our customers' CO2 emissions by 47,600 tons (2021: 75,000 tons) of CO2e during the year versus heavy fuel oil.

WATER AND WASTEWATER MANAGEMENT

- Produced water is a natural by-product of oil and gas production. Untreated, produced water can be harmful to the environment. SDX operates assets in agricultural areas and ensures that no produced water is discharged into the environment.
- In Morocco, all produced water is transferred to lined pits and naturally evaporates or is trucked offsite for treatment and recycling. At South Disouq, produced water is first stored in lined pits at the well site or bunded tanks at the CPF and is then trucked offsite for treatment and recycling. No water is injected or discharged at either operation.

ECOLOGICAL IMPACTS

The Company takes all appropriate steps to mitigate the risk of hydrocarbon spills. Morocco does not produce liquid hydrocarbons, and at South Disouq the condensate tanks are recently commissioned with strict protocols in place to prevent spills, such as when loading road tankers. These operations take place in bunded areas to reduce environmental contamination risk.

There were no hydrocarbon spills at either operation during 2022 (2021: nil).

Environmental, Social and Governance (ESG)

HEALTH AND SAFETY

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

2022 was an incident and injury-free year for South Disouq, with the last Lost Time Injury ("LTI") being in October 2020. This record equates to over 1 million hours worked without a LTI. Process safety was maintained at South Disouq by delivering a comprehensive programme of safety-related device identification, maintenance and performance testing. The safety device maintenance compliance remained above our target of 98% this year. We also regularly test the effectiveness of our incident management processes by conducting both live and simulated emergency response scenarios.

The Petro Disouq operations obtained ISO 45001 certificate (for Occupational Health and Safety Management System) and ISO 14001 certificate (for Environmental Management System) in January 2022. A surveillance audit is due in January 2023 to renew the certificates until January 2024.

There were no LTIs in our Morocco operations during 2022. A Health and Safety Management system was rolled out by the Morocco asset team, including safety training of all field and office-based personnel. The management system will enable the asset team to set and monitor performance targets based on a formalised process of capturing leading and lagging indicators.

BUSINESS ETHICS

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

SDX has in place the following codes, policies, and procedures that seek to address ethical matters:
- Code of business conduct
- Anti-bribery and corruption policy
- Whistleblowing procedures
- Privacy notices and personal data protection (GDPR Compliance)

These policies are distributed to all employees.

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

CRITICAL INCIDENT RISK MANAGEMENT AND SYSTEMIC RISK MANAGEMENT

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

EMPLOYEE ENGAGEMENT, DIVERSITY, AND INCLUSION

SDX is committed to providing equal opportunities to all employees. Employees receive equal treatment regardless of:
- Age
- Disability
- Gender reassignment
- Marital or civil partner status
- Pregnancy, maternity or paternity
- Race
- Colour
- Nationality, ethnic, or national origin
- Sex or sexual orientation

We also believe in the importance of promoting diversity and equality, which is essential to create a rich mix of skills and abilities across the business. We are proud of the composition of our team. Across the business, 15% of our employees are female, including the senior reservoir engineer, principal geologist, Head of M&A and HR manager in London, the head of exploration and business development in Cairo, and the HR manager in Rabat.

HUMAN RIGHTS, LABOUR PRACTICES, AND COMMUNITY RELATIONS

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

SDX contributes to the economic and social development in the countries in which we operate. We create meaningful partnerships to ensure that our operations are in line with local priorities and business cultures. Wherever possible, we employ and nurture local talent. Of our 49 permanent salaried roles in Egypt and Morocco, we are proud that 47 (96%) are filled by national citizens. We also use domestic suppliers and contractors at our operating sites whenever possible.

Continuing our engagement with local communities who are affected by our operations, in 2022 SDX was delighted to provide three hospitals near our South Disouq operation with a ventilator each to support the medical needs of the local population in Gharbia State. In Morocco, SDX supported the Dar Lekbira organisation, an NGO with no political or religious affiliation that aims to help children in distress in Kenitra and the surrounding region (within SDX's operating footprint) with winter clothing, school supplies and non-perishable food items.

In 2023, our teams will continue to seek out more community support opportunities, with a continued focus on health care and education.

Financial Review

Financial Review

For the year ended 31 December 2022 (prepared in US$)

OPERATIONAL AND FINANCIAL HIGHLIGHTS

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

		Three months ended 31 December		Year ended 31 December	
US$'000s	Prior quarter [3]	2022	2021	2022	2021
West Gharib production service fee revenues	2,964	**2,244**	2,379	**10,879**	9,219
South Disouq gas sales revenue [1]	6,248	**6,157**	6,670	**23,439**	26,581
Royalties	(2,108)	**(2,077)**	(2,250)	**(7,902)**	(8,974)
Net South Disouq gas revenue	4,140	**4,080**	4,420	**15,537**	17,607
Morocco gas sales revenue	3,139	**3,319**	6,200	**13,975**	23,950
Royalties	(64)	**(31)**	(83)	**(241)**	(431)
Net Morocco gas sales revenue	3,075	**3,288**	6,117	**13,734**	23,519
Net other products revenue	880	**754**	969	**3,608**	3,515
Total net revenue [5]	11,059	**10,366**	13,885	**43,758**	53,860
Direct operating expense	(2,554)	**(3,586)**	(2,375)	**(10,532)**	(9,732)
Netback: West Gharib	2,149	**1,332**	1,650	**7,627**	6,144
Netback: South Disouq gas [2]	2,975	**3,172**	3,393	**11,549**	12,954
Netback: Morocco gas	2,501	**1,522**	5,498	**10,442**	21,515
Netback: Other products [2]	880	**754**	969	**3,608**	3,515
Netback (pre-tax) [4] [5]	8,505	**6,780**	11,510	**33,226**	44,128
EBITDAX [4] [5]	6,357	**2,945**	10,253	**24,576**	39,993
West Gharib production service fee (bbl/d)	414	**390**	410	**389**	457
South Disouq gas sales (boe/d) [6]	3,944	**3,886**	4,210	**3,726**	4,245
Morocco gas sales (boe/d)	574	**607**	1,006	**614**	964
Other products sales (boe/d) [6]	162	**156**	219	**169**	220
Total sales volumes (boe/d) [6]	5,094	**5,039**	5,845	**4,898**	5,886
West Gharib production service fees (bbls)	38,095	**35,835**	37,705	**141,898**	166,814
South Disouq gas sales (boe) [6]	362,866	**357,526**	387,312	**1,360,104**	1,549,354
Morocco gas sales (boe)	52,805	**55,868**	92,511	**224,072**	352,034
Other products sales (boe) [6]	14,909	**14,349**	20,151	**61,658**	80,181
Total sales volumes (boe) [6]	468,675	**463,578**	537,679	**1,787,732**	2,148,383
Brent oil price (US$/bbl)	$101.01	**$88.66**	$79.63	**$101.17**	$70.69
West Gharib oil price (US$/bbl)	$91.81	**$73.81**	$74.06	**$90.72**	$65.76
Realised West Gharib service fee (US$/bbl)	$77.81	**$62.62**	$63.10	**$76.67**	$55.27
Realised Morocco gas price (US$/mcf)	$9.91	**$9.90**	$11.17	**$10.39**	$11.34
Royalties (US$/boe) [5]	$5.66	**$5.39**	$5.23	**$5.68**	$5.12
Operating costs (US$/boe) [5]	$5.45	**$7.74**	$4.42	**$5.89**	$4.53
Netback (US$/boe) [5]	$18.15	**$14.63**	$21.41	**$18.59**	$20.54
Capital expenditures	10,250	**5,151**	8,129	**27,574**	27,774

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

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

(3) Three months ended 30 September 2022.

(4) Netback and EBITDAX are non-IFRS measures and are defined on page 13.

(5) On 1 February 2022, the Company disposed 33% of the shares in Sea Dragon Energy (Nile) BV, its subsidiary that holds its interests across its South Disouq concession. This transaction did not result in a change of control and therefore, as per International Financial Reporting Standards ("IFRS"), the Company continues to consolidate the results of its subsidiary in the Company's consolidated financial statements for the eleven months ended 31 December 2022. All revenues, costs and taxation, in this table, are therefore shown gross of minority interest. Royalties/boe, operating costs/boe and netback/boe also shown gross of minority interest.

(6) Sales volumes from the South Disouq concession have been presented gross of minority interest. For twelve months ended 31 December 2022, the share of volumes assigned to the Company's minority interest holder equals 428,899 boe (1,175 boe/d) and therefore the Company's share of South Disouq volumes (incl. other products) equals 992,863 boe (2,720 boe/d). Net of minority interest total sales volumes are 1,358,833 boe (3,723 boe/d).

Financial Review continued

For the year ended 31 December 2022 (prepared in US$)

WEST GHARIB PRODUCTION SERVICE FEE REVENUES

The Company recorded service fee revenue relating to the oil production that is delivered to the State Oil Company ("GPC") from the Meseda and Rabul areas of Block H. The Company is entitled to a service fee of between 19.00% and 19.25% of the delivered volumes and has a 50% working/paying interest. The service fee revenue is based on the current market price of West Gharib crude oil, adjusted for a quality differential.

PRODUCTION SERVICE FEE PRICING

For the three months and year ended 31 December 2022, the Company received an average service fee per barrel of oil of US$62.62 and US$76.67 respectively, compared to the average West Gharib oil prices for the periods of US$73.81 and US$90.72, representing a discount of US$11.19 (15%) and US$14.05 (15%) per barrel. The Company receives a discount to West Gharib because of the quality of the oil produced.

		Three months ended 31 December		Year ended 31 December	
	Prior quarter	**2022**	2021	**2022**	2021
Production service fee revenues ($'000s)	2,964	**2,244**	2,379	**10,879**	9,219
Realised service fee per bbl ($/bbl)	77.81	**62.62**	63.10	**76.67**	55.27
West Gharib production service fees (bbls)	38,095	**35,835**	37,705	**141,898**	166,814

PRODUCTION SERVICE FEE VARIANCE FROM PRIOR YEAR

For the year ended 31 December 2022 (compared to the year ended 31 December 2021), the increase in production service fee revenue, to US$10.9 million, was driven by an increase in price of US$3.0 million, 33%, partly offset by a US$1.4 million (15%) decrease in production. The lower production is owing to natural field decline and an increase in water cut across several wells partly offset by the contribution of well workover results and eight wells that came into production during 2022 as part of the ongoing development drilling campaign.

US$'000s	
Year ended 31 December 2021	9,219
Price variance	3,037
Production variance	(1,377)
Year ended 31 December 2022	**10,879**

PRODUCTION SERVICE FEE VARIANCE FROM PRIOR QUARTER

For the three months ended 31 December 2022 (compared to the three months ended 30 September 2022), the decrease in production service fee revenue of US$0.7 million, 24%, to US$2.2 million, was due to decrease in the realised pricing, 18%, and a decrease in production, 6%, which was due to natural field decline and water cut across several wells.

US$'000s	
Three months ended 30 September 2022	2,964
Price variance	(544)
Production variance	(176)
Three months ended 31 December 2022	**2,244**

SOUTH DISOUQ GAS SALES REVENUE

The Company sells gas production from the South Disouq concession to the Egyptian national gas company, EGAS, at a fixed price of US$2.65/MMbtu, approximately US$2.85/Mcf. The Government of Egypt's entitlement share of gross production from the asset equates to approximately 51%.

SOUTH DISOUQ GAS SALES VARIANCE FROM PRIOR YEAR

For the year ended 31 December 2022 (compared to the year ended 31 December 2021), the decrease in South Disouq gas sales revenue of US$3.2 million, 12%, is the result of a decrease in sales volumes of 519boe/d. The decrease in production is caused by increased water and sand production due to natural field decline at six wells, partly offset by volumes from two wells (SD-5X and SD-12_East) that came into production during 2022.

There was no scheduled or unscheduled downtime at the Central Processing Facility ("CPF") during the year ended 31 December 2022.

SOUTH DISOUQ GAS SALES VARIANCE FROM PRIOR QUARTER

For the three months ended 31 December 2022 (compared to the three months ended 30 September 2022), the slight decrease in South Disouq gas sales revenue of 1% is the result of a decrease in sales volumes of 58boe/d. The decrease in production is due to natural field decline.

Financial Review continued

For the year ended 31 December 2022 (prepared in US$)

MOROCCO GAS SALES REVENUE

The Company currently sells natural gas to seven industrial customers in Kenitra, northern Morocco. The Company decided not to immediately renew a five-year customer contract that expired on 31 December 2021 until the Company has better visibility on future gas supply and pricing to support the full term of a new contract. This decision is a key contributing factor for lower production in the year ended 31 December 2022.

MOROCCO GAS SALES VARIANCE FROM PRIOR YEAR

For the year ended 31 December 2022 (compared to the year ended 31 December 2021), the decrease in Morocco gas sales revenue of US$10.0 million, 42%, is driven by a US$8.7 million decrease in production as a result of the non-renewal of a customer contract. The unfavorable price variance of US$1.3 million was caused by the weakening of the Moroccan dirham, partly offset by increased sales to higher-priced contracts.

US$'000s	
Year ended 31 December 2021	23,950
Price variance	(1,269)
Production variance	(8,706)
Year ended 31 December 2022	**13,975**

MOROCCO GAS SALES VARIANCE FROM PRIOR QUARTER

For the three months ended 31 December 2022 (compared to the three months ended 30 September 2022), the increase in Morocco gas sales revenue of US$0.2 million, 6%, was mainly driven by an increase in production of US$0.2 million, which was caused by higher demand from six customers during the quarter ended on 31 December 2022.

US$'000s	
Three months ended 30 September 2022	3,139
Price variance	(2)
Production variance	182
Three months ended 31 December 2022	**3,319**

ROYALTIES

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

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

DIRECT OPERATING COSTS

Direct operating costs for the year ended 31 December 2022 were US$10.5 million, compared to US$9.7 million for the prior year.

The direct operating costs per concession were:

		Three months ended 31 December		Year ended 31 December	
US$'000s	Prior quarter	**2022**	2021	**2022**	2021
West Gharib	816	**912**	729	**3,252**	3,075
South Disouq	1,165	**908**	1,027	**3,988**	4,653
Morocco	573	**1,766**	619	**3,292**	2,004
Total direct operating expense	2,554	**3,586**	2,375	**10,532**	9,732

The direct operating costs per boe per concession were:

		Three months ended 31 December		Year ended 31 December	
US$/boe	Prior quarter	**2022**	2021	**2022**	2021
West Gharib	21.41	**25.45**	19.34	**22.92**	18.43
South Disouq	3.08	**2.44**	2.52	**2.81**	2.86
Morocco	10.86	**31.61**	6.69	**14.69**	5.69
Total direct operating costs per boe	**5.45**	**7.74**	**4.42**	**5.89**	**4.53**

West Gharib

Direct operating costs per bbl for the year ended 31 December 2022 for West Gharib were higher at US$22.92/bbl, compared to US$18.43 in prior year, due to lower production and higher cost base as a result of water cut across several wells. In the three months ended 31 December 2022, the direct operating cost per bbl increased by US$4.04/bbl, 19%, compared to the prior quarter, resulting from higher workover-related costs during the quarter.

South Disouq

Direct operating costs per boe for the year ended 31 December 2022 for South Disouq decreased by US$0.05/boe, 2%, to US$2.81/boe compared to US$2.86/boe in the prior year. This decrease is the result of lower production and lower operational expenditure incurred. In the three months ended 31 December 2022, the direct operating cost per boe decreased by US$0.64/boe, 21%, compared to the prior quarter as a result of lower production and lower operation costs.

Financial Review continued

For the year ended 31 December 2022 (prepared in US$)

Morocco

Operational expenditure in Morocco is less dependent on production as certain expenditure is fixed in nature e.g. headcount and compressor/separator rentals and in addition, operational expenditure might be impacted by expenditure that is one-off in nature.

Direct operating costs for the year ended 31 December 2022 were US$1.3 million higher compared to prior year as a result of additional maintenance and workover activity carried out at several wells and a significant one-off cost incurred for handling production and drilling water produced at one of the worked over wells. This higher incurred expenditure, together with the reduction in production, caused the direct operating costs per boe to increase by 158% to US$14.69/boe. In the three months ended 31 December 2022, the one-off cost described above, which together with a marginal increase in the production caused the direct operation costs per boe to increase by 191% to US$31.61/boe.

GENERAL AND ADMINISTRATIVE EXPENSES

	Year ended 31 December	
US$'000s	**2022**	2021
Wages and employee costs	**5,452**	6,180
Consultants - inc. PR/IR	**473**	503
Legal fees	**402**	455
Audit, tax and accounting services	**851**	815
Public company fees	**467**	634
Travel	**241**	132
Office expenses	**599**	677
IT expenses	**338**	326
Service recharges	**(3,658)**	(5,471)
Ongoing general and administrative expenses	**5,165**	4,251
Transaction costs	**3,665**	-
Total net G&A	**8,830**	4,251

Ongoing general and administrative ("G&A") costs for the year ended 31 December 2022 were US$5.2 million which is US$0.9 million higher compared to the prior year due to a lower recharge of G&A to operational and capital expenditure partially offset by a reduction in employee-related expenditure, primarily due to four leavers, no bonus accrued for London team in 2022, natural attrition and the impact of currency devaluation.

Transaction costs in the year mainly relate to professional services associated with the terminated transaction with Tenaz Energy Corp and another discontinued M&A project.

CAPITAL EXPENDITURES

The following table shows the capital expenditure for the Company. It agrees with notes 8 and 9 to the Consolidated Financial Statements for the year ended 31 December 2022, which include discussion therein.

	Year ended 31 December	
US$'000s	**2022**	2021
Property, plant and equipment expenditures ("PP&E")	**7,445**	18,161
Exploration and evaluation expenditures ("E&E")	**20,062**	9,482
Office furniture and fixtures	**67**	131
Total capital expenditures	**27,574**	27,774

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

EXPLORATION AND EVALUATION EXPENSE

For the year ended 31 December 2022, exploration and evaluation expenses stood at US$25.6 million, compared to US$14.1 million in the previous year.

The current period expense relates mainly to:

- A US$21.5 million non-cash write off of exploration expenditure incurred in Morocco relating to the KSR-19, KSR-20, SAK-1 and BMK-1 wells for the value that their book value exceeded their recoverable amount;
- a US$1.3 million non-cash write off of seismic cost incurred in South Disouq as the result of the relinquishment of the Young area.
- a US$0.7 million non-trade receivables write off;
- a US$0.6 million bonus payment to EGAS in relation to the indirect assignment of the South Disouq concession;
- a write off of US$0.5 million for an unsuccessful exploration well drilled in Rabul area in West Gharib;
- a US$0.4 million provision for obsolete inventory in Morocco; and
- new business evaluation activities of US$0.6 million

The prior period expense relates mainly to:

- the US$10.3 million non-cash impairment charge ahead of the relinquishment of the Lalla Mimouna Nord concession;
- the write-off of US$1.3 million for the Hanut-1X dry well drilled in South Disouq in Q3 2021, including associated seismic costs (US$0.2 million) and its share of the concessions signature bonus (US$0.4 million);
- a US$0.7 million write-off of decommissioning assets for the Moroccan operations, following a review of assumptions;
- a US$0.2 million provision for obsolete inventory; and
- new business evaluation activities of US$1.6 million.

Financial Review continued

For the year ended 31 December 2022 (prepared in US$)

DEPLETION, DEPRECIATION AND AMORTISATION

For the year ended 31 December 2022, depletion, depreciation, and amortisation ("DD&A") amounted to US$19.3 million, compared to US$32.6 million in the previous year, a reduction of US$13.3 million.

	Year ended 31 December	
US$'000s	2022	2021
West Gharib	1,467	1,606
South Disouq	7,616	15,442
Morocco	9,738	14,945
Right of use assets	480	573
Other	44	58
Total DD&A	19,345	32,624

The DD&A movement by concession is primarily the result of the following:

- The decrease of US$0.1 million in DD&A for West Gharib for the year ended 31 December 2022 compared to the prior year, is the result of lower production;
- The DD&A for South Disouq was US$7.6 million for the year ended 31 December 2022, a decrease of US$7.8 million from the prior year due to a significant reduction in asset base since Q2 2021 following 2021/2022 production, the accelerated depreciation just described and a US$9.5 million impairment charge recorded in Q4 2021, following the results of the 2021 drilling campaign, and a downward revision to the asset's recoverable reserves as at 31 December 2021;
- The decrease of US$5.2 million in DD&A for Morocco for the year ended 31 December 2022 compared to the prior year is mainly the result of lower production; and
- The DD&A for right-of-use assets was US$0.5 million and related to the recognition of leases under IFRS 16. Please refer to note 20 in the Consolidated Financial Statements.

FOREIGN EXCHANGE LOSS

On 14 March 2022, Egypt devalued its currency, the Egyptian pound, in response to macroeconomic circumstances driven by Russia's invasion of Ukraine. Shortly after this devaluation, the Egyptian pound dropped to c.18.2 to the US Dollar, after having traded at c.15.7 Egyptian pounds to the US Dollar since November 2020. The exchange rate as at 31 December 2022 was c. 24.66. The mechanism for collecting receivables in Egypt is not impacted by this devaluation as receivables are settled in US Dollars, or the Egyptian pound equivalent, on the date payment is made. Costs of the Egyptian operations denominated in Egyptian pounds are not impacted by the currency devaluation. The US$4.6 million foreign exchange loss during the year is mainly the result of the impact on the EGP cash balance (US$3.3 million), the loss on currency conversion (US$0.8 million) and the weakening of the Moroccan Dirham (US$0.3 million). Post period-end on 11 January 2023, Egypt further devalued its currency with the Egyptian pound dropping to c.30 to the US Dollar.

IMPAIRMENT EXPENSE

Following a downward revision to the asset's recoverable reserves as at 31 December 2022, management tested the Morocco asset for impairment, resulting in an impairment expense of US$4.8 million (2021: US$9.5 million impairment of the South Disouq asset). Please see note 8 to the Consolidated Financial Statements for discussion.

SOURCES AND USES OF CASH

The Company's net cash position as at 31 December 2022 was US$4.9 million, with cash balances of US$10.6 million offset by US$5.5 million drawn debt and US$0.2 million accrued interest from the EBRD facility. As a result of various geopolitical factors, US dollar transfers by the Central Bank of Egypt have been restricted and the Company is not able to expatriate any funds currently available in Egypt. Given the ongoing liquidity needs for corporate G&A and the Moroccan asset, the Company is seeking alternative short-term liquidity options.

The following table sets out the Company's sources and uses of cash for the year ended 31 December 2022 and 2021:

	Year ended 31 December	
US$'000s	2022	2021
Sources		
Operating cash flow before working capital movements	18,396	32,848
Borrowings	5,500	-
Net proceeds from sale of assets	5,500	-
Dividends received	311	522
Total sources	29,707	33,370
Uses		
Changes in non-cash working capital	(703)	(3,857)
Property, plant and equipment expenditures	(13,810)	(18,947)
Exploration and evaluation expenditures	(8,250)	(8,675)
Payments of lease liabilities	(569)	(664)
Finance costs paid	(45)	(197)
Income taxes paid	(839)	(324)
Dividends paid - non-controlling interest in Sea Dragon Energy (Nile) B.V.	(891)	-
Effect of foreign exchange on cash and cash equivalents	(4,549)	(200)
Total uses	(29,656)	(32,864)
Increase in cash and cash equivalents	51	506
Cash and cash equivalents at beginning of period	10,562	10,056
Cash and cash equivalents at end of period	10,613	10,562

Financial Review continued

For the year ended 31 December 2022 (prepared in US$)

GOING CONCERN

Accounting standards in the UK require the directors to assess the Group's ability to continue to operate as a going concern for the foreseeable future, which covers a period of at least 12 months from the date of approval of the Consolidated Financial Statements.

The directors reviewed the cash flow projections prepared by management for the period ending 31 December 2024. The capital expenditure and operating costs used in these forecasted cash flows are based on the board's best estimate, including the Group's board-approved 2023 SDX corporate budget, which reflects approved operating budgets for each of its assets and an estimate of 2023 SDX corporate general and administrative expenses.

The principal assumptions underlying the cash flow forecast and the availability of finance to the Group are as follows:

- The expatriation of timely transfers from Egypt to the UK.
- The maintenance of foreign currency exchange rates.
- The Company expects to be able to settle significant expenditure of US$1.6 million incurred in relation to the terminated transaction with Tenaz Energy Corp and another discontinued M&A project. Management has so far been successful in discussing payment plans with several professional services firms associated with these transactions;
- The Board expects to be able to settle significant capital expenditure incurred in Morocco as part of the drilling and connection of five wells over the past 16 months for which an amount of US$7.6 million remains outstanding;
- The Company expects to be able to meet its licence commitments in Morocco and Egypt. This would include the commencement of a four-well drilling campaign by June 2023 to ensure continued gas supply to three strategic customers in Morocco. The Company may require agreeing revised work programmes or licence commitments with the Moroccan and Egyptian authorities on licences where the Group has capital commitments as well as discretionary expenditures. Based on previous successful renegotiations of work programmes, the directors believe that this will likely be achieved, however it is not guaranteed.
- The Company's ability to repay amounts to the European Bank for Reconstruction and Development ("EBRD") as they fall due. The interim redetermination of the Company's outstanding facility with the EBRD has resulted in a borrowing base deficiency of US$2.6 million of which the Company has settled US$1.0 million post year-end. Due to the impact of various geopolitical factors on Egypt, the remaining borrowing base deficiency of US$1.4 million has not been repaid which as per the facility agreement could result in a notice of default with the full remaining outstanding debt (including interest) of US$4.7 million due. However, the Company is in ongoing discussions with the EBRD to identify a workable solution and to agree a waiver or an extension and the Directors, based on their communication with the EBRD, believe that this will likely be achieved.

In reviewing the cash flow forecast and the principal assumptions above, the Directors have also considered other alternative measures available to the Group, including the successful sale of assets, deferral of planned expenditure, the reduction of overhead costs and an alternative method of raising capital or debt. These alterative measures give the Directors a reasonable expectation that the Group will have sufficient funds to enable it to discharge its liabilities when they fall due.

However there exists a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern. As a result of various geopolitical factors, US dollar transfers by the Central Bank of Egypt have been restricted and the Company is not able to expatriate any funds currently available in Egypt and there can be no guarantee of timing on when funds will become available. These factors have also impacted the Egyptian pound, as disclosed in Note 23, which has been devalued several times since March 2022 and is currently trading at less than half of its value compared with the USD since that date. Whilst the company's receivables are not impacted by this devaluation, the company's cash balance in country is fully exposed to any additional currency fluctuations. In addition, the Board believes it has options to raise external capital, the Board however cannot guarantee the final quantum and timings of any proposed financing. The Board would also note that there are no guarantees that current discussions with the EBRD will be favourably concluded and that arrangement with creditors will remain negotiable.

Notwithstanding the material uncertainty identified, the Directors have concluded that the Group will have sufficient resources to continue as a going concern for the period of assessment, that is for a period of not less than 12 months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared in a going concern basis and do not reflect any adjustments that would be necessary if this basis were inappropriate.

Financial Review continued

For the year ended 31 December 2022 (prepared in US$)

NON-IFRS MEASURES

The Financial Review contains the terms "netback" and "EBITDAX", which are not recognised measures under IFRS. The Company uses these measures to help evaluate its performance. Please see note 19 to the Consolidated Financial Statement for a reconciliation of these non-IFRS measures to IFRS.

NETBACK

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

EBITDAX

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

SUMMARY OF QUARTERLY RESULTS

Fiscal year	**2022**				2021			
Financial US$'000s	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Cash, beginning of period	**14,889**	15,272	12,145	10,562	9,789	9,108	9,734	10,056
Cash, end of period	**10,613**	14,889	15,272	12,145	10,562	9,789	9,108	9,734
Net revenue	**10,366**	11,059	11,098	11,235	13,885	12,867	13,725	13,383
Comprehensive (loss)/income	**(33,747)**	(1,227)	(624)	(579)	(11,809)	(2,060)	(10,699)	613
Net (loss)/income per share - basic	**(0.162)**	(0.006)	(0.003)	(0.001)	(0.057)	(0.010)	(0.052)	0.003
Capital expenditure	**5,151**	10,250	8,929	3,244	8,129	3,806	11,875	3,964
Total assets	**78,510**	108,985	103,607	98,916	98,415	108,706	114,645	123,788
Shareholders' equity	**41,408**	74,951	77,073	77,641	72,654	84,450	86,430	97,079
Common shares outstanding (000's)	**204,563**	204,563	204,563	205,378	205,378	205,378	205,378	205,378

Fiscal year	**2022**				2021			
Operational	**Q4**	Q3	Q2	Q1	Q4	Q3	Q2	Q1
West Gharib production service fee (bbl/d)	**390**	414	363	388	410	387	490	543
South Disouq gas sales (boe/d)	**3,886**	3,944	3,460	3,610	4,210	4,360	4,313	4,094
Morocco gas sales (boe/d)	**607**	574	635	640	1,006	867	964	1,023
Other products sales (boe/d)	**156**	162	175	183	219	223	235	202
Total boe/d	**5,039**	5,094	4,633	4,821	5,845	5,837	6,002	5,862
West Gharib production service fee volumes (bbls)	**35,835**	38,095	33,032	34,937	37,705	35,645	44,550	48,914
South Disouq gas sales (boe)	**357,526**	362,866	314,853	324,860	387,312	401,156	392,471	368,415
Morocco gas sales volumes (boe)	**55,868**	52,805	57,796	57,603	92,511	79,788	87,701	92,034
Other products sales volumes (boe)	**14,349**	14,909	15,943	16,457	20,151	20,525	21,341	18,164
Total sales and service fee volumes (boe)	**463,578**	468,675	421,624	433,857	537,679	537,114	546,063	527,527

SELECTED ANNUAL INFORMATION

	Year ended 31 December		
US$'000s	**2022**	2021	2020
Total net revenue	**43,758**	53,860	46,068
Loss and total comprehensive loss attributable to SDX shareholders for the year ended	**(35,090)**	(23,955)	(2,058)
Net loss per share			
Basic	**$(0.171)**	$(0.117)	$(0.010)
Diluted	**$(0.171)**	$(0.117)	$(0.010)
Total assets	**78,510**	98,415	124,603
Total non-current liabilities	**7,362**	6,993	7,112

Jay Bhattacherjee
Executive Chairman
28 April 2023

Principal Risks & Uncertainties

SDX continuously monitors and assesses its risks across the organisation. Risk registers are maintained at the Group, country, and project level. At the Group level, the risk register is managed by the senior management team, and owned by the board.

The current principal risks and their mitigations are set out below:

Risk	Mitigation
Investment returns	
Insufficient liquidity to ensure that the business remains a going concern/is funded for planned activity	• An effective cash forecasting process is established and maintained. Management undertakes severe but plausible downside analysis. • Receivables are collected on a timely basis. • Relationships with lenders are maintained and/or new relationships are formed, if necessary. • There is effective working capital management. • Effective contracting processes are established and maintained. • Management is in dialogue, where needed, with key corporate suppliers to discuss payment plans.
Material reduction in oil prices	• SDX currently has a low portfolio exposure to the oil price as 85-90% of production is natural gas, which is sold on long-term, fixed-price contracts in both South Disouq and Morocco.
Loss of support of major shareholder(s)	• Management and the board maintain an agreed dialogue with key shareholders. • The Company aims to deliver on its strategy. • Management seeks to ensure that shareholders' investments generate adequate returns.
Operations and HSE	
Major operational incident	• The SDX safety management system is implemented. • Key process safety metrics are measured. • Regular inspections of non-operated assets are carried out. • Insurance is procured to address insurable risks.
Failure of exploration and development strategy	• Robust G&G resources and a process for evaluating exploration and development opportunities are put in place. • The Company only works with reputable outsourced drilling contractors/service providers. • The Company has previously been able to successfully renegotiate work programmes and/or move work commitments between licences.
Unable to achieve production targets/recover reserves	• A field development planning process is established. • Production reports are produced on a timely basis. • A maintenance and operability process is established. • A reservoir management process is established. • Adequate human/technical resources are in place within the organisation.
Terrorism & sabotage	• Develop and implement the SDX security system (in conjunction with an expert third party). • Specialist terrorism and sabotage insurance cover is maintained.
Political and commercial environment	
Political stability in asset geographies leads to loss of ability to operate effectively	• Capital allocation is carried out in relation to the perceived country risk. • Management teams across the business carry out passive monitoring. • The company develops and maintains strong in-country relationships with the authorities.
Non-compliance with laws and regulations	• A fully communicated and embedded ABC policy and code of conduct are established and maintained. • Annual ABC training, with written confirmations from recipients, takes place. • Appropriate tone at the top
Monetary instability and currency risk	• Most capital expenditures are incurred in US$, EGP, and MAD, and natural gas, condensate and service fee revenues are received in US$, EGP and MAD. • The mechanism for collecting receivables in Egypt is not impacted by currency devaluation as receivables are settled in US$, or the EGP equivalent, on the date payment is made. • 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 year.

Directors S.172 statement

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

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

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

The following chart sets out the responsibilities of each of the above stakeholder groups and the methods by which we engage with them, as overseen by the board as a whole:

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

Directors S.172 statement continued

SHAREHOLDERS

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

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

The Company's annual report and Notice of Annual General Meetings ("AGM") are available to all shareholders. After two years of virtual meetings, we were pleased to welcome participants in person at our 2022 AGM. We hope to welcome even more participants at our 2023 AGM.

The Board aims to provide a variety of ways to communicate with investors, the Company feels that it reaches out to engage with a wide range of its stakeholders.

EMPLOYEES

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

COMMUNITIES LOCAL TO WHERE WE WORK

The board has overseen the Company's environmental, social, and governance initiatives during the year, which are discussed in more detail in the 2022 ESG report included in this annual report.

FINANCIAL INSTITUTIONS (LENDERS)

The board seeks to ensure at all times that the Company is fully funded for all planned activities and has an ongoing reserves based lending facility with the European Bank for Reconstruction and Development ("EBRD"). The Board regards EBRD as a highly valued partner for SDX Energy and is in regular contact with them.

SUPPLIERS

The board fully supports collaboration with suppliers as it reduces risk in our supply chain and ensures that we maintain high standards of business conduct, which benefit our communities. We interact with suppliers during day-to-day field operations, major and smaller scale projects, tendering exercises, and in planning future activity. In 2022, our suppliers successfully helped us to deliver our South Disouq and Morocco drilling and workover campaigns.

The board also aims to foster productive relationships with our asset partners. Throughout 2022 the board has worked to achieve the goals established within each partnership, primarily set in Operating and Technical Committee meetings and updated as necessary through frequent communications.

NATIONAL AND LOCAL GOVERNMENTS AND REGULATORY AGENCIES

The board understands the importance of strong relationships with our host national and local governments. Respecting our agreements with the Egyptian and Moroccan states is at the heart of our licence to operate, and we engage in regular discussions with government representatives to ensure that expectations are understood and assets are managed effectively. We acknowledge that our responsibility includes adhering to local environmental and social regulations, which in 2022 included conducting environmental impact assessments ahead of drilling in Morocco and Egypt, produced water management in Morocco and at South Disouq, and land use rental and farmers' compensation at the South Disouq asset.

Payments to Governments

INTRODUCTION AND BASIS FOR PREPARATION

This report sets out details of the payments SDX Energy Plc has made to governments and its subsidiary undertakings ('SDX Energy') for the year ended 31 December 2022. This information is required under the Disclosure and Transparency Rules of the UK Financial Conduct Authority and is provided in accordance with our interpretation of the industry guidance issued for the UK's Report on Payments to Governments Regulations 2014, as amended in December 2015.

Payments to governments are required to be reported in the following categories:

- production entitlements;
- taxes levied on the income, production or profits of companies, excluding taxes levied on consumption, such as value added taxes, personal income taxes, or sales taxes;
- royalties;
- dividends, other than dividends paid to a government as an ordinary shareholder unless they are paid in lieu of a production entitlement or royalty;
- signature, discovery, and production bonuses;
- licence fees, rental fees, entry fees and other considerations for licences and/or concessions; and
- payments for infrastructure improvements.

A breakdown of the basis of preparation for the categories relevant to SDX Energy is set out below.

Payments included in the report are amounts paid, whether in money or in kind, for relevant activities. However, as permitted under the regulations, where a payment or series of related payments do not exceed £86,000, they do not need to be disclosed. When preparing this report, a threshold of £86,000 (approximately US$110,000) was applied.

Payments made in currencies other than US dollars are translated for this report, based on the foreign exchange rate at the transaction date.

SUMMARY TABLE SHOWING PAYMENTS TO GOVERNMENTS AND PAYEES FOR THE YEAR ENDED 31 DECEMBER 2022 (IN US$)

Country	Payee	Production entitlements	Taxes[1]	Bonuses[2]	Fees[3]	Total[4]
Egypt	General Petroleum Company			1,000,000		1,000,000
Egypt	Egyptian Natural Gas Holding Company	9,918,840		1,046,038		10,964,878
Egypt	Tax authority		397,148			397,148
Morocco	Tax authority		442,205			442,205
Morocco	Office National des Hydrocarbures et des Mines (“ONHYM”)				1,121,343	1,121,343
Total		**9,918,840**	**839,353**	**2,046,038**	**1,121,343**	**13,925,574**

(1) US$0.8 million of taxes relating to West Gharib corporate tax in Egypt (US$0.4 million) and US$0.4 million taxes paid relating to the social solidarity contribution to the Moroccan tax authorities.

(2) US$2.0 million of bonuses of which US$1.0 million is in relation to deferred payments for the 2021 renewal of the West Gharib concession, US$0.6m signature bonus payment in relation to the indirect assignment of the South Disouq concession and US$0.4 million training fees.

(3) US$1.1 million was paid to ONHYM during the year ended 31 December 2022, predominantly for fees associated with historic operational expenditure, right-of-passage and training.

(4) For the year ended 31 December 2022, SDX Energy did not make any reportable dividend, royalties or infrastructure improvement payments to any government.

SUMMARY TABLE SHOWING GOVERNMENT PAYMENTS SPLIT BY PROJECT FOR THE YEAR ENDED 31 DECEMBER 2022 (IN US$)

Project	Project	Production entitlements	Taxes	Bonuses	Fees	Total
Egypt	South Disouq	9,918,840		1,046,038		10,964,878
Egypt	West Gharib		397,148	1,000,000		1,397,148
Morocco	Gharb concessions		442,205		1,121,343	1,563,548
Total		**9,918,840**	**839,353**	**2,046,038**	**1,121,343**	**13,925,574**

The strategic report was approved by the board and signed on its behalf by Jay Bhattacherjee, Interim Executive Chairman, on 28 April 2023.

Statement of Corporate Governance

BOARD COMPOSITION

During the year a number of Board changes were announced. The Board is now led by Jay Bhattacherjee as Executive Chairman, with his fellow directors being Tim Linacre and Krzysztof Zielicki. The board considers Krzysztof Zielicki and Tim Linacre to be independent directors.

Jay Bhattacherjee (executive chairman)
Jay Bhattacherjee holds a B.Sc. in Chemical Engineering with a Petroleum Engineering speciality and has over 20 years of experience operating and leading public and private companies in the energy and natural resources industries with a significant focus on EMEA, the core operational area for the Company.

Jay was previously Executive Director and CEO of Aminex plc, the London-listed East African gas company. Additionally, he has worked for the Bank of Nova Scotia, Apache and Pengrowth. Jay is currently a director of several private companies in the investment, energy, and defence sectors.

Timothy Linacre (senior non-executive director)
Timothy Linacre is a fellow of the Institute of Chartered Accountants in England and Wales and an experienced City practitioner. After qualifying with Deloitte Haskins and Sells, he spent five years with Hoare Govett before moving to Panmure Gordon in 1992, where he worked for 20 years, including eight years as CEO. Mr. Linacre is currently executive deputy chairman at Instinctif Partners, a leading business communications firm, and is non-executive chairman of Frenkel Topping plc, a specialist professional and financial services firm focused on asset protection for clients whose shares are listed on the London Stock Exchange.

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

Krzysztof Zielicki (non-executive director)
Krzysztof has over four decades of experience in the oil and gas industry. He has held senior leadership positions in several Energy Majors, including BP, TNK/BP and Rosneft, where he was Vice President for M&A and Strategy.

During 2022, three non-executive directors and two executive directors left their position. The board understands that having an adequate balance between the non-executive and executive directors, both in number and in experience and expertise, is necessary to ensure that the board operates independently of executive management and will take appropriate action during 2023 to re-establish this balance at the Board.

CORPORATE GOVERNANCE FRAMEWORK

The board of directors recognises that good corporate governance is fundamentally important to the success of the Company and believes that the QCA Code provides the Company with the right framework to sustain a strong level of governance. The annual QCA Code disclosures are contained within this annual report.

The board holds scheduled meetings each year. Additional meetings are held when necessary to consider matters of importance that cannot be held over until the next scheduled meeting. At these meetings, financial, operational, and other reports are considered and, where appropriate, voted on.

The board is responsible for the Group's strategy, performance, key financial and compliance issues, approval of all annual budgets, and the framework of internal controls. The matters reserved for the board include, among others, approval of the Group's strategy and annual objectives, monitoring compliance with significant policies and procedures, including health and safety, oversight of communications and public disclosure, approval of the Group's annual report and accounts, succession planning, and the maintenance of sound systems of internal control.

The board delegates certain of its responsibilities to its committees, which have clearly defined terms of reference.

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

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

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

The Company has adopted a whistleblowing policy which enables employees to raise any concerns they may have in confidence with the chairman, chief executive officer or the chair of the Audit Committee.

BOARD COMMITTEES AND STRUCTURE

The board has established an Audit Committee, a Reserves Committee and a Remuneration Committee. The Nominations Committee will be re-established during 2023. Health, safety, and environmental matters are within the remit of the full board. All committees report back to the board following a committee meeting.

Statement of Corporate Governance continued

BOARD COMMITTEES AND STRUCTURE CONTINUED

Audit Committee

The Audit Committee meets regularly and consists of two members, both of whom are non-executive directors. Its purpose is to help the board oversee the integrity of the financial statements and other financial reporting, the application of significant accounting policies, the effectiveness of financial and internal controls, and the independence and performance of the auditors, including the provision of non-audit services. The Audit Committee may hold private sessions with management and with the external auditor without management present.

The Audit Committee met four times in 2022 and proposes to meet at least four times during the next financial year. It is chaired by Tim Linacre and the other member is Krzysztof Zielicki.

Reserves Committee

The Reserves Committee meets at least annually and consists of two members, both of whom are non-executive directors. The Committee is advised by the Chief Operational Officer and the Vice-President Subsurface of the Company. Its purpose is to review the reports of the independent reserves auditors pursuant to Canadian regulations, which require that the board discusses the reserves reports with the independent reserves auditors or delegate authority to a reserves committee comprising at least two non-executive directors. Krzysztof Zielicki chairs the Reserves Committee and the other member is Tim Linacre. The committee met once in 2022 and typically meets once a year prior to publication of the annual results.

Remuneration Committee

The Remuneration Committee meets regularly to consider all material elements of remuneration policy, share schemes, and the remuneration and incentivisation of executive directors and senior management. Its role is to monitor and review remuneration policies to ensure that SDX attracts, retains, and motivates the most qualified talent who will contribute to the long-term success of the Company. The committee met twice in 2022 and proposes to meet at least twice during the next financial year.

The committee is composed of two non-executive directors, both of whom are independent. The committee is chaired by Krzysztof Zielicki and the other member is Tim Linacre.

Nominations Committee

The Nominations Committee, was created as a standing committee of the board during 2020 with the aim to oversee succession planning, the structure, effectiveness, and performance of all members of the board and all board committees, and the recruitment and induction of directors.

The committee met once in 2022 however after the departure of several non-executive directors, the responsibilities of the committee are now within the remit of the full Board. The committee will be re-established in 2023 and will aim to meet at least twice during the next financial year.

Directors' attendance at meetings

The board generally has one scheduled meeting every quarter over the course of the financial year, with informal discussions scheduled as required. Additional meetings are held from time to time to deal with issues that arise. The non-executive directors hold informal meetings during the year at which members of management are not in attendance. The directors' attendance at scheduled board meetings and committees during 2022 is shown in the table below:

Director [1]	Board	Audit	Nominations	Remuneration	Reserves
Jay Bhattacherjee	1*	1§	–	–	–
Krzysztof Zielicki	1	1	1	1	–
Tim Linacre	4	4*	–	2	–
Michael Doyle	3*	3	–	–	1
Mark Reid	4	4§	1§	1§	1§
Nick Box	4	4§	1§	1§	–
David Mitchell	2	2§	–	–	1*
Catherine Stalker	3	3§	1*	2*	–
Total meetings	**4**	**4**	**1**	**2**	**1**

* Chairman § Invitee

1) The Executive chairman, CEO, CFO, and non-executive directors attended a number of meetings of committees of which they were not members during the course of the year at the invitation of the committee chairman.

BOARD EVALUATION

The board believes that its effectiveness and the individual performance of its directors are vital to the success of the Company.

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

The board is mindful of the need for succession planning and will re-establish the Nominations Committee in 2023 to ensure the company meets the requirements for this and board appointments to ensure that the board is fit for purpose. If external training or assistance with recruitment is required by the board, this will be made available.

Jay Bhattacherjee
Executive Chairman
28 April 2023

Directors' Report

The directors of the Company present their report and the Consolidated Financial Statements of SDX Energy plc ("SDX" or the "Company") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

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

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

A review of the business and the future developments of the Group is presented in the Strategic Report.

STAKEHOLDER ENGAGEMENT

An overview of the responsibilities of the directors and the methods by which they engaged with suppliers, customers and others in a business relationship with the Company is presented in the Directors' S.172 Statement.

RESULTS AND DIVIDENDS

The loss for the year was US$36,177k (2021: loss of US$23,955k). The directors do not recommend the payment of a dividend (2021: US$nil).

FINANCIAL INSTRUMENTS

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

EVENTS SINCE THE BALANCE SHEET DATE

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

DIRECTORS AND THEIR INTERESTS

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

The following directors resigned during the year or did not offer themselves for re-election during the 2022 AGM:

David Mitchell	(terminated 14 June 2022)
Michael Doyle	(resigned 21 September 2022)
Nicholas Box	(resigned 27 September 2022)
Catherine Stalker	(resigned 31 October 2022)
Mark Reid	(resigned 1 December 2022)

The following directors were appointed during the year or have held office in the Company during the year and to the date of this report:

Timothy Linacre	(appointed 28 May 2019)
Krzysztof Zielicki	(appointed 21 September 2022)
Jay Bhattacherjee	(appointed 31 October 2022)

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

Director	Class of share	Interest at end of year	Interest at date of appointment
Tim Linacre	Ordinary	160,000	50,000
Krzysztof Zielicki	Ordinary	-	-
Jay Bhattacherjee	Ordinary	-	-

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

No rights to subscribe for shares in, or debentures of, Group companies were granted to any of the directors or their immediate families, or exercised by them, during the financial year. Rights to subscribe for shares held by directors, granted in prior years, are disclosed in the Consolidated Financial Statements and in the 2022 Remuneration Report of the Annual Report.

INDEPENDENT AUDITORS

Crowe U.K. LLP has been engaged as auditor to the Company. The appointment of Crowe U.K. LLP will be subject to approval by shareholders at the next Annual General Meeting of the Company.

DISCLOSURE OF INFORMATION TO AUDITORS

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

On behalf of the board

Jay Bhattacherjee
Director
28 April 2023

QCA Code Compliance Disclosures

PRINCIPLE 1:	ESTABLISH A STRATEGY AND BUSINESS MODEL WHICH PROMOTES LONG-TERM VALUE FOR SHAREHOLDERS
Application:	**The board must be able to express a shared view of the Company's purpose, business model and strategy.**

Explain the Company's business model and strategy, including key challenges in their execution (and how those will be addressed)

The Company's strategy is to develop and maintain a portfolio of onshore/near-shore oil and gas exploration and production assets that deliver high-margin production, such that SDX would generate, on average, US$15/boe in operating profit in any price environment. As the Company operates in the upstream oil and gas sector, it is exposed to political, operational, commercial, product pricing, and hazard risk.

Further discussion of the Company's business model, strategy, and key challenges (and how these are addressed) is contained in the Strategic Report.

PRINCIPLE 2:	SEEK TO UNDERSTAND AND MEET SHAREHOLDER NEEDS AND EXPECTATIONS
Application:	**Directors must develop a good understanding of the needs and expectations of all elements of the Company's shareholder base. The board must manage shareholders' expectations and should seek to understand the motivations behind shareholder voting decisions.**

Explain the ways in which the Company seeks to engage with shareholders. This should include information on those responsible for shareholder liaison or specification of the points of contact for such matters

The Company engages with its shareholders through regulatory news flow, providing statutory financial results, operational and financial updates to maintain information on overall performance, releases relating to matters of material importance to the Company's business, releases of a regulatory nature, and scheduled events, such as capital markets days. The Company maintains an informative and regularly updated website at www.sdxenergygroup.com through which shareholders can obtain copies of the Company's annual reports, interim reports, and other regulatory documents and regulatory news service releases. The website includes copies of all presentations made from time to time to analysts, shareholders, and the general market. It also includes a facility under which shareholders may submit questions or make comments relating to the Company's business. Contact details for all regulatory announcements can be found on the website. Whenever possible, the Company endeavours to respond to enquiries.

Under normal circumstances, the Company's Annual General Meeting ("AGM") is a regular opportunity for shareholders to meet with the Company and receive a corporate presentation. There is also an opportunity for shareholders to ask questions after the presentation, during the formal business of the meeting, and informally following the meeting. After two years of virtual meetings, we were pleased to welcome participants in person at our 2022 AGM. The Company will continue to observe applicable guidelines for future AGMs and are looking forward to welcome even more participants at our 2023 AGM.

The chairman is responsible for shareholder liaison and act as a listening board for shareholders. In all communications with shareholders and the general market, the Company maintains strict compliance with the requirements of the AIM Rules and Market Abuse Regulations.

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

QCA Code Compliance Disclosures continued

PRINCIPLE 3: TAKE INTO ACCOUNT WIDER STAKEHOLDER AND SOCIAL RESPONSIBILITIES AND THEIR IMPLICATIONS FOR LONG-TERM SUCCESS

Application: The board needs to identify the Company's stakeholders and understand their needs, interests and expectations.

Explain how the business model identifies the key resources and relationships on which the business relies

The Company's business model and strategy are described in Principle 1.

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

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

Explain how the Company obtains feedback from stakeholders and the actions that have been generated as a result of this feedback (e.g. changes to inputs or improvements in products)

The Company values the feedback received from its stakeholders and takes every opportunity to ensure that, where possible, the wishes of stakeholders are considered. The operations of the Company need to be carefully managed and conducted in order to reduce environmental impact, enhance (rather than impair) communities, and protect Company employees and others who operate at the Company's assets.

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

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

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

PRINCIPLE 4: EMBED EFFECTIVE RISK MANAGEMENT, CONSIDERING BOTH OPPORTUNITIES AND THREATS, THROUGHOUT THE ORGANISATION

Application: The board needs to ensure that the company's risk management framework identifies and addresses all relevant risks in order to execute and deliver its strategy.

Describe how the board has embedded effective risk management in order to execute and deliver strategy. This should include a description of what the board does to identify, assess, and manage risk and how it gets assurance that the risk management and related control systems in place are effective

A culture of risk awareness and management is encouraged at all levels throughout the Company. The board regularly reviews strategic risks. Each member of the team is responsible for continuously monitoring and managing risk within the relevant business areas, including the company's supply chain, from suppliers to customers. Corporate, country, and project risk registers are maintained and monitored at the appropriate levels within the organisation. The Company employs outside advisors to assess and advise on risk when it is felt that additional third-party expertise is required. By receiving frequent updates on developments pertaining to the business and operations, the board maintains a full and active awareness of operational and financial risks and the assurances that effective control systems are in place.

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

The Company's approach to the management and identification of risk is set out in the Business Risks and Uncertainties section.

QCA Code Compliance Disclosures continued

PRINCIPLE 5:	MAINTAIN THE BOARD AS A WELL-FUNCTIONING, BALANCED TEAM LED BY THE CHAIR
Application:	The board members have a collective responsibility and legal obligation to promote the interest of the Company, and are collectively responsible for defining corporate governance arrangements.

Identify those directors who are considered to be independent; where there are grounds to question the independence of a director, through length of service or otherwise, this must be explained

The board currently has an executive chairman and two independent non-executive directors. The Company meets the QCA guidelines of having two independent non-executive directors.

All non-executive directors have extensive and complementary skills, knowledge, and experience, covering all facets of the business that require both entrepreneurial and custodian oversight. All non-executive directors are considered to be independent in terms of character and judgement. The board is aware of the need to maintain and build upon this balance of backgrounds and to maintain a diversity of talent through succession planning as the Company continues to develop and the needs of the business grow.

The Company is delighted that Mr. Linacre decided to invest personal funds into ordinary shares in the Company. The Company believes that this investment demonstrates an alignment of interests between him as a non-executive director and the Company. However, the size of his holding represents less than 1% per cent of the Company's issued share capital and therefore the Company does not consider the size of the holdings to compromise independence.

Describe the time commitment required from directors (including non-executive directors as well as part-time executive directors)

The executive chairman is expected to devote the whole of his working time to their duties with the Company. The non-executive directors have a lesser time commitment. It is anticipated that non-executive directors will each dedicate 12 days a year to their duties as board members.

Include the number of meetings of the board (and any committees) during the year, together with the attendance record of each director

Full details of the number of board and committee meetings held and the attendance record of each of the directors are provided elsewhere in this report.

QCA Code Compliance Disclosures continued

PRINCIPLE 6: ENSURE THAT BETWEEN THEM THE DIRECTORS HAVE THE NECESSARY UP-TO-DATE EXPERIENCE, SKILLS, AND CAPABILITIES

Application: The board must have an appropriate balance of sector, financial and public markets skills and experience, as well as an appropriate balance of personal qualities and capabilities.

Identify each director

Information on each of the directors is provided elsewhere in this report.

Describe the relevant experience, skills and personal qualities and capabilities that each director brings to the board (a simple list of current and past roles is insufficient); the statement should demonstrate how the board as a whole contains (or will contain) the necessary mix of experience, skills, personal qualities (including gender balance) and capabilities to deliver the strategy of the Company for the benefit of the shareholders over the medium to long-term

The board of directors possesses a wide range of experience and skills. To meet the requirements of an independent upstream oil and gas exploration, development, and production company, the directors' experience and skills must cover financial, legal, operational, and technical knowledge of risk management and growth in the independent sector and in public markets. Each of the directors on the board, both executive and non-executive, has considerable experience and all have skills that are complementary and sufficient to cover all the requirements of the board. The composition of the board is regularly reviewed to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group and the management team. The Company strives to maintain a diverse board.

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

The executive chairman and management team keep the board up to date on areas of new governance and liaises with the Company's lawyers and Nomad on AIM requirements. Board members have significant experience within the industry and in public and financial markets. The board receives support and advice from its Nomad on AIM requirements as and when required, and from other advisors (including legal counsel and the independent auditors) on developments relevant to directors' roles. Each director is also encouraged to discuss any matter of interest with the company's professional advisors, as needed.

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

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

Where external advisers to the board or any of its committees have been engaged, explain their role

Details of the Company's advisors can be found on the website:
www.sdxenergygroup.com/investors/advisors/

Describe any internal advisory responsibilities, such as the roles performed by the company secretary and the senior independent director, in advising and supporting the board

The directors have access to an outsourced company secretary as and when required.

The board has appointed Tim Linacre a senior independent director. The chairman discusses matters arising with fellow non-executive directors and the group is available to hold discussions with shareholders, when necessary.

QCA Code Compliance Disclosures continued

PRINCIPLE 7: EVALUATE BOARD PERFORMANCE BASED ON CLEAR AND RELEVANT OBJECTIVES, SEEKING CONTINUOUS IMPROVEMENT

Application: The board should regularly review the effectiveness of its performance as a unit, as well as that of its committees and the individual directors.

Include a high-level explanation of the board performance effectiveness process

A board performance evaluation was finalised in 2021 with the results published in the Company's 2021 annual report.

The board is mindful of the need for succession planning and will re-establish the Nominations Committee in 2023 to ensure the company meets the requirements for this and board appointments to ensure that the board is fit for purpose.

Where a board performance evaluation has taken place in the year, provide a brief overview of it, how it was conducted and its results and recommendations. Progress against previous recommendations should also be addressed

A board performance evaluation was finalised in 2021 with the results published in the Company's 2021 annual report. The next board evaluation will be undertaken at an appropriate time, expected to be within the next 12 to 24 months.

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

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

A board performance evaluation was finalised in 2021 with the results published in the Company's 2021 annual report. The next board evaluation will be undertaken at an appropriate time, expected to be within the next 12 to 24 months.

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

The board is mindful of the need for succession planning and will re-establish the Nominations Committee in 2023 to ensure the company meets the requirements for this and board appointments to ensure that the board is fit for purpose.

PRINCIPLE 8: PROMOTE A CORPORATE CULTURE THAT IS BASED ON ETHICAL VALUES AND BEHAVIOURS

Application: The board should embody and promote a corporate culture that is based on sound ethical values and behaviours and use it as an asset and a source of competitive advantage.

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

The board of directors establishes the corporate culture of the Company and the executive chairman communicates it to the Company through scheduled internal meetings with the leadership team, which in turn disseminate it throughout the organisation. By this means, the Company's strategy, objectives, and approach to health, safety, environmental, and diversity issues are communicated to all employees with the board maintaining full oversight.

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

The Company operates a full feedback system by which the chairman or chairman of the Audit Committee are made aware of any deviation from the Company's ethical values.

QCA Code Compliance Disclosures continued

PRINCIPLE 9: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION MAKING BY THE BOARD

Application: **The Company should maintain governance structures and processes in line with its corporate culture and appropriate to its size and complexity; and capacity, appetite and tolerance for risk.**

Describe the roles and responsibilities of the chair, chief executive, and any other directors who have specific individual responsibilities or remits (e.g. for engagement with shareholders or other stakeholder groups)

Other than as described above, there are no specific individual responsibilities or remits.

Describe the roles of any committees (e.g. audit, remuneration and nomination committees) setting out any terms of reference and matters reserved by the board for its consideration

Please refer to individual sections on each of the Company's committees in this report.

Further information relating to the Company's committees can be found on the Company's website https://www.sdxenergygroup.com/esg/corporate-governance/#board-committees

Describe which matters are reserved for the board

The Company's terms of reference are published on the corporate website.
The following matters are a summary of the matters that require board approval:

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

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

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

Policies and procedures: responsible for monitoring compliance with all significant policies and procedures by which the Company is operated; Oversight of communications and public disclosure: ensuring that the Company has in place effective, accurate, and timely disclosure and communication processes with shareholders and financial, regulatory, and other recipients;

Corporate governance matters: review the Company's overall corporate governance arrangements;

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

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

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

PRINCIPLE 10: MAINTAIN GOVERNANCE STRUCTURES AND PROCESSES THAT ARE FIT FOR PURPOSE AND SUPPORT GOOD DECISION-MAKING BY THE BOARD

Describe the work of any board committees undertaken during the year

Please refer to pages 28 to 31.

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

Please refer to page 30.

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

Please refer to pages 28 to 29.

If the Company has not published one or more of the disclosures set out under Principles 1-10, the omitted disclosures must be identified and the reason for their omission explained

The Company has published all of the disclosures set out under Principles 1-10 and has not omitted any disclosures.

Remuneration Committee Report

The Remuneration Committee is a standing committee of the board of the Company. It comprises two independent non-executive directors, including the committee chair. Current committee members are Krzysztof Zielicki (chair) and Tim Linacre.

The purpose of the committee is to assist the board discharge its oversight responsibilities relating to the attraction, compensation, evaluation and retention of executive directors, who are currently the chief executive officer, chief financial officer, and senior management. Its role is to ensure that the Company has the right skills and expertise it needs to achieve its strategy and that fair and competitive compensation is awarded with appropriate performance incentives. SDX's remuneration policy is intended to support the Company's purpose, values, and strategy. In practice, this is implemented through the mechanisms such as Key Performance Indicators that drive annual bonuses and Performance Measures that are featured in the Long Term Incentive Plan.

The committee held two meetings during 2023. Members' attendance records are disclosed in the Corporate Governance Report contained in this Annual Report.

CONSIDERATION BY THE COMMITTEE OF MATTERS RELATING TO DIRECTORS' AND SENIOR MANAGERS' REMUNERATION

The committee oversees the overall compensation policy for the senior managers and executive directors of the Company. Subject to the approval of the board, it is responsible for:

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

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

SUMMARY OF WORK UNDERTAKEN DURING 2022

- The committee reviewed attainment against the 2021 KPIs and associated bonus pool. The committee did not recommend a bonus grant for 2022.
- The committee reviewed and recommended the 2022 KPIs for the bonus plan.
- The committee reviewed and recommended the Long-Term Incentive Plan ("LTIP") awards to new joiners. The committee did not recommend an LTIP award grant for 2022.
- The Committee looked more widely at the competitiveness of remuneration arrangements for senior management.

2023 LOOKING FORWARD

During the year, the committee will:

- Consider the final bonus outturn for 2022
- Establish KPIs for the 2023 bonus
- Redevelop the LTIP award scheme

EXECUTIVE REMUNERATION

The table below sets out the remuneration and breakdown for each executive director paid for the 2022 and 2021 financial years in GBP, during their time as a director only:

	Jay Bhattacherjee (1) (GBP)	Mark Reid (2) (GBP)	Nick Box (3) (GBP)
Salary	14,167	300,000	157,500
Benefits (4)	-	1,385	4,775
Pension	-	22,500	11,813
Total 2022	**14,167**	**323,885**	**174,088**
	-		
Salary	-	300,000	155,625
Benefits (4)	-	1,806	4,944
Pension	-	17,500	8,938
Total 2021	-	319,306	169,506

(1) Mr. Bhattacherjee's joined as non-executive chairman on 31 October 2022 and was appointed executive chairman on 1 December 2022. Numbers in the table above relate to the period between 31 October 2022 and 31 December 2022.

(2) Mr. Reid ceised to be a director on 1 December 2022 when he was moved onto gardening leave till 31 May 2023. Numbers in the above table include his full remuneration for 2022.

(3) Mr. Box resigned as a director on 27 September 2022 and on 1 December 2022 was moved onto gardening leave till 31 May 2023. Numbers in the above table include his full remuneration for 2022.

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

Remuneration Committee Report continued

SHARE OPTION PLANS

The Company operates three discretionary incentive share plans which permit the grant of share-based awards: the SDX Energy Plc Long- Term Incentive Plan (the "LTIP"), which permits the granting of share-based awards, the SDX Energy Plc Company Share Option Plan ("CSOP"), and the SDX Energy Plc Stock Option Plan, collectively known as the discretionary plans.

The objective of the discretionary plans is to develop the interest of directors, officers, employees, and certain consultants in the growth and development of the Group by providing them with the opportunity to acquire an interest in the Company and to assist the Company in retaining and attracting executives with experience and ability.

The discretionary plans govern all future grants of share awards from the Company to directors, officers, employees, and certain consultants of the Group. The directors ensure that the maximum number of ordinary shares that may be issued pursuant to the discretionary plans does not exceed 10% of the issued ordinary shares of the Company in line with the recommendations of the Association of British Insurers. As at the date of this report, this figure is 1.1%.

In 2022, the Company incurred share-based payment charges of $156k (2021: $156k) in respect of discretionary plan awards to directors.

LONG-TERM INCENTIVE PLAN

LTIP awards are structured as nil-cost options or conditional share awards and vesting is subject to the satisfaction of certain performance targets at the end of a three-year period from the date of grant. Vested options may be exercised up to 10 years from the date of grant.

During the year no new LTIPs awards have been awarded nor have any of the previously awarded options vested during the year.

Previous awards shall only vest and an option may only be exercised while the Award Holder is in relevant employment. Once an award holder ceases to be in relevant employment, any award granted to them shall lapse on cessation. The Board may determine that an Award Holder will be treated as ceasing to be in Relevant Employment when they give or receive notice of termination of their employment. As a result, a number of vested and unvested options have been cancelled during 2022 and up to the date of this report.

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

Director/employees	Total number of LTIP awards outstanding
Directors	-
Employees below Board level (in aggregate)	2,255,783
Total	**2,255,783**

It is the intention of the Board to redevelop the LTIP scheme during 2023 and award LTIPs on an annual basis.

STOCK OPTION PLAN

Stock Option Plan awards contain an exercise price, which is determined at the date of grant with reference to the market value. The options are not subject to performance targets and vest annually over a three-year period. Vested options may be exercised up to five years from the date of grant. The final 320,000 vested options outstanding from the most recent grant in July 2017 expired in July 2022.

Non-executive director fees

	2022 fees GBP	2021 fees GBP
Tim Linacre (1)	**47,778**	45,000
Krzysztof Zielicki (2)	**12,360**	-
Michael Doyle (3)	**70,000**	70,000
David Mitchell (4)	**20,500**	45,000
Catherine Stalker (5)	**37,500**	45,000

(1) Mr. Linacre was appointed as interim Chairman on 21 September 2022 up until 31 October 2022 and his fees increased to £70,000 during this period only

(2) Mr. Zielicki was appointed as non-executive director on 21 September 2022

(3) Mr. Doyle resigned on 21 September 2022 but remained on as a consultant until the end of the year

(4) Mr. Mitchell did not put himself forward for re-appointment and ceised to be a director on 14 June 2022

(5) Ms. Stalker resigned on 31 October 2022

EXTERNAL ADVISORS

The committee has not used the services of an external advisor in regard to remuneration matters during the year.

Krzysztof Zielicki
Chair of the Remuneration Committee
28 April 2023

Audit Committee Report

The Audit Committee is a standing committee of the board of the Company. It comprises two non-executive directors, currently Tim Linacre (chair) and Krzysztof Zielicki.

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

As at 1 January 2023 SDX Energy plc is a Designated Foreign Issuer within the meaning of the Canadian National Instrument 71-102-Continuous Disclosure and Other Exemptions Relating to Foreign Issuers and is subject to the foreign regulatory requirements of the AIM market of the London Stock Exchange. As such, the Company is exempt from certain requirements otherwise imposed on reporting issuers in Canada. This status will mean that the preparation of quarterly financial statements and MD&A will not be required in 2023.

The Committee met four times during the year and the members' attendance record at committee meetings is set out in the Corporate Governance section. After each meeting, the chair of the Audit Committee reports to the board on its proceedings.

An essential part of the integrity of the financial statements is the key assumptions and estimates or judgments to be made. The committee reviews key judgments prior to publication of the financial statements at both the end of the financial year and at the end of interim periods. It also considers significant issues throughout the year. During 2022, these matters included:

- Reviewing the key assumptions management uses to assess the carrying values of assets for potential impairment:
  - As disclosed in the Group financial statement, US$21.5 million of non-cash exploration and evaluation expenditure have been written off to the profit and loss, representing the total of their book value exceeding their recoverable amount;
  - As disclosed in the Group financial statements, the Gharb Basin (Morocco) CGU was tested for impairment, with a charge of US$4.8 million recorded in 2022;
  - As disclosed in the Parent Company financial statements, the investment in subsidiaries was tested for impairment, with a charge of US$18.8 million recorded in 2022; and
- The Audit Committee reviewed the detailed cash flow forecast, and the principal underlying assumptions, for the Group for the period ending 31 December 2024. The Audit Committee considered all the likely scenarios and concluded that there exists a material uncertainty that the Group will have adequate resources for the next 12 months. Nevertheless, despite the material uncertainty the Audit Committee concluded that there is a reasonable expectation that there will be adequate resources and it was therefore appropriate to recommend adoption of going concern as the basis of preparation of the financial statements.

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

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

At the end of 2022, the board engaged Crowe U.K. LLP to act as an external auditor replacing PricewaterhouseCoopers LLP ("PWC) whom held office with the Company and its predecessors since 2012. Crowe U.K. LLP is invited to attend committee meetings unless a conflict of interest exists. The SDX Group fee to Crowe U.K. LLP for the financial year to 31 December 2022 is GBP245,000. The Audit Committee will undertake a comprehensive review of the quality, effectiveness, value, and independence of the audit Crowe U.K. LLP provides each year, seeking the views of the wider board and relevant members of the committee.

The Company has not adopted specific policies and procedures for the engagement of non-audit services. The duties of the Audit Committee, however, include the review and pre-approval of all non-audit services to be provided by the external auditors' firm or its affiliates (including estimated fees) and the consideration of the effect of such services on the independence of the external audit.

RESPONSIBILITIES

The Committee reviews and makes recommendations to the board on:

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

Tim Linacre
Chair of the Audit Committee
28 April 2023

Reserves Committee Report

The Reserves Committee (the "Committee") is a standing committee of the Company board and comprises two non-executive directors, Krzysztof Zielicki (chairman) and Tim Linacre. The committee is advised by both the Chief Operational Officer and the Vice-President Subsurface of the Company.

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

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

2022

- Evaluated the effectiveness of the Company's policies, practices, and procedures for estimating the Company's oil and gas reserves.
- Met with the qualified independent reserves auditors to discuss the performance of their audit, their access to management and information, their estimation methodologies and key judgements, and their independence.
- Met as a committee to discuss and recommend for approval to the board the Gaffney, Cline & Associates' Competent Persons Report for the SDX Energy Plc Group (effective 31 December 2022) and associated regulatory filings.

2023 LOOKING FORWARD

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

Krzysztof Zielicki
Chair of the Reserves Committee
28 April 2023

Nomination Committee Report

The Nominations Committee, was created as a standing committee of the board during 2020 with the aim to oversee succession planning, the structure, effectiveness, and performance of all members of the board and all board committees, and the recruitment and induction of directors.

The purpose of the committee is to oversee:

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

The committee met once in 2022 however after the departure of several non-executive directors, the responsibilities of the committee are now within the remit of the full Board. The committee will be re-established in 2023 and will aim to meet at least twice during the next financial year.

Jay Bhattacherjee
Executive Chairman
28 April 2023

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). In preparing the group financial statements, the directors have also elected to comply with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB).

The group has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards, international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and IFRSs issued by IASB have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

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

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

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

Financial Statements

Independent Auditors' Report
to the members of SDX Energy Plc

OPINION
We have audited the financial statements of SDX Energy Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2022, which comprise:
- the Consolidated Statement of Comprehensive Income for the year ended 31 December 2022
- the Consolidated and Parent Company Balance Sheets as at 31 December 2022;
- the Consolidated statement of Cash Flows for the year then ended;
- the Consolidated and Parent Company Statements of Changes in Equity for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion:
- 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 2022 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 UK-adopted international accounting standards, 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)) and International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("ISAs") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN
We draw attention to note 2 in the financial statements, which indicates that the Group will require further funding in order to continue its operations and meet its obligations. As stated in note 2, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:
- We assessed the directors' processes for forecasting and preparing the going concern model.
- We obtained the going concern assessment prepared by the directors, and performed a review of the supporting cash flow forecasts. We challenged the key assumptions based on expected activity within the going concern period, and comparison to historical actual monthly expenditure.
- We assessed the mathematical accuracy of the model provided.
- We reviewed the scenarios prepared by the directors, which model potential different developments over the going concern period. This included sensitising assumptions such as production levels. During our work, we considered whether there were other plausible scenarios which should be considered.
- We held discussions with the directors on how they plan to raise the funding required by the cash flow forecasts.
- We reviewed the completeness of disclosures made in the financial statements in relation to going concern, and that these are in line with the going concern assessment provided to us by the directors.

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

Independent Auditors' Report continued to the members of SDX Energy Plc

OVERVIEW OF OUR AUDIT APPROACH

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be $830,000 (2021 $980,000 assessed by predecessor auditors), based on approximately 1% of total assets. Materiality for the Parent Company financial statements as a whole was set at £455,000 (2021: £450,000 assessed by predecessor auditors) based on approximately 1% of total assets prior to the adjustment made for impairment to investment in subsidiaries.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at $580,000 (2021: $735,000 assessed by predecessor auditors) for the Group and £318,000 (2021: £337,500 assessed by predecessor auditors) for the Parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration. We agreed with the Audit Committee to report to it all identified errors in excess of $40,000 (2021: $49,000 assessed by predecessor auditors). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, and assessing the risks of material misstatement in the financial statements. The Group has two operating segments, being Morocco and Egypt.

We identified four significant components, which were subjected to a full scope audit. These were the parent company, and three others which hold the Group's principal producing and exploration assets being Sea Dragon Energy (Nile) BV (producing assets in Egypt), SDX Energy Egypt (Meseda) Ltd (producing assets in Egypt) and SDX Energy Morocco (Jersey) Ltd (producing assets in Morocco).

The Parent Company is based in the United Kingdom whose main function is the incurring of administrative costs and providing funding to the operating subsidiaries in Morocco and Egypt.

In establishing our overall approach to the group audit, under our instruction the Crowe member firm in Morocco performed the component audit work on SDX Energy Morocco (Jersey) Ltd and the Crowe member firm in Egypt performed the component audit work on Sea Dragon Energy (Nile) BV and SDX Energy Egypt (Meseda) Ltd.

The work performed on the parent company and on non-significant components was carried out by the Group audit team.

The Responsible Individual and members of the Group audit team visited management, the component teams and the certain operational sited in both Morocco and Egypt.

The above gave us coverage over 97% of the Groups total and net assets, 99% of the Groups revenue and profit before tax.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

We set out below, together with the material uncertainty related to going concern above, those matters we considered to be key audit matters.
This is not a complete list of all risks identified by our audit.

Independent Auditors’ Report continued to the members of SDX Energy Plc

OVERVIEW OF OUR AUDIT APPROACH CONTINUED

Key Audit Matters continued

Key audit matter	How our audit addressed the key audit matter
Carrying value of producing oil and gas assets, and exploration & evaluation assets (notes 8 and 9). The Group holds producing oil and gas assets with carrying value of $25.2M and exploration & evaluation assets with carrying value of $11.6M. At 31 December 2022, the directors identified impairment indications for the Morocco Gharb basin CGU, and for the exploration and evaluation assets of South Disouq (Egypt), KSR-19 (Morocco) and Gharb Occidental (Morocco). The directors then assessed the recoverable amount of these projects using a discounted cashflow model to establish the value in use. This indicated impairment of $4.8m to the Morocco Gharb basin CGU and total write off of $23.3m of the exploration & evaluation assets. We considered this to be a key audit matter due to the estimation and judgements required in producing the model.	We obtained and reviewed the impairment assessment prepared by the directors, and concur with the indications of impairment identified. We then performed audit procedures including the following over the discounted cashflow model that supported the value in use assessed by management. • Assessed the assumptions made over inputs to the models, such as gas prices, which were agreed to the fixed price amounts in the Group’s current contracts. • Assessed the independence and competence of the expert engaged by the Group to report on its reserves. We also held a call with the expert to discuss their assumptions and methodology. • Challenged the discount rate applied to the model against industry trends. • Performed checks over the mathematical accuracy of the model, and the amount of impairment recognised. • Recalculated the various impairment losses made by management and agreed the adequacy of the disclosures made. We concur with the directors’ assessment on indicators of impairment to the producing oil and gas assets and exploration & evaluation assets, and consider the impairment recognised to be appropriate. We consider adequate disclosures have been made over the methodology, assumptions and sensitivity of the impairment consideration.
Carrying value of the parent company’s investment in subsidiaries (note 6 to the parent company accounts). The Group holds investments in its subsidiaries with a carrying value of £22.1m after impairment. At 31 December 2022, the directors identified impairment indications in respect of the carrying value of subsidiaries. The directors then assessed the recoverable amount of these projects using a discounted cashflow model. This indicated impairment of £18.8m.	We considered this to be a key audit matter due to the estimation and judgements required in producing the model. We obtained and reviewed the impairment assessment prepared by the directors, and concur with the indications of impairment identified. We then performed audit procedures including the following over the discounted cashflow model that supported the value in use assessed by management. • Assessed the assumptions made over inputs to the model, such as gas prices, which were agreed to the fixed price amounts in the Group’s current contracts. • Compared projected production levels to budgets and to actual production levels achieved in 2022. • Assessed the independence and competence of the expert engaged by the Group to report on its reserves. We also held a call with the expert to discuss their assumptions and methodology. • Challenged the discount rate applied to the model against industry practice and factors specific to the Group. • Performed checks over the mathematical accuracy of the model, and the amount of impairment recognised. We concur with the directors’ assessment on indicators of impairment to parent company investments in subsidiaries, and consider the impairment recognised to be appropriate. We consider adequate disclosures have been made over the methodology and assumptions of the impairment consideration.

Independent Auditors' Report continued
to the members of SDX Energy Plc

OTHER INFORMATION

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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.

Independent Auditors' Report continued to the members of SDX Energy Plc

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, 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:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group, and the procedures in place for ensuring compliance. The most significant regulations identified were the Companies Act 2006, AIM rules and the requirements of the Group's concession agreements in Egypt and Morocco. Our work included direct enquiry of the directors, who oversee all legal proceedings, reviewing Board minutes and inspection of correspondence.
- We made enquiries of Group management, and local management in Morocco and Egypt regarding knowledge of any breaches in laws and regulations.
- We communicated the relevant laws and regulations identified to all members of the engagement team, and remained alert to any indication of non-compliance with laws and regulations, or potential fraud, throughout our audit work.
- As part of our audit planning process we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas that involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimation or judgement, this included risk-based testing of journal transactions, both at the year end and throughout the year.

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.
A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

J. C

John Charlton (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

28 April 2023

Financial Statements

For the year ended 31 December 2022

Consolidated Balance Sheet

As at 31 December 2022

	Note	As at 31 December 2022	As at 31 December 2021
Assets			
Cash and cash equivalents	6	**10,613**	10,562
Trade and other receivables	6	**18,549**	19,942
Inventory	7	**7,988**	6,747
Current assets		**37,150**	37,251
Investments	10	**3,390**	3,593
Property, plant and equipment	8	**25,205**	34,593
Exploration and evaluation assets	9	**11,618**	21,611
Right-of-use assets	20	**1,147**	1,367
Non-current assets		**41,360**	61,164
Total assets		**78,510**	98,415
Liabilities			
Trade and other payables	11	**22,787**	17,157
Decommissioning liability	12	**-**	22
Current income taxes	13	**854**	1,150
Borrowings	6	**5,658**	-
Lease liability	20	**441**	439
Current liabilities		**29,740**	18,768
Decommissioning liability	12	**6,349**	5,747
Deferred income taxes		**290**	290
Lease liability	20	**723**	956
Non-current liabilities		**7,362**	6,993
Total liabilities		**37,102**	25,761
Equity			
Share capital	14	**2,601**	2,601
Share premium		**130**	130
Share-based payment reserve		**7,174**	7,536
Accumulated other comprehensive loss		**(917)**	(917)
Merger reserve		**37,034**	37,034
(Accumulated loss)/retained earnings		**(10,872)**	26,270
Non-controlling interest	22	**6,258**	-
Total equity		**41,408**	72,654
Equity and liabilities		**78,510**	98,415

The notes are an integral part of these Consolidated Financial Statements.
The financial statements on pages 40 to 64 were approved by the board of directors on 28 April 2023 and signed on its behalf by:

Jay Bhattacherjee
Executive Chairman

Timothy Linacre
Non-Executive Director

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2022

		Year ended 31 December	
	Notes	2022	2021
Revenue, net of royalties	16	**43,758**	53,860
Direct operating expense		**(10,532)**	(9,732)
Gross profit		**33,226**	44,128
Exploration and evaluation expense	9	**(25,617)**	(14,085)
Depletion, depreciation and amortisation	8,20	**(19,345)**	(32,624)
Impairment expense	8	**(4,810)**	(9,528)
Share-based compensation	15	**(322)**	(267)
Share of profit from joint venture		**502**	383
General and administrative expenses			
- Ongoing general and administrative expenses	17	**(5,165)**	(4,251)
- Transaction costs	17	**(3,665)**	-
Operating loss		**(25,196)**	(16,244)
Finance costs		**(532)**	(641)
Foreign exchange loss	23	**(4,646)**	(179)
Loss before income taxes		**(30,374)**	(17,064)
Current income tax expense	13	**(5,803)**	(6,891)
Loss and total comprehensive loss for the period		**(36,177)**	(23,955)
Attributable to			
SDX shareholders		**(35,090)**	(23,955)
Non-controlling interests	22	**(1,087)**	-
Net loss, attributable to SDX shareholders, per share			
Basic	18	**$(0.171)**	$(0.117)
Diluted	18	**$(0.171)**	$(0.117)

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

(US$'000s)	Note	Year ended 31 December 2022	2021
Share capital			
Balance, beginning of period		**2,601**	2,601
Balance, end of period		**2,601**	2,601
Share premium			
Balance, beginning of period		**130**	130
Balance, end of period		**130**	130
Share-based payment reserve			
Balance, beginning of period		**7,536**	7,269
Share-based compensation for the period	15	**322**	267
Share-based options terminated	15	**(684)**	-
Balance, end of period		**7,174**	7,536
Accumulated other comprehensive loss			
Balance, beginning of period		**(917)**	(917)
Balance, end of period		**(917)**	(917)
Merger reserve			
Balance, beginning of period		**37,034**	37,034
Balance, end of period		**37,034**	37,034
Retained earnings			
Balance, beginning of period		**26,270**	50,225
Part disposal of subsidiary	22	**(2,736)**	-
Share-based options terminated	15	**684**	-
Total comprehensive loss		**(35,090)**	(23,955)
Balance, end of period		**(10,872)**	26,270
Non-controlling interest			
Balance, beginning of period		**-**	-
Part disposal of subsidiary	22	**8,236**	-
Dividends	22	**(891)**	
Loss for the period	22	**(1,087)**	-
Balance, end of period		**6,258**	-
Total equity		**41,408**	72,654

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2022

(US$'000s)	Note	Year ended 31 December 2022	2021
Cash flows generated from/(used in) operating activities			
Loss before income taxes		**(30,374)**	(17,064)
Adjustments for:			
Depletion, depreciation and amortisation	8,20	**19,345**	32,624
Exploration and evaluation expense	9	**24,374**	12,327
Impairment expense	8	**4,810**	9,528
Finance expense		**532**	641
Share-based compensation charge	15	**322**	267
Foreign exchange loss	23	**4,646**	203
Tax paid by state	13	**(4,757)**	(5,295)
Share of profit from joint venture	10	**(502)**	(383)
Operating cash flow before working capital movements		**18,396**	32,848
Decrease/(increase) in trade and other receivables	6	**1,746**	(1,373)
Decrease in trade and other payables	11	**(29)**	(1,902)
Payments for inventory	7	**(2,354)**	(377)
Payments for decommissioning		**(66)**	(205)
Cash generated from operating activities		**17,693**	28,991
Income taxes paid	13	**(839)**	(324)
Net cash generated from operating activities		**16,854**	28,667
Cash flows generated from/(used in) investing activities:			
Property, plant and equipment expenditures	8	**(13,810)**	(18,947)
Exploration and evaluation expenditures	9	**(8,250)**	(8,675)
Proceeds on part disposal of subsidiary	22	**5,500**	-
Dividends received	10	**311**	522
Net cash used in investing activities		**(16,249)**	(27,100)
Cash flows generated from/(used in) financing activities:			
Net proceeds from loans and borrowings	6	**5,500**	-
Payments of lease liabilities	20	**(569)**	(664)
Dividends paid - non-controlling interest in Sea Dragon Energy (Nile) B.V.	22	**(891)**	-
Finance cost paid		**(45)**	(197)
Net cash generated from/(used in) financing activities		**3,995**	(861)
Increase in cash and cash equivalents		**4,600**	706
Effect of foreign exchange on cash and cash equivalents	23	**(4,549)**	(200)
Cash and cash equivalents, beginning of period		**10,562**	10,056
Cash and cash equivalents, end of period		**10,613**	10,562

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2022

1. REPORTING ENTITY

SDX Energy Plc ("SDX" or "the Company") is a public limited company incorporated and domiciled in England and Wales. 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 period ended 31 December 2022 and 2021 ("Consolidated Financial Statements") comprise the Company and its controlled 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.

2. BASIS OF PREPARATION

a) Statement of compliance

On 31 December 2020, IFRS as adopted by the European Union at that date was brought into UK law and became UK-adopted International Accounting Standards, with future changes being subject to endorsement by the UK Endorsement Board. SDX Energy Plc transitioned to UK-adopted International Accounting Standards in its Consolidated Financial Statements on 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The Consolidated Financial Statements of SDX Energy Plc have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards.

In preparing the Consolidated Financial Statements, the directors have also elected to comply with the 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 28 April 2023.

b) Functional and presentation currency

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

c) 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 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

2. BASIS OF PREPARATION

d) Going concern

Accounting standards in the UK require the directors to assess the Group's ability to continue to operate as a going concern for the foreseeable future, which covers a period of at least 12 months from the date of approval of the Consolidated Financial Statements.

The directors reviewed the cash flow projections prepared by management for the period ending 31 December 2024. The capital expenditure and operating costs used in these forecasted cash flows are based on the board's best estimate, including the Group's board-approved 2023 SDX corporate budget, which reflects approved operating budgets for each of its assets and an estimate of 2023 SDX corporate general and administrative expenses.

The principal assumptions underlying the cash flow forecast and the availability of finance to the Group are as follows:

- The expatriation of timely transfers from Egypt to the UK.
- The maintenance of foreign currency exchange rates.
- The Company expects to be able to settle significant expenditure of US$1.6 million incurred in relation to the terminated transaction with Tenaz Energy Corp and another discontinued M&A project. Management has so far been successful in discussing payment plans with several professional services firms associated with these transactions;
- The Board expects to be able to settle significant capital expenditure incurred in Morocco as part of the drilling and connection of five wells over the past 16 months for which an amount of US$7.6 million remains outstanding;
- The Company expects to be able to meet its licence commitments in Morocco and Egypt. This would include the commencement of a four-well drilling campaign by June 2023 to ensure continued gas supply to three strategic customers in Morocco. The Company may require agreeing revised work programmes or licence commitments with the Moroccan and Egyptian authorities on licences where the Group has capital commitments as well as discretionary expenditures. Based on previous successful renegotiations of work programmes, the directors believe that this will likely be achieved, however it is not guaranteed.
- The Company's ability to repay amounts to the European Bank for Reconstruction and Development ("EBRD") as they fall due. The interim redetermination of the Company's outstanding facility with the EBRD has resulted in a borrowing base deficiency of US$2.6 million of which the Company has settled US$1.0 million post year-end. Due to the impact of various geopolitical factors on Egypt, the remaining borrowing base deficiency of US$1.4 million has not been repaid which as per the facility agreement could result in a notice of default with the full remaining outstanding debt (including interest) of US$4.7 million due. However, the Company is in ongoing discussions with the EBRD to identify a workable solution and to agree a waiver or an extension and the Directors, based on their communication with the EBRD, believe that this will likely be achieved.

In reviewing the cash flow forecast and the principal assumptions above, the Directors have also considered other alternative measures available to the Group, including the successful sale of assets, deferral of planned expenditure, the reduction of overhead costs and an alternative method of raising capital or debt. These alterative measures give the Directors a reasonable expectation that the Group will have sufficient funds to enable it to discharge its liabilities when they fall due.

However there exists a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern. As a result of various geopolitical factors, US dollar transfers by the Central Bank of Egypt have been restricted and the Company is not able to expatriate any funds currently available in Egypt and there can be no guarantee of timing on when funds will become available. These factors have also impacted the Egyptian pound, as disclosed in Note 23, which has been devalued several times since March 2022 and is currently trading at less than half of its value compared with the USD since that date. Whilst the company's receivables are not impacted by this devaluation, the company's cash balance in country is fully exposed to any additional currency fluctuations. In addition, the Board believes it has options to raise external capital, the Board however cannot guarantee the final quantum and timings of any proposed financing. The Board would also note that there are no guarantees that current discussions with the EBRD will be favourably concluded and that arrangement with creditors will remain negotiable.

Notwithstanding the material uncertainty identified, the Directors have concluded that the Group will have sufficient resources to continue as a going concern for the period of assessment, that is for a period of not less than 12 months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared in a going concern basis and do not reflect any adjustments that would be necessary if this basis were inappropriate.

3. NEW STANDARDS AND INTERPRETATION NOT YET ADOPTED

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. None of these are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

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. This means that the Company has existing rights that give it the ability to direct the current 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, which is its 50% equity interest in Brentford Oil Tools LLC ("Brentford"). Because the parties have joint control of this entity, they 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.

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.

Following initial recognition, 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 comprise 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 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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) Leases

Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases. The right to control is conveyed if the Group has both the right to obtain substantially all of the economic benefits from, and the right to direct the use of, the identified asset throughout the period of use. An asset is identified if it is explicitly or implicitly specified by the agreement and any substitution rights held by the lessor over the asset are not considered substantive.

A lease liability is recognized on the balance sheet on the lease commencement date at the present value of future lease payments over the lease term. The discount rate applied is the rate implicit in the lease if readily determinable, otherwise an incremental borrowing rate is used. The incremental borrowing rate is determined based on factors such as the Group's cost of borrowing, lessee legal entity credit risk, currency and lease term. The lease term is the non-cancellable period of a lease together with any periods covered by an extension option that the Group is reasonably certain to exercise, or periods covered by a termination option that the Group is reasonably certain not to exercise. The future lease payments included in the present value calculation are any fixed payments, payments that vary depending on an index or rate, payments due for the reasonably certain exercise of options and expected residual value guarantee payments. Repayments of principal are presented as financing cash flows and payments of interest are presented as operating cash flows.

The right-of-use asset is recognized on the balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. Right-of-use assets are assessed for impairment in line with the accounting policy for impairment of property, plant and equipment.

If the lease term at commencement of the agreement is less than 12 months, a lease liability and right-of-use asset are not recognized, and a lease expense is recognized in the income statement on a straight-line basis.

f) 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. They 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, the acquisition of mineral and surface rights, technical studies, and 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 at each reporting period end 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 (e.g. a 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, several 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 demonstrable when proven or probable reserves are deemed to exist. However, if the Company determines that the area is not technically feasible and commercially viable, accumulated E&E costs are expensed in the period in which the determination is made.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

f) Property, plant and equipment, and intangible exploration and evaluation expenses continued

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 licences	1–3 years

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

Right-of-use assets are depreciated typically on a straight-line basis over the lease term. The depreciation charge is recognised in the income statement.

g) 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 the 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, which have been 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. 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.

h) 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.

If options are cancelled during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) then the company will account for the cancellation as an acceleration of vesting and shall therefore recognise immediately the amount that would have been recognised for services received over the remainder of the vesting period.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

i) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers ("CODMs"). These are the executive directors who, as a group, make strategic decisions regarding the Company.

j) Provisions

A provision is recognised if, because 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.

k) Decommissioning obligations

The Company's activities can give rise to dismantling, decommissioning and site disturbance remediation activities. Liabilities for decommissioning costs are recognized when the Group has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as a central processing facility ("CPF"), this liability will be recognized on construction or installation. Similarly, where an obligation exists for a well, this liability is recognized when it is drilled.

Decommissioning obligations are measured at the present value of Company 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 occurring because of changes to 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.

l) 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 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 contractually agreed or based on published indices, with agreed contractual adjustments for quality, marketing fees, and other variables.

ii) Provision of production services

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

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

4. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

m) 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, and therefore has 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) Limited, an Egyptian registered entity, is the SDX contracting party in this production service agreement. This entity pays corporate tax for the year based on its taxable income, according to this production service agreement, 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, except for the minimum contribution tax, is due on Moroccan operations as at 31 December 2022. The Company is subject to a social solidarity contribution which is at the discretion of the annually released Moroccan Finance Act; this contribution is accounted for under the accounting principles of IAS 12.

Deferred tax is recognised using the balance sheet method, which provides 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 are intended 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.

n) 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.

o) 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 coordinated 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 continued

For the year ended 31 December 2022

5. DETERMINATION OF FAIR VALUES

Some of the Company's accounting policies and disclosures require the determination of fair value; for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods set out below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of financial instrument valuation methods have been defined as:

- Level 1 fair value measurements are based on unadjusted quoted market prices.
- Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.
- Level 3 fair value measurements are based on unobservable information.

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings included in the Consolidated balance sheet approximate to their fair value because of the short-term nature of those instruments.
The fair value of employee stock options is measured using Black-Scholes (non-market-based performance conditions) and Monte Carlo (market-based performance conditions) option pricing models. Measurement inputs include the share price on the measurement date, exercise price of the instrument, expected volatility based on the weighted average historic volatility (adjusted for changes expected as the result of publicly available information), the weighted average expected life of the instruments based on historical experience and general option holder behaviour, expected dividends, anticipated achievement of performance conditions, and the risk-free interest rate.

6. FINANCIAL RISK MANAGEMENT

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer, partner, or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from joint venture partners, oil and natural gas customers, and cash held with banks. The maximum exposure to credit risk at the end of the period is as follows:

	Carrying amount	
US$'000s	**31 December 2022**	31 December 2021
Cash and bank balances	**9,145**	8,925
Restricted cash (1)	**1,468**	1,637
Cash and cash equivalents	**10,613**	10,562
Trade and other receivables (2)	**17,855**	17,800
Total	**28,468**	28,362

(1) Cash collateral of US$1.5 million (2021: US$1.6 million) which 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.

(2) Excludes prepayments of US$0.7 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 (2021: US$2.1 million)

Net debt

	Carrying amount	
US$'000s	**31 December 2022**	31 December 2021
Cash and cash equivalents	**10,613**	10,562
Borrowings	**(5,500)**	-
Accrued interest on borrowings	**(158)**	-
Net debt	**4,955**	10,562

The Company's net debt position as at 31 December 2022 was US$4.9 million, with cash balances of US$10.6 million offset by US$5.5 million drawn debt and US$0.2 million accrued interest from the EBRD facility.

The interim redetermination of the Company's outstanding facility with the European Bank for Reconstruction and Development ("EBRD") has resulted in a borrowing base deficiency of US$2.4 million of which the Company has settled US$1.0 million post year-end. As a result of various geopolitical factors, US dollar transfers by the Central Bank of Egypt have been restricted and the Company is not able to expatriate any funds currently available in Egypt and there can be no guarantee of timing on when funds will become available. Due to this situation, the remaining borrowing base deficiency of US$1.4 million has not been repaid which as per the facility agreement could result in a notice of default with the full remaining outstanding debt (including interest) of US$4.7 million due. The Company is in ongoing discussions with the EBRD to identify a workable solution and to agree a waiver or an extension. The Directors, based on their communication with the EBRD, believe that this will likely be achieved, however it is not guaranteed.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT CONTINUED

a) Credit risk continued

Trade and other receivables

All the Company's operations are conducted in Egypt and Morocco. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party.

The Company applies the IFRS 9 simplified model for measuring the expected credit losses, which uses a lifetime expected loss allowance and are measured on the days past due criterion. Having reviewed past payments, combined with the credit profile of its existing trade debtors, to assess the potential for impairment, the Company has concluded that this is insignificant because there has been no history of default or disputes arising on invoiced amounts since inception. As a result, the credit loss percentage is assumed to be almost zero. No provision for doubtful accounts against these sales has been recorded as at 31 December 2022 (31 December 2021: 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 2022**	31 December 2021
Government of Egypt-controlled corporations	**8,448**	7,044
Government of Morocco-controlled corporations	**5,371**	5,524
Third-party gas customers	**2,468**	3,847
Joint venture partners	**247**	858
Other [(1)]	**1,321**	527
Total	**17,855**	17,800

(1) Excludes prepayments of US$0.7 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 (2021: US$2.1 million)

US$8.4 million of current receivables relates to gas, condensate sales and production service fees that are due from GPC and EGAS (2021: US$7.0 million), both of which are Government of Egypt-controlled corporations. The Company expects to collect outstanding receivables of US$4.8 million for South Disouq (2021: US$4.0 million), and US$3.6 million (2021: US$3.0 million) for West Gharib in the normal course of operations.

ONHYM, a Government of Morocco-controlled corporation, owes US$5.4 million (2021: US$5.5 million), which relates to its outstanding share of well completion and connection costs, and production costs. The Company has collected US$0.8 million from ONHYM during the year, all of which relates to work performed in the period before the Company acquired the Moroccan assets. The US$5.4 million receivable balance as at 31 December 2022 includes a US$1.9 million accrued receivable for ONHYM's share of historic well completion and connection costs. Of the US$5.4 million, US$3.6 million is dated older than one year and US$0.2 million of the receivable balance relates to work performed in the period before the Company acquired the Moroccan assets collected during 2023. To date, the Company has not suffered cash losses for validly issued and accepted invoices and management has determined that no further risk provision is required. A payable of US$4.8 million (2021: US$4.4 million) to ONHYM is also held on the Consolidated Balance Sheet.

US$2.5 million is owing from third-party gas customers in Morocco and is expected to be collected within agreed credit terms.

Subsequent to 31 December 2022, the Company collected US$7.7 million of trade receivables from those outstanding at 31 December 2022; US$1.8 million from EGAS, US$3.5 million from GPC and US$2.4 million from third-party gas customers in Morocco.

Joint venture partners comprise partner current accounts of US$0.2 million from Energy Flow Global Limited.

The other receivables of US$1.3 million consist of US$1.1 million for Goods and Services Tax ("GST")/Value Added Tax ("VAT") In London and Morocco and US$0.2 million for deposits.

US$0.7 million related to prepayments, predominantly associated with South Disouq Central Processing Facility ("CPF") spare parts and G&A expenditure, is recorded in the Consolidated Balance Sheet.

As at 31 December 2022 and 31 December 2021, the Company's trade and other receivables, other than prepayments, are aged as follows:

	Carrying amount	
US$'000s	**31 December 2022**	31 December 2021
Current (less than 90 days)	**9,884**	11,799
Past due (more than 90 days)	**7,971**	6,001
Total	**17,855**	17,800

Current trade and other receivables are unsecured and non-interest-bearing. The balances that are past due are not considered impaired.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

6. FINANCIAL RISK MANAGEMENT CONTINUED

b) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate because of changes in foreign exchange rates. The reporting and functional currency of the Company is United States dollars ("US$"). Most of the Company's operations are in foreign jurisdictions and, as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities, primarily on exchange fluctuations between the Egyptian pound ("EGP") and the US$, the Moroccan dirham ("MAD") and the US$, and the British pound ("GBP") and the US$. Most capital expenditures are incurred in US$, EGP, and MAD, and natural gas, condensate and service fee revenues are received in US$, 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 year.

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 2022			**US$ equivalent**			
Cash and cash equivalents	10,613	4,479	3,564	722	1,844	4
Trade and other receivables (2)	17,855	8,393	244	8,770	422	26
Trade and other payables	(22,787)	(6,729)	(3,340)	(10,404)	(2,314)	-
Current income taxes	(854)	-	(854)	-	-	-
Balance sheet exposure	**4,827**	**6,143**	**(386)**	**(912)**	**(48)**	**30**

(1) FS denotes financial statements

(2) Excludes prepayments

The average exchange rates during the 12 months ended 31 December 2022 and 2021 were:

Average: 1 January 2022 to 31 December 2022

	USD/EGP	USD/GBP	USD/MAD
Period average	19.0249	0.8112	10.1479

Average: 1 January 2021 to 31 December 2021

	USD/EGP	USD/GBP	USD/MAD
Period average	15.6284	0.7274	8.9913

The exchange rates as at 31 December 2022 and 2021 were:

Year end: 31 December 2022

	USD/EGP	USD/GBP	USD/MAD
Period end	24.6600	0.8272	10.4477

Year end: 31 December 2021

	USD/EGP	USD/GBP	USD/MAD
Period end	15.6400	0.7402	9.2804

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 that, as far as possible, 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, and excluding 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 needed. The Company uses authorisations for expenditures on projects to further manage capital expenditure and has a board of directors 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 2022							
Trade and other payables	22,787	-	-	-	-	22,787	22,787
Decommissioning liability	-	-	-	7,301	-	7,301	6,349
Lease liability	249	259	413	299	-	1,220	1,164
Borrowings	5,658	-	-	-	-	5,658	5,658
Total financial liabilities	**28,694**	**259**	**413**	**7,600**	**-**	**36,966**	**35,958**
At 31 December 2021							
Trade and other payables	17,157	-	-	-	-	17,157	17,157
Decommissioning liability	22	-	-	6,368	-	6,390	5,769
Lease liability	260	260	386	669	-	1,575	1,395
Total financial liabilities	**17,439**	**260**	**386**	**7,037**	**-**	**25,122**	**24,321**

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

7. INVENTORY

During the year ended 31 December 2022, the inventory balance increased by US$1.3 million from US$6.7 million as at 31 December 2021 to US$8.0 million as at 31 December 2022 due to additions of materials to be used in drilling campaigns in Morocco (US$2.8 million) and spare parts to be used in the South Disouq CPF (US$2.2 million), which was partially offset by US$1.3 million inventory consumed in the Morocco drilling campaign, an inventory provision of US$0.4 million, reflecting obsolete drilling inventory in Morocco, and US$2.0 million of inventory consumed in South Disouq.

8. PROPERTY, PLANT AND EQUIPMENT

US$'000s	Oil and gas properties	Other	Total
Cost:			
Balance at 1 January 2021	**173,244**	**1,682**	**174,926**
Additions	8,782	131	8,913
Transfer from exploration and evaluation assets	9,379	-	9,379
Balance at 31 December 2021	**191,405**	**1,813**	**193,218**
Additions	7,445	67	7,512
Transfer from exploration and evaluation assets	6,774	-	6,774
Balance at 31 December 2022	**205,624**	**1,880**	**207,504**
Accumulated depletion, depreciation, amortisation and impairment:			
Balance at 1 January 2021	**(115,925)**	**(1,121)**	**(117,046)**
Depletion, depreciation and amortisation for the year	(31,993)	(58)	(32,051)
Impairment expense	(9,528)	-	(9,528)
Balance at 31 December 2021	**(157,446)**	**(1,179)**	**(158,625)**
Depletion, depreciation and amortisation for the period	(18,820)	(44)	(18,864)
Impairment expense	(4,810)	-	(4,810)
Balance at 31 December 2022	**(181,076)**	**(1,223)**	**(182,299)**
NBV Property, plant and equipment as at 31 December 2021	**33,959**	**634**	**34,593**
NBV Property, plant and equipment as at 31 December 2022	**24,548**	**657**	**25,205**

During the year ended 31 December 2022, additions of US$7.4 million were predominantly related to costs incurred for the South Disouq development project, including the drilling, completion and tie in of SD-12_East (US$2.8 million), tubing replacement at the SD-3X well (US$0.7 million), IY-2X workover (US$0.1 million), capital expenditure incurred during the ongoing drilling campaign at West Gharib (US$3.0 million) and various workovers and infrastructure works in Morocco (US$0.8 million).

During the year ended 31 December 2022, US$6.8 million has been transferred from exploration and evaluation assets to property, plant and equipment. This cost predominantly relate to the two Moroccan wells (SAK-1 and KSR-20) drilled in during the second half of 2022 and the cost of the SD-5X well in South Disouq, which was brought into production at the end of Q2 2022. In addition to the well costs, the Company transferred an allocation of PSC training fee and geological studies costs in relation to SD-5X (US$0.2 million) and the decommissioning asset relating to the three wells (US$0.3 million).

Depletion, depreciation and amortisation as disclosed per the Consolidated Statement of Comprehensive Income also include a charge of US$0.5 million relating to the right-of-use assets.

The difference between the US$7.4 million addition disclosed above and the US$13.8 million cash outflow from property, plant, and equipment expenditure in the Consolidated Statement of Cash Flows is the result of normal timing differences of recognising additions on an accruals basis and the timing of the actual payment of capital expenditure creditors.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

8. PROPERTY, PLANT AND EQUIPMENT CONTINUED

Impairment assessment

At the reporting date, management performed an impairment indicator assessment of the Gharb Basin (Morocco) Cash Generating Unit ("CGU") and concluded that following revision to the asset's recoverable reserves as at 31 December 2022, it should be tested for impairment.

The impairment test was carried out in accordance with the Company's accounting policy stated in note 4. Due to the absence of an active market in Morocco and the lack of comparability there would be a lower reliability on the estimates required for a fair value less cost of disposal calculation. Therefore, management determined that the recoverable amount of the CGU should be based on a value-in-use ("VIU") calculation. The VIU calculation also requires the use of estimates.

SDX's Year End 2022 2P Reserves net present VIU valuation for the Gharb Basin (Morocco) CGU is estimated by the Company's reserve auditors, under the Petroleum Resources Management System framework ("PMRS framework").

The present values of future cash flows were computed by applying forecast prices of average US$10,85/mscf, as per the Company's existing Gas Sales Agreements ("GSAs"), to estimated future production of proved and probable reserves. The present value of estimated future revenues was computed using a discount factor of 15.0% ("NPV15"). The discount rate used reflects the specific risks relating to the underlying CGU.

Under the PMRS framework, the reserves auditors are constrained in its evaluation of the asset and although management believes that additional value can be attributed to the asset, due to the estimation uncertainty, a decision has been taken to impair the CGU to the NPV15 2P Reserves valuation as per the Company's reserve auditors report.

Based on this calculation for Gharb Basin (Morocco) CGU an impairment of US$4.8 million has been recorded to bring the recoverable amount to US$6.5 million as at 31 December 2022.

In 2023 the Company has had positive discussion with customers regarding increased gas prices to which no value is ascribed in the VIU calculation.

9. EXPLORATION AND EVALUATION ASSETS

US$'000s	
Balance at 1 January 2021	**24,455**
Additions	18,862
Transfer to property, plant and equipment	(9,379)
Exploration and evaluation expense	(12,327)
Balance at 31 December 2021	**21,611**
Additions	20,062
Transfer to property, plant and equipment	(6,774)
Exploration and evaluation expense	(23,281)
Balance at 31 December 2022	**11,618**

During the year ended 31 December 2022, E&E additions totalled US$20.1 million:

- US$5.1 million has been incurred in South Disouq for the SD-5X well (US$1.8 million), the MA-1X well (US$2.8 million) and other exploration costs (US$0.5 million). The SD-5X well was brought into production in late May 2022 and its associated costs has subsequently, in Q2 2022, been transferred to PP&E. The evaluation of the MA-1X well has been completed and post-balance sheet date the company applied for a development lease;
- US$0.5 million of E&E additions in West Gharib to drill Rabul Deep-1;
- US$12.8 million of E&E additions in Morocco relates to drilling, completion and tie in costs for SAK-1 (US$8.1 million), KSR-20 (US$4.5 million) and other exploration costs (US$0.2 million). Both wells have been tied into production during Q4 2022 and their share of recoverable costs transferred to property, plant and equipment; and
- US$1.7 million of additional expenditure on the KSR-19 well in Morocco has been incurred during the year.

For the year ended 31 December 2022, exploration and evaluation expenses in the Consolidated Statement of Comprehensive Income stood at US$25.6 million. The following exploration and evaluation expenses of US$23.9 million were included in this total:

- A US$21.5 million non-cash write off of exploration expenditure incurred in Morocco relating to the KSR-19, KSR-20, SAK-1 and BMK-1 wells, representing the total of their book value exceeding their recoverable amount;
- a US$1.3 million non-cash write off of seismic cost incurred in South Disouq as the result of the relinquishment of the Young area;
- a US$0.6 million bonus payment to EGAS as a result of the indirect assignment of part of the South Disouq concession; and
- a write off of US$0.5 million for an unsuccessful exploration well drilled in the Rabul area in West Gharib.

The remaining expense of US$1.7 million was mainly for non-trade receivable write off (US$0.7 million), new business evaluation activities (US$0.6 million) and a provision for obsolete drilling inventory in Morocco (US$0.4 million).

The difference between the US$20.1 million disclosed above and the US$8.2 million exploration and evaluation expenditure in the Consolidated Statement of Cash Flows is the result of normal timing differences of recognising additions on an accruals basis and the timing of the actual payment of capital expenditure creditors.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

10. INVESTMENTS

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), an oilfield services business incorporated in Egypt, over which it exercises joint control. Brentford owns all the assets it uses to provide its services and is legally responsible for settling its liabilities. In the current and comparative year, 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 indicator was identified for the years ended 31 December 2022 and 31 December 2021.

The following table summarises the changes in investments for the years ended 31 December 2022 and 31 December 2021:

	Carrying amount	
US$'000s	**31 December 2022**	31 December 2021
Investments, beginning of period	**3,593**	3,790
Dividends received	**(311)**	(580)
Share of operating income	**502**	383
Foreign exchange loss	**(394)**	-
Investments, end of period	**3,390**	3,593

The following table summarises the assets, liabilities, revenue, and operating income of Brentford as at 31 December 2022 and 31 December 2021:

US$'000s	**31 December 2022**	31 December 2021
Total assets	**3,190**	3,845
Total liabilities	**125**	267
Revenue	**1,637**	1,569
Net income	**216**	766

During the years ended 31 December 2022 and 31 December 2021, 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.

11. TRADE AND OTHER PAYABLES

	Carrying amount	
US$'000s	**31 December 2022**	31 December 2021
Trade payables	**13,257**	5,010
Accruals	**2,335**	6,199
Joint venture partners	**6,375**	5,043
Other payables	**820**	905
Total trade and other payables	**22,787**	17,157

Trade payables comprise billed services and goods. As at 31 December 2022, they consisted predominantly of royalties payable to the Moroccan government, the Morocco 2022 drilling campaign and G&A creditors, including transaction costs. The US$8.3 million increase in trade payables as at 31 December 2022 from 31 December 2021 is mainly the result of billed costs incurred during the Moroccan drilling campaigns (net of payments) and transaction costs incurred at the corporate level.

Accruals include amounts for products and services received that have yet to be invoiced. The decrease of US$3.9 million from 31 December 2021 primarily reflects the value of work undertaken but not yet billed as at 31 December 2022 for the 2022 Moroccan drilling campaign more than offset by invoices received for the value of work undertaken that had not yet been billed as at 31 December 2021 for the 2021 Moroccan drilling campaign.

Joint venture partners comprise partners current accounts of US$1.6 million in Egypt (2021: US$0.6 million), US$4.8 million from ONHYM for the Morocco concessions (2021: US$4.4 million). The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

Other payables of US$0.8 million (2021: US$0.9 million) comprise of withholding tax payable from the Moroccan drilling and other sundry creditors.

The difference between the US$5.6 million increase in trade and other payables in the Consolidated Balance Sheets as at 31 December 2022 and 31 December 2021 and the line item in the Consolidated Statement of Cash Flows pertaining to the decrease in trade and other payables of US$0.1 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

12. DECOMMISSIONING LIABILITY

As at 31 December 2022, the total future undiscounted cash flows relating to the decommissioning of Moroccan assets amounted to US$4.8 million, to be incurred up to 2025, and the liability was discounted using a nominal risk-free rate of 4% (2021: 2%). This figure includes the decommissioning costs of the SAK-1 and KSR-20 wells which were drilled during the year.

As at 31 December 2022, the total future undiscounted cash flows relating to the decommissioning of the South Disouq assets amounted to US$2.5 million (SDX's share), to be incurred in 2024, and the liability was discounted using a nominal risk-free rate of 11% (2021: 9.5%). This figure includes the decommissioning costs of the SD-5X, SD-12_East and MA-1X wells which were drilled during the year.

No decommissioning liability is recorded for the Company's West Gharib asset under the terms of the concession agreement.

A review of the risk-free rate together with the inflation rate in the United States, Morocco and Egypt have resulted in a reduction of US$0.4 million of the discounted future value of cash flows.

The discounted value of the cash flows above amounts to US$6.3 million as at 31 December 2022 and is shown below:

	Carrying amount	
US$'000s	**31 December 2022**	31 December 2021
Decommissioning liability, beginning of period	**5,769**	6,189
Recognition of provision	**844**	423
Changes in estimate	**(448)**	(905)
Utilisation of provision	**(66)**	(205)
Accretion	**250**	267
Decommissioning liability, end of period	**6,349**	5,769
Of which:		
Current	**-**	22
Non-current	**6,349**	5,747

No decommissioning activities are anticipated to take place over the next 12 months and as at 31 December 2022 the entire liability is classed as non-current.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

13. INCOME TAX

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 and gas 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 and gas 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 annually 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 2022 mainly relates to income tax on the South Disouq PSC (US$4.8 million), the Company's PSA in West Gharib (US$0.9 million) and a social contribution tax in Morocco for the 2022 fiscal period (US$0.1 million). The current income tax liability of US$0.9 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, by concession. From 1 January 2022, profits generated from the Ksiri concession are expected to be subject to corporation tax in 2022. Due to higher than anticipated water handling expenditure at the KSR-10 well and a reduction in consumption, the Ksiri concession is loss making during 2022. The concession will only be required to settle its minimum contribution tax which is due even in the absence of profit and is calculated to be less than US$0.1 million. During the year ended 31 December 2022, the Company has accounted for a charge of US$0.1 million relating to a social contribution tax levied, on an annual discretionary basis by the Moroccan government, for the 2022 fiscal period. The levied rate, on taxable profits, varies between 1.5% and 3.5% on an annual basis. In accordance with the requirements of IAS 12 "Income taxes" this charge has been classified as a corporate income tax in the Consolidated Statement of Comprehensive Income.

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

	Year ended 31 December	
US$'000s	**2022**	2021
Current tax		
Income tax charge for the year	**5,803**	6,509
Adjustments in respect of prior periods	**-**	382
Total current tax	**5,803**	6,891
Deferred tax		
Origination and reversal of temporary differences	**-**	-
Adjustments in respect of prior periods	**-**	-
Total deferred tax	**-**	-
Total tax expense	**5,803**	6,891

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. For the current year the standard rate of corporation tax in the United Kingdom is 19%. The UK Government made a number of budget announcements during 2022. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023.

	Year ended 31 December	
US$'000s	**2022**	2021
Loss before income taxes	**(30,374)**	(17,064)
Standard rate of corporation tax	**19%**	19%
Expected income taxes	**(5,771)**	(3,242)
Adjustments:		
Non-deductible items	**16,380**	10,081
Deferred tax not recognised	**1,176**	322
Foreign tax differential	**(5,982)**	(652)
Prior year adjustments	**-**	382
Total current and deferred income tax	**5,803**	6,891

The components of the deferred income tax assets and liabilities at 31 December 2022 and 2021 include the following:

	Year ended 31 December	
US$'000s	**2022**	2021
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$73.6 million of non-capital losses available at 31 December 2022 (2021: US$73.6 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 2022 and 2021 primarily relating to its Canadian business as it has determined that its deferred tax assets are not probable to be realised from current operations.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

14. SHARE CAPITAL

The share capital of the Group is represented by the share capital of the parent Company, SDX Energy Plc. This Company was incorporated on 20 March 2019 to act as the holding Company of the Group.

A small minority of former registered SDX Canada Shareholders failed to submit a Letter of Transmittal in accordance with the Circular ("Non Claiming Shareholder") at the time of the re-domiciliation of SDX Canada to the United Kingdom. The SDX shares to which Non Claiming Shareholders would otherwise be entitled ("Unclaimed SDX UK Shares") have been held on trust by Link Corporate Trustees (UK) Limited (the "Trustee") pursuant to a trust deed ("Trust Deed") since May 2019. As advised at the time, and via reminder on 19 April 2022, the Trustee held the Unclaimed SDX UK Shares on trust for the Non Claiming Shareholder until 27 May 2022. If a Non-Claiming Shareholder did not lodge a Letter of Transmittal duly completed to the Depositary on or before 27 May 2022, any entitlement of that Non-Claiming Shareholder to its Unclaimed SDX shares shall lapse, and such Unclaimed SDX shares will be transferred by the Trustee for the benefit of SDX UK. Further to this deadline passing, the Company announced that 815,024 unclaimed shares were cancelled.

The table below shows the number and stated value of the common shares issued as at 31 December 2022 and 2021.

	31 December 2022		31 December 2021	
	Number of shares ('000s)	Stated value (US$'000s)	Number of shares ('000s)	Stated value (US$'000s)
Balance, beginning of period	205,378	2,601	205,378	2,601
Reduction of share capital	(815)	-	-	-
Balance, end of period	204,563	2,601	205,378	2,601
Weighted average shares outstanding LTM	204,903		205,378	

15. STOCK-BASED COMPENSATION

During the year, the Company recognised a total expense of US$0.3 million (2021: US$0.3 million) in the income statement relating to the amortisation of the fair value of options granted in earlier periods over the vesting period. No options for ordinary shares in the Company were issued, nor vested during the year. An amount of US$0.7 million was released from the share options reserve to retained earnings on the cancellation of 326,853 vested and 3,138,267 unvested options granted in earlier periods.

Stock option plan

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

The final 320,000 vested options outstanding from the most recent grant in July 2017 expired in July 2022.

Long-Term Incentive Plan ("LTIP")

On 31 July 2017, the Company established a 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.

Based on grants to 28 April 2023, the maximum potential number of common shares that can vest to the executive directors and other selected employees under the LTIP were, in aggregate 2,255,783. All these options are outstanding as at 31 December 2022 and 28 April 2023, and 84,549 of these options have vested.

It is the intention of the Board to redevelop the LTIP scheme during 2023 and award LTIPs on an annual basis.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

16. REVENUE, NET OF ROYALTIES

US$'000s	Year ended 31 December 2022	2021
West Gharib production service fee revenues	10,879	9,219
South Disouq gas sales revenue	23,439	26,581
Royalties	(7,902)	(8,974)
Net South Disouq gas revenue	15,537	17,607
Morocco gas sales revenue	13,975	23,950
Royalties	(241)	(431)
Net Morocco gas sales revenue	13,734	23,519
Net other products revenue	3,608	3,515
Total net revenue before tax	**43,758**	53,860

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. Royalty payments are made directly to the Government of Morocco.

17. GENERAL AND ADMINISTRATIVE EXPENSES

US$'000s	Year ended 31 December 2022	2021
Wages and employee costs	5,452	6,180
Consultants - inc. PR/IR	473	503
Legal fees	402	455
Audit, tax and accounting services	851	815
Public company fees	467	634
Travel	241	132
Office expenses	599	677
IT expenses	338	326
Service recharges	(3,658)	(5,471)
Ongoing general and administrative expenses	5,165	4,251
Transaction costs	3,665	-
Total net G&A	**8,830**	4,251

Transaction costs in the year mainly relate to professional services associated with the terminated transaction with Tenaz Energy Corp and another discontinued M&A project.

The average monthly number of employees (including executive directors) was 62 (2021: 64). Their aggregate remuneration comprised:

US$'000s	Year ended 31 December 2022	2021
Wages and salaries	3,291	3,957
Social security costs	277	234
Other pension costs	181	194
Remuneration incurred as G&A	**3,749**	4,385
Remuneration incurred as operational expenditure	1,125	1,284
Total aggregate remuneration	**4,874**	5,669

During the year, the Group (including its overseas subsidiaries) obtained the following services from the Company's auditors and its associates:

US$'000s	Year ended 31 December 2022	2021
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements	**223**	234
Audit of the financial statements of the company's subsidiaries	75	69
Audit-related assurance services	-	4
Tax compliance services	-	15
Other servcies	-	17
Fees payable to company's auditors and its associates for other services	**75**	142

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

18. LOSS PER SHARE

US$'000s	Year ended 31 December 2022	2021
Loss and total comprehensive loss for the year attributable to SDX shareholders	**(35,090)**	(23,955)
Weighted average amount of shares		
- Basic	**204,903**	205,378
- Diluted	**205,345**	205,821
Per share amount		
- Basic	**$(0.171)**	$(0.117)
- Diluted	**$(0.171)**	$(0.117)

Basic loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. 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. No such dilution took place during the year ended 31 December 2022.

19. SEGMENTAL REPORTING

The Company's operations are managed on a geographic basis, by country. The Company is engaged in one business of upstream oil and gas exploration and production. The Executive Directors are the Company's chief operating decision maker within the meaning of IFRS 8.

	Year ended 31 December 2022				Year ended 31 December 2021			
US$'000s	Egypt	Morocco	Unallocated (1)	Total	Egypt	Morocco	Unallocated (1)	Total
Revenue	30,024	13,734	-	43,758	30,341	23,519	-	53,860
Direct operating expense	(7,240)	(3,292)	-	(10,532)	(7,728)	(2,004)	-	(9,732)
Netback (pre tax) (2)	22,784	10,442	-	33,226	22,613	21,515	-	44,128
General and administrative expenses	(2,303)	(2,260)	(4,267)	(8,830)	(1,572)	(2,520)	(159)	(4,251)
Stock-based compensation	-	-	(322)	(322)	-	-	(267)	(267)
Share of profit from joint venture	502	-	-	502	383	-	-	383
EBITDAX (2)	20,983	8,182	(4,589)	24,576	21,424	18,995	(426)	39,993
Exploration and evaluation expense	(3,053)	(22,030)	(534)	(25,617)	(1,508)	(11,357)	(1,220)	(14,085)
Depletion, depreciation and amortisation	(9,153)	(9,927)	(265)	(19,345)	(17,089)	(15,202)	(333)	(32,624)
Impairment expense	-	(4,810)	-	(4,810)	(9,528)	-	-	(9,528)
Operating income/(loss)	8,777	(28,585)	(5,388)	(25,196)	(6,701)	(7,564)	(1,979)	(16,244)

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

(2) Netback and EBITDAX are not recognised measures under IFRS. The Company uses these measures to help evaluate its performance. Please refer to the financial review for the definition of these alternative performance measures.

The segment assets and liabilities as at 31 December 2022 and 31 December 2021 are as follows:

	Year ended 31 December 2022				Year ended 31 December 2021			
US$'000s	Egypt	Morocco	Unallocated (1)	Total	Egypt	Morocco	Unallocated (1)	Total
Segment assets	38,058	31,811	8,641	78,510	37,982	53,161	7,272	98,415
Segment liabilities	(6,885)	(26,131)	(4,086)	(37,102)	(6,138)	(17,333)	(2,290)	(25,761)

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

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For the year ended 31 December 2022

20. LEASES

The Group has entered into various fixed-term leases, mainly for properties and vehicles. During the year ended 31 December 2022 the Group has signed new vehicle lease contracts in Morocco.

a) Amounts recognised in the balance sheet

The analysis of the lease liability as at 31 December 2022 is as follows:

US$'000s	31 December 2022	31 December 2021
Current	**441**	439
Non-current	**723**	956
Total lease liabilities	**1,164**	1,395

The maturity analysis of the lease liability at 31 December 2022 is as follows:

US$'000s	31 December 2022
Less than one year	441
Between one and two years	434
Between two and three years	289
Between three and four years	-
Between four and five years	-
After five years	-
Total lease liability	**1,164**

The right-of-use assets as at 31 December 2022 amounted to US$1.1 million:

	Carrying amount	
US$'000s	31 December 2022	31 December 2021
Properties	**1,010**	1,360
Motor vehicles	**137**	7
Total	**1,147**	1,367

b) Amounts recognised in the statement of profit or loss

The depreciation charge for the year ended 31 December 2022 amounted to US$0.3 million and is shown below by underlying class of asset:

	Depreciation charge year ended	
US$'000s	31 December 2022	31 December 2021
Properties	**444**	497
Motor vehicles	**36**	76
Total	**480**	573

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, across the four exploration permits SDX holds, the commitments are for eight exploration wells, the acquisition of a total of 150km^2 of 3D seismic and the reprocessing of 150km of 2D seismic specifically related to the Moulay Bouchta permit. All commitments should be completed by September 2025 and the total estimated cost of these commitments is US$20.6 million. Local management is currently in discussion to reallocate commitments between concessions.

In South Disouq, the ratification by the Egyptian Parliament of a two-year exploration concession extension commits the Company to pay its 55% share of a US$1.0 million signature bonus and be committed to drill two exploration wells, with an assigned financial commitment of US$5.0 million (gross). The signature bonus has been settled. After the HA-1X and MA-1X drilling cost incurred, the remaining unmet commitment is US$1.2 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 tax 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.

The Group has been awarded a 10-year extension to its West Gharib Production Services Agreement in Egypt until 9 November 2031. The key remaining commitments related to this extension, in which SDX has a 50% working interest, are as follows:

- A commitment to drill three more development wells, or one development well and one exploration well, the second option of which has been completed post balance-sheet date;
- The final payment of a deferred signature bonus of US$0.5 million will be settled on 31 December 2023; and
- The final price-driven bonus of US$0.5 million (SDX share US$0.3m) which was settled in Q1 2023.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

22. INTERESTS IN SUBSIDIARIES

In February 2022, the Company announced the disposal of 33% of the shares in Sea Dragon Energy (Nile) B.V., the entity that holds its interests across its South Disouq concession for a consideration of US$5.5 million. Sea Dragon Energy (Nile) B.V. has its legal seat in The Hague, is a wholly owned subsidiary of Sea Dragon Energy Holding B.V. and SDX Energy Plc is the ultimate parent company. The registered office of the Company is 38 Welbeck Street, London, W1G 8DP, United Kingdom. The Company is engaged in the exploration, development and production of oil and natural gas in Egypt.

As from 1 February 2022, the Company owns 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by Energy Flow Global Limited as a non-controlling interest ("NCI").

Set out below is summarised financial information for Sea Dragon Energy (Nile) B.V. The transaction has an effective date of 1 February 2022. The difference between the calculated NCI as at 1 February 2022 of US$8.2 million and the consideration for the transaction (US$5.5 million) has been accounted for within retained earnings.

Summarised balance sheet	Sea Dragon Energy (Nile) B.V.	
	As at 31 December 2022	As at 1 February 2022
Current assets	**9,941**	19,068
Current liabilities	**3,771**	7,154
Current net assets	**6,170**	11,914
Non-current assets	**15,171**	15,013
Non-current liabilities	**2,378**	1,968
Non-current net assets	**12,793**	13,045
Net assets	**18,963**	24,959
Accumulated NCI	**6,258**	8,236

Summarised statement of comprehensive income	Sea Dragon Energy (Nile) B.V
	Eleven months ended 31 December 2022
Revenue	**17,529**
Loss and other comprehensive loss for the period	**(3,295)**
Loss allocated to NCI	**(1,087)**
Dividends paid to NCI	**(891)**

Summarised statement of cash flows	Sea Dragon Energy (Nile) B.V
	Eleven months ended 31 December 2022
Cash flows from operating activities	**5,779**
Cash flows from investing activities	**(5,884)**
Cash flows from financing activities	**(1,030)**
Decrease in cash and cash equivalents	**(1,135)**
Effect of foreign exchange on cash and cash equivalents	**(2,662)**
Net decrease in cash and cash equivalents	**(3,797)**

23. FOREIGN EXCHANGE LOSS

On 14 March 2022, Egypt devalued its currency, the Egyptian pound, in response to macroeconomic circumstances driven by Russia's invasion of Ukraine. Shortly after this devaluation, the Egyptian pound dropped to c.18.2 to the US Dollar, after having traded at c.15.7 Egyptian pounds to the US Dollar since November 2020. The exchange rate as at 31 December 2022 was c. 24.66. The mechanism for collecting receivables in Egypt is not impacted by this devaluation as receivables are settled in US Dollars, or the Egyptian pound equivalent, on the date payment is made. Costs of the Egyptian operations denominated in Egyptian pounds are not impacted by the currency devaluation. The US$4.6 million foreign exchange loss during the year is mainly the result of the impact on the EGP cash balance (US$3.3 million), the loss on currency conversion (US$0.8 million) and the weakening of the Moroccan Dirham (US$0.3 million).

Post period-end on 11 January 2023, Egypt further devalued its currency with the Egyptian pound dropping to c.30 to the US Dollar.

Notes to the Consolidated Financial Statements continued

For the year ended 31 December 2022

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) Ltd	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	67%	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 Limited	Indirect	100%	British Virgin Islands	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
NPC (Shukheir Marine) Limited	Indirect	100%	Egypt	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
Madison International Oil & Gas Limited	Indirect	100%	Barbados	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Egypt Oil & Gas Limited	Indirect	100%	Egypt	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Cameroon Oil & Gas Limited	Indirect	100%	Cameroon	Erin Court, Bishop's Court Hill, St. Michael, Barbados
SDX Energy Egypt (Meseda) Limited	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

25. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other key management personnel during the years ended 31 December 2022 and 2021 was as follows:

	Year ended 31 December	
US$'000s	**2022**	2021
Salaries, incentives and short-term benefits	**634**	827
Directors' fees	**233**	311
Stock-based compensation [(1)]	**186**	155
Total	**1,053**	1,293

(1) 2022 stock based compensation includes the accelerated charge for the cancelled unvested stock based options.

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

Previous awarded options to key management personnel under the LTIP shall only vest and an option may only be exercised while the Award Holder is in relevant employment. Once an award holder ceases to be in relevant employment, any award granted to them shall lapse on cessation. The Board may determine that an Award Holder will be treated as ceasing to be in Relevant Employment when they give or receive notice of termination of their employment. As a result, all the vested and unvested options have been cancelled during 2022 when the CEO and CFO ceased to be in relevant employment.

26. SUBSEQUENT EVENTS

On 7 March 2023, the company announced that at the request of the Egyptian Natural Gas Holding Company ("EGAS"), its wholly owned subsidiary, Sea Dragon Energy (Nile) B.V., ("Nile B.V.") and Energy Flow Global Limited ("EFGL") have reconstituted the transaction announced on 1 February 2022 (the "Reconstitution"). There is no change to the underlying economic substance of the original transaction. Under the original transaction, EFGL acquired an effective 18.15% interest in the South Disouq concession through its acquisition of 33% in Nile B.V.. Under the Reconstitution, Nile B.V has assigned a direct 18.15% interest in the South Disouq concession to EFGL by way of a Deed of Assignment. EFGL has simultaneously returned its 33% stake in Nile B.V. to SDX for a nominal fee of $1. The parties have agreed to an effective date, as of the signature by the Egyptian Minister of Petroleum of the Deed of Assignment on 22 February, 2023. As EFGL is considered a related party of SDX, the Reconstitution represents a related party transaction under the AIM Rules. The directors of the Company having consulted with the Company's nominated adviser, consider that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

Company Financial Statements

Parent Company Balance Sheet

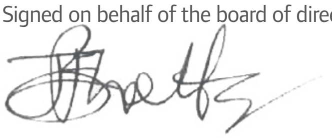
As at 31 December 2022

	Note	As at 31 December 2022	As at 31 December 2021
Fixed assets			
Investments	6	22,145	40,945
		22,145	40,945
Current assets			
Debtors: amounts falling due within one year	7	255	156
Amounts owed by group undertakings	8	6,476	4,299
Cash at bank and in hand		12	45
		6,743	4,500
Current liabilities			
Creditors: amounts falling due within one year	9	(2,256)	(689)
Amounts owed to group undertakings	10	(12,157)	(7,782)
		(14,413)	(8,471)
Net current liabilities	12	(7,670)	(3,971)
Net assets		14,475	36,974
Capital and reserves			
Called up share capital	11	2,104	2,104
Share premium account		101	101
Share-based payment reserve		550	848
Retained earnings		11,720	33,921
Total shareholders' funds		14,475	36,974

As a Consolidated income statement is published in this Annual Report, a separate income statement for the Company is not presented within these financial statements as permitted by Section 408 of the Companies Act 2006. The Company reported a loss for the period of £22.8 million (2021: £1.3 million).

The financial statements on pages 66 to 74 of SDX Energy Plc registered number 11894102 were approved by the board of directors on 28 April 2023 and signed on their behalf by:

Signed on behalf of the board of directors



Jay Bhattacherjee
Executive Chairman

Parent Company Statement of Changes in Equity

For the year ended 31 December 2022

(US$'000s)	Note	Year ended 31 December 2022	2021
Share capital			
Balance, beginning of period		**2,104**	2,104
Balance, end of period		**2,104**	2,104
Share premium			
Balance, beginning of period		**101**	101
Balance, end of period		**101**	101
Share-based payment reserve			
Balance, beginning of period		**848**	651
Share-based compensation for the period		**267**	197
Share-based options terminated		**(565)**	-
Balance, end of period		**550**	848
Retained earnings			
Balance, beginning of period		**33,921**	35,187
Share-based options terminated		**565**	-
Total comprehensive loss for the year		**(22,766)**	(1,266)
Balance, end of period		**11,720**	33,921
Total equity		**14,475**	36,974

Notes to the Parent Company Financial Statements

For the year ended 31 December 2022

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 2022, and with the Companies Act 2006. The financial statements were approved by the Board and authorised for issue on 28 April 2023. SDX Energy Plc is a public limited company limited by shares incorporated in England and Wales 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 £22.8 million (2021: £1.3 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. In these financial statements the Company has applied the exemptions available under FRS 102 in respect of the following disclosures: a cash flow statement and related notes; share based payments; related parties transactions and financial instruments.

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

These financial statements have been prepared on a going concern basis. However, there exists a material uncertainty that may cast significant doubt over the ability of the Group to continue as a going concern. As a result of various geopolitical factors, US dollar transfers by the Central Bank of Egypt have been restricted and the Company is not able to expatriate any funds currently available in Egypt and there can be no guarantee of timing on when funds will become available. These factors have also impacted the Egyptian pound, as disclosed in Note 23, which has been devalued several times since March 2022 and is currently trading at less than half of its value compared with the USD since that date. Whilst the company's receivables are not impacted by this devaluation, the company's cash balance in country is fully exposed to any additional currency movements. The Board would also note that there are no guarantees that current discussions with the EBRD will be favourably concluded and that arrangement with creditors will remain negotiable.

Notwithstanding the material uncertainty identified, the Directors have concluded that the Group will have sufficient resources to continue as a going concern for the period of assessment, that is for a period of not less than 12 months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared in a going concern basis and do not reflect any adjustments that would be necessary if this basis were inappropriate.

Further details are given in the Group Going Concern Statement on page 45.

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.

As at 31 December 2022, the Company considered that the market capitalisation of the Group has dropped significantly below the carrying value of its investment in its subsidiaries. Therefore, the Company assessed the recoverable value of the investment in subsidiaries based on a value in use calculation. Refer to the assessment of carrying value of investments in group undertakings in Note 6 of the Parent Company financial statements.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2022

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 Company'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 instruments are accounted for under Section 11 and 12 of FRS102. 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 Company 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 Company 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 Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, 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

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 the 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, because 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.

Where indicators exist for a decrease in impairment loss previously recognised for assets, 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, on a pro-rata basis.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2022

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.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2022

4. FINANCIAL RISK MANAGEMENT

Overview

The Company's principal activities expose it to a variety of financial risks that arise because 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 directors approved signing authority matrix.

As at 31 December 2022 the Company's financial liabilities are due within one year.

Capital management

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

5. COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other key management personnel during the year ended 31 December 2022 was as follows:

	Year ended 31 December	
(US$'000s)	**2022**	2021
Salaries, incentives and short term benefits	**512**	489
Directors' fees	**189**	225
Stock based compensation (1)	**150**	113
Total compensation	**851**	827

(1) 2022 stock based compensation includes the accelerated charge for the cancelled unvested stock based options.

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

Previous awarded options to key management personnel under the LTIP shall only vest and an option may only be exercised while the Award Holder is in relevant employment. Once an award holder ceases to be in relevant employment, any award granted to them shall lapse on cessation. The Board may determine that an Award Holder will be treated as ceasing to be in Relevant Employment when they give or receive notice of termination of their employment (whether or not lawful). As a result, all the vested and unvested options have been cancelled during 2022 when the CEO and CFO ceased to be in relevant employment.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2022

6. INVESTMENTS

	31 December 2022	31 December 2021
Investment in group undertakings	**22,145**	40,945

Details of the Company's group undertakings and joint venture are listed in note 13.

Assessment of carrying value of investments in group undertakings
The carrying value of the Company's investment in group undertakings has been tested for impairment in accordance with IAS 36 Impairment of Assets. The carrying value is compared to the asset's recoverable amount and has been assessed by reference to value in use.

The value in use has been calculated based upon a discounted cash flow methodology using the most recent forecasts prepared by management of the SDX Energy plc group.

These forecasts:

- are consistent with the independent technical and economic valuation of the Group's Egyptian and Moroccan assets performed by Gaffney, Cline & Associates ("GCA") which has an effective date of 31 December 2022;
- cover the period up till the end of the asset's economic useful life. Cash flows are assumed to grow at 2.0% which is based on inflation forecasts by recognised bodies;
- reflect estimation uncertainty using a rundown scenario for future general and administrative ("G&A") expenditure incurred. The assumptions are consistent with expected G&A expenditure in a non-growing, declining value in use scenario;
- include ongoing capital expenditure required to maintain the current exploitation concessions but excludes any growth from future exploration that the Company expects to undertake in 2023 and beyond.

The key assumptions for the value in use calculation are reserves and price estimates, future G&A expenditure incurred, discount rates and foreign exchange. Management estimates discount rates that reflect current market assessments of the time value of money and the rate of return a market participant would require. The rate used to discount the forecast cash flows reflects the individual businesses in the Group and is 15.0% post-tax. As a result of this analysis, the directors have determined that an impairment charge of £18.8 million is required.

7. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2022	31 December 2021
Prepayments	**29**	115
Other debtors	**226**	41
Total	**255**	156

8. AMOUNTS OWED BY GROUP UNDERTAKINGS

	31 December 2022	31 December 2021
Sea Dragon Energy (Nile) B.V.	**1,968**	1,130
Sea Dragon Energy (NW Gemsa) B.V.	**67**	67
SDX Energy Egypt (Meseda) Ltd.	**1,871**	1,250
Sea Dragon Energy Holding B.V.	**38**	38
SDX Energy Morocco (Jersey) Limited	**2,486**	1,774
Madison Egypt Oil and Gas Limited	**14**	12
Madison International Oil and Gas Limited	**18**	16
Madison Cameroon Oil & Gas Ltd	**14**	12
Total	**6,476**	4,299

Current accounts owed by group undertakings are unsecured, interest free and have no fixed repayment date.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2022

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 December 2022	31 December 2021
Trade creditors	1,878	491
Other creditors	378	198
Total	2,256	689

10. AMOUNTS OWED TO GROUP UNDERTAKINGS

	31 December 2022	31 December 2021
Sea Dragon Energy (UK) Limited	11,716	7,477
SDX Energy Inc.	441	305
Total	12,157	7,782

Current accounts owed to group undertakings are unsecured, interest free and have no fixed repayment date.

11. CALLED UP SHARE CAPITAL

	31 December 2022	31 December 2021
Authorised, issued and fully paid ordinary shares of £0.01 each	2,104	2,104

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital risk management

The capital structure of the Company consists of debt, which includes the amounts owed to group undertakings disclosed in note 10 and equity attributable to equity holders of the Company and related parties, comprising issued capital and retained earnings 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

	31 December 2022	31 December 2021
Financial assets		
Cash and trade and other receivables	267	201
Amounts due from group undertakings	6,476	4,299
Total	6,743	4,500

	31 December 2022	31 December 2021
Financial liabilities		
Trade and other payables	2,256	689
Amounts due to group undertakings	12,157	7,782
Total	14,413	8,471
Net current liabilities	(7,670)	(3,971)

Amounts due from and to group undertakings are unsecured, interest free and have no fixed repayment date.

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.

Notes to the Parent Company Financial Statements continued

For the year ended 31 December 2022

13. SUBSIDIARIES

As at 31 December 2022, the companies listed below are indirectly held by SDX Energy plc except SDX Energy Holdings (UK) Limited which is 100% directly owned by SDX Energy plc. The financial year end of each company is 31 December 2022.

Name	Holding	Percentage ownership	Country of operation	Registered address
SDX Energy Holdings (UK) Limited	Direct	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Inc	Indirect	100%	Canada	1900, 520 - 3rd Avenue SW, Centennial Place, East Tower, Calgary, Alberta T2P 0R3
Sea Dragon Energy (UK) Limited	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Investments (UK) Ltd	Indirect	100%	U.K.	38, Welbeck Street, London W1G 8DP, U.K.
SDX Energy Morocco (UK) 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	67%	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 Limited	Indirect	100%	British Virgin Islands	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
NPC (Shukheir Marine) Limited	Indirect	100%	Egypt	Commerce House, Wickhams Cay 1, P.O. Box 3140, Road Town, Tortola, British Virgin Islands
Madison International Oil & Gas Limited	Indirect	100%	Barbados	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Egypt Oil & Gas Limited	Indirect	100%	Egypt	Erin Court, Bishop's Court Hill, St. Michael, Barbados
Madison Cameroon Oil & Gas Limited	Indirect	100%	Cameroon	Erin Court, Bishop's Court Hill, St. Michael, Barbados
SDX Energy Egypt (Meseda) Limited	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

Executive Director

Jay Bhattacherjee
Interim Executive Chairman

Non-Executive Directors

Timothy Linacre
Krzysztof Zielicki

Stock Exchange Listing
London Stock Exchange AIM
Symbol: SDX

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