

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

# 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

# 3,291 boe/d

H1 2023 average entitlement production, net of minority interest

# 3 wells

drilled during H1 2023

# 4.5kg CO<sub>2</sub>e/boe

in H1 2023 carbon intensity at SDX's operated assets

## Financial

# \$10.1m

H1 2023 gross profit/Netback

# \$8.1m

H1 2023 EBITDAX

# \$2.9m

H1 2023 CAPEX

- Net Production, 3,291 boe/d (459 bbls/d and 17.0mmscf/d)
- Out of three wells completed across SDX's portfolio in the year to date, two were put on production during H1 2023.
- Carbon intensity of 4.5kg CO<sub>2</sub>e/boe at operated assets during H1 2023.
- Gross Profit / Netback of \$10.1 million, EBITDAX of \$8.1 million and operating cash flow (before capex) of \$0.9 million.
- Capex \$2.9 million.

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# Interim Executive Chairman's Review

We enter the last part of 2023, and head into 2024, well placed to deliver long-term sustainable returns to shareholders.

The first half of 2023 saw a number of strategic and operational initiatives. The key senior management hires, the securing of additional funding, improvements in commercial terms in Morocco and progress in selling our Egyptian assets has brought a new focus and clearly defined strategy to the Group. We enter the last part of 2023, and head into 2024, well placed to deliver long-term sustainable returns to shareholders.

In May 2023, we announced our new Executive team with the appointment of Daniel Gould as Managing Director, William McAvoek as CFO and Lesley Maclean as Head of Corporate Development. The new team brings a wealth of experience of the sector and will be focused on delivering on growth initiatives that will create long-term sustainable value.

The first half of 2023 was in many ways a period of revitalising the SDX story. With a new strategy that is based on developing a hybrid energy producer, the Company announced that it is selling its Egyptian assets and I am pleased to say that the process remains firmly on track and the disposal, if completed, would constitute a fundamental change of business pursuant to AIM Rule 15, because the consideration, as currently calculated in the Heads of Terms, will significantly exceed the market cap Consideration Test threshold. The disposal will allow the Company to address some of the legacy issues inherited from the past and allow the Company to develop its organic and inorganic growth story in Morocco and beyond.

## FINANCE

During the first half of 2023, the Company negotiated a syndicated convertible loan agreement for up to \$3.25 million, which was signed after the end of the six months period, in July 2023. To date, \$2.5 million has been drawn for the purposes of reducing outstanding debt to the European Bank for Reconstruction and Development (EBRD), the Moroccan drilling campaign and for general corporate purposes.

Subsequent to the period end, in September 2023, the Company entered into a non-binding heads of terms with DIKA MOROCCO AFRICA, its largest offtaker and a 100%-owned subsidiary of Citic Dicastal, which is a subsidiary of Citic Group, a Chinese holding company with a corporate portfolio approaching \$1 trillion, to prepay for SDX's gas deliveries in Morocco. The initial terms of the agreement envisage the receipt of approximately \$2 million by the end of September 2023. These funds are planned to be used towards the drilling costs of the KSR-21 well and for general corporate purposes. A further heads of terms for a larger prepayment amount is currently under negotiation and is expected to be agreed and funds drawn by early 2024. The Company plans to direct this second prepayment towards funding a further multi-well back-to-back drilling programme. This type of back-to-back drilling, which allows development of gas behind pipe (booked reserves), further increases operational efficiency, reduces costs and ensures that immediate and future demand can be met.

## OPERATIONS

In February 2022, the Company sold 33% of the shares in Sea Dragon Energy (Nile) B.V., the entity that holds its interests in the South Disouq concession, to Energy Flow Global Limited ("EFGL") for a consideration of \$5.5 million. From 1 February 2022, the Company owned 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by EFGL as a non-controlling interest.

In February 2023, the Company and EFGL, at the request of EGAS, entered into agreement with EFGL to repurchase the 33% of the shares in Sea Dragon Energy (Nile) B.V. and signed a Deed of Assignment to assign 33% of its 55% interest (18.15% interest) in the South Disouq concession to EFGL. The consideration agreed represented 33% of the working capital of Sea Dragon Energy (Nile) B.V. as at February 2023. From February 2023, the Company owned 100% of Sea Dragon Energy (Nile) B.V., which owned a 36.85% interest in the South Disouq concession.

In South Disouq, Egypt, we undertook workover operations on SD-3X and SD-4X wells, recompleting the wells to shallower reservoirs to maximise recovery and on IY-2 to restart production.

In West Gharib, Egypt, we continued with our workover operations on the existing wells to maximise recovery from this field.

Subsequent to the end of the period, in August 2023, we announced the signing of the heads of terms for the disposal of all the Company's Egyptian assets to a large multinational operator with existing Egyptian upstream interests. This strategic decision allows the Company to focus on the optimisation of its Moroccan portfolio, including the diversification into the transition energy sector.

In Morocco, we produced approximately 0.4 billion cubic feet (69,249 barrels of oil equivalent) during H1 2023. Gas and energy demand in general in the region remains high and, in June 2023, we renegotiated the gas sales agreement with one of our key customers and received a higher gas price for production with effect from 1 May 2023.

In September 2023, we commenced drilling the Ksiri-21 ("KSR-21") well in Sebou Central of the Gharb Basin, Morocco. The KSR-21 well has reached its total vertical depth of 1,955 metres (1,966 metres measured depth) targeting a prospect within the Hoot formation, which is one of the main producing formations in the area. Drilling and wireline logging data confirm the presence of gas charged sands within the targeted reservoir section. The reservoir interval will now be perforated to undergo a short testing period before being brought onto production to supply existing gas offtakers.

We thank all our stakeholders and shareholders for their support over the last period, as we work tirelessly to revitalise the business and deliver long-term sustainable value to shareholders. We would also like to express our condolences to all those affected by the devastating earthquake in Morocco earlier this month and continue to offer our support.

**Jay Bhattacharjee**  
Interim Executive Chairman  
28 September 2023

# Review of Operations

## EGYPT

### South Disouq

South Disouq is a 115km<sup>2</sup> 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<sup>2</sup>), Ibn Yunus (24km<sup>2</sup>), and Ibn Yunus North (32km<sup>2</sup>), 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<sup>2</sup>.

In February 2022, the Company sold 33% of the shares in Sea Dragon Energy (Nile) B.V. to Energy Flow Global Limited ("EFG") for a consideration of \$5.5 million. From 1 February 2022, the Company owned 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by EFG as a non-controlling interest ("NCI").

On 22 February 2023, at the request of EGAS, the Company and EFG entered into agreement with EFG to repurchase the 33% of the shares in Sea Dragon Energy (Nile) B.V. in exchange for deferred consideration of \$1.6 million plus an assignment of 33% of the Company's 55% interest (equivalent to a direct 18.15% interest), with a fair value of \$5.5 million, in the South Disouq concession to EFG. From 22 February 2023, the Company owned 100% of Sea Dragon Energy (Nile) B.V. and a 36.85% interest in the South Disouq concession.

As a result, SDX has a 36.85% working interest in the South Disouq and Ibn Yunus development leases and a 67.0% working interest in the Ibn Yunus North development lease. Its partner, EFG, has a 18.15% working interest in the South Disouq and Ibn Yunus development leases and a 33.0% working interest in the Ibn Yunus North development lease; and its partner, IPR, holds a 45% interest in the South Disouq and Ibn Yunus development leases.

### H1 2023 Activity

Throughout H1 2023, planned field management operations were carried out and the Central Processing Facility showed excellent performance with a 99% uptime.

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 continues to be produced intermittently since July 2022. IY-2X was worked-over with a sand bond, with the aim of reducing sand production. Unfortunately, the sand bond did not prevent sand production during the testing phase and the well has been shut-in pending further investigation.

Following the 2022 drilling campaign, SDX continues to work on updating plans for future drilling and identifying remaining targets in the acreage. The Mohsen discovery is currently under evaluation, to determine future development options and work has been ongoing to finalise a field development plan.

Production operations at the asset ended up in the expected range during the six months to 30 June 2023, resulting in gross production of 36.32 MMscfe/d for the year (2,558boe/d net to SDX).

### H2 2023 Outlook

The primary work in H2 2023 will be around finalising the Mohsen discovery's field development plan. Workovers of SD-4X and SD-3X are planned, with the wells being recompleted to shallower reservoirs as the main reservoir becomes fully depleted, and further work will be carried out to identify alternative solutions for a recompletion at IY-2X.

## EGYPT

### West Gharib

West Gharib is 22km<sup>2</sup> 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 18° API oil from the high-quality Miocene-aged Asl sands of the Rudeis formation. The Rabul field produces 16° 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 General Petroleum Company ("GPC"), which is a state oil company, 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.

### H1 2023 Activity

Much of the activity in the West Gharib concession during H1 2023 was centred around the aforementioned infill drilling campaign: Rabul-9ST was drilled in January 2023 and the last infill well Rabul-8, was drilled in May 2023. Additionally, fourteen workovers were carried out across the concession in H1 2023.

For H1 2023, West Gharib average gross sales production stood at approximately 1,834 bbl/d (351 bbl/d net to SDX).

### H2 2023 Outlook

It is still planned to workover the Rabul Deep-1 well to convert it to a water-injector for the Rabul Field. With the completion of the infill drilling campaign the partnership will review the results of all the drilling and consider additional development wells.

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

## MOROCCO

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

The Sebou Central permit is a 132km<sup>2</sup> exploration permit with several exploitation concessions contained within it. The exploitation concessions granted under the Sebou Onshore Petroleum Agreement are Sidi Al Harati SW, which expires in September 2023, Sidi Al Harati W, which expires in October 2024, and Ksiri Central, which expires in January 2025.

The Gharb Occidental concession is an 806km<sup>2</sup> exploration permit with numerous prospects and leads already identified on the existing 3D seismic, which covers the southern part of the permit. The exploitation concessions granted under the Gharb Occidental Petroleum Agreement are Oulad Youssef Central, which expires in March 2024, and Guaddari Sud-Ouest and Sidi Al Harati Sud which both expire in December 2024.

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<sup>2</sup> of 3D seismic within the first two-and-a-half-year period, which has been met, and started on 14 March 2019.

In September 2021, according to the regulations governing Petroleum Agreements, SDX relinquished 25% of the original Lalla Mimouna Sud acreage and entered into the extension period of 2.5 years. The Lalla Mimouna Sud concession is now a 629.9km<sup>2</sup> 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 of 2D seismic data, acquire 100km<sup>2</sup> of new 3D seismic, and drill one exploration well within the first three-and-a-half-year period, started on 14 March 2019. A one year force majeure extension to the permit was granted by the Ministry of Energy, which expires in September 2023. The concession is in process to be relinquished.

### H1 2023 Activity

During H1 2023 production has been carefully managed to ensure supply to existing customers. The two compressors SDX operates in Morocco have also been actively managed maximising recovery from existing wells.

Morocco net production averaged 2.30 MMscf/d for H1 2023.

### H2 2023 Outlook

The Company commenced drilling KSR-21 well on 2 September 2023 and reached its total vertical depth of 1,955 metres (1,966 metres measured depth) on 26 September 2023. The well will be completed as a producer and brought onstream to produce gas as soon as possible. This well forms the start of a wider drilling campaign of wells, some of which will target low-risk prospects and some will target new areas and play levels, expanding the development footprint. All the wells will be shallow targets charged 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.

- The Company's operated assets recorded a carbon intensity of 4.5kg CO<sub>2</sub>e/boe in H1 2023.
- Scope 1 greenhouse gas emissions from all operated assets were 5,400 tons of CO<sub>2</sub>e. Scope 3 greenhouse gas emissions in Morocco were 30,100 tons of CO<sub>2</sub>e, which is approximately 13,800 tons of CO<sub>2</sub>e less than using alternative heavy fuel oil.
- There were no Lost Time Injuries at any of the Company's assets during H1 2023.
- No produced water was discharged into the environment in Morocco or at South Disouq (100% processed or evaporated).
- There were no hydrocarbon spills at operated assets.
- The Company continues to adopt high standards of Governance through its adherence to the QCA Code on Corporate Governance.

# Financial Review

For the six months ended 30 June 2023 (prepared in \$)

## 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.

| \$'000s   | Six months ended 30 June |                |
|---|--------------------------|----------------|
|   | 2023                     | 2022           |
| West Gharib production service fee revenues       | 3,467                    | 5,672          |
| South Disouq gas sales revenue <sup>(1)</sup>     | 8,789                    | 11,032         |
| Royalties   | (2,963)                  | (3,717)        |
| Net South Disouq gas revenue                      | 5,826                    | 7,315          |
| Morocco gas sales revenue                         | 4,901                    | 7,517          |
| Royalties   | (51)                     | (146)          |
| Net Morocco gas sales revenue                     | 4,850                    | 7,371          |
| Net other products revenue                        | 1,110                    | 1,975          |
| <b>Total net revenue <sup>(4)</sup></b>           | <b>15,253</b>            | <b>22,333</b>  |
| Direct operating expense                          | (5,127)                  | (4,392)        |
| Netback: West Gharib                              | 1,816                    | 4,148          |
| Netback: South Disouq gas <sup>(2)</sup>          | 3,519                    | 5,400          |
| Netback: Morocco gas                              | 3,681                    | 6,418          |
| Netback: Other products <sup>(2)</sup>            | 1,110                    | 1,975          |
| <b>Netback (pre-tax) <sup>(3) (4)</sup></b>       | <b>10,126</b>            | <b>17,941</b>  |
| <b>EBITDAX <sup>(3) (4)</sup></b>                 | <b>8,120</b>             | <b>15,274</b>  |
| West Gharib production service fee (bbl/d)        | 351                      | 376            |
| South Disouq gas sales (boe/d) <sup>(5)</sup>     | 2,818                    | 3,534          |
| Morocco gas sales (boe/d)                         | 383                      | 638            |
| Other products sales (boe/d) <sup>(5)</sup>       | 124                      | 179            |
| <b>Total sales volumes (boe/d) <sup>(5)</sup></b> | <b>3,676</b>             | <b>4,727</b>   |
| West Gharib production service fees (bbls)        | 63,523                   | 67,968         |
| South Disouq gas sales (boe) <sup>(5)</sup>       | 510,017                  | 639,713        |
| Morocco gas sales (boe)                           | 69,249                   | 115,398        |
| Other products sales (boe) <sup>(5)</sup>         | 22,405                   | 32,400         |
| <b>Total sales volumes (boe) <sup>(5)</sup></b>   | <b>665,194</b>           | <b>855,479</b> |
| Brent oil price (\$/bbl)                          | \$79.78                  | \$107.50       |
| West Gharib oil price (\$/bbl)                    | \$64.33                  | \$98.64        |
| Realised West Gharib service fee (\$/bbl)         | \$54.58                  | \$83.45        |
| Realised Morocco gas price (\$/mcf)               | \$11.80                  | \$10.86        |
| Royalties (\$/boe) <sup>(4)</sup>                 | \$5.34                   | \$5.86         |
| Operating costs (\$/boe) <sup>(4)</sup>           | \$7.71                   | \$5.13         |
| <b>Netback (\$/boe) <sup>(4)</sup></b>            | <b>\$15.22</b>           | <b>\$20.97</b> |
| Capital expenditures                              | 2,870                    | 12,173         |

(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) Netback and EBITDAX are non-IFRS measures and are defined on page 7.

(4) In February 2022, the Company sold 33% of the shares in Sea Dragon Energy (Nile) B.V. to Energy Flow Global Limited ("EFG") for a consideration of \$5.5 million. From 1 February 2022, the Company owned 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by EFG as a non-controlling interest ("NCI").

On 22 February 2023, at the request of EGAS, the Company and EFG entered into agreement with EFG to repurchase the 33% of the shares in Sea Dragon Energy (Nile) B.V. in exchange for deferred consideration of \$1.6 million plus an assignment of 33% of the Company's 55% interest (equivalent to a direct 18.15% interest), with a fair value of \$5.5 million, in the South Disouq concession to EFG. From 22 February 2023, the Company owned 100% of Sea Dragon Energy (Nile) B.V. and a 36.85% interest in the South Disouq concession. Before that date the Company consolidated the results of its subsidiary in the Company's condensed consolidated financial statements.

(5) Sales volumes from the South Disouq concession have been presented gross of minority interest to the date of the reconstitution (22 February 2023). The share of volumes assigned to the Company's minority interest holder equals 69,500 boe (384 boe/d) and therefore the Company's share of South Disouq volumes (incl. other products) equals 462,923 boe (2,558 boe/d). Net of minority interest total sales volumes are 595,694 boe (3,291 boe/d).

# Financial Review continued

For the six months ended 30 June 2023 (prepared in \$)

## WEST GHARIB PRODUCTION SERVICE FEE REVENUES

The Company recorded service fee revenue relating to the oil production from the Meseda and Rabul areas of Block H that is delivered to General Petroleum Company, which is a state oil company ("GPC"). 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 six months ended 30 June 2023, the Company received an average service fee per barrel of oil of \$54.58, compared to the average West Gharib oil prices for the periods of \$64.33, representing a quality discount of \$9.75 (15%) per barrel. For the six months ended 30 June 2022, the Company received an average service fee per barrel of oil of \$83.45, compared to the average West Gharib oil prices for the periods of \$98.64, representing a quality discount of \$15.19 (15%) per barrel.

### PRODUCTION SERVICE FEE VARIANCE FROM PRIOR YEAR

For the six months ended 30 June 2023 (compared to the six months ended 30 June 2022), the decrease in production service fee revenue by \$2.2 million (39%) from \$5.7 million to \$3.5 million was driven by a decrease in price of \$1.8 million (32%) and a decrease in production of \$0.4 million (7%). 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 seven wells that came into production during H1 2023 as part of the ongoing development drilling campaign.

\$'000s

|                                |              |
|--------------------------------|--------------|
| Year ended 30 June 2022        | 5,672        |
| Price variance                 | (1,834)      |
| Production variance            | (371)        |
| <b>Year ended 30 June 2023</b> | <b>3,467</b> |

## SOUTH DISOUQ GAS SALES REVENUE

The Company sells gas production from the South Disouq concession to the Egyptian Natural Gas Holding Company ("EGAS"), which is an Egyptian state-owned holding company, at a fixed price of \$2.65/MMBtu, approximately \$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 six months ended 30 June 2023 (compared to six months ended 30 June 2022), the decrease in South Disouq gas sales revenue of \$2.2 million (20%) is the result of a decrease in sales volumes of 716boe/d.

The decrease in sales volumes is due to assigning 33% of the Company's interest in South Disouq to EFGL during the six months period and increased water and sand production due to natural field decline.

On 22 February 2023, the Company assigned a direct 18.15% interest (33% of the Company's previous 55% interest) in the South Disouq concession to EFGL by way of a Deed of Assignment.

There was no scheduled or unscheduled downtime at the Central Processing Facility ("CPF") during the year ended 30 June 2023.

## MOROCCO GAS SALES REVENUE

The Company currently sells natural gas to three industrial customers in Kenitra, northern Morocco. The Company decided not to immediately renew a customer contract that expired on 1 April 2023 until the Company has better visibility on future gas supply and pricing to support the full term of a new contract.

### MOROCCO GAS SALES VARIANCE FROM PRIOR YEAR

For the six months ended 30 June 2023 (compared to six months ended 30 June 2022), the decrease in Morocco gas sales revenue of \$2.6 million (35%) is driven by a \$3.0 million decrease in production due to limited gas reserve, partially offset by \$0.4 million increase due to selling gas at higher prices.

\$'000s

|                                |              |
|--------------------------------|--------------|
| Year ended 30 June 2022        | 7,517        |
| Price variance                 | 390          |
| Production variance            | (3,006)      |
| <b>Year ended 30 June 2023</b> | <b>4,901</b> |

# Financial Review continued

For the six months ended 30 June 2023 (prepared in \$)

## ROYALTIES

Royalties in Egypt fluctuate 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 six months ended 30 June 2023 were \$5.1 million, compared to \$4.4 million for the comparative period of the prior year.

The direct operating costs per concession were:

| \$'000s                               | Six months ended 30 June |              |
|---------------------------------------|--------------------------|--------------|
|                                       | 2023                     | 2022         |
| West Gharib                           | 1,651                    | 1,524        |
| South Disouq                          | 2,307                    | 1,915        |
| Morocco                               | 1,169                    | 953          |
| <b>Total direct operating expense</b> | <b>5,127</b>             | <b>4,392</b> |

The direct operating costs per unit per concession were:

| \$/boe                                      | Six months ended 30 June |             |
|---|--------------------------|-------------|
|   | 2023                     | 2022        |
| West Gharib                                 | 25.99                    | 22.42       |
| South Disouq                                | 4.33                     | 2.85        |
| Morocco                                     | 16.88                    | 8.26        |
| <b>Total direct operating costs per boe</b> | <b>7.71</b>              | <b>5.13</b> |

### West Gharib

Direct operating costs per barrel ("bbl") for the six months ended 30 June 2023 for West Gharib were higher at \$25.99/bbl, compared to \$22.42 in the comparative period of the prior year, due to lower production and higher costs of increased water cut across several wells.

### South Disouq

Direct operating costs per boe for the six months ended 30 June 2023 for South Disouq were higher at \$4.33/boe compared to \$2.85/boe in the comparative period of the prior year. This increase of \$0.4 million resulted from the review and correction of the Company's share in operational expenditures associated with the IY-N field.

### Morocco

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

Direct operating costs for the six months ended 30 June 2023 were \$0.2 million (23%) higher compared with the comparative period of the prior year as a result of additional operating expenditure, including adding security guards for the wells. This higher incurred expenditure, together with the reduction in production, caused the direct operating costs per boe to increase by 104% to \$16.88/boe.

## GENERAL AND ADMINISTRATIVE EXPENSES

| \$'000s                                     | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2023                     | 2022         |
| Wages and employee costs                    | 2,311                    | 2,482        |
| Consultants - inc. PR/IR                    | 158                      | 190          |
| Legal fees                                  | 103                      | 173          |
| Audit, tax and accounting services          | 289                      | 338          |
| Public company fees                         | 349                      | 279          |
| Travel                                      | 122                      | 84           |
| Office expenses                             | 247                      | 315          |
| IT expenses                                 | 82                       | 167          |
| Service recharges                           | (1,157)                  | (1,986)      |
| Ongoing general and administrative expenses | 2,504                    | 2,042        |
| Transaction costs                           | 55                       | 765          |
| <b>Total net G&amp;A</b>                    | <b>2,559</b>             | <b>2,807</b> |

Ongoing general and administrative ("G&A") costs for the six months ended 30 June 2023 were \$2.5 million which is \$0.5 million higher compared to the same period of 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 reversal of the 2021 bonus previously accrued for the UK team, and natural attrition.



# Financial Review continued

For the six months ended 30 June 2023 (prepared in \$)

## CAPITAL EXPENDITURES

The following table shows the capital expenditure for the Company. It agrees with notes 7 and 8 to the consolidated condensed financial statements for the six months ended 30 June 2023, which include discussion therein.

| \$'000s   | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
| Property, plant and equipment expenditures ("PP&E") | 505                      | 5,169         |
| Exploration and evaluation expenditures ("E&E")     | 2,358                    | 6,971         |
| Office furniture and fixtures                       | 7                        | 33            |
| <b>Total capital expenditures</b>                   | <b>2,870</b>             | <b>12,173</b> |

The Company has future capital commitments associated with its oil and gas assets, details of which can be found in note 18 to the consolidated condensed financial statements.

## EXPLORATION AND EVALUATION EXPENSE

For the six months ended 30 June 2023, exploration and evaluation expenses stood at \$0.4 million, compared to \$0.5 million in the same period of the prior year.

The current period expense relates mainly to:

- a write off of \$0.3 million for an unsuccessful exploration well drilled in Rabul area in West Gharib; and
- new business evaluation activities of \$0.1 million

The prior period expense of \$0.5 million relates to new business evaluation activities.

## DEPLETION, DEPRECIATION AND AMORTISATION

For the six months ended 30 June 2023, depletion, depreciation, and amortisation ("DD&A") amounted to \$6.3 million, compared to \$10.4 million in the same period of the prior year, a reduction of \$4.1 million.

| \$'000s               | Six months ended 30 June |               |
|-----------------------|--------------------------|---------------|
|                       | 2023                     | 2022          |
| West Gharib           | 782                      | 726           |
| South Disouq          | 2,785                    | 4,492         |
| Morocco               | 2,409                    | 4,912         |
| Right of use assets   | 269                      | 225           |
| Other                 | 15                       | 11            |
| <b>Total DD&amp;A</b> | <b>6,260</b>             | <b>10,366</b> |

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

- The DD&A for South Disouq was \$2.8 million for the six months ended 30 June 2023, a decrease of \$1.7 million from the same period of the prior year due to a significant reduction in asset base following the sale of 33% of the Company's interest in South Disouq to EFGL and reducing the net book value of the asset by \$5.1 million;
- The decrease of \$2.5 million in DD&A for Morocco for the six months ended 30 June 2023 compared to the same period of the prior year is due to significant reduction in asset since H1 2022 following 2022 production and the \$4.8 million impairment change recorded in Q4 2022; and
- The DD&A for right-of-use assets was \$0.3 million and related to the recognition of leases under IFRS 16. Please refer to note 17 in the consolidated condensed financial statements.

## FOREIGN EXCHANGE LOSS

In March 2022, Egypt devalued its currency, the Egyptian pound ("EGP"), in response to macroeconomic circumstances driven by Russia's invasion of Ukraine. Shortly after this devaluation, the EGP dropped to c.18.2 to the US dollar, after having traded at c.15.7 EGP to the US dollar since November 2020. In the six months ended 30 June 2023, Egypt further devalued its currency with the EGP dropping to 30.75 to the US dollar. The mechanism for collecting receivables in Egypt is not impacted by this devaluation as receivables are settled in US dollars, or the EGP equivalent, on the date payment is made. Costs of the Egyptian operations denominated in EGP are not impacted by the currency devaluation. The \$1.3 million foreign exchange loss for the six months ended 30 June 2023 is mainly the result of the impact on the EGP cash balance (\$0.9 million).

# Financial Review continued

For the six months ended 30 June 2023 (prepared in \$)

## SOURCES AND USES OF CASH

The Company's net cash position as at 30 June 2023 was \$3.0 million, with cash balances of \$6.7 million offset by \$3.5 million debt and \$0.2 million accrued interest from the EBRD debt facility. The restriction on exchanging EGP into US dollars is ongoing and the Company is currently unable to expatriate any cash 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 six months ended 30 June 2023 and 2022:

| \$'000s   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2023                     | 2022            |
| <b>Sources</b>  |                          |                 |
| Operating cash flow before working capital movements    | 5,746                    | 12,298          |
| Borrowings  | -                        | 2,500           |
| Net proceeds from sale of assets                        | -                        | 5,500           |
| Finance income  | 56                       | -               |
| Dividends received                                      | -                        | 311             |
| <b>Total sources</b>                                    | <b>5,802</b>             | <b>20,609</b>   |
| <b>Uses</b>   |                          |                 |
| Changes in non-cash working capital                     | (4,187)                  | (1,095)         |
| Property, plant and equipment expenditures              | (255)                    | (6,175)         |
| Exploration and evaluation expenditures                 | (1,391)                  | (5,369)         |
| Payments of lease liabilities                           | (278)                    | (261)           |
| Finance costs paid                                      | -                        | (17)            |
| Income taxes paid                                       | (644)                    | (841)           |
| Loan repayments   | (2,200)                  | -               |
| Effect of foreign exchange on cash and cash equivalents | (738)                    | (2,141)         |
| <b>Total uses</b>                                       | <b>(9,693)</b>           | <b>(15,899)</b> |
| <b>(Decrease)/increase in cash and cash equivalents</b> | <b>(3,891)</b>           | <b>4,710</b>    |
| Cash and cash equivalents at beginning of period        | 10,613                   | 10,562          |
| <b>Cash and cash equivalents at end of period</b>       | <b>6,722</b>             | <b>15,272</b>   |

## GOING CONCERN

The Directors have reviewed the cash flow projections prepared by management for the period ending 31 December 2024 and believe that 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 currently unable to expatriate any funds currently in Egypt and there can be no guarantee of timing on when funds will become available. These factors have also impacted the Egyptian pound 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 arrangements 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 Condensed Consolidated financial statements. Accordingly, the Condensed 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.

## 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 16 to the Condensed Consolidated Financial Statements 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.

Jay Bhattacharjee  
Interim Executive Chairman  
28 September 2023

# Financial Statements

As at 30 June 2023

# Condensed Consolidated Balance Sheet (unaudited)

As at 30 June 2023

| \$'000s                              | Note | As at<br>30 June<br>2023 | As at<br>31 December<br>2022 |
|--------------------------------------|------|--------------------------|------------------------------|
| <b>Assets</b>                        |      |                          |                              |
| Cash and cash equivalents            | 5    | 6,722                    | 10,613                       |
| Trade and other receivables          | 5    | 19,811                   | 18,549                       |
| Inventory                            | 6    | 8,244                    | 7,988                        |
| <b>Current assets</b>                |      | <b>34,777</b>            | <b>37,150</b>                |
| Investments                          |      | 3,529                    | 3,390                        |
| Property, plant and equipment        | 7    | 14,584                   | 25,205                       |
| Exploration and evaluation assets    | 8    | 13,627                   | 11,618                       |
| Right-of-use assets                  | 17   | 1,135                    | 1,147                        |
| <b>Non-current assets</b>            |      | <b>32,875</b>            | <b>41,360</b>                |
| <b>Total assets</b>                  |      | <b>67,652</b>            | <b>78,510</b>                |
| <b>Liabilities</b>                   |      |                          |                              |
| Trade and other payables             | 9    | 24,280                   | 22,787                       |
| Current income taxes                 | 11   | 403                      | 854                          |
| Borrowings                           | 5    | 3,714                    | 5,658                        |
| Lease liability                      | 17   | 529                      | 441                          |
| <b>Current liabilities</b>           |      | <b>28,926</b>            | <b>29,740</b>                |
| Decommissioning liability            | 10   | 5,886                    | 6,349                        |
| Deferred income taxes                |      | 290                      | 290                          |
| Lease liability                      | 17   | 660                      | 723                          |
| <b>Non-current liabilities</b>       |      | <b>6,836</b>             | <b>7,362</b>                 |
| <b>Total liabilities</b>             |      | <b>35,762</b>            | <b>37,102</b>                |
| <b>Equity</b>                        |      |                          |                              |
| Share capital                        |      | 2,601                    | 2,601                        |
| Share premium                        |      | 130                      | 130                          |
| Share-based payment reserve          |      | 6,895                    | 7,174                        |
| Accumulated other comprehensive loss |      | (917)                    | (917)                        |
| Merger reserve                       |      | 37,034                   | 37,034                       |
| Accumulated loss                     |      | (13,853)                 | (10,872)                     |
| Non-controlling interest             | 19   | -                        | 6,258                        |
| <b>Total equity</b>                  |      | <b>31,890</b>            | <b>41,408</b>                |
| <b>Equity and liabilities</b>        |      | <b>67,652</b>            | <b>78,510</b>                |

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

The financial statements on pages 10 to 24 were approved by the board of directors on 28 September 2023 and signed on its behalf by:



**Jay Bhattacharjee**  
Interim Executive Chairman



**Timothy Linacre**  
Non-Executive Director

# Condensed Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 30 June 2023

| \$'000s   | Notes | Six months ended 30 June |                |
|---|-------|--------------------------|----------------|
|   |       | 2023                     | 2022           |
| Revenue, net of royalties                               | 13    | 15,253                   | 22,333         |
| Direct operating expense                                |       | (5,127)                  | (4,392)        |
| Gross profit  |       | 10,126                   | 17,941         |
| Exploration and evaluation expense                      | 8     | (437)                    | (534)          |
| Depletion, depreciation and amortisation                | 7,17  | (6,260)                  | (10,366)       |
| Share-based compensation                                | 12    | (72)                     | (122)          |
| Share of profit from joint venture                      |       | 268                      | 262            |
| Gain on part disposal of asset                          | 7     | 357                      | -              |
| - Ongoing general and administrative expenses           | 14    | (2,504)                  | (2,042)        |
| - Transaction costs                                     | 14    | (55)                     | (765)          |
| Operating loss  |       | 1,423                    | 4,374          |
| Finance costs   |       | (472)                    | (188)          |
| Foreign exchange loss                                   | 20    | (1,348)                  | (2,238)        |
| Loss before income taxes                                |       | (397)                    | 1,948          |
| Current income tax expense                              | 11    | (2,093)                  | (3,151)        |
| <b>Loss and total comprehensive loss for the period</b> |       | <b>(2,490)</b>           | <b>(1,203)</b> |
| Attributable to   |       |                          |                |
| SDX shareholders  |       | -                        | (761)          |
| Non-controlling interests                               | 19    | -                        | (442)          |
| Net loss, attributable to SDX shareholders, per share   |       |                          |                |
| Basic   | 15    | \$(0.012)                | \$(0.004)      |
| Diluted   | 15    | \$(0.012)                | \$(0.004)      |

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

# Condensed Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 30 June 2023

| \$'000s                                     | Note | Six months ended 30 June |               |
|---|------|--------------------------|---------------|
|   |      | 2023                     | 2022          |
| <b>Share capital</b>                        |      |                          |               |
| Balance, beginning of period                |      | 2,601                    | 2,601         |
| Balance, end of period                      |      | 2,601                    | 2,601         |
| <b>Share premium</b>                        |      |                          |               |
| Balance, beginning of period                |      | 130                      | 130           |
| Balance, end of period                      |      | 130                      | 130           |
| <b>Share-based payment reserve</b>          |      |                          |               |
| Balance, beginning of period                |      | 7,174                    | 7,536         |
| Share-based compensation for the period     | 12   | 72                       | 122           |
| Share-based options terminated              | 12   | (351)                    | -             |
| Balance, end of period                      |      | 6,895                    | 7,658         |
| <b>Accumulated other comprehensive loss</b> |      |                          |               |
| Balance, beginning of period                |      | (917)                    | (917)         |
| Balance, end of period                      |      | (917)                    | (917)         |
| <b>Merger reserve</b>                       |      |                          |               |
| Balance, beginning of period                |      | 37,034                   | 37,034        |
| Balance, end of period                      |      | 37,034                   | 37,034        |
| <b>Retained earnings</b>                    |      |                          |               |
| Balance, beginning of period                |      | (10,872)                 | 26,270        |
| Part repurchase/disposal of subsidiary      |      | (842)                    | (2,736)       |
| Share-based options terminated              | 12   | 351                      | -             |
| Total comprehensive loss                    |      | (2,490)                  | (761)         |
| Balance, end of period                      |      | (13,853)                 | 22,773        |
| <b>Non-controlling interest</b>             |      |                          |               |
| Balance, beginning of period                |      | 6,258                    | -             |
| Part (repurchase)/disposal of subsidiary    | 19   | (6,258)                  | 8,236         |
| Loss for the period                         | 19   | -                        | (442)         |
| Balance, end of period                      |      | -                        | 7,794         |
| <b>Total equity</b>                         |      | <b>31,890</b>            | <b>77,073</b> |

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

# Condensed Consolidated Statement of Cash Flows (unaudited)

For the six months ended 30 June 2023

| \$'000s  | Note | Six months ended 30 June |                |
|--|------|--------------------------|----------------|
|  |      | 2023                     | 2022           |
| <b>Cash flows generated from/(used in) operating activities</b>  |      |                          |                |
| (Loss)/gain before income taxes                                  |      | (397)                    | 1,948          |
| <b>Adjustments for:</b>  |      |                          |                |
| Depletion, depreciation and amortisation                         | 7,17 | 6,260                    | 10,366         |
| Exploration and evaluation expense                               | 8    | 351                      | -              |
| Finance expense  |      | 472                      | 188            |
| Share-based compensation charge                                  | 12   | 72                       | 122            |
| Foreign exchange loss  | 20   | 1,348                    | 2,238          |
| Tax paid by state  | 11   | (1,735)                  | (2,302)        |
| Gain on asset part disposal                                      | 7    | (357)                    | -              |
| Share of profit from joint venture                               |      | (268)                    | (262)          |
| <b>Operating cash flow before working capital movements</b>      |      | <b>5,746</b>             | <b>12,298</b>  |
| (Increase)/decrease in trade and other receivables               | 5    | (1,133)                  | 2,090          |
| Decrease in trade and other payables                             | 9    | (2,066)                  | (2,053)        |
| Payments for inventory   | 6    | (325)                    | (1,097)        |
| Payments for decommissioning                                     |      | (663)                    | (35)           |
| <b>Cash generated from operating activities</b>                  |      | <b>1,559</b>             | <b>11,203</b>  |
| Income taxes paid  | 11   | (644)                    | (841)          |
| <b>Net cash generated from operating activities</b>              |      | <b>915</b>               | <b>10,362</b>  |
| <b>Cash flows generated from/(used in) investing activities:</b> |      |                          |                |
| Property, plant and equipment expenditures                       | 8    | (255)                    | (6,175)        |
| Exploration and evaluation expenditures                          | 7    | (1,391)                  | (5,369)        |
| Proceeds on part disposal of subsidiary                          |      | -                        | 5,500          |
| Dividends received   |      | -                        | 311            |
| <b>Net cash used in investing activities</b>                     |      | <b>(1,646)</b>           | <b>(5,733)</b> |
| <b>Cash flows generated from/(used in) financing activities:</b> |      |                          |                |
| (Repayments)/net proceeds from loans and borrowings              | 5    | (2,200)                  | 2,500          |
| Payments of lease liabilities                                    | 17   | (278)                    | (261)          |
| Finance income/(expense)   |      | 56                       | (17)           |
| <b>Net cash (used in)/generated from financing activities</b>    |      | <b>(2,422)</b>           | <b>2,222</b>   |
| <b>(Decrease)/increase in cash and cash equivalents</b>          |      | <b>(3,153)</b>           | <b>6,851</b>   |
| Effect of foreign exchange on cash and cash equivalents          | 20   | (738)                    | (2,141)        |
| <b>Cash and cash equivalents, beginning of period</b>            |      | <b>10,613</b>            | <b>10,562</b>  |
| <b>Cash and cash equivalents, end of period</b>                  |      | <b>6,722</b>             | <b>15,272</b>  |

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

# Notes to the Condensed Consolidated Financial Statements (unaudited)

For the period ended 30 June 2023

## 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 Condensed Consolidated Financial Statements of the Company as at and for the period ended 30 June 2023 and 2022 (“Condensed 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

These Condensed Consolidated Financial Statements are unaudited and include the financial statements of the Company and its subsidiary undertakings. They have been prepared using accounting bases and policies consistent with those used in the preparation of the financial statements of the Company and the Group for the year ended 31 December 2022. These statements do not include all of the disclosures required for annual financial statements, and accordingly, should be read in conjunction with the financial statements and other information set out in the Company’s 31 December 2022 Annual Report, which were prepared in accordance with UK-adopted international accounting standards, and in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board (IFRSs as issued by IASB). The accounting policies are unchanged from those disclosed in the annual consolidated financial statements.

These Condensed Consolidated Financial Statements of SDX Energy Plc were approved by the board of directors on 28 September 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 Condensed 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 Condensed Consolidated Financial Statements of future periods could be material.



# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 2. BASIS OF PREPARATION CONTINUED

### 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 Condensed 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 of the operating budgets for each of its assets and the 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 sale of the Company's Egypt assets for the amount of consideration as agreed in the heads of terms signed in August 2023;
- The maintenance of foreign currency exchange rates;
- The Company expects to be able to settle significant expenditure of \$1.6 million incurred in relation two transactions, the takeover by Tenaz Energy Corp and an acquisition, that were terminated during 2022. Management has so far been successful in discussing payment plans with several professional services firms associated with these transactions;
- The KSR-21 well drilled in Morocco during September 2023 will produce a commercial quantity of gas for several months;
- The Board expects to be able to settle significant capital expenditure incurred in Morocco, including approximately \$6.3 million for the drilling and connection of five wells during 2021 and 2022, and approximately \$4.0 million for the drilling and connection of one well during September 2023;
- The Company expects to be able to meet its licence commitments in Morocco and Egypt. This includes drilling wells that will also ensure continued gas supply to three strategic customers in Morocco. The Company may need to renegotiate its minimum work programmes or licence commitments with the Moroccan and Egyptian authorities on licences where the Group has capital commitments and discretionary expenditures. Based on previous successful renegotiations of work programmes, the directors believe that this will likely be achieved, but it is not guaranteed;
- The Company will repay the loan owed to the European Bank for Reconstruction and Development ("EBRD") in full using the proceeds from the sale of the Company's Egypt assets; and
- The convertible loan that the Company entered into in July 2023 will be repaid by conversion into equity shares at maturity in July 2024.

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 alternative 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 20, which has been devalued several times since March 2022 and is currently trading at less than half of its value compared with the US dollar 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 arrangements 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 Condensed Consolidated financial statements. Accordingly, the Condensed 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 30 June 2023 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 Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 4. DETERMINATION OF FAIR VALUES

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

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

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

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

## 5. FINANCIAL RISK MANAGEMENT

### 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:

| \$'000s                                    | Carrying amount |                     |
|--|-----------------|---------------------|
|  | 30 June<br>2023 | 31 December<br>2022 |
| Cash and bank balances                     | 5,185           | 9,145               |
| Restricted cash <sup>(1)</sup>             | 1,537           | 1,468               |
| Cash and cash equivalents                  | 6,722           | 10,613              |
| Trade and other receivables <sup>(2)</sup> | 18,986          | 17,855              |
| <b>Total</b>                               | <b>25,708</b>   | <b>28,468</b>       |

(1) Cash collateral of \$1.5 million (2022: \$1.5 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 \$0.8 million which are included in the Condensed Consolidated Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2022: \$0.7 million).

### Net debt

| \$'000s                        | Carrying amount |                     |
|--------------------------------|-----------------|---------------------|
|                                | 30 June<br>2023 | 31 December<br>2022 |
| Cash and cash equivalents      | 6,722           | 10,613              |
| Borrowings                     | (3,458)         | (5,500)             |
| Accrued interest on borrowings | (256)           | (158)               |
| <b>Net debt</b>                | <b>3,008</b>    | <b>4,955</b>        |

The Company's net debt position as at 30 June 2023 was \$3.0 million (31 December 2022: \$4.9 million), with cash balances of \$6.7 million (31 December 2022: \$10.6 million) offset by drawn debt of \$3.5 million (31 December 2022: \$5.5 million) and accrued interest from the EBRD debt facility of \$0.2 million (31 December 2022: \$0.1 million). Subsequent to the period end, the Company paid \$1.0 million on 28 July 2023 and \$0.2 million on 12 September 2023 to EBRD, reducing the principal from \$3.5 million to \$2.3 million.

# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 5. 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 30 June 2023 (31 December 2022: no provision).

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

| \$'000s                                       | Carrying amount |                  |
|---|-----------------|------------------|
|   | 30 June 2023    | 31 December 2022 |
| Government of Egypt-controlled corporations   | 9,816           | 8,448            |
| Government of Morocco-controlled corporations | 5,147           | 5,371            |
| Third-party gas customers                     | 1,804           | 2,468            |
| Joint venture partners                        | 969             | 247              |
| Other <sup>(1)</sup>                          | 1,250           | 1,321            |
| <b>Total</b>                                  | <b>18,986</b>   | <b>17,855</b>    |

(1) Excludes prepayments of \$0.8 million which are included in the Condensed Consolidated Balance Sheet as trade and other receivables but which are not categorised as financial assets as summarised above (2022: \$0.7 million)

\$9.8 million (31 December 2022: \$8.4 million) of current receivables relates to gas, condensate sales and production service fees that are due from GPC and EGAS, both of which are Government of Egypt-controlled corporations. The Company expects to collect outstanding receivables of \$7.3 million (31 December 2022: \$4.8 million) for South Disouq, and \$2.5 million (31 December 2022: \$3.6 million) for West Gharib in the normal course of operations.

ONHYM, a Government of Morocco-controlled corporation, owes \$5.1 million (31 December 2022: \$5.4 million), which relates to its outstanding share of well completion and connection costs, and production costs. The Company has collected \$0.2 million from ONHYM during H1 2023, all of which relates to work performed in the period before the Company acquired the Moroccan assets. The \$5.1 million receivable balance as at 30 June 2023 (31 December 2022: \$5.4 million) includes \$1.9 million (31 December 2022: \$1.9 million) accrued receivable for ONHYM's share of historic well completion and connection costs. Of the \$5.1 million (31 December 2022: \$5.4 million), \$3.2 million (31 December 2022: \$3.6 million) is dated older than one year. 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 \$5.0 million (31 December 2022: \$4.8 million) to ONHYM is also held on the Condensed Consolidated Balance Sheet.

Third-party gas customers in Morocco, owes \$1.8 million (31 December 2022: \$2.5 million) and is expected to be collected within agreed credit terms.

Subsequent to 30 June 2023, the Company collected \$5.6 million of trade receivables from those outstanding at 30 June 2023; \$3.1 million from EGAS, \$0.7 million from GPC and \$1.8 million from third-party gas customers in Morocco.

Joint venture partners comprise partner current accounts of \$1.0 million (31 December 2022: \$0.2 million) from Energy Flow Global Limited.

The other receivables of \$1.3 million (31 December 2022: \$1.3 million) consist of \$1.1 million (31 December 2022: \$1.1 million) for Goods and Services Tax ("GST")/Value Added Tax ("VAT") in London and Morocco and \$0.2 million (31 December 2022: \$0.2 million) for deposits.

\$0.8 million (31 December 2022: \$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 Condensed Consolidated Balance Sheet.

As at 30 June 2023 and 31 December 2022, the Company's trade and other receivables, other than prepayments, are aged as follows:

| \$'000s                      | Carrying amount |                  |
|------------------------------|-----------------|------------------|
|                              | 30 June 2023    | 31 December 2022 |
| Current (less than 90 days)  | 9,048           | 9,884            |
| Past due (more than 90 days) | 9,938           | 7,971            |
| <b>Total</b>                 | <b>18,986</b>   | <b>17,855</b>    |

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

# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 6. INVENTORY

During the six months ended 30 June 2023, the inventory balance increased by \$0.2 million from \$8.0 million as at 31 December 2022 to \$8.2 million as at 30 June 2023 due to additions of materials to be used in drilling campaigns in Morocco amounting to \$0.5 million and spare parts to be used in the South Disouq CPF amounting to \$0.1 million, which was partially offset by \$0.1 million inventory consumed in the Morocco to tie in DOB-1 well, and \$0.3 million of inventory consumed in South Disouq.

## 7. PROPERTY, PLANT AND EQUIPMENT

| \$'000s   | Oil and gas properties | Other          | Total            |
|---|------------------------|----------------|------------------|
| Cost  |                        |                |                  |
| <b>Balance at 1 January 2022</b>                                  | <b>191,405</b>         | <b>1,813</b>   | <b>193,218</b>   |
| Additions   | 7,445                  | 67             | 7,512            |
| Transfer from exploration and evaluation assets                   | 6,774                  | -              | 6,774            |
| <b>Balance at 31 December 2022</b>                                | <b>205,624</b>         | <b>1,880</b>   | <b>207,504</b>   |
| Additions   | 505                    | 7              | 512              |
| Asset part disposal   | (5,143)                | -              | (5,143)          |
| <b>Balance at 30 June 2023</b>                                    | <b>200,986</b>         | <b>1,887</b>   | <b>202,873</b>   |
| Accumulated depletion, depreciation, amortisation and impairment: |                        |                |                  |
| <b>Balance at 1 January 2022</b>                                  | <b>(157,446)</b>       | <b>(1,179)</b> | <b>(158,625)</b> |
| Depletion, depreciation and amortisation for the period           | (18,820)               | (44)           | (18,864)         |
| Impairment expense  | (4,810)                | -              | (4,810)          |
| <b>Balance at 31 December 2022</b>                                | <b>(181,076)</b>       | <b>(1,223)</b> | <b>(182,299)</b> |
| Depletion, depreciation and amortisation for the period           | (5,975)                | (15)           | (5,990)          |
| <b>Balance at 30 June 2023</b>                                    | <b>(187,051)</b>       | <b>(1,238)</b> | <b>(188,289)</b> |
| <b>NBV Property, plant and equipment as at 31 December 2022</b>   | <b>24,548</b>          | <b>657</b>     | <b>25,205</b>    |
| <b>NBV Property, plant and equipment as at 30 June 2023</b>       | <b>13,935</b>          | <b>649</b>     | <b>14,584</b>    |

During the six months ended 30 June 2023, additions of \$0.5 million were predominantly related to costs incurred for ongoing drilling campaign at West Charib (\$0.8 million), various infrastructure works in Morocco (\$0.2 million) and various capital expenditure in South Disouq development project (\$0.2 million). This is partially offset by reducing the decommissioning provision due to South Disouq asset part disposal (\$0.7 million).

In February 2022, the Company sold 33% of the shares in Sea Dragon Energy (Nile) B.V. to Energy Flow Global Limited ("EFGL") for a consideration of \$5.5 million. From 1 February 2022, the Company owned 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by EFGL as a non-controlling interest ("NCI").

On 22 February 2023, at the request of EGAS, the Company and EFGL entered into agreement with EFGL to repurchase the 33% of the shares in Sea Dragon Energy (Nile) B.V. in exchange for deferred consideration of \$1.6 million plus an assignment of 33% of the Company's 55% interest (equivalent to a direct 18.15% interest), with a fair value of \$5.5 million, in the South Disouq concession to EFGL. From 22 February 2023, the Company owned 100% of Sea Dragon Energy (Nile) B.V. and a 36.85% interest in the South Disouq concession. The net book value of the assets sold was \$5.1 million, resulting in a \$0.4 million gain recognised in the Condensed Consolidated Statement of Comprehensive Income.

Depletion, depreciation and amortisation as disclosed per the Condensed Consolidated Statement of Comprehensive Income also include a charge of \$0.3 million relating to the right-of-use assets.

The difference between the \$0.5 million addition disclosed above and the \$0.3 million cash outflow from property, plant, and equipment expenditure in the Condensed 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 Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 8. EXPLORATION AND EVALUATION ASSETS

\$'000s

|   |               |
|---|---------------|
| <b>Balance at 1 January 2022</b>          | <b>21,611</b> |
| Additions                                 | 20,062        |
| Transfer to property, plant and equipment | (6,774)       |
| Exploration and evaluation expense        | (23,281)      |
| <b>Balance at 31 December 2022</b>        | <b>11,618</b> |
| Additions                                 | 2,358         |
| Exploration and evaluation expense        | (349)         |
| <b>Balance at 30 June 2023</b>            | <b>13,627</b> |

During the six months ended 30 June 2023, E&E additions totalled \$2.4 million:

- \$1.6 million of E&E additions in Morocco relates to tie in costs for DOB-1 (\$0.7 million), BMK-1 testing and tie in costs (\$0.6 million), and pre-drilling expenditures (\$0.3 million) for Morocco planned drilling campaign in H2 2023;
- \$0.4 million discovery bonus has been incurred in South Disouq for Mohsen development concession; and
- \$0.4 million of E&E additions in West Gharib to drill Rabul SE-1.

For the six months ended 30 June 2023, exploration and evaluation expenses in the Condensed Consolidated Statement of Comprehensive Income stood at \$0.4 million. This relates mainly to:

- a write off of \$0.3 million for an unsuccessful exploration well drilled in Rabul area in West Gharib; and
- new business evaluation activities of \$0.1 million

The difference between the \$2.4 million disclosed above and the \$1.4 million cash outflow from exploration and evaluation expenditure in the Condensed 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.

## 9. TRADE AND OTHER PAYABLES

| \$'000                                | Carrying amount |                  |
|---------------------------------------|-----------------|------------------|
|                                       | 30 June 2023    | 31 December 2022 |
| Trade payables                        | 12,784          | 13,257           |
| Accruals                              | 2,487           | 2,335            |
| Joint venture partners                | 6,508           | 6,375            |
| Deferred consideration                | 1,600           | -                |
| Other payables                        | 901             | 820              |
| <b>Total trade and other payables</b> | <b>24,280</b>   | <b>22,787</b>    |

Trade payables comprise billed services and goods. As at 30 June 2023, they consisted predominantly of royalties payable to the Moroccan government, the Morocco 2022 drilling campaign and G&A creditors, including transaction costs. The \$0.5 million decrease in trade payables as at 30 June 2023 from 31 December 2022 is mainly the result of payment of costs associated with 2022 Moroccan drilling campaign.

Accruals include amounts for products and services received that have yet to be invoiced. The increase of \$0.2 million from 31 December 2022 primarily reflects the value of work undertaken but not yet billed as at 30 June 2023 for DOB-1 and BMK-1 in Morocco (\$0.9 million) partially offset by the reversal of the 2021 bonus that had been accrued for London team (\$0.4 million) and invoices received for the value of work undertaken that had not yet been billed as at 31 December 2022 (\$0.3 million). Joint venture partners comprise partners current accounts of \$1.5 million in Egypt (2022: \$1.6 million), \$5.0 million from ONHYM for the Morocco concessions (2022: \$4.8 million). The joint venture partner current accounts represent the net of monthly cash calls paid less billings received.

In February 2022, the Company sold 33% of the shares in Sea Dragon Energy (Nile) B.V. to Energy Flow Global Limited ("EFGL") for a consideration of \$5.5 million. From 1 February 2022, the Company owned 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by EFGL as a non-controlling interest ("NCI").

On 22 February 2023, at the request of EGAS, the Company and EFGL entered into agreement with EFGL to repurchase the 33% of the shares in Sea Dragon Energy (Nile) B.V. in exchange for deferred consideration of \$1.6 million plus an assignment of 33% of the Company's 55% interest (equivalent to a direct 18.15% interest), with a fair value of \$5.5 million, in the South Disouq concession to EFGL. From 22 February 2023, the Company owned 100% of Sea Dragon Energy (Nile) B.V. and a 36.85% interest in the South Disouq concession.

Other payables of \$0.9 million (2022: \$0.8 million) comprise of withholding tax payable from the Moroccan drilling and other sundry creditors.

The difference between the \$1.5 million increase in trade and other payables in the Condensed Consolidated Balance Sheets as at 30 June 2023 and 31 December 2022 and the line item in the Condensed Consolidated Statement of Cash Flows pertaining to the decrease in trade and other payables of \$2.1 million, is due to the fact that trade and other payables in the Condensed Consolidated Balance Sheets include capital expenditure items and the movement in the Condensed Consolidated Statement of Cash Flows relates only to the movement in operational expenditure and G&A creditors.

# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 10. DECOMMISSIONING LIABILITY

As at 30 June 2023, the total future undiscounted cash flows relating to the decommissioning of Moroccan assets amounted to \$4.8 million, to be incurred up to 2025, and the liability was discounted using a nominal risk-free rate of 4%.

As at 30 June 2023, the total future undiscounted cash flows relating to the decommissioning of the South Disouq assets amounted to \$1.7 million (SDX's share), to be incurred in 2024, and the liability was discounted using a nominal risk-free rate of 11%.

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

The discounted value of the cash flows above amounts to \$5.9 million as at 30 June 2023 and is shown below:

| \$'000s  | Carrying amount |                  |
|--|-----------------|------------------|
|  | 30 June 2023    | 31 December 2022 |
| Decommissioning liability, beginning of period             | 6,349           | 5,769            |
| Recognition of provision                                   | -               | 844              |
| Reduce provision due to asset part disposal <sup>(1)</sup> | (663)           | -                |
| Changes in estimate  | -               | (448)            |
| Utilisation of provision                                   | -               | (66)             |
| Accretion  | 200             | 250              |
| <b>Decommissioning liability, end of period</b>            | <b>5,886</b>    | <b>6,349</b>     |
| Of which:  |                 |                  |
| Current  | -               | -                |
| Non-current  | 5,886           | 6,349            |

(1) The provision reduction is due to assigning 18.15% of the Company interest in the South Disouq concession to EFGL.

No decommissioning activities are anticipated to take place over the next 12 months and as at 30 June 2023 the entire liability is classed as non-current.

## 11. 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 Condensed Consolidated Statement of Comprehensive Income for the six months ended 30 June 2023 mainly relates to income tax on the South Disouq PSC (\$1.7 million), the Company's PSA in West Gharib (\$0.3 million) and a social contribution tax in Morocco for the 2023 fiscal period (\$0.1 million). The current income tax liability of \$0.4 million in the Condensed 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 from 2022. However, the Ksiri concession is expected to generate a tax loss in 2023 due to the cost of KSR-20 well, which was drilled in 2022 and its taxable depreciation will be charged over three years as per the tax regulations in Morocco. 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 \$0.1 million. During the six months ended 30 June 2023, the Company has accounted for a charge less than \$0.1 million relating to a social contribution tax levied, on an annual discretionary basis by the Moroccan government, for the 2023 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 Condensed Consolidated Statement of Comprehensive Income.

## 12. SHARE-BASED COMPENSATION

During the six months ended 30 June 2023, the Company recognised a total expense of \$0.1 million (2022: \$0.1 million) in the Condensed Consolidated Statement of Comprehensive Income 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 six months ended 30 June 2023. An amount of \$0.4 million was released from the share options reserve to retained earnings on the cancellation of options granted in earlier periods.

# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 13. REVENUE, NET OF ROYALTIES

| \$'000s                                     | Six months ended 30 June |               |
|---|--------------------------|---------------|
|   | 2023                     | 2022          |
| West Gharib production service fee revenues | 3,467                    | 5,672         |
| South Disouq gas sales revenue              | 8,789                    | 11,032        |
| Royalties                                   | (2,963)                  | (3,717)       |
| Net South Disouq gas revenue                | 5,826                    | 7,315         |
| Morocco gas sales revenue                   | 4,901                    | 7,517         |
| Royalties                                   | (51)                     | (146)         |
| Net Morocco gas sales revenue               | 4,850                    | 7,371         |
| Net other products revenue                  | 1,110                    | 1,975         |
| <b>Total net revenue before tax</b>         | <b>15,253</b>            | <b>22,333</b> |

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 \$2.65/ MMBtu (approximately \$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.

## 14. GENERAL AND ADMINISTRATIVE EXPENSES

| \$'000s                                     | Six months ended 30 June |              |
|---|--------------------------|--------------|
|   | 2023                     | 2022         |
| Wages and employee costs                    | 2,311                    | 2,482        |
| Consultants - inc. PR/IR                    | 158                      | 190          |
| Legal fees                                  | 103                      | 173          |
| Audit, tax and accounting services          | 289                      | 338          |
| Public company fees                         | 349                      | 279          |
| Travel                                      | 122                      | 84           |
| Office expenses                             | 247                      | 315          |
| IT expenses                                 | 82                       | 167          |
| Service recharges                           | (1,157)                  | (1,986)      |
| Ongoing general and administrative expenses | 2,504                    | 2,042        |
| Transaction costs                           | 55                       | 765          |
| <b>Total net G&amp;A</b>                    | <b>2,559</b>             | <b>2,807</b> |

## 15. LOSS PER SHARE

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 period. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. No such dilution took place during the six month ended 30 June 2023.

| \$'000s  | Six months ended 30 June |           |
|--|--------------------------|-----------|
|  | 2023                     | 2022      |
| Loss and total comprehensive loss for the period | (2,490)                  | (761)     |
| Weighted average amount of shares                |                          |           |
| - Basic  | 204,563                  | 205,242   |
| - Diluted  | 204,999                  | 205,685   |
| Per share amount                                 |                          |           |
| - Basic  | \$(0.012)                | \$(0.004) |
| - Diluted  | \$(0.012)                | \$(0.004) |

# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 16. 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.

| \$'000s                                  | Six months ended 30 June 2023 |              |                            | Six months ended 30 June 2022 |         |                            | Total   |          |
|--|-------------------------------|--------------|----------------------------|-------------------------------|---------|----------------------------|---------|----------|
|  | Egypt                         | Morocco      | Unallocated <sup>(1)</sup> | Egypt                         | Morocco | Unallocated <sup>(1)</sup> |         |          |
| <b>Revenue</b>                           | <b>10,403</b>                 | <b>4,850</b> | <b>-</b>                   | <b>15,253</b>                 | 14,962  | 7,371                      | -       | 22,333   |
| Direct operating expense                 | (3,958)                       | (1,169)      | -                          | (5,127)                       | (3,439) | (953)                      | -       | (4,392)  |
| <b>Netback (pre tax)<sup>(2)</sup></b>   | <b>6,445</b>                  | <b>3,681</b> | <b>-</b>                   | <b>10,126</b>                 | 11,523  | 6,418                      | -       | 17,941   |
| General and administrative expenses      | (436)                         | (687)        | (1,436)                    | (2,559)                       | (171)   | (705)                      | (1,931) | (2,807)  |
| Stock-based compensation                 | -                             | -            | (72)                       | (72)                          | -       | -                          | (122)   | (122)    |
| Share of profit from joint venture       | 268                           | -            | -                          | 268                           | 262     | -                          | -       | 262      |
| Gain on sale of asset                    | 357                           | -            | -                          | 357                           | -       | -                          | -       | -        |
| <b>EBITDAX<sup>(2)</sup></b>             | <b>6,634</b>                  | <b>2,994</b> | <b>(1,508)</b>             | <b>8,120</b>                  | 11,614  | 5,713                      | (2,053) | 15,274   |
| Exploration and evaluation expense       | (365)                         | -            | (72)                       | (437)                         | -       | (76)                       | (458)   | (534)    |
| Depletion, depreciation and amortisation | (3,616)                       | (2,533)      | (111)                      | (6,260)                       | (5,256) | (4,992)                    | (118)   | (10,366) |
| Impairment expense                       | -                             | -            | -                          | -                             | -       | -                          | -       | -        |
| Bad debt expense                         | -                             | -            | -                          | -                             | -       | -                          | -       | -        |
| <b>Operating income/(loss)</b>           | <b>2,653</b>                  | <b>461</b>   | <b>(1,691)</b>             | <b>1,423</b>                  | 6,358   | 645                        | (2,629) | 4,374    |

(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 30 June 2023 and 31 December 2022 are as follows:

| \$'000s                    | Six months ended 30 June 2023 |                 |                            | Year ended 31 December 2022 |         |                            | Total   |          |
|----------------------------|-------------------------------|-----------------|----------------------------|-----------------------------|---------|----------------------------|---------|----------|
|                            | Egypt                         | Morocco         | Unallocated <sup>(1)</sup> | Egypt                       | Morocco | Unallocated <sup>(1)</sup> |         |          |
| <b>Segment assets</b>      | <b>30,844</b>                 | <b>30,558</b>   | <b>6,250</b>               | <b>67,652</b>               | 38,058  | 31,811                     | 8,641   | 78,510   |
| <b>Segment liabilities</b> | <b>(5,843)</b>                | <b>(24,367)</b> | <b>(5,552)</b>             | <b>(35,762)</b>             | (6,885) | (26,131)                   | (4,086) | (37,102) |

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

## 17. LEASES

The Group has entered into various fixed-term leases, mainly for properties and vehicles. During the six months ended 30 June 2023 the Group has renewed the office lease contract in Morocco.

### a) Amounts recognised in the balance sheet

The analysis of the lease liability as at 30 June 2023 is as follows:

| \$'000s                        | 30 June      | 31 December  |
|--------------------------------|--------------|--------------|
|                                | 2023         | 2022         |
| Current                        | 529          | 441          |
| Non-current                    | 660          | 723          |
| <b>Total lease liabilities</b> | <b>1,189</b> | <b>1,164</b> |

The right-of-use assets as at 30 June 2023 amounted to \$1.1 million:

| \$'000s        | Carrying Value |              |
|----------------|----------------|--------------|
|                | 30 June        | 31 December  |
|                | 2023           | 2022         |
| Properties     | 1,039          | 1,010        |
| Motor vehicles | 96             | 137          |
| <b>Total</b>   | <b>1,135</b>   | <b>1,147</b> |



# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 17. LEASES CONTINUED

### b) Amounts recognised in the statement of profit or loss

The depreciation charge for the six months ended 30 June 2023 amounted to \$0.3 million and is shown below by underlying class of asset:

| \$'000s        | Depreciation charge           |                               |
|----------------|-------------------------------|-------------------------------|
|                | Six months ended 30 June 2023 | Six months ended 30 June 2022 |
| Properties     | 227                           | 189                           |
| Motor vehicles | 42                            | 6                             |
| <b>Total</b>   | <b>269</b>                    | <b>195</b>                    |

## 18. 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 Condensed 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<sup>2</sup> 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 \$20.6 million. Local management is currently in discussion to reallocate commitments between concessions.

In South Disouq, the commitments are to drill two exploration wells, with an assigned financial commitment of \$5.0 million (gross). After the HA-1X and MA-1X drilling cost incurred, the remaining unmet commitment is \$1.1 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 Condensed 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 during H1 2023;
- The final price-driven bonus of \$0.5 million (SDX share \$0.3m) which was settled in Q1 2023; and
- The final payment of a deferred signature bonus of \$0.3 million will be settled on 31 December 2023.

## 19. INTERESTS IN SUBSIDIARIES

In February 2022, the Company sold 33% of the shares in Sea Dragon Energy (Nile) B.V. to Energy Flow Global Limited ("EFGL") for a consideration of \$5.5 million. From 1 February 2022, the Company owned 67% of Sea Dragon Energy (Nile) B.V. with the remaining 33% held by EFGL as a non-controlling interest ("NCI").

On 22 February 2023, at the request of EGAS, the Company and EFGL entered into agreement with EFGL to repurchase the 33% of the shares in Sea Dragon Energy (Nile) B.V. in exchange for deferred consideration of \$1.6 million plus an assignment of 33% of the Company's 55% interest (equivalent to a direct 18.15% interest), with a fair value of \$5.5 million, in the South Disouq concession to EFGL. From 22 February 2023, the Company owned 100% of Sea Dragon Energy (Nile) B.V. and a 36.85% interest in the South Disouq concession.

### Summarised balance sheet

|                               | Sea Dragon Energy (Nile) B.V. |                        |
|-------------------------------|-------------------------------|------------------------|
|                               | As at 30 June 2023            | As at 31 December 2022 |
| Current assets                | -                             | 9,941                  |
| Current liabilities           | -                             | 3,771                  |
| Current net assets            | -                             | 6,170                  |
| Non-current assets            | -                             | 15,171                 |
| Non-current liabilities       | -                             | 2,378                  |
| <b>Non-current net assets</b> | <b>-</b>                      | <b>12,793</b>          |
| <b>Net assets</b>             | <b>-</b>                      | <b>18,963</b>          |
| Accumulated NCI               | -                             | 6,258                  |

# Notes to the Condensed Consolidated Financial Statements (unaudited) continued

For the period ended 30 June 2023

## 19. INTERESTS IN SUBSIDIARIES CONTINUED

### Summarised statement of comprehensive income

|                         | Sea Dragon Energy<br>(Nile) B.V          |
|-------------------------|--|
|                         | <b>Six months ended<br/>30 June 2023</b> |
| Revenue                 | -  |
| Result for the period   | -  |
| Result allocated to NCI | -  |

### Summarised statement of cash flows

|   | Sea Dragon Energy<br>(Nile) B.V          |
|---|--|
|   | <b>Six months ended<br/>30 June 2023</b> |
| Cash flows from operating activities                    | -  |
| Cash flows from investing activities                    | -  |
| Cash flows from financing activities                    | -  |
| <b>Change in cash and cash equivalents</b>              | <b>-</b>                                 |
| Effect of foreign exchange on cash and cash equivalents | -  |
| <b>Net impact on cash and cash equivalents</b>          | <b>-</b>                                 |

## 20. FOREIGN EXCHANGE LOSS

In March 2022, Egypt devalued its currency, the Egyptian pound ("EGP"), in response to macroeconomic circumstances driven by Russia's invasion of Ukraine. Shortly after this devaluation, the EGP dropped to c.18.2 to the US dollar, after having traded at c.15.7 EGP to the US dollar since November 2020. During the six months ended 30 June 2023, Egypt further devalued its currency with the EGP dropping to c.30.75 to the US dollar. The mechanism for collecting receivables in Egypt is not impacted by this devaluation as receivables are settled in US dollars, or the EGP equivalent, on the date payment is made. Costs of the Egyptian operations denominated in EGP are not impacted by the currency devaluation. The \$1.3 million foreign exchange loss for the six months ended 30 June 2023 (2022: \$2.2 million) is mainly the result of the \$0.9 million impact on the EGP cash balance (2022: \$1.7 million).

## 21. SUBSEQUENT EVENTS

In July 2023, the Company entered into a convertible loan agreement with Aleph Finance Ltd for up to \$3.25 million (the "Convertible Loan") of which an initial amount of \$2 million was drawn on 26 July 2023 and a further amount of \$0.5 million was drawn on 12 September 2023. The Convertible Loan is unsecured, convertible at any time at the option of the individual lenders and repayable 364 days after the initial drawdown of the Convertible Loan is made. The conversion price is approximately 4.5 pence per Ordinary Share (or, if lower, the lowest issue price for any Ordinary Shares issued during the life of the Convertible Loan). If conversion occurs within ten business days of maturity, the conversion price is approximately 6.6 pence per Ordinary Share. Interest of SOFR+15% on the Convertible Loan will be payable on a quarterly basis with an option for payment in kind, upon mutual agreement by the borrower and lenders.

The Company paid \$1.0 million on 28 July 2023 and \$0.2 million on 12 September 2023 to EBRD, reducing the principal from \$3.5 million to \$2.3 million.

In August 2023, the Company entered into non-binding heads of terms ("Heads of Terms") with a large multinational operator to divest of all of its Egyptian assets. The Company expects to close the transaction by year-end. Completion of the Disposal will be subject to, among other conditions, the negotiation of final transaction documentation and obtaining Egyptian government approvals for the sale. The Heads of Terms are non-binding and, therefore there can be no certainty that the Disposal will complete.

In September 2023, the Company commenced drilling the Ksiri-21 ("KSR-21") well in Sebou Central of the Gharb Basin, Morocco.

In September 2023, the Company entered into a non-binding heads of terms with DIKA MOROCCO AFRICA, its largest offtaker, to prepay for SDX's gas deliveries in Morocco. The initial terms of the agreement envisage the draw down of approximately \$2 million by the end of September 2023. These funds are planned to be used towards the drilling costs of the KSR-21 well.

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Interim Executive Chairman

**Non-Executive Directors**

**Timothy Linacre**  
**Krzysztof Zielicki**

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