SDX Energy Inc - Third Quarter 2015 Financial and Operating Results

LONDON, England, Nov. 27, 2015 /CNW/ - **SDX Energy Inc. ("SDX" or the "Company") (TSXV: SDX) announces its 2015 third Quarter Financial and Operating Results (the "Quarter" or "Q3 2015").**

These results for the period ending 30 September are before completion of the merger with Madison and going forward SDX Energy will report quarterly results on a pro forma basis.

Third Quarter 2015 Highlights:

Operational Performance

- Production
  - Total gross production for the quarter averaged 8,324 boepd (832 boepd net); of which oil was 6,924 boepd (692 boepd net) and gas and liquids 1,400 boepd (140 boepd net).
- NW Gemsa:
  - Average daily oil sales volumes for the quarter were 674 boepd;
  - Unitization discussions with the offset operator continue with an initial agreement expected in the 4th quarter;
  - A 5 well workover campaign commenced with a 2 well drilling campaign to follow.
- South Disouq:
  - Terms of a 300 km2 3D seismic acquisition contract were agreed;
  - Acquisition operations are anticipated to begin in the 1st qtr of 2016 and take 4 months.
- South Ramadan
  - The first phase (time) data of the reprocessing effort was completed, post quarter, at the end of October;
  - The second phase (depth) data is expected to be delivered during the 1st qtr of 2016.

Financial Performance

- Net Revenues
  - Realized Net Revenues of US$1.8MM (US$45.91/boe) and a Netback of US$1.1MM (US$18.36/boe).
- Netback
  - Netback decreased 46% in US$ terms and 43% in US$/boe terms vs previous quarter as a result of lower production volumes and oil prices in the quarter, together with higher Opex as a result of a return to more normalised Opex levels (which had been reduced significantly in the previous quarter due to a reversal of certain Shukheir Marine opex costs as part of the settlement following relinquishment).
- Working Capital
  - Working capital of US$3.9MM, all of which is current;
  - Repaid US$0.3MM of debt in the quarter;
  - Collected US$2.1MM in outstanding receivables, equivalent to 4 months; and
  - Exited the quarter with cash and cash equivalents of US$0.5MM.
- Cash and Cash Equivalents
  - Cash and cash equivalents of US$0.5MM at quarter end reflected a net utilisation of US$2.5MM in the 9 months to September 30, 2015;
  - Material components of the US$2.5MM utilisation were;
    - US$8.4MM used to repay bank debt, leaving US$1.65MM outstanding at quarter end;
    - US$2.3MM used to pay for investment into SDX's PP&E and E&E assets;
    - US$6.0MM received from restricted cash accounts on completion of the farm out of South Disouq; and
    - US$2.1MM received from Working Capital reductions.

Subsequent to the Quarter

- Strategic Transaction
  - Completed a Strategic Business Combination between Sea Dragon and Madison Petrogas Ltd.
- Operations
  - Current gross production volumes for North West Gemsa are oil 6,602/boepd and gas and liquids 1,438/boepd;
  - Current gross production volume for the Meseda asset, introduced as part of the Strategic Business Combination with Madison Petrogas, is 4,753/boepd; and
  - Signed a contract with Geofisyka Torun for the acquisition of 300km^2 of 3D seismic data on South Disouq.
  - Processing and Treating Agreement signed by all parties for North West Gemsa gas. This will allow the Company to recognize and receive revenues attributable to gas sales going forward as well as collecting backdated revenues from February of 2013.
- Financials
  - Received US$12MM of cash on completion of the Strategic Transaction;
  - Fully repaid debt facility, resulting in the corporation becoming debt free;
  - Collected US$0.7MM in outstanding receivables.
- Corporate
  - Strengthened board and management team with significant industry, technical and capital markets expertise.

Paul Welch, President & CEO of SDX Energy commented:

"These quarterly results represent the final set of results as our former entity Sea Dragon Energy. The transaction we completed post period to create SDX Energy has formed a company with a much stronger platform for growth based on a greater volume of low cost production and a significantly stronger balance sheet with no debt. We have a highly active and fully funded work programme ahead of us which includes potentially transformational exploration wells in both Egypt and Cameroon. We have a very focused strategy supported by a strengthened board and management team and we look forward to the future with excitement and confidence."

KEY FINANCIAL & OPERATING HIGHLIGHTS

		THREE MONTHS ENDED SEPTEMBER 30		NINE MONTHS ENDED SEPTEMBER 30	
$000s except per unit amounts	Prior Quarter (1)	**2015**	2014	**2015**	2014
FINANCIAL					
Gross Revenue	3,759	2,848	11,186	10,972	38,684
Royalties	(1,976)	(1,058)	(6,246)	(4,781)	(22,119)
Net Revenues	**1,783**	**1,790**	**4,940**	**6,191**	**16,565**
Operating Costs	336	(651)	(2,639)	(1,066)	(6,019)
Netback (2)	**2,119**	**1,139**	**2,301**	**5,125**	**10,546**
Net Income/(Loss)	230	(1,755)	(1,207)	(2,043)	(2,490)
per share	0.00	(0.00)	(0.00)	(0.01)	(0.01)
Funds from operations	767	(1,152)	(77)	(106)	2,816
per share	0.00	(0.00)	(0.00)	(0.00)	0.01
Cash, end of period	494	490	1,789	490	1,789
Working capital	2,838	3,911	6,317	3,911	6,317
Capital expenditures	270	781	(349)	1,239	5,519
Total assets	29,145	28,258	45,587	28,258	45,587
Shareholders' equity	25,644	23,925	32,208	23,925	32,208
Common shares outstanding (000's)	376,459	372,484	376,459	375,119	376,459
OPERATIONAL					
Oil sales (bbl/d)	719	674	1,248	794	1,381
Gas sales (mcf/d)	-	-	855	-	942
NGL sales (bbl/d)	-	-	21	-	21
Total boe/d	**719**	**674**	**1,412**	**794**	**1,560**
Oil sales volumes (bbls)	65,434	62,031	114,839	216,868	377,127
Gas sales volumes (mcf)	-	-	78,642	-	257,310
NGL sales volumes (bbls)	-	-	1,936	-	5,811
Total sales volumes (boe)	**65,434**	**62,031**	**129,884**	**216,868**	**425,822**
Brent oil price ($/bbl)	61.72	50.26	101.87	55.24	106.55
Net realized price ($/boe)	**57.44**	**45.91**	**86.12**	**50.59**	**90.85**
Royalties ($/boe)	30.19	17.06	48.09	22.04	51.95
Operating costs ($/boe)	(5.13)	10.49	20.31	4.91	14.13
Netback ($/boe)(2)	**32.38**	**18.36**	**17.72**	**23.64**	**24.77**

(1) Denotes the three months ended June 30, 2015

(2) Netback is a non-GAAP measure that represents sales net of all operating expenses and government royalties. Management believes that netback is a useful supplemental measure to analyze 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 netbacks an important measure as it demonstrates the Company's profitability relative to current commodity prices. Netback may not be comparable to similar measures used by other companies.

Consolidated financial statements with Management's Discussion and Analysis ("MD&A") are now available on the Company's website at www.seadragonenergy.com and on SEDAR at www.sedar.com.

About SDX

SDX is an international exploration, production and development company, headquartered in London, England, UK, with a principal focus on Egypt. In Egypt, SDX has an interest in two production concessions: NW Gemsa and West Gharib both located in the Eastern desert. SDX's portfolio also consists of South Ramadan, a development asset in the Gulf of Suez; South Disouq, an exploration asset in the Nile Delta; and West Bakassi, an exploration block in Cameroon within the prolific Niger Delta Basin.

Advisory

Forward-Looking Statements

Certain statements contained in this press release constitute "forward-looking statements" as such term is used in applicable Canadian securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, *plans, projections, objectives, assumptions or future events or are not statements of historical fact should be viewed as forward-looking statements. In particular, statements concerning the Parties, the Transaction, the anticipated synergies that will result from the Transaction and the key characteristics of the combined entity and should be viewed as forward-looking statements.*

The forward-looking statements contained in this document are based on certain assumptions and although management considers these assumptions to be reasonable based on information currently available to them, undue reliance should not be placed on the forward-looking statements because SDX can give no assurances that they may prove to be correct. This includes, but is not limited to, assumptions related to, among other things: commodity prices and interest and foreign exchange rates; planned synergies, capital efficiencies and cost-savings; applicable tax laws; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; and the availability and cost of labour and services.

By their very nature, forward-looking statements are subject to certain risks and uncertainties (both general and specific) that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. Such risks and other factors include, but are not limited to political, social and other risks inherent in daily operations for each of the Parties, risks associated with the industries in which the Parties operate in general, such as: operational risks; delays or changes in plans with respect to growth projects or capital expenditures; costs and expenses; health, safety and environmental risks; commodity price, interest rate and exchange rate fluctuations; environmental risks; competition; failure to realize the anticipated benefits of the Transaction and to successfully integrate the Parties; ability to access sufficient capital from internal and external sources; and changes in legislation, including but not limited to tax laws and environmental regulations. Readers are cautioned that the foregoing list of risk factors is not exhaustive and are advised to reference SDX's Annual Information Form for the year ended December 31, 2014 for a description of additional risks and uncertainties associated with SDX's business, including its exploration activities, which can be found on SDX's SEDAR profile at www.sedar.com.

The forward-looking statements contained in this press release are made as of the date hereof and SDX does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, except as required by applicable law. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

SOURCE SDX Energy Inc.

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For further information: SDX Energy Inc.: Paul Welch, President and Chief Executive Officer, Tel: +44 (0) 203 219 5640; Mark Reid, Chief Financial Officer, Tel: +44 (0) 203 219 5659; Buchanan (PR): Ben Romney/Madeleine Seacombe, Tel: +44 207 466 5000

CO: SDX Energy Inc.

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