SDX Energy Inc. - US$11 million Private Placement - Intention to apply for admission to trading on the AIM Market

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LONDON, England, May 5, 2016 /CNW/ - SDX Energy Inc. ("SDX" or the "Company") (TSX VENTURE: SDX), an oil & gas exploration and production company with assets in Egypt & Cameroon, is pleased to announce that the Company has effected a private placement fundraising for a total of approximately US$11 million ("Private Placement"). A total of 42,201,835 new common shares of no par value in the capital of the Company ("Common Shares") have been conditionally placed ("Placement Shares") at an issue price of 18 pence (C$0.33) per Placement Share ("Issue Price") with new and existing institutional investors and directors and senior management. The proceeds of the Private Placement are to be principally applied toward a work programme in Meseda, Egypt which aims to double current production, and the completion of a 3D seismic programme in South Disouq, Egypt.

In conjunction with the Private Placement and in support of the significant new investment from European investors, the Company today announces that it is seeking to admit its Common Shares to trading on the AIM Market operated by London Stock Exchange plc ("AIM") in addition to its existing listing on the TSX-Venture Exchange ("TSX-V"). The Company will shortly be publishing an AIM admission document in respect of the admission to trading on AIM ("Admission") and expects its Common Shares to commence trading on AIM on or around 20 May 2016. The Private Placement is conditional upon Admission becoming effective.

Commenting on today's announcement, CEO Paul Welch said:

"SDX Energy is a resilient production growth story coupled with exploration upside potential. Our high margin production from our onshore assets in Egypt means we can generate positive free cash flow down to US$15/bbl Brent and this sets us apart from many of our peers. The new funds raised will enable us to execute a near-term work programme on our Meseda asset which has the potential to double production. The funds will also go towards a 3D seismic programme on South Disouq, our high impact exploration license onshore Nile Delta, where we will be fully carried on a well later this year. We are grateful to the existing and new shareholders who have supported us in this process and look forward to completing our admission to AIM later this month."

1. COMPANY HIGHLIGHTS

- SDX is a UK based, Egypt focused oil and gas company listed on TSX-V.
- SDX's portfolio consists of two production concessions onshore Egypt, and exploration and development licences in Egypt and Cameroon.
- SDX reported net production of 1,519 boepd in 2015.
- Independent audit confirmed 2P Reserves net to SDX of 7.34MMboe (North West Gemsa and Meseda) and gross Mean Prospective Resources of 585 bcf (322 bcf net to SDX) at South Disouq.
- SDX benefits from high margin production capable of generating positive cash flow down to US$15/bbl Brent.
- Active work programme in 2016 consisting of workover and development drilling and a carried exploration well.
- Near-term strategy to ramp-up production through workover programme on Meseda concession.
- SDX has a stable financial position with no debt, positive cash flows and a fully covered work programme.

2. TRANSACTION HIGHLIGHTS

- Private Placement of 42,201,835 Common Shares at an Issue Price of 18 pence (C$0.33) per Common Share with existing shareholders and new institutional investors in the UK, Europe, the Middle East and North America and directors and senior management to raise total gross proceeds of approximately £7.6 million (approximately US$11 million).
- The Issue Price represents an 18.7 per cent. discount to the volume weighted average price of the SDX Common Shares for the 10 trading days to 2 May 2016. A price reservation form was filed with the TSX-V on 28 April 2016.
- Proposed admission of the Company's Common Shares to trading on AIM, with trading expected to commence on or around 20 May 2016.
- Net proceeds of the Private Placement to be applied toward a work programme in Meseda which aims to double current production, the completion of a 3D seismic programme in South Disouq, the costs of the Private Placement and Admission and for general working capital purposes.

3. KEY TERMS OF THE PRIVATE PLACEMENT AND USE OF PROCEEDS

Pursuant to the Private Placement, the Company's joint brokers, Cantor Fitzgerald Europe and FirstEnergy Capital LLP, have placed 23,157,946 Placement Shares with investors at an issue price of 18 pence (C$0.33) per Placement Share and the Company has procured subscribers for 15,133,889 Placement Shares at the Issue Price, conditional, inter alia, on Admission ("Firm Placement Shares"). In addition, the Company has procured subscribers for a further 3,910,000 Placement Shares ("Conditional Placement Shares") the issue of which is conditional upon, amongst other things, the filing by one of the investors with the TSX-V of a Personal Information Form (as defined in the policies of the TSX-V) and the receipt from the TSX-V of final acceptance of the subscription for the Conditional Placement Shares (the "Condition"). Such filing and acceptance are required under the policies of the TSX-V because the investor will become an Insider (as defined in the policies of the TSX-V) upon the subscription for the Conditional Placement Shares.

Certain of the Directors of SDX are subscribing for an aggregate of 1,276,389 Placement Shares. The Directors' shareholdings following the Private Placement will be as follows:

Director	***Placement Shares subscribed for***	***Common Shares held at Admission to AIM***	***% of Enlarged share capital****
Michael Doyle	605,556	2,069,669	2.59%
Paul Welch	383,334	440,477	0.55%
David Richards(1)	-	377,970	0.47%
David Mitchell	95,833	1,574,698	1.97%
Barrie Wright	191,666	1,132,115	1.42%
Paul Moase	-	173,029	0.22%

*Calculated as a percentage of total Common Shares in issue following Admission, including the Conditional Placement Shares.

(1) David Richards is also Chairman and Managing Director of Network Capital Management Inc. which holds 2,345,158 Common Shares of SDX in funds which it manages and is subscribing for a further 287,500 Placement Shares.

The proceeds of the Private Placement (including the Conditional Placement Shares) are estimated at £7.6 million. (approximately US$11 million).

The proceeds will be used for:

- a well workover programme, infill drilling and a waterflood programme which aims to double production in the Meseda concession;
- the completion of a 3D seismic programme at the South Disouq concession;
- advisors' fees and commission payable in respect of the Private Placement and Admission; and

- general working capital purposes.

The issue of the Firm Placement Shares and Admission is not conditional upon satisfaction of the Condition. The Conditional Placement Shares will be issued following satisfaction of the Condition. If the Condition is not satisfied by 31 July 2016, only the Firm Placement Shares will be issued pursuant to the Private Placement, the gross proceeds will be reduced by £0.7 million and the funds available for general working capital purposes will be reduced by the same amount.

The new Common Shares will, upon issue, rank pari passu with the existing Common Shares in issue. Application will be made to London Stock Exchange plc for the Company's enlarged share capital, comprising the new Common Shares to be issued pursuant to the Private Placement and the Company's existing Common Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the Company's Common Shares (other than the Conditional Placement Shares) will commence on AIM on or around 19 May 2016. Definitive share certificates in respect of the new Common Shares to be issued pursuant to the Private Placement will be dispatched on or before 31 May 2016.

4. TSX-V APPROVAL

Pursuant to the rules of the TSX-V, the Company will require approval from the TSX-V for the Private Placement and will also be required to provide notification to the TSX-V of its intention to list on AIM.

5. Publication of Competent Person's Report ("CPR")

In conjunction with the dual-listing of the Company on AIM, the Company appointed DeGolyer and MacNaughton Canada Limited to prepare a CPR which estimated the reserves and prospective resources associated with the Company's interests in Egypt as at 31 December 2015. A summary of the reserves associated with the Company's interests in Egypt are presented in the table below.

Reserves

	Gross(1)			Net Attributable(2)		
	1P	**2P**	**3P**	**1P**	**2P**	**3P**
Oil & Liquids (Mbbl)						
Northwest Gemsa	5,774	7,934	10,045	577	793	1,004
West Gharib	5,921	12,795	16,840	2,960	6,398	8,420
Total for oil and liquids	**11,694**	**20,730**	**26,885**	**3,538**	**7,191**	**9,424**
Gas (MMcf)						
Northwest Gemsa	6,315	8,655	11,004	632	865	1,100
West Gharib	-	-	-	-	-	-
Total for Gas	**6,315**	**8,655**	**11,004**	**632**	**865**	**1,100**
Total Oil Equivalent (Mboe)	**12,783**	**22,222**	**28,782**	**3,647**	**7,340**	**9,614**

(1) Gross reserves are defined as the total estimated petroleum to be produced after December 31, 2015 from the properties evaluated.

(2) Net attributable reserves (Company Gross) are defined as that portion of the gross reserves attributable to the working interest owned by SDX (operating and non-operating) before deduction of royalty obligations and without including any royalty interests of SDX.

A summary of the prospective resources associated with the Company's interests in Egypt are presented in the table below.

Unrisked Sales Gas and Natural Gas Liquids Prospective Resources

	Gross(1)			Net Attributable(2)			
	Low estimate	**Best estimate**	**High estimate**	**Low estimate**	**Best estimate**	**High estimate**	**Probability of geological success, P (%)**
Oil & Liquids (Mbbl)							
South Disouq	2,105	10,459	46,834	1,158	5,753	25,759	13.4
Total for oil and liquids	**2,105**	**10,459**	**46,834**	**1,158**	**5,753**	**25,759**	
Gas (MMcf)							
South Disouq	97,656	313,773	1,021,408	53,711	172,575	561,775	13.4
Total for Gas	**97,656**	**313,773**	**1,021,408**	**53,711**	**172,575**	**561,775**	
Total for Oil Equivalent (Mboe)	**18,942**	**64,558**	**222,939**	**10,419**	**35,507**	**122,617**	

(1) Gross prospective resources are defined as the total estimated petroleum that is potentially recoverable after 31 December 2015.

(2) Net attributable prospective resources (Company Gross) are defined as that portion of the gross prospective resources attributable to the working interest owned by as of 31 December 2015, before deduction pursuant to the terms of the PSA.

A CPR will be made available upon publishing of the Company's admission document.

6. EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of AIM admission document	17 May 2016
Admission effective and trading in the enlarged share capital expected to commence on AIM	8.00 a.m. on 20 May 2016
CREST members' accounts credited in respect of new Common Shares in uncertificated form	As soon as possible after 8.00 a.m. on 20 May 2016
Share certificates in respect of new Common Shares expected to be dispatched by no later than	31 May 2016

All references to times are to British Summer Time and subject to adjustment as may be notified to a RIS.

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 Bakassi West, an exploration block in Cameroon within the prolific Niger Delta Basin. For further information please see the website of the Company at www.sdxenergy.com or the Company's filed documents at www.sedar.com.

Forward-looking Statements

Certain statements contained in this press release constitute "forward-looking statements" as such term is used in applicable Canadian and US securities laws.

These statements relate to analyses and other information that are based upon forecasts of future results, estimates of amounts not yet determinable and assumptions of management. In particular, statements concerning the 2016 drilling and capital expenditure programs of the NW Gemsa, Meseda and South Disouq Concessions and the results referenced or implied herein should be viewed as forward-looking statements.

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 and should be viewed as "forward-looking statements". All reserves and resources information contained herein should be considered as forward looking statements. Such forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and other factors include, among others, costs and timing of exploration and production development, availability of capital to fund exploration and development and political, social and other risks inherent in carrying on business in Egypt and Cameroon. There can be no assurance that such statements will prove to be accurate as actual results and future events could vary or differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements contained in this news release.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made and the Company undertakes no obligation to update forward-looking statements and if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable law. Although SDX has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Investors are cautioned that such forward-looking statements involve risks and uncertainties. Actual results may differ materially from those currently anticipated. SDX's Annual Information Form for the year ended December 31, 2015, filed on the Company's SEDAR profile on April 29, 2016, has a full description of the risks and uncertainties associated with the Company's business, including its exploration activities and these risk factors and uncertainties should be referred to and read in their entirety. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

Reserves and Resources Data

The determination of oil and natural gas reserves involves the preparation of estimates that have an inherent degree of associated uncertainty. Categories of proved, probable and possible reserves have been established to reflect the level of these uncertainties and to provide an indication of the probability of recovery. The estimation and classification of reserves requires the application of professional judgment combined with geological and engineering knowledge to assess whether or not specific reserves classification criteria have been satisfied. Knowledge of concepts including uncertainty and risk, probability and statistics, and deterministic and probabilistic estimation methods is required to properly use and apply reserves definitions.

The recovery and reserve estimates of oil reserves provided herein are estimates only. Actual reserves may be greater than or less than the estimates provided herein.

Terms related to reserves classifications referred to herein are based on definitions and guidelines in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and are in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

"Proved reserves" are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

"Probable reserves" are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

"Possible Reserves" are those additional reserves that are less certain to be recovered than probable reserves. It is unlikely that the actual remaining quantities recovered will exceed the sum of the estimated proved plus probable plus possible reserves.

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserves entities", which refers to the lowest level at which reserves calculations are performed, and to "reported reserves", which refers to the highest level sum of individual entity estimates for which reserves estimates are presented. Reported reserves should target the following levels of certainty under a specific set of economic conditions:

- *at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves. This category of reserves can also be denoted as 1P;*
- *at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves. This category of reserves can also be denoted as 2P; and*
- *at least a 10 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable plus possible reserves. This category of reserves can also be denoted as 3P.*

Additional clarification of certainty levels associated with reserves estimates and the effect of aggregation is provided in the COGE Handbook. The estimates of reserves for individual properties may not reflect the same confidence level as estimates of reserves for all properties, due to the effects of aggregation.

Use of the term "boe" may be misleading, particularly if used in isolation. A "boe" conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Certain volumes provided in this news release represent a pro forma arithmetic sum of multiple estimates of proved plus probable reserves, which statistical principles indicate may be misleading as to volumes that may actually be recovered. Readers should give attention to the estimates of individual classes of reserves and appreciate the differing probabilities of recovery associated with each class as explained in the annual oil and gas disclosure filings of SDX (available on www.sedar.com) and the effects of arithmetic aggregation. Factors that could affect the accuracy of the reported pro forma aggregated reserves estimates include company level differences in evaluation effective dates, reservoir characteristics and pricing assumptions.

Reserves information in this press release are based on the independent reserves and resources evaluation of DeGolyer and MacNaughton (the "DeGolyer and MacNaughton Report"), dated December 31, 2015, evaluating SDX's crude oil, natural gas liquids and natural gas reserves and resources between January 1, 2015 and December 31, 2015.

Resources are petroleum quantities that originally existed on or within the earth's crust in naturally occurring accumulations, including discovered and undiscovered (recoverable and unrecoverable) plus quantities already produced. Total resources is equivalent to total petroleum initially-in-place.

"Contingent Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.

"Prospective Resources" are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Resources information in this press release is based on the DeGolyer and MacNaughton Report.

Glossary of Terms

1P	Proven reserves
2P	Proven plus Probable reserves
3P	Proven plus Probable plus Possible reserves

bbl	barrel of crude oil
bcf	billion cubic feet of natural gas
boe	barrel of oil equivalent
boepd	barrel of oil equivalent per day
Mbbl	thousand barrels of crude oil
Mboe	thousand barrels of oil equivalent
Mcf	thousand cubic feet
MMboe	million barrels of oil equivalent
MMcf	million cubic feet

SOURCE SDX Energy Inc.

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