

SDX Energy Inc Second Quarter and Half Year 2016 Financial and Operating Results

Further progress with Egypt focused, high margin growth opportunity

LONDON, Aug. 24, 2016 /CNW/ - SDX Energy Inc. ("SDX" or the "Company") (TSXV, AIM: SDX) announces its 2016 Second Quarter and Half Year 2016 Financial and Operating Results (the "Quarter", "Q2 2016", "Half Year" or "6 months to June 30, 2016").

Second Quarter and Half Year 2016 Highlights:

Corporate and Financial

- Completed successful US\$11.0 million ("MM") placing raising c.US\$10.2MM after costs (of which US\$1.0MM was received in July 2016) and obtained dual listing on AIM market of London Stock Exchange plc ("AIM");
- Key financial metrics for the 3 and 6 months ended June 30, 2016 and 2015 are:

	Three months ended June 30		Six months ended June 30	
US\$ million except per unit amounts	2016	2015	2016	2015
Net Revenues	2.5	2.9	4.6	5.7
Netback	1.2	1.9	2.3	4.0
Net realized average oil price - US\$/barrel	31.80	40.72	28.01	39.10
Net cash (used in)/generated from operating activities	(1.0)	(4.0)	0.8	(2.1)
Total comprehensive (loss)/income	(25.2)	1.1	(26.0)	1.9

- Comprehensive loss in 3 and 6 months ended June 30, 2016 due to write down of US\$(24.7) MM in the Bakassi West, Cameroon exploration asset as a result of decision to withdraw from concession;
- Invested US\$6.5MM of capital expenditure into business;
- As at June 30, 2016 cash on hand of US\$6.9MM and zero debt.

Operational Highlights

- During Q2 2016 average daily oil sales and production service fees equated to 1,170 barrels of oil per day ("BOP/D") and average daily natural gas and natural gas liquids production equated to 136 barrels of oil equivalent per day ("BOEP/D") (to be invoiced at a future date to optimize Concession terms);
- During the 6 months to June 30, 2016 average daily oil sales and production service fees equated to 1,211 BOP/D and average daily natural gas and natural gas liquids production equated to 145 BOEP/D (to be invoiced at a future date to optimize Concession terms);
- Completion of successful workover programs during the Quarter at North West Gemsa and Meseda resulted in exit production rate at June 30, 2016 of 1,550 BOEP/D;
- In North West Gemsa, completed successful development well, Al Amir SE-24, which tested at 1,714 BOP/D with 3.06 million standard cubic feet per day ("MMSCFD") in May 2016. In addition, completed 5 workovers in the Al Amir SE and Geyad fields which focussed on wellbore maintenance;
- In Meseda, completed an 8 well workover program which included tubing string replacements, well bore cleanouts and perforation adds. Completed strategic initiative focussed on development optimization and increasing production. Facilities optimization studies now underway;
- Completed 3D seismic acquisition in South Disouq ahead of schedule and under budget. Seismic data processing is currently underway;
- Completed technical review of prospectivity at South Ramadan development concession and an evaluation of project economics is currently underway;

Subsequent to period end:

- SDX entered into a Deed of Assignment and Termination relating to Bakassi West, Cameroon. On July 31, 2016 all rights, interests, obligations and liabilities under the PSC were assigned to SoftRock Cameroon, the only member of the original partnership that has elected to remain in the concession; and
- Completed fast-track processing cube for South Disouq 3D on July 19, 2016. Preliminary prospect locations are currently being evaluated.

2016 Guidance and Outlook:

- Continue with well workover program at North West Gemsa;
- Initiate redevelopment and waterflood program at Meseda;
- Complete 3D seismic processing and interpretation for South Disouq. Conclude well location assessment and drill carried exploration well before year end;
- Continue to minimise costs post business combination; and
- Continue to explore opportunities to expand the asset base in Egypt and in the Middle East and North Africa ("MENA").

Paul Welch, President & CEO of SDX Energy, commented:

"Having successfully raised new funds and completed our dual listing on AIM, we are now well placed to maximize the potential across our portfolio of Egyptian assets. We are set to carry out an active work program on Meseda, which we expect to result in a material increase in our net production. North West Gemsa is set to continue delivering high margin barrels and, concurrently, we are progressing our exciting exploration asset at South Disouq and look forward to completing the processing and interpretation of the 3D seismic survey ahead of a carried well later this year.

We have a solid financial position which is underpinned by high-margin production that enables us to generate positive free cash flow down to US\$15 oil. This, combined with an active, and potentially transformational work program, gives us a high degree of confidence about the future."

Interim Consolidated Balance sheet (Unaudited)

As At	As At
June 30, 2016	December 31, 2015

(thousands of United States dollars)

Assets

Cash and cash equivalents	6,949	8,170
Trade and other receivables	8,480	6,678
Inventory	1,188	1,188
Current assets	16,617	16,036
Investments	2,818	2,106
Property, plant and equipment	17,731	18,401
Intangible exploration and evaluation assets	10,065	23,473
Non-current assets	30,614	43,980
Total Assets	47,231	60,016

Liabilities

Trade and other payables	7,743	3,556
Current income taxes	642	928
Current liabilities	8,385	4,484
Deferred income taxes	286	286
Non-current liabilities	286	286
Total Liabilities	8,671	4,770

Equity

Share capital	39,315	30,148
Warrants	99	99
Contributed surplus	5,369	5,175
Other comprehensive loss	(1,154)	(1,154)
Retained Earnings	(5,069)	20,978
Equity	38,560	55,246
Equity and Liabilities	47,231	60,016

Interim Consolidated Statement of Comprehensive (Loss)/Income (Unaudited)

	Three months ended June 30		Six months ended June 30	
(thousands of United States dollars, except per share data)	2016	2015	2016	2015
Revenue, net of royalties	2,521	2,900	4,631	5,715
Revenue	2,521	2,900	4,631	5,715
Direct operating expense	1,290	1,004	2,289	1,675
Exploration and evaluation expense	24,883	-	24,883	-
Depletion, depreciation and amortization	845	436	1,662	887
Stock based compensation	100	146	194	323
Equity in income of associate	(365)	(357)	(712)	(637)
General and administrative expenses	912	639	1,772	1,173
Operating (Loss)/Income	(25,144)	1,032	(25,457)	2,294
Net finance expense/(income)	(267)	(227)	97	(436)
(Loss)/Income before income taxes	(24,877)	1,259	(25,554)	2,730
Current income tax expense	287	264	493	766
Deferred income tax (credit)/expense	-	(72)	-	(89)
Total Current and Deferred income tax expense	287	192	493	677
Net (Loss)/Income	(25,164)	1,067	(26,047)	2,053
Other comprehensive loss/(income)				
Foreign exchange	-	(44)	-	165
Total comprehensive (loss)/income for the period	(25,164)	1,111	(26,047)	1,888
Net (loss)/income per share				
Basic	\$(0.455)	\$0.019	\$(0.560)	\$0.036
Diluted	\$(0.455)	\$0.017	\$(0.560)	\$0.032

Interim Consolidated Statement of Changes In Equity (Unaudited)

	Six months ended June 30	
(thousands of United States dollars)	2016	2015
Share Capital		
Balance, beginning of period	30,148	24,512
Private placement - secondary listing on the London Stock Exchange AIM	9,968	-
Share issue costs	(801)	-
Balance, end of period	39,315	24,512
Warrants		
Balance, beginning of period	99	99
Balance, end of period	99	99
Contributed Surplus		
Balance, beginning of period	5,175	4,414
Share based payments for the period	194	323
Balance, end of period	5,369	4,737
Accumulated Other Comprehensive Loss		
Balance, beginning of period	(1,154)	(507)
Foreign currency translation adjustment for the period	-	(165)
Balance, end of period	(1,154)	(672)
Retained Earnings		
Balance, beginning of period	20,978	10,931
Net (Loss)/Income for the period	(26,047)	2,053
Balance, end of period	(5,069)	12,984
Total Equity	38,560	41,660

Interim Consolidated Statement of Cash Flows (Unaudited)

	Three months ended June 30		Six months ended June 30	
(thousands of United States dollars)	2016	2015	2016	2015
Cash flows (used in)/from operating activities				
Income before income taxes	(24,877)	1,259	(25,554)	2,730
Adjustments for:				
Depletion, depreciation and amortization	845	436	1,662	887
Exploration expense	24,883	-	24,883	-
Finance costs	7	18	83	67
Stock-based compensation	100	146	194	323
Equity in income of associate	(365)	(357)	(712)	(637)
Operating cash flow before working capital movements	593	1,502	556	3,370
(Increase) / decrease in trade and other receivables	(2,762)	(928)	(1,785)	12
Increase / (decrease) in trade and other payables	1,596	(443)	2,449	(1,379)
Cash (used in)/generated from operating activities	(573)	131	1,220	2,003
Income taxes paid	(383)	(4,096)	(383)	(4,096)
Net cash (used in)/from operating activities	(956)	(3,965)	837	(2,093)
Cash flows used in investing activities:				
Property, plant and equipment expenditures	(15)	(821)	(15)	(959)
Exploration and evaluation expenditures	(10,019)	(784)	(10,937)	(959)
Dividends received	-	966	-	966
Net cash used in investing activities	(10,034)	(639)	(10,952)	(952)
Cash flows from/(used in) financing activities:				
Repayment of debentures	-	(2,052)	-	(2,052)
Private Placement on London Stock Exchange AIM	9,167	-	9,167	-
Finance costs paid	(8)	(15)	(101)	(63)
Net cash from/(used in) financing activities	9,159	(2,067)	9,066	(2,115)
Change in cash and cash equivalents	(1,831)	(6,671)	(1,049)	(5,160)

Effect of foreign exchange on cash and cash equivalents	109	77	(172)	(313)
Cash and cash equivalents, beginning of period	8,671	19,056	8,170	17,935
Cash and cash equivalents, end of period	6,949	12,462	6,949	12,462

KEY FINANCIAL & OPERATING HIGHLIGHTS

Unaudited interim consolidated financial statements with Management's Discussion and Analysis for Q2 2016 are now available on the Company's website at www.sdxenergy.com and on SEDAR at www.sedar.com.

<u>Unaudited Interim Financial Statements</u>		Three months ended June 30		Six months ended June 30	
<i>\$000s except per unit amounts</i>	Prior Quarter ⁽¹⁾	2016	2015	2016	2015
FINANCIAL					
Gross Revenues	2,789	3,384	2,900	6,173	5,715
Royalties	(679)	(863)	-	(1,542)	-
Net Revenues	2,110	2,521	2,900	4,631	5,715
Operating costs	(999)	(1,290)	(1,004)	(2,289)	(1,675)
Netback ⁽²⁾	1,111	1,231	1,896	2,342	4,040
Total comprehensive income / (loss)	(883)	(25,164)	1,111	(26,047)	1,888
per share	(0.02)	(0.45)	0.02	(0.56)	0.04
Funds from operations	(37)	593	1,502	556	3,370
per share	(0.00)	0.01	0.03	0.01	0.06
Cash, end of period	8,671	6,949	12,462	6,949	12,462
Working capital (excl. cash)	(3,257)	1,283	1,172	1,283	1,172
Capital expenditures	5,819	6,475	1,605	12,294	1,918
Total assets	64,907	47,231	44,333	47,231	44,333
Shareholders' equity	54,457	38,560	41,660	38,560	41,660
Common shares outstanding (000's)	37,642	75,934	56,348	75,934	56,348
OPERATIONAL					
Oil sales (bbl/d)	606	554	-	580	-
Production Service Fee (bbl/d)	646	616	783	631	807
Total boe/d	1,252	1,170	783	1,211	807
Brent Oil Price (\$/bbl)	33.73	45.54	61.72	39.63	57.77
West Gharib Oil Price (\$/bbl)	25.65	30.38	49.42	27.96	47.52
Net realized price (\$/bbl)	24.46	31.80	40.72	28.01	39.10
Royalties (\$/bbl)	5.96	8.11	-	7.00	-
Operating costs (\$/bbl)	8.77	12.12	14.09	10.38	11.46
Netback (\$/bbl)	9.73	11.57	26.63	10.63	27.64

(1) Denotes the three months ended March 31, 2016.

(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.

<u>Proforma Combined Business</u>		Three months ended June 30		Six months ended June 30	
<i>\$000s except per unit amounts</i>	Prior Quarter ⁽¹⁾	2016	2015	2016	2015
FINANCIAL					
Gross Revenues	2,789	3,384	6,659	6,173	13,839
Royalties	(679)	(863)	(1,976)	(1,542)	(3,722)
Net Revenues	2,110	2,521	4,683	4,631	10,117
Operating costs	(999)	(1,290)	(668)	(2,289)	(2,090)
Netback ⁽²⁾	1,111	1,231	4,015	2,342	8,027
Total comprehensive income / (loss)	(883)	(25,164)	1,341	(26,047)	1,602
per share	(0.02)	(0.45)	0.02	(0.56)	0.03
Funds from operations	(37)	593	2,269	556	4,419
per share	(0.00)	0.01	0.04	0.01	0.08
Cash, end of period	8,671	6,949	12,957	6,949	12,957

Working capital (excl. cash)	(3,257)	1,283	3,515	1,283	3,515
Capital expenditures	5,819	6,475	1,875	12,294	2,376
Total assets	64,907	47,231	44,333	47,231	44,333
Shareholders' equity	54,457	38,560	41,660	38,560	41,660
Common shares outstanding (000's)	37,642	75,934	56,348	75,934	56,348
OPERATIONAL					
Oil sales (bbl/d)	606	554	719	580	855
Production Service Fee (bbl/d)	646	616	783	631	807
Total boe/d	1,252	1,170	1,502	1,211	1,662
Brent Oil Price (\$/bbl)	33.73	45.54	61.72	39.63	57.77
West Gharib Oil Price (\$/bbl)	25.65	30.38	49.42	27.96	47.52
Net realized price (\$/bbl)	24.46	31.80	48.73	28.01	45.98
Royalties (\$/bbl)	5.96	8.11	14.46	7.00	12.37
Operating costs (\$/bbl)	8.77	12.12	4.89	10.38	6.95
Netback (\$/bbl)	9.73	11.57	29.38	10.63	26.66

(1) Denotes the three months ended March 31, 2016

(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.

About SDX

SDX is an international oil and gas 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: North West Gemsa and West Gharib (Meseda) 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. For further information, please see the website of the Company at www.sdxenergy.com or the Company's filed documents at www.sedar.com.

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 completion of and anticipated results from the workover programs at Meseda and North West Gemsa; the exploration plans for the Company's asset at South Disouq, including the completion of the 3D seismic processing and interpretation, well location assessment and the drilling of a carried exploration well; and the expected results of the business combination between the Company and Madison PetroGas Ltd., which was completed on October 1, 2015, 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 the Company, risks associated with the industries in which the Company operates, 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, 2015 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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CNW 02:00e 24-AUG-16