

SDX Energy Inc. ("SDX" or the "Company") - Operations Update

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LONDON, July 5, 2017 /CNW/ - SDX Energy Inc. (TSXV, AIM: SDX), the North Africa focused oil and gas company, is pleased to provide an operational update.

Egypt

South Disouq (55% Operated working interest)

Following the successful drilling of the SD-1X exploration well and resulting natural gas discovery at South Disouq, a Resources Update was prepared on behalf of SDX by Gaffney, Cline & Associates (GCA), an independent global oil & gas consultancy. The Company is pleased to announce the initial results shown below using Canadian NI-51-101 Reporting designations:

	Gas	Condensate
	Bscf	Mmbl
Gross ¹ Contingent Resources ³ (2C):	47.13	2.29
Gross ¹ Prospective Resources ^{2,3} (Best Case):	180.08	8.73

The GCA Resources Update for South Disouq is an important step in the validation of SDX's understanding of the full potential of the field. The results are in line with management's expectations. The Company also believes that the Gross Prospective Resources as reported above have now been significantly de-risked as a result of the SD-1X discovery, which was disclosed in its May 29, 2017 news release.

SDX believes that the understanding of the potential reserves and resources for South Disouq will continue to evolve over time as more data becomes available and further exploration activities are undertaken. The SD-1X discovery and its subsequent development allows SDX to begin unlocking the resource potential that it believes is contained within the South Disouq concession. Furthermore, given the encouraging results noted in the deeper oil prone Cretaceous horizon encountered in SD-1X, where a working petroleum system was encountered, the Company is planning to further test this horizon during the development program planned for the SD-1X discovery.

- ¹ Gross volumes are unrisks, 100% working interest volumes and do not represent the contractor's actual Net Entitlement under the terms of the PSC that governs the asset. See table 1 in Appendix.
- ² Aggregate of volumes four prospects and five Leads; aggregation performed by SDX management. See table 2 in Appendix.
- ³ For Contingent Resources, there is uncertainty that that it will be commercially viable to produce any portion of the resources. For Prospective Resources, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

SDX is also pleased to announce that it is currently in constructive discussions with the Egyptian authorities, regarding bringing the field into production by way of an early production system (EPS). The initial development at SD-1X will see the field being connected to the nearby Egyptian domestic gas distribution system allowing for both early cash flow and for subsequent wells and discoveries to be connected in short order. The existing gas infrastructure within the concession area combined with the cooperative and supportive efforts of Egyptian authorities will allow SDX to bring this discovery into production in the shortest possible time frame.

North West Gemsa (50% working interest)

At North West Gemsa the workover program is set to commence in July. This program will be focused on ESP installation and maintenance of both production and water injection wells, working towards ensuring that the field target rate of 5,000 boepd is maintained throughout the year. This follows the recent technical review at North West Gemsa to determine how best to extend the economic field life through optimising field operations whilst continuing to focus on operating cost reductions.

Meseda (50% working interest)

At Meseda the fluid treating facility upgrade has now been completed. This involved the installation of a new two- phase separator, which has doubled the gross treating capacity in the field. Additionally, a tender exercise has been undertaken to select the preferred Electrical Submersible Pump ("ESPs") vendor to supply the pumps for the remaining workovers in Meseda. The fluid treating facility completion allows the workover campaign to resume with the resulting uplift in production envisaged in the coming months.

Morocco (75% working interest)

Significant progress continues to be made in preparing for the forthcoming drilling campaigns at both Sebou and Lalla Mimouna, which remain on track to commence in September of this year. The campaign will include the drilling of seven wells, two of which will be exploration wells and the remaining five being development wells. To that end, SDX has concluded its tendering exercise and selected XCD to provide a rig for this program. XCD has previously drilled in Morocco and is very familiar with the area. The mobilisation will begin within the next six weeks. In addition, SDX has now secured all the long lead items necessary for the drilling campaign, locally at very competitive prices, from an operator that was exiting the country. Finally, construction has now commenced on the seven identified locations, as well as several back-up locations, ensuring that upon arrival of the drilling rig there should be no delay in start-up.

Paul Welch, CEO of SDX, commented:

"The first half of 2017 has seen an unprecedented level of activity for SDX and today's announcement shows that material progress

continues to be made across the current portfolio.

"We are extremely upbeat on South Disouq and are pleased to be able to update the market with news of the initiation of discussions on the early production scheme, as well as the completion of the work on the CPR. The accumulation of additional production data, combined with development drilling and additional exploration activity, will enable further independent assessment of the field's reserves and resources to be completed resulting in an additional increase in its value.

"We continue to progress our existing portfolio as aggressively as possible, whilst continuing to review opportunities for additional value accretive growth from new opportunities. With our existing team, predominantly based in North Africa; we have the internal resource and strong desire to maintain the momentum over the coming months. In addition, during Q3 we intend to update our shareholders on a start-up date for our EPS system in South Disouq."

About SDX

SDX is an international oil and gas exploration, production and development company, headquartered in London, England, UK, with a principal focus on North Africa. In Egypt, SDX has a working interest in two producing assets (50% North West Gemsa & 50% Meseda) located onshore in the Eastern Desert, adjacent to the Gulf of Suez. It also has a 55% operated working interest in the South Disouq concession, located in the Nile Delta, where a gas discovery was made by the SD-1X well in 2017. In Morocco, SDX has a 75% working interest in the Sebou concession situated in the Rharb Basin. These producing assets are characterised by exceptionally low operating costs making them particularly resilient in a low oil price environment. SDX's portfolio also includes high impact exploration opportunities in both Egypt and Morocco.

For further information, please see the website of the Company at www.sdxenergy.com or the Company's filed documents at www.sedar.com

Neither the TSX Venture Exchange nor its Regulation Services Provider (as such term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Forward Looking Information

Certain statements contained in this press release may constitute "forward looking information" 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 information. In particular, statements regarding the volume of estimated resources, the risks associated therewith, the SD-1X discovery, plans for further testing in respect of the deeper oil prone Cretaceous horizon, the status of discussions with Egyptian authorities in respect of an EPS, the connection of the field to the Egyptian domestic gas distribution system, the timing to bring the SD-1X discovery into production, the completion, timing and results of the workover program at Northwest Gemsa and Meseda, the timing and nature of the commencement of the drilling campaigns in Morocco and the anticipated increase in value of South Disouq.

The forward-looking information contained in this document is 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 information 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, the ability to locate and commercially develop resources, 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.

Forward-looking information is 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; 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 Management's Discussion & Analysis for the three and twelve months ended December 31, 2016, which can be found on SDX's SEDAR profile at www.sedar.com, for a description of additional risks and uncertainties associated with SDX's business, including its exploration activities.

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

Competent Persons Statement

In accordance with the guidelines of the AIM Market of the London Stock Exchange the technical information contained in the announcement has been reviewed and approved by Paul Welch, President and Chief Executive Officer of SDX. Mr. Welch, who has over 30 years of experience, is the qualified person as defined in the London Stock Exchange's Guidance Note for Mining and Oil and Gas companies. Mr. Welch holds a BS and MS in Petroleum Engineering from the Colorado School of Mines in Golden, CO. USA and an MBA in Finance from SMU in Dallas, TX USA and is a member of the Society of Petroleum Engineers (SPE).

Appendix:

The Company retained Gaffney Cline and Associates (GCA) to conduct an independent resource evaluation to assess Contingent and

Prospective resources in the Company's South Disouq asset with an effective date of May 31, 2017. The resource assessments were prepared in accordance with the standards contained in the COGE Handbook and National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101") effective at the time thereof. A range of Contingent resources estimates (P90 (1C), P50 (2C) and P10 (3C)) and Prospective resources estimates (P90 (low), P50 (best) and P10 (high)) were prepared by GCA using probabilistic methods.

A summary of South Disouq Contingent and Prospective resources as of May 31, 2017 contained in the Resources Reports are included in the following tables. Please consult the attached appendix for all relevant resource descriptions, qualifications, risks, contingencies and cautionary language in relation to the review and interpretation thereof.

Table 1 - Summary of Unrisked P50 Contingent Resources as of May 31, 2017

Resource sub-Category	Gross Volumes		
	Gas	unrisked Condensate	Total ⁽²⁾
	(Bscf)	(Mmbo)	(Mmboe)
Development Pending	47.13	2.29	10.15
Development on Hold	---	---	---
Development Unclassified	---	---	---
Development not viable	---	---	---
Total South Disouq	47.13	2.29	10.15

Table 2 - Summary of Best Estimate Prospective Resources as of May 31, 2017

Resource sub-Category	Gross Volumes			Gross Volumes		
	Gas	unrisked Condensate	Total ⁽²⁾	Gas	risked Condensate	Total ⁽²⁾
	(Bscf)	(Mmbo)	(Mmboe)	(Bscf)	(Mmbo)	(Mmboe)
Prospect	164.53	7.97	35.39	66.68	3.23	14.34
Lead	15.55	0.76	3.35	7.49	0.37	1.61
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Total South Disouq⁽¹⁾	180.08	8.73	38.74	74.17	3.59	15.95

1. Aggregate of volumes four prospects and five Leads; aggregation performed by SDX management.

2. BOEs may be misleading, particularly if used in isolation. The BOE column is the sum of the light and medium oil, conventional natural gas and natural gas liquids columns with the conversion of gas to liquids using a BOE conversion ratio of 6 Mscf:1 bbl, based on an energy equivalency conversion method primarily applicable at the burner tip. This conversion does not represent a value equivalency at the wellhead.

Risks and Uncertainties

There is still a +/-50% uncertainty concerning the volume of the encountered section at Abu-Madi due to

- 1) the lateral extent of the accumulation
- 2) the quality of the reservoir section that would be encountered away from the current location
- 3) The thickness of the reservoir section away from the current location
- 4) The hydrocarbon composition of the natural gas encountered and its resulting liquid yield

Additional wells will need to be drilled and tested to reduce the levels of uncertainty required to properly classify the discovered hydrocarbons under National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities.

SDX will continue to work towards developing a more detailed development program in respect of South Disouq, but given the current stage of development, is unable to provide a specific timeline or cost estimate in respect of obtaining commercial development in respect of the resources contained therein. There has not been a conceptual or pre-development study prepared in respect of the South Disouq asset.

Contingent resources are assigned to the SD-1x Discovery because of the uncertainties surrounding aspects of the well data, notably the position of the gas water contact (GWC) in the Abu Madi 1 Zone, gas composition and detailed petrophysical response.

Glossary

"Bscf"	billion standard cubic feet
"boepd"	barrels of oil equivalent per day

"Contingent Resources" or "2C"	these are resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles. For contingent resources to move into the Reserves category, the key conditions, or contingencies, that prevented commercial development must be clarified and removed. As an example, all required internal and external approvals should be in place or determined to be forthcoming, including environmental and governmental approvals. There also must be evidence of firm intention by a company's management to proceed with development within a reasonable time frame (typically five years, though it could be longer)
"MMbo"	million barrels
"MMboe"	million barrels of oil equivalent
"Prospective Resources"	are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than Contingent Resources since the risk of discovery is also added. For prospective resources to become classified as Contingent Resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared

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View original content: <http://www.newswire.ca/en/releases/archive/July2017/05/c6623.html>

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