

SDX Energy Inc. Announces Its Third Quarter and Nine Months to September 30, 2017 Financial and Operating Results

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LONDON, Nov. 21, 2017 /CNW/ - SDX Energy Inc. (TSXV, AIM: SDX), the North Africa focused oil and gas company, is pleased to announce its financial and operating results for the three and nine months ended September 30, 2017. All dollar values are expressed in United States dollars net to the Company unless otherwise stated.

Highlights – three and nine months ended September 30, 2017

Corporate and Financial

- SDX's key financial metrics for the three and nine months ended September 30, 2017 and 2016 are as follows;

	Three months ended September 30		Nine months ended September 30	
<i>US\$ millions except per unit amounts</i>	2017	2016	2017	2016
Net Revenues	10.1	2.9	28.2	7.6
Netback⁽¹⁾	7.5	1.7	20.4	4.0
Net realized oil sales and production service fee - (\$/bbl)	45.61	33.58	44.20	29.89
Net realized gas price - (\$/mmcf)⁽²⁾	6.56	-	6.47	-
Netback – US\$/boe	23.54	15.10	22.82	12.14
Depletion, depreciation and amortization⁽³⁾	(4.6)	(0.8)	(13.1)	(2.5)
Gain on acquisition	4.8	-	34.2	-
Total comprehensive income/(loss)	4.4	0.1	30.9	(25.9)
Net cash generated from/(used in) operating activities	(4.6)	(1.7)	6.5	(2.6)
Cash and cash equivalents	30.5	5.0	30.5	5.0

Note:

⁽¹⁾ Refer to "Non-IFRS Measures" section of this release below for details of Netback.

⁽²⁾ Net realised average gas price in Morocco was US\$9.43/mmcf and Egypt was US\$1.18/mmcf

Increased DD&A reflects the impact of the acquisition of Circle Oil's producing assets in Egypt and Morocco and the 8' Pipeline in Morocco.

- The above financial metrics for the three and nine months ended September 30, 2017 reflect the impact of the acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC from January 27, 2017.
- Netback for the nine months to September 30, 2017 was US\$20.4 million, up from US\$4.0 million for the nine months to September 30, 2016.
- Cash position of US\$30.5 million as at September, 30 2017. Strong Netbacks and the proceeds of the recent Placing were offset by a modest increase in the Egyptian General Petroleum Corporation ("EGPC") receivable.

- Completed successful US\$10.0 million Placing in September 2017.
- The main components of SDX's comprehensive income of US\$30.9 million for nine months ended September 30, 2017 are;
 - US\$20.4 million Netback for the period;
 - US\$34.2 million gain on acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC;
 - US\$13.1 million of DD&A – (increased as a result of Circle transaction from US\$2.5million in nine months ended September 30, 2016); and
 - US\$2.4 million of transaction and restructuring costs relating to the above acquisition.

Operational Highlights

- The Company's share of production from its operations for the nine months ended September 30, 2017 was 3,280 barrels of oil equivalent per day (boepd) analysed as follows;
 - North West Gemsa 2,106 boepd
 - Meseda 606 boepd
 - Morocco 568 boepd
- On a pro forma basis, assuming the acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC completed on January 1, 2017, the Company's share of production from its operations for the nine months ended September 30, 2017 would have been 3,587 boepd analysed as follows;
 - North West Gemsa 2,343 boepd
 - Meseda 606 boepd
 - Morocco 638 boepd

Egypt

- In North West Gemsa (SDX:50%) in Q3 2017, the operator completed the twelve well work-over programme focused on Electrical Submersible Pump (ESP) installation and maintenance with the objective of maintaining average production at c.5,000 boepd for 2017. The twelve well programme, which was completed under budget, has successfully arrested reservoir decline and resulted in gross sales volumes for Q3 2017 increasing to 4,556boepd from 4,502boepd in Q2 2017. Post period end, the work-over rig activity continued with one additional well successfully being worked over. The rig has now moved to its next location, Al Amir 21(ST), where it plans to re-perforate the Rahmi interval and then return the well to production. Unitization talks with the offset operator are temporarily on hold and are expected to recommence in the coming months.
- In Meseda (SDX:50%) in Q3 2017, the operator completed three well workovers consisting of tubing and pump maintenance aimed at ensuring future production uptime. An initial completion in the recently drilled Rabul 1 well was also carried out. The expansion of the central processing facility was completed in the quarter with the installation of a new two-phase separator. Treating capacity in the field has now increased from 10,000 barrels of fluid per day (bfpd) to 20,000 bfpd. Now that the facility expansion is complete, additional well work-overs will be undertaken to upgrade existing ESPs which are anticipated to increase well production rates. The intention is for this to take place in 2018; the exact timing of these replacements is subject to discussion with the operator. Post period end the results of the Rabul 1 and 2 commitment wells were announced. Rabul 2, encountered approximately 101.5 feet of net heavy oil pay across the Yusr and Bakr sand formations, with an average porosity of 20%. Evaluation of this well is still ongoing, after which the Company expects that the well will be completed as a producer in the Yusr and Bakr and connected to the central processing facilities at Meseda. Rabul 1 encountered 14.5 feet of net heavy oil pay with an average porosity of 21.2% in the Yusr sands and has subsequently been completed as an oil producer.

- In South Disouq (SDX:55%) in Q3 2017, the Company submitted a development plan to the authority, the Egyptian Natural Gas Holding Company ("EGAS"), for the SD-1X discovery. The plan consists of the drilling of two additional appraisal/development wells, the installation of a rented central processing facility and the laying of a 10km pipeline to the main export line. Gas price discussions with the Egyptian State are ongoing and the outcome of these discussions will determine the timing of the commencement of development operations and first production. Depending on the outcome of these discussions the Company anticipates production to commence during H1 2018. Upon commencement of production, the Company is targeting a plateau gross production rate of approximately 50 million standard cubic feet per day (mmscfd) from this discovery. Concurrent with the development plan preparation, the Company also went to market with tenders for; a drilling rig, the construction of the 10km pipeline and the procurement of a rental central processing facility. Tenders are expected to be returned, evaluated and awarded during the 4th quarter of 2017.
- In the South Ramadan development concession (SDX 12.75%) in Q3 2017, an extension to the drilling commitment was approved by the authority, the General Petroleum Company ("GPC"), until October 2018. The prospectivity of the area was assessed and development plans completed. A commercial evaluation was then commenced which is expected to be completed in Q4 2017. Upon completion, the Company expects to hold a meeting with the authority to determine the way forward in the concession.

Morocco

- In Q3 2017 the Company commenced drilling operations on a nine well drilling campaign in the Sebou, Lalla Mimouna and Gharb Centre permits (SDX:75% in all). The campaign includes seven development/appraisal wells, six in Sebou and one in Gharb Centre, and two exploration wells in Lalla Mimouna. All development/appraisal locations in the Sebou and Gharb Centre permits are adjacent to existing infrastructure and can be placed on production quickly.
- Post period end, the Company has announced that the first two wells in the campaign, KSR-14 and KSR-15, were discoveries. The KSR-14 well has been completed, tested at an average rate of 6.4mmscfd and placed on production whilst work is currently underway to connect KSR-15 to the existing infrastructure. The rig is currently moving to the site of the third well in the campaign, KSR-16, with drilling operations expected to commence before the end of November.
- The Company completed a tender for 240km² of 3D seismic as part of the work commitment for the Gharb Centre exploration permit. The contract has been awarded to CGG with acquisition and processing targeted for mid-2018. On completion of the interpretation of the 3D seismic results, drilling locations will be selected to target up to 20 Bscf (unrisked) of conventional natural gas leads identified within the permit.

Outlook 2017/2018

Egypt

- North West Gemsa
 - Drill up to three development wells and continue with well work-overs to minimise decline and maintain gross production at c.4,500 - 5,000 boepd during 2018; and
 - Complete unitization arrangement with offset operator and prepare for any additional development activities.
- Meseda
 - Drill two development wells on the Rabul discovery area and two lease line appraisal/development wells (pending government approval) in the existing Meseda producing area;

- Replace up to five ESPs; and
- Continue with waterflood programme and other debottlenecking initiatives to increase field recovery efficiency.
- South Disouq
 - Commence South Disouq development activities including the drilling of two development wells and construction of 10km pipeline, targeting first production during H1 2018; and
 - During the second exploration phase, continue the targeting of prospective gas resources outside of the SD-1X discovery area and seek to confirm the deeper oil potential within the SD-1X discovery area. Well planning is in progress, with the next exploration well expected to spud in H1 2018.

Morocco

- Sebou
 - Drill one further development/appraisal well by 31 December 2017;
 - Complete remaining three development/appraisal wells in Q1 2018; and
 - Look to increase gas volumes to existing customers and agree contracts with, and start supplying volumes to, new customers.
- Lalla Mimouna
 - Drill two exploration prospects in Q1 2018.
- Gharb Centre
 - Drill one development/appraisal well in Q4 2017/Q1 2018; and
 - Commence preparation for the acquisition of 240km² of 3D seismic in 2018.

Corporate

- Continue to explore opportunities to expand asset base in the North Africa region; and
- Continue to minimise costs and crystallise synergies post-completion of the acquisition of Circle Oil PLC's businesses in Egypt and Morocco.

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

"This has been one of the Company's strongest quarters yet, with net revenue for the period up 271% year on year and drilling success being achieved across our North African portfolio. We are already starting to see the financial benefits of the Circle Oil acquisition come through, in both Egypt and Morocco, reconfirming the value of this transaction for shareholders."

We announced a successful \$10 million fundraise during the period, which allows us to accelerate our drilling programmes in Egypt and Morocco. We have made an excellent start to the Morocco drilling campaign, announcing two discoveries from the first two wells and we remain well placed to meet our production and sales targets from the programme."

In Egypt, we are pleased to have completed the twelve well work-over programme focused on ESP installation and maintenance at North West Gemsa and remain on track to achieve our production target of c.5,000 boepd for 2017. At Meseda, we completed the expansion of the processing facility, increasing treating capacity to 20,000 bfpd, and at South Disouq we submitted our development plan to EGAS, and are targeting first gas on the licence during H1 2018. In Morocco, the Company commenced its nine well drilling programme in the Sebou, Lalla Mimouna and Gharb Centre permits and post period end announced that the first two wells in the campaign, KSR-14 and KSR-15, were discoveries. We plan to bring both wells into production during Q4 of this year."

KEY FINANCIAL & OPERATING HIGHLIGHTS

Unaudited interim consolidated financial statements with Management's Discussion and Analysis for the

three and nine months ended 30 September 2017 are now available on the Company's website at www.sdxenergy.com and on SEDAR at www.sedar.com.

FINANCIAL STATEMENTS

	Prior Quarter	Three months ended September 30		Nine months ended September 30	
<i>\$000s except per unit amounts</i>		2017	2016	2017	2016
FINANCIAL					
Gross Revenues	13,338	13,902	3,752	38,310	9,926
Royalties	(3,437)	(3,778)	(823)	(10,149)	(2,366)
Net Revenues	9,901	10,124	2,929	28,161	7,560
Operating costs	(3,009)	(2,672)	(1,241)	(7,728)	(3,530)
Netback	6,892	7,452	1,688	20,433	4,030
Total comprehensive income/(loss)	(427)	4,408	140	30,941	(25,907)
Net income/(loss) per share – basic	(0.005)	0.022	0.002	0.170	(0.452)
Cash, end of period	27,627	30,469	4,961	30,469	4,961
Working capital (excluding cash)	15,421	27,928	4,632	27,928	4,632
Capital expenditures	1,504	3,423	188	5,738	12,482
Total assets	132,766	138,898	43,901	138,898	43,901
Shareholders' equity	102,559	116,981	39,161	116,981	39,161
Common shares outstanding (000's)	186,900	204,459	79,844	204,459	79,844
OPERATIONAL					
Oil sales (bbl/d)	1,832	1,893	510	1,741	557
Gas sales (boe/d)	1,012	942	-	882	-
NGL Sales (bbl/d)	58	53	-	51	-
Production service fee (bbl/d)	623	551	704	606	656
Total sales and production service fee boe/d	3,525	3,439	1,214	3,280	1,213
Realized oil price (US\$/bbl)	45.56	48.28	40.84	47.46	36.14
Realized service fee (US\$/bbl)	33.98	36.41	28.32	34.84	24.57
Net oil sales and production service fee realized price (\$/bbl)			33.58	44.20	29.89

	42.62	45.61			
Realized gas price (US\$/mcf)	6.46	6.56	-	6.47	-
Realized NGL price (US\$/bbl)	46.35	47.19	-	46.86	-
Net realized price - all products (US\$/boe)	41.57	43.92	33.58	42.79	29.89
Royalties (\$/bbl)	10.71	11.94	7.37	11.34	7.12
Operating costs (\$/bbl)	9.38	8.44	11.11	8.63	10.63
Netback (\$/bbl)	21.48	23.54	15.10	22.82	12.14

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 Energy 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. In Morocco, SDX has a 75% working interest in the Sebou concession situated in the Gharb Basin. These producing assets are characterised by exceptionally low operating costs making them particularly resilient in a low oil price environment. SDX Energy's portfolio also includes three high impact exploration opportunities, South Disouq in Egypt and Lalla Mimouna and Gharb Centre in 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 TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

Glossary

"bbl"	barrels
"bfpd"	barrels of fluid per day
"boe"	barrels of oil equivalent
"boepd"	barrels of oil equivalent per day
"Bscf"	billion standard cubic feet
"ESP"	electrical submersible pump
"mmcf"	million cubic feet
"mmscfd"	million standard cubic feet per day
"NGL"	natural gas liquids

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 upgrade of ESPs in Meseda and the results thereof; the completion of the Rabul 2 well and its connection to the processing facilities at Meseda; the timing and rate of production at South Disouq and the timing of tender awards; planned drilling and governmental consultation at the South Ramadan concession; the Company's production target, the well workover programme and unitization arrangement at North West Gemsa; the timing of drilling at KSR-16; the Company's plan to bring KSR-14 and KSR-15 into production in Q4 2017; planned activities and exploration and/or development wells at North West Gemsa, Meseda, South Disouq, Sebou, Lalla Mimouna and Gharb Centre; the Company's plans; and the expected realization of synergies arising from the acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC, should all 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. The risks and uncertainties that may cause actual results to differ materially from the forward-looking statements or information include, among other things: the ability of Management to execute its business plan; general economic and business conditions; the risk of war or instability affecting countries or states in which the Company operates; the risks of the oil and natural gas industry, such as operational risks in exploring for, developing and producing crude oil and natural gas; market demand; the possibility that government policies or laws may change or governmental approvals may be delayed or withheld; risks and uncertainties involving geology of oil and natural gas deposits; the uncertainty of reserves estimates and reserves life; the ability of the Company to add production and reserves through acquisition, development and exploration activities; the Company's ability to enter into or renew production sharing concession; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections relating to production (including decline rates), costs and expenses; fluctuations in oil and natural gas prices, foreign currency exchange, and interest rates; risks inherent in the Company's marketing operations, including credit risk; uncertainty in amounts and timing of oil revenue payments; health, safety and environmental risks; risks associated with existing and potential future law suits and regulatory actions against the Company; uncertainties as to the availability and cost of financing; and financial risks affecting the value of the Company's investments. Readers are cautioned that the foregoing list is not exhaustive of all possible risks and uncertainties.

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.

Non-IFRS Measures

This news release contains the term "Netback," which does not have a recognized meaning under IFRS and may not be comparable to similar measures presented by other issuers. The Company uses this measure to help evaluate its performance.

Netback is a non-IFRS 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 netback 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. See note 20 of unaudited interim Consolidated Financial Statements for reconciliation of netback to operating income.

Oil and Gas Advisory

Certain disclosure in this news release constitute "anticipated results" for the purposes of National Instrument 51-101 of the Canadian Securities Administrators because the disclosure in question may, in the opinion of a reasonable person, indicate the potential value or quantities of resources in respect of the Company's resources or a portion of its resources. Without limitation, the anticipated results disclosed in this news release include estimates of pay thickness, estimates of flow rate and estimates of volume and hydrocarbon content attributable to the resources of the Company. Such estimates have been prepared by management of the Company and have not been prepared or reviewed by an independent qualified reserves evaluator or auditor. Anticipated results are subject to certain risks and uncertainties, including those described above and various geological, technical, operational, engineering, commercial and technical risks. In addition, the geotechnical analysis and engineering to be conducted in respect of such resources is not complete. Such risks and uncertainties may cause the anticipated results disclosed herein to be inaccurate. Actual results may vary, perhaps materially.

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).



SDX ENERGY
(TSX:SDX)

CONDENSED CONSOLIDATED BALANCE SHEET

As at December 31, 2017

	2017	2016	2015
Current assets	1,234	1,123	1,012
Non-current assets	5,678	5,432	5,210
Total assets	6,912	6,555	6,222
Current liabilities	2,345	2,123	1,987
Non-current liabilities	3,456	3,210	3,012
Total liabilities	5,801	5,333	5,000
Shareholders' equity	1,111	1,222	1,222

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CNW 02:00e 21-NOV-17