

SDX Energy Inc.: Operations and Corporate Update

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LONDON, Jan. 28, 2019 - [SDX Energy Inc.](#) (TSXV, AIM: SDX), the North Africa focused oil and gas company, provides its 2019 operational outlook and advises of its intention to delist from the TSXV in conjunction with a move of its corporate residence of the Group's holding company to the UK from Canada.

Morocco (75% Working Interest, Operator)

- The Gharb Centre 3D seismic acquisition undertaken in H2 2018 has now been processed and an initial interpretation completed. The data quality is excellent and as a result, multiple leads and prospects have been identified. An inversion of the dataset will now take place after which a ranking and selection exercise will be undertaken to determine which prospects will be chosen for the 2019 drilling campaign.
- Planning for a 12 well campaign has begun with drilling set to commence in late Q3/early Q4 2019 and complete during H1 2020.
- During this campaign the LNB-1 and LMS-1 wells in Lalla Mimouna, originally drilled in 2018, will be re-tested, with the remainder of the programme's targets coming from the recently acquired Gharb Centre 3D seismic.
- It is anticipated that three wells from the 12 well programme will be completed and connected in 2019. The 2019 total gross capex is expected to be approximately US\$10 million with SDX's share being approximately US\$8 million. Out of this US\$8.0 million, US\$6.0 million relates to the three planned wells and US\$2.0 million relates to the Company's share of facilities and field maintenance capex.
- SDX is targeting gross production of 9-11 MMscf/d of conventional natural gas sales in 2019.

Egypt - Meseda Concession (50% Working Interest, Non-Operator)

- 2019 gross production guidance of 4,000-4,200 bopd.
- The operator plans to drill two wells in H1 2019. One well in Rabul which will continue to develop the discovery area and one development location in the Meseda field.
- The operator also plans to replace up to five electrical submersible pumps ("ESPs") in the wider Meseda area and upgrade water handling capabilities at the field facilities.
- Gross capex in 2019 is expected to be approximately US\$8 million (US\$4 million net to SDX of which US\$1.6 million relates to the two planned wells and US\$2.4 million relates to ESP replacements and the facilities upgrade).

Egypt - North West Gemsa Concession (50% Working Interest, Non-Operator)

- 2019 gross production guidance of 3,400-3,600 boepd.
- The operator is planning to complete up to 10 workovers and carry out infrastructure maintenance, but not drill any additional wells.
- As the field is now fully developed, gross capex in 2019 is expected to be approximately US\$4 million (US\$2 million net to SDX).

Egypt - South Disouq Concession (55% Working Interest, Operator)

- During H1 2019, SDX will complete construction of the Central Processing Facility, the 10km export pipeline and the tie-ins for the four existing production wells.
- First gas is targeted for mid-2019, at a gross plateau production rate of between 50-60 MMscf/d with the conventional natural gas being sold to the State at a price of US\$2.85/Mcf.
- Prospect inventory for future drilling is expected to increase with the interpretation of the recently acquired 170km² of 3D seismic in the southern section of the concession.
- The Company is planning to drill two further exploration wells in 2019, with multiple additional conventional gas prospects and a conventional oil prospect also identified for future drilling.
- Gross capex in 2019 is expected to be approximately US\$40.0 million (US\$22.0 million net to SDX of which approximately US\$18.5 million relates to the South Disouq development activities and US\$3.5 million relates to the two planned exploration wells).

Egypt - South Ramadan Concession (12.75% Working Interest, Non-Operator)

- The Company continues to review technical data from the recently announced SRM-3 well result and will provide further updates to the market in due course.

Cash and Working Capital Highlights and Outlook

- In Q4 2018, the Company recovered approximately US\$4.5 million¹ of backdated Egyptian receivables and paid approximately US\$1.0 million of South Disouq 3D seismic costs and US\$1.7 million of Morocco 3D seismic costs.
- SDX subsequently ended the year with approximately US\$17 million¹ of cash and no debt¹. The Company also has additional liquidity available by way of an undrawn US\$10.0 million credit facility for Morocco with the EBRD.
- In 2019, the Company will look to make further reductions in its backdated receivables balances.

Notes
¹ Unaudited

Corporate Update

- Following the Company's dual listing on AIM in May 2016, the Company has seen its investor base move increasingly towards the UK, with limited institutional support from the Canadian market. The Company has found UK investors to be more receptive to and active in exploration and production companies with an African focus, and therefore are more suited to support companies such as SDX.
- Given this, the Company has been reviewing its corporate structure and, as part of this review and subject to shareholder and court approval, plans to relocate its corporate residence from Canada to the UK with a group reorganisation and delist from the TSXV. It is expected that this process will be completed in Q2 2019 and will result in meaningful annual savings in administrative costs, management time and a more tax efficient corporate structure.

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

"We are pleased to provide an update on our operational outlook for 2019, which is set to be a landmark year for the Company. Looking ahead, there are a number of important milestones that we intend to meet across the portfolio, which have the potential to deliver significant value for shareholders.

In Egypt, a 10 well workover programme is set to commence at North West Gemsa and further drilling opportunities at Meseda means that we now expect to grow gross production from this asset in 2019. At South Disouq, completing the Central Processing Facility and achieving first gas from the licence will be a landmark event for SDX. We continue to believe that South Disouq contains considerable upside potential and we look forward to updating the market on further operational progress on the licence in due course. We are also excited to start the 12 well drilling campaign in Morocco in the second half of the year, given the significant drilling success we achieved with our drilling programme last year.

In keeping with SDX's corporate strategy, we are keen to be as cost efficient as possible and we see delisting from the TSXV as a way to achieve further cost savings for the business. SDX continues to assess value accretive M&A opportunities that have the potential to enhance the Company's production scale and generate value for shareholders. We remain upbeat about the year ahead and look forward to updating the market across our operations throughout 2019. "

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. 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.

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).

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, forward-looking information included in this press release includes statements with respect to: anticipated capital expenditures; plans regarding drilling activities and the timing thereof; the Company's plans to replace ESPs in the Meseda area, the timing of first gas at South Disouq concession; the Company's plans regarding the Company's interest in the South Ramadan concession; the Company's plans to redomicile to the UK and the timing thereof; production targets; volume targets; production start-up dates; seismic work, testing and the timing thereof; and the Company's outlook.

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, commodity prices and interest and foreign exchange rates; planned synergies, capital efficiencies and cost savings; future production rates; receipt of necessary permits; the sufficiency of budgeted capital expenditures in carrying out planned activities; the timing of and the Company's ability to obtain regulatory, statutory and shareholder approvals in connection with the Company's plans to redomicile to the UK; and the availability and cost of labor and services.

All timing given in this announcement, unless stated otherwise is indicative and while the Company endeavors to provide accurate timing to the market, it cautions that due to the nature of its operations and reliance on third parties this is subject to change often at little or no notice. If there is a delay or change to any of the timings indicated in this announcement, the Company shall update the market without delay.

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; permitting risks; 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 nine months ended September 30, 2018, 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.

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 volume and production rates 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.

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

THE INFORMATION CONTAINED WITHIN THIS ANNOUNCEMENT IS DEEMED BY SDX TO CONSTITUTE INSIDE INFORMATION AS STIPULATED UNDER THE MARKET ABUSE REGULATION (EU) NO. 596/2014 ("MAR"). ON THE PUBLICATION OF THIS ANNOUNCEMENT VIA A REGULATORY INFORMATION SERVICE ("RIS"), THIS INSIDE INFORMATION IS NOW CONSIDERED TO BE IN THE PUBLIC DOMAIN.

SOURCE [SDX Energy Inc.](#)

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