

SDX Canada arrangement agreement for proposed re-domicile to the UK and Update on the South Disouq Development project

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LONDON, April 8, 2019 - Arrangement Agreement for Proposed Re-Domicile to the UK

Further to the announcement of the Company's plans to relocate its corporate residence from Canada to the UK, with a group reorganisation, and to delist from the TSX-V, [SDX Energy Inc.](#) (TSXV, AIM: SDX), announces that it entered into an arrangement agreement on 5 April 2019 (the "Arrangement Agreement") between the Company and SDX Energy plc ("SDX UK") (a newly incorporated wholly-owned subsidiary of the Company).

Pursuant to the Arrangement Agreement, SDX UK will acquire all of the issued and outstanding common shares in the capital of the Company (the "SDX Canada Shares") in exchange for new ordinary shares in SDX UK ("SDX UK Shares") on a one-for-one basis to facilitate the Company's proposed reorganisation to effect a re-domicile to the United Kingdom (the "Re-Domicile"). In connection with the Re-Domicile, SDX UK will apply for admission to trading of the SDX UK Shares on the AIM market of the London Stock Exchange plc ("AIM"). Upon the admission of the SDX UK Shares to trading on AIM, SDX Canada intends to delist the SDX Canada Shares from the TSX Venture Exchange (the "TSXV") and cancel the admission to trading of the SDX Canada Shares (including depositary interests representing such shares ("Depositary Interests")) on AIM.

In connection with the Re-Domicile, the Company has obtained an interim order from the Court of Queen's Bench of Alberta (the "Court") pursuant to which the Company will send to shareholders of SDX Canada ("SDX Canada Shareholders") a management information circular (the "Circular") setting out the details of the Arrangement and containing a notice of annual and special meeting of SDX Canada to be held at the Holiday Inn London Oxford Circus, Meeting Room 3, 57-59 Welbeck Street, London, W1G 9BL, United Kingdom on May 17, 2019 at 9.00 a.m. (UK time) (the "Meeting").

At the Meeting, among other things, the SDX Canada Shareholders will be asked to approve the Re-Domicile and its implementation by way of an Alberta, Canada, court-approved plan of arrangement (the "Arrangement"), pursuant to the Arrangement Agreement. The Arrangement will result in SDX UK becoming the ultimate parent company of SDX Canada and its subsidiaries (collectively, the "SDX Canada Group" and together with SDX UK and its subsidiaries, the "SDX Group"). SDX UK will have its head office and registered office located in London and SDX UK will be subject to the Companies Act 2006 (as amended).

The Arrangement must be approved by not less than 66⅔ per cent of the votes cast by SDX Canada Shareholders present in person or represented by proxy and entitled to vote at the Meeting. Each SDX Canada Shareholder will be entitled to one vote for each SDX Canada Share held. The Arrangement also requires, among other things, final approval of the Court of Queen's Bench of Alberta (the "Court"). The Court is scheduled to hear the application with respect to final approval of the Arrangement on 21 May 2019, following the Meeting. If the Arrangement is approved by the SDX Canada Shareholders at the Meeting and final approval is granted by the Court, it is intended that the Arrangement will be completed on May 27, 2019 (the "Effective Date") and that the SDX UK Shares will be admitted to trading on AIM on May 28, 2019.

Reasons for the Arrangement

The board of directors of SDX Canada (the "Board") has concluded that the Re-Domicile of SDX Canada is in the best interests of SDX Canada. The decision of the Board to approve the Arrangement for submission to SDX Canada Shareholders was reached after consideration of numerous factors, including among others, the following:

- The determination to proceed with the Re-Domicile was reached as part of a corporate review that included identifying the most efficient and cost effective procedures for managing the business, given the location of SDX Canada's operations in Egypt and Morocco and the location of its management and majority of its directors in London, UK.
- The Board does not believe that the costs associated with maintaining a dual listing on AIM and the TSXV and retaining a corporate domicile under the Canada Business Corporations Act ("CBCA") justifies the benefits. This is especially the case given that approximately 80.02 per cent of the SDX Canada Shares are not held by Canadians and approximately 77 per cent of SDX Canada's average daily trading volumes in 2018 took place on AIM. SDX Canada currently incurs high costs associated with having a dual listing on AIM and on the TSXV and retaining a corporate domicile under the CBCA and on completion of the Re-Domicile and delisting from the TSXV, annual cost savings of between US\$0.5 million and US\$1.0 million are expected to be realized.
- The Board determined that the possibilities for optimizing SDX Canada's tax structure and reducing its regulatory compliance burden would be greater following the Re-Domicile.
- Given the current market appetite in Canada for SDX Canada's business and operations, the Board is of the opinion that there would continue to be a lack of interest from Canadian institutions and, therefore, it does not see any benefit in maintaining a listing on the TSXV.
- The Re-Domicile of SDX Canada to the UK will further raise SDX UK's profile and status amongst (i) UK and European investors who are unable to invest in non-UK domiciled public companies; and (ii) the international oil and gas sector generally. Both of these benefits are expected to provide SDX UK with incremental access to equity capital from an international market with considerable equity research expertise and coverage and a broader, more relevant peer group.
- For the Arrangement to proceed, the Arrangement Resolution must be approved by 66% per cent of the SDX Canada Shareholders, present in person or by proxy at the Meeting.
- SDX Canada's largest shareholder, SDX SPV Limited, which holds 19.48 per cent of the outstanding SDX Canada Shares, as well as other significant shareholders and Board members holding a further 15.64 per cent of the outstanding SDX Canada Shares, have agreed to support the Arrangement pursuant to a voting support agreement.

Terms of the Arrangement

Under the terms of the Arrangement Agreement, if the requisite approval of the Arrangement is obtained from the SDX Canada Shareholders and the Court and the Arrangement is affected, SDX Canada's Shareholders will receive one SDX UK Share for each SDX Canada Share held.

Immediately upon the Arrangement becoming effective, a SDX Canada Shareholder will have the same proportionate interest in the profits, net assets and dividends of SDX UK as they have in SDX Canada immediately prior to the Effective Date. The SDX Group will have the same business and operations immediately after the Effective Date as the SDX Canada Group had immediately before the Effective Date. The assets and liabilities of the SDX Group immediately after the Effective Date will not differ materially from the assets and liabilities the SDX Canada Group had before the Effective Date, save that SDX UK will hold all of the common shares then in issue in SDX Canada.

Deposit and Exchange Procedures

Assuming the Arrangement becomes effective, registered holders of SDX Canada Shares wishing to receive a certificate representing the SDX UK Shares received in exchange for their SDX Canada Shares under the Arrangement, or wishing to have such SDX UK Shares deposited in CREST, will be required to deposit the certificate(s) representing the SDX Canada Shares held by them, along with a duly completed letter of

transmittal ("Letter of Transmittal") delivered to such registered holder along with the Circular, to the TSX Trust Company on the address specified on the last page of the Letter of Transmittal.

If you are a registered holder of Depositary Interests held through CREST, you do not have to complete a Letter of Transmittal. The SDX UK Shares will be credited to the CREST accounts of such holders of Depositary Interests in advance of the SDX UK Shares being admitted to trading on AIM.

Beneficial holders or non-registered holders of SDX Canada Shares or Depositary Interests in SDX Canada Shares should contact the intermediary (e.g. bank, trust company, securities dealer or broker and a trustee or administrator of a self-administered registered savings plan, registered retirement income fund, registered education savings plan or similar plans or other registered holder) who holds their SDX Canada Shares or Depositary Interests on their behalf to arrange for the exchange of their SDX Canada Shares or Depositary Interests.

Where SDX Canada Shares are currently registered in the name of a nominee (e.g. CDS or CEDE & Co.), brokers, financial institutions, trust companies and other Intermediaries are advised that for SDX Canada Shareholders that receive SDX UK Shares under the Arrangement, CREST details must be provided to the nominee (to be forwarded to the Depositary) within 60 days following the Effective Date. The CREST details that are required are outlined on the Letter of Transmittal. If CREST details are not provided to the nominee within 60 days following the Effective Date, a share certificate representing the SDX UK Shares will automatically be issued according to registration instructions provided by the nominee for the SDX Canada Shareholder.

For further information, if you are (i) a registered holder of SDX Canada Shares, please contact the TSX Trust Company, (ii) a beneficial holder of SDX Canada Shares, please contact your dealer or broker, or (iii) if you are a registered or beneficial holder of Depositary Interests, please contact Link Market Services Trustees (Nominees) Limited.

TSX Trust Company

Link Market Services Trustees (Nominees) Limited

North American Toll Free: 1-866-600-5869 Telephone (Inside the UK): 0371 664 0330

Telephone: 416-342-1091

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E-Mail: custodymgt@linkgroup.co.uk

Paul Welch, President & CEO of SDX Canada, commented: "The significant cost savings of this change, combined with the improved liquidity provided by trading on a single exchange, will benefit all shareholders. I appreciate the support of our Canadian shareholders and look forward to working with them as they transition to AIM."

South Disouq Development Project

The current targeted start-up date for gas production at South Disouq of mid-year 2019 is based on an overall development concept, whereby an Early Production Facility ("EPF") will be leased to process the produced gas, prior to completion of the main Central Gas Processing Facility. At present, the final commercial terms of the EPF have yet to be agreed. If ultimately an EPF is not secured, the start-up date for gas production will be delayed until the completion of the main Central Gas Processing Facility, currently expected in Q4 2019.

Paul Welch, President & CEO of SDX Canada, commented: "The potential delay to Q4 2019 for first gas in South Disouq is disappointing. Discussions on the merits of the EPF are ongoing, and we will advise the market when a final decision has been reached."

About SDX Canada

SDX Canada 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 Canada 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 Canada has a 75% working interest in the Sebou concession situated in the Rharrb 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 holding of the Meeting, benefits of the Re-Domicile, obtaining SDX Canada Shareholder approval for the Arrangement, receipt of the final court order and any other regulatory approvals for the Arrangement, the closing of the Arrangement, the proposed delisting of SDX Canada Shares on the TSXV and cancellation of the SDX Canada Shares (and Depositary Interests) on AIM, the approval of the admission of the SDX UK Shares and the currently targeted and potentially delayed targeted start-up date for gas production at South Disouq should be regarded as forward-looking information.

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; general economic conditions in Canada, the U.K. and globally; industry conditions; applicable tax laws; governmental regulation; unanticipated operating events or performance including leasing of the EPF; ability to obtain regulatory and third party consents and approvals; stock market volatility; future production rates; the sufficiency of budgeted capital expenditures in carrying out planned activities; 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; 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 the Circular for a description of additional risks and uncertainties associated with the Arrangement and with the Company's business, including its exploration activities, which will be available on the Company's SEDAR profile at www.sedar.com later today.

The forward-looking information contained in this press release is as of the date hereof and SDX Canada 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.

SOURCE [SDX Energy Inc.](#)

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