

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.



SDX ENERGY INC

19 May, 2017

("SDX" or the "Company")

SDX ENERGY INC. ANNOUNCES ITS QUARTER TO MARCH, 31, 2017 FINANCIAL AND OPERATING RESULTS

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 months ended March 31, 2017. All dollar values are expressed in United States dollars net to the Company unless otherwise stated.

Highlights - three months ended March 31, 2017

Corporate and Financial

) SDX's key financial metrics for the 3 months ended March 31, 2017 and 2016 are as follows;

	Three months ended March 31	
	2017	2016
<i>US\$ million except per unit amounts</i>		
Net Revenues	8.1	2.1
Netback⁽¹⁾	6.1	1.1
Net realized average oil price/service fees - US\$/barrel	44.38	24.46
Net realized average gas price - US\$/mcf⁽²⁾	5.5	-
Netback – US\$/boe	22.62	9.73
Gain on acquisition	29.5	-
Total comprehensive income/ (loss)	26.9	(0.9)
Net cash generated from operating activities	3.1	1.8
Cash and cash equivalents	21.1	8.7

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\$9.29/mcf and Egypt was US\$1.00/mcf

- J Completed acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC from January 27, 2017 for a consideration of US\$28.1 MM. The above financial metrics for the 3 months ended March 31, 2017 reflect the impact of the acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC from January 27, 2017.
- J The Fair Value of the net assets acquired as at January 27, 2017 amounted to US\$57.6 MM, of which US\$3.1 MM related to cash and US\$16.4 MM related to non-cash Working Capital excluding deferred income and decommissioning.
- J The main components of SDX's comprehensive income of US\$26.9 MM for 3 months ended March 31, 2017 are;
 - o US\$6.1 MM Netback for the period
 - o US\$29.5 MM gain on acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC;
 - o US\$3.5 MM of DD&A and US\$2.2 MM of transaction and restructuring costs relating to the above acquisition.

Operational Highlights

- J The Company's share of production from its operations for the three months ended March 31, 2017 was 2,991 BOE/D analysed as follows;
 - o North West Gemsa 1,904 BOE/D
 - o Meseda 646 BBL/D
 - o Morocco 441 BOE/D
- J On a pro forma basis, assuming the acquisition of the Egyptian and Moroccan businesses of Circle Oil PLC had completed on January 1, 2017, the Company's share of production from its operations for the three months ended March 31, 2017 would have been 3,935 BOE/D analysed as follows;
 - o North West Gemsa 2,662 BOE/D
 - o Meseda 646 BBL/D
 - o Morocco 627 BOE/D

Egypt

- J In North West Gemsa, the Company and the operator commenced a technical review to determine how best to extend economic field life through optimising field operations and potentially drilling additional wells post-unitization discussions.
- J In Meseda, the Company completed a six well workover program covering tubing and pump maintenance aimed at improving future production uptime. The Company also progressed the

Meseda facility capacity upgrade by securing a two phase separator, the key piece of equipment for this project. This is now being shipped from the UAE to Egypt for installation. Finally, a tender was launched to acquire six optimised Electrical Submersible Pumps (“ESPs”) which will substantially increase production when installed. The production increase relating to the ESPs and facility capacity upgrade is expected to materialize in Q3 2017.

- J In South Disouq the Company completed site construction work, installed conductor pipe and mobilized the rig, culminating in the spud of the SD-1X exploration well on March 23, 2017.
- o The SD-1X well logged 82 feet of net pay in the Abu-Madi formation, which was divided among three separate reservoir packages. Average porosity in the net pay section was 25%. A series of pressure measurements was taken and showed the reservoir to have initial pressures of approximately 3,100-3,200 psi, with measured mobilities in excess of one Darcy. Preliminary work shows that the system may have condensate to gas ratios up to 70 bbls/mmscf, which is above pre-drill estimates;
 - o The well was subsequently drilled to a final total depth of 11,068 feet with hydrocarbons being encountered in the deeper intervals indicating a working petroleum system within this section. The well also confirmed the presence of the deeper prognosed reservoir intervals but due to difficult wellbore conditions a decision was made not to complete this interval at the current location.
 - o The well will now be completed as a gas discovery in the Abu-Madi formation and a detailed testing program will be undertaken after the rig has been moved off location.
- J At the South Ramadan development concession, a technical review of prospectivity has been completed and an evaluation of project economics is underway. An extension to complete the drilling commitment has been requested from the government with any drilling now being planned in 2018.

Morocco

- J In Sebou, the Company undertook preliminary site assessments and basic engineering work for the three development and two exploration wells planned for H2 2017.
- J In Q2 2017, SDX received confirmation of the renewal of the Sebou exploration permit for eight years after committing to drill three exploration wells in the first four years. Two of these exploration wells are included in the H2 2017 drilling program. SDX also received confirmation of extensions to the following producing concessions in Sebou;

- Gueddari NW to 2 February 2019;
- Gueddari Sud to 18 January 2020;
- Sidi Al Harati SW to 20 September 2023; and
- Ksiri Central to 18 January 2025

) In Lalla Mimouna, SDX completed preliminary site assessments and basic engineering work for two exploration wells to be drilled in H2 2017. In early Q2 2017, SDX received confirmation that the Lalla Mimouna permit was extended until March 2018.

Outlook:

Egypt

-) North West Gemsa
 - Complete 12 well workover program focused on ESP installation/maintenance and tubing maintenance to ensure production uptime; and
 - Complete unitization arrangement with offset operator and prepare for any additional development activities.

-) Meseda
 - Drill two development wells (pending government approval) and two exploration wells;
 - Replace up to six ESPs; and
 - Continue with waterflood program and facility capacity upgrade.

-) South Disouq
 - Complete testing of SD-1X discovery well;
 - Commence development planning and gas marketing with a view to achieving commercial production by Q1 2018; and
 - Prepare for entering into the second exploration phase to continue the targeting of the deeper oil potential confirmed in SD-1X.

Morocco

-) Sebou
 - Drill up to five wells in H2 2017 - three development and two exploration; and
 - Increase gas volumes to existing customers and agree contracts with, and start supplying volumes to, new customers.

-) Lalla Mimouna
 - Drill two exploration prospects in H2 2017.

Corporate

- J Continue to explore opportunities to expand asset base in the North Africa region; and
- J 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:

"The start of 2017 has been a busy period for the Company and we have made great strides in further developing our asset base across the portfolio. We were pleased to announce a successful drilling result at South Disouq, making a gas discovery in the first target and encountering reservoir horizons and evidence of a working petroleum system at the second target. We have also made strong operational progress in Morocco and given the attractive local gas market are on track to drill seven additional wells this year to further grow our high margin production in the region.

"We are also pleased to report that our other high margin producing assets in Egypt, North West Gemsa and Meseda, continue to perform in line with expectations. We have started the year with good momentum and we look forward to capitalising on the opportunities ahead and updating our stakeholders on developments at the Company's key projects over the coming months."

KEY FINANCIAL & OPERATING HIGHLIGHTS

Unaudited interim consolidated financial statements with Management's Discussion and Analysis for Q1 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 March 31	
<i>US\$000s except per unit amounts</i>		2017	2016
FINANCIAL			
Gross Revenues	8,436	11,124	2,789
Royalties	(3,082)	(2,988)	(679)
Net Revenues⁽¹⁾	5,354	8,136	2,110
Operating costs	(1,752)	(2,048)	(999)
Netback	3,602	6,088	1,111
Total comprehensive (loss)/income	(2,059)	26,947	(833)
per share – basic (US\$)	(0.03)	0.17	(0.02)
Cash, end of period	4,725	21,052	8,671
Working capital (excluding cash)	7,098	18,987	(3,257)
Capital expenditures	856	822	5,819
Total assets	41,617	132,794	64,907
Shareholders' equity	37,264	103,464	54,457
Common shares outstanding (000's)	79,844	186,900	37,642
OPERATIONAL			
Oil sales (bbl/d)	468	1,493	606
Gas sales (boe/d) ⁽²⁾	3,273	812	-
NGL Sales (bbl/d) ⁽²⁾	445	40	-
Production service fee (bbl/d)	679	646	646
Total oil sales and production service fee boe/d	4,865	2,991	1,252
Realized oil price (US\$/bbl)	44.56	48.73	28.69
Realized service fee (US\$/bbl)	31.12	34.34	18.51
Realized oil sales price and service fees (\$/bbl)	36.60	44.38	24.46
Realized gas price (US\$/mcf)	1.22	5.50	-
Realized NGL price (US\$/bbl)	57.73	47.17	-
Average realized price - all products (US\$/boe)	18.85	41.33	24.46
Royalties (\$/bbl)	6.89	11.10	5.96
Operating costs (\$/bbl)	3.91	7.61	8.77
Netback (\$/bbl)	8.05	22.62	9.73

Notes:

(1) Net Revenues for the 3 months ended 31 December 2016 includes US\$2.3 MM relating to gas and natural gas liquids revenue relating to the period October 1, 2013 to December 31, 2016. This revenue had previously not been recognised due to uncertainties relating to entitlement and pricing which have now been resolved.

(2) Average daily natural gas and natural gas liquids sales relating to the period October 1, 2013 to December 31, 2016 and recognised in the 3 months to December 31, 2016 equated to 3,718 barrels of oil equivalent ("BOE/D") for the 3 months to December 31, 2016.

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 Rharb 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 two high impact exploration opportunities, South Disouq in Egypt and Lalla Mimouna 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.

Unless otherwise defined, capitalised terms used in this announcement have the same meaning as set out in the Acquisition Announcements.

For further information:

SDX Energy Inc.

Paul Welch
President and Chief Executive Officer
Tel: +44 203 219 5640

Mark Reid
Chief Financial Officer
Tel: +44 203 219 5640

Cantor Fitzgerald Europe (Nominated Adviser & Joint Broker)

Sarah Wharry/Craig Francis
Tel: +44 207 894 7000

GMP FirstEnergy (Joint Broker)

Jonathan Wright/David van Erp
Tel: +44 207 448 0200

Celicourt (PR)

Mark Antelme/ Joanna Boon
Tel: +44 207 520 9260

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.

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 installation of ESPs in Meseda and the results thereof; planned drilling at the South Ramadan concession; the well workover program and unitization arrangement at North West Gemsa; planned exploratoins and/or development wells at Meseda, South Disouq, Sebou and Lalla Mimouna; 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 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.

Risks and Uncertainties

With regards to the information provided on the results of the SD-1X well, there is still a +/-50% uncertainty concerning the volume of the encountered section 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*.

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).

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.