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20 August 2020

**SDX ENERGY PLC ("SDX" or the "Company")**  
**ANNOUNCES H1 2020 FINANCIAL AND OPERATING RESULTS**

SDX Energy Plc (AIM: SDX), the MENA-focused oil and gas company, is pleased to announce its unaudited financial and operating results for the six months ended 30 June 2020. All monetary values are expressed in United States dollars net to the Company unless otherwise stated. SDX management will be hosting a conference call today at 3:00pm UK time, details of which can be found in the release below.

Mark Reid, CEO of SDX, commented:

*"We are very pleased with what has been a strong first half of 2020 for SDX, despite the many challenges faced in the period. Production hit record levels and we made some important discoveries in both Egypt and Morocco, which have added significant value to the Company's portfolio, with the Sobhi discovery, in which we have a 100% working interest, expected to be brought on stream in Q1 2021. Our drilling success has also opened up new exploration prospects that we expect to be of significant value to us. With eight confirmed discoveries from our Egypt and Morocco drilling campaigns and one well still to be tested, reduced G&A expenses and a successful disposal, we have allocated capital with success and discipline in the period.*

*We enter the second half of 2020 in a very strong position with minimal upcoming capital commitments, a strong balance sheet, and a portfolio of fixed and high price gas assets which will generate significant free cash flow. We will continue to implement our strategy for the remainder of the year, focusing on ways that we can further grow the business, both organically and inorganically, in the best interests of all stakeholders."*

**H1 2020 Operations Highlights**

- H1 2020 average entitlement production of 6,980 boe/d, an increase of 97% from H1 2019 and 72% higher than average production during FY 2019 (4,062 boe/d) due to strong production levels mainly from South Disouq, which continued to perform ahead of expectations at gross production of 49.7 MMscf/d of dry gas and 486 bbl/d of condensate (52.6 MMscfe/d) equating to 4,825 boe/d net to SDX.
- The South Disouq two-well drilling campaign was completed during the period, with the second well, SD-12X (100% working interest to SDX), being a commercial discovery in the Kafr el Sheikh formation, and management estimating 24 bcf of recoverable resources. Plans are underway to connect SD-12X to the Company's gas processing plant via a 5.8km flow line to the Ibn Yunus-1X well location with production expected in Q1 2021. Based upon well-test data, it is anticipated that when connected, the well will produce at a stabilised rate of 10-12 MMscf/d.
- Following the success of SD-12X, management is looking to high grade a number of additional, adjacent and now de-risked, material prospects for drilling in the next two to three years.
- Moroccan drilling campaign has resulted in seven discoveries from nine wells drilled to date, with the tenth well, LMS-2, completed and awaiting crew mobilisation for testing. Discoveries at OYF-2 and BMK-1 confirm the prospectivity in SDX's existing core production and development area extends to the north, and have de-risked c.20 bcf of P50 prospective resources. All

objectives of the drilling campaign were achieved with 10 wells with the final two wells deferred in order to preserve capital.

- Following the drilling campaigns at South Disouq and Morocco, SDX has incurred the majority of its planned capex for 2020.
- Post-period end it was announced that the Company has sold its 50% working interest in the non-core North West Gemsa ("NW Gemsa") licence, situated in the Eastern Desert of Egypt for US\$3.0 million, of which US\$1.4 million was used to discharge the Company's remaining liabilities on the licence. The net US\$1.6 million proceeds exceeded management's expectations.

### **H1 2020 Financial Highlights**

The table below reflects the results from the North West Gemsa concession, which was held for sale as at 30 June 2020, as a discontinued operation (as required by IFRS). All revenues, costs and taxation from this asset have been consolidated into a single line item "profit/(loss) from discontinued operations" in both periods reported. Per unit metrics do not include North West Gemsa.

	Six months ended 30 June (unaudited)	
	2020	2019
<i>US\$ million except per unit amounts</i>		
<b>Net revenues</b>	<b>22.0</b>	<b>15.5</b>
<b>Netback<sup>(1)</sup></b>	<b>17.2</b>	<b>12.5</b>
<b>Net realised average oil service fees - US\$/barrel</b>	<b>30.18</b>	<b>50.57</b>
<b>Net realised average Morocco gas price - US\$/mcf</b>	<b>10.35</b>	<b>10.28</b>
<b>Net realised South Disouq gas price - US\$/mcf</b>	<b>2.85</b>	<b>N/A</b>
<b>Netback - US\$/boe</b>	<b>15.25</b>	<b>43.98</b>
<b>EBITDAX<sup>(1) (2)</sup></b>	<b>15.3</b>	<b>9.3</b>
<b>Exploration &amp; evaluation expense<sup>(3)</sup></b>	<b>(5.1)</b>	<b>(0.6)</b>
<b>Depletion, depreciation, and amortisation</b>	<b>(12.0)</b>	<b>(7.9)</b>
<b>Profit/(loss) from discontinued operations</b>	<b>1.1</b>	<b>(0.1)</b>
<b>Total comprehensive loss</b>	<b>(4.0)</b>	<b>(0.4)</b>
<b>Capital expenditure</b>	<b>19.4</b>	<b>21.8</b>
<b>Net cash generated from operating activities<sup>(4)</sup></b>	<b>10.0</b>	<b>4.3</b>
<b>Cash and cash equivalents</b>	<b>9.3</b>	<b>11.2</b>

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

(2) EBITDAX for H1 2020 includes US\$2.7 million of non-cash revenue relating to the grossing up of Egyptian corporate tax on the South Disouq PSC which is paid by the Egyptian State on behalf of the Company.

(3) US\$4.5 million of non-cash Exploration & Evaluation ("E&E") write offs in total are included within this line item.

(4) Excludes discontinued operations.

- Netback: H1 2020 Netback of US\$17.2 million, 38% higher than H1 2019, was driven by a full half year of production above expectations from South Disouq. This effect was partly offset by lower production in Morocco due to COVID-19 shutdowns and lower production in West Gharib due to increased water cut and lower oil service fee realisations. Operating expenses were US\$1.7 million higher predominantly due to South Disouq starting up in November 2019. The lower per unit netback of US\$15.25/boe in 2020 (2019: US\$43.98/boe) results from the contribution of South Disouq in 2020 which has high volume, lower netback production, versus 2019 which did not include South Disouq and therefore reflected a higher proportion of volumes from Morocco, which achieves high netbacks.
- EBITDAX: H1 2020 EBITDAX of US\$15.3 million was 65% higher than H1 2019 of US\$9.3 million due to higher Netback, lower recurring G&A expenses and lower transaction costs in 2020, partly offset by a non-recurring stock-based compensation credit in 2019 following the departure of two senior employees.
- Depletion, depreciation and amortisation ("DD&A"): H1 2020 DD&A charge was higher at US\$12.0 million compared to US\$7.9 million in H1 2019 due to South Disouq start up in Q4 2019, partly offset by a reduced charge in Morocco following 2P reserves additions from the recent drilling campaign in Q4 2019/Q1 2020, and lower production.
- Non-cash E&E write offs: Charges totalling US\$4.5 million following the drilling of two sub-commercial wells, SD-6X in South Disouq and SAH-5 in Morocco.
- Operating cash flow (before capex, excluding discontinued operations): H1 2020 operating cash flow (before capex, excluding discontinued operations) of US\$10.0 million, higher than H1 2019 of US\$4.3 million primarily due to the EBITDAX drivers discussed above, as well as a reduction in accounts receivable during the period.
- Capex: H1 2020 capex of US\$19.4 million, reflecting:
  - US\$12.2 million (including US\$0.5 million of decommissioning provisions) for the Moroccan drilling campaign, well tie-ins and customer connections;
  - US\$6.0 million for the drilling of the SD-6X (SDX: 55% interest) and SD-12X (SDX: 100% interest) wells in South Disouq (including US\$0.2 million of decommissioning provisions and a US\$0.3 million development lease bonus for the SD-12X discovery);
  - US\$0.5 million for additional work and insurance spares at the South Disouq Central Processing Facility ("CPF");
  - US\$0.5 million for drilling/workovers in West Gharib; and
  - US\$0.2 million for Morocco facilities and customer connections
- Liquidity: Closing cash as at 30 June 2020 was US\$9.3 million with the US\$7.5 million EBRD credit facility remaining undrawn and available up to 1 November 2020 at which point it will amortise to US\$2.5 million of availability.
- Together with cash generated from operations, the Company is fully funded for all of its planned activities in 2020 and 2021.

### **COVID-19 update**

- During the second half of March 2020 and into April 2020, COVID-19 containment restrictions in Morocco temporarily impacted our operations, with three customers being required to close their operations. However, in early May these same customers re-started production and as at 30 June 2020 had returned to approximately 60% of their pre-closure consumption rates. Whilst some restrictions have been eased, there remains uncertainty as to when production

will return to pre-COVID-19 levels and accordingly the Company is revising its full year production guidance for the Moroccan business to 5.3 - 6.0 MMscf/d (gross), from 6.7 - 6.9 MMscf/d (gross). Previously the Company had highlighted that should the three customers remain closed down for three months, then FY 2020 guidance would be revised to 5.7 - 6.2 MMscf/d (gross) and if the close down extends to six months, then the guidance would be revised to 5.0 - 5.5 MMscf/d (gross). Gross consumption for H1 2020 was 5.7 MMscf/d and the bottom end of the updated guidance of 5.3 - 6.0 MMscf/d (gross) reflects the potential risk of further shutdowns in H2 2020 if a second spike of COVID-19 infections occur. Egyptian production remains unaffected by COVID-19 at present. The Company continues to follow applicable government guidance in each of its territories.

### **2020 Guidance**

- 2020 production guidance has been revised to take account of the disposal of NW Gemsa and the impact of COVID-19 on production in Morocco. As such, the Company's revised 2020 full year guidance is set at 6,000 - 6,250 boe/d (original guidance of 6,750 - 7,000 boe/d). The revised 2020 production guidance is 48-54% higher than 2019 actual production.
- 2020 capex guidance has been revised down to US\$26.2 million from US\$28.2 million as per the Company's Q1 2020 operating and financial results provided on 20 May 2020. The revision reflects the removal of US\$2.0 million of budgeted NW Gemsa workover costs that will not be incurred by the Company following the sale of the asset.

### **Outlook**

- The Company is well-placed to weather the current macroeconomic uncertainties and continues to screen a number of business development opportunities.
- Cash generation is expected to continue strongly in the second half of 2020 as approximately 90% of the Company's cash flows are expected to be generated from fixed-price gas businesses.
- 2020 and 2021 work programmes are fully funded.
- The Company continues to assess the optimum use of its capital, whether that be investment into new projects or returning cash to shareholders. At present it is felt that continued investment into new projects is the optimum use of the Company's capital, however this will be assessed on an ongoing basis.

### **Operations Update**

#### **H1 2020 Production and Full Year Guidance**

- H1 2020 actual entitlement production of 6,980 boe/d, an increase of 97% from H1 2019, with South Disouq and West Gharib exceeding guidance. Full year guidance has been revised to approximately 6,000 - 6,250 boe/d from 6,750 - 7,000 boe/d to reflect the disposal of the non-core NW Gemsa concession and lower consumption expectations in Morocco which has been impacted by COVID-19 shutdowns. Given this, our revised full year guidance for Morocco is 5.3 - 6.0 MMscf/d which is representative of actual production achieved in H1 2020 (original guidance of 6.7 - 6.9 MMscf/d). An analysis of production by asset is as follows:

Asset	Gross production		SDX entitlement production		
	Actual - 6 months ended 30 June 2020	Guidance - 12 months ended 31 December 2020	Guidance - 12 months ended 31 December 2020	Actual 6 months ended 30 June 2020	Actual 6 months ended 30 June 2019
<b>Core assets</b>					
South Disouq - WI 55%	52.6 MMscfe/d	47 - 49 MMscfe/d	4,300 - 4,460	4,825	-
West Gharib - WI 50%	3,395 bbl/d	3,200 - 3,300 bbl/d	610 - 630	647	822
Morocco - WI 75%	5.7 MMscf/d	5.3 - 6.0 MMscf/d	663 - 750	707	745
<b>Non-core assets</b>					
NW Gemsa - WI 50%	N/A - now disposed	N/A - now disposed	385	769	1,972
South Ramadan - WI 12.75 %	251 boe/d	-	42	32	-
<b>Total</b>			<b>6,000 - 6,267</b>	<b>6,980</b>	<b>3,539</b>

- *South Disouq (W.I. 55%):* The South Disouq asset has performed above expectations during H1 2020, with all four wells flowing ahead of expected rates and the CPF achieving higher than planned levels of uptime. During Q2 2020, a well testing program was carried out as part of scheduled reservoir management activities. Scheduled CPF maintenance is planned for Q3 2020 and one of the four wells, SD-4X, will be produced at lower rates during H2 2020 until a planned workover to reduce water production, as a result of poor cement job when the well was originally completed, is carried out in Q1 2021 after SD-12X (SDX W.I. 100%) has been brought on stream. Notwithstanding the above, the Company re-iterates its full year guidance of gross production of 47 - 49 MMscfe/d.
- *West Gharib (W.I. 50%):* A new production well, Rabul-3, was successfully drilled, completed and tied into the field production system during H1 2020. Although the existing well stock experienced increasing water cut during the half year, production in the period was higher than guidance albeit lower than the same period in 2019. Given the above, the Company re-iterates its full year guidance of gross production of 3,200 - 3,300 bbl/d for 2020.
- *Morocco (W.I. 75%):* As previously reported, following a period of strong demand in January and February, three customers accounting for 50% of normal daily consumption were required to close between mid-March and early May due to COVID-19 restrictions imposed by the Government of Morocco. Since the recommencement of production, these customers have gradually increased their consumption to c.60% of pre-closure levels, which is constrained by ongoing virus containment measures. The situation in-country remains uncertain and as a result, guidance for this business for FY 2020 has been revised from 6.7 - 6.9 MMscf/d to 5.3 - 6.0 MMscf/d.
- *NW Gemsa (W.I. 50%):* The Company sold its 50% working interest in this asset in July 2020, with an effective date of 1 April 2020. Gross production to 31 March 2020 was 3,076 boe/d (1,538 boe/d net to SDX), which equates to equivalent actual entitlement production to the Company of 769 boe/d for H1 2020 and 385 boe/d for the full year. Prior to its sale, the field exceeded expectations, primarily due to a slower rate of pressure depletion and water cut increase.

- *South Ramadan (W.I. 12.75%):* South Ramadan, situated offshore in the Gulf of Suez, commenced production in Q2 2020 at approximately gross 350 bbl/d. Post completion of an acid stimulation operation, production is expected to stabilise during H2 2020 at gross 400 - 500 bbl/d.

## **2020 Drilling and Operations**

### *Morocco drilling campaign update (SDX 75% working interest)*

- Two close to infrastructure appraisal/development wells were drilled in Q1 2020. The first well, SAH-5, encountered sub-commercial volumes of gas and was plugged and abandoned. The second well, SAH-3, was drilled to a measured depth of 1,129 metres and encountered 5.5 metres of gas sands across two intervals. Management estimates that approximately 0.5 bcf is recoverable from this well, which is expected to be tied into production infrastructure later in 2020 to support customer demand.
- Two subsequent step-out exploration wells, OYF-2 and BMK-1, have confirmed that the Company's core productive area extends to the north. The OYF-2 well intersected both pre-drill targets in the Upper and Lower Guebbas horizons, and has been successfully tested. Management estimates that 1.3-1.9 bcf of gas is recoverable from the horizons encountered at OYF-2. The BMK-1 well, further to the north, also encountered gas in both the Upper and Lower Guebbas horizons, albeit due to downhole issues only the former could be logged and completed. Management estimates that 0.9 bcf of gas is recoverable from both of these horizons. The BMK-1 well will be tested in the coming months once COVID-19 restrictions have been lifted.
- Significantly, the OYF-2 and BMK-1 wells have de-risked up to 20 bcf of adjacent P50 prospective resources for future drilling, of which approximately 10 bcf is located in and around BMK-1.
- The final well of the campaign, LMS-2 well in the Lalla Mimouna concession, encountered a 10.6 metre net gas reservoir with 30.9% porosity. The LMS-2 gas has a different thermogenic composition from the gas in our core productive area which suggests that it is from a new, and likely deeper, source rock. The well has been cased and completed and it will be perforated and tested to determine its potential when changes to COVID-19 restrictions make it possible to bring a well testing crew into the country.
- Following the play-opening discoveries made during the campaign, the Company is undertaking an analysis to optimise tie-in costs and future drilling activity in this new area.
- Having fulfilled the objectives for the Morocco campaign, being: (i) to add 2P reserves in and around its existing infrastructure; (ii) to determine if its existing producing area extends to the north; and (iii) to test the prospectivity within the Lalla Mimouna concession, the Company decided not to drill the final two planned wells. As these last two wells would not have been immediately tied into the Company's infrastructure or contributed cash flows in the near term, the Company has chosen to preserve its capital and postpone, at no incremental cost, these last two wells for a future campaign.
- The above developments will allow the Company to significantly extend reserve life and continue to support lower CO<sub>2</sub> emissions at our customers.

### *South Disouq Egypt exploration drilling campaign update (SDX 55% working interest)*

- Having concluded well planning in late Q4 2019, the SD-6X (Salah) well was drilled in Q1 2020, to a total depth of 3,167 metres. The well encountered 1.7 metres of net gas bearing sand in the Kafr El Sheikh Formation (average porosity 34%), 1.0 metre of net gas bearing sand in the Abu-Madi Formation which has 143 metres of high quality net reservoir (average porosity 24%) and 258

metres of high quality net reservoir in the Qawasim Formation (average porosity 20%). The gas sands in both the Kafr El Sheikh and Abu Madi were deemed to be sub-economic and the Qawasim had low gas saturation. The thinner than expected gas columns encountered in SD-6X were attributable to the absence of a sealing mechanism in the stratigraphic traps being targeted by the well.

- The rig then moved to the site of the next drilling location, the SD-12X (Sobhi) exploration well, and was spud on 18 March 2020. The well was drilled to a measured depth of 2,415 metres, encountering 36 metres net of high-quality gas-bearing sands, with an average porosity of 20%, near the base of the Kafr El Sheikh ("KES") formation. The top of the KES sand was encountered at a measured depth of 2,169 metres. Management's best estimate is that the well has encountered approximately 24 bcf of recoverable gas resources which is significantly in excess of the minimum commercial volume of approximately 8 bcf.
- Subsequently, the Company conducted a drill stem test (DST) in April 2020 during which, following clean-up and a shut-in period, a maximum rate of 25 MMscf/d on a 54/64" choke was recorded during the main flowing period. This initial flow test was followed by a three hour period flowing at a stable rate of 15 MMscf/d on a 28/64" choke and then a further four hours flowing at a stable rate of 10 MMscf/d on a 16/64" choke. The well was then shut in for a 12-hour build-up period during which pressure continued to increase back to pre-test levels. After the DST the well was completed with a gravel-pack and an extended well test ("EWT") conducted. During the EWT the well was flowed at rates of 9, 13 and 15 MMscf/d for 12, 8 and 28 hours at 25/64", 36/64" and 44/64" choke respectively. The well performance and EWT test data suggested that, when completed, the well will produce at an optimum stabilised rate of 10-12 MMscf/d which is in line with the nearby Ibn Yunus-1X producing well. The well is expected to produce mostly dry gas.
- Management expects that the Sobhi well will be tied in during 2020/21 via a 5.8 kilometre connection to the Ibn Yunus-1X location where an existing flow-line connects down to the South Disouq CPF. On a gross basis, the tie-in cost is estimated at US\$3.5 million. The discovery will potentially only require one further development well to be drilled, which will not be necessary for another two to three years. SDX drilled the Sobhi well at a 100% working interest and the total cost of the well, including the cost to complete and test, was US\$4.0 million. Management expects the Sobhi well to commence production in Q1 2021 when the SD-4X well is taken offline for a workover.
- The Company's partner has confirmed that, due to the premium that would be payable if it exercised its back-in rights under the Joint Operating Agreement, it will not participate in the development of the Sobhi discovery.
- Post the discovery at SD-12X, SDX has been undertaking a review of remaining prospectivity in the South Disouq acreage identifying material low-risk prospects. The work has focussed on, but has not been restricted to, the now de-risked basal Kafr el Sheikh play, with a number of features having been identified and advanced to prospect status. The basal Kafr el Sheikh play has so far been identified to contain approximately 73bcf recoverable volumes (management estimate) with a number of additional significant features yet to be fully defined. During the review process, leads and prospects have been identified in other plays that have been proven to exist in either the South Disouq concession or in adjacent acreage. Additional features have been identified in the shallow Kafr el Sheikh horizon, leads in the 10 to 20bcf recoverable range have been identified in the Abu Madi play and prospects and leads are being analysed in a "buried hill" play that is analogous to producing fields in adjacent acreage. With the buried hill play, one feature has been worked to prospect status and is estimated to contain approximately 23bcf recoverable volumes (management estimate). Other, similar sized buried hill features have been identified plus one much larger feature and these are currently being worked to prospect status. Negotiations are underway with the Egyptian authorities for an extension of the existing licences to enable SDX to pursue the material opportunities that have been identified.

### West Gharib Egypt exploration drilling campaign update (SDX 50% working interest)

- During Q1 2020, the Rabul-3 development well in the West Gharib Concession in Egypt was drilled to a total depth of 1,710 metres and encountered approximately 39 metres of net heavy oil pay across the Yusr and Bakr formations. The Yusr and Bakr formations are of excellent reservoir quality with an average porosity of 21%. The well was completed as a producer in mid-April 2020, with both formations being perforated. After connection to the CPFs at West Gharib and clean-up, the well has produced at the expected average stabilised rate of approximately 300 bbl/d.

### **2020 Capex Guidance**

- 2020 capex guidance has been revised down to US\$26.2 million from US\$28.2 million as per the Company's Q1 2020 operating and financial results provided on 20 May 2020. The revision reflects the removal of US\$2.0 million of budgeted NW Gemsa workover costs that will not be incurred by the Company following the sale of the asset. Guidance for all other assets is maintained, however the Company will continue to exercise prudent capital discipline when evaluating expenditure for the remainder of this year, particularly given current macroeconomic circumstances.
- These points are explained further in the following analysis of the revised US\$26.2 million 2020 capex guidance.
  - US\$10.7 million at South Disouq which is for the drilling of two exploration wells (SD-6X: SDX 55% interest and SD-12X: SDX 100% interest), the tie in costs for the successful SD-12X well to the CPF (SDX 100% interest), well workovers, CPF equipment spares and a deposit on the booster compressor planned for South Disouq in 2021. Capex incurred as at 30 June 2020 represents the dry-hole cost of the non-commercial SD-6X well, the costs of drilling, completing and testing the SD-12X discovery well (including decommissioning provision and development bonus) and equipment spares for the CPF;
  - US\$2.0 million for up to three appraisal/development wells in West Gharib; and
  - US\$13.5 million covering the Morocco drilling campaign, which completed in March, and new well connections and customer infrastructure which are expected to be incurred in H2 2020.

Asset	Guidance - 12 months ended 31 December 2020	Actual - 6 months ended 30 June 2020
<b>Core assets</b>		
South Disouq - WI 55%	US\$10.7 million	US\$6.5 million <sup>(1)</sup>
West Gharib - WI 50%	US\$2.0 million	US\$0.5 million
Morocco - WI 75%	US\$13.5 million	US\$12.4 million <sup>(2)</sup>
<b>Non-core asset</b>		
NW Gemsa - WI 50%	US\$nil million	US\$nil million
<b>Total</b>	<b>US\$26.2 million</b>	<b>US\$19.4 million</b>

<sup>(1)</sup> Includes US\$0.2 million of non-cash decommissioning provisions

<sup>(2)</sup> Includes US\$0.5 million of non-cash decommissioning provisions

### **H1 2020 Financial Update**

- Netback for the six months to 30 June 2020 was US\$17.2 million, 38% higher than the Netback of US\$12.5 million for the six months to 30 June 2019, driven by:
  - Net revenue increase of US\$6.5 million due to:
  - US\$10.6 million of South Disouq revenue, following production start up in Q4 2019 offset by;



- US\$3.9 million lower revenue at West Gharib due to lower realised service fees (H1 2020: US\$30.19/bbl, H1 2019: US\$50.57/bbl) and lower production (H1 2020: 647 bbl/d, H1 2019: 822 bbl/d); and
  - US\$0.3 million lower revenue in Morocco due to decreased production caused by shutdowns required by COVID-19 restrictions (H1 2020: 707 boe/d, H1 2019: 745 boe/d)
  - Operating costs increasing by US\$1.7 million from prior period due to the commencement of production at South Disouq and South Ramadan, partly offset by lower costs at each of the other assets.
- EBITDAX for the six months to 30 June 2020 was US\$15.3 million, US\$6.0 million (65%) higher than EBITDAX of US\$9.3 million for the six months to 30 June 2019, due to higher Netback and lower G&A expenses due to the absence in 2020 of transaction costs associated with the Company's redomicile to the UK in 2019 and redundancy costs for two senior employees who left in Q2 2019.
- The main components of SDX's comprehensive loss of US\$4.0 million for the six months ended 30 June 2020 are:
  - US\$17.2 million Netback;
  - US\$5.1 million of E&E expense, of which:
    - US\$2.3 million represents the write-off of the sub-commercial SD-6X well in South Disouq, including associated 3D seismic costs;
    - US\$2.2 million is the write off of the sub-commercial SAH-5 well in Morocco, including associated 3D seismic costs; and
    - US\$0.6 million relates to ongoing new venture activity.
  - US\$12.0 million of DD&A expense reflects increased charges due to South Disouq start up in Q4 2019, partly offset by a lower charge in Morocco following 2P reserve additions from Q4 2019/Q1 2020 drilling;
  - US\$2.0 million of ongoing G&A expense, including US\$0.1 million of transaction costs associated with the disposal of NW Gemsa;
  - US\$2.7 million of Egyptian corporation tax for South Disouq; and
  - US\$1.1 million profit from discontinued operations representing the result from the NW Gemsa field up to 31 March 2020 prior to its sale.

*Operating cash flow (before capex, excluding discontinued operations)*

- Operating cash flow (before capex, excluding discontinued operations): H1 2020 operating cash flow (before capex, excluding discontinued operations) of US\$10.0 million, higher than H1 2019 of US\$4.3 million primarily due to the EBITDAX drivers discussed above, as well as a reduction in accounts receivable during the period.

**CAPEX**

- US\$19.4 million of capital expenditure has been invested into the business during the six months to 30 June 2020:
  - US\$12.2 million (including US\$0.5 million of decommissioning provisions) for the Moroccan drilling campaign;
  - US\$6.0 million for the drilling of the SD-6X (SDX: 55% interest) and SD-12X (SDX: 100% interest) wells in South Disouq (including US\$0.2 million of decommissioning provisions and a US\$0.3 million development lease bonus for the SD-12X discovery);
  - US\$0.5 million for additional work and insurance spares at the South Disouq CPF;
  - US\$0.5 million for drilling and workovers in West Gharib; and

- US\$0.2 million for Morocco facilities and customer connections.

#### Liquidity update

- Closing cash as at 30 June 2020 was US\$9.3 million with the US\$7.5 million EBRD credit facility remaining undrawn. In April, the Company and EBRD agreed a waiver from the scheduled amortisation of the facility which was due on 1 May 2020. The waiver resulted in availability remaining at US\$7.5 million up until 1 November 2020 rather than reducing to US\$5.0 million.
- The Company is in discussions with the EBRD to extend the tenor and re-establish the full availability of the US\$10 million credit facility.

#### Corporate update

- The Company is well-placed to weather the current macroeconomic uncertainties and continues to screen a number of business development opportunities.
- In the period SDX announced the appointment of Catherine Stalker as independent non-executive Director effective 6 February 2020.

### KEY FINANCIAL & OPERATING HIGHLIGHTS

	<b>Six months ended 30 June</b>	
<i>\$000s except per unit amounts</i>	<b>2020 (unaudited)</b>	2019 (unaudited)
<b>FINANCIAL</b>		
Gross revenues	27,095	15,843
Royalties	(5,144)	(356)
<b>Net Revenues</b>	<b>21,951</b>	<b>15,487</b>
Operating costs	(4,709)	(3,014)
<b>Netback (1)</b>	<b>17,242</b>	<b>12,473</b>
<b>EBITDAX (1)</b>	<b>15,327</b>	<b>9,311</b>
Total comprehensive loss	(3,954)	(354)
Net loss per share - basic	\$(0.019)	\$(0.002)
Cash, end of period	9,275	11,195
Capital expenditures	19,375	21,818
Total assets	129,246	140,112
Shareholders' equity	94,390	115,346
Common shares outstanding (000's)	204,723	204,723
<b>OPERATIONAL</b>		
NW Gemsa sales (bbl/d)	769	1,972
West Gharib production service fee (bbl/d)	647	822
South Disouq gas sales (boe/d)	4,557	-
Morocco gas sales (boe/d)	707	745
Other products sales (boe/d)	300	-
<b>Total sales volumes (boe/d)</b>	<b>6,980</b>	<b>3,539</b>

Realised West Gharib service fee (US\$/bbl)	\$30.18	\$50.57
Realised South Disouq gas price (US\$/mcf)	\$2.85	-
Realised Morocco gas price (US\$/mcf)	\$10.35	\$10.28
Royalties (\$/boe)	\$4.98	\$1.26
Operating costs (\$/boe)	\$4.17	\$10.63
<b>Netback (\$/boe) (1)</b>	<b>\$15.25</b>	<b>\$43.98</b>

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

## Condensed Consolidated Balance Sheet

(US\$'000s)	As at 30 June 2020	As at 31 December 2019
<b>Assets</b>		
Cash and cash equivalents	9,275	11,054
Trade and other receivables	16,336	21,774
Held-for-sale assets	807	-
Inventory	7,824	7,972
<b>Current assets</b>	<b>34,242</b>	<b>40,800</b>
Investments	3,477	3,916
Property, plant, and equipment	61,476	67,895
Exploration and evaluation assets	28,369	18,720
Right-of-use assets	1,682	1,687
<b>Non-current assets</b>	<b>95,004</b>	<b>92,218</b>
<b>Total assets</b>	<b>129,246</b>	<b>133,018</b>
<b>Liabilities</b>		
Trade and other payables	26,213	25,982
Decommissioning liability	328	317
Current income taxes	244	1,484
Lease liability	550	506

Current liabilities	27,335	28,289
Decommissioning liability	6,064	5,287
Deferred income taxes	290	290
Lease liability	1,167	1,121
Non-current liabilities	7,521	6,698
<b>Total liabilities</b>	<b>34,856</b>	<b>34,987</b>
<b>Equity</b>		
Share capital	2,593	2,593
Share-based payment reserve	7,351	7,038
Accumulated other comprehensive loss	(917)	(917)
Merger reserve	37,034	37,034
Retained earnings	48,329	52,283
<b>Total equity</b>	<b>94,390</b>	<b>98,031</b>
<b>Equity and liabilities</b>	<b>129,246</b>	<b>133,018</b>

## Condensed Consolidated Statement of Comprehensive Income

(US\$'000s)	Six months ended 30 June	
	2020	2019
Revenue, net of royalties	21,951	15,487
Direct operating expense	(4,709)	(3,014)
Gross profit	17,242	12,473
Exploration and evaluation expense	(5,099)	(615)
Depletion, depreciation, and amortisation	(11,973)	(7,884)
Stock-based compensation	(313)	339
Share of profit from joint venture	384	724
General and administrative expenses		
- Ongoing general and administrative expenses	(1,918)	(3,121)
- Transaction costs	(68)	(1,104)
Operating (loss)/income	(1,745)	812
Finance costs	(276)	(245)
Foreign exchange loss	(301)	(42)
(Loss)/income before income taxes	(2,322)	525

Current income tax expense	(2,746)	(758)
Profit/(loss) from discontinued operations	1,114	(121)
<b>Loss and total comprehensive loss for the period</b>	<b>(3,954)</b>	<b>(354)</b>
Net loss per share		
Basic	\$(0.019)	\$(0.002)
Diluted	\$(0.019)	\$(0.002)

## Condensed Consolidated Statement of Changes in Equity

(US\$'000s)	Six months ended 30 June	
	2020	2019
<b>Share capital</b>		
Balance, beginning of period	2,593	88,899
Share-for-share exchange - old	-	(88,899)
Share-for-share exchange - new	-	51,865
Capital reduction	-	(49,272)
Balance, end of period	2,593	2,593
<b>Share-based payment reserve</b>		
Balance, beginning of period	7,038	6,860
Share-based compensation for the period	313	(339)
Balance, end of period	7,351	6,521
<b>Accumulated other comprehensive loss</b>		
Balance, beginning of period	(917)	(917)
Balance, end of period	(917)	(917)
<b>Merger reserve</b>		

Balance, beginning of period	37,034	-
Share-for-share exchange	-	37,034
Balance, end of period	37,034	37,034
<b>Retained earnings</b>		
Balance, beginning of period	52,283	21,197
Capital reduction	-	49,272
Total comprehensive (loss)/income for the period	(3,954)	(354)
Balance, end of period	48,329	70,115
<b>Total equity</b>	<b>94,390</b>	<b>115,346</b>

## Condensed Consolidated Statement of Cash Flows

(US\$'000s)	Six months ended 30 June	
	2020	2019
<b>Cash flows generated from/(used in) operating activities</b>		
(Loss)/income before income taxes	(2,322)	525
Adjustments for:		
Depletion, depreciation, and amortisation	11,973	7,884
Exploration and evaluation expense	4,527	-
Finance expense	276	245
Stock-based compensation charge/(credit)	313	(339)
Foreign exchange loss/(gain)	457	(226)
Tax paid by state	(2,695)	-
Share of profit from joint venture	(384)	(724)
Operating cash flow before working capital movements	12,145	7,365
Decrease/(increase) in trade and other receivables	978	(2,320)
(Decrease)/Increase in trade and other payables	(528)	1,440
Payments for inventory	(1,422)	(854)
Cash generated from operating activities	11,173	5,631
Income taxes paid	(1,135)	(1,303)

<b>Net cash generated from operating activities</b>	10,038	4,328
<b>Cash generated from discontinued operations</b>	4,462	8,476
<b>Cash flows generated from/(used in) investing activities:</b>		
Property, plant, and equipment expenditures	(5,625)	(4,022)
Exploration and evaluation expenditures	(11,593)	(14,494)
Advance proceeds from NW Gemsa sale	1,000	-
Dividends received	774	639
<b>Net cash used in investing activities</b>	<b>(15,444)</b>	<b>(17,877)</b>
<b>Cash used in investing activities of discontinued operations</b>	<b>-</b>	<b>(791)</b>
<b>Cash flows generated from/(used in) financing activities:</b>		
Payments of lease liabilities	(308)	(418)
Finance costs paid	(70)	(58)
<b>Net cash used in financing activities</b>	<b>(378)</b>	<b>(476)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,322)</b>	<b>(6,340)</b>
<b>Effect of foreign exchange on cash and cash equivalents</b>	<b>(457)</b>	<b>190</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>11,054</b>	<b>17,345</b>
<b>Cash and cash equivalents, end of period</b>	<b>9,275</b>	<b>11,195</b>

#### **About SDX**

SDX is an international oil and gas exploration, production and development company, headquartered in London, United Kingdom, with a principal focus on MENA. In Egypt, SDX has a working interest in three producing assets: a 55% operated interest in the South Disouq gas field in the Nile Delta, a 50% non-operated interest in the West Gharib concession, which is located onshore in the Eastern Desert, adjacent to the Gulf of Suez, and a 12.75% non-operated interest in the South Ramadan concession offshore Gulf of Suez. In Morocco, SDX has a 75% working interest in five development/production concessions, all situated in the Gharb Basin. The producing assets in Morocco are characterised by attractive gas prices and exceptionally low operating costs. SDX has a strong weighting of fixed price gas assets in its portfolio with low operating costs and attractive margins throughout, providing resilience in a low commodity price environment. SDX's portfolio also includes high impact exploration opportunities in both Egypt and Morocco.

For further information, please see the Company's website at [www.sdxenergy.com](http://www.sdxenergy.com) or the Company's filed documents at [www.sedar.com](http://www.sedar.com).

#### **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 Rob Cook, VP Subsurface of SDX. Dr. Cook has over 25 years of oil and gas industry experience and is the qualified person as defined in the London Stock Exchange's Guidance Note for Mining and Oil and Gas companies. Dr. Cook holds a BSc in Geochemistry and a PhD in Sedimentology from the University of Reading, UK. He is a Chartered Geologist with the Geological Society of London (Geol Soc) and a Certified Professional Geologist (CPG-11983) with the American Institute of Professional Geologists (AIPG).

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**Conference Call details**

Date: 20 August 2020

Time: 3:00pm BST

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The presentation is available our website; <https://www.sdxenergy.com/investors/results-centre/>

**Glossary**

"bbl"	stock tank barrel
"bbl/d"	barrels of oil per day
"bcf"	billion cubic feet
"boe/d"	barrels of oil equivalent per day
"Mcf"	thousands of cubic feet
"MMscf/d"	million standard cubic feet per day



"MMscfe/d"	million standard cubic feet equivalent per day
"2P"	proved plus probable reserves

### ***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 Company's 2020 production and capex guidance, liquidity and sources of cash flows in 2020 and 2021, the sufficiency of reserves to fulfill existing customer contracts, the impact of COVID-19 on customer consumption, future drilling developments and results, and extending the tenor and re-establishing the full availability of the US\$10 million credit facility with the EBRD should all 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; planned synergies, capital efficiencies and cost-savings; applicable tax laws; future production rates; receipt of necessary permits; the sufficiency of budgeted capital expenditures in carrying out planned activities, and the availability and cost of labour and services.

All timing given in this announcement, unless stated otherwise, is indicative, and while the Company endeavours 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; the 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 refer to the Principal Risks & Uncertainties section of SDX's Annual Report for the year ended 31 December 2019, which can be found on SDX's SEDAR profile at [www.sedar.com](http://www.sedar.com), for a description of additional risks and uncertainties associated with SDX's business.

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.

### ***Non-IFRS Measures***

This news release contains the terms "Netback," and "EBITDAX" which are not recognized measures under IFRS and may not be comparable to similar measures presented by other issuers. The Company uses these measures 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.

EBITDAX is a non-IFRS measure that represents earnings before interest, tax, depreciation, amortization, exploration expense and impairment. EBITDAX is calculated by taking operating income/(loss) and adjusted for the add-back of depreciation and amortization, exploration expense and impairment of property, plant and equipment (if applicable). EBITDAX is presented in order for the users to understand the cash profitability of the Company, which excludes the impact of costs attributable to exploration activity, which tend to be one-off in nature, and the non-cash costs relating to depreciation, amortization and impairments. EBITDAX may not be comparable to similar measures used by other companies.

### ***Oil and Gas Advisory***

Certain disclosures in this news release constitute "anticipated results" for the purposes of National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* ("NI 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, flow rate, production rates, porosity, and pay thickness attributable to the resources of the Company. Such estimates have been prepared by Company management 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 1 bbl: 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.

### **Prospective Resources Data**

The prospective resources estimates disclosed or referenced herein have been prepared by Dr. Rob Cook, a qualified reserves evaluator, in accordance with the SPE's Canadian Oil and Gas Evaluation Handbook and in accordance with NI 51-101. The prospective resources disclosed herein have an effective date of 1 January 2020. Prospective resources are those quantities of gas, estimated as of the given date, to be potentially recoverable from undiscovered accumulations through future development projects. As prospective resources, there is no certainty that any portion of the resources will be discovered. The chance that an exploration project will result in a discovery is referred to as the "chance of discovery" as defined by the management of the Company.

There is no certainty that it will be commercially viable to produce any portion of the resources discussed herein; though any discovery that is commercially viable would be tied back to the Company's pipeline in Morocco and then connected to customers' facilities within 9 to 12 months of discovery. Based upon the economic analysis undertaken on any discovery, management has attributed an associated chance of development of 100%.

There are uncertainties associated with the volume estimates of the prospective resources disclosed herein, due to the level of information available on prospective resources, but ranges are defined based on data from the Company's nearby existing analogous wells. Some of the risks and uncertainties are outlined below:

- Petrophysical parameters of the sand/reservoir;

- Fluid composition, especially heavy end hydrocarbons;
- Accurate estimation of reservoir conditions (pressure and temperature);
- Reservoir drive mechanism;
- Potential well deliverability; and
- The thickness and lateral extent of the reservoir section, currently based on 3D seismic data.

"P50" means that there is at least a 50% probability that the quantities actually recovered will equal or exceed the best estimate.