

SDX Energy

CPR results confirm South Disouq

SDX Energy has released the results of an independent resource audit on its South Disouq discovery. Gaffney, Cline & Associates has assigned gross 2C resources of 47bcf and 2.3mmbbls and a further 180bcf and 8.7mmbbls of gross prospective resources. The company is in discussion to get production as early as possible to generate cashflows and value. Elsewhere, progress is being made at NW Gemsa and Meseda that should see production increases by year end. In Morocco, a campaign of seven wells is planned and should start in the next six weeks. We are reviewing our model and will update our valuation (currently 76p/share) in time.

Year end	Revenue (US\$m)	PBT (US\$m)	Cash from operations (US\$m)	Net (debt)/cash (US\$m)	Capex (US\$m)
12/15	11.4	11.1	(5.2)	8.2	(5.1)
12/16	12.9	(26.7)	(1.9)	4.7	(11.9)
12/17e	45.5	9.9	29.9	20.9	(22.9)
12/18e	80.9	35.9	56.4	35.1	(44.6)

Note: The financials above include the (unrisks) impact of South Disouq, which we estimate will require substantial capex in 2017/2018.

The release of the resources update confirms the significant potential that SDX unlocked at South Disouq. The report estimates that further resources (of 180bcf and 8.7mmbbls, split across four prospects and five leads) have been de-risked (GCA indicates a CoS of 40% for the prospects), indicating considerable follow-up potential. We note this does not include the deeper prospectivity encountered in the cretaceous with the SD-1X discovery. Being so close to infrastructure, the gas and condensate can be developed quickly; we would expect production in late 2017/early 2018. Before then, we would expect the company to release its plans on the appraisal and development of this exciting area.

In Egypt, the company plans to maintain production at 5kbd at NW Gemsa with ESPs and workovers. The fluid treatment facilities at Meseda are complete and after ESPs have been installed, we expect material production increases towards the end of the year.

Operations update

Oil & gas

5 July 2017

Price **56p**
Market cap **£105m**

Net cash (\$m) at end March 2017	21.1
Shares in issue	186.9m
Free float	59%
Code	SDX
Primary exchange	AIM
Secondary exchange	TSX Venture

Share price performance



Business description

SDX Energy is a North African onshore player listed in Toronto and London. It has oil and gas production in Egypt, and Moroccan gas production. A large gas discovery was recently made at South Disouq.

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