

SDX Energy

Well result

Ibn Yunus-1 de-risking Abu Madi Baltim trend

Oil & gas

12 April 2018

Price **48.75p**
Market cap **£100m**

US\$/£0.8

Net cash (\$m) at 28 February 2018 30.6

Shares in issue 205m

Free float 80%

Code SDX

Primary exchange AIM

Secondary exchange TSX Venture

SDX Energy has announced results from the Ibn Yunus-1 well at South Disouq, Egypt (SDX 55%). Ibn Yunus-1 is the second consecutive gas discovery at South Disouq (after SD-1X) and encountered 100.8 net meters of conventional pay in the Abu Madi horizon, with average porosity of 28.5%. The well came in on prognosis but with a reservoir thickness and quality above pre-drill expectations. We expect to de-risk Ibn Yunus on flow testing; however, indicatively moving to an 80% chance of success (equivalent to our risking for SD-1X) from 32% would add 4.4p/share to our RENAV in our 90bcf recoverable case. We recently published a detailed [update](#) on our view of the group valuation, which stands at a core NAV of 58.3p/share and RENAV of 65.6p/share.

| Year end | Revenue (\$m) | PBT* (\$m) | Operating cash flow (\$m) | Net cash (\$m) | Capex (\$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) |
| 12/17 | 39.2 | 3.3 | 21.6 | 25.8 | (49.1)** |
| 12/18e | 65.2 | 31.2 | 49.8 | 26.1 | (50.6) |

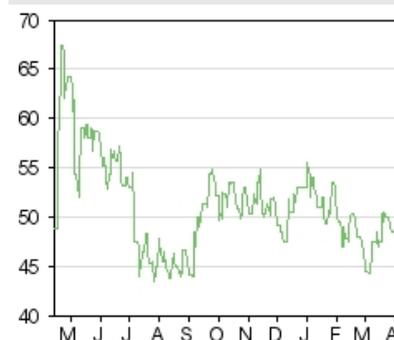
Note: *PBT is normalised, excluding amortisation of acquired intangibles and share-based payments. **Includes Circle acquisition (\$28.1m)

The Ibn Yunus-1 well opens up the Abu Madi Baltim trend beyond the SD-1X discovery area and likely de-risks the Kelvin prospect, which displays a similar seismic inversion response but to the south of SD-1X. Management estimates a combined volume across Ibn Yunus-1 and Kelvin of 150bcf unrisks and with total play potential of c 2.5tcf unrisks.

Next steps include moving the drill rig of location with flow testing anticipated 30-45 days after the rig departs. The SD-1X well flowed at 25.8mmscfd and a similar flow rate at Ibn Yunus should support the construction of a central processing facility, enabling produced gas to be exported in the gas distribution system 10km from South Disouq.

Today's exploration success adds to the company's 71% E&A success rate across its nine-well campaign in Morocco.

Share price performance



Business description

SDX Energy is a North African E&P listed in Toronto and London. It has oil and gas production in Egypt and Moroccan gas production. The company's nine-well Moroccan programme has a 71% success rate to date.

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