FINANCIAL STATEMENTS

Independent Auditor's REPORT

April 29, 2016

To the Shareholders of SDX Energy Inc.

We have audited the accompanying consolidated financial statements of SDX Energy Inc. and its subsidiaries, which comprise the consolidated balance sheet as at December 31, 2015 and December 31, 2014 and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of SDX Energy Inc. and its subsidiaries as at December 31, 2015 and December 31, 2014 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to note 2 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the corporation's ability to continue as a going concern.

Other matter

The consolidated financial statements of Madison Petrogas Ltd. for the year ended December 31, 2014, were audited by another auditor who expressed an unmodified opinion on those statements on April 29, 2015.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London

Consolidated Balance Sheet

for the years ended December 31, 2015 and 2014

(thousands of United States dollars)		AS AT DECEMBER 31, 2015	AS AT DECEMBER 31, 2014
Assets			
Cash and cash equivalents	7	**8,170**	17,935
Trade and other receivables	8	**6,678**	3,306
Inventory	9	**1,188**	–
Current assets		**16,036**	21,241
Investments	12	**2,106**	1,999
Property, plant and equipment	10	**18,401**	9,392
Intangible exploration and evaluation assets	11	**23,473**	16,460
Non-current assets		**43,980**	27,851
Total Assets		**60,016**	**49,092**
Liabilities			
Trade and other payables	14	**3,556**	1,686
Debentures	15	**–**	2,207
Current income taxes		**928**	5,142
Current liabilities		**4,484**	9,035
Decommissioning provision	16	**–**	217
Deferred income taxes	17	**286**	391
Non-current liabilities		**286**	608
Total Liabilities		**4,770**	**9,643**
Equity			
Share capital	18	**30,148**	24,512
Warrants	18	**99**	99
Contributed surplus		**5,175**	4,414
Other comprehensive loss		**(1,154)**	(507)
Retained Earnings		**20,978**	10,931
Equity		**55,246**	39,449
Equity and liabilities		**60,016**	**49,092**

The notes are an integral part of these consolidated financial statements.

Approved on behalf of the Board of Directors

Paul M Welch

Paul Welch
Chief Executive Officer

Mark Reid

Mark Reid
Chief Financial Officer

Consolidated Statements of Comprehensive Income

(thousands of United States dollars, except per share data)	NOTE	YEAR ENDED DECEMBER 31 2015	2014
Revenue, net of royalties	20	**11,372**	24,533
Revenue		**11,372**	24,533
Direct operating expense		**4,973**	3,639
Exploration and evaluation expense	11	**73**	2,767
Depletion, depreciation and amortization	10	**2,057**	1,602
Impairment expense	10	**6,842**	–
Stock based compensation	19	**761**	1,064
Equity in income of associate	12	**(1,024)**	(1,130)
Loss on disposal of office assets	10	**3**	–
General and administrative expenses	21	**4,770**	2,898
Operating (Loss)/Income		**(7,083)**	13,693
Net finance expense	22	**96**	1,009
Gain on acquisition	4	**(18,289)**	–
Income before income taxes		**11,110**	12,684
Current income tax expense	17	**1,168**	4,308
Deferred income tax (credit)/expense	17	**(105)**	20
Total Current and Deferred income tax expense		**1,063**	4,328
Net Income		**10,047**	8,356
Other comprehensive loss			
Foreign exchange		**647**	420
Total comprehensive income for the year		**9,400**	7,936
Net income per share			
Basic	23	**$0.195**	$0.148
Diluted	23	**$0.195**	$0.144

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

(thousands of United States dollars)	YEAR ENDED DECEMBER 31 2015	2014
Share Capital		
Balance, beginning of year	**24,512**	24,512
Issuance of common shares	**5,636**	–
Balance, end of year	**30,148**	24,512
Warrants		
Balance, beginning of year	**99**	99
Balance, end of year	**99**	99
Contributed Surplus		
Balance, beginning of year	**4,414**	3,350
Share based payments for the year	**761**	1,064
Balance, end of year	**5,175**	4,414
Accumulated Other Comprehensive Loss		
Balance, beginning of year	**(507)**	(87)
Foreign currency translation adjustment for the year	**(647)**	(420)
Balance, end of year	**(1,154)**	(507)
Retained Earnings		
Balance, beginning of year	**10,931**	2,575
Net income for the year	**10,047**	8,356
Balance, end of year	**20,978**	10,931
Total Equity	**55,246**	39,449

The notes are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the years ended December 31, 2015 and 2014

(thousands of United States dollars)	NOTE	YEAR ENDED DECEMBER 31 2015	2014
Cash flows from/(used in) operating activities			
Income before income taxes		**11,110**	12,684
Adjustments for:			
Depletion, depreciation and amortization	10	**2,057**	1,602
Exploration expense	11	**73**	2,767
Impairment expense	10	**6,842**	–
Amortization of deferred transaction costs	22	**378**	–
Finance costs		**(9)**	33
Stock-based compensation		**761**	1,064
Gain on acquisition	4	**(18,289)**	–
Equity in income of associate	12	**(1,024)**	(1,130)
Loss on disposal of office assets	10	**3**	–
Operating cash flows before working capital movements		**1,902**	17,020
(Increase)/decrease in trade and other receivables	4	**(3,372)**	13,005
Increase/(decrease) in trade and other payables	12	**2,377**	(64)
Increase on inventory	10	**(1,188)**	–
Cash (used in)/generated from operating activities		**(281)**	29,960
Income taxes paid		**(4,933)**	(4,430)
Net cash (used in)/from operating activities		**(5,214)**	25,531
Cash flows (used in)/from investing activities			
Property, plant and equipment expenditures	10	**(1,392)**	(1,964)
Exploration and evaluation expenditures	11	**(3,728)**	(11,670)
Gain on disposal of office assets		**8**	–
Dividends received	12	**917**	1,110
Sea Dragon Energy Inc. net working capital as a result of the business combination effective October 1, 2015		**3,911**	–
Net cash used in investing activities		**(284)**	(12,524)
Cash flows used in financing activities			
Repayment of debentures	15	**(2,052)**	–
Repayment of bank facility	13	**(1,650)**	–
Net cash used in financing activities		**(3,702)**	–
Change in cash and cash equivalents		**(9,200)**	13,007
Effect of foreign exchange on cash and cash equivalents		**(565)**	(615)
Cash and cash equivalents, beginning of period		**17,935**	5,543
Cash and cash equivalents, end of period		**8,170**	17,935

The notes are an integral part of these consolidated financial statements.

Note 1 Reporting entity

SDX Energy Inc. ("SDX" or "the Company"), formerly known as Sea Dragon Energy Inc., is a company domiciled in Canada. The address of the Company's registered office is 1900, 520 – 3rd Avenue SW, Centennial Place, East Tower, Calgary, Alberta T2P 0R3. The consolidated financial statements of the Company as at and for the years ended December 31, 2015 and 2014 comprise the Company and its wholly owned subsidiaries and associates. As described in Note 4 to the Consolidated Financial Statements, on August 18, 2015 Sea Dragon Energy Inc. and Madison PetroGas Limited entered into a Business Combination Arrangement Agreement, and, on October 1, 2015 the transaction completed creating the new SDX Energy Inc. combined entity. Full details of the Business Combination is set out in Note 4. The Company is engaged in the exploration for and development and production of oil and natural gas and conducts many of its activities jointly with others. These consolidated financial statements reflect only the Company's proportionate interest in such activities. The Company's principle properties are located in the Arab Republic of Egypt and the Republic of Cameroon.

The Company is listed on the Toronto Venture Stock Exchange (TSX-V) and trades under the symbol SDX.

Note 2 Basis of preparation

(a) Statement of compliance

The audited consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards and interpretations (collectively referred to as "IFRS") as issued by the International Accounting Standards Board ("IASB").

The accounting policies that follow set out those policies that apply in preparing the audited consolidated financial statements for the year ended December 31, 2015. The policies applied are based on IFRS issued and outstanding as of April 29, 2016.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

These audited consolidated financial statements are expressed in United States dollars ($ or US$), which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and affect the results reported in these consolidated financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

In accounting for property, plant and equipment, amounts recorded for depletion and amounts used for impairment test calculations are based on estimates of oil and gas reserves and cash flows, including development costs, production volumes and oil and gas prices. The provision for decommissioning costs and related accretion expense, derivative fair value calculations, fair value of share-based payments expense, deferred tax provisions, as well as fair values assigned to any identifiable assets and liabilities in business combinations are also based on estimates. By their nature, the estimates are subject to measurement uncertainty and the impact on the consolidated financial statements of future periods could be material.

(e) Going concern

The Directors have reviewed the Company's forecast cash flows for the next twelve months from the date of publication of this Annual Report and through until December 31, 2017. The capital expenditure and operating costs used in these forecast cash flows are based on the Company's Board approved 2016 corporate budget which reflects approved operating budgets for each of its Joint Ventures and an estimate of 2016 SDX corporate general and administrative expenses. The Company's forecast cash flows also reflect its best estimate of operational and corporate expenditure, including corporate general and administrative costs for the year to December 31, 2017. The Directors have made enquiries into and considered the Egyptian business environment, future expectations regarding commodity price risk and, in particular, oil price risk given the substantial fall in quoted Brent and Crude oil WTI prices. On the basis of the budgeted cash flows, additional funds are required to complete the Company's committed and planned capital expenditure and the directors are exploring a number of options to access additional sources of funding. The directors are extremely confident of making an announcement to update shareholders on this issue in the very near term.

Having considered these sensitivities and potential outcomes relating to:

(i) country and commodity price risks;

(ii) the Company's ability to change the timing and scale of discretionary capital expenditure;

(iii) the Company's ability to manage operating costs;

(iv) the Company's ability to manage general and administrative costs; and

(v) the Company's ability to access additional sources of working capital resources.

The Directors consider that, whilst a material uncertainty exists that may cast significant doubt over the Company's committed and planned capital expenditure, they are extremely confident that this will be resolved in a very short period and that the going concern basis of accounting is appropriate, albeit no assurance can be provided. The financial statements do not reflect the adjustments that would be required if this basis was not appropriate.

Given the above, these Consolidated Financial Statements continue to be prepared under the going concern basis of accounting.

Note 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Company and its subsidiaries.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Jointly controlled assets

The Company is engaged in oil and gas exploration, development and production through unincorporated joint arrangements ("Joint Operations"). Where joint control exists the Company accounts for its share of the results and net assets of these Joint Operations as jointly controlled assets. The consolidated financial statements include the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

(iii) Investments in associates

An associate is an entity over which the Company has significant influence. The Company's subsidiary Madison Egypt Oil and Gas Ltd owns a 50% equity interest in Brentford Oil Tools ("Brentford"); an Egyptian incorporated private company. The Company accounts for its investment in Brentford using the equity method of accounting. Under the equity method of accounting, the investment in Brentford, is initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. The Company's Statement of Comprehensive Income includes its share of Brentford's profit or loss. The Company's other comprehensive income includes its share of Brentford's other comprehensive income. Dividends received or receivable from Brentford are recognized as a reduction in the carrying amount of the investment.

(iv) Transactions eliminated on consolidation

Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

Transactions in foreign currencies are translated to United States dollars at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars at the period end exchange rate.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise of trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial assets and liabilities are recognized when the Company becomes party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash in hand, deposits with banks, term deposits, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are designated as loans and receivables.

Financial assets at fair value through the Statement of Comprehensive Income

An instrument is classified at fair value through the Statement of Comprehensive Income if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through the Statement of Comprehensive Income if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in the Statement of Comprehensive Income when incurred. Financial instruments are measured at fair value, and changes therein are recognized in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities at amortized cost include trade payables. Trade payables are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, trade payables are measured at amortized cost using the effective interest method.

Financial assets

Trade and other receivables, which are non-derivative financial assets that have fixed or determinable payments that are not quoted in an active market, are classified as loans and receivables. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets.

(ii) Equity instruments

Equity instruments are classified as equity. Incremental costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects, if any.

(d) Inventory

Inventories consist of tangible drilling materials, and other consumables. Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price less applicable selling expenses.

(e) Property, plant and equipment and intangible exploration and evaluation expenses

(i) Recognition and measurement

Development and production costs

Property, plant and equipment is stated at cost, less accumulated depletion and depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or the construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Expenditures on major maintenance, inspections or overhauls are capitalized when the item enhances the life or performance of an asset above its original standard. Such capitalized oil and natural gas interests generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves, and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in the Statement of Comprehensive Income as incurred. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance expenditures are expensed as incurred.

Intangible exploration and evaluation expenditures

Pre-licence costs are recognized in the Consolidated Statement of Comprehensive Income in the period that they are incurred.

Exploration and evaluation expenditures, including the costs of acquiring licences and directly attributable general and administrative costs, geological and geophysical costs, acquisition of mineral and surface rights, technical studies, other direct costs of exploration (drilling, trenching, sampling and evaluating the technical feasibility and commercial viability of extraction) and appraisal are accumulated and capitalized as intangible exploration and evaluation ("E&E") assets.

On a quarterly basis, a review of any areas classified and accounted for as E&E is performed to determine whether enough information exists to make a determination of the technical feasibility and commercial viability of the area. Where appropriate, review may indicate that an area should be further sub-divided due to a significant portion having been explored whilst a significant undeveloped portion with different traits (i.e. different zone, technical approach, play type, etc.) remains that requires additional E&E activities to arrive at the point where it can be assessed for technical feasibility and commercial viability.

The assessment of technical feasibility and commercial viability is performed on an area level basis unless further sub-division is merited. Depending on the extent and complexity of the prospective play, many wells may need to be drilled and potentially significant E&E costs accumulated prior to obtaining enough information to make the determination of technical feasibility and commercial viability possible.

E&E costs are not amortized prior to the conclusion of appraisal activities. At the completion of appraisal activities, if technical feasibility is demonstrated and commercial reserves are discovered, then, the carrying value of the relevant E&E asset will be reclassified as a development and production asset ("D&P") into the cash generating unit ("CGU") to which it relates, but only after the carrying value of the relevant E&E asset has been assessed for impairment, and where appropriate, its carrying value adjusted. Typically, technical feasibility and commercial viability of extracting a mineral resource is considered to be demonstrable when proven or probable reserves are determined to exist. However, if the Company determines the area is not technically feasible and commercially viable, accumulated E&E costs are expensed.

(ii) Depletion and depreciation

The net carrying value of development and production assets is depleted using the unit of production method by reference to the ratio of production in the year to the related proven and probable reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually.

For other assets (see below), prior to the business combination, effective October 1, 2015 Madison Petrogas Ltd's depreciation policy was to depreciate on a declining balance basis at rates of 20% to 50%, approximating their estimated useful lives.

However SDX Energy Inc., formerly Sea Dragon Energy Inc., recognized depreciation in the Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. SDX Energy Inc. continues to adopt the straight-line basis for other assets.

As a result of the required accounting for the business combination, however, depreciation on other assets for the year ended December 31, 2015, see note 10, is a combination of both methods. For the nine months to September 30, 2015 a declining balance basis has been used and for the three months from October 1, 2015 to December 31, 2015, the straight-line method has been adopted for the combined entity.

The estimated useful lives for other assets for the current year is as follows:

Office equipment	1 – 5 years
Fixtures and fittings	1 – 5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

(f) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in the Statement of Comprehensive Income.

An impairment loss is reversed when there is a significant change in the underlying estimates or other objective evidence. For financial assets measured at amortized cost the reversal is recognized in the Statement of Comprehensive Income.

(ii) Non-financial assets

Exploration and evaluation costs are tested for impairment when reclassified to D&P assets or whenever facts and circumstances indicate potential impairment. Exploration and evaluation assets are tested separately for impairment. An impairment loss is recognized for the amount by which the exploration and evaluation expenditure's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the exploration and evaluation expenditure's fair value less cost of disposal and their value in use.

Values of oil and gas properties and other property, plant and equipment are reviewed for impairment when indicators of such impairment exist. If any indication of impairment exists an estimate of the asset's recoverable amount is calculated. Assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (the cash generating unit "CGU"). The recoverable amount of an asset or CGU is the greater of its fair value less cost of disposal and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. An impairment loss is charged to the income statement. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased, if such indication exists, the Company makes an estimate of the recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

(g) Share based payments

The grant date fair value of options granted to employees is recognized as stock based compensation expense, with a corresponding increase in contributed surplus over the vesting period. Each tranche granted is considered a separate grant with its own vesting period and grant date fair value. A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of options that vest.

(h) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the senior operating decision-makers. The senior operating decision-makers have been identified as the Executive directors that, as a group, make strategic decisions regarding the Company.

(i) Provisions

A provision is recognized, if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognized for future operating losses.

(j) Decommissioning obligations

Although the Company has no Decommissioning obligations as at December 31, 2015, the explanation following sets out the Company's accounting policy relating to the obligation that was in place as at December 31, 2014. The Company's activities can give rise to dismantling, decommissioning and site disturbance remediation activities. Provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the balance sheet date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the asset retirement obligations are charged against the provision to the extent the provision is established.

(k) Revenue

Revenue from the sale of oil, condensates, natural gas and natural gas liquids ("NGL") is recorded when the significant risks and rewards of ownership of the product is transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline or is delivered to the refinery. Revenue is measured net of discounts, customs duties and royalties.

Revenue from the services provided in the production of oil and natural gas is recognized when title passes from the Company to the customer. Production service fee revenue represents the Company's share of oil and gas production that remains after all obligations under its contracts have been recorded, inclusive of any royalty obligations to government and other mineral interest owners.

Tariffs and tolls charged to other entities for the use of pipelines and facilities owned by the Company are recognized as revenue as they accrue in accordance with the terms of the service or tariff and tolling agreements.

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Pursuant to the terms of the Company's Egyptian concession agreements, the corporate tax liability of the joint venture partners is paid by the government controlled corporations ("Corporations") out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes the corporate taxes paid by the Corporations are treated as a benefit earned by the Company; the amount is included in net oil revenues and in income tax expense, therefore having a net neutral impact on reported net income. Income tax expense is recognized in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

The Company also has a production service agreement in Egypt relating to Block – H Meseda. The Company's subsidiary, Madison Egypt Ltd ("MEL") an Egyptian registered entity, is the SDX contracting party in this production service agreement. Corporate tax is payable by MEL based on its taxable income, from this production service agreement, for the year using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized.

(m) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted earnings per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of dilutive instruments such as options granted to employees and warrants.

(n) New standards and interpretations not yet adopted

At the date of authorization of these consolidated financial statements, the International Accounting Standards Board ("IASB) has issued the following new and revised standards which are not yet effective for the relevant periods:

IFRS 9 – Financial Instruments ("IFRS 9")

In July 2014, the IASB issued IFRS 9, which replaces IAS 39, Financial Instruments – Recognition and Measurement, and establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual consolidated financial statements commencing January 1, 2018. The Company is assessing the impact of this new standard on its consolidated financial statements.

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

IFRS 15 was issued in May 2014 and will provide a more structured approach to measuring and recognizing revenue. The new guidance includes a five-step recognition and measurement approach and enhanced qualitative disclosure requirements. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard is effective for annual periods beginning on or after January 1, 2018. Entities will have a choice of full retrospective application, or prospective application with additional disclosures (simplified transition method). The Company is assessing the impact of this standard on the consolidated financial statements.

IFRS 16 – Leases ("IFRS 16")

On January 13, 2016, the IASB published IFRS 16 which replaces the current guidance in IAS 17. IFRS 16 requires lessees to recognize a lease liability reflecting the future lease payments and a "right-of-use asset" for virtually all lease contracts. The standard applies to annual periods beginning on or after January 1, 2019 with earlier application permitted if IFRS 15 is applied. The Company is assessing the impact of this standard on the consolidated financial statements.

Note 4 Business Combination

On August 18, 2015 Sea Dragon Energy Inc. ("Sea Dragon") and Madison PetroGas Ltd. ("Madison") entered into an Arrangement Agreement whereby:

- Sea Dragon acquired all of the issued and outstanding Madison shares on the basis of an exchange ratio of 16.7 Sea Dragon common shares (on a pre-Sea Dragon Share Consolidation basis) for each Madison share or 0.477143 of a Sea Dragon share for each Madison share on a post-Sea Dragon Consolidation basis. Sea Dragon affected the share consolidation (the "Sea Dragon Consolidation") on the basis of one (1) post-share consolidation Sea Dragon share for thirty-five (35) pre-share consolidation Sea Dragon shares;
- Upon closing the transaction, the existing Madison shareholders hold approximately 71% of the combined entity, which was renamed "SDX Energy Inc.", with the holders of Sea Dragon shares holding approximately 29% of the combined entity; and
- Notwithstanding that as described above, Sea Dragon acquired all of the issued and outstanding shares of Madison, the guidance in IFRS 10, Consolidated Financial Statements and IFRS 3, Business Combinations, it has been determined that Sea Dragon Energy Inc. is actually the accounting acquiree and Madison Petrogas Limited, is the accounting acquirer. As Madison Petrogas Limited is the accounting acquirer, the consolidated financial statements of SDX Energy Inc. is a continuation of the Madison Petrogas Limited consolidated financial statements, reflecting the equity instruments of Sea Dragon Energy Inc.
- Immediately prior to the business combination completing, the name of the group was changed to SDX Energy Inc. The effective date of this name change was September 30, 2015 and the effective date of the transaction was October 1, 2015.

The effective date of the transaction is October 1, 2015, the date on which the transaction completed.

As discussed above, under IFRS 3 the business combination is deemed to be a reverse takeover whereby Madison acquires Sea Dragon. This means that a calculation is undertaken to compare the fair value of consideration provided to Sea Dragon shareholders versus the fair value of the assets that they contributed to the combined entity. As described below, this transaction resulted in a Gain on Acquisition for SDX Energy Inc. as the fair value of the Sea Dragon assets acquired was greater than the consideration it provided to the Sea Dragon shareholders by way of issue of SDX Energy Inc. common shares.

Calculation of Fair Value of shares issued to Sea Dragon Shareholders:

000's	
Post consolidation SDX Energy Inc. outstanding shares	10,756
SDX Energy Inc. closing share price as at September 30, 2015 in CAD$	0.70
Fair Value of shares issued	7,529
USD/CAD exchange rate	0.7485
Fair Value of Shares issued – US$	**5,636**

Transaction costs associated with this transaction have been included in the Statement of Comprehensive Income; see note 21.

As required by IFRS 3 Business Combinations, management adopted the recognition principle and concluded that the fair value of Sea Dragon's net assets acquired was considered to be equal to their book value. Concomitantly to this transaction, management assessed impairment for its PP&E assets during Q3 2015 and concluded that an insignificant headroom existed at that time, therefore any impairment was deemed to have already been reflected in the financial statements as at September 30, 2015 and the book value of its PP&E was therefore concluded to be similar to its fair value at that time. Subsequent to the issuance of Sea Dragon's Q3 2015 Financial Statements, a significant decrease in oil prices triggered a new impairment assessment at year end, which resulted in an impairment being recorded as at December 31, 2015 which is described in Note 10 to the Consolidated Financial Statements.

The deemed fair value of Sea Dragon Energy Inc.'s identifiable assets and liabilities has been determined as their accounting book value as at the date of the business combination and these are shown below:

000's	
Current Assets (including cash acquired)	8,244
Current Liabilities (excluding bank debt)	(2,683)
Bank Debt	(1,650)
Property, plant and equipment	16,747
Intangible exploration and evaluation assets	3,267
	23,925
Paid By:	
Fair Value of shares issued	5,636
Less: Fair Value of Assets acquired	23,925
Gain on Acquisition	18,289

In the 9 months to September 30, 2015 Revenues and Total comprehensive loss of Sea Dragon were US$6.2 million and US$(2.0) million respectively.

Note 5 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of financial instrument valuation methods have been defined as follows:

Level 1 Fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 Fair value measurements are based on unobservable information.

The carrying value of cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings included in the consolidated balance sheet approximate to their fair value due to the short term nature of those instruments.

(a) Stock options

The fair value of employee stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility based on weighted average historic volatility adjusted for changes expected due to publicly available information, weighted average expected life of the instruments based on historical experience and general option holder behavior, expected dividends, and the risk-free interest rate.

Note 6 Financial risk management

(a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production, and financing activities such as:

- credit risk;
- liquidity risk;
- market risk;
- foreign currency risk; and
- other price risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer, partner, or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners, oil and natural gas marketers, and cash held with banks. The maximum exposure to credit risk at the end of the period is as follows:

	CARRYING AMOUNT	
$000's	**DECEMBER 31, 2015**	DECEMBER 31, 2014
Cash and cash equivalents	**8,170**	17,935
Trade and other receivables	**6,678**	3,306
Total	**14,848**	21,241

Trade and other receivables

All of the Company's operations are conducted in Egypt and Cameroon. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each counter party.

The Company does not anticipate any default as it expects continued payment from customers. As such no provision for doubtful accounts has been recorded as at December 31, 2015 and 2014.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

	CARRYING AMOUNT	
$000's	**DECEMBER 31, 2015**	DECEMBER 31, 2014
Current		
Government of Egypt controlled corporations	**5,018**	3,272
Joint venture partners	**862**	–
Other	**798**	34
Total trade and other receivables	**6,678**	3,306

Current receivables of US$5.0 million related to oil sales and production service fees which are due from EGPC (December 31, 2014: US$3.3 million), a Government of Egypt controlled corporation. Receivables in respect of oil sales and service fees are normally collected in one to two months following production. The Company expects to collect outstanding receivables of US$0.8 million for NW Gemsa and US$1.2 million for Block – H Meseda, in the normal course of operations; the remaining US$3.0 million being the pledged Shukheir Marine receivables. The Shukheir Marine trade receivables of US$3.0 million relate to invoices withheld as a rolling production guarantee for the work program of the South Disouq concession. Please see Note 8 for further details.

The joint venture partners receivables of US$0.9 million relates to the joint venture partner accounts for Block-H Meseda (US$0.1 million) and South Disouq (US$0.8 million).

The other receivables of US$0.8 million consist of US$0.2 million for accrued gas and liquids revenue yet to be invoiced, US$0.3 million related to prepayments, US$0.2 million for GST/ VAT and US$0.1 million for other items.

As at December 31, 2015 and December 31, 2014, the Company's trade and other receivables is aged as follows:

	CARRYING AMOUNT	
$000's	**DECEMBER 31, 2015**	DECEMBER 31, 2014
Current		
Current (less than 90 days)	**3,364**	3,272
Past due (more than 90 days)	**3,314**	34
Total - current	**6,678**	3,306

The balances which are past due are not considered impaired.

Current trade and other receivables past due (more than 90 days old) have increased by US$3.3 million when compared to December 31, 2014. This increase is due to the US$3.0 million Shukheir Marine pledged receivables and represents April to October 2014 oil sales invoices, US$0.2 million for accrued gas and liquids revenue and US$0.1 million held by EGPC for a well commitment in Block H - Meseda.

Subsequent to December 31, 2015 the Company collected US$2.2 million from a government of Egypt controlled corporation for NW Gemsa and Block-H Meseda receivables, thereby reducing the current (less than 90 days) balance.

Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with highly rated counter-parties. The Company's cash and cash equivalents are currently held by banks with A or AA credit ratings, therefore management does not expect any counterparty to fail to meet its obligations.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political unrest. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on projects to further manage capital expenditure and has a Board of Director approved signing authority matrix. The Company also attempts to match its payment cycle with collection of oil and service fee revenue to the extent possible.

As at December 31, 2015, the Company's financial liabilities are due within one year.

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use both financial derivatives and physical delivery sales contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

(e) Foreign currency risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The reporting and functional currency of the Company is the United States dollars (US$). Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the EGP and US$, GBP and US$ and CAD$ and the US$. The majority of capital expenditures are incurred in US$ and EGP and oil and service fee revenues are received in both US$ and EGP. The Company is able to utilize EGP to fund its Egyptian office general and administrative expenses and to part-pay cash calls for both capital and operating expenditure, therefore reducing the Company's exposure to foreign exchange risk during the period.

The table below shows the Company's exposure to foreign currencies for its financial instruments:

	TOTAL PER FS [1]	US$	EGP	EUR	CAD	GBP
As at December 31, 2015	*US$ EQUIVALENT*					
Cash and cash equivalents	8,170	7,124	785	54	48	159
Trade and other receivables	6,678	6,128	61	23	75	391
Trade and other payables	(3,556)	(2,822)	(4)	(52)	(398)	(280)
Current income taxes	(928)	–	(928)	–	–	–
Balance sheet exposure	10,364	10,430	(86)	25	(275)	270

[1] *denotes Financial Statements*

The average exchange rates during the year ended December 31, 2015 and 2014 were 1 US$ equals:

AVERAGE: January 1, 2015 to December 31, 2015				
	USD / CAD	USD / GBP	USD / EUR	USD / EGP
Period Average	1.2783	0.6542	0.9012	7.6849

AVERAGE: January 1, 2014 to December 31, 2014				
	USD / CAD	USD / GBP	USD / EUR	USD / EGP
Period Average	1.1041	0.6072	0.7536	7.0545

The period end exchange rates as at December 31, 2015 and 2014 were 1 US$ equals:

PERIOD END: December 31, 2015				
	USD / CAD	USD / GBP	USD / EUR	USD / EGP
December 31, 2015	1.3869	0.6755	0.9168	7.8041

PERIOD END: December 31, 2014				
	USD / CAD	USD / GBP	USD / EUR	USD / EGP
December 31, 2014	1.1627	0.6437	0.8226	7.1296

(f) Other price risk

Other price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the United States dollar and other currencies but also macro-economic events that impact the perceived levels of supply and demand.

The Company may hedge some oil and natural gas sales through the use of various financial derivative forward sales contracts and physical sales contracts. The Company's production is sold on the daily average price. The Company, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts.

At December 31, 2015 the Company did not have any outstanding derivatives in place.

(g) Capital management

The Company defines and computes its capital as follows:

	CARRYING AMOUNT	
$000's	DECEMBER 31, 2015	DECEMBER 31, 2014
Equity	**55,246**	39,449
Working capital [1]	**(11,552)**	(12,206)
Total capital	**43,694**	27,243

[1] Working capital is defined as current assets less current liabilities.

The Company's objective when managing its capital is to ensure it has sufficient funds to maintain its ongoing operations, to pursue the acquisition of interests in producing or near to production oil and gas properties and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company, in order to support the exploration and development of its interests in its existing oil and gas properties and to pursue other opportunities.

Note 7 Cash and cash equivalents

	CARRYING AMOUNT	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Bank Balances	**8,170**	17,935
Cash and cash equivalents	**8,170**	17,935

Cash at bank earns interest at floating rates based on the daily bank deposit rates.

Note 8 Trade and other receivables

	CARRYING AMOUNT	
	DECEMBER 31, 2015	DECEMBER 31, 2014
Trade receivables	**5,018**	3,272
Other receivables	**1,660**	34
	6,678	3,306

Current trade and other receivables are unsecured and non-interest bearing. The normal collection pattern for trade receivables is 30 to 60 days.

Trade receivables comprise the US$0.8 million of crude oil sales invoices for the NW Gemsa concession, US$1.2 million of service fee invoices for Block-H Meseda and US$3.0 million of pledged Shukheir Marine oil invoices.

The pledged Shukheir Marine receivables of US$3.0 million will be collected once the Company satisfies its obligations under the South Disouq work program. The mechanism for the operation of the guarantee is prescribed in the South Disouq concession agreement. The guarantee will reduce on a quarterly basis once the Company starts to incur capital expenditure under the South Disouq work program.

The other receivables of US$1.7 million include: US$0.9 million of joint venture partner current accounts for Block-H Meseda and South Disouq, US$0.2 million for accrued gas and liquids revenue yet to be invoiced, US$0.3 million related to prepayments, US$0.2 million for GST/VAT and US$0.1 million for other.

The joint venture partner current accounts present the net of monthly cash calls paid less billings received.

Subsequent to December 31, 2015 the Company collected US$2.2 million from a government of Egypt controlled corporation for NW Gemsa and Block-H Meseda trade receivables.

Note 9 Inventory

A full review of the Company's materials inventory was undertaken during 2015 in light of continuing difficult market conditions for the oil and gas sector. The Company considers that the current value for the materials inventory represents the net realizable value and no adjustment has therefore been made. The value remains at US$1.2 million. The Balance Sheet for 2014 relates only to Madison which did not carry any inventory as at December 31, 2014.

Note 10 Property, plant and equipment

	OIL INTERESTS	FURNITURE AND FIXTURES	TOTAL
Cost:			
Balance at December 31, 2013	**9,875**	**139**	**10,014**
Additions	1,928	36	1,964
Transfer from exploration and evaluation assets (note 11)	963	–	963
Foreign currency revaluation	(4)	(1)	(5)
Decommissioning provision	62	–	62
Disposals			
Balance at December 31, 2014	**12,824**	**174**	**12,998**
Additions	1,375	17	1,392
Acquisitions (see Note 4)	16,679	68	16,747
Foreign currency revaluation	–	(32)	(32)
Decommissioning provision	(208)	–	(208)
Disposals	–	(8)	(8)
Assets scrapped	(7)	(99)	(106)
Balance at December 31, 2015	**30,663**	**120**	**30,783**
Accumulated depletion and depreciation:			
Balance at December 31, 2013	**(1,893)**	**(112)**	**(2,005)**
Depletion and depreciation for the year	(1,585)	(16)	(1,601)
Balance at December 31, 2014	**(3,478)**	**(128)**	**(3,606)**
Depletion and depreciation for the year	(2,014)	(43)	(2,057)
Foreign currency revaluation	–	28	28
Impairment for the year	(6,842)	–	(6,842)
Assets scrapped	–	95	95
Balance at December 31, 2015	**(12,334)**	**(48)**	**(12,382)**
NBV Property, plant and equipment as at December 31, 2014	**9,346**	**46**	**9,392**
NBV Property, plant and equipment as at December 31, 2015	**18,329**	**72**	**18,401**

During the year ended December 31, 2015 the Company had PP&E additions of US$1.4 million; which consisted of US$1.3 million relating to Block-H Meseda and US$0.1 million for the NW Gemsa concession.

The Block-H Meseda additions were for the drilling of one step-out well and a water injector at a cost of US$1.2 million and pipe inventory of US$0.1 million.

The NW Gemsa additions were for the drilling of Al Amir SE23, US$0.2 million, a well workover programme of US$0.1 million and reversing over-accruals related to the 2014 drilling and work over programme of US$(0.2) million.

The Company has also recorded, on the face of the table above, the assets acquired from SDX Energy Inc., formerly Sea Dragon Energy Inc., as a result of the business combination effective October 1, 2015. The gross cost of the assets acquired was US$31.3 million and the accumulated depletion and depreciation ("DD&A") US$14.6 million; shown above as a net cost of US$16.7 million.

The Company sold and scrapped office assets with a gross cost of US$0.1 million incurring a small residual loss, which is disclosed on the face of the Statement of Comprehensive Income.

At December 31, 2015 for the purposes of the depletion calculation, US$3.4 million (December 31, 2014 – US$2.4 million) of future development costs are included in the calculation of cost in determining the depletion rate.

At the reporting date an impairment test was triggered due to falling crude oil prices and a reduction in the proved and probable reserves for the NW Gemsa concession. The impairment test was carried out for the NW Gemsa and Block-H Meseda fields. The impairment test was carried out in accordance with the accounting policy note stated in Note 3. The recoverable amounts of the fields have been determined based on value-in-use calculations. These calculations require the use of estimates and these estimates were obtained from independent 3rd party sources; namely DeGolyer and MacNaughton Canada who produced the Company's NI 51-101 Reserves Report as of December 31, 2015. The present values of future cash flows was computed by applying forecast prices for oil and gas reserves to estimated future production of proved and probable reserves. The present value of estimated future net revenues is computed using a discount factor of 15%. The discount rate used reflects the specific risks relating to the underlying cash generating units ("CGUs").

Based on this calculation no impairment is required for Block-H Meseda and for NW Gemsa an impairment of US$6.8 million has been recorded.

The value in use calculation assumes Brent oil sales prices in US$/bbl as follows:

2016	2017	2018	2019	2020	2021	2022
US$42.48	US$60.10	US$63.34	US$69.86	US$75.58	US$80.41	US$87.65

If the discount factor applied to the impairment test were to increase by 5% above the current factor of 15%, the impairment of the NW Gemsa fields would be US$7.5 million.

If the discount factor applied to the impairment test were to decrease by 5% below the current factor of 15%, the impairment of the NW Gemsa fields would be US$6.1 million.

If the oil price assumptions used in the impairment test were to decrease by 5% the impairment of the NW Gemsa fields would be US$8.3 million.

Note 11 Intangible exploration and evaluation assets

Balance at December 31, 2013	**8,520**
Additions	11,670
Transfers to property, plant and equipment (note 10)	(963)
Transfers to exploration expense	(2,767)
Balance at December 31, 2014	**16,460**
Additions	3,728
Acquisitions (see Note 4)	3,267
Unsuccessful well effort	18
Balance at December 31, 2015	**23,473**

Intangible exploration and evaluation ("E&E") additions of US$3.7 million for 2015 consist of US$2.3 million in relation to the West Bakassi block in Cameroon ("West Bakassi") and US$1.4 million in relation to the South Disouq concession.

The additions for West Bakassi consisted of 2D seismic acquisition and processing, well planning for the exploration well, which was drilled in March, 2016, and geological and geophysical costs.

The additions for South Disouq consisted of geological and geophysical work, crew and equipment mobilization and the purchase of dynamite in preparation for the 3D seismic program which commenced in Q1, 2016.

The Company has also recorded, on the face of the table above, the assets acquired from SDX Energy Inc., formerly Sea Dragon Energy Inc., as a result of the business combination effective October 1, 2015. The cost of the assets acquired was US$3.3 million and related to the costs associated with the award, in the 2012 bid round, and the costs incurred in the 3D seismic program for the South Disouq concession as at September 30, 2015.

During the year ended December 31, 2015 the Company incurred US$0.1 million (2014 – US$2.8 million) in pre-license costs which were expensed and recorded as exploration and evaluation expenses on the face of the Statement of Comprehensive Income. The pre-licence costs consist of US$0.1 million in business development costs.

Note 12 Investments

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), an oilfield equipment rental business incorporated in Egypt. The Company is accounting for this investment using the equity method in accordance with IAS28 – "Investments in Associates". The investment is reviewed regularly for indicators of impairment and no impairment was identified for the years ended December 31, 2015 and 2014.

The following table summarizes the changes in investments for the year ended December 31, 2015 and 2014:

	DECEMBER 31, 2015	DECEMBER 31, 2014
Investments, beginning of year	**1,999**	1,978
Dividends received	**(917)**	(1,109)
Share of operating income	**1,024**	1,130
Investments, end of year	**2,106**	1,999

The following table summarizes the Company's 50% interest in the assets, liabilities, revenue and operating income of Brentford as at and for the years ended December 31, 2015 and 2014:

SDX Energy share (50%) of Brentford:	DECEMBER 31, 2015	DECEMBER 31, 2014
Total assets	**2,469**	2,704
Total liabilities	**316**	484
Revenue	**1,816**	2,006
Net Income	**1,024**	1,130

During the year ended December 31, 2015 50% (December 31, 2014 – 50%) of Brentford's revenue was earned from fees charged to the Company.

Note 13 Loans and borrowings

On September 23, 2011 SDX Dragon Energy Inc., formerly Sea Dragon Energy Inc., entered into a credit agreement with HSBC and BNP Paribas for a 5-year senior secured credit facility (the "Facility") in the amount of US$50 million. The Facility was secured by a first charge on the shares, project accounts and interests of certain of the Sea Dragon group of Companies.

As at October 7, 2015 SDX Energy Inc. repaid the US$1.65 million that was outstanding on the Facility such that as at December 31, 2015 the Facility had been repaid in full. All charges and liens held against the Company's assets were released upon execution of the Deed of Release dated December 10, 2015.

As at September 30, 2015, prior to the business combination Sea Dragon Energy Inc. had US$0.4 million of deferred financing costs. The deferred financing costs represented the unamortized costs of establishing the Facility which had been amortizing straight line over the five year term of the loan facility. This amount was released to the Statement of Comprehensive Income in October 2015 as a result of the full repayment and termination of the Facility, see note 22.

Note 14 Trade and other payables

$000's	CARRYING AMOUNT DECEMBER 31, 2015	DECEMBER 31, 2014
Current		
Trade Payables	**198**	–
Accruals	**1,284**	182
Other payables	**2,074**	1,504
	3,556	1,686

Trade payables are non-interest bearing and are normally settled on 30 day terms or, where this differs, in accordance with supplier payment terms or agreed payment plans.

Trade payables of US$0.2 million are due to suppliers of the Company's corporate office.

Accruals comprise South Disouq training fees and general and administrative costs related to restructuring, audit, tax, legal, corporate services and reserve reporting fees.

Other payables comprise an estimated liability of US$1.1 million related to the relinquishment of the Shukheir Marine concession, partner current accounts of US$0.7 million for the NW Gemsa and Cameroon concessions and UK payroll taxes and deferred payroll of US$0.3 million. The joint venture partner current accounts present the net of monthly cash calls paid less billings received.

Note 15 Debentures

On July 27, 2012 the Company completed a private placement for secured debentures in the amount of CDN$2,560,000. The debentures pay interest at a rate of 10% per annum, payable semi-annually, and are repayable after two years. The debentures are redeemable after one year at face value plus accrued interest, at the company's option. During 2014, the Company extended the repayment of the debentures until July 31, 2015. The debentures were repaid in full on May 4, 2015.

The debentures also included the issue of warrants to acquire common shares, on the basis of 500 warrants for each $1,000 of debentures. 1,280,000 warrants were issued at an exercise price of CDN $0.80 per share, exercisable at any time and expiring after two years. During 2014, the Company extended the expiry date of the warrants until July 27, 2016.

On October 1, 2015, as a result of the business combination, a common share purchase warrants second supplemental indenture agreement was entered into which amended the number of warrants to 610,743 with an exercise price of CDN$1.68.

The Company valued the debentures assuming the discount on the interest rate, as a result of including warrants, was approximately 2%. This resulted in a fair value of the debentures being CDN $2,460,000, with the remaining fair value of CDN $100,000 (US$ 99,400) being assigned to the warrants.

Accretion of the debentures for the year ended December 31, 2015 of $nil (2014 - $28,670) was recorded as interest expense, resulting in an effective interest rate on the debentures of 10% (2014 – 10.98%).

Note 16 Decommissioning provision

The Company has recognized a decommissioning provision in relation to its obligations under the Production Service Agreement ("PSA") in managing the oil and natural gas assets including well sites and gathering systems for Block-H Meseda. The total decommissioning provision was estimated based on the Company's contractual interest in all wells and facilities, estimated costs to plug all wells drilled and remove all facilities, equipment and other assets from the field, and the estimated timing of the costs to be incurred in future years.

Upon conclusion of the business combination between SDX Energy Inc., formerly Sea Dragon Energy Inc., and Madison Petrogas Ltd., effective October 1, 2015 a full review of the PSA was undertaken. Upon completion of this review the Company has concurred that there is no obligation under the PSA and the decommissioning provision has therefore been released. At the termination of the PSA the Company is obliged to return all assets, including well sites, gathering systems, facilities and other assets to the Egyptian state owned oil company for the continued commercial production of the block.

As at September 30, 2015 the total future undiscounted cash flows was US$0.3 million (December 31, 2014 – US$0.3 million), to be incurred between the years 2017 and 2035 and the liability was discounted using a risk-free rate of 2.20% (December 31, 2014 – 2.47%).

The following table summarizes the changes in the decommissioning provision for the twelve months ended December 31, 2015.

	TWELVE MONTHS ENDED DECEMBER 31	
$000's	**2015**	2014
Decommissioning provisions, beginning of year	**217**	151
Changes in estimates and discount rates	**(4)**	17
Liabilities incurred	**36**	45
Accretion	**(9)**	4
Release of decommissioning provision	**(240)**	–
Decommissioning provisions, end of year	**–**	217

Note 17 Income Tax - Current and Deferred

Pursuant to the terms of the Company's concession agreements, the corporate tax liability of the joint venture partners is paid by the government controlled corporations ("Corporations") out of the profit oil attributable to the Corporations, and not by the Company. For accounting purposes the corporate taxes paid by the Corporations are treated as a benefit earned by the Company; the amount is included in net oil revenues and deducted as an income tax expense.

The Company has a PSA related to Block-H Meseda with legal title belonging to Madison Egypt Ltd, an Egyptian incorporated entity. The Company is governed by the laws and tax regulations of the Arab Republic of Egypt and pays corporate taxes on the adjusted profit of the entity.

(a) Income tax expense differs from that which would be expected from applying the effective Canadian federal and provincial income tax rates of 26% (2014 – 25%) to income before income taxes as follows:

Statement of Comprehensive Income	TWELVE MONTHS ENDED DECEMBER 31	
$000's	2015	2014
Income before income taxes	**11,110**	12,684
Canadian statutory income tax rate	**26%**	25%
Expected income taxes	**2,889**	3,171
Adjustments:		
Non deductible items	**193**	423
Non taxable gain on acquisition	**(4,750)**	–
Unrecognized income tax benefit	**344**	(77)
Foreign tax differential	**(50)**	811
Expenses incurred with no recognized tax benefit	**2,437**	–
Total income tax expense - current and deferred	**1,063**	4,328

(b) The components of the deferred income tax assets and liabilities at December 31, 2015 and 2014 include the following:

Consolidated Balance Sheet	TWELVE MONTHS ENDED DECEMBER 31	
$000's	2015	2014
Deferred tax assets (liabilities):		
Investments	**(7)**	(7)
Property and equipment	**(286)**	(397)
Decommissioning liability	**–**	54
Share issue costs	**–**	23
Debentures	**–**	(60)
Non-capital losses	**15,258**	1,688
Deferred tax assets not recognized	**(15,251)**	(1,692)
Deferred income tax liability	**(286)**	(391)

(c) The Company has US$56.8 million of non-capital losses available at December 31, 2015 (December 31, 2014 – US$7.0 million) to shelter future taxable income, the majority of which were incurred in Canada and expire between 2026 and 2035.

(d) The Company has not recognized its deferred tax assets of US$15.3 million at December 31, 2015 (December 31, 2014 – US$1.8 million) primarily relating to its Canadian business as it has determined that its deferred tax assets are not probable to be realized from current operations.

Note 18 Share capital

(a) The Company is authorized to issue unlimited common shares with no-par value and unlimited preferred shares with no-par value.

(b) Common Shares issued

	DECEMBER 31, 2015		DECEMBER 31, 2014	
	NUMBER OF SHARES (000'S)	STATED VALUE ($000'S)	NUMBER OF SHARES (000'S)	STATED VALUE ($000'S)
Balance, beginning of year	**56,348**	**24,512**	56,348	24,512
Business combination	**(29,462)**	**–**	–	–
Share for share exchange	**10,756**	**5,636**	–	–
Balance, end of year	**37,642**	**30,148**	56,348	24,512
Weighted average shares outstanding	**51,633**		56,348	

(c) Common Share Warrants issued

	DECEMBER 31, 2015		DECEMBER 31, 2014	
	NUMBER OF SHARES (000'S)	STATED VALUE ($000'S)	NUMBER OF SHARES (000'S)	STATED VALUE ($000'S)
Balance, beginning of year (see note 15)	**1,280**	**99**	1,280	99
Business combination	**(669)**	**–**	–	–
Balance, end of year	**611**	**99**	1,280	99

Note 19 Stock-Based compensation

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company.

Stock-based compensation expense is the amortization over the vesting period of the fair value of stock options granted to employees, directors and key consultants of the Company. The fair value of all options granted is estimated using the Black-Scholes option pricing model. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Compensation cost is expensed over the vesting period with a corresponding increase in contributed surplus. When stock options are exercised, the cash proceeds along with the amount previously recorded as contributed surplus are recorded as share capital.

Effective October 1, 2015, and prior to the closing of the business combination between SDX Energy Inc., formerly Sea Dragon Energy Inc., and Madison, both the Company and Madison cancelled all outstanding stock options. Written agreement was obtained from all directors, officers and employees.

The Company cancelled 28,900,000 stock options with a weighted average exercise price of CDN$0.09 and the directors, officers and employees of the Company each received a nominal payment of CDN$1.00 for their cancelled options.

Madison cancelled 5,630,000 stock options with a weighted average exercise price of CDN$0.91. The directors, officers and employees of Madison received cash compensation for cancelled options, based on the Black Scholes model, of CDN$300,083.

Post business combination the enlarged Company introduced a new option program. Pursuant to a Board Resolution effective November 30, 2016 the Company granted Options to acquire 2,650,000 common shares at an exercise price of CDN$0.63 per common share. The Options have a three year vesting period and expire five years from the anniversary date.

For the year ended December 31, 2015 the Company recorded stock based compensation of US$0.8 million (2014 – US$1.1 million) in relation to the previously granted 5,630,000 Madison options and the new SDX options.

The number and weighted average exercise prices of share options for the Company's option program is as follows:

	NUMBER OF OPTIONS (000'S)	WEIGHTED AVERAGE EXERCISE PRICE (CDN$)
Outstanding January 1, 2015	**4,950**	**0.92**
Cancelled during the year	(4,950)	0.92
Issued during the year	2,650	0.63
Outstanding December 31, 2015	**2,650**	**0.63**
Exercisable December 31, 2015	**883**	**0.63**

The exercise price of the outstanding options is as follows:

	OUTSTANDING OPTIONS		VESTED OPTIONS	
EXERCISE PRICE RANGE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE	NUMBER OF OPTIONS	REMAINING CONTRACTUAL LIFE
$0.63	2,650,000	4.9 years	883,325	4.9 years

	2015
Fair value at grant date (CDN)	**$0.61**
Share price (CDN)	**$0.63**
Exercise price (CDN)	**$0.63**
Volatility (%)	**70**
Forfeiture (%)	**0**
Option life	**5 years**
Dividends (%)	**0**
Risk-free interest rate (%)	**0.8**

Note 20 Revenue, net of royalties

	TWELVE MONTHS ENDED DECEMBER 31	
	2015	2014
Oil revenue	**2,322**	–
Royalties	**(686)**	–
Oil revenue, net of royalties	**1,636**	–
Production service fees	**9,736**	24,533
Total net revenue before tax	**11,372**	24,533

The oil revenue and royalties relate to the NW Gemsa concession, which is governed by a PSC, and covers the period October to December 2015.

The royalties are those attributable to the government take in accordance with the fiscal terms of the PSC.

The production service fees relate to Block-H Meseda, which is governed by a PSA, and covers the period January to December 2015.

The operator continues to be in the process of addressing contractual invoicing with EGPC in relation to gas and liquids. No revenue or sales volumes have been recognized for the year ended December 31, 2015; pending issuance of invoices.

Note 21 General and Administration expenses

	TWELVE MONTHS ENDED DECEMBER 31	
$000's	2015	2014
Wages and employee costs	**2,828**	1,430
Consultants - inc. PR/IR	**499**	456
Legal fees	**124**	8
Audit, tax and accounting services	**449**	394
Public company fees	**228**	–
Travel	**250**	235
Office expenses	**490**	317
IT expenses	**75**	58
Transaction costs	**496**	–
Service recharges	**(669)**	–
Total - Net G&A	**4,770**	2,898

Key management personnel have been identified as the non-executive directors and executive officers of the Company. The executive officers include the President and CEO, CFO and Egypt Country Manager. Details of key management remuneration is shown in note 28.

General and administrative ("G&A") costs for 2015 were US$4.8 million, which represented an increase of US$1.9 million compared to 2014.

In accordance with IFRS 3 - Business Combinations (see note 4) the G & A expenses represent three months of SDX Energy Inc., formerly Sea Dragon Energy Inc., and twelve months of Madison Petrogas Ltd.

The Company incurred US$0.5 million of transaction costs in relation to the business combination.

Note 22 Net Financing costs

	TWELVE MONTHS ENDED DECEMBER 31	
	2015	2014
Interest and bank charges	**441**	1,473
Foreign exchange (gain) - realized	**(714)**	(497)
Amortization of Facility costs	**378**	–
Accretion of debentures	**–**	29
Accretion of decommissioning provisions	**(9)**	4
Net Financing Expense	**96**	1,009

The interest and bank charges of US$0.4 million consist of finance fees from EDBE bank to provide a factoring facility for the Block-H Meseda monthly production service fees invoices and monthly bank charges. The amortization of Facility costs relates to the release of the deferred BNP Facility transaction costs as a result of the repayment of the outstanding balance and the cancellation of the Facility, see note 13.

Note 23 Income per share

	YEAR ENDED DECEMBER 31, 2015	YEAR ENDED DECEMBER 31, 2014
Net income before other comprehensive income for the year	**10,047**	8,356
Weighted average number of shares (000's)		
Basic	**51,633**	56,348
Diluted	**51,633**	57,907
Per share amount		
Basic	**$0.195**	$0.148
Diluted	**$0.195**	$0.144

Basic income per share is calculated by dividing the income attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted per share information is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company computes the dilutive impact of common shares assuming the proceeds received from the pro-forma exercise of in-the-money stock options or warrants are used to purchase common shares at average market prices. At December 31, 2015 the strike price of such instruments was above the average market share price, therefore they became anti-dilutive which resulted in a diluted EPS equal to the basic EPS.

Note 24 Segmental Reporting:

Functional segments

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions. The executive directors consider the business from a functional perspective, that is from an 'operations' functional standpoint which includes all of the company's oil and gas operations irrespective of geography and from a 'corporate' functional standpoint. The corporate function includes the Company's administrative and head office function in the UK and residual functions in Canada related to the Board of Directors and TSX-V listing requirements. All key decisions are made by management having regard to these two functions. For the purpose of providing more detailed information in the MD&A, the operations function has been analyzed further to provide some of the production statistics on a field by field basis in Egypt. The company's operations in Cameroon are still in the exploration phase and therefore are not generating production information. Set out below is segmented information on a functional basis.

	YEAR ENDED DECEMBER 31, 2015			YEAR ENDED DECEMBER 31, 2014		
	CORPORATE	OPERATIONS	TOTAL	CORPORATE	OPERATIONS	TOTAL
Revenue	–	11,372	11,372	–	24,533	24,533
Direct operating expenses	–	4,973	4,973	–	3,639	3,639
Exploration and evaluation expense	73	–	73	–	2,767	2,767
Depletion, depreciation and amortization	43	2,014	2,057	8	1,594	1,602
Impairment expense	–	6,842	6,842	–	–	–
Stock based compensation	761	–	761	1,064	–	1,064
Equity in income of associate	–	(1,024)	(1,024)	–	(1,130)	(1,130)
Loss on disposal of office assets	3	–	3	–	–	–
General and administrative expenses	4,137	633	4,770	2,504	394	2,898
Operating income/(loss)	(5,017)	(2,066)	(7,083)	(3,576)	17,269	13,693
Net finance expense	(74)	170	96	(296)	1,305	1,009
Gain on acquisition	(18,289)	–	(18,289)	–	–	–
Income/(loss) before income taxes	13,346	(2,236)	11,110	(3,280)	15,964	12,684
Current income tax expense	–	1,168	1,168	–	4,308	4,308
Deferred income tax expense	–	(105)	(105)	–	20	20
Total Current and Deferred income tax expense	–	1,063	1,063	–	4,328	4.328
Net income/(loss) after income taxes	13,346	(3,299)	10,047	(3,280)	11,636	8,356
Other comprehensive (income)/loss - foreign exchange	647	–	647	420	–	420
Comprehensive income/(loss) for the period	12,699	(3,299)	9,400	(3,700)	11,636	7,936

The segment assets and liabilities as at December 31, 2015 and 2014 are as follows:

	YEAR ENDED DECEMBER 31, 2015			YEAR ENDED DECEMBER 31, 2014		
	CORPORATE	OPERATIONS	TOTAL	CORPORATE	OPERATIONS	TOTAL
Segment assets	**5,505**	**54,511**	**60,016**	5,722	43,370	49,092
Segment liabilities	**1,249**	**3,521**	**4,770**	3,227	6,416	9,643

The segment capital expenditures for the year ended December 31, 2015 and 2014 are as follows:

	YEAR ENDED DECEMBER 31, 2015			YEAR ENDED DECEMBER 31, 2014		
	CORPORATE	OPERATIONS	TOTAL	CORPORATE	OPERATIONS	TOTAL
Capital additions - PP&E oil interests	**–**	**1,375**	**1,375**	–	1,928	1,928
Capital additions - intangible exploration and evaluation assets	**–**	**3,728**	**3,728**	–	11,670	11,670
Capital additions - office assets	**17**	**–**	**17**	36	–	36

Note 25 Commitments

Pursuant to the concession and production service fee agreements in Egypt and Cameroon, the Company is required to perform certain minimum exploration and development activities that include a 3D seismic campaign and the drilling of exploration and development wells. These obligations have not been provided for in the consolidated financial statements.

The commitments relate to a 3D seismic campaign and the drilling of one exploration well for South Disouq (US$6.6 million), the drilling of one development well and facilities upgrade for South Ramadan (US$2.9 million), the drilling of one development well for Block-H Meseda (US$0.1 million) and the drilling of one exploration well in Bakassi West – Cameroon (US$7.0 million).

The work program for South Disouq is secured by a US$3.0 million withholding of Shukheir Marine receivables.

The development well for Block-H Meseda, is secured by a deposit of US$0.1 million withheld from the Company's service fee revenue.

The work program for Bakassi West – Cameroon is secured by a Parent Company Guarantee ("PCG") of US$7.0 million.

Currently the commitments as part of the concession agreements are as follows:

	DECEMBER 31, 2015	DECEMBER 31, 2014
Less than one year	**13,677**	7,250
Between one and five years	**2,933**	125
	16,610	7,375

Non-cancellable office leases

The Company has a lease commitment for its office premises in Calgary and London under non-cancellable operating leases expiring within two to five years.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	DECEMBER 31, 2015	DECEMBER 31, 2014
Less than one year	**302**	309
Between one and five years	**813**	566
More than five years	**–**	–
	1,115	875

Note 26 Contingencies

There are no contingencies as at December 31, 2015.

Note 27 Related party transactions

All subsidiaries and associates (Brentford Oil Tools) are listed below. A list of the investments in subsidiary undertakings (all of whose operations comprise one class of business, being Oil and Gas Exploration, Development and Production), including the name, proportion of ownership interest, country of operation and country of registration, is given below.

NAME	PERCENTAGE	COUNTRY OF OPERATION	COUNTRY OF REGISTRATION
Sea Dragon Holdings Ltd. (Alberta)	100%	Canada	Canada
Sea Dragon Energy (UK) Ltd.	100%	U.K.	U.K.
SDX Energy Investments (UK) Ltd	100%	U.K.	U.K.
Sea Dragon Cooperatieve U.A. (Netherlands)	100%	Netherlands	Netherlands
Sea Dragon Energy Holding B.V. (Netherlands)	100%	Netherlands	Netherlands
Sea Dragon Energy (Kom Ombo) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy (GOS) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy (Nile) B.V. (Netherlands)	100%	Egypt	Netherlands
Sea Dragon Energy (NW Gemsa) B.V.	100%	Egypt	Netherlands
Sea Dragon Energy Holding Ltd. (BVI)	100%	British Virgin Islands	British Virgin Islands
NPC (Shukheir Marine) Ltd (BVI)	100%	Egypt	British Virgin Islands
NPC (South Ramadan) Ltd (BVI)	100%	Egypt	British Virgin Islands
Madison International Oil & Gas Ltd	100%	Barbados	Barbados
Madison Egypt Oil & Gas Ltd	100%	Egypt	Barbados
Madison Cameroon Oil & Gas Ltd	100%	Cameroon	Barbados
Madison Egypt Ltd	100%	Egypt	Egypt
Brentford Oil Tools	50%	Egypt	Egypt

Note 28 Compensation of key management personnel

The remuneration of directors and other key management personnel during the years ended December 31, 2015 and 2014 was as follows:

$000's	2015	2014
Salaries, incentives and short term benefits	**2,271**	1,123
Director's fees	**124**	41
Stock based compensation	**642**	890
Total	**3,037**	2,054