Financial Statements
2016 Annual Report

Independent Auditor's Report

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, 2016 and December 31, 2015, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and Consolidated Statement 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 audit. We conducted our audit 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, 2016 and December 31, 2015 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
Chartered Accountants
Aberdeen

March 24, 2017

Consolidated Balance Sheet
as at December 31, 2016 and 2015

(thousands of United States dollars)	Note	As at December 31 2016	As at December 31 2015
Assets			
Cash and cash equivalents	7	**4,725**	8,170
Trade and other receivables	8	**9,463**	6,678
Inventory	9	**1,698**	1,188
Current assets		**15,886**	16,036
Investments	12	**2,503**	2,106
Property, plant and equipment	10	**12,605**	18,401
Intangible exploration and evaluation assets	11	**10,623**	23,473
Non-current assets		**25,731**	43,980
Total assets		**41,617**	60,016
Liabilities			
Trade and other payables	14	**3,674**	3,556
Current income taxes	17	**389**	928
Current liabilities		**4,063**	4,484
Deferred income taxes	17	**290**	286
Non-current liabilities		**290**	286
Total liabilities		**4,353**	4,770
Equity			
Share capital	18	**40,275**	30,148
Warrants	18	**-**	99
Contributed surplus		**5,128**	5,175
Accumulated other comprehensive loss		**(917)**	(1,154)
(Accumulated loss)/retained earnings		**(7,222)**	20,978
Total equity		**37,264**	55,246
Equity and liabilities		**41,617**	60,016

The notes are an integral part of these Consolidated Financial Statements.

The financial statements on pages 50 to 74 were approved by the Board of Directors on March 24, 2017 and signed on its behalf by:

Paul Welch
Chief Executive Officer

Mark Reid
Chief Financial Officer

Consolidated Statement of Comprehensive Income
for the years ended December 31, 2016 and 2015

(thousands of United States dollars)	Note	Twelve months ended December 31 **2016**	2015
Revenue, net of royalties	20	**12,914**	11,372
Revenue		**12,914**	11,372
Direct operating expense		**(5,282)**	(4,973)
Exploration and evaluation expense	11	**(24,833)**	(73)
Depletion, depreciation and amortization	10	**(3,266)**	(2,057)
Impairment expense	10	**(4,303)**	(6,842)
Reversal of inventory provision	9	**479**	-
Stock based compensation	19	**47**	(761)
Share of profit from joint venture	12	**1,222**	1,024
Loss on disposal of office assets		**-**	(3)
General and administrative expenses	21	**(3,679)**	(4,770)
Operating loss		**(26,701)**	(7,083)
Net finance income/(expense)	22	**4**	(96)
Gain on acquisition	4	**-**	18,289
(Loss)/income before income taxes		**(26,697)**	11,110
Current income tax expense	17	**(1,499)**	(1,168)
Deferred income tax expense/(credit)	17	**(4)**	105
Total current and deferred income tax expense		**(1,503)**	1,063
Net (loss)/income		**(28,200)**	10,047
Other comprehensive income/(loss)			
Foreign exchange		**237**	(647)
Total comprehensive (loss)/income for the period		**(27,963)**	9,400
Net (loss)/income per share			
Basic	23	**$(0.394)**	$0.195
Diluted	23	**$(0.394)**	$0.195

The notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity
for the years ended December 31, 2016 and 2015

(thousands of United States dollars)	Note	Twelve months ended December 31 2016	2015
Share capital			
Balance, beginning of period	18	**30,148**	24,512
Issuance of common shares	18	**-**	5,636
Private placement - secondary listing on the London Stock Exchange AIM	18	**10,988**	-
Share issue costs	18	**(861)**	-
Balance, end of period		**40,275**	30,148
Warrants			
Balance, beginning of period	18	**99**	99
Expiry of warrants	18	**(99)**	-
Balance, end of period		**-**	99
Contributed surplus			
Balance, beginning of period		**5,175**	4,414
Share based payments for the period		**(47)**	761
Balance, end of period		**5,128**	5,175
Accumulated other comprehensive loss			
Balance, beginning of period		**(1,154)**	(507)
Foreign currency translation adjustment for the period		**237**	(647)
Balance, end of period		**(917)**	(1,154)
Retained earnings			
Balance, beginning of period		**20,978**	10,931
Net (loss)/income for the period		**(28,200)**	10,047
Balance, end of period		**(7,222)**	20,978
Total equity		**37,264**	55,246

The notes are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows
for the years ended December 31, 2016 and 2015

(thousands of United States dollars)	Note	Twelve months ended December 31 2016	2015
Cash flows (used in)/from operating activities			
(Loss)/income before income taxes		(26,697)	11,110
Adjustments for:			
Depletion, depreciation and amortization	10	3,266	2,057
Exploration and evaluation expense	11	24,416	73
Impairment expense	10	4,303	6,842
Reversal of inventory provision	9	(479)	-
Amortization of deferred transaction costs	22	-	378
Finance costs	22	(4)	(9)
Stock-based compensation	19	(47)	761
Gain on acquisition	4	-	(18,289)
Tax paid by State	17	(1,272)	(255)
Share of profit from joint venture	12	(1,222)	(1,024)
Loss on disposal of office assets		-	3
Operating cash flow before working capital movements		2,264	1,647
(Increase)/decrease in trade and other receivables	6b	(3,001)	(3,372)
(Decrease)/increase in trade and other payables	14	(408)	2,377
Increase in inventory	9	(31)	(1,188)
Cash used in operating activities		(1,176)	(536)
Income taxes paid	17	(766)	(4,678)
Net cash (used in)/from operating activities		(1,942)	(5,214)
Cash flows (used in)/generated from investing activities:			
Property, plant and equipment expenditures	10	(161)	(1,392)
Exploration and evaluation expenditures	11	(11,729)	(3,728)
Gain on disposal of office assets		-	8
Dividends received	12	825	917
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		(11,065)	(284)
Cash flows (used in)/generated from financing activities:			
Repayment of debentures	13	-	(2,052)
Repayment of bank facility	13	-	(1,650)
Private Placement on London Stock Exchange AIM	18	10,127	-
Finance costs paid	22	(96)	-
Net cash generated from/(used in) financing activities		10,031	(3,702)
Decrease in cash and cash equivalents		(2,976)	(9,200)
Effect of foreign exchange on cash and cash equivalents		(469)	(565)
Cash and cash equivalents, beginning of period		8,170	17,935
Cash and cash equivalents, end of period		4,725	8,170

The notes are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements
For the years ended December 31, 2016 and 2015

(tabular amounts are in thousands of United States dollars except where stated)

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, 2016 and 2015 comprise the Company and its wholly owned subsidiaries and include the Company's share of joint arrangements as explained in note 12 below (together the "Group"). 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 are set out in note 4. Further, as described in note 28 to the Consolidated Financial Statements, on January 27, 2017, the Company acquired the Egyptian and Moroccan assets of Circle Oil plc.

The Company is engaged in the exploration for and development and production of oil and natural gas. The Company's principle properties are located in the Arab Republic of Egypt and Morocco.

The Company's shares trade on the Toronto Venture Stock Exchange ("TSX-V") in Canada and on the London Stock Exchange's Alternative Investment Market ("AIM") in the United Kingdom under the symbol "SDX". .

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 as issued by the International Accounting Standards Board ("IASB") and with IFRS Interpretations Committee ("IFRS IC") interpretations. These accounting standards and interpretations are collectively referred to as "IFRS" in this report.

The accounting policies that follow set out those policies that apply in preparing the audited Consolidated Financial Statements for the year ended December 31, 2016. The policies applied are based on IFRS issued and outstanding as of March 24, 2017.

(b) Basis of measurement

The Consolidated Financial Statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The functional currency for each entity in the Group, and for joint arrangements and associates, is the currency of the primary economic environment in which that entity operates. Transactions denominated in other currencies are converted to the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at year-end exchange rates.

The Group's financial statements are presented in US dollars, as that presentation currency most reliably reflects the business performance of the Group as a whole. On consolidation, income statement items for each entity are translated from the functional currency into US dollars at average rates of exchange where the average is a reasonable approximation of rates prevailing on the transaction date. Balance sheet items are translated into US dollars at period-end exchange rates.

(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. Provisions recognized 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, 2018. The capital expenditure and operating costs used in these forecast cash flows are based on the Company's Board approved 2017 SDX corporate budget which reflects approved operating budgets for each of its Joint Ventures and an estimate of 2018 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, 2018. The Directors have made enquiries into and considered the Egyptian and Moroccan business environments, future expectations regarding commodity price risk and, in particular, oil price risk given the volatility in quoted Brent and WTI crude oil prices.

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

The Directors consider that in a lower cost environment the Company has sufficient resources, at its disposal to continue for the foreseeable future. The foreseeable future is defined as not being less than twelve months from the date of publication of the 2016 Annual Report.

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

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 where the Company has: power over the entities, that is existing rights that give it the current ability to direct the relevant activities of the entities (those that significantly affect the Companies' returns); exposure, or rights, to variable returns from its involvement with the entities; and the ability to use its power to affect those returns. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(ii) Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control such that decisions about the relevant activities of the arrangement (those that significantly affect the Companies' returns) require the unanimous consent of the parties sharing control. The Company has one joint arrangement, being its 50% equity interest in Brentford Oil Tools LLC ("Brentford"). As the parties sharing joint control in this entity have rights to its net assets, the arrangement constitutes a joint venture and is accounted for using the equity accounting method. Under the equity method of accounting, the investment in Brentford was initially recognized at cost and adjusted thereafter for the post-acquisition change in the net assets. The Company's Consolidated 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.

In the comparative period, the Company's interest in Brentford was accounted for as an investment in an associate. As this was also equity accounted, no restatement of comparative figures is required.

(iii) Investments in associates

An associate is an entity over which the Company has significant influence, and is equity accounted for.

(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.

3. Significant accounting policies (continued)

(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 Consolidated Statement of Comprehensive Income

An instrument is classified at fair value through the Consolidated 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 Consolidated 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 Consolidated Statement of Comprehensive Income when incurred. Financial instruments are measured at fair value, and changes therein are recognized in the Consolidated 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 Consolidated 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 in the period during which this determination is made.

(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), a straight-line basis is used over the assets' estimated useful lives, 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 Consolidated 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 Consolidated 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.

3. Significant accounting policies (continued)

(f) Impairment (continued)

(ii) Non-financial assets (continued)

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 a CGU is the greater of its fair value less cost of disposal and its value in use. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU 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 CGU 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, and 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, 2016, the explanation following sets out the Company's accounting policy relating to the obligation that was in place during the year ended December 31, 2015. 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 ("NGLs") 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 Consolidated 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

New and amended standards and interpretations need to be adopted in the first financial statements issued after their effective date (or date of early adoption). Amendments have been made to the following standards effective January 1, 2016. These amendments have not had a material impact on the Consolidated Financial Statements.

- IFRS 11 – Joint Arrangements
- IAS 16 – Property, Plant and Equipment
- IAS 38 – Intangible Assets
- IAS 27 – Separate Financial Statements
- IFRS 10 – Consolidated Financial Statements
- IAS 1 – Presentation of Financial Statements

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 does not expect this standard to have a significant impact 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 does not expect this standard to have a significant impact on its 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 does not expect this standard to have a significant impact on its Consolidated Financial Statements.

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 held 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. was actually the accounting acquiree and Madison Petrogas Limited, was the accounting acquirer. As Madison Petrogas Limited was 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:

	$000's
Post consolidation SDX Energy Inc. outstanding shares	10,756
SDX Energy Inc. closing share priceas at September 30, 2015 in CAD$	0.70
Fair value 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 Consolidated 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 was 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	(1650)
Property, plant and equipment	16,747
Intangible exploration and evaluation assets	3,267
Total identifiable net assets at fair value	**23,925**

Paid by:	
Fair value of shares issued	5,636
Less: Fair value of assets acquired	23,925
Gain on acquistion	**18,289**

The reverse takeover resulted in a bargain gain due to the shareholders of Sea Dragon Energy being prepared to, in a low oil price environment, accept a transaction below fair value in exchange for enhancing Sea Dragon's immediately available financial resources, near term cost of capital and future access to capital in order to fund its current field development and exploration commitments, and provide a better platform for its future acquisition opportunities.

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.

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.

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 2016**	December 31 2015
Cash and cash equivalents	**4,725**	8,170
Trade and other receivables	**9,463**	6,678
Total	**14,188**	14,848

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6. Financial risk management (continued)

(b) Credit risk (contiuned)

Trade and other receivables

All of the Company's operations were 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, 2016 and 2015.

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 2016**	December 31 2015
Current		
Government of Egypt controlled corporations	**7,745**	5,018
Joint venture partners	**578**	862
Other	**1,140**	798
Total trade and other receivables	**9,463**	6,678

Current receivables of US$7.7 million related to oil, gas and NGL sales and production service fees which are due from EGPC (December 31, 2015: US$5.0 million), a Government of Egypt controlled corporation.

Receivables in respect of oil sales and service fees are normally collected in two to three months following production. The Company expects to collect outstanding receivables of US$3.4 million for NW Gemsa (2015: US$0.8 million), which includes the US$2.3 million gas and NGL revenue recognized in Q4 2016 (with no comparable balance at December 31, 2015), and US$2.3 million for Block – H Meseda (2015: US$1.2 million), in the normal course of operations.

The US$2.0 million of Shukheir Marine oil invoices (2015:US$3.0 million), which are pledged against the Company's obligations under its South Disouq work program, are expected to be collected during Q2 2017 as the South Disouq work programme is now complete.

The joint venture partner current accounts represent the net of monthly cash calls paid less billings received. Joint venture partner receivables of US$0.6 million (2015 - US$0.9 million) relate to the South Disouq concession only (2015: South Disouq US$0.8 million and Block – H Meseda US$0.1 million).

The other receivables of US$1.1 million consist of US$0.7 million related to prepayments, US$0.3 million for Goods and Services Tax ("GST")/ Value Added Tax ("VAT") and US$0.1 million for other items.

The difference between the increase of US$2.8 million in Trade and other receivables as at December 31, 2016 and December 31, 2015 and the increase of US$3.0 million as reflected in the Consolidated Statement of Cash Flows relates to foreign exchange movements.

As at December 31, 2016 and December 31, 2015, the Company's trade and other receivables, is aged as follows:

	Carrying amount	
$000's	**December 31 2016**	December 31 2015
Current		
Current (less than 90 days)	**6,863**	3,364
Past due (more than 90 days)	**2,600**	3,314
Total - current	**9,463**	6,678

Current trade and other receivables are unsecured and non-interest bearing. The balances which are past due are not considered impaired.

Current trade and other receivables past due (more than 90 days old) have decreased by US$0.8 million when compared to December 31, 2015. This decrease is primarily due to the collection of US$1.0 million of the Shukheir Marine receivables as explained above.

Subsequent to December 31, 2016, the Company collected US$2.5 million of trade receivables from those that were outstanding at December 31, 2016; US$0.1 million for NW Gemsa representing October 2016 crude oil sales invoices, US$1.3 million for Meseda representing September, October and November 2016 production service fees and US$1.4 million of the rolling South Disouq production guarantee referred to above.

Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with highly rated counterparties. The Company's cash and cash equivalents are currently held in established banks in either countries of operation or the UK, the majority of which have A or AA ratings. Given these credit ratings, 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, 2016, 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$). Substantially all of the Company's operations are in foreign jurisdictions and as a result, the Company is exposed to foreign currency exchange rate risk on some of its activities primarily on exchange fluctuations between the EGP and US$ and GBP and 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	GBP	Other
As at December 31, 2016	US$ equivalent				
Cash and cash equivalents	4,725	1,847	2,104	694	80
Trade and other receivables	9,463	8,544	16	838	65
Trade and other payables	(3,674)	(1,757)	(1,377)	(525)	(15)
Current income taxes	(389)	-	(389)	-	-
Balance sheet exposure	10,125	8,634	354	1,007	(130)

(1) denotes Financial Statements

The average exchange rates during the three months ended December 31, 2016 and 2015 were 1 US$ equals:

Average: October 1, 2016 to December 31, 2016		
	USD/EGP	USD/GBP
Period average	14.3634	0.8044

Average: October 1, 2015 to December 31, 2015		
	USD/EGP	USD/GBP
Period average	7.8530	0.6590

The average exchange rates during the twelve months ended December 31, 2016 and 2015 were 1 US$ equals:

Average: January 1, 2016 to December 31, 2016		
	USD/EGP	USD/GBP
Period average	10.0211	0.7405

Average: January 1, 2015 to December 31, 2015		
	USD/EGP	USD/GBP
Period average	7.6849	0.6542

The exchange rates as at December 31, 2016 and 2015 were 1 US$ equals:

Period end: December 31, 2016		
	USD/EGP	USD/GBP
Period end	18.1274	0.8113

Period end: December 31, 2015		
	USD/EGP	USD/GBP
Period end	7.8041	0.6755

6. Financial risk management (continued)

(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, 2016 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 2016**	December 31 2015
Equity	**37,264**	55,246
Working capital [(1)]	**(11,823)**	(11,552)
Total capital	**25,441**	43,694

(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.

7. Cash and cash equivalents

	Carrying amount	
$000's	**December 31 2016**	December 31 2015
Bank balances	**4,725**	8,170
Cash and cash equivalents	**4,725**	8,170

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

8. Trade and other receivables

	Carrying amount	
$000's	**December 31 2016**	December 31 2015
Trade receivables	**7,745**	5,018
Other receivables	**1,718**	1,660
Total	**9,463**	6,678

For discussion of these balances, see Note 6 (b).

9. Inventory

As at December 31, 2016 the Company undertook a comprehensive stockcounting exercise over all spare parts and consumables inventory. Given the forthcoming exploration drilling operations on the South Disouq concession, and in order to identify an optimal use for the Company's inventory, a quantity of on hand drill pipe and casing was inspected and certified for use in the SD1-X well. This inventory was from legacy exploration operations and previously was carried at nil value as it was not planned to be used and thus was uncertified. Furthermore the inventory had been attributed a zero realizable value due to the limited resale market in Egypt and was therefore fully provided-for. The reversal of the provision previously recognized against this inventory has resulted in a US$0.5 million credit to the Consolidated Statement of Comprehensive Income, which has increased the book value of inventory from US$1.2 million at December 31, 2015 to US$1.7 million at December 31, 2016.

10. Property, plant and equipment

$000's	Oil and gas properties	Furniture and fixtures	Total
Cost:			
Balance at December 31, 2014	**12,824**	**174**	**12,998**
Additions	1,375	17	1,392
Acquisitions	16,679	68	16,747
Foreign currency revaluation	-	(32)	(32)
Decommissioning provision release	(208)	-	(208)
Disposals	-	(8)	(8)
Assets scrapped	(7)	(99)	(106)
Balance at December 31, 2015	**30,663**	**120**	**30,783**
Additions	1,705	68	1,773
Balance at December 31, 2016	**32,368**	**188**	**32,556**
Accumulated depletion, depreciation, amortization and impairment:			
Balance at December 31, 2014	**(3,478)**	**(128)**	**(3,606)**
Depletion, depreciation and amortization for the year	(2,014)	(43)	(2,057)
Foreign currency revaluation	-	28	28
Impairment charge	(6,842)	-	(6,842)
Assets scrapped	-	95	95
Balance at December 31, 2015	**(12,334)**	**(48)**	**(12,382)**
Depletion, depreciation, amortization and impairment for the year	(3,225)	(41)	(3,266)
Impairment charge	(4,303)	-	(4,303)
Balance at December 31, 2016	**(19,862)**	**(89)**	**(19,951)**
NBV Property, plant and equipment as at December 31, 2015	18,329	72	18,401
NBV Property, plant and equipment as at December 31, 2016	**12,506**	**99**	**12,605**

During the year ended December 31, 2016, PP&E additions of US$1.8 million predominantly related to the NW Gemsa concession and were for the drilling of Al Amir SE-23 and Al Amir SE-24, and the well work over programme. The difference between the US$1.8 million disclosed above and the US$0.2 million Property, plant and equipment expenditure in the Consolidated Statement of Cash Flows is due to the fact that c.US$1.6 million of the costs of the Al Amir SE-23 and SE-24 wells are part of Trade and other payables as at December 31, 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 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.

At December 31, 2016 for the purposes of the depletion calculation, US$3.3 million (December 31, 2015 – US$3.4 million) of future development costs are included in the calculation of cost in determining the depletion rate.

Impairment assessment
At the reporting date, management performed an impairment indicator assessment and concluded that due to a reduction in the proved and probable reserves for the NW Gemsa concession, as well as increased forecast operating expenditure, the asset should be tested for impairment.

The impairment test was carried out in accordance with the accounting policy note stated in note 3. The recoverable amounts of the field has been determined based on a value-in-use calculation. This calculation requires the use of estimates. The present values of future cash flows were 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 12.5%. The discount rate used reflects the specific risks relating to the underlying cash generating unit ("CGU").

Based on this calculation for NW Gemsa an impairment of US$4.3 million has been recorded.

10. Property, plant and equipment (continued)

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

2016	2017	2018	2019	2020	2021	2022
US$54.40	US$58.25	US$57.85	US$50.05	US$58.61	US$59.17	US$59.85

If the discount factor applied to the impairment test were to increase by 2.5% above the current factor of 12.5%, the impairment of the NW Gemsa field would increase by US$0.2 million.

If the discount factor applied to the impairment test were to decrease by 2.5% below the current factor of 12.5%, the impairment of the NW Gemsa field would decrease by US$0.1 million.

A 10% reduction in the Brent oil sales price would increase the impairment by US$1.1 million.

A 15% reduction in the Brent oil sales price would increase the impairment by US$1.6 million.In the prior period the NW Gemsa field was impaired by US$6.8 million, due to falling crude oil prices and a reduction in the proved and probable reserves.

11. Intangible exploration and evaluation assets

$000's	
Balance at December 31, 2014	**16,460**
Additions	3,728
Acquisitions	3,267
Exploration and evaluation expense	18
Balance at December 31, 2015	**23,473**
Additions	11,566
Exploration and evaluation expense	(24,416)
Balance at December 31, 2016	**10,623**

The E&E additions of US$11.6 million consists of US$5.6 million primarily in relation to the drilling of the Manitee-1 exploration well in the Bakassi West block in Cameroon ("Bakassi West") and US$6.0 million in relation to the 3D seismic programme in the South Disouq concession in Egypt.

On June 16, 2016 the Company issued a press release announcing its intention to withdraw from the Bakassi West, Cameroon concession (which became effective July 31, 2016).

As the Bakassi West drilling operations had been completed by June 30, 2016, the Company made a full provision against the capitalised exploration cost of US$24.4 million and reflected the relevant impairment in the Consolidated Statement of Comprehensive Income Statement for the period to June 30, 2016. There has been no material change to this position as at December 31, 2016.

In addition to the US$24.4 million provision against capitalized exploration cost, the Consolidated Statement of Comprehensive Income for the year ended December 31, 2016 reflects a further US$0.4 million of costs relating to new ventures activities.

12. Investments

The Company owns a 50% equity interest in Brentford Oil Tools LLC ("Brentford"), an oilfield services business incorporated in Egypt, over which it exercises joint control. Brentford owns all assets which it uses to provide its services and is legally responsible for settling its liabilities. Although in the current and comparative period Brentford has only provided services to its shareholders, it is not contractually obliged to do so and in the past it has contracted with third parties and continues to seek opportunities to do so. On the balance of facts, the Company has concluded that Brentford is a Joint Venture under IFRS 11 – "Joint Arrangements" and the Company's interest is equity accounted for. The investment is reviewed regularly for indicators of impairment and no impairment was identified for the years ended December 31, 2016 and 2015.

The following table summarizes the changes in investments for the year ended December 31, 2016 and 2015:

$000's	**December 31 2016**	December 31 2015
Investments, beginning of year	**2,106**	1,999
Dividends received	**(825)**	(917)
Share of profit	**1,222**	1,024
Investments, end of year	**2,503**	2,106

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, 2016 and 2015:

$000's	December 31 2016	December 31 2015
Total assets	**2,405**	2,469
Total liabilities	**3**	316
Revenue	**1,656**	1,816
Net profit	**1,222**	1,024

During the year ended December 31, 2016 50% (December 31, 2015 – 50%) of Brentford's revenue was earned from fees charged to the Company.

13. Loans and borrowings

As at December 31, 2016 the Company had no loans or borrowings outstanding.

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 Consolidated Statement of Comprehensive Income in October 2015 as a result of the full repayment and termination of the Facility, see note 22.

14. Trade and other payables

	Carrying amount	
$000's	December 31 2016	December 31 2015
Current		
Trade payables	**663**	198
Accruals	**684**	1,284
Other payables	**2,327**	2,074
Total	**3,674**	3,556

Trade payables include US$0.3 million of NGL and gas transportation and treatment costs associated with the sales of these products recognized during Q4 2016. There was no corresponding balance as at December 31, 2015.

Accruals primarily comprise general and administrative costs related to legal, audit, tax and reserve reporting fees. The main reduction from the position as at December 31, 2015 is the absence of a US$0.5 million restructuring accrual which existed at December 31, 2015 and which since been settled.

Other payables of US$2.3 million comprise an estimated liability of US$0.5 million related to the relinquishment of the Shukheir Marine concession (2015: US$1.1 million), partner current accounts of US$1.2 million for NW Gemsa (2015:US$0.7 million), US$0.5 million Block-H Meseda (2015:US$nil million) concessions, UK payroll taxes and deferred payroll of US$0.1 million (2015: US$0.3 million).

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

The difference between the increase of US$0.1 million in trade and other payables in the Consolidated Balance Sheets as at December 31, 2016 and December 31, 2015 and the cash outflow relating the implied decrease of US$0.4 million as reflected in the Consolidated Statement of Cash Flows relates to the removal of capital expenditure items from the comparison in the Consolidated Statement of Cash Flows and the impact of foreign exchange movements.

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.

15. Debentures (continued)

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 prices 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 was recorded as interest expense, resulting in an effective interest rate on the debentures of 10%.

16. Decommissioning provision

As at December 31, 2016, the Company believes that no decommissioning provision is required.

The Company previously 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, to be incurred between the years 2017 and 2035 and the liability was discounted using a risk-free rate of 2.20%.

	Carrying amount	
$000's	**December 31 2016**	December 31 2015
Decommissioning provisions, beginning of year	-	217
Changes in estimate	-	(4)
Liabilities incurred	-	36
Accretion	-	(9)
Release of decommissioning liability	-	(240)
Decommissioning provisions, end of year	**-**	-

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 27% (2015 – 26%) to income before income taxes as follows:

Statement of Comprehensive Income

	Twelve months ended December 31	
$000's except per unit amounts	**2016**	2015
Income before income taxes	**(26,697)**	12,684
Canadian statutory income tax rate	**27%**	26%
Expected income taxes	**(7,208)**	2,889
Adjustments:		
Non deductible items	**(57)**	193
Non taxable gain on acquisition	**-**	(4,750)
Unrecognized income tax benefit	**385**	344
Foreign tax differential	**433**	(50)
Expenses incurred with no recognized tax benefit	**7,950**	2,437
Total current and deferred income tax expense	**1,503**	1,063

(b) The components of the deferred income tax assets and liabilities at December 31, 2016 and 2015 include the following:

Consolidated Blance Sheet

$000's except per unit amounts	Twelve months ended December 31	
	2016	2015
Deferred tax assets/(liabilities):		
Investments	**(9)**	(7)
Property and equipment	**(292)**	(286)
Non-capital losses	**15,647**	15,258
Deferred tax assets not recognized	**(15,636)**	(15,251)
Deferred income tax liability	**(290)**	(286)

(c) The Company has US$56.5 million of non-capital losses available at December 31, 2016 (2015: US$56.8 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$15.6 million at December 31, 2016 (2015: US$15.3 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.

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, 2016		December 31, 2015	
	Number of Shares ($000's)	**Stated Value ($000's)**	Number of Shares ($000's)	Stated Value ($000's)
Balance, beginning of year	**37,642**	**30,148**	56,348	24,512
Business combination	**-**	**-**	(29,462)	-
Share for share exchange	**-**	**-**	10,756	5,636
Private placing of shares on the London Stock Exchange (AIM) (less share issue costs)	**42,202**	**10,127**	-	-
Balance, end of year	**79,844**	**40,275**	37,642	30,148
Weighted average shares outstanding	**71,509**		51,633	

(c) Common Share Warrants issued

	December 31, 2016		December 31, 2015	
	Number of Shares ($000's)	**Stated Value ($000's)**	Number of Shares ($000's)	Stated Value ($000's)
Balance, beginning of year	**611**	**99**	1,280	99
Business combination	**-**	**-**	(669)	-
Expiry of warrants	**(611)**	**(99)**	-	-
Balance, end of year	**-**	**-**	611	99

The 610,743 warrants expired on July 27, 2016.

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, 2015 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.

During the year ended December 31, 2016, 395,000 options were cancelled as a result of two non-executive Directors and one employee leaving the Company. In addition 190,000 options were issued during the year to three new employees.

During the period it was determined that one of the inputs to the Black-Scholes option pricing model, specifically volatility of returns, required to be updated following the business combination between Sea Dragon and Madison. As a result, a non-cash stock based compensation credit of US$0.1m has been recognized for the twelve months ended December 31, 2016. For the twelve months ended December 31, 2015 the Company recorded a non-cash stock based compensation charge of US$0.8 million.

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, 2016	**2,650**	**0.63**
Cancelled during the period	(395)	0.63
Issued during the period	190	0.36
Outstanding December 31, 2016	**2,445**	**0.61**
Exercisable December 31, 2016	**1,567**	**0.62**

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
CAD $0.36 - $0.63	2,445,000	3 - 5 years	1,566,651	3 - 5 years

	2016	2015
Fair value at grant date (CDN)	$0.28	$0.61
Share price (CDN)	$0.36	$0.63
Exercise price (CDN)	$0.36	$0.63
Volatility (%)	70	70
Forfeiture (%)	0	0
Option life	5 years	5 years
Dividends (%)	0	0
Risk-free interest rate (%)	0.8	0.8

20. Revenue, net of royalties

	Twelve months ended December 31	
	2016	2015
Oil revenue	**7,432**	2,322
Royalties	**(3,190)**	(686)
Oil revenue, net of royalties	**4,242**	1,636
Gas revenue	**2,210**	-
Royalties	**(1,059)**	-
Gas revenue, net of royalties	**1,151**	-
NGL revenue	**2,361**	-
Royalties	**(1,199)**	-
NGL revenue, net of royalties	**1,162**	-
Production service fees	**6,359**	9,736
Total net revenue before tax	**12,914**	11,372

The oil, gas and NGLs revenue and royalties relate to the NW Gemsa concession, which is governed by a PSC. The royalties are those attributable to the government take in accordance with the fiscal terms of the PSC.

The Company commenced sales of gas and NGLs in February 2013 from the NW Gemsa concession, recognizing revenue from February to September of that year. Subsequent to this, the Company ceased recognizing revenue due to a dispute with EGPC over entitlement volumes. This dispute has now been resolved such that the Company believes it appropriate to recognize revenues from October 1, 2013 to December 31, 2016, which equates to US$2.2 million of gas sales and US$2.4 million of NGLs. These sales were recognized in Q4 2016 and are reflected in the Consolidated Financial Statements.

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

21. General and administration expenses

	Twelve months ended December 31	
	2016	2015
Wages and employee costs	**2,532**	2,828
Consultants - inc. PR/IR	**479**	499
Legal fees	**237**	124
Audit, tax and accounting services	**246**	449
Public company fees	**332**	228
Travel	**166**	250
Office expenses	**668**	490
IT expenses	**322**	75
Transaction costs	**-**	496
Service recharges	**(1,303)**	(669)
Total - net G&A	**3,679**	4,770

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 27.

General and administrative ("G&A") costs for 2016 were US$3.7 million, which represented a decrease of US$1.1 million compared to 2015.

In accordance with IFRS 3 - Business Combinations (see note 4) the 2015 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.

22. Net finance income/(expense)

	Twelve months ended December 31	
	2016	2015
Interest and bank charges	**(95)**	273
Amortization of acility costs	**-**	(378)
Expiry of warrants	**99**	-
Accretion of decommissioning provisions	**-**	9
Net finance income/(expense)	**4**	(96)

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.

23. (Loss)/income per share

	Twelve months ended December 31	
$000's	**December 31 2016**	December 31 2015
Net (loss)/income before other comprehensive income for the year	**(28,200)**	10,047
Weighted average number of shares (000's)		
Basic	**71,509**	51,633
Diluted	**71,557**	51,633
Per share amount		
Basic	**$(0.394)**	$0.195
Diluted	**$(0.394)**	$0.195

Basic (loss)/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, resulting in a diluted EPS equal to the basic EPS. For the year ended December 31, 2016 a net loss before other comprehensive income was recorded and thus these instruments became anti-dilutive, resulting in a diluted EPS equal to the basic EPS.

24. Segmental reporting

The Company is engaged in the business of exploration for and production of oil and gas only, which represents a single operating segment. The executive directors are the Company's chief operating decision maker within the meaning of IFRS 8.

Non-current assets other than financial instruments by country are as follows:

	Carrying amount	
$000's	**December 31 2016**	December 31 2015
Cameroon	**-**	18,795
Egypt	**25,707**	25,145
United Kingdom	**24**	40
Total	**25,731**	43,980

25. Commitments and contingencies

Pursuant to the concession and production service fee agreements in Egypt, the Company is required to perform certain minimum exploration and development activities that include the drilling of exploration and development wells. These obligations have not been provided for in the Consolidated Financial Statements.

The commitments are for the drilling of one exploration well for South Disouq (US$1.3 million) and the drilling of one development well and facilities upgrade for South Ramadan (US$2.9 million).

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

$000's	**December 31 2016**	December 31 2015
Less than one year	**1,340**	13,677
Between one and five years	**2,933**	2,933
Total	**4,273**	16,610

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:

$000's	**December 31 2016**	December 31 2015
Less than one year	**318**	302
Between one and five years	**499**	813
Total	**817**	1,115

26. Related party transactions

All subsidiaries and joint arrangements (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. (Netherlands)	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 Island
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

27. Compensation of key management personnel

The remuneration of directors and other key management personnel during the years ended December 31, 2016 and 2015 was as follows:

	Twelve months ended December 31	
	2016	2015
Salaries, incentives and short term benefits	**1,087**	2,271
Director's fees	**153**	124
Stock based compensation	**(114)**	642
Total	**1,126**	3,037

In the year ended December 31, 2015, termination benefits of US$377k were paid to Said Arrata, the former Chairman of the Company and US$433k were paid to Olivier Serra, the former CFO of the Company.

28. Post balance sheet events

On January 27, 2017 the Company announced the acquisition, through two of its wholly-owned subsidiaries, of the entire issued share capital of Circle Oil Egypt Limited ("COEL") and Circle Oil Morocco Limited ("COML") for a cash purchase price of US$28.1 million.

The acquisition was funded by means of a conditional placing of new Common Shares in SDX at a Placing Price of 30 pence (C$0.50) per Placing Share, amounting to US$40.0 million before costs.

COEL holds a 40% interest in the NW Gemsa concession, Eastern Desert, Egypt. Prior to the acquisition, SDX held a 10% interest in this concession, bringing the post-acquisition holding to 50%.

COML holds 75% interest and operatorship in certain licences, onshore Morocco, with L'Office National des Hydrocurbures et des Mines ("ONHYM") holding a 25% interest.

The acquisition is in accordance with the Company's strategy to pursue distressed production and development opportunities in North Africa alongside organic growth.

The provisional fair value of the identifiable assets and liabilities of COEL and COML as at the date of acquisition were:

	Fair value as at January 27, 2017 US$ million
Non-current assets	
Property, plant & equipment	43.2
Current assets	
Cash and cash equivalents	3.1
Trade and other receivables	36.0
Inventory	1.2
Current tax	0.1
Non-current liabilities	
Decommissioning liability	(2.8)
Deferred income	(0.7)
Current liabilities	
Trade and other payables	(18.9)
Decommissioning liability	(1.2)
Deferred income	(0.4)
Total identifiable net assets at fair value	**59.6**
Total consideration	**(28.1)**
Excess of fair value over cost (bargain purchase)	**31.5**

Prior to the acquisition the parent company of COEL and COML, Circle Oil Jersey Limited, was placed into administration. The excess of fair value over cost arises due to the fact that COEL and COML were distressed businesses and purchased out of administration. A provisional bargain purchase gain amounting to US$31.5 million will be recognised in the Consolidated Statement of Comprehensive Income for the three months to March 31, 2017 and twelve months to December 31, 2017. No provision has been made against the value of the acquired receivables.

COEL and COML contributed US$nil revenue and US$nil profit/loss to the Consolidated Financial Statements for year to December 31,2016.