

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED
JUNE 30, 2018 AND 2017**



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ORYX PETROLEUM CORPORATION LIMITED

Unaudited Condensed Consolidated Interim Financial Statements

For the three and six months ended June 30, 2018 and 2017

Statements of Loss and Comprehensive Loss

\$000s	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
Revenue		17,901	7,112	31,831	15,016
Royalties		(7,877)	(3,130)	(14,007)	(6,608)
Net revenue		10,024	3,982	17,824	8,408
Operating expense		(3,632)	(4,032)	(6,760)	(8,281)
Depreciation, depletion and amortization	4, 5	(2,645)	(1,116)	(4,878)	(2,271)
Impairment reversal	4, 5	-	-	-	1,132
Pre-license and exploration		-	(273)	61	(400)
General and administration		(2,358)	(2,512)	(5,070)	(5,096)
Other (expense) / income	19	(655)	(20)	(556)	7,629
Profit / (Loss) from operations		734	(3,917)	621	1,121
Finance income		41	18	70	42
Finance expense	20	(3,919)	(5,297)	(7,742)	(6,055)
Foreign exchange (loss) / gain		(19)	172	-	150
Loss before income tax		(3,163)	(9,078)	(7,051)	(4,742)
Income tax expense	18	(359)	(121)	(745)	(320)
Loss for the period		(3,522)	(9,199)	(7,796)	(5,062)
Comprehensive loss for the period		(3,522)	(9,199)	(7,796)	(5,062)
Loss for the period attributable to:					
Owners of the Company		(3,522)	(9,195)	(7,796)	(5,060)
Non-controlling interest	16	-	(4)	-	(2)
		(3,522)	(9,199)	(7,796)	(5,062)
Comprehensive loss for the period attributable to:					
Owners of the Company		(3,522)	(9,195)	(7,796)	(5,060)
Non-controlling interest		-	(4)	-	(2)
		(3,522)	(9,199)	(7,796)	(5,062)
Loss per share (basic and diluted)	15	(0.01)	(0.03)	(0.02)	(0.02)

ORYX PETROLEUM CORPORATION LIMITED
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For the three and six months ended June 30, 2018 and 2017

Statements of Financial Position

\$000s	Note	June 30 2018	December 31 2017
Non-current assets			
Intangible assets	4	93,218	92,207
Property, plant and equipment	5	591,675	582,622
Deferred tax assets		249	254
		685,142	675,083
Current assets			
Inventories	6	11,449	13,444
Trade and other receivables	7	11,616	8,757
Other current assets	8	1,558	942
Cash and cash equivalents	9	21,326	38,572
Assets held for disposal	10	13,266	8,000
		59,215	69,715
Total assets		744,357	744,798
Current liabilities			
Trade and other payables	11	42,054	42,582
		42,054	42,582
Non-current liabilities			
Borrowings	12	80,238	75,854
Trade and other payables	11	56,889	54,242
Retirement benefit obligation		2,759	3,148
Decommissioning obligation	13	15,569	14,593
		155,455	147,837
Total liabilities		197,509	190,419
Equity			
Share capital	14	1,343,235	1,343,186
Reserves	16	16,739	15,879
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,720)	(5,720)
Accumulated deficit		(807,406)	(799,610)
Equity attributable to owners of the Company		546,848	553,735
Non-controlling interest	16	-	644
Total equity		546,848	554,379
Total equity and liabilities		744,357	744,798

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on August 8, 2018.

On behalf of the Board of Directors:

(signed)
Jean Claude Gandur
Director

(signed)
Peter Newman
Director

ORYX PETROLEUM CORPORATION LIMITED

Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2018 and 2017

Statements of Changes in Equity
Attributable to equity holders of the Company

\$000s	Note	Share capital	Reserves	Accumulated deficit	Accumulated remeasurement of defined benefit obligation - gain/ (loss)	Total	Non-controlling interest	Total equity
Balance at January 1, 2017		1,279,655	14,401	(760,577)	(5,586)	527,893	661	528,554
Loss for the period		-	-	(5,060)	-	(5,060)	(2)	(5,062)
Share based payment expense	16	-	1,236	-	-	1,236	-	1,236
Private subscription	14	54,100	-	-	-	54,100	-	54,100
Transaction costs	14	(103)	-	-	-	(103)	-	(103)
Shares issued to settle trade accounts payable	14	4,750	-	-	-	4,750	-	4,750
Shares issued for Directors' compensation	14, 16	99	(49)	-	-	50	-	50
Balance at June 30, 2017		1,338,501	15,588	(765,637)	(5,586)	582,866	659	583,525
Loss for the period		-	-	(33,973)	-	(33,973)	(15)	(33,988)
Share based payment expense	16	-	903	-	-	903	-	903
Issue of shares for debt interest conversion	14	4,024	-	-	-	4,024	-	4,024
Shares issued for long-term incentive plan ("LTIP")	14, 16	611	(611)	-	-	-	-	-
Shares issued for Directors' compensation	14, 16	50	(1)	-	-	49	-	49
Loss on defined benefit obligation, net of income tax		-	-	-	(134)	(134)	-	(134)
Balance at December 31, 2017		1,343,186	15,879	(799,610)	(5,720)	553,735	644	554,379
Loss for the period		-	-	(7,796)	-	(7,796)	-	(7,796)
Share based payment expense	16	-	967	-	-	967	-	967
Increase in ownership of KPAWDE ⁽¹⁾	16	-	(57)	-	-	(57)	(644)	(701)
Shares issued for Directors' compensation	14, 16	49	(50)	-	-	(1)	-	(1)
Balance at June 30, 2018		1,343,235	16,739	(807,406)	(5,720)	546,848	-	546,848

(1) During the first quarter of 2018, the Group acquired the minority ownership interest in KPA Western Desert Energy Limited ("KPAWDE"), thereby increasing its percentage ownership from 80.8% to 100%.

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Unaudited Condensed Consolidated Interim Financial Statements
For the three and six months ended June 30, 2018 and 2017

Statements of Cash Flows

\$000s	Note	Three months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
Operating activities					
Loss		(3,522)	(9,199)	(7,796)	(5,062)
Items not involving cash	17	7,610	7,098	13,913	611
Changes in non-cash assets and liabilities	17	(5,678)	940	(10,289)	5,481
Net cash (used in) / generated by operating activities		(1,590)	(1,161)	(4,172)	1,030
Investing activities					
Acquisition of intangible assets		(546)	(371)	(940)	(1,459)
Acquisition of property, plant and equipment		(7,769)	(3,141)	(12,928)	(11,323)
Additions to Assets held for disposal	10	-	-	(5,266)	-
Changes in non-cash assets and liabilities	17	3,288	(7,413)	6,791	(1,503)
Net cash used in investing activities		(5,027)	(10,925)	(12,343)	(14,285)
Financing activities					
Increase in ownership of KPAWDE	16	-	-	(731)	-
Proceeds from issuance of common shares		-	30,000	-	30,000
Transaction costs		-	(103)	-	(103)
Net cash (used in) / generated from financing activities		-	29,897	(731)	29,897
Net (decrease) / increase in cash and cash equivalents		(6,617)	17,811	(17,246)	16,642
Cash and cash equivalents at beginning of the period	9	27,943	39,563	38,572	40,732
Cash and cash equivalents at end of the period		21,326	57,374	21,326	57,374

NOTES TO THE FINANCIAL STATEMENTS**1. General information**

Oryx Petroleum Corporation Limited (the “Company” or “OPCL”) is a public company incorporated in Canada under the Canada Business Corporation Act and is the holding company for the Oryx Petroleum group of companies (together the “Group” or “Oryx Petroleum”). The address of the registered office of OPCL is 3400 First Canadian Centre 350, 7th Avenue Southwest, Calgary, Alberta, Canada T2J 2M2. The Group’s indirect controlling shareholder is The Addax and Oryx Group PLC (“AOG”) (incorporated in Malta). The majority of AOG’s outstanding shares are owned by Samsufi Trust, an irrevocable discretionary charitable trust created at the suggestion of Jean Claude Gandur. Mr. Gandur is not one of the beneficiaries of the Samsufi Trust. The Group’s principal activities are to acquire and develop exploration and production assets in order to produce hydrocarbons and to increase oil and gas reserves.

The unaudited condensed consolidated interim financial statements (the “Financial Statements”) were authorised for issue by the Board of Directors on August 8, 2018.

2. Summary of significant accounting policies**a. Basis of preparation**

The Company’s Financial Statements for the three and six months ended June 30, 2018 have been prepared in accordance with International Accounting Standard (IAS) 34 “Interim financial reporting”. The Financial Statements should be read in conjunction with Oryx Petroleum’s annual financial statements for the year ended December 31, 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS). Other than the changes to the Group’s accounting policies arising from the adoption of IFRS 9 and 15 as describe below, accounting policies included in the annual financial statements for the year ended December 31, 2017 are applicable to these Financial Statements.

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit and loss.

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in the annual financial statements for the year ended December 31, 2017 and have been updated in these Financial Statements as required.

The Financial Statements are presented in the US Dollar currency (USD), which is both the presentational and functional currency of the Company.

b. Going concern

These Financial Statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. The Group has met its day to day working capital requirements, and funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 14) and its share of oil sales revenues from the Hawler License Area.

The Group’s ability to continue as a going concern in accordance with management’s estimates and forecasts is primarily dependent on receipt of proceeds from the sale of assets held for disposal (note 10), and on the Group’s ability to a) increase production from the Hawler license area and b) restructure the scheduled cash outflow related to Borrowings (note 12). These estimates are subject to material uncertainties that may cast significant doubt on the Group’s ability to continue as a going concern.

The Directors expect that cash resources on hand as at June 30, 2018, proceeds from the sale of assets held for disposal, and future cash receipts from sales of its share of oil production from the Hawler license area will be sufficient to fund the Group’s capital and operating expenditures and, with the exception of the repayment of Borrowings, to meet forecast obligations as they fall due in the 15 months following June 30, 2018. Provided sufficient funds are available, the Group plans to accelerate certain discretionary drilling activities during the third and fourth quarters of 2018. Accordingly and in order to ensure

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

sufficient liquidity, the Group is engaged in specific discussions with various parties to secure further financing of \$10 - \$15 million.

In preparing forecasts supporting the going concern assumption, management has applied the following significant judgments and assumptions:

- i) Oil production volume assumptions are based on July 2018 gross production of 6,100 bbl/d rising to at least 10,000 bbl/d as management expects to bring one recently completed and four further wells on stream over the coming months in the Hawler license area.
- ii) The timing and extent of forecast capital and operating expenditures is based on the Group's 2018 reforecast budget adjusted to exclude certain discretionary activities and related expenditures, and on management's estimate of non-contingent expenditures expected to be incurred beyond 2018. The Group retains a high degree of control and flexibility over both the extent and timing of expenditure under its capital investment program.
- iii) Management has developed specific plans to address longer term corporate funding requirements which are under discussion and consideration by parties including the Lender (note 12). Based on these discussions, management has anticipated that Borrowings maturing in July 2019 will be rescheduled or restructured, such that no related cash outflows occur during 2019. While agreements to reschedule or restructure the Borrowings have not been concluded, substantive and detailed discussions are ongoing. Given the substance of the discussions undertaken to date, and the time available to conclude definitive agreements, the directors believe that the assumption that the Borrowings will be rescheduled or restructured is reasonable and appropriate. However, so long as definitive agreements have not been concluded, the directors have determined that the uncertainty related to the Group's ability to restructure or to reschedule cash outflows related to Borrowings is material to the conclusion that the Group will be able to continue operations on a going concern basis.

Should the Group be unable to meet its obligations as they fall due and to fund its anticipated capital investments and operating expenditures, the preparation of these Financial Statements on a going concern basis may not be appropriate. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Such adjustments may be material.

The directors have considered the judgments, estimates, and related uncertainties discussed above and have concluded that there is a reasonable expectation that the Group will have adequate resources to continue operations for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing these Financial Statements.

c. New and amended standards adopted by the Group

Effective January 1, 2018, the Group adopted the following IFRS as issued or amended by the IASB:

Amendments to Standards	Effective for annual periods beginning on or after
IFRS 9 – Financial Instruments: classification and measurement	January 1, 2018
IFRS 15 – Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2 - Classification and measurement of share based payment transactions	January 1, 2018
Annual improvements - 2014 – 2016 cycle	January 1, 2018

The above amended standards have not had a material impact on the Group's Financial Statements.

i. IFRS 9 – Financial Instruments

On January 1, 2018, the Group adopted IFRS 9 "Financial Instruments" as issued by the IASB. IFRS 9 includes a new classification and measurement approach for financial assets and a forward looking expected-credit loss model.

2. Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group (continued)

i. IFRS 9 – Financial Instruments (continued)

The Group has revised its accounting policy for financial assets and trade and other receivables to reflect the new classification approach as follows:

Financial assets

The Group classifies its financial assets in the following categories: amortised cost, fair value through other comprehensive income, and fair value through profit or loss. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets upon initial recognition.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

i. Financial assets at amortised cost

Financial assets classified as amortised cost are held to collect contractual cash flows that solely represent repayments of the carrying amount of the asset upon initial recognition and interest, if any. These financial assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

ii. Financial assets at fair value through other comprehensive income

Financial assets classified at fair value through other comprehensive income are held to both collect contractual cash flows and to sell the debt instrument. The contractual cash flows solely relate to repayments of the carrying amount of the asset upon initial recognition and interest, if any. These financial assets are subsequently measured at fair value through other comprehensive income.

iii. Financial assets at fair value through profit or loss

All other financial assets, not classified at amortised cost or at fair value through other comprehensive income, are classified and subsequently measured at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on the probabilities of possible defaults scenarios, and on changes in those possible defaults scenarios at each reporting date.

ii. IFRS 15 – Revenue from contracts with customers

On January 1, 2018, the Group adopted IFRS 15 "Revenue from contracts with customers". IFRS 15 establishes a comprehensive framework to determine whether, how much, and when revenue from contracts with customers is recognised.

The Group implemented IFRS 15 using the modified retrospective approach with no impact on retained earnings and no changes or adjustments to comparative figures in prior reporting periods.

Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group (continued)

i. IFRS 15 – Revenue from contracts with customers (continued)

The Group has revised its accounting policy for revenue as follows:

Revenue

The Group recognises revenue associated with the sale of the Group's working interest share of oil and natural gas products when control of the product is transferred to its customer(s) at which point the Group has satisfied its performance obligations. Revenue is measured on the basis of the consideration specified in the commercial agreements governing the sale of oil and natural gas products.

The Group incurs operating and capital costs for the exploration and development of various license areas. Agreements governing the exploration and development activities establish terms for the Group to recover these costs from the value of the sales of oil and natural gas products (Cost Recovery Oil) and to share in the value of the remaining oil and natural gas products (Profit Oil). The Group's revenue includes the value of gross sales representing the sum of Cost Recovery Oil and Profit Oil.

All remittances to governments who are party to the applicable Production Sharing Contract ("PSC") that are directly attributable to the sale of oil and natural gas products during the reporting period including the government share of Profit Oil described above, except for income taxes, are reported as royalties.

Under the terms of certain PSCs, the governments' share of Profit Oil includes an amount in respect of income taxes payable by the Group under the laws of the respective jurisdiction. As this amount is classified as income tax in accordance with IAS 12, the Group recognises the amount as a deduction to royalties with a corresponding income tax expense when the oil and natural gas products are sold.

d. New and amended standards issued but not yet effective

At the date of authorisation of these Financial Statements, the following standards applicable to the Group were issued but not yet effective:

New and Amended Standards	Effective for annual periods beginning on or after
IFRS 16 – Leases	January 1, 2019

Management has reviewed the impact of the new and amended standards listed above, and expects that the adoption of these standards and amendments will not have a material impact on the Group's Financial Statements.

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3. Joint arrangements

The Group has entered into Joint arrangements to facilitate the development and production of oil and gas. No new joint arrangements have been entered into during the six months ended June 30, 2018. As at June 30, 2018, the Company was involved in the following joint arrangements:

License Area	Classification	Location	Participating interest ⁽¹⁾
Hawler	Joint operation	Iraq – Kurdistan Region	65%
AGC ⁽²⁾ Central	Joint operation	Senegal and Guinea Bissau	85%
Haute Mer A	Joint operation	Congo (Brazzaville)	20%
Haute Mer B ⁽³⁾	Joint operation	Congo (Brazzaville)	30%

(1) Participating interest is the Group's current interest in the applicable license area. Participating interest differs from working interest which reflects the impact of unexercised back-in rights or options.

(2) Agence de Gestion et de Coopération entre le Sénégal et la Guinée – Bissau ("AGC")

(3) On April 23, 2018, the Group entered into an agreement providing for the sale of the Group's 30% participating interest in the Haute Mer B license to the operator of the license. The transaction is expected to close during the third quarter of 2018 (note 10).

4. Intangible assets

\$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2017	375,075	2,180	377,255
Additions ⁽¹⁾⁽²⁾⁽³⁾	(1,487)	5	(1,482)
At June 30, 2017	373,588	2,185	375,773
Additions	2,427	1	2,428
Transfer to Assets held for disposal ⁽³⁾ (note 10)	(15,998)	-	(15,998)
At December 31, 2017	360,017	2,186	362,203
Additions	1,038	-	1,038
At June 30, 2018	361,055	2,186	363,241
Accumulated amortisation and impairment			
At January 1, 2017	285,246	2,078	287,324
Amortisation	-	58	58
Impairment reversal ⁽²⁾⁽³⁾	(1,132)	-	(1,132)
At June 30, 2017	284,114	2,136	286,250
Amortisation	-	23	23
Impairment reversal ⁽²⁾⁽³⁾	(8,279)	-	(8,279)
Transfer to Assets held for disposal ⁽³⁾ (note 10)	(7,998)	-	(7,998)
At December 31, 2017	267,837	2,159	269,996
Amortisation	-	27	27
At June 30, 2018	267,837	2,186	270,023
Net book value			
At June 30, 2018	93,218	-	93,218
At December 31, 2017	92,180	27	92,207

(1) Credits to additions relate to reductions in estimates of expenditures incurred in prior periods.

(2) At September 30, 2015, management determined that the limited exploration and evaluation activities now planned for the OML 141 license area constituted an indicator of impairment. Management concluded that given the fact that cash flows attributable to the asset in its current condition could not be established, the recoverable amount of this asset calculated using the value-in-use methodology was Nil. The Group consequently recorded an impairment provision of \$55.6 million. During the first quarter of 2017, the Group recorded a credit to additions and an equivalent impairment reversal of \$1.2 million due to revisions in costs previously estimated. During the fourth quarter of 2017, an additional impairment reversal of \$0.3 million due to revisions in costs previously estimated was recorded. As at June 30, 2018, the carrying value of the OML 141 CGU was Nil (December 31, 2017 – Nil).

4. Intangible assets (continued)

(3) At December 31, 2016, management determined that the limited exploration and evaluation activities planned for the Haute Mer B license area during the foreseeable future constituted an indicator of impairment. Management concluded that given the fact that cash flows attributable to the assets in their current condition could not be established, the recoverable amount of this asset calculated using the value-in-use methodology was Nil. The Group consequently recorded an impairment charge of \$16.3 million related to the Haute Mer B license area. During the first quarter of 2017, the Group recorded an addition and equivalent impairment expense of \$0.1 million relating to the Congo Haute Mer B license area due to revisions in costs previously estimated. Subsequent to December 31, 2017, the Group entered into an agreement to dispose of its interest in the Haute Mer B License Area. Management concluded that the agreement constituted an indication that the net realisable value of the Group's interest in the Haute Mer B License Area as at December 31, 2017 was greater than Nil as previously estimated and consequently recorded an \$8.0 million net impairment reversal. As at June 30, 2018, the carrying value of the Congo Haute Mer B license, classified as an asset held for disposal, was \$13.3 million (December 31, 2017: \$8.0 million).

The carrying amounts of intangible E&E assets relate to:

\$000s	June 30 2018	December 31 2017
Middle East	48,514	48,425
West Africa	44,704	43,755
	93,218	92,180

The carrying amounts for E&E assets represent costs incurred on exploration projects. For the purpose of impairment assessments and testing, E&E assets are aggregated in cash-generating units ("CGU"). Determination of what constitutes a CGU is subject to management judgments and the circumstances. For the purposes of impairment assessments and testing, management has determined that each license area constitutes a CGU. The carrying amounts remain capitalised, provided there are no indications of impairment, until the process to determine whether commercial reserves are established is complete. At that stage the relevant costs are either transferred to PP&E or written-off to the statement of profit and loss as an impairment of oil and gas assets.

During the fourth quarter of 2017, the Group executed an amendment to the AGC Central Production Sharing Contract ("AGC Central Amendment"). Under the terms of the AGC Central Amendment, recoverable costs incurred under the AGC Shallow Production Sharing Contract are recoverable from potential sales of oil produced and sold from the AGC Central license area. Consequently, the Group has transferred all costs previously associated with the AGC Shallow CGU to the AGC Central GCU. As a result of the transfer, the carrying value of the AGC Shallow license was reduced to Nil. The Group concurrently relinquished its interest in the AGC Shallow License Area.

Management has exercised significant judgment in determining that for the Hawler – Ain al Safra, and AGC Central CGUs, there are no substantive indicators suggesting that the carrying amounts of exploration and evaluation assets exceed their recoverable amounts. Most significantly, assessments regarding the presence of impairment indicators include complex judgments and estimates relating to i) management's current and future capital allocation priorities, and ii) the Group's ability to finance its commitments within the time limitations imposed by the agreements governing the Group's activities in each of the related license areas / CGUs.

5. Property, plant and equipment

The Group's principal property, plant and equipment comprises its Oil & Gas assets in the Hawler license area in the Kurdish region of Iraq. No assets have been pledged as security.

The carrying amounts for Oil & Gas assets are subject to impairment assessment and testing in accordance with IAS 36.

For the purpose of impairment assessments and testing, Oil & Gas assets are aggregated in cash generating units ("CGUs"). Determination of what constitutes a CGU is subject to management judgments and the circumstances. For the purposes of impairment assessments and testing of Oil & Gas assets, management has determined that the Oil & Gas assets in the Hawler license area outside of the Ain al Safra area constitute the group's single CGU which contains property, plant and equipment.

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5. Property, plant and equipment (continued)

Management has determined that as at June 30, 2018, there were no new substantive indicators suggesting that the carrying amount of Hawler license area Oil and Gas assets exceeds its recoverable amount nor were there indicators suggesting that the previously recognised impairment losses no longer exist or may have decreased.

\$000s	Oil & Gas Assets	Finance Lease Asset	Fixtures and Equipment	Total
Cost				
At January 1, 2017	824,079	47,617	3,326	875,022
Additions ⁽¹⁾	(3,615)	-	-	(3,615)
Transfers and reclassifications ⁽²⁾	47,617	(47,617)	-	-
At June 30, 2017	868,081	-	3,326	871,407
Additions	6,007	-	-	6,007
At December 31, 2017	874,088	-	3,326	877,414
Additions	13,899	-	-	13,899
At June 30, 2018	887,987	-	3,326	891,313
Accumulated depreciation, depletion and impairment				
At January 1, 2017	257,392	460	3,320	261,172
Depreciation	-	-	4	4
Depletion	2,221	-	-	2,221
Transfers and reclassifications ⁽²⁾	460	(460)	-	-
At June 30, 2017	260,073	-	3,324	263,397
Impairment expense ⁽³⁾	27,726	-	-	27,726
Depreciation	-	-	(1)	(1)
Depletion	3,670	-	-	3,670
At December 31, 2017	291,469	-	3,323	294,792
Depreciation	-	-	2	2
Depletion	4,844	-	-	4,844
At June 30, 2018	296,313	-	3,325	299,638
Net book value				
At June 30, 2018	591,674	-	1	591,675
At December 31, 2017	582,619	-	3	582,622

(1) Credits to additions relate to reductions in estimates of expenditures incurred in prior periods.

(2) During 2013, the Group entered into an agreement to construct, lease, and purchase a production facility for the Hawler license area. The related facilities were commissioned in September 2015. During the first quarter of 2017, the Group settled the finance lease obligation and assumed ownership of the asset. The facilities previously classified as Finance Lease Assets were concurrently reclassified to Oil & Gas Assets.

(3) As at December 31, 2017, the Group recorded a \$27.7 million impairment charge relating to the Hawler License Area. The impairment charge represents the difference between the recoverable amount of the Hawler license area CGU and its carrying amount prior to impairment. The carrying value of the Hawler License Area CGU at June 30, 2018 is \$591.7 million (December 31, 2017: \$582.6 million).

6. Inventories

\$000s	June 30 2018	December 31 2017
Oil inventory	273	323
Materials	11,176	13,121
	11,449	13,444

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at June 30, 2018 the Group's working interest share of oil inventory was 11,200 bbls (December 31, 2017 – 12,100 bbls).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realisable value. The provision at June 30, 2018 is \$7.4 million (December 31, 2017: \$7.7 million).

No inventories have been pledged as security during the period.

7. Trade and other receivables

\$000s	June 30 2018	December 31 2017
Revenue receivables	10,850	8,085
Other receivables	766	672
	11,616	8,757

The carrying amounts of trade and other receivables presented above are reasonable approximations of their fair values. Included in the revenue receivable balance at June 30, 2018 is a provision of \$0.9 million (December 31, 2017 – nil) which was calculated based on the probabilities of possible defaults (note 19).

8. Other current assets

\$000s	June 30 2018	December 31 2017
Deposits	281	265
Prepaid charges and other current assets	1,277	677
	1,558	942

9. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits with an original maturity of three months or less. The carrying amounts are reasonable approximations of the fair value.

10. Assets held for disposal

On April 23, 2018, the Group entered into an agreement providing for the sale of the Group's 30% participating interest in the Haute Mer B exploration license offshore Congo (Brazzaville) ("HMB License") to a subsidiary of Total S.A. (the "Buyer") (the "Sale Agreement"). Upon closing, the Group's interest in the HMB License will be transferred for cash consideration of \$8 million, payable at closing. The sale will be deemed to be made with effect from January 1, 2018. As a result, the Buyer has agreed to reimburse the Group for costs incurred by it in relation to the HMB License between January 1, 2018 and the date of the Sale Agreement and to carry the Group's share of costs from the date of the Sale Agreement to the closing of the transaction. This is expected to result in a further payment to the Group, at closing, of \$5.3 million. Subject to completion of customary due diligence and closing conditions, the transaction is expected to close during the third quarter of 2018. The license interest is presented as an asset held for disposal as at June 30, 2018.

11. Trade and other payables

\$000s	June 30 2018	December 31 2017
Trade accounts payable	4,770	4,782
Amounts payable to joint operations partners	3,037	2,934
Amounts payable to related parties	-	4
Contingent consideration (note 23)	11,060	10,545
Other payables and accrued liabilities	23,187	24,317
Current portion	42,054	42,582
Non-current portion of contingent consideration (note 23)	56,889	54,242
Total trade and other payables	98,943	96,824

The carrying amounts of trade accounts payables, amounts payable to joint operations partners, amounts payable to related parties, and other payables and accrued liabilities, as presented above are reasonable approximations of their fair values.

11. Trade and other payables (continued)

As at June 30, 2018, the Group has recognised a liability of \$67.9 million (December 31, 2017 - \$64.8 million) representing the estimated fair value of contingent liabilities associated with the acquisition of OP Hawler Kurdistan Limited. The portion of the liability estimated to be paid beyond one year of the respective dates of the statements of financial position is classified as a long-term liability. The contingent cost liability is presented at fair value estimated by discounting estimated future cash outflows at a rate of 10% (note 23).

12. Borrowings

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement (the "Loan Facility") with a subsidiary of its indirect controlling shareholder The Addax and Oryx Group PLC (the "Lender"). The \$100 million Loan Facility has been fully drawn and had an initial maturity of March 10, 2018 (the "Maturity Date"). On March 18, 2016, the Group extinguished \$8.2 million of the principal and accrued interest under the Loan Facility, in consideration for 20,581,247 common shares of the Company. On October 24, 2016, OPCL issued 23,032,871 common shares of the Company to the Lender as consideration to extinguish a further \$9.1 million of principal and accrued interest under the Loan Facility.

On April 28, 2017, the Loan Facility was amended to extend the Maturity Date from March 10, 2018 to July 1, 2019 and to amend interest payment terms (the "Loan Amendment"). Under the terms of the Loan Amendment, interest, which up to and including May 11, 2017 accrued at an annual compound rate of 10.5%, and principal amounts owing to the Lender up to and including May 11, 2017 (the "Loan Amount") are payable at the Maturity Date or earlier, at the option of the borrower. Interest accrued on the Loan Amount after May 11, 2017 is determined on each of November 11, 2017, May 11, 2018, November 11, 2018, and July 1, 2019 (each, an "Interest Calculation Date") and paid to the Lender by way of issuance of common shares. The number of common shares will be determined using the issue price per share equal to the volume weighted average trading price for the five trading days immediately preceding the Interest Calculation Date.

On June 20, 2017, OPCL issued 131,933,226 common shares of the Company to a subsidiary of AOG for consideration of \$44.1 million. \$24.1 million of the proceeds from the issue and sale of common shares has been applied to extinguish principal and accrued interest under the Loan Facility (note 14).

On December 8, 2017, OPCL issued 24,481,049 common shares of the Company to a subsidiary of AOG for consideration of \$4.0 million, which has been applied to extinguish accrued interest under the Loan Facility (note 14).

Subsequent to June 30, 2018, on July 3, 2018, OPCL issued 22,188,975 common shares of the Company to a subsidiary of AOG in satisfaction of \$4.0 million of interest accrued under the Loan Facility (note 14, note 24).

Borrowings are presented as a non-current liability, net of warrant issue and other transaction costs. The carrying value of the loan at June 30, 2018, which has been measured at amortised cost using the effective interest rate method, approximates its fair value and its components are summarised in the table below:

At December 31, 2016	93,103
Interest expense	8,794
Accretion of deferred financing costs	2,081
Extinguishment	(28,124)
At December 31, 2017	75,854
Interest expense	3,959
Accretion of deferred financing costs	425
At June 30, 2018	80,238

13. Decommissioning obligation

The Group has obligations to decommission its oil and gas assets upon cessation of operations.

In calculating the value of the Group's future decommissioning obligation at June 30, 2018, management has made significant assumptions and estimates based on an assessment of the current economic environment and factors specific to the assets to be decommissioned. These estimates are reviewed annually and when circumstances suggest that such revisions are required. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain. The assumed inflation rates used in the calculation to determine the carrying value of the decommissioning obligation were updated on June 30, 2018 to rates ranging from 1.4% to 4.5% (December 31, 2017 – 1.4% to 4.5%). The discount rates used at June 30, 2018 range from 4.3% to 7.4% (December 31, 2017 – 4.1% to 7.2%). Decommissioning obligations are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at June 30, 2018 is \$15.6 million (December 31, 2017 - \$14.6 million) based on the Group's working interest undiscounted liability of \$37.2 million (December 31, 2017 - \$34.3 million).

	Six months ended June 30 2018	Year ended December 31 2017
\$000s		
Decommissioning obligation, beginning of the period	14,593	16,664
Property acquisition and development activity	1,399	443
Change in discount rate	(618)	(4,491)
Change in inflation rate	-	1,635
	15,374	14,251
Accretion expense	195	342
Decommissioning obligation, end of the period	15,569	14,593

14. Share capital

a. Issued common shares

	Number of shares	Share capital
\$000s		
At January 1, 2017	253,361,581	1,279,655
Issue of shares for private placement	161,850,057	54,100
Transaction costs	-	(103)
Issue of shares to settle trade accounts payable	15,500,000	4,750
Issue of shares for directors' compensation	248,755	99
At June 30, 2017	430,960,393	1,338,501
Issue of shares to Lender (Note 12)	24,481,049	4,024
Issue of shares for LTIP	2,457,892	611
Issue of shares for directors' compensation	163,073	50
At December 31, 2017	458,062,407	1,343,186
Issue of shares for directors' compensation	360,372	49
At June 30, 2018	458,422,779	1,343,235

The Company has unlimited authorised share capital outstanding as June 30, 2018.

2018 share capital transactions

During the six months ended June 30, 2018, the Group issued 360,372 shares to Directors of the Company as remuneration.

14. Share capital (continued)

2018 share capital transactions (continued)

Subsequent to June 30, 2018, on July 3, 2018, the Group extinguished \$4.0 million of accrued interest under the Loan Facility described in note 12, in consideration for 22,188,975 common shares of the Company.

2017 share capital transactions

On March 15, 2017, OPCL issued 15,500,000 common shares of the Company to settle a current trade accounts payable of \$4.8 million.

On June 20, 2017, OPCL issued 131,933,226 common shares of the Company to a subsidiary of AOG for consideration of \$44.1 million. \$24.1 million of the proceeds from the issue and sale of common shares has been applied to extinguish principal and accrued interest under the Loan Facility described in note 12. On June 20, 2017, the Company also issued 29,916,831 common shares of the Company to Zeg Oil and Gas Ltd ("Zeg Oil and Gas") for consideration of \$10.0 million.

On December 8, 2017, the Group extinguished \$4.0 million of accrued interest under the Loan Facility described in note 12, in consideration for 24,481,049 common shares of the Company.

a. Issued common shares (continued)

During the year ended December 31, 2017, the Group issued 2,457,892 shares to employees under the Group's LTIP. An additional 411,828 shares were issued to Directors of the Company as remuneration.

b. Warrants

On March 11, 2015, in accordance with the Loan Facility described in note 12, the Group issued warrants to acquire one million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants was USD \$3.29 per common share. The warrants expired on March 10, 2018.

On May 11, 2015, also in accordance with the Loan Facility described in note 12, the Group issued warrants to acquire seven million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants was USD \$3.56 per common share. The warrants expired on May 11, 2018.

On December 15, 2015, also in accordance with the Loan Facility described in note 12, the Group issued warrants to acquire four million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD \$0.50 per common share. The expiry date of the issued warrants is December 15, 2018.

The following table summarises warrants outstanding and exercisable at June 30, 2018:

	Warrants	Exercise price USD\$	Expiry date
Issued December 15, 2015	4,000,000	0.50	December 15, 2018
Total outstanding and exercisable	4,000,000		

15. Basic and diluted loss per share

The loss and weighted average number of common shares used in the calculation of the basic and diluted loss per share are as follows:

	Three Months ended June 30		Six Months ended June 30	
	2018	2017	2018	2017
\$000s				
Loss for the period attributable to equity holders	(3,522)	(9,195)	(7,796)	(5,060)
Weighted average number of shares for basic and diluted loss per share ⁽¹⁾	458,422,779	288,674,629	458,386,941	272,684,151
\$				
Basic and diluted loss per share	(0.01)	(0.03)	(0.02)	(0.02)

(1) The unvested LTIP shares and warrants are excluded as they are anti-dilutive.

16. Reserves

\$000s	Other Reserves	Share based payments	Total reserves
At January 1, 2017	2,700	11,701	14,401
Share based payment transactions	-	1,236	1,236
Share based directors compensation	-	50	50
Issue of shares for directors' compensation	-	(99)	(99)
At June 30, 2017	2,700	12,888	15,588
Share based payment transactions	-	903	903
Issue of shares for LTIP	-	(611)	(611)
Share based directors compensation	-	49	49
Issue of shares for directors' compensation	-	(50)	(50)
At December 31, 2017	2,700	13,179	15,879
Share based payment transactions	-	967	967
Issue of shares for directors' compensation	-	(50)	(50)
Increase in ownership of KPAWDE ⁽¹⁾	(57)	-	(57)
At June 30, 2018	2,643	14,096	16,739

(1) During the first quarter of 2018, the Group acquired the minority ownership interest in KPA Western Desert Energy Limited ("KPAWDE"), thereby increasing its percentage ownership from 80.8% to 100%.

17. Supplemental cash flow information

Items not involving cash

\$000s	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Depreciation, depletion and amortisation	2,646	1,116	4,879	2,271
Share based payment expense	302	436	619	788
Impairment reversal	-	-	-	(1,132)
Unrealised foreign exchange losses	40	124	15	142
Non-cash income tax expense / (benefit)	4	(75)	5	(142)
Finance expense	4,603	4,019	7,742	7,816
General and administrative expense	-	186	29	170
Other expense / (income)	15	1,292	624	(9,302)
Items not involving cash	7,610	7,098	13,913	611

Changes in non-cash assets and liabilities

\$000s	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Inventories	1,281	643	2,272	851
Trade and other receivables	(2,844)	(1,375)	(3,739)	1,737
Other current assets	(608)	(404)	(616)	(285)
Trade and other payables	(429)	(5,336)	(1,026)	1,932
Changes in non-cash working capital	(2,600)	(6,472)	(3,109)	4,235
Retirement benefit obligation	210	(1)	(389)	(257)
Changes in non-cash assets and liabilities	(2,390)	(6,473)	(3,498)	3,978
Changes in operating non-cash assets and liabilities	(5,678)	940	(10,289)	5,481
Changes in investing non-cash assets and liabilities	3,288	(7,413)	6,791	(1,503)
Changes in non-cash assets and liabilities	(2,390)	(6,473)	(3,498)	3,978

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17. Supplemental cash flow information (continued)

Other cash flow Information

\$000s	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Cash interest received	-	18	-	42
Cash interest paid	-	-	-	464
Cash income taxes paid	126	146	213	273

18. Income tax expense

\$000s	Three months ended June 30		Six months ended June 30	
	2018	2017	2018	2017
Current income tax expense	355	197	740	462
Deferred tax on LTIP shares	4	1	5	10
Deferred tax on defined benefit obligation	-	(77)	-	(152)
Total deferred tax	4	(76)	5	(142)
Income tax expense	359	121	745	320

The Group is subject to income taxes in certain jurisdictions where it holds interests in exploration and development licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the Kurdistan Region of Iraq and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the six months ended June 30, 2018, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of \$0.7 million (2017 - \$0.3 million) were deemed to be collected by the government through its allocation of profit oil under the Hawler Production Sharing Contract.

19. Other income / (expense)

The components of other expense / income for the periods indicated are as follows:

\$000s	Note	Three Months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
Impairment of trade and other receivables	7	(880)	-	(880)	-
Recovery / (Impairment) of materials inventory	6	204	(163)	286	(163)
Settlement of finance lease liability		-	-	-	7,605
Restructuring charge		-	63	-	63
Other income		21	80	38	124
Other income / (expense)		(655)	(20)	(556)	7,629

20. Finance expense

The components of finance expense for the periods indicated are as follows:

\$000s	Note	Three Months ended June 30		Six months ended June 30	
		2018	2017	2018	2017
Interest expense on Borrowings	12	1,991	2,429	3,959	4,770
Accretion of deferred financing costs	12	230	1,161	425	1,707
Change in fair value of contingent consideration	23	712	1,278	1,398	(1,761)
Interest on contingent consideration	11	887	352	1,765	745
Accretion of Decommissioning obligation	13	99	77	195	151
Interest expense on Finance lease obligation		-	-	-	443
Finance expense		3,919	5,297	7,742	6,055

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21. Segment information

The Group has a single class of business which is to acquire, explore, develop and produce oil from oil and gas assets. The Group operates in two geographical areas. Segmented information related to the two operating segments and corporate activities is as follows:

For the six months ended June 30, 2018				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	31,831	-	-	31,831
Royalty	(14,007)	-	-	(14,007)
Net revenue	17,824	-	-	17,824
Operating expense	(6,760)	-	-	(6,760)
Depreciation, depletion and amortisation	(4,853)	-	(25)	(4,878)
Pre-license and exploration	-	61	-	61
General and administration	(1,662)	(91)	(3,317)	(5,070)
Other expense	(556)	-	-	(556)
Segment result	3,993	(30)	(3,342)	621
Finance income				70
Finance expense				(7,742)
Loss before income tax				(7,051)
Income tax expense				(745)
Loss for the period				(7,796)
Capital additions	13,858	1,079	-	14,937
Segment assets as at June 30, 2018	670,631	71,179	2,547	744,357
Segment liabilities as at June 30, 2018	192,220	1,143	4,146	197,509

For the six months ended June 30, 2017				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	15,016	-	-	15,016
Royalty	(6,608)	-	-	(6,608)
Net revenue	8,408	-	-	8,408
Operating expense	(8,281)	-	-	(8,281)
Depreciation, depletion and amortisation	(2,210)	-	(61)	(2,271)
Impairment reversal	-	1,132	-	1,132
Pre-license and exploration	-	(400)	-	(400)
General and administration	(2,013)	(318)	(2,765)	(5,096)
Other income	7,391	-	238	7,629
Segment result	3,295	414	(2,588)	1,121
Finance income				42
Finance expense				(6,055)
Foreign exchange gain				150
Loss before income tax				(4,742)
Income tax expense				(320)
Loss for the period				(5,062)
Capital additions ⁽¹⁾	(5,400)	298	5	(5,097)
Segment assets as at June 30, 2017	701,483	64,254	9,076	774,813
Segment liabilities as at June 30, 2017	185,335	2,231	3,722	191,288

(1) Credits to additions relate to reductions in estimates of expenditures incurred in prior periods and the impact of the updated discount and inflation rates used to calculate the decommissioning obligation.

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21. Segment information (continued)

For the three months ended

June 30, 2018

\$000s	Middle East	West Africa	Corporate	Total
Revenue	17,901	-	-	17,901
Royalty	(7,877)	-	-	(7,877)
Net revenue	10,024	-	-	10,024
Operating expense	(3,632)	-	-	(3,632)
Depreciation, depletion and amortisation	(2,623)	-	(22)	(2,645)
General and administration	(725)	(40)	(1,593)	(2,358)
Other expense	(655)	-	-	(655)
Segment result	2,389	(40)	(1,615)	734
Finance income				41
Finance expense				(3,919)
Foreign exchange loss				(19)
Loss before income tax				(3,163)
Income tax expense				(359)
Loss for the period				(3,522)
Capital additions	8,176	598	-	8,774

For the three months ended

June 30, 2017

\$000s	Middle East	West Africa	Corporate	Total
Revenue	7,112	-	-	7,112
Royalty	(3,130)	-	-	(3,130)
Net revenue	3,982	-	-	3,982
Operating expense	(4,032)	-	-	(4,032)
Depreciation, depletion and amortisation	(1,102)	-	(14)	(1,116)
Pre-license and exploration	-	(273)	-	(273)
General and administration	(1,012)	(159)	(1,341)	(2,512)
Other (expense) / income	(151)	-	131	(20)
Segment result	(2,315)	(432)	(1,224)	(3,971)
Finance income				18
Finance expense				(5,297)
Foreign exchange gain				172
Loss before income tax				(9,078)
Income tax expense				(121)
Loss for the period				(9,199)
Capital additions	410	398	5	813

Non-current assets, aggregated by country, are as follows:

\$000s	June 30 2018	December 31 2017
Iraq	640,056	631,042
Senegal and Guinea Bissau	44,852	43,773
Other	234	268
	685,142	675,083

22. Commitments

(a) Contractual obligations

The Group has entered into agreements which contain provisions for the following spending commitments:

\$000s	June 30 2018	December 31 2017
No later than one year	7,133	6,143
One to five years	38,844	38,546
Greater than five years	16,114	16,100
	62,091	60,789

The commitments noted above reflect the Group's execution of expected and contracted exploration and development activities as at June 30, 2018. Expenditure commitments may be subject to change and may be reduced by selective relinquishments of acreage and/or licenses or by curtailing the execution of activity under existing supplier contracts. Determining expenditure commitments requires the use of estimates and judgments primarily related to expectations that budgeted activities will be executed.

(b) Operating lease commitments – Group company as lessee

The Group leases buildings and equipment under non-cancellable operating lease agreements with varying terms and renewal rights. The corresponding lease expenditure charged to the statement of profit and loss during the six months ended June 30, 2018 was \$0.2 million (2017 - \$0.1 million).

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

\$000s	June 30 2018	December 31 2017
No later than one year	167	243
One to five years	36	46
	203	289

23. Contingent liabilities

In the normal course of operations, the Company may be subject to litigation and claims. In management's estimation, no such litigation or claim, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position or results of operations of the Company.

During 2011, the Group acquired OP Hawler Kurdistan Limited under the terms of a sale and purchase agreement (the "Purchase Agreement") which has been amended, most recently during June 2017. The Purchase Agreement provides for additional consideration which becomes payable upon the outcome of exploration activities. The associated contingent liability is presented at management's estimate of fair value, which as at June 30, 2018, amounted to \$67.9 million (December 31, 2017 - \$64.8 million) (note 11). The contingent principal payments bear interest and during the three and six months ended June 30, 2018 contingent interest accrued at a rate of 5.0% per annum. During the three and six months ended June 30, 2017, contingent interest accrued at a rate of 1.9% per annum. Although management does not currently expect the following to apply, for periods beginning on September 30, 2018 and in the event that the average price of crude oil were to exceed \$75/bbl during any year ending on September 30, the amended Purchase Agreement prescribes that the annually compounding interest rate would increase to 10%.

For the specific purpose of estimating the fair value of the contingent liability, management's estimate assumes that the Group will achieve a second declaration of commercial discovery in the Hawler license area, that the contingent consideration will consequently become payable, and that the timing and amount of resulting cash outflows will be consistent with the terms outlined in Purchase Agreement. The fair value of the contingent liability was established using observable inputs other than quoted prices (IFRS 13 Level 2 hierarchy category) and was determined by calculating the present value of estimated future cash flows using the discount rate adjustment technique. The future cash flows have been estimated based on the terms outlined in the agreement with the counterparty and discounted using an observed market rate for similar obligations.

24. Events after the statement of financial position date

On July 3, 2018, OPCL issued 22,188,975 Common Shares to a subsidiary of AOG in satisfaction of \$4.0 million of interest accrued under the Loan Facility between November 11, 2017 and May 10, 2018.