

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND NINE MONTHS ENDED
September 30, 2017 AND 2016**



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ORYX PETROLEUM CORPORATION LIMITED
Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2017 and 2016

Statements of Loss and Comprehensive Loss

\$000s	Note	Three months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
Revenue		9,844	6,726	24,860	14,977
Royalties		(4,332)	(2,960)	(10,940)	(6,591)
Net revenue		5,512	3,766	13,920	8,386
Operating expense		(3,364)	(2,839)	(11,645)	(9,562)
Depreciation, depletion and amortization	5, 6	(1,424)	(1,698)	(3,695)	(4,302)
Impairment recovery / (expense)	5, 6	-	69	1,132	(2,466)
Pre-license and exploration		(403)	(287)	(803)	(640)
General and administration		(2,183)	(2,150)	(7,279)	(6,798)
Other (expense) / income	20	(1,112)	(1,338)	8,278	(10,578)
Loss from operations		(2,974)	(4,477)	(92)	(25,960)
Finance income		51	19	93	30
Finance expense	21	(2,641)	(4,205)	(10,457)	(12,144)
Foreign exchange (loss) / gain		(56)	23	94	71
Loss before income tax		(5,620)	(8,640)	(10,362)	(38,003)
Income tax expense	19	(240)	(98)	(560)	(1,517)
Loss for the period		(5,860)	(8,738)	(10,922)	(39,520)
Comprehensive loss for the period		(5,860)	(8,738)	(10,922)	(39,520)
Loss for the period attributable to:					
Owners of the Company		(5,851)	(8,738)	(10,911)	(39,506)
Non-controlling interest		(9)	-	(11)	(14)
		(5,860)	(8,738)	(10,922)	(39,520)
Comprehensive loss for the period attributable to:					
Owners of the Company		(5,851)	(8,738)	(10,911)	(39,506)
Non-controlling interest		(9)	-	(11)	(14)
		(5,860)	(8,738)	(10,922)	(39,520)
Loss per share (basic and diluted)	16	(0.01)	(0.04)	(0.03)	(0.19)

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Statements of Financial Position

\$000s	Note	September 30 2017	December 31 2016
Non-current assets			
Intangible assets	5	89,799	89,931
Property, plant and equipment	6	610,138	613,850
Deferred tax assets		1,996	1,864
		701,933	705,645
Current assets			
Inventories	7	11,983	13,356
Trade and other receivables	8	7,136	5,395
Other current assets	9	1,269	1,317
Cash and cash equivalents	10	46,264	40,732
		66,652	60,800
Total assets		768,585	766,445
Current liabilities			
Trade and other payables	11	42,563	56,590
Finance lease obligation	12	-	6,359
		42,563	62,949
Non-current liabilities			
Borrowings	13	77,665	93,103
Trade and other payables	11	52,965	53,358
Finance lease obligation	12	-	9,302
Retirement benefit obligation		2,830	2,515
Decommissioning obligation	14	14,488	16,664
		147,948	174,942
Total liabilities		190,511	237,891
Equity			
Share capital	15	1,339,136	1,279,655
Reserves	17	15,362	14,401
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,586)	(5,586)
Accumulated deficit		(771,488)	(760,577)
Equity attributable to owners of the Company		577,424	527,893
Non-controlling interest		650	661
Total equity		578,074	528,554
Total equity and liabilities		768,585	766,445

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on November 8, 2017. On behalf of the Board of Directors:

(signed)

Jean Claude Gandur
Director

(signed)

Peter Newman
Director

ORYX PETROLEUM CORPORATION LIMITED

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Statements of Changes in Equity

\$000s	Note	Attributable to equity holders of the Company				Total	Non-controlling interest	Total equity
		Share capital	Reserves	Accumulated deficit	Accumulated remeasurement of defined benefit obligation - gain/ (loss)			
Balance at January 1, 2016		1,227,398	12,786	(694,870)	(6,864)	538,450	679	539,129
Loss for the period		-	-	(39,506)	-	(39,506)	(14)	(39,520)
Share based payment expense	17	-	3,509	-	-	3,509	-	3,509
Shares issued by private subscription	15	33,170	-	-	-	33,170	-	33,170
Shares issued for debt conversion	15	8,158	-	-	-	8,158	-	8,158
Transaction costs	15	(534)	-	-	-	(534)	-	(534)
Shares issued for long-term incentive plan ("LTIP")	15, 17	2,077	(2,077)	-	-	-	-	-
Shares issued for Directors' compensation	15, 17	256	(91)	-	-	165	-	165
Balance at September 30, 2016		1,270,525	14,127	(734,376)	(6,864)	543,412	665	544,077
Loss for the period		-	-	(26,201)	-	(26,201)	(4)	(26,205)
Share based payment expense	17	-	224	-	-	224	-	224
Shares issued for debt conversion	15	9,130	-	-	-	9,130	-	9,130
Shares issued for LTIP	15, 17	-	-	-	-	-	-	-
Shares issued for Directors' compensation	15, 17	-	50	-	-	50	-	50
Gain on defined benefit obligation, net of income tax		-	-	-	1,278	1,278	-	1,278
Balance at December 31, 2016		1,279,655	14,401	(760,577)	(5,586)	527,893	661	528,554
Loss for the period		-	-	(10,911)	-	(10,911)	(11)	(10,922)
Share based payment expense	17	-	1,621	-	-	1,621	-	1,621
Private subscription	15	54,100	-	-	-	54,100	-	54,100
Transaction costs	15	(103)	-	-	-	(103)	-	(103)
Shares issued to settle trade accounts payable	15	4,750	-	-	-	4,750	-	4,750
Shares issued for LTIP	15, 17	585	(585)	-	-	-	-	-
Shares issued for Directors' compensation	15, 17	149	(75)	-	-	74	-	74
Balance at September 30, 2017		1,339,136	15,362	(771,488)	(5,586)	577,424	650	578,074

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Statements of Cash Flows

\$000s	Note	Three months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
Operating activities					
Loss		(5,860)	(8,738)	(10,922)	(39,520)
Items not involving cash	18	5,214	8,093	5,825	31,962
		(646)	(645)	(5,097)	(7,558)
Changes in non-cash assets and liabilities	18	(3,978)	(1,476)	1,503	(3,315)
Net cash used in operating activities		(4,624)	(2,121)	(3,594)	(10,873)
Investing activities					
Acquisition of intangible assets		(248)	(236)	(1,707)	(1,049)
Acquisition of property, plant and equipment		(3,472)	(4,578)	(14,795)	(14,689)
Changes in non-cash working capital	18	(2,766)	(2,830)	(4,269)	(13,660)
Net cash used in investing activities		(6,486)	(7,644)	(20,771)	(29,398)
Financing activities					
Proceeds from issuance of common shares		-	-	30,000	33,171
Transaction costs		-	-	(103)	-
Changes in non-cash working capital	18	-	-	-	(535)
Net cash generated from financing activities		-	-	29,897	32,626
Net increase / (decrease) in cash and cash equivalents		(11,110)	(9,765)	5,532	(7,635)
Cash and cash equivalents at beginning of the period	10	57,374	56,356	40,732	54,226
Cash and cash equivalents at end of the period		46,264	46,591	46,264	46,591

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 Company’s unaudited condensed consolidated interim financial statements (the “Financial Statements”) were authorised for issue by the Board of Directors on November 8, 2017.

2. Summary of significant accounting policies

a. Basis of preparation

The Company’s Financial Statements for the three and nine months ended September 30, 2017 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, 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS). Accounting policies included in the annual financial statements for the year ended December 31, 2016 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, 2016.

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. During 2017, the Group has met its day to day working capital requirements, and has funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 15) and its share of oil sales revenues from the Hawler License Area.

Management expects that the cash resources on hand as at September 30, 2017 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 to meet obligations as they fall due in the 15 months following September 30, 2017.

The Group’s ability to continue as a going concern in accordance with management’s estimates and forecasts is primarily dependent on realisation of forecasted revenues. The estimates related to the realisation of forecasted revenues are subject to material uncertainties.

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

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

- i) Oil sales volume assumptions are based on historical production volumes adjusted to recognise the impact of production increases expected to result from planned drilling activities. Crude oil price assumptions are based on Brent forward contract prices adjusted for transportation costs and quality differentials. Management's forecast assumes net cash receipts from sales of its share of oil production from the Hawler License Area of \$48 million during the 15 months ending December 31, 2018.
- ii) The timing and extent of forecast capital and operating expenditures is based on the Group's 2017 reforecast, and on management's estimate of non-discretionary expenditures included in the Group's 2018 budget. The Group also retains a degree of control and flexibility over both the extent and timing of expenditure under its future capital investment program.

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, 2017, the Group adopted the following IFRS as issued or amended by the IASB:

Amendments to Standards	Effective for annual periods beginning on or after
Amendments to IAS 7 – Statement of cash flows	January 1, 2017
Amendments to IAS 12 – Recognition of deferred tax assets for unrealised losses	January 1, 2017

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

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
IFRS 9, IFRS 7, IAS 39 – Financial Instruments: classification and measurement	January 1, 2018
Additions to IFRS 9 for financial liability accounting	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

2. Summary of significant accounting policies (continued)

d. New and amended standards issued but not yet effective (continued)

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

3. Financial risk management

The financial risk management disclosure contained in Oryx Petroleum's annual financial statements for the year ended December 31, 2016 is applicable to these Financial Statements. The risks arising from financial instruments acquired by the Group during the three and nine months ended September 30, 2017 are discussed below:

a. Foreign exchange risk

In January 2017, to reduce exposure to foreign exchange risk, the Group entered into five foreign exchange contracts. The Group committed to sell \$0.3 million and to receive Swiss Francs during each of the five months from February to June 2017.

In July 2017, to reduce exposure to foreign exchange risk, the Group entered into five foreign exchange contracts. The Group committed to sell \$0.2 million and to receive Swiss Francs during each of the five months from August to December 2017.

The group has recorded a foreign exchange loss of \$27,000 (unrealised) during the three months ended September 30, 2017, and a foreign exchange gain of \$12,000 (realised) and a foreign exchange loss of \$27,000 (unrealised) during the nine months ended September 30, 2017, relating to these agreements.

4. 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 nine months ended September 30, 2017. As at September 30, 2017, the Company was involved in the following joint arrangements:

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

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5. Intangible assets

\$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2016	369,311	2,162	371,473
Additions	3,715	18	3,733
At September 30, 2016	373,026	2,180	375,206
Additions	2,049	-	2,049
At December 31, 2016	375,075	2,180	377,255
Additions ⁽¹⁾⁽³⁾⁽⁴⁾	(1,195)	5	(1,190)
At September 30, 2017	373,880	2,185	376,065
Accumulated amortisation and impairment			
At January 1, 2016	267,495	1,826	269,321
Amortisation	-	205	205
Impairment charge ⁽²⁾⁽³⁾	1,427	-	1,427
At September 30, 2016	268,922	2,031	270,953
Amortisation	-	47	47
Impairment charge ⁽⁴⁾	16,324	-	16,324
At December 31, 2016	285,246	2,078	287,324
Amortisation	-	74	74
Impairment recovery ⁽³⁾⁽⁴⁾	(1,132)	-	(1,132)
At September 30, 2017	284,114	2,152	286,266
Net book value			
At September 30, 2017	89,766	33	89,799
At December 31, 2016	89,829	102	89,931
At September 30, 2016	104,104	149	104,253

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

(2) During 2013, the Group fully impaired capitalised expenditures related to its interest in the Sindi Amedi license area. An impairment recovery of \$0.7 million was recorded during the first quarter of 2016 based on updated information received from the operator. As at September 30, 2017, the carrying value of the Sindi Amedi CGU was Nil (December 31, 2016 – Nil).

(3) 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 2016 the Group recorded an addition and equivalent impairment expense of \$2.2 million relating to the OML 141 license area due to revisions in costs previously estimated. During the first quarter of 2017, the Group recorded a credit to additions and equivalent impairment recovery of \$1.2 million due to revisions in costs previously estimated. As at September 30, 2017, the carrying value of the OML 141 CGU was Nil (December 31, 2016 – Nil).

(4) 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. As at September 30, 2017, the carrying value of the Congo Haute Mer B CGU was Nil (December 31, 2016: Nil).

5. Intangible assets (continued)

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

\$000s	September 30 2017	December 31 2016
Middle East	48,399	50,288
West Africa	41,367	39,541
	89,766	89,829

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.

Management has exercised significant judgment in determining that for the Hawler – Ain al Safra, Senegal – AGC Shallow, and Senegal – 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.

Regarding the AGC Shallow license area which has been relinquished subsequent to September 30, 2017 (note 25), management has concluded that, as costs incurred under the AGC Shallow Production Sharing Contract ("PSC") will be transferred to, and be recoverable from potential future oil sales in, the AGC Central license area under the terms of the AGC Central PSC (for which there are no indicators of impairment), there is no indication of impairment of the AGC Shallow costs as at September 30, 2017.

6. 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 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.

Management has determined that as at September 30, 2017, there were no new substantive indicators suggesting that the carrying amount of Hawler license area Oil and Gas assets exceeds their recoverable amount nor were there indicators suggesting that the previously recognised impairment losses no longer exist or may have decreased.

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6. Property, plant and equipment (continued)

\$000s	Oil & Gas Assets	Finance Lease Asset	Fixtures and Equipment	Total
Cost				
At January 1, 2016	798,256	42,921	3,326	844,503
Additions	17,359	4,696	-	22,055
At September 30, 2016	815,615	47,617	3,326	866,558
Additions	8,464	-	-	8,464
At December 31, 2016	824,079	47,617	3,326	875,022
Additions ⁽¹⁾	(84)	-	-	(84)
Transfers and reclassifications ⁽²⁾	47,617	(47,617)	-	-
At September 30, 2017	871,612	-	3,326	874,938
Accumulated depreciation, depletion and impairment				
At January 1, 2016	252,792	72	2,031	254,895
Impairment expense ⁽³⁾	-	-	1,039	1,039
Depreciation	-	-	234	234
Depletion	3,477	297	-	3,774
At September 30, 2016	256,269	369	3,304	259,942
Depreciation	-	-	16	16
Depletion	1,123	91	-	1,214
At December 31, 2016	257,392	460	3,320	261,172
Depreciation	-	-	3	3
Depletion	3,625	-	-	3,625
Transfers and reclassifications ⁽²⁾	460	(460)	-	-
At September 30, 2017	261,477	-	3,323	264,800
Net book value				
At September 30, 2017	610,135	-	3	610,138
At December 31, 2016	566,687	47,157	6	613,850
At September 30, 2016	559,346	47,248	22	606,616

(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 (refer to note 12 for further information) and assumed ownership of the asset. The facilities previously classified as Finance Lease Assets were concurrently reclassified to Oil & Gas Assets.

(3) As at March 31, 2016 an impairment indicator was identified relating to certain of the Group's office fixtures and equipment. The Group consequently recorded an impairment provision of \$1.0 million. The carrying value of these assets as at September 30, 2017 is Nil (December 31, 2016 – Nil).

7. Inventories

\$000s	September 30 2017	December 31 2016
Oil inventory	258	257
Materials	11,725	13,099
	11,983	13,356

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at September 30, 2017 the Group's working interest share of oil inventory was 11,000 bbls (December 31, 2016 – 9,900 bbls).

7. Inventories (continued)

During the nine months ended September 30, 2016, the Group recorded an \$8.3 million impairment charge to adjust the carrying value of materials inventory to management's estimate of net realisable value (Note 20). As at September 30, 2017, the Group updated the impairment evaluation and recorded an impairment charge of \$34,000 for the nine months ended September 30, 2017 (Note 20). The provision at September 30, 2017 is \$8.5 million (December 31, 2016: \$8.5 million).

No inventories have been pledged as security during the period.

8. Trade and other receivables

\$000s	September 30 2017	December 31 2016
Revenue receivables	6,357	5,041
Other receivables	779	354
	7,136	5,395

The carrying amounts of trade and other receivables presented above are reasonable approximations of their fair values.

9. Other current assets

\$000s	September 30 2017	December 31 2016
Deposits	272	278
Prepaid charges and other current assets	997	1,039
	1,269	1,317

10. 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.

11. Trade and other payables

\$000s	September 30 2017	December 31 2016
Trade accounts payable	4,418	8,472
Amounts payable to joint operations partners	3,683	2,393
Amounts payable to related parties	5	-
Contingent costs (note 24)	10,297	14,744
Other payables and accrued liabilities	24,160	30,981
Current portion	42,563	56,590
Non-current portion of contingent costs (note 24)	52,965	53,358
Total trade and other payables	95,528	109,948

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 September 30, 2017, the Group has recognised a liability of \$63.3 million (December 31, 2016 - \$68.1 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 24).

12. Finance lease obligation

During 2013, the Group entered into an agreement to construct, lease, and purchase production facilities for the Hawler license area (the "Lease Agreement"). The production facilities were commissioned in September 2015. The Lease Agreement contained provisions for the Group to purchase the facilities prior to September 30, 2018. In calculating the minimum lease payments under the lease, management initially assumed that the assets would be purchased two years following commissioning of the asset, in September 2017. During the second quarter of 2016, the Group updated its purchase date estimate from September 2017 to September 2018. This resulted in an increase to the finance lease obligation of \$4.7 million. The lease arrangement had an effective interest rate of 11.6%.

In March 2017, the Group entered into a negotiated agreement to settle the remaining obligations under the Lease Agreement for \$7.4 million and assumed ownership of the production facilities. A gain of \$7.6 million has been recorded on the statement of profit and loss relating to this settlement (note 20).

\$000s	Note	Minimum lease payments		Present value of minimum lease payments	
		September 30 2017	December 31 2016	September 30 2017	December 31 2016
No later than one year		-	7,293	-	6,359
One to five years		-	10,545	-	9,302
			17,838		15,661
Less: future finance charges		-	(2,177)	-	-
Present value of minimum lease payments		-	15,661	-	15,661

13. 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 three year Loan Facility provided the Group with access to \$100 million of committed funding with a maturity date of March 10, 2018 (the "Maturity Date"). On May 11, 2015, the Group drew the first \$50 million tranche, and on December 15, 2015, the Group drew the second \$50 million tranche under the Loan Facility.

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 (note 15).

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 (note 15).

13. Borrowings (continued)

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 to be 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 with the number of common shares issuable to 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 15).

Borrowings are presented as a non-current liability, net of warrant issue and other transaction costs. The carrying value of the loan at September 30, 2017, 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, 2015	97,120
Interest expense	10,140
Accretion of deferred financing costs	3,131
Extinguishment	(17,288)
At December 31, 2016	93,103
Interest expense	6,782
Accretion of deferred financing costs	1,880
Extinguishment	(24,100)
At September 30, 2017	77,665

14. 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 September 30, 2017, 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, 2017 to rates ranging from 1.4% to 4.5% (December 31, 2016 – 1.0% to 3.3%). The discount rates used at September 30, 2017 range from 4.1% to 7.2% (December 31, 2016 – 2.8% to 5.2%). Decommissioning obligations are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at September 30, 2017 is \$14.5 million (December 31, 2016 - \$16.7 million) based on the Group's working interest undiscounted liability of \$34.4 million (December 31, 2016 - \$30.8 million).

14. Decommissioning obligation (continued)

	Nine months ended September 30 2017	Year ended December 31 2016
\$000s		
Decommissioning obligation, beginning of the period	16,664	8,561
Property acquisition and development activity	434	846
Change in discount rate	(4,491)	10,447
Change in inflation rate	1,635	(3,576)
	14,242	16,278
Accretion expense	246	386
Decommissioning obligation, end of the period	14,488	16,664

15. Share capital

a. Issued common shares

	Number of shares	Share capital
\$000s		
At January 1, 2016	121,759,034	1,227,398
Issue of shares for private placement	83,683,994	33,170
Issue of shares to Lender (Note 13)	20,581,247	8,158
Transaction costs	-	(534)
Issue of shares for LTIP	3,727,720	2,077
Issue of shares for directors' compensation	576,715	256
At September 30, 2016	230,328,710	1,270,525
Issue of shares to Lender (Note 13)	23,032,871	9,130
At December 31, 2016	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 LTIP	2,310,789	585
Issue of shares for directors' compensation	411,828	149
At September 30, 2017	433,434,255	1,339,136

The Company has unlimited authorised share capital outstanding as September 30, 2017.

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 13. 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.

During the nine months ended September 30, 2017, the Group issued 2,310,789 shares to employees under the Group's LTIP. An additional 411,828 shares were issued to Directors of the Company as remuneration.

15. Share capital (continued)

2016 share capital transactions

On March 1, 2016, OPCL issued 75,683,994 common shares of the Company to Zeg Oil and Gas for consideration of \$30 million.

On March 15, 2016, OPCL issued 8,000,000 common shares of the Company for consideration of \$3.2 million.

On March 18, 2016, the Group extinguished \$8.2 million of principal and accrued interest under the Loan Facility described in note 13, in consideration for 20,581,247 common shares of the Company.

On October 14, 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 (note 13).

During the nine months ended September 30, 2016, the Group issued 3,727,720 shares to employees under the Group's LTIP. An additional 576,715 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 13, 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 is USD \$3.29 per common share. The expiry date of the issued warrants is March 10, 2018.

On May 11, 2015, also in accordance with the Loan Facility described in note 13, 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 is USD \$3.56 per common share. The expiry date of the issued warrants is May 11, 2018.

On December 15, 2015, also in accordance with the Loan Facility described in note 13, 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 September 30, 2017:

	Warrants	Exercise price USD\$	Expiry date
Issued March 11, 2015	1,000,000	3.29	March 10, 2018
Issued May 11, 2015	7,000,000	3.56	May 11, 2018
Issued December 15, 2015	4,000,000	0.50	December 15, 2018
Total outstanding and exercisable	12,000,000		

16. 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 September 30		Nine months ended September 30	
	2017	2016	2017	2016
\$000s				
Loss for the period attributable to equity holders	(5,851)	(8,738)	(10,911)	(39,506)
Weighted average number of shares for basic and diluted loss per share ⁽¹⁾	431,912,214	229,253,430	326,343,425	202,939,710
\$				
Basic and diluted loss per share	(0.01)	(0.04)	(0.03)	(0.19)

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

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17. Reserves

\$000s	Other Reserves	Share based payments	Total reserves
At January 1, 2016	2,700	10,086	12,786
Share based payment transactions	-	3,509	3,509
Issue of shares for LTIP	-	(2,077)	(2,077)
Share based directors compensation	-	156	156
Issue of shares for directors' compensation	-	(247)	(247)
At September 30, 2016	2,700	11,427	14,127
Share based payment transactions	-	224	224
Share based directors compensation	-	50	50
At December 31, 2016	2,700	11,701	14,401
Share based payment transactions	-	1,621	1,621
Issue of shares for LTIP	-	(585)	(585)
Share based directors compensation	-	74	74
Issue of shares for directors' compensation	-	(149)	(149)
At September 30, 2017	2,700	12,662	15,362

18. Supplemental cash flow information

Items not involving cash

\$000s	Three Months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Depreciation, depletion and amortisation	1,425	1,699	3,696	4,303
Share based payment expense	253	1,109	1,041	1,639
Impairment (recovery) / expense	-	(69)	(1,132)	2,466
Unrealised foreign exchange losses / (gains)	(249)	(9)	(107)	(64)
Non-cash income tax (benefit) / expense	10	(137)	(132)	708
Finance expense	2,643	4,203	10,458	12,142
General and administrative expense	(87)	(297)	83	(161)
Other (income) / expense	1,219	1,594	(8,082)	10,929
Items not involving cash	5,214	8,093	5,825	31,962

18. Supplemental cash flow information (continued)

Changes in non-cash working capital

\$000s	Three Months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Inventories	529	(16)	1,380	1,474
Trade and other receivables	(3,478)	(363)	(1,741)	(320)
Other current assets	515	416	230	422
Trade and other payables	1,065	(4,442)	2,997	(16,381)
Current income tax liabilities	-	98	-	(411)
Changes in non-cash working capital	(1,369)	(4,307)	2,866	(15,216)
Trade and other payables – non-current	(5,376)	-	(5,376)	-
Retirement benefit obligation	1	1	(256)	(1,759)
Changes in non-cash assets and liabilities	(6,744)	(4,306)	(2,766)	(16,975)
Changes in operating non-cash assets and liabilities	(3,978)	(1,476)	1,503	(3,315)
Changes in investing non-cash assets and liabilities	(2,766)	(2,830)	(4,269)	(13,660)
Changes in non-cash assets and liabilities	(6,744)	(4,306)	(2,766)	(16,975)

Other cash flow Information

\$000s	Three Months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Cash interest received	51	19	93	30
Cash interest paid	-	498	464	1,457
Cash income taxes paid	-	-	243	917

19. Income tax expense

\$000s	Three Months ended September 30		Nine months ended September 30	
	2017	2016	2017	2016
Current income tax expense	(229)	(236)	(691)	(809)
Deferred tax on LTIP shares	(1)	-	(11)	(2)
Deferred tax on defined benefit obligation	(10)	138	142	(706)
Total deferred tax	(11)	138	131	(708)
Income tax expense	(240)	(98)	(560)	(1,517)

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 nine months ended September 30, 2017, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of \$0.5 million (2016 - \$0.3 million) were deemed to be collected by the Regional government through its allocation of profit oil under the Hawler PSC.

20. Other (expense) / income

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

\$000s	Note	Three Months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
Settlement of finance lease liability	12	-	-	7,605	-
Impairment of materials inventory	7	129	-	(34)	(8,279)
Curtailment of retirement benefit obligation		-	-	-	3,803
Change in fair value of contingent consideration	24	(1,192)	(1,455)	569	(4,092)
Restructuring charge ⁽¹⁾		-	-	63	(2,192)
Other (expense) / income		(49)	117	75	182
Other (expense) / income		(1,112)	(1,338)	8,278	(10,578)

(1) During 2016, the Group completed a corporate re-organisation as part of its efforts to reduce costs and recorded a restructuring charge. The assumptions used in this calculation were updated at April 30, 2017 and this has resulted in an additional charge of \$0.1 million for the nine months ended September 30, 2017.

21. Finance expense

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

\$000s	Note	Three Months ended September 30		Nine months ended September 30	
		2017	2016	2017	2016
Interest expense on Borrowings	13	(2,012)	(2,616)	(6,782)	(7,723)
Accretion of deferred financing costs	13	(173)	(698)	(1,880)	(1,868)
Interest expense on Finance lease obligation	12	-	(498)	(443)	(1,457)
Interest on Contingent costs	11	(361)	(322)	(1,106)	(858)
Accretion of Decommissioning obligation	14	(95)	(71)	(246)	(238)
Finance expense		(2,641)	(4,205)	(10,457)	(12,144)

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22. 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 nine months ended				
September 30, 2017				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	24,860	-	-	24,860
Royalty	(10,940)	-	-	(10,940)
Net revenue	13,920	-	-	13,920
Operating expense	(11,645)	-	-	(11,645)
Depreciation, depletion and amortisation	(3,618)	-	(77)	(3,695)
Impairment recovery	-	1,132	-	1,132
Pre-license and exploration	-	(803)	-	(803)
General and administration	(2,639)	(136)	(4,504)	(7,279)
Other income	8,102	-	176	8,278
Segment result	4,120	193	(4,405)	(92)
Finance income				93
Finance expense				(10,457)
Foreign exchange gain				94
Loss before income tax				(10,362)
Income tax expense				(560)
Loss for the period				(10,922)
Capital additions ⁽¹⁾	(1,974)	694	6	(1,274)
Segment assets as at September 30, 2017	697,497	64,653	6,435	768,585
Segment liabilities as at September 30, 2017	184,533	2,397	3,581	190,511

(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.

For the nine months ended				
September 30, 2016				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	14,977	-	-	14,977
Royalty	(6,591)	-	-	(6,591)
Net revenue	8,386	-	-	8,386
Operating expense	(9,562)	-	-	(9,562)
Depreciation, depletion and amortization	(3,865)	(38)	(399)	(4,302)
Impairment	704	(2,131)	(1,039)	(2,466)
Pre-license and exploration	(4)	(636)	-	(640)
General and administration	(396)	(756)	(5,646)	(6,798)
Other (expense) / income	(11,577)	(721)	1,720	(10,578)
Segment result	(16,314)	(4,282)	(5,364)	(25,960)
Finance income				30
Finance expense				(12,144)
Foreign exchange gain				71
Loss before income tax				(38,003)
Income tax expense				(1,517)
Loss for the period				(39,520)
Capital additions	22,005	3,764	19	25,788
Segment assets as at September 30, 2016	691,537	81,046	8,212	780,795
Segment liabilities as at Sept. 30, 2016	229,321	1,720	5,677	236,718

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22. Segment information (continued)

For the three months ended September 30, 2017				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	9,844	-	-	9,844
Royalty	(4,332)	-	-	(4,332)
Net revenue	5,512	-	-	5,512
Operating expense	(3,364)	-	-	(3,364)
Depreciation, depletion and amortisation	(1,408)	-	(16)	(1,424)
Pre-license and exploration	-	(403)	-	(403)
General and administration	(862)	(54)	(1,267)	(2,183)
Other expense	(1,050)	-	(62)	(1,112)
Segment result	(1,270)	(556)	(2,974)	(2,974)
Finance income				51
Finance expense				(2,641)
Foreign exchange loss				(56)
Loss before income tax				(5,620)
Income tax expense				(240)
Loss for the period				(5,860)
Capital additions	3,428	396	1	3,825

For the three months ended September 30, 2016				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	6,726	-	-	6,726
Royalty	(2,960)	-	-	(2,960)
Net revenue	3,766	-	-	3,766
Operating expense	(2,839)	-	-	(2,839)
Depreciation, depletion and amortization	(1,616)	-	(82)	(1,698)
Impairment	-	69	-	69
Pre-license and exploration	-	(287)	-	(287)
General and administration	(69)	(358)	(1,723)	(2,150)
Other (expense) / recovery	(1,441)	-	103	(1,338)
Segment result	(2,199)	(576)	(1,702)	(4,477)
Finance income				19
Finance expense				(4,205)
Foreign exchange gain				23
Loss before income tax				(8,640)
Income tax expense				(98)
Loss for the period				(8,738)
Capital additions	3,731	496	-	4,227

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22. Segment information (continued)

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

\$000s	September 30 2017	December 31 2016
Iraq	658,554	664,131
Senegal and Guinea Bissau	41,362	39,785
Other	2,017	1,729
	701,933	705,645

23. Commitments*(a) Contractual obligations*

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

\$000s	September 30 2017	December 31 2016
No later than one year	55,129	3,018
One to five years	8,428	57,395
Greater than five years	17,724	17,784
	81,281	78,197

The commitments noted above reflect the Group's execution of currently budgeted and contracted exploration and development activities. 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 three and nine months ended September 30, 2017 was \$0.1 million and \$0.1 million respectively (2016 - \$0.2 million and \$1.0 million).

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

\$000s	September 30 2017	December 31 2016
No later than one year	136	496
One to five years	46	65
	182	561

24. 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. The acquisition terms included additional consideration which is contingent upon the outcome of exploration activities. The Group has recorded the contingent liability at management's estimate of fair value, which as at September 30, 2017, amounts to \$63.3 million (note 11). 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 agreements with the vendor.

25. Events after the statement of financial position date

On November 2, 2017, Oryx Petroleum concluded an agreement with the Agence de Gestion et de Coopération entre le Sénégal et la Guinée – Bissau (“AGC”) to relinquish its 80% interest in the AGC Shallow license area. In consideration of the relinquishment, Oryx Petroleum has agreed to amend the production sharing contract applicable to the AGC Central license area (the “AGC Central PSC”) to add a commitment to drill a second exploration well during the first extension to the exploration period, which is expected to be entered in October 2018. The additional well commitment is intended to be in lieu of the unfulfilled commitment to drill an exploration well in the AGC Shallow license area. In addition, Oryx Petroleum has agreed to pay the AGC a fee of \$1.5 million and to accelerate payment of a \$1 million renewal fee that is otherwise due under the AGC Central PSC upon entry into the first extension exploration period.

If the Group determines to not enter into the first extension to the exploration period under the AGC Central PSC, Oryx Petroleum will be required to pay the AGC a financial indemnity of \$13.5 million, representing the \$15 million financial penalty that would have otherwise applied under the production sharing contract applicable to the AGC Shallow license area (the “AGC Shallow PSC”), reduced by the \$1.5 million fee described above.

Recoverable costs in the amount of \$33.5 million incurred under the AGC Shallow PSC have been transferred to the AGC Central PSC and will be recoverable from potential future oil sales under the terms of the AGC Central PSC.

Other than as provided above, the AGC has released Oryx Petroleum from all obligations and liabilities under the AGC Shallow PSC and otherwise related to the AGC Shallow license area.