CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

ORYX PETROLEUM

Table of contents

Deloitte SA
Rue du Pré-de-la-Bichette 1
1202 Geneva
Switzerland

Phone: +41 (0)58 279 8000
Fax: +41 (0)58 279 8800
www.deloitte.ch

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Oryx Petroleum Corporation Limited

We have audited the accompanying consolidated financial statements of Oryx Petroleum Corporation Limited, which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive loss, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Oryx Petroleum Corporation Limited as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter – Going Concern

In forming our opinion, which is not modified, we draw attention to Notes 2 and 29 in the consolidated financial statements. The Group's ability to continue as a going concern is mainly dependent on its ability to realize forecasted revenues, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and to secure future financing. These uncertainties cast significant doubt about the Group's ability to continue as a going concern.

These conditions, along with other matters set out in Notes 2 and 29 indicate the existence of a material uncertainty that cast significant doubt on the company's ability to continue as a going concern. These consolidated financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Signed by Deloitte SA

Will Eversden	Chris Jones
Partner	Partner

Geneva, March 15, 2017

Consolidated Statements of Loss and Comprehensive Loss

		Year ended December 31	
$000s	**Note**	**2016**	**2015**
Revenue		22,809	20,467
Royalties		(10,037)	(8,397)
Net revenue		**12,772**	**12,070**
Operating expense		(12,628)	(19,865)
Depreciation, depletion and amortization expense	**6, 7**	(5,570)	(8,265)
Impairment expense	**6, 7**	(18,790)	(397,471)
Pre-license and exploration		(954)	(1,270)
General and administrative		(9,426)	(13,447)
Other (expense) / income	**24**	(12,808)	12,364
Loss from operations		**(47,404)**	**(415,884)**
Finance income		46	19
Finance expense	**25**	(16,788)	(6,518)
Foreign exchange gains / (loss)		15	(407)
Loss before income tax		**(64,131)**	**(422,790)**
Income tax expense	**22**	(1,594)	(826)
Loss for the year		**(65,725)**	**(423,616)**
Other comprehensive income / (loss), net of income tax			
(Items that will not be subsequently reclassified to profit and loss)			
Gain on defined benefit obligation	**15**	1,278	677
Comprehensive loss for the year		**(64,447)**	**(422,939)**
Loss for the year attributable to:			
Owners of the Company		(65,707)	(415,235)
Non-controlling interest		(18)	(8,381)
		(65,725)	**(423,616)**
Comprehensive loss for the year attributable to:			
Owners of the Company		(64,429)	(414,558)
Non-controlling interest		(18)	(8,381)
		(64,447)	**(422,939)**
Loss per share (basic and diluted)	**19**	**(0.31)**	**(3.43)**

Consolidated Statements of Financial Position

$000s	Note	December 31 2016	December 31 2015
Non-current assets			
Intangible assets	**6**	89,931	102,152
Property, plant and equipment	**7**	613,850	589,608
Deferred tax assets	**23**	1,864	2,847
		705,645	**694,607**
Current assets			
Inventories	**8**	13,356	24,477
Trade and other receivables	**9**	5,395	4,454
Other current assets	**10**	1,317	1,897
Cash and cash equivalents	**11**	40,732	54,226
		60,800	**85,054**
Total assets		**766,445**	**779,661**
Current liabilities			
Trade and other payables	**12**	56,590	49,202
Finance lease obligation	**13**	6,359	5,800
Income tax liabilities		-	630
		62,949	**55,632**
Non-current liabilities			
Borrowings	**14**	93,103	97,120
Trade and other payables	**12**	53,358	61,548
Finance lease obligation	**13**	9,302	9,977
Retirement benefit obligation	**15**	2,515	7,694
Decommissioning obligation	**16**	16,664	8,561
		174,942	**184,900**
Total liabilities		**237,891**	**240,532**
Equity			
Share capital	**17**	1,279,655	1,227,398
Reserves	**20**	14,401	12,786
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,586)	(6,864)
Accumulated deficit		(760,577)	(694,870)
Equity attributable to owners of the Company		**527,893**	**538,450**
Non-controlling interest		661	679
Total equity		**528,554**	**539,129**
Total equity and liabilities		**766,445**	**779,661**

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 15, 2017. On behalf of the Board of Directors:

(signed)
Jean Claude Gandur
Director

(signed)
Peter Newman
Director

Consolidated 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, 2015		**1,226,248**	**5,763**	**(279,635)**	**(7,541)**	**944,835**	**15,768**	**960,603**
Loss for the year		-	-	(415,235)	-	(415,235)	(8,381)	(423,616)
Share based payment expense	**20**	-	4,659	-	-	4,659	-	4,659
Shares issued for long-term incentive plan ("LTIP")	**17,20**	850	(850)	-	-	-	-	-
Shares issued for Directors' compensation	**17, 20**	300	(10)	-	-	290	-	290
Warrants issued	**20**	-	524	-	-	524	-	524
Increase in ownership of KPA Western Desert Energy Limited(1)	**20**	-	2,700	-	-	2,700	(6,708)	(4,008)
Gain on defined benefit obligation, net of income tax	**15**	-	-	-	677	677	-	677
Balance at December 31, 2015		**1,277,398**	**12,786**	**(694,870)**	**(6,864)**	**538,450**	**679**	**539,129**
Loss for the period		-	-	(65,707)	-	(65,707)	(18)	(65,725)
Share based payment expense	**20**	-	3,733	-	-	3,733	-	3,733
Shares issued by private subscription	**17**	33,170	-	-	-	33,170	-	33,170
Shares issued for debt conversion	**17**	17,288	-	-	-	17,288	-	17,288
Transaction costs	**17**	(534)	-	-	-	(534)	-	(534)
Shares issued for LTIP	**17, 20**	2,077	(2,077)	-	-	-	-	-
Shares issued for Directors' compensation	**17, 20**	256	(41)	-	-	215	-	215
Gain on defined benefit obligation, net of income tax	**15**	-	-	-	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**

(1) During 2015, the Group increased its equity ownership interest in KPA Western Desert Energy Limited ("KPAWDE") from 66.67% to 80.8%.

Consolidated Statements of Cash Flows

		Year ended December 31	
$000s	**Note**	**2016**	**2015**
Operating activities			
Loss		(65,725)	(423,616)
Items not involving cash	**21**	56,494	405,361
		(9,231)	(18,255)
Changes in non-cash assets and liabilities	**21**	(2,226)	(3,774)
Net cash used in operating activities		**(11,457)**	**(22,029)**
Investing activities			
Acquisition of intangible assets		(3,096)	(8,387)
Acquisition of property, plant and equipment		(23,527)	(86,033)
Changes in non-cash working capital	**21**	(8,050)	(38,577)
Net cash used in investing activities		**(34,673)**	**(132,997)**
Financing activities			
Proceeds from issuance of common shares		33,170	-
Related party financing		-	100,000
Transaction costs		(534)	(618)
Net cash generated from financing activities		**32,636**	**99,382**
Net decrease in cash and cash equivalents		**(13,494)**	**(55,644)**
Cash and cash equivalents at beginning of the year	**11**	54,226	109,870
Cash and cash equivalents at end of the year		**40,732**	**54,226**

NOTES TO THE CONSOLIDATED 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 on December 31, 2012, 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 consolidated financial statements (the "Financial Statements") were authorized for issue by the Board of Directors on March 15, 2017.

2. Summary of significant accounting policies

a. Basis of preparation

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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 consolidated financial statements are disclosed in note 4: Critical accounting estimates and judgments.

b. Going concern

These Financial Statements have been prepared on a going concern basis which contemplates the realization 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 has funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 17), its share of oil sales revenues from the Hawler License Area, and from Borrowings (note 14).

Management continually monitors the Group's financing requirements and is pursuing negotiations to finance its ongoing operations at appropriate cost. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 18 months following December 31, 2016.

The timing and extent of forecast capital and operating expenditures is based on the Group's 2017 reforecast budget, and on management's estimate of expenditures expected to be incurred beyond 2017. The Group has a significant degree of control and flexibility over both the extent and timing of expenditure under its future capital investment program.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at December 31, 2016, the availability of additional financing, and the timing and extent of capital and operating expenditures.

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

The Group's ability to continue as a going concern is dependent on its ability to realize forecasted revenues, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and to secure future financing. These uncertainties cast significant doubt about the Group's ability to continue as a going concern.

Oil sales volume assumptions are based on historical production volumes adjusted to recognize the impact of production increases expected to result from planned appraisal and development drilling. 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 $67 million during the 18 months ending June 30, 2018. The contribution from the anticipated production and sale of crude oil from the Hawler License Area's Zey Gawra field is particularly significant to the Group's ability to generate forecasted revenues during the forecast period.

Management is actively engaged in specific and substantive discussions with creditors in respect of borrowings (note 14), contingent costs related to the acquisition of the Group's interest in the Hawler license area (note 30), and certain other liabilities. On March 15, 2017, the Company issued 15,500,000 of its common shares to settle trade accounts payable of $4.8 million (note 12 and 31). In addition, management expects to conclude agreements to restructure and reschedule forecasted cash outflows such that, during the 18 months ending 30 June 2018, no payments of principal or interest will be required in respect of existing borrowings, payments related to contingent costs will not exceed $10 million, and that other forecasted cash outflows will be reduced by $5 - $10 million.

In addition to the above, the Group requires access to additional financing to fund its budgeted capital investments and operating expenditures, and to meet its obligations as they fall due in the 18 months following December 31, 2016. The exact timing and magnitude of the requirement for additional financing is uncertain and dependent on actual oil production and sale volumes, realized prices, and management's ability to defer expenditures if required. However, while cash on hand together with the Group's share of oil sales revenues are expected to fund the Group's operations into the second quarter of 2017, management expects to require $30 million in additional financing to support its activities during the 18 months ending June 30, 2018. Management is currently engaged in specific and substantive discussions with existing shareholders to secure the required financing. Certain shareholders have indicated their intentions to provide the required financing on the condition that a) satisfactory creditor arrangements are secured in accordance with management plans as described above, and b) regulatory and shareholder approvals are obtained.

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. Specifically, in the absence of additional financing and the restructuring of borrowings (note 14), contingent costs (note 30), and other liabilities as described above, Oryx Petroleum would be unlikely to be able to continue development of the Hawler license area and the Group would be required to consider divestiture or relinquishment of the license area. Such curtailment of activity would likely materially and negatively impact the Group's assessment of the carrying values of assets and liabilities associated with the Hawler license area.

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 be able to access adequate resources to continue operations for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing these Financial Statements.

2. Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group

Effective January 1, 2016, the Group adopted the following IFRS standards as issued or amended by the IASB:

Amendments to Standards	Effective for annual periods beginning on or after
Amendments to IFRS 11 – Accounting for acquisitions of interests in joint operations	January 1, 2016
Amendments to IAS 16 & IAS 38 – Clarification of acceptable methods of depreciation and amortization	January 1, 2016
Amendments to IAS 27 – Equity method in separate financial statements	January 1, 2016
Annual improvement cycles; 2012 – 2014	January 1, 2016
Amendments to IFRS 10, IFRS 12 & IAS 28 – Application of the consolidation exemption	January 1, 2016
Amendments to IAS 1 – Disclosure initiative	January 1, 2016

The above 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 authorization 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 IFRS 2 - Classification and measurement of share based payment transactions	January 1, 2018
Amendments to IAS 7 – Statement of cash flows	January 1, 2017
Amendments to IAS 12 – Recognition of deferred tax assets for unrealized losses	January 1, 2017

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

e. Consolidation

i. Subsidiaries

Subsidiaries are all entities over which the Group has control. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and due to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at the fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of the acquiree's net assets.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

2. Summary of significant accounting policies (continued)

e. Consolidation (continued)

i. Subsidiaries (continued)

Any contingent consideration to be transferred by the Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognized in profit or loss.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated.

ii. Changes in ownership interests in subsidiaries without loss of control

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of any consideration paid or received is recorded directly in equity.

iii. Disposal of subsidiaries

When the Group ceases to control a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may result in amounts previously recognized in other comprehensive income being reclassified to profit or loss.

iv. Interest in joint operations

A joint operation is a joint arrangement whereby the Group has rights to assets, and obligations for the liabilities relating to the arrangement. Interests in joint operations are accounted for by recognizing the Group's share of the assets, liabilities, revenues, and expenses.

f. Foreign currency translation

i. Functional and presentation currency

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in US Dollars (USD), which is the functional and presentation currency of the Company and the Group.

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where these items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

2. Summary of significant accounting policies (continued)

f. Foreign currency translation (continued)

ii. Transactions and balances (continued)

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale, are included in other comprehensive income.

iii. Group companies

All Group entities have a functional currency of US dollars which is consistent with the presentation currency of these Financial Statements.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing exchange rate.

g. Revenue

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 recognizes the amount as a deduction to royalties with a corresponding income tax expense when the oil and natural gas products are sold.

Revenue associated with the sale of the Group's working interest share of oil and natural gas products are recognized when the following conditions are satisfied:

- the risks and rewards of ownership have been transferred to the buyer;
- the fair value of revenue can be reliably measured.

Oil and natural gas products produced and sold by the Group below or above its working interest share in the related resource properties result in under-liftings or over-liftings respectively. Under-liftings are presented as inventory at cost and over-liftings are recorded as deferred revenue at market value.

h. Exploration and evaluation ("E&E") assets and property, plant and equipment ("PP&E")

i. Cost

Oil and gas properties and other property, plant and equipment are recorded at cost including expenditures which are directly attributable to the purchase or development of an asset.

ii. Exploration and evaluation costs

Exploration and evaluation costs incurred following the acquisition of a license are initially capitalized as intangible E&E assets. Payments to acquire the legal rights to explore, costs of technical work, seismic acquisition, education and training fund, production sharing contract costs, exploratory and appraisal drilling, general technical support and directly attributable administrative costs are capitalized as E&E assets.

E&E costs are not amortized prior to the conclusion of appraisal activities.

2. Summary of significant accounting policies (continued)

h. Exploration and evaluation ("E&E") assets and property, plant and equipment ("PP&E") (continued)

ii. Exploration and evaluation costs (continued)

E&E assets related to each exploration license/prospect are carried forward until the existence (or otherwise) of commercial reserves has been determined subject to quarterly reviews for impairment. If commercial reserves are discovered, the carrying value, less any impairment loss, of the relevant E&E assets is reclassified to property, plant and equipment. If commercial reserves are determined not to exist or if the asset is otherwise deemed to be impaired, the related capitalized costs are charged to expense.

Costs incurred prior to having obtained the legal rights to explore an area are expensed in the period in which they are incurred.

iii. Development costs

Expenditures on the construction, installation and completion of infrastructure facilities and drilling of development wells are capitalized as oil and gas properties. Costs incurred to operate and maintain wells and equipment to lift oil and gas to the surface are expensed.

PP&E assets are stated at historical cost, less any accumulated depletion and any provision for impairment. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Where such subsequent expenditure is to replace previously capitalized equipment, the remaining carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to expense as incurred.

iv. Other property, plant and equipment

Other property, plant and equipment are stated at historical cost, less any accumulated depreciation and any provision for impairment. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

v. Depreciation, depletion, and amortization ("DD&A")

Cost that are capitalized as oil & gas assets are depleted from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of proved plus probable reserves at the end of the period plus the production during the period. The cost base used in the unit of production calculation comprises the net book value of capitalized costs plus the estimated future field development costs. The impact of changes in reserves estimates are accounted for prospectively.

Depreciation on other assets is calculated using the straight-line method over the estimated useful lives, between 3-5 years, of the respective assets.

Residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Assets that are not yet in use are classified as assets under construction and are not depreciated.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are included in the statement of loss.

vi. Intangible assets other than oil and gas assets

Intangible assets, other than oil and gas assets, that have finite useful lives, are measured at cost and amortized over their expected useful economic lives on a straight line basis.

2. Summary of significant accounting policies (continued)

i. Impairment of non-financial assets

Assets that have an indefinite useful life, intangible assets, or assets under construction and not available for use, are not subject to amortization and are tested annually for impairment. Assets that are subject to DD&A are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

E&E assets are assessed for impairment when facts and circumstances suggest that carrying value may exceed recoverable value. Such indicators include but are not limited to:

- the period for which the Group has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted or planned;
- exploration for and evaluation of resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and a decision has been taken to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or sale;
- extended decreases in expected prices or margins for oil & gas commodities or products;
- a significant downwards revision in estimated volumes of reserves or resources or an upward revision in future development costs.

For the purpose of impairment testing, assets are aggregated in cash-generating units ("CGU"). An impairment loss is recognized if the asset's carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is the greater of its fair value less costs of disposal and its value in use. Previously recorded impairment provisions related to non-financial assets other than goodwill are reviewed and subject to reversal at each reporting date.

j. Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets upon initial recognition.

Financial assets are derecognized 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 fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. These assets are initially measured at fair value with subsequent changes in fair value recognized through profit or loss. Transaction costs are expensed. Derivatives are also categorized as 'held for trading' unless they meet the definition of a hedge under IFRS.

ii. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These financial assets are initially measured at fair value and subsequently at amortized cost using the effective interest rate method.

2. Summary of significant accounting policies (continued)

j. Financial assets (continued)

iii. Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. These assets are initially measured at fair value with subsequent changes in fair value recognized in other comprehensive income, net of tax and are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

When securities classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the statement of loss as part of 'Other income'. Dividends on available-for-sale equity instruments are recognized in the statement of loss as part of 'Other income' when the Group's right to receive payments is established.

k. Inventories

i. Materials inventory

Inventories relating to materials acquired for use in the exploration and development of oil and gas activities are stated at the lower of cost and net realizable value. Cost is determined by the first-in first-out method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. The cost of material inventories comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present location and condition.

ii. Oil Inventory

Crude oil inventory is valued at the lower of cost or net realizable value. Cost is determined using the first-in-first out method.

l. Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables.

m. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other highly liquid investments with original maturities of three months or less. Bank overdrafts are shown within borrowings in current liabilities.

n. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

2. Summary of significant accounting policies (continued)

o. Taxation

The Group's contractual arrangements in foreign jurisdictions stipulate that income taxes are collected by the respective government out of its entitlement share of Profit Oil. Such amounts are included in current income tax expense at the statutory rate in effect at the time of production.

The Company determines the amount of deferred income tax assets and liabilities based on the difference between the carrying amounts of the assets and liabilities reported for financial accounting purposes from those reported for tax. Deferred income tax assets and liabilities are measured using the substantively enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Deferred income tax assets associated with unused tax losses are recognized to the extent it is probable the Group will have sufficient future taxable earnings available against which the unused tax losses can be utilized.

p. Employee benefits

i. Pension obligations

The Group operates two Swiss defined benefit pension plans. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension assets within these Swiss plans consist entirely of investments held by the insurance company that fully reinsures the Group’s pension obligations.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The retirement benefit obligation recognized in the statement of financial position represents the deficit or surplus in the Group’s defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in the future contributions to the plans.

ii. Share-based compensation

The Group issues equity-settled share-based payments to employees under a Long Term Incentive Plan (LTIP). Such payments are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of any service and non-market performance vesting conditions.

The fair value of equity-settled share-based payments determined at the grant date is expensed over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

q. Trade and other payables

Liabilities for trade and other amounts payable are stated initially at their fair value and subsequently at amortized cost using the effective interest method.

2. Summary of significant accounting policies (continued)

r. Provisions

Provisions are recognized when i) the Group has a present legal or constructive obligation as a result of past events, ii) it is probable that an outflow of resources will be required to settle the obligation, and iii) the amount can be reliably estimated. Provisions are measured using management's best estimate of the expenditure required to settle the obligation and are discounted to present value as at the date of the statement of financial position.

The Group's activities give rise to dismantling, decommissioning and site disturbance remediation activities. The Group recognizes provisions for the estimated cost of site restoration which are capitalized in the relevant asset category.

Decommissioning obligations are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the date of the statement of financial position. Over time, the discounted liability is increased for the changes in present value based on current market discount rates and liability specific risks. Decommissioning obligations are recognized as additions to the corresponding assets in the period they arise unless the obligation results directly from production activities, in which case the change is recognized as a production expense. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision was established.

s. Interest income

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

t. Leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of loss on a straight-line basis over the period of the lease.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

3. Financial instruments and risk management

3.1 Fair values of financial instruments

The Group has classified its cash and cash equivalents as financial assets at fair value through profit or loss. Contingent costs payable and decommissioning obligation are classified as financial liabilities at fair value through profit or loss. Trade and other receivables are classified as loans and receivables, and trade and other payables, borrowings, and finance lease obligations are classified as other liabilities.

The carrying and fair values of the Group's financial instruments are summarized as follows:

	December 31, 2016		December 31, 2015	
Classification ($000s)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets at fair value through profit or loss	40,732	40,732	54,226	54,226
Loans and receivables	5,395	5,395	4,454	4,454
Financial liabilities at fair value through profit or loss	70,022	70,022	70,109	70,109
Other liabilities	165,354	165,354	162,099	162,099

3. Financial risk management (continued)

3.2 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management objective is to decrease volatility in financial position and cash flow while securing effective and competitive financing. In order to address the impact of these risks, the Group has developed various risk management policies and strategies.

a. Market risk

i. Foreign exchange risk

The Group operates internationally and has foreign exchange risk arising from various currency exposures. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's reporting currency is the US Dollar. Certain elements of general and administrative expenses are transacted in other currencies. The majority of balances are held in US Dollars with transfers to Swiss Francs and other local currencies as required to meet local needs. The Group's objective is to minimize exposure to foreign exchange risks.

In June 2016, the Group entered into two foreign exchange contracts. The Group entered into a contract to sell $0.7 million and to receive Swiss Francs at a rate of USD 1.00 / CHF 0.9815 for each of the six months from June to November 2016 in order to reduce its exposure to foreign exchange risk for the subsequent six months. The Group entered into a second forward exchange contract to sell CHF 9.8 million and to receive USD at a rate of USD 1.00 / CHF 0.9786 in December 2016. The Group realized foreign exchange gains of $4,000 during the year ended December 31, 2016, relating to these agreements.

In December 2014, the Group entered into two foreign exchange contracts to hedge the foreign exchange risk throughout 2015. The Group entered into a contract to sell $1.5 million and to receive Swiss Francs at a rate of USD 1.00 / CHF 0.9645 for each of the twelve months during 2015. The Group entered into a second forward exchange contract to sell $1.5 million and to receive Swiss Francs for each of the twelve months during 2015 in the event that the exchange rate on monthly execution dates was outside the following range: USD 1.00 / CHF 0.9400 and USD 1.00 / CHF 0.9850. A realized foreign exchange gain of $0.3 million was recorded during the year ended December 31, 2015 relating to these agreements.

The Group estimates there would have been a $1.2 million impact to the loss for the year ended December 31, 2016 by applying a 10% change in the US Dollar/Swiss Franc exchange rate to transactions denominated in Swiss Francs.

ii. Commodity price risk

The market prices for crude oil and natural gas are subject to significant fluctuations resulting from a variety of factors affecting global supply and demand. An increase or decrease of $10/bbl applied to the Group's oil sales recognized during 2016 would have resulted in a decrease or increase of $4.0 million to the loss for the year.

iii. Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates with the exception of interest income from bank deposits, with variable interest rates which are exposed to cash flow interest rate risk as market rates change. The interest expense on the contingent consideration (note 30) is also exposed to interest rate risk as market rates change. The objective of the Group's interest rate risk management is to balance the returns received on interest bearing assets with an acceptable level of access to those assets.

3. Financial risk management (continued)

3.2 Financial risk factors (continued)

iii. Interest rate risk (continued)

The Group estimates that the impact of applying a 0.5% change to interest rates associated with the Group's financial instruments that bear interest at a variable rate would result in a change to the loss for the year ended December 31, 2016 of $0.2 million.

b. Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to oil and gas property license partners and customers, including outstanding receivables and committed transactions. For cash and cash equivalents, the Group invests in products that are rated investment grade and above. The credit risk on liquid funds is assessed as limited because the counterparties are banks with good credit-ratings assigned by international credit-rating agencies. The Group extends unsecured credit to third party customers in relation to oil sales and the collection of these amounts may be affected by changes in economic or other conditions. The Company has not experienced any material credit losses in the collection of accounts receivable to date.

Management does not believe that there is significant exposure to credit risk on receivables from related parties.

Where a Group company undertakes its activities under joint arrangements, its joint operations partners are obligated to make cash contributions to fund the joint operations and have historically done so. The balance of joint operations payables (note 12) arises from timing differences between cash calls and the expenditure incurred on behalf of joint operations partners. Although the Group has not experienced delays or losses related to joint operation partners funding cash calls and related expenditures, the Group is exposed to credit risk on cash call balances receivable.

The following table presents the credit risk exposure to individual financial institutions:

Credit rating	Cash balance at December 31, 2016 ($000s)	Maximum balance with any individual bank during 2016 ($000s)	Number of banks
A1	39,797	70,787	4
A2	215	215	1
B	8	17	1
Other / not rated	142	1,626	4
Cash held by Group	570	580	N/A

c. Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to secure sufficient funding on a timely basis to meet capital and operating expenditure obligations. Management uses budgets and cash flow models, which are regularly updated, to monitor liquidity risk. The Group manages liquidity risk through its corporate treasury function using various sources of financing and investing excess liquidity. Refer to note 2b for additional discussion regarding liquidity risk.

3. Financial risk management (continued)

3.2 Financial risk factors (continued)

c. Liquidity risk (continued)

The table below details the remaining contractual maturity for non-derivative financial liabilities of the Group as at December 31, 2016 and December 31, 2015. The amounts disclosed in the table are the estimated undiscounted cash flows.

$000s	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2016				
Trade and other payables	57,066[1]	32,626	35,092	-
Borrowings	-	93,103	-	-
Finance lease obligation	7,293	10,545	-	-
Decommissioning obligation	-	-	-	30,823
At December 31, 2015				
Trade and other payables	49,202	15,130	67,322	-
Borrowings	-	-	129,048	-
Finance lease obligation	6,732	11,635	-	-
Decommissioning obligation	-	-	-	50,222

(1) See note 31 for discussion of events after the statement of financial position date

3.3 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, issued capital and reserves less accumulated deficits.

4. Critical accounting estimates and judgments

In the process of applying the Group's accounting policies management makes estimates, judgments and assumptions concerning the future. These accounting estimates, judgments and assumptions may differ from actual results. The estimates and underlying assumptions are reviewed on an ongoing basis.

Information about critical estimates and judgments that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the Financial Statements within the next financial year are discussed below:

a. Going concern

The estimates and judgments related to the significant Going Concern assumption are discussed in detail in note 2b.

b. Carrying value of E&E assets

Management has made significant estimates and judgments related to the determination of whether impairment indicators are present in respect of each CGU classified as an E&E asset. These critical estimates and judgments are discussed in detail in note 6.

c. Carrying value of oil and gas assets

Note 7 sets out a detailed discussion regarding the critical judgments and estimates used in determining the carrying value of oil and gas assets.

4. Critical accounting estimates and judgments (continued)

d. Joint arrangements

The Group has entered into joint arrangements to facilitate the development and production of oil and gas. The joint arrangements are governed by PSCs and by joint operating agreements. Management has exercised judgment in concluding that joint arrangements are subject to joint control. Specifically, judgment has been used in determining that decisions concerning the relevant activities of each arrangement require the unanimous consent of at least two specified parties. The Group has classified and accounted for each of its interests in joint arrangements as joint operations.

e. Acquisition of subsidiaries

Due to the inherently uncertain nature of the oil and gas industry, the assumptions underlying the fair values of identifiable assets and liabilities of OP Hawler Kurdistan Limited which was acquired on August 10, 2011 and the probability of exploration success that could result in paying contingent consideration, and quantification thereof, are judgmental in nature. Further details on the measurement of the contingent consideration are disclosed in note 30.

f. Fair value

An assessment of fair value of assets and liabilities is required in accounting for derivative instruments and other items – principally available-for-sale financial assets and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market based transactions may not exist.

g. Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, as disclosed in note 15. Changes in these assumptions impact the carrying amount of pension obligations and the charge to the statement of comprehensive loss.

5. 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 year ended December 31, 2016. As at December 31, 2016, 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%
OML 141	Joint operation	Nigeria	38.67%
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.

6. Intangible assets

$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2015	**365,978**	**2,092**	**368,070**
Additions	3,333	70	3,403
At December 31, 2015	**369,311**	**2,162**	**371,473**
Additions	5,764	18	5,782
At December 31, 2016	**375,075**	**2,180**	**377,255**
Accumulated amortization and impairment			
At January 1, 2015	**112,568**	**1,395**	**113,963**
Amortization	-	431	431
Impairment charge(1)(2)	154,927	-	154,927
At December 31, 2015	**267,495**	**1,826**	**269,321**
Amortization	-	252	252
Impairment charge(1)(3)(4)	17,751	-	17,751
At December 31, 2016	**285,246**	**2,078**	**287,324**
Net book value			
At December 31, 2016	89,829	102	89,931
At December 31, 2015	101,816	336	102,152

(1) At September 30, 2015, management determined that the limited exploration and evaluation activities then planned for the Wasit and OML 141 license areas 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 these assets calculated using the value-in-use methodology for each of the Wasit and OML 141 CGUs was Nil. The Group consequently recorded impairment charges of $43.8 million related to the Wasit license area and of $55.6 million for the OML 141 license area. During 2016 the Group recorded an addition and equivalent impairment expense of $2.1 million relating to the OML 141 license area due to revisions in costs previously estimated. As at December 31, 2016, the carrying value of the Wasit and OML 141 CGUs was Nil (December 31, 2015 – Nil).

(2) At December 31, 2015, management determined that the limited exploration and evaluation activities then planned for the Haute Mer A license area 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 $55.6 million related to the Haute Mer A license area. As at December 31, 2016, the carrying value of the Congo Haute Mer A CGU was Nil (December 31, 2015 – Nil).

(3) 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 2016 based on updated information received from the operator. As at December 31, 2016, the carrying value of the Sindi Amedi CGU was Nil (December 31, 2015 – Nil).

(4) At December 31, 2016, management determined that the limited exploration and evaluations 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. As at December 31, 2016, the carrying value of the Congo Haute Mer B CGU was Nil (December 31, 2015: $15.7 million).

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

$000s	December 31 2016	December 31 2015
Middle East	50,288	49,541
West Africa	39,541	52,275
	89,829	**101,816**

6. Intangible assets (continued)

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 capitalized, 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 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.

7. Property, plant and equipment

The Group's principal property, plant and equipment comprises its Oil & Gas assets and leased production facilities in the Hawler license area in 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.

In conducting impairment tests, management considers internal and external sources of information regarding the manner in which assets are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to the determination of future cash flows expected to be derived from the asset being tested and the discount rate used to determine the value of the cash flows at the measurement date. Reductions in oil price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse economic conditions can result in estimated carrying amounts exceeding the recoverable amounts of the Group's Oil & Gas assets. An impairment loss is recognized if and when the carrying amount exceeds the recoverable amount.

Following the presence of indicators of possible impairment primarily related to a reduction in estimated proved plus probable reserves assigned to the Hawler license area, management conducted an impairment test on the Hawler license area CGU at December 31, 2016. In performing the impairment test, management used significant assumptions and estimates derived from and consistent with those incorporated in the proved plus probable reserves development case contained in the Group's Material Change Report dated February 22, 2017, adjusted to reflect management's current assumptions related to future crude oil sales prices.

Expected cash inflows from oil sales have been based on quoted Brent Crude forward contract prices for 2017, 2018, and 2019. Management's Brent Crude assumptions beyond 2019 are benchmarked against the forward contract prices and pricing forecasts prepared by external reserves evaluation firms. Expected cash inflows assume that all sales of crude oil from the Hawler license area are to be completed through the Kurdistan Regional Government's international export pipeline. In accordance with management's best estimate and understanding of the terms most likely to govern future sales of Hawler license area crude oil, realized prices from oil sales have been referenced to management's estimated future Brent Crude prices adjusted for a fixed and constant discount maintained through the economic life of the CGU.

7. Property, plant and equipment (continued)

Based on the above, expected cash inflows from oil sales have been determined using the following estimated weighted average nominal sales prices:

Year ending December 31,	Brent Crude Price ($/bbl)	Assumed realised Price ($/bbl)
2017	56.33	46.05
2018	56.01	45.87
2019	55.29	44.25
2020	66.42	54.40
2021	69.47	57.84
2022	71.19	59.94
2023	72.91	61.55
2024	74.52	62.96
2025	76.33	64.54
2026	78.30	66.28
2027	79.84	67.64
Thereafter	2% escalation	

Management applied the fair value less costs of disposal methodology to establish the net present value of expected after-tax cash flows associated with proved plus probable reserves as at December 31, 2016 using a 15% after-tax discount rate. Management selected the 15% discount rate based on management's estimate of the cost of capital invested in upstream oil & gas assets in the Kurdistan Region of Iraq.

Application of the fair value less costs of disposal methodology using the assumptions described above indicates the estimated recoverable amount of the Hawler license area CGU as at December 31, 2016 to be $671.1 million. The estimated recoverable amount exceeds the Hawler License Area's $513.6 million carrying amount as at December 31, 2016 which includes the carrying values of decommissioning (note 16) and finance lease (note 13) obligations and contingent costs (note 30), for which settlement is included in the discounted expected after-tax cash-flows. Consequently, the Group has not recorded an impairment provision as a result of conducting the impairment test.

The net present value of expected after-tax cash-flows associated with the proved plus probable reserves development case described above were subjected to sensitivities arising from changes in crude oil price forecasts and discount rates. The following table indicates the recoverable amounts as at December 31, 2016 that result from applying various crude oil price forecasts and discount rates:

	Discount rate		
Recoverable amount ($ millions)	**12.5%**	**15%**	**17.5%**
Above prices less $5/bbl	722.2	612.6	521.5
Prices listed above	783.3	671.1	577.7
Above prices plus $5/bbl	848.6	732.7	636.0

The net present value of expected cash-flows associated with the proved plus probable reserves development case is also highly sensitive to the Group's internal and independently evaluated estimation of proved plus probable reserves and to the production profile associated with the exploitation of these reserves. The recoverable and carrying values of the Group's Hawler license area CGU may need to be revised should there be significant future changes to estimates of proved plus probable reserves and their associated production profile.

7. Property, plant and equipment (continued)

$000s	Oil & Gas Assets	Finance lease asset(1)	Facilities under Construction(1)	Fixtures and Equipment	Total
Cost					
At January 1, 2015	**704,014**	**-**	**31,370**	**3,802**	**739,186**
Additions	89,619	16,717	(543)	(476)	105,317
Transfers and reclassifications(1)	4,623	26,204	(30,827)	-	-
At December 31, 2015	**798,256**	**42,921**	**-**	**3,326**	**844,503**
Additions	25,823	4,696	-	-	30,519
At December 31, 2016	**824,079**	**47,617**	**-**	**3,326**	**875,022**
Accumulated depreciation, depletion and impairment					
At January 1, 2015	**3,698**	**-**	**-**	**1,267**	**4,965**
Impairment expense(2)	242,543	-	-	-	242,543
Depreciation	-	-	-	764	764
Depletion	6,551	72	-	-	6,623
At December 31, 2015	**252,792**	**72**	**-**	**2,031**	**254,895**
Impairment expense(3)	-	-	-	1,039	1,039
Depreciation	-	-	-	250	250
Depletion	4,598	388	-	-	4,986
At December 31, 2016	**257,392**	**460**	**-**	**3,320**	**261,172**
Net book value					
At December 31, 2016	566,687	47,157	-	6	613,850
At December 31, 2015	545,464	42,849	-	1,295	589,608

(1) During 2013, the Group leased a production facility for the Hawler license area. The related facilities were commissioned in September 2015. Refer to note 13 for further information on the finance lease obligation. Prior to commissioning, costs associated with the production facility were classified as Facilities under Construction. Upon commissioning, the costs were transferred to Finance lease asset and Oil & Gas assets.

(2) As at September 30, 2015, the Group recorded a $206.8 million impairment charge relating to the Hawler License Area. An additional impairment charge of $35.7 million was recorded as at December 31, 2015. 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 December 31, 2016 is $613.8 million (December 31, 2015: $588.3 million).

(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 charge of $1.0 million. The carrying value of these assets as at December 31, 2016 is Nil.

8. Inventories

$000s	December 31 2016	December 31 2015
Oil inventory	257	146
Materials	13,099	24,331
	13,356	**24,477**

The cost of oil inventory is expensed through operating and depletion expenses in the period during which it is sold. As at December 31, 2016 the Group's working interest share of oil inventory was 9,900 bbls (2015 – 15,300 bbls).

8. Inventories (continued)

During the year ended December 31, 2016, the Group recorded an $9.1 million impairment charge to adjust the carrying value of materials inventory to management's estimate of net realizable value (Note 24). The provision at December 31, 2016 is $8.5 million (December 31, 2015: nil).

No inventories have been pledged as security during the year.

9. Trade and other receivables

$000s	December 31 2016	December 31 2015
Revenue receivable	5,041	2,829
Receivables from joint operations partners	-	824
Other receivables	354	801
	5,395	**4,454**

Trade and other receivables are denominated in the following currencies:

$000s	December 31 2016	December 31 2015
US dollar	5,286	3,375
Swiss Franc	93	1,063
Other	16	16
	5,395	**4,454**

The carrying amounts of trade and other receivables presented above are reasonable approximations of their fair values and are not past due or impaired.

Joint operations receivables arise from timing differences between cash calls and the expenditures incurred on behalf of joint operations partners.

10. Other current assets

$000s	December 31 2016	December 31 2015
Deposits	278	302
Prepaid charges and other current assets	1,039	1,595
	1,317	**1,897**

11. 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.

Cash and cash equivalents are denominated in the following currencies:

$000s	December 31 2016	December 31 2015
US dollar	39,544	49,568
Swiss Franc	899	4,428
Iraqi Dinar	140	44
Other	149	186
	40,732	**54,226**

12. Trade and other payables

$000s	December 31 2016	December 31 2015
Trade accounts payable (note 31)	8,472	10,847
Amounts payable to joint operations partners	2,393	235
Amounts payable to related parties	-	150
Contingent costs	14,744	-
Other payables and accrued liabilities	30,981	37,970
Current portion	**56,590**	**49,202**
Non-current portion of contingent costs	53,358	61,548
Total trade and other payables	**109,948**	**110,750**

Trade and other payables are denominated in the following currencies:

$000s	December 31 2016	December 31 2015
US dollar	107,311	108,635
Swiss Franc	1,854	1,433
Iraqi Dinar	620	516
Other	163	166
	109,948	**110,750**

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.

As at December 31, 2016, the Group has recognized a $68.1 million (2015 - $61.5 million) liability related to the contingent consideration on the acquisition of OP Hawler Kurdistan Limited. The portion of the liability estimated to be paid beyond one year of the respective statement of financial position dates is classified as a long-term liability. The contingent cost liability is presented at fair value estimated by discounting future cash outflows at a rate of 10% (note 30).

13. Finance lease obligation

The Group has entered into a leasing arrangement for production facilities in the Hawler licence area. The production facilities were commissioned in September 2015. The lease contains options for the Company to settle all obligations under the lease at any point prior to September 30, 2018. In calculating the minimum lease payments under the lease, management has assumed that the assets will be purchased three years following commissioning of the asset, in September 2018. During the second quarter of 2016, the Group updated its purchase date estimate from September 2017 to September 2018. The change in estimate resulted in an increase to the finance lease obligation of $4.7million. The lease arrangement has an effective interest rate of 11.6%.

13. Finance lease obligation (continued)

$000s	Note	Minimum lease payments December 31, 2016	Minimum lease payments December 31, 2015	Present value of minimum lease payments December 31, 2016	Present value of minimum lease payments December 31, 2015
No later than one year		7,293	7,293	6,359	5,800
One to five years		10,545	10,665	9,302	9,977
		17,838	17,958	15,661	15,777
Less: future finance charges		(2,177)	(2,181)	-	-
Present value of minimum lease payments		**15,661**	**15,777**	**15,661**	**15,777**

14. 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 majority shareholder The Addax and Oryx Group PLC (the "Lender").

The three year Loan Facility has provided the Group with access to $100 million of committed funding with a maturity date of March 10, 2018 (the "Maturity Date"). Interest and principal amounts owing to the Lender are payable at the Maturity Date or earlier, at the option of the borrower. An annual compound rate of interest of 10.5% is payable to the Lender under the terms of the loan facility.

On March 11, 2015, the Company issued to an affiliate of the Lender warrants to acquire one million of its common shares. The cost of the warrants has been included as a transaction cost in securing the financing and the value of the financial instrument is presented within equity (note 17b).

On May 11, 2015, the Group drew the first $50 million tranche under the Loan Facility. Concurrent with the drawdown, the Company issued warrants to an affiliate of the Lender to acquire seven million of its common shares. The cost of the warrants has been included as a deferred financing cost and the value of the financial instrument is presented within equity (note 17b).

On December 15, 2015, the Group drew the second $50 million tranche under the Loan Facility. Concurrent with the drawdown, the Company issued warrants to an affiliate of the Lender to acquire four million of its common shares. The cost of the warrants has been included as a deferred financing cost and the value of the financial instrument is presented within equity (note 17b).

On March 18, 2016, the Group extinguished $8.2 million of the principal and accrued interest under the Loan Facility in consideration for the issuance of 20,581,247 common shares of the Company (note 17).

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 17).

14. Borrowings (continued)

The loan proceeds have been recorded as a non-current liability, net of warrant issue and other transaction costs. The carrying value of the loan at December 31, 2016, which has been measured at amortized cost using the effective interest rate method, approximates its fair value and its components are summarized in the table below:

$000s	Borrowings
Principal	100,000
Deferred financing costs:	
Transaction costs	(1,375)
Warrants issued	(6,441)
Net Proceeds	**92,184**
Interest expense	3,625
Accretion of deferred financing costs	1,311
At December 31, 2015	**97,120**
Interest expense	10,140
Accretion of deferred financing costs	3,131
Extinguishment (note 17)	(17,288)
At December 31, 2016	**93,103**

15. Retirement benefit obligation

The Group operates defined benefit pension plans for employees of the Group. The plans are funded by the payment of contributions to a third-party administered pension fund.

The disclosures set out below are based on calculations carried out as at December 31, 2016 by a qualified independent actuary and have been prepared in accordance with IAS 19 – Employee Benefits.

The principal actuarial assumptions used at the reporting date were:

	December 31 2016	December 31 2015
Discount rate	0.70%	0.90%
Expected return on plan assets	0.70%	0.90%
Expected rate of salary increases	2.00 – 2.50%	2.00 – 2.50%
Future pension increases	0.00%	0.00%
Inflation	1.00%	1.00%

The following table reconciles the funded status of defined benefit plans to the amounts recognized in the consolidated statement of financial position:

$000s	December 31 2016	December 31 2015
Fair value of plan assets	8,523	18,792
Present value of defined benefit obligation	(11,038)	(26,486)
Excess of obligation over value of assets	**(2,515)**	**(7,694)**

15. Retirement benefit obligation (continued)

The change in the defined benefit obligation is as follows:

$000s	2016	2015
Defined benefit obligation, beginning of year	(26,486)	(29,289)
Current service cost	(2,276)	(5,617)
Interest cost	(244)	(389)
Remeasurement gains	1,325	1,458
Benefits paid	1,483	1,047
Past service cost	-	1,104
Curtailment	15,068	5,215
Translation difference and other	(92)	(15)
Defined benefit obligation, end of year	**(11,038)**	**(26,486)**

The change in the fair value of plan assets is as follows:

$000s	2016	2015
Fair value of plan assets, beginning of year	18,792	22,421
Interest income	171	272
Return on plan assets	362	(543)
Employer contributions	1,601	202
Curtailment	(10,767)	(2,562)
Benefits paid	(1,483)	(1,047)
Translation difference	(153)	49
Fair value of plan assets, end of year	**8,523**	**18,792**

The fair value of the plan assets are comprised of investments held by the insurance company that fully reinsures the Group's pension obligations.

The Group expects to make contributions of $0.7 million to the defined benefit plan during the 2017 financial year. The actual contributions for 2016 amounted to $1.6 million (2015 - $0.2 million).

The amounts recognized in loss comprise the following:

$000s	Year ended December 31 2016	Year ended December 31 2015
Current service cost	2,276	5,617
Gain on curtailment	(3,505)	(2,653)
Gains on settlement	(795)	-
Past service (gain)	-	(1,104)
Net interest expense	73	117
Other	13	15
Defined benefit (income) / cost recognized in the loss for the year	**(1,938)**	**1,992**

Defined benefit costs of $1.5 million (2015 - $4.6 million) have been included in general and administrative expenses and a $3.5 million gain (2015 - $2.7 million gain) relating to the gain on curtailment of retirement benefit obligations has been included in other income in the statement of loss.

15. Retirement benefit obligation (continued)

The amounts recognized in other comprehensive loss comprise the following:

$000s	Year ended December 31 2016	Year ended December 31 2015
Actuarial (gain)	(1,324)	(1,437)
(Return) / loss on plan assets, excluding interest income	(362)	543
Defined benefit (gain) / cost recognized in other comprehensive loss	**(1,686)**	**(894)**
Deferred tax	408	217
Defined benefit (gain) / cost recognized in other comprehensive loss, net of income tax	**(1,278)**	**(677)**

The following table summarizes the present value of the defined benefit obligation if certain changes in the actuarial assumptions were made**:**

$000s	December 31 2016	December 31 2015
Decrease in discount rate of 0.25%	11,517	27,868
Increase in discount rate of 0.25%	10,497	25,249
Decrease in salary increases of 0.25%	10,874	26,201
Increase in salary increases of 0.25%	11,105	26,815
Increase in life expectancy of one year	11,181	26,811
Decrease in life expectancy of one year	10,796	26,216
Decrease in interest rate of 0.25%	10,874	26,104
Increase in interest rate of 0.25%	11,106	26,908

16. 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 December 31, 2016, 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, 2016 to rates ranging from 1.0% - 3.3% (December 31, 2015 - 3.3% - 3.4%). The discount rates used at December 31, 2016 range from 2.8% to 5.2% (December 31, 2015 - 8%). Decommissioning costs are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at December 31, 2016 is $16.7 million (December 31, 2015 - $8.6 million) based on the Group’s working interest undiscounted liability of $30.8 million (December 31, 2015 - $50.2 million).

16. Decommissioning obligation (continued)

$000s	December 31 2016	December 31 2015
Decommissioning obligation, beginning of the year	**8,561**	**9,061**
Property acquisition and development activity	846	4,108
Change in discount rate	10,447	-
Change in inflation rate	(3,576)	(3,772)
Change in cost estimates	-	(1,101)
	16,278	**8,296**
Accretion expense	386	265
Decommissioning obligation, end of the year	**16,664**	**8,561**

17. Share capital

a. Issued common shares

$000s	Number of shares	Share capital
At January 1, 2015	**120,767,916**	**1,226,248**
Issue of shares for LTIP	908,968	850
Issue of shares for directors' compensation	82,150	300
At December 31, 2015	**121,759,034**	**1,227,398**
Issues of shares for private placement	83,683,994	33,170
Issue of shares to Lender (Note 14)	43,614,118	17,288
Issue of shares for LTIP	3,727,720	2,077
Issue of shares for directors' compensation	576,715	256
Transaction costs	-	(534)
At December 31, 2016	**253,361,581**	**1,279,655**

The Company has unlimited authorized share capital outstanding as at December 31, 2016.

2016 share capital transactions

On March 1, 2016, OPCL issued 75,683,994 common shares of the Company to Zeg Oil and Gas Ltd. ("Zeg Oil") 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 14, 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 14).

During the year ended December 31, 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.

2015 share capital transactions

During the year ended December 31, 2015, the Group issued 908,968 shares to employees under the Group's LTIP. An additional 82,150 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 14, the Group issued warrants to an affiliate of the Lender to acquire one million common shares of the Company. The exercise price of the issued warrants is USD $3.29 per common share. The expiry date of the issued warrants is March 10, 2018.

17. Share capital (continued)

b. Warrants (continued)

On May 11, 2015, also in accordance with the Loan Facility described in note 14, the Group issued warrants to an affiliate of the Lender to acquire seven million common shares of the Company. The exercise price of the issued 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 14, the Group issued warrants to an affiliate of the Lender to acquire four million common shares of the Company. The exercise price of the issued warrants is USD $0.50 per common share. The expiry date of the issued warrants is December 15, 2018.

The Company uses the Black-Scholes option pricing model to calculate the fair value of warrants. Option pricing models require the input of subjective assumptions regarding the volatility, dividend yield and expected term. Changes in the input assumptions may materially affect the estimated fair value.

The following input assumptions were used to establish the fair value of warrants when issued:

Date of issue	**March 11, 2015**	**May 11, 2015**	**December 15, 2015**
Risk-free interest rate	0.46%	0.67%	0.62%
Expected life (years)	3	3	3
Expected volatility	39.58%	40.48%	60.94%
Dividend rate	-	-	-

The following table summarises warrants outstanding and exercisable at December 31, 2016:

	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**		

18. Share based payments

The long term incentive plan (LTIP) was introduced in 2010 to provide long-term incentives which motivate employees and provide a longer-term perspective to the total remuneration package. Annual awards under the LTIP comprised common shares of the Company. These shares vest in three equal tranches with one-third vesting immediately on date of grant, one-third on the subsequent August 1 and the balance vesting on August 1 the year after.

During the year ended December 31, 2016, the Company issued 2,491,610 shares relating to the 2016 LTIP, 1,001,403 shares related to the 2015 LTIP, and 234,707 shares relating to the 2014 LTIP. During the year ended December 31, 2015, the Company issued 148,560 shares relating to the 2013 LTIP, 312,047 shares relating to the 2014 LTIP, and 448,361 shares relating to the 2015 LTIP.

The amount of share based payments in respect of officers and employees charged to the statement of loss for the year ended December 31, 2016 was $3.7 million (2015 - $4.7 million). The fair value of shares granted under the LTIP has been determined based on the volume weighted average price of the Company's publicly traded shares for the five days prior to the grant date.

19. Basic and diluted loss per share

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

$000s	Year ended December 31 2016	Year ended December 31 2015
Loss for the period attributable to equity holders	(65,707)	(415,235)
Weighted average number of common shares for basic and diluted loss per share[(1)]	214,795,953	121,128,658
$		
Basic and diluted loss per share	**(0.31)**	**(3.43)**

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

20. Reserves

$000s	Other Reserves	Share based payments	Total reserves
At January 1, 2015	**-**	**5,763**	**5,763**
Share based payment transactions	-	4,659	4,659
Issue of shares for LTIP	-	(850)	(850)
Share based directors compensation		290	290
Issue of shares for directors' compensation	-	(300)	(300)
Issue of warrants (note 17b)	-	524	524
Increase in ownership of KPAWDE[(1)]	2,700	-	2,700
At December 31, 2015	**2,700**	**10,086**	**12,786**
Share based payment transactions	-	3,733	3,733
Issue of shares for LTIP	-	(2,077)	(2,077)
Share based directors compensation		206	206
Issue of shares for directors' compensation	-	(247)	(247)
At December 31, 2016	**2,700**	**11,701**	**14,401**

(1) During 2015, the Group acquired an increased ownership interest in KPA Western Desert Energy Limited ("KPAWDE") thereby increasing its ownership from 66.67% to 80.8%.

21. Supplemental cash flow information

Items not involving cash

$000s	Year ended December 31 2016	Year ended December 31 2015
Depreciation, depletion and amortization	5,571	8,265
Share based payment expense	1,741	1,821
Impairment expense	18,790	397,471
Unrealized foreign exchange (gains) / losses	(42)	705
Non-cash income tax expense / (benefit)	576	(280)
Finance expense	16,788	5,944
General and administrative	(226)	3,796
Other expense / (income)	13,296	(12,361)
Items not involving cash	**56,494**	**405,361**

21. Supplemental cash flow information (continued)

Changes in non-cash working capital

$000s	Year ended December 31 2016	Year ended December 31 2015
Inventories	1,950	(3,649)
Trade and other receivables	(941)	425
Other current assets	999	6,838
Trade and other payables	(9,895)	(43,533)
Current income tax liabilities	(630)	(364)
Deferred revenue	-	(957)
Changes in non-cash working capital	(8,517)	(42,090)
Retirement benefit obligation	(1,759)	(261)
Changes in non-cash assets and liabilities	**(10,276)**	**(42,351)**
Changes in operating non-cash assets and liabilities	(2,226)	(3,774)
Changes in investing non-cash assets and liabilities	(8,050)	(38,557)
Changes in non-cash assets and liabilities	**(10,276)**	**(42,351)**

Other cash flow Information

$000s	Year ended December 31 2016	Year ended December 31 2015
Cash interest paid	1,770	420
Cash interest received	46	19
Cash income taxes paid	1,256	1,037

22. Income tax expense

$000s	Year ended December 31 2016	Year ended December 31 2015
Current income tax expense	**(1,019)**	**(1,105)**
Deferred tax on LTIP shares	(3)	(4)
Deferred tax on defined benefit obligation	(572)	283
Total deferred tax	**(575)**	**279**
Income tax expense	**(1,594)**	**(826)**

The Group is subject to income taxes in certain jurisdictions where it owns 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 year ended December 31, 2016, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of $0.5 million (2015 - $0.4 million) were deemed to be collected by the government through its allocation of profit oil under the Hawler PSC.

22. Income tax expense (continued)

Income taxes vary from the amount that would be computed by applying statutory tax rates to income before taxes as follows:

$000s	Year ended December 31 2016	Year ended December 31 2015
Loss before income tax	(64,131)	(422,790)
Combined Canadian federal and provincial income tax recovery at the statutory rate	17,315	109,925
Effect of net loss exempt from taxation	(8,416)	5
Effect of tax rates of subsidiaries operating in other jurisdictions	(513)	(187)
Effect of non-deductible expenses	(5,988)	(103,178)
Effect of current year non-recognition of deferred tax assets	(3,343)	(7,407)
Other items	(649)	16
Income tax expense	**(1,594)**	**(826)**

Deferred tax assets relating to the unvested portions of the Group's Swiss subsidiary's defined benefit obligations have been recognized. Deferred tax assets related to the benefit of other tax deductions and losses have not been recognized as it is not sufficiently probable that these assets will be realized.

Cumulative unused tax losses unrecognized in deferred tax assets amount to $102.9 million at December 31, 2016 (December 31, 2015 - $84.5 million).

23. Deferred tax

The movement in deferred tax assets during the year is as follows:

$000s	Total
At December 31, 2015	**2,847**
Expense recognized in the statement of loss (note 22)	(575)
Expense recognized in other comprehensive loss (note 15)	(408)
At December 31, 2016	**1,864**

All deferred tax assets are expected to be recovered after twelve months.

24. Other (expense) / income

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

$000s	Note	Year ended December 31 2016	Year ended December 31 2015
Impairment of materials inventory	**8**	(9,087)	-
Curtailment of retirement benefit obligation	**15**	3,505	2,653
Change in fair value of contingent consideration	**30**	(5,344)	3,915
Restructuring charge[1]		(2,192)	
Revaluation of warrants[2]		-	6,673
Other income / (expense)		310	(877)
Other (expense) / income		**(12,808)**	**12,364**

(1) The Group effected a corporate re-organisation as part of its efforts to reduce costs and recorded a restructuring charge.

(2) The Company and the Lender of funds under the Loan Facility described in Note 14 agreed to fix the exercise price of warrants issued on March 11, 2015 and May 11, 2015 in United States Dollars. The Group consequently re-measured the value of the warrants at the date where the USD exercise price was fixed with the resulting gain being presented as Other income.

25. Finance expense

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

$000s	Note	Year ended December 31 2016	Year ended December 31 2015
Interest expense on Borrowings	**14**	(10,140)	(3,628)
Accretion of deferred financing costs	**14**	(3,131)	(1,311)
Interest expense on Finance lease obligation	**13**	(1,921)	(571)
Interest on Contingent costs	**12**	(1,210)	(743)
Accretion of Decommissioning obligation	**15**	(386)	(265)
Finance expense		**(16,788)**	**(6,518)**

26. Subsidiaries

Details of the Company's subsidiaries at December 31, 2016 are included in the table below:

Name of subsidiary	Country of incorporation	Principal place of business	Principal activity	Proportion of interest / voting rights
Oryx Petroleum Holdings Plc(1)	Malta	Malta	Intermediate holding company	100%
Oryx Petroleum Limited	BVI	BVI	Intermediate holding company	100%
Oryx Petroleum Services SA	Switzerland	Switzerland	Administrative / technical services	100%
Oryx Petroleum Middle East Limited	BVI	BVI	Intermediate holding company	100%
Oryx Petroleum Africa Limited	BVI	BVI	Intermediate holding company	100%
OP OML 141 Nigeria Limited	Nigeria	Nigeria	Oil and gas exploration	100%
OP AGC Shallow Limited	BVI	Senegal / Guinea Bissau	Oil and gas exploration	100%
OP AGC Central Limited	BVI	Senegal / Guinea Bissau	Oil and gas exploration	100%
OP Hawler Kurdistan Limited	BVI	Iraq – Kurdistan region	Oil and gas exploration	100%
Oryx Petroleum Congo SA	Congo	Congo	Oil and gas exploration	100%
KPA Western Desert Energy Limited(2)	Cyprus	Cyprus	Intermediate holding company	80.8%
AmiraKPO Limited(2)	Cyprus	Iraq – Wasit province	Oil and gas exploration/ Mining of bitumen	80.8%

(1) Held directly by Oryx Petroleum Corporation Limited. All other subsidiaries are held through subsidiary undertakings.
(2) During 2015, OPMEL acquired an increased ownership interest in KPAWDE thereby increasing its ownership from 66.67% to 80.8%. Amira KPO Limited is a wholly owned subsidiary of KPAWDE.

27. Related party transactions

The Group's indirect majority shareholder is AOG. 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, a director and the Chairman of the Company. Mr. Gandur is not one of the beneficiaries of The Samsufi Trust.

27. Related party transactions (continued)

The following transactions were carried out with related parties, which are all subsidiaries of AOG.

(a) *Loan agreement*

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement with a subsidiary of its indirect majority shareholder AOG. $100.0 million in cash was received during the year ended December 31, 2015. Interest and accretion expense of $13.3 million relating to this transaction have been recorded for the year ended December 31, 2016 (2015 – $4.9 million). Refer to note 14 for further information. The terms and conditions of the March 2015 Financing represent the terms and conditions agreed to by the related parties. Management has estimated the terms and conditions to be materially comparable to terms applicable to similar market transactions.

(b) *Purchases of goods and services*

$000s	Year ended December 31 2016	Year ended December 31 2015
The Addax and Oryx Group PLC	1,763	1,748
Addax Immobilier SA	51	-
AOG Advisory Services SA	7	4
AOG International Holdings Limited	-	24
Oryx Senegal SA	-	23
	1,821	**1,799**

Management exercised judgment, which was based on its industry specific knowledge and experience, to determine that i) the above transactions did not contain unusual commercial terms, and ii) the fees charged under the agreements were reasonable and not materially inconsistent with fees which would normally be associated with broadly comparable agreements. During the year ended December 31, 2015, the Group also donated $0.1 million to the Addax and Oryx Foundation, a Swiss-registered charity.

(c) *Payables to related parties*

$000s	December 31 2016	December 31 2015
AOG Advisory Services SA	5	-
Addax and Oryx Group PLC	-	125
AOG International Holdings Limited	-	25
	5	**150**

The amounts outstanding are unsecured. No guarantees have been given. Amounts owing to related parties arise from transactions disclosed above in note 27 (b) and will be settled in cash.

(d) *AOG guarantee*

Certain specified contingent payments, payable to the Kurdistan Regional Government, pursuant to the Hawler license area PSC, are supported by a guarantee provided by AOG. These payments amount to a maximum of $2.5 million per year during the development period.

27. Related party transactions (continued)

(e) *Key management compensation*

The remuneration of the directors and senior officers, the key management personnel of the Group, in aggregate is set out below.

$000s	**Year ended December 31 2016**	**Year ended December 31 2015**
Wages, salaries and other short term benefits	2,602	3,995
Post-employment benefits	231	423
Share based compensation	1,641	347
	4,474	**4,765**

28. 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 year ended December 31, 2016 $000s	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	22,809	-	-	22,809
Royalty	(10,037)	-	-	(10,037)
Net revenue	**12,772**	**-**	**-**	**12,772**
Operating expense	(12,628)	-	-	(12,628)
Depreciation, depletion and amortization	(5,069)	(38)	(463)	(5,570)
Impairment (expense) / recovery	704	(18,455)	(1,039)	(18,790)
Pre-license and exploration	(4)	(950)	-	(954)
General and administration	(623)	(839)	(7,964)	(9,426)
Other (expense) / income	(13,926)	(408)	1,526	(12,808)
Segment result	**(18,774)**	**(20,690)**	**(7,940)**	**(47,404)**
Finance income				46
Finance expense				(16,788)
Foreign exchange gain				15
Loss before income tax				**(64,131)**
Income tax expense				(1,594)
Loss for the period				**(65,275)**
Capital additions	30,476	5,806	19	36,301
Segment assets as at December 31, 2016	696,591	61,748	8,106	766,445
Segment liabilities as at December 31, 2016	230,039	4,101	3,751	237,891

28. Segment information (continued)

For the year ended December 31, 2015 **$000s**	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	20,467	-	-	20,467
Royalty	(8,397)	-	-	(8,397)
Net revenue	**12,070**	**-**	**-**	**12,070**
Operating expense	(19,865)	-	-	(19,865)
Depreciation, depletion and amortization	(7,036)	(36)	(1,193)	(8,265)
Impairment expense	(286,300)	(111,171)	-	(397,471)
Pre-license and exploration costs	(394)	(876)	-	(1,270)
General and administrative	(262)	(620)	(12,565)	(13,447)
Other income	3,037	-	9,327	12,364
Segment result	**(298,750)**	**(112,703)**	**(4,431)**	**(415,884)**
Finance income				19
Finance expense				(6,518)
Foreign exchange losses				(407)
Loss before income tax				**(422,790)**
Income tax expense				(826)
Loss for the year				**(423,616)**
Capital additions[(1)]	105,909	3,132	(321)	108,720
Segment assets as at December 31, 2015	711,894	55,252	12,525	779,661
Segment liabilities as at December 31, 2015	228,374	1,362	10,796	240,532

(1) The credit to corporate capital additions relates to expenditures incurred at values below those estimated in prior periods.

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

$000s	**December 31 2016**	**December 31 2015**
Iraq	664,131	637,938
Senegal and Guinea Bissau	39,785	36,535
Congo (Brazzaville)	-	15,696
Other	1,729	4,438
	705,645	**694,607**

29. Commitments

(a) Contractual obligations

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

$000s	**December 31 2016**	**December 31 2015**
No later than one year	3,018	12,430
One to five years	57,395	49,118
Greater than five years	17,784	19,864
	78,197	**81,412**

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.

29. Commitments (continued)

(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 loss during the year ended December 31, 2016 was $1.1 million (2015 - $5.4 million).

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

$000s	December 31 2016	December 31 2015
No later than one year	496	1,326
One to five years	65	1,323
	561	**2,649**

30. Contingent liabilities

In the normal course of operations, the Company may be subject to litigation and claims. In management 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 interests in various exploration licenses. The acquisition terms included additional consideration and liabilities which are contingent upon the outcome of exploration activities and, in some cases, the quantities of reserves discovered. At December 31, 2016 these contingencies, including a $68.1 million (December 31, 2015 - $61.5 million) liability which has been recorded and is discussed in note 12, amounted to an undiscounted maximum of $185 million (December 31, 2015 - $185 million).

31. Events after the statement of financial position date

On March 15, 2017, OPCL issued 15,500,000 common shares of the Company to settle current trade accounts payable of $4.8 million (note 2b and 12).