CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

ORYX PETROLEUM

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Deloitte.

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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, 2017 and December 31, 2016, 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, 2017 and December 31, 2016, 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 15 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 and restructure existing borrowings. These uncertainties cast significant doubt about the Group's ability to continue as a going concern.

These conditions set out in Note 2 and 15 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	Robert Purdy
Partner	Director

Geneva, 7 March 2018

Consolidated Statements of Loss and Comprehensive Loss

		Year ended December 31	
$000s	**Note**	**2017**	**2016**
Revenue		37,368	22,809
Royalties		(16,444)	(10,037)
Net revenue		**20,924**	**12,772**
Operating expense		(15,487)	(12,628)
Depreciation, depletion and amortisation	**6, 7**	(5,919)	(5,570)
Impairment expense, net of reversals	**6, 7**	(18,314)	(18,790)
Pre-license and exploration		(1,026)	(954)
General and administration		(10,683)	(9,426)
Other income / (expense)	**25**	6,971	(12,808)
Loss from operations		**(23,534)**	**(47,404)**
Finance income		157	46
Finance expense	**26**	(13,662)	(16,788)
Foreign exchange gains		104	15
Loss before income tax		**(36,935)**	**(64,131)**
Income tax expense	**23**	(2,115)	(1,594)
Loss for the year		**(39,050)**	**(65,725)**
Other comprehensive income / (loss), net of income tax (Items that will not be subsequently reclassified to profit and loss)			
Gain/(loss) on defined benefit obligation	**16**	(134)	1,278
Comprehensive loss for the year		**(39,184)**	**(64,447)**
Loss for the year attributable to:			
Owners of the Company		(39,033)	(65,707)
Non-controlling interest		(17)	(18)
		(39,050)	**(65,725)**
Comprehensive loss for the year attributable to:			
Owners of the Company		(39,167)	(64,429)
Non-controlling interest		(17)	(18)
		(39,184)	**(64,447)**
Loss per share (basic and diluted)	**20**	**(0.11)**	**(0.31)**

Consolidated Statements of Financial Position

$000s	Note	December 31 2017	December 31 2016
Non-current assets			
Intangible assets	**6**	92,207	89,931
Property, plant and equipment	**7**	582,622	613,850
Deferred tax assets	**24**	254	1,864
		675,083	**705,645**
Current assets			
Inventories	**8**	13,444	13,356
Trade and other receivables	**9**	8,757	5,395
Other current assets	**10**	942	1,317
Cash and cash equivalents	**11**	38,572	40,732
Assets held for disposal	**12**	8,000	-
		69,715	**60,800**
Total assets		**744,798**	**766,445**
Current liabilities			
Trade and other payables	**13**	42,582	56,590
Finance lease obligation	**14**	-	6,359
		42,582	**62,949**
Non-current liabilities			
Borrowings	**15**	75,854	93,103
Trade and other payables	**13**	54,242	53,358
Finance lease obligation	**14**	-	9,302
Retirement benefit obligation	**16**	3,148	2,515
Decommissioning obligation	**17**	14,593	16,664
		147,837	**174,942**
Total liabilities		**190,419**	**237,891**
Equity			
Share capital	**18**	1,343,186	1,279,655
Reserves	**21**	15,879	14,401
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,720)	(5,586)
Accumulated deficit		(799,610)	(760,577)
Equity attributable to owners of the Company		**553,735**	**527,893**
Non-controlling interest		644	661
Total equity		**554,379**	**528,554**
Total equity and liabilities		**744,798**	**766,445**

The consolidated financial statements were approved by the Board of Directors and authorised for issue on March 7, 2018.

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, 2016		**1,227,398**	**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	**21**	-	3,733	-	-	3,733	-	3,733
Shares issued by private subscription	**18**	33,170	-	-	-	33,170	-	33,170
Shares issued for debt conversion	**18**	17,288	-	-	-	17,288	-	17,288
Transaction costs	**18**	(534)	-	-	-	(534)	-	(534)
Shares issued for Long Term Incentive Plan ("LTIP")	**18, 21**	2,077	(2,077)	-	-	-	-	-
Shares issued for Directors' compensation	**18, 21**	256	(41)	-	-	215	-	215
Gain on defined benefit obligation, net of income tax	**16**	-	-	-	1,278	1,278	-	1,278
Balance at December 31, 2016		**1,279,655**	**14,401**	**(760,577)**	**(5,586)**	**527,893**	**661**	**528,554**
Loss for the period		-	-	(39,033)	-	(39,033)	(17)	(39,050)
Share based payment expense	**21**	-	2,139	-	-	2,139	-	2,139
Private subscription	**18**	54,100	-	-	-	54,100	-	54,100
Transaction costs	**18**	(103)	-	-	-	(103)	-	(103)
Issue of shares for debt interest conversion	**18**	4,024				4,024		4,024
Shares issued to settle trade accounts payable	**18**	4,750	-	-	-	4,750	-	4,750
Shares issued for LTIP	**18, 21**	611	(611)	-	-	-	-	-
Shares issued for Directors' compensation	**18, 21**	149	(50)	-	-	99	-	99
Loss on defined benefit obligation, net of income tax	**16**	-	-	-	(134)	(134)	-	(134)
Balance at December 31, 2017		**1,343,186**	**15,879**	**(799,610)**	**(5,720)**	**553,735**	**644**	**554,379**

Consolidated Statements of Cash Flows

		Year ended December 31	
$000s	**Note**	**2017**	**2016**
Operating activities			
Loss		(39,050)	(65,725)
Items not involving cash	**22**	33,621	56,494
		(5,429)	(9,231)
Changes in non-cash assets and liabilities	**22**	(4,300)	(2,226)
Net cash used in operating activities		**(9,729)**	**(11,457)**
Investing activities			
Acquisition of intangible assets		(4,040)	(3,096)
Acquisition of property, plant and equipment		(17,235)	(23,527)
Changes in non-cash working capital	**22**	(1,053)	(8,050)
Net cash used in investing activities		**(22,328)**	**(34,673)**
Financing activities			
Proceeds from issuance of common shares		30,000	33,170
Transaction costs		(103)	(534)
Net cash generated from financing activities		**29,897**	**32,636**
Net decrease in cash and cash equivalents		**(2,160)**	**(13,494)**
Cash and cash equivalents at beginning of the year		40,732	54,226
Cash and cash equivalents at end of the year		**38,572**	**40,732**

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 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 authorised for issue by the Board of Directors on March 7, 2018.

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.

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

b. Going concern

These Financial Statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. During 2017, the Group met its day to day working capital requirements, and funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 18) and its share of oil sales revenues from the Hawler License Area.

Management expects that the cash resources on hand as at December 31, 2017, proceeds from the sale of assets held for disposal (note 12), and future cash receipts from sales of its share of oil production from the Hawler license area will be sufficient to fund the Group's capital and operating expenditures and to meet obligations as they fall due in the 15 months following December 31, 2017.

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

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

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

i) Oil sales volume assumptions are based on historical production volumes adjusted to recognise the impact of production increases expected to result from planned drilling activities. Crude oil price assumptions are based on Brent forward contract prices adjusted for transportation costs and quality differentials. Management's forecast assumes net cash receipts from sales of its share of oil production from the Hawler License Area of $62.9 million during the 15 months ending March 31, 2019.

ii) The timing and extent of forecast capital and operating expenditures is based on the Group's 2018 reforecast budget adjusted to exclude discretionary activities and related expenditures, and on management's estimate of expenditures expected to be incurred beyond 2018. The Group retains a degree of control and flexibility over both the extent and timing of expenditure under its future capital investment program.

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

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

c. New and amended standards adopted by the Group

Effective January 1, 2017, the Group adopted the following IFRS as issued or amended by the IASB:

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

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

d. New and amended standards issued but not yet effective

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

New and Amended Standards	**Effective for annual periods beginning on or after**
IFRS 16 – Leases	January 1, 2019
IFRS 9 – Financial Instruments: classification and measurement	January 1, 2018
IFRS 15 – Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2 - Classification and measurement of share based payment transactions	January 1, 2018
Annual improvements - 2014 – 2016 cycle	January 1, 2018

2. Summary of significant accounting policies (continued)

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

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration are recognised 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 recognised 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.

i. 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.

ii. 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 recognised 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 recognised 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 recognised in other comprehensive income being reclassified to profit or loss.

2. Summary of significant accounting policies (continued)

e. Consolidation (continued)

iii. 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 recognising 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 recognised in the statement of loss, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised 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.

ii. 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 recognises 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 recognised 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.

2. Summary of significant accounting policies (continued)

g. Revenue (continued)

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 capitalised 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 capitalised as E&E assets.

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

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 capitalised 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 capitalised 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 recognised 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 capitalised equipment, the remaining carrying amount of the replaced part is derecognised. 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 recognised 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.

2. Summary of significant accounting policies (continued)

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

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

Cost that are capitalised 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 capitalised 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 amortised over their expected useful economic lives on a straight line basis.

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 amortisation 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 recognised 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.

2. Summary of significant accounting policies (continued)

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

i. Financial assets at 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 recognised through profit or loss. Transaction costs are expensed. Derivatives are also categorised 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 amortised cost using the effective interest rate method.

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 recognised 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 recognised in equity are included in the statement of loss as part of 'Other income'. Dividends on available-for-sale equity instruments are recognised 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 realisable value. Cost is determined by the first-in first-out method. Net realisable 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 realisable value. Cost is determined using the first-in-first out method.

l. Trade and other receivables

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

2. Summary of significant accounting policies (continued)

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 recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised 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.

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 recognised to the extent it is probable the Group will have sufficient future taxable earnings available against which the unused tax losses can be utilised.

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 recognised 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 recognised 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.

2. Summary of significant accounting policies (continued)

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 recognised 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 amortised cost using the effective interest method.

r. Provisions

Provisions are recognised 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 recognises provisions for the estimated cost of site restoration which are capitalised 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 recognised 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 recognised 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 recognised 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 recognised 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 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 summarised as follows:

	December 31, 2017		December 31, 2016	
Classification ($000s)	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Financial assets at fair value through profit or loss	38,572	38,572	40,732	40,732
Loans and receivables	8,757	8,757	5,395	5,395
Financial liabilities at fair value through profit or loss	68,835	68,835	70,022	70,022
Other liabilities	118,436	118,436	165,354	165,354

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 recognised 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 minimise exposure to foreign exchange risks.

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

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

The group has recorded a foreign exchange loss of Nil (unrealised) and a foreign exchange gain of $12,000 (realised) during the year ended December 31, 2017, relating to these agreements.

Management estimates that there would have been a $0.6 million impact to the loss for the year ended December 31, 2017 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 recognised during 2017 would have resulted in a decrease or increase of $5.3 million to the loss for the year.

3. Financial risk management (continued)

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 31) was 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.

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, 2017 of $0.3 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 13) 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, 2017 ($000s)	Maximum balance with any individual bank during 2017 ($000s)	Number of banks
A1	37,745	35,663	5
B	8	8	1
Other / not rated	515	431	4
Cash held by Group	304	832	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.

The table below details the remaining contractual maturity for non-derivative financial liabilities of the Group as at December 31, 2017 and December 31, 2016. The amounts disclosed in the table are the estimated undiscounted cash flows.

3. Financial risk management (continued)

3.2 Financial risk factors (continued)

c. Liquidity risk (continued)

$000s	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
At December 31, 2017				
Trade and other payables	43,363	23,786	45,643	-
Borrowings	-	77,146	-	-
Decommissioning obligation	-	-	-	34,263
At December 31, 2016				
Trade and other payables	57,066	32,626	35,092	-
Borrowings	-	93,103	-	-
Finance lease obligation	7,293	10,545	-	-
Decommissioning obligation	-	-	-	30,823

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 recognised 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 assumptions 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.

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.

4. Critical accounting estimates and judgments (continued)

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 31.

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 16. 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, 2017. As at December 31, 2017, the Company was involved in the following joint arrangements:

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

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

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

6. Intangible assets

$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2016	**369,311**	**2,162**	**371,473**
Additions	5,764	18	5,782
At December 31, 2016	**375,075**	**2,180**	**377,255**
Additions(2)(3)	940	6	946
Transfer to Assets held for disposal (note 12)	(15,998)	-	(15,998)
At December 31, 2017	**360,017**	**2,186**	**362,203**
Accumulated amortisation and impairment			
At January 1, 2016	**267,495**	**1,826**	**269,321**
Amortisation	-	252	252
Impairment charge (1)(2)	17,751	-	17,751
At December 31, 2016	**285,246**	**2,078**	**287,324**
Amortisation	-	81	81
Impairment reversal(2)(3)	(9,411)	-	(9,411)
Transfer to Assets held for disposal (note 12)	(7,998)	-	(7,998)
At December 31, 2017	**267,837**	**2,159**	**269,996**
Net book value			
At December 31, 2017	92,180	27	92,207
At December 31, 2016	89,829	102	89,931

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

(2) At September 30, 2015, management determined that the limited exploration and evaluation activities now planned for the OML 141 license area constituted an indicator of impairment. Management concluded that given the fact that cash flows attributable to the asset in its current condition could not be established, the recoverable amount of this asset calculated using the value-in-use methodology was Nil. The Group consequently recorded an impairment provision of $55.6 million. During 2016 the Group recorded an addition and equivalent impairment expense of $2.2 million relating to the OML 141 license area due to revisions in costs previously estimated. During the first quarter of 2017, the Group recorded a credit to additions and equivalent impairment recovery of $1.5 million due to revisions in costs previously estimated. As at December 31, 2017, the carrying value of the OML 141 CGU was Nil (December 31, 2016 – Nil).

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

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

$000s	December 31 2017	December 31 2016
Middle East	48,425	50,288
West Africa	43,755	39,541
	92,180	**89,829**

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 capitalised, provided there are no indications of impairment, until the process to determine whether commercial reserves are established is complete. At that stage the relevant costs are either transferred to PP&E or written-off to the statement of profit and loss as an impairment of oil and gas assets.

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

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

7. Property, plant and equipment

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

$000s	**Oil & Gas Assets**	**Finance Lease Asset**	**Fixtures and Equipment**	**Total**
Cost				
At January 1, 2016	**798,256**	**42,921**	**3,326**	**844,503**
Additions	25,823	4,696	-	30,519
At December 31, 2016	**824,079**	**47,617**	**3,326**	**875,022**
Net additions	2,392	-	-	2,392
Transfers and reclassifications(1)	47,617	(47,617)	-	-
At December 31, 2017	**874,088**	**-**	**3,326**	**877,414**
Accumulated depreciation, depletion and impairment				
At January 1, 2016	**252,792**	**72**	**2,031**	**254,895**
Impairment expense(2)	-	-	1,039	1,039
Depreciation	-	-	250	250
Depletion	4,598	388	-	4,986
At December 31, 2016	**257,392**	**460**	**3,320**	**261,172**
Impairment expense(3)	27,726	-	-	27,726
Depreciation	-	-	3	3
Depletion	5,891	-	-	5,891
Transfers and reclassifications(1)	460	(460)	-	-
At December 31, 2017	**291,469**	**-**	**3,323**	**294,792**
Net book value				
At December 31, 2017	582,619	-	3	582,622
At December 31, 2016	566,687	47,157	6	613,850

7. Property, plant and equipment (continued)

(1) During 2013, the Group entered into an agreement to construct, lease, and purchase a production facility for the Hawler license area. The related facilities were commissioned in September 2015. During the first quarter of 2017, the Group settled the finance lease obligation (refer to note 14 for further information) and assumed ownership of the asset. The facilities previously classified as Finance Lease Assets were concurrently reclassified to Oil & Gas Assets.

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

(3) As at December 31, 2017, the Group recorded a $27.7 million impairment charge relating to the Hawler License Area. The impairment charge represents the difference between the recoverable amount of the Hawler license area CGU and its carrying amount prior to impairment. The carrying value of the Hawler License Area CGU at December 31, 2017 is $582.6 million (December 31, 2016: $613.9 million).

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 the 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, 2017.

In performing the impairment test as at December 31, 2017, management used significant assumptions and estimates derived from and consistent with those incorporated in the proved and probable reserves development case contained in the Group's Material Change Report dated February 13, 2018, adjusted to reflect management's current assumptions related to future crude oil sale prices.

Expected cash inflows from oil sales have been based on quoted Brent Crude forward contract prices for 2018, 2019, and 2020. Management's Brent Crude assumptions beyond 2020 are benchmarked against the forward contract prices and pricing forecasts prepared by external firms. Expected cash inflows assume that all sales of crude oil from the Hawler license area are 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 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)
2018	64.07	52.24
2019	60.66	49.90
2020	57.83	46.77
2021	66.13	54.19
2022	67.94	55.58
2023	75.18	62.51
2024	77.19	64.25
2025	79.21	66.03
2026	81.08	67.74
2027	82.66	68.94
2028	84.29	69.99
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 and probable reserves as at December 31, 2017 using a 14% after-tax discount rate. Management selected the 14% discount rate based on management's estimate of the cost of capital invested in upstream oil & gas assets in the Kurdistan Region of Iraq.

In measuring the recoverable amount of the Hawler license area CGU as defined in IFRS 13, management relied on i) observable inputs other than quoted prices for identical assets, and ii) inputs that are not publically observable and are the result of management's estimates and judgments arising from analysis of internally generated data.

Application of the fair value less costs of disposal methodology using the assumptions described above indicates an estimated recoverable amount of the Hawler license area CGU as at December 31, 2017 to be $503.9 million. Consequently, the Group has recorded a $27.7 million impairment provision during the year ended December 31, 2017. The impairment provision represents the difference between the recoverable amount of the Hawler license area CGU and its carrying amount prior to impairment which includes the carrying values of decommissioning obligation (note 17) and the contingent consideration (notes 13 and 31), for which settlement is included in the discounted expected after-tax cash-flows.

The net present value of expected after-tax cash-flows associated with the proved and 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, 2017 that result from applying various crude oil price forecasts and discount rates:

	Discount rate		
Recoverable amount ($ millions)	**12%**	**14%**	**16%**
Above prices less $5/bbl	520.0	446.5	383.7
Prices listed above	578.8	503.9	439.5
Above prices plus $5/bbl	638.2	561.5	495.4

The net present value of expected cash-flows associated with the proved and probable reserves development case is also highly sensitive to the Group's internal and independently evaluated estimation of proved and 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 are subject to significant adjustment should there be significant changes to estimates of proved and probable reserves and their production profile.

8. Inventories

$000s	December 31 2017	December 31 2016
Oil inventory	323	257
Materials	13,121	13,099
	13,444	**13,356**

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at December 31, 2017 the Group's working interest share of oil inventory was 12,100 bbls (December 31, 2016 – 9,900 bbls).

During the year ended December 31, 2016, the Group recorded a $9.1 million impairment charge to adjust the carrying value of materials inventory to management's estimate of net realisable value. During 2017 the Group updated the impairment evaluation and recorded an impairment reversal of $0.7 million for the year ended December 31, 2017 (Note 25). The provision at December 31, 2017 is $7.7 million (December 31, 2016: $8.5 million).

No inventories have been pledged as security during the period.

9. Trade and other receivables

$000s	December 31 2017	December 31 2016
Revenue receivables	8,085	5,041
Other receivables	672	354
	8,757	**5,395**

Trade and other receivables are denominated in the following currencies:

$000s	December 31 2017	December 31 2016
US dollar	8,530	5,286
Swiss Franc	223	93
Other	4	16
	8,757	**5,395**

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

10. Other current assets

$000s	December 31 2017	December 31 2016
Deposits	265	278
Prepaid charges and other current assets	677	1,039
	942	**1,317**

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 2017	December 31 2016
US dollar	37,356	39,544
Swiss Franc	999	899
Iraqi Dinar	30	140
Other	187	149
	38,572	**40,732**

12. Assets held for disposal

On February 27, 2018, Oryx Petroleum entered into an agreement with a third party to transfer its 30% interest in the Haute Mer B license area in Congo (Brazzaville) for cash consideration. The transaction is expected to close during the second quarter of 2018. Management has concluded that the agreement constitutes an indication that the net realisable value of the Group's interest in the HMB License Area was greater than its carrying value and has consequently recorded an impairment reversal (note 6). The license interest is presented as an asset held for disposal as at December 31, 2017.

13. Trade and other payables

$000s	December 31 2017	December 31 2016
Trade accounts payable	2,782	8,472
Amounts payable to joint operations partners	2,934	2,393
Amounts payable to related parties	4	-
Contingent costs (note 31)	10,545	14,744
Other payables and accrued liabilities	26,317	30,981
Current portion	**42,582**	**56,590**
Non-current portion of contingent costs (note 31)	54,242	53,358
Total trade and other payables	**96,824**	**109,948**

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

As at December 31, 2017, the Group has recognised a liability of $64.8 million (December 31, 2016 - $68.1 million) representing the estimated fair value of contingent liabilities associated with the acquisition of OP Hawler Kurdistan Limited. The portion of the liability estimated to be paid beyond one year of the respective dates of the statements of financial position is classified as a long-term liability. The contingent cost liability is presented at fair value estimated by discounting estimated future cash outflows at a rate of 10% (note 31).

14. Finance lease obligation

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

In March 2017, the Group entered into a negotiated agreement to settle the remaining obligations under the Lease Agreement for $7.4 million and assumed ownership of the production facilities. A gain of $7.6 million has been recorded on the statement of profit and loss relating to this settlement (note 25).

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

15. Borrowings

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement (the "Loan Facility") with a subsidiary of its indirect controlling shareholder The Addax and Oryx Group PLC (the "Lender").

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

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

On October 24, 2016, OPCL issued 23,032,871 common shares of the Company to the Lender as consideration to extinguish a further $9.1 million of principal and accrued interest under the Loan Facility (note 18).

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

On June 20, 2017, OPCL issued 131,933,226 common shares of the Company to a subsidiary of AOG for consideration of $44.1 million. $24.1 million of the proceeds from the issue and sale of common shares has been applied to extinguish principal and accrued interest under the Loan Facility (note 18).

On December 8, 2017, OPCL issued 24,481,049 common shares of the Company to a subsidiary of AOG for consideration of $4.0 million, which has been applied to extinguish accrued interest under the Loan Facility (note 18).

15. Borrowings (continued)

Borrowings are presented as a non-current liability, net of warrant issue and other transaction costs. The carrying value of the loan at December 31, 2017, which has been measured at amortised cost using the effective interest rate method, approximates its fair value and its components are summarised in the table below:

At December 31, 2015	**97,120**
Interest expense	10,140
Accretion of deferred financing costs	3,131
Extinguishment	(17,288)
At December 31, 2016	**93,103**
Interest expense	8,794
Accretion of deferred financing costs	2,081
Extinguishment	(28,124)
At December 31, 2017	**75,854**

16. 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, 2017 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 2017	**December 31 2016**
Discount rate	0.70%	0.70%
Expected return on plan assets	0.70%	0.70%
Expected rate of salary increases	2.50%	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 recognised in the consolidated statement of financial position:

$000s	**December 31 2017**	**December 31 2016**
Fair value of plan assets	8,307	8,523
Present value of defined benefit obligation	(11,455)	(11,038)
Excess of obligation over value of assets	**(3,148)**	**(2,515)**

The change in the defined benefit obligation is as follows:

$000s	**2017**	**2016**
Defined benefit obligation, beginning of year	(11,038)	(26,486)
Current service cost	(1,250)	(2,276)
Interest cost	(81)	(244)
Remeasurement gains	569	1,325
Benefits paid	739	1,483
Past service cost	-	-
Curtailment	-	15,068
Translation difference and other	(394)	(92)
Defined benefit obligation, end of year	**(11,455)**	**(11,038)**

16. Retirement benefit obligation (continued)

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

$000s	**2017**	**2016**
Fair value of plan assets, beginning of year	8,523	18,792
Interest income	60	171
Return on plan assets	(187)	362
Employer contributions	280	1,601
Curtailment	-	(10,767)
Benefits paid	(739)	(1,483)
Translation difference	370	(153)
Fair value of plan assets, end of year	**8,307**	**8,523**

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 $0.9 million to the defined benefit plan during the 2018 financial year. The actual contributions for 2017 amounted to $0.3 million (2016 - $1.6 million).

The amounts recognised in gain or losses comprise the following:

$000s	**Year ended December 31 2017**	**Year ended December 31 2016**
Current service cost	1,250	2,276
Gain on curtailment	-	(3,505)
(Gains)/losses on settlement	48	(795)
Past service (gain)	-	-
Net interest expense	21	73
Other	6	13
Defined benefit (income) / cost recognised in the loss for the year	**1,325**	**(1,938)**

Defined benefit costs of $1.3 million (2016 - $1.5 million) have been included in general and administrative expenses and Nil gain (2016 - $3.5 million gain) relating to the gain on curtailment of retirement benefit obligations has been included in other income in the statement of loss.

The amounts recognised in other comprehensive loss comprise the following:

$000s	**Year ended December 31 2017**	**Year ended December 31 2016**
Actuarial (gain)	(569)	(1,324)
(Return) / loss on plan assets, excluding interest income	188	(362)
Defined benefit (gain) / cost recognised in other comprehensive loss	**(381)**	**(1,686)**
Deferred tax	515	408
Defined benefit (gain) / cost recognised in other comprehensive loss, net of income tax	**134**	**(1,278)**

16. Retirement benefit obligation (continued)

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

$000s	**December 31 2017**	**December 31 2016**
Decrease in discount rate of 0.25%	12,039	11,517
Increase in discount rate of 0.25%	10,999	10,497
Decrease in salary increases of 0.25%	11,378	10,874
Increase in salary increases of 0.25%	11,625	11,105
Increase in life expectancy of one year	11,702	11,181
Decrease in life expectancy of one year	11,299	10,796
Decrease in interest rate of 0.25%	11,385	10,874
Increase in interest rate of 0.25%	11,619	11,106

17. 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, 2017, management has made significant assumptions and estimates based on an assessment of the current economic environment and factors specific to the assets to be decommissioned. These estimates are reviewed annually and when circumstances suggest that such revisions are required. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain. The assumed inflation rates used in the calculation to determine the carrying value of the decommissioning obligation were updated on June 30, 2017 to rates ranging from 1.4% to 4.5% (December 31, 2016 – 1.0% to 3.3%). The discount rates used at December 31, 2017 range from 4.1% to 7.2% (December 31, 2016 – 2.8% to 5.2%). Decommissioning obligations are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at December 31, 2017 is $14.6 million (December 31, 2016 - $16.7 million) based on the Group's working interest undiscounted liability of $34.3 million (December 31, 2016 - $30.8 million).

$000s	**December 31 2017**	**December 31 2016**
Decommissioning obligation, beginning of the period	**16,664**	**8,561**
Property acquisition and development activity	443	846
Change in discount rate	(4,491)	10,447
Change in inflation rate	1,635	(3,576)
	14,251	**16,278**
Accretion expense	342	386
Decommissioning obligation, end of the period	**14,593**	**16,664**

18. Share capital

a. Issued common shares

$000s	Number of shares	Share capital
At January 1, 2016	**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**
Issue of shares for private placement	161,850,057	54,100
Transaction costs	-	(103)
Issue of shares to Lender (Note 14)	24,481,049	4,024
Issue of shares to settle trade accounts payable	15,500,000	4,750
Issue of shares for LTIP	2,457,892	611
Issue of shares for directors' compensation	411,828	149
At December 31, 2017	**458,062,407**	**1,343,186**

The Company has unlimited authorised share capital outstanding as December 31, 2017.

<u>2017 share capital transactions</u>

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

On June 20, 2017, OPCL issued 131,933,226 common shares of the Company to a subsidiary of AOG for consideration of $44.1 million. $24.1 million of the proceeds from the issue and sale of common shares has been applied to extinguish principal and accrued interest under the Loan Facility described in note 15. On June 20, 2017, the Company also issued 29,916,831 common shares of the Company to Zeg Oil and Gas Ltd ("Zeg Oil and Gas") for consideration of $10.0 million.

On December 8, 2017, the Group extinguished $4.0 million of accrued interest under the Loan Facility described in note 15, in consideration for 24,481,049 common shares of the Company.

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

<u>2016 share capital transactions</u>

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

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

On March 18, 2016, the Group extinguished $8.2 million of principal and accrued interest under the Loan Facility described in note 15, 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.

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.

18. Share capital (continued)

b. Warrants

On March 11, 2015, in accordance with the Loan Facility described in note 15, the Group issued warrants to acquire one million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD $3.29 per common share. The expiry date of the issued warrants is March 10, 2018.

On May 11, 2015, also in accordance with the Loan Facility described in note 15, the Group issued warrants to acquire seven million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD $3.56 per common share. The expiry date of the issued warrants is May 11, 2018.

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

The following table summarises warrants outstanding and exercisable at December 31, 2017:

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

19. 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.

During the year ended December 31, 2017, the Company issued 71,472 shares relating to the 2017 LTIP, 2,065,946 shares relating to the 2016 LTIP and 320,474 shares related to the 2015 LTIP. 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.

The amount of share based payments in respect of officers and employees charged to the statement of loss for the year ended December 31, 2017 was $1.9 million (2016 - $3.7 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.

20. Basic and diluted loss per share

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

$000s	**Year ended December 31 2017**	**Year ended December 31 2016**
Loss for the period attributable to equity holders	(39,033)	(65,707)
Weighted average number of common shares for basic and diluted loss per share(1)	354,957,180	214,795,953
$		
Basic and diluted loss per share	**(0.11)**	**(0.31)**

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

21. Reserves

$000s	Other Reserves	Share based payments	Total reserves
At January 1, 2016	**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**
Share based payment transactions	-	2,139	2,139
Issue of shares for LTIP		(611)	(611)
Share based directors compensation	-	99	99
Issue of shares for directors' compensation	-	(149)	(149)
At December 31, 2017	**2,700**	**13,179**	**15,879**

22. Supplemental cash flow information

Items not involving cash $000s	Year ended December 31 2017	Year ended December 31 2016
Depreciation, depletion and amortization	5,920	5,571
Share based payment expense	1,417	1,741
Impairment expense	18,315	18,790
Unrealised foreign exchange (gains) / losses	(145)	(42)
Non-cash income tax expense / (benefit)	1,094	576
Finance expense	13,664	16,788
General and administration	785	(226)
Other expense / (income)	(7,429)	13,296
Items not involving cash	**33,621**	**56,494**

Changes in non-cash working capital $000s	Year ended December 31 2017	Year ended December 31 2016
Inventories	(32)	1,950
Trade and other receivables	(3,362)	(941)
Other current assets	579	999
Trade and other payables	3,095	(9,895)
Current income tax liabilities	-	(630)
Changes in non-cash working capital	280	(8,517)
Trade and other payables – non-current	(5,376)	-
Retirement benefit obligation	(257)	(1,759)
Changes in non-cash assets and liabilities	**(5,353)**	**(10,276)**
Changes in operating non-cash assets and liabilities	(4,300)	(2,226)
Changes in investing non-cash assets and liabilities	(1,053)	(8,050)
Changes in non-cash assets and liabilities	**(5,353)**	**(10,276)**

Other cash flow Information

$000s	Year ended December 31 2017	Year ended December 31 2016
Cash interest paid	444	1,770
Cash interest received	157	46
Cash income taxes paid	499	1,256

23. Income tax expense

$000s	Year ended December 31 2017	Year ended December 31 2016
Current income tax expense	**(1,020)**	**(1,019)**
Deferred tax on LTIP shares	(19)	(3)
Deferred tax on defined benefit obligation	(1,076)	(572)
Total deferred tax	**(1,095)**	**(575)**
Income tax expense	**(2,115)**	**(1,594)**

The Group is subject to income taxes in certain jurisdictions where it holds interests in exploration and development licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the Kurdistan Region of Iraq and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the year ended December 31, 2017, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of $0.8 million (2016 - $0.5 million) were deemed to be collected by the government through its allocation of profit oil under the Hawler PSC.

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 2017	Year ended December 31 2016
Loss before income tax	(36,935)	(64,131)
Combined Canadian federal and provincial income tax recovery at the statutory rate	9,972	17,315
Effect of net loss exempt from taxation	(4,230)	(8,416)
Effect of tax rates of subsidiaries operating in other jurisdictions	(366)	(513)
Effect of non-deductible expenses	(4,606)	(5,988)
Effect of current year non-recognition of deferred tax assets	(1,532)	(3,343)
Other items	(1,353)	(649)
Income tax expense	**(2,115)**	**(1,594)**

Deferred tax assets related to the benefit of other tax deductions and losses have not been recognised as it is not sufficiently probable that these assets will be realised.

Cumulative unused tax losses unrecognised in deferred tax assets amount to $102.8 million at December 31, 2017 (December 31, 2016 - $102.9 million).

24. Deferred tax

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

$000s	Total
At December 31, 2016	**1,864**
Expense recognised in the statement of loss (note 23)	(1,095)
Expense recognised in other comprehensive loss (note 16)	(515)
At December 31, 2017	**254**

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

25. Other income / (expense)

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

$000s	Note	Year ended December 31 2017	Year ended December 31 2016
Settlement of finance lease liability	**14**	7,605	-
Impairment of materials inventory	**8**	694	(9,087)
Curtailment of retirement benefit obligation	**16**	-	3,505
Change in fair value of contingent consideration	**31**	(59)	(5,344)
Restructuring charge(1)		63	(2,192)
Relinquishment Expense(2)		(1,523)	-
Other income / (expense)		191	310
Other (expense) / income		**6,971**	**(12,808)**

(1) During 2016, the Group completed a corporate re-organisation as part of its efforts to reduce costs and recorded a restructuring charge. The assumptions used in this calculation were updated at April 30, 2017 and this has resulted in a reduction of $0.1 million to the charge for the year ended December 31, 2017.

(2) During the fourth quarter of 2017, Oryx Petroleum concluded an agreement with the AGC to relinquish its interest in the AGC Shallow license area. In connection with the agreement, Oryx Petroleum has agreed to pay a $1.5 million fee and to accelerate payment of a $1 million renewal fee that is otherwise due under the AGC Central PSC upon entry into the first extension exploration period.

26. Finance expense

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

$000s	Note	Year ended December 31 2017	Year ended December 31 2016
Interest expense on Borrowings	**15**	(8,794)	(10,140)
Accretion of deferred financing costs	**15**	(2,081)	(3,131)
Interest expense on Finance lease obligation	**14**	(443)	(1,921)
Interest on Contingent costs	**13**	(2,002)	(1,210)
Accretion of Decommissioning obligation	**17**	(342)	(386)
Finance expense		**(13,662)**	**(16,788)**

27. Subsidiaries

Details of the Company's subsidiaries at December 31, 2017 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 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[2]	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%
OP Congo HMB Limited	BVI	Congo	Oil and gas exploration	100%
KPA Western Desert Energy Limited[3]	Cyprus	Cyprus	Intermediate holding company	80.8%
AmiraKPO Limited[3]	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) On November 2, 2017 the Group relinquished its interest in the AGC Shallow License Area (note 6).
(3) 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.

28. 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.

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 $10.9 million relating to this transaction have been recorded for the year ended December 31, 2017 (2016 – $13.3 million). Refer to note 15 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 2017	Year ended December 31 2016
The Addax and Oryx Group PLC	1,501	1,763
Addax Immobilier SA	183	51
AOG Advisory Services SA	6	7
	1,690	**1,821**

28. Related party transactions (continued)

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.

(c) *Payables to related parties*

$000s	December 31 2017	December 31 2016
AOG Advisory Services SA	4	5
	4	**5**

The amounts outstanding are unsecured. No guarantees have been given. Amounts owing to related parties arise from transactions disclosed above in note 28 (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.

(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 2017	Year ended December 31 2016
Wages, salaries and other short term benefits	2,309	2,602
Post-employment benefits	254	231
Share based compensation	388	1,641
	2,951	**4,474**

29. 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, 2017 **$000s**	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	37,368	-	-	37,368
Royalty	(16,444)	-	-	(16,444)
Net revenue	**20,924**	**-**	**-**	**20,924**
Operating expense	(15,487)	-	-	(15,487)
Depreciation, depletion and amortisation	(5,835)	-	(84)	(5,919)
Impairment (expense) / reversal	(27,726)	9,412	-	(18,314)
Pre-license and exploration	-	(1,026)	-	(1,026)
General and administration	(3,781)	(227)	(6,675)	(10,683)
Other income	8,319	(1,524)	176	6,971
Segment result	**(23,586)**	**6,635**	**(6,583)**	**(23,534)**
Finance income				157
Finance expense				(13,662)
Foreign exchange gain				104
Loss before income tax				**(36,935)**
Income tax expense				(2,115)
Loss for the period				**(39,050)**
Capital additions	530 (1)	2,802	6	3,338
Segment assets as at December 31, 2017	665,212	70,190	9,397	744,798
Segment liabilities as at December 31, 2017	184,027	1,795	4,597	190,419

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

For the 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 amortisation	(5,069)	(38)	(463)	(5,570)
Impairment (expense) / reversal	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

29. Segment information (continued)

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

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

30. Commitments

(a) Contractual obligations

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

$000s	December 31 2017	December 31 2016
No later than one year	6,143	3,018
One to five years	38,546	57,395
Greater than five years	16,100	17,784
	60,789	**78,197**

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

(b) Operating lease commitments – Group company as lessee

The Group leases buildings and equipment under non-cancellable operating lease agreements with varying terms and renewal rights. The corresponding lease expenditure charged to the statement of profit and loss during the year ended December 31, 2017 was $0.2 million (2016 - $1.1 million).

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

$000s	December 31 2017	December 31 2016
No later than one year	243	496
One to five years	46	65
	289	**561**

31. Contingent liabilities

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

During 2011, the Group acquired OP Hawler Kurdistan Limited. The acquisition terms included additional consideration which is contingent upon the outcome of exploration activities. The Group has recorded the contingent liability at management's estimate of fair value, which as at December 31, 2017, amounts to $64.8 million (December 31, 2016 - $68.1 million) as discussed in note 13. For the specific purpose of estimating the fair value of the contingent liability, management's estimate assumes that the Group will achieve a second declaration of commercial discovery in the Hawler license area, that the contingent consideration will consequently become payable, and that the timing and amount of resulting cash outflows will be consistent with the terms outlined in agreements with the vendor.