UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017 AND 2016

ORYX PETROLEUM

Table of contents

Statements of Profit / (Loss) and Comprehensive Income /(Loss)

		Three months ended March 31	
$000s	**Note**	**2017**	**2016**
Revenue		7,904	1,198
Royalties		(3,478)	(527)
Net revenue		**4,426**	**671**
Operating expense		(4,249)	(3,493)
Depreciation, depletion and amortisation	**5, 6**	(1,155)	(726)
Impairment recovery / (expense)	**5, 6**	1,132	(335)
Pre-license and exploration		(127)	(157)
General and administration		(2,584)	(2,590)
Other income / (expense)	**20**	10,688	(7,566)
Profit / (Loss) from operations		**8,131**	**(14,196)**
Finance income		24	-
Finance expense	**21**	(3,797)	(3,912)
Foreign exchange loss		(22)	(29)
Profit / (Loss) before income tax		**4,336**	**(18,137)**
Income tax expense	**19**	(199)	(1,292)
Profit / (Loss) for the period		**4,137**	**(19,429)**
Comprehensive profit / (loss) for the period		**4,137**	**(19,429)**
Profit / (Loss) for the period attributable to:			
Owners of the Company		4,135	(19,423)
Non-controlling interest		2	(6)
		4,137	**(19,429)**
Comprehensive profit / (loss) for the period attributable to:			
Owners of the Company		4,135	(19,423)
Non-controlling interest		2	(6)
		4,137	**(19,429)**
Earnings / (Loss) per share (basic and diluted)	**16**	**0.02**	**(0.13)**

Statements of Financial Position

$000s	Note	March 31 2017	December 31 2016
Non-current assets			
Intangible assets	**5**	89,302	89,931
Property, plant and equipment	**6**	608,536	613,850
Deferred tax assets		1,931	1,864
		699,769	**705,645**
Current assets			
Inventories	**7**	13,157	13,356
Trade and other receivables	**8**	2,283	5,395
Other current assets	**9**	1,260	1,317
Cash and cash equivalents	**10**	39,563	40,732
		56,263	**60,800**
Total assets		**756,032**	**766,445**
Current liabilities			
Trade and other payables	**11**	41,926	56,590
Finance lease obligation	**12**	-	6,359
Income tax liabilities		-	-
Borrowings	**13**	95,990	-
		137,916	**62,949**
Non-current liabilities			
Borrowings	**13**	-	93,103
Trade and other payables	**11**	60,315	53,358
Finance lease obligation	**12**	-	9,302
Retirement benefit obligation		2,572	2,515
Decommissioning obligation	**14**	17,145	16,664
		80,032	**174,942**
Total liabilities		**217,948**	**237,891**
Equity			
Share capital	**15**	1,284,504	1,279,655
Reserves	**17**	14,945	14,401
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,586)	(5,586)
Accumulated deficit		(756,442)	(760,577)
Equity attributable to owners of the Company		**537,421**	**527,893**
Non-controlling interest		663	661
Total equity		**538,084**	**528,554**
Total equity and liabilities		**756,032**	**766,445**

The condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on May 10, 2017. On behalf of the Board of Directors:

(signed)
Jean Claude Gandur
Director

(signed)
Peter Newman
Director

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		-	-	(19,423)	-	(19,423)	(6)	(19,429)
Share based payment expense	**17**	-	590	-	-	590	-	590
Shares issued by private subscription	**15**	33,170	-	-	-	33,170	-	33,170
Shares issued for debt conversion	**15**	8,158	-	-	-	8,158	-	8,158
Transaction costs	**15**	(534)	-	-	-	(534)	-	(534)
Shares issued for long-term incentive plan (“LTIP”)	**15, 17**	80	(80)	-	-	-	-	-
Shares issued for Directors’ compensation	**15, 17**	54	7	-	-	61	-	61
Balance at March 31, 2016		**1,268,326**	**13,303**	**(714,293)**	**(6,864)**	**560,472**	**673**	**561,145**
Loss for the period		-	-	(46,284)		(46,284)	(12)	(46,296)
Share based payment expense	**17**	-	3,143	-	-	3,143	-	3,143
Shares issued for debt conversion	**15**	9,130	-	-	-	9,130	-	9,130
Shares issued for LTIP	**15, 17**	1,997	(1,997)	-	-	-	-	-
Shares issued for Directors’ compensation	**15, 17**	202	(48)	-	-	154	-	154
Gain on defined benefit obligation, net of income tax		-	-	-	1,278	1,278	-	1,278
Balance at December 31, 2016		**1,279,655**	**14,401**	**(760,577)**	**(5,586)**	**527,893**	**661**	**528,554**
Profit for the period		-	-	4,135	-	4,135	2	4,137
Share based payment expense	**17**	-	619	-	-	619	-	619
Shares issued to settle trade accounts payable	**15**	4,750	-	-	-	4,750	-	4,750
Shares issued for Directors’ compensation	**15, 17**	99	(75)	-	-	24	-	24
Balance at March 31, 2017		**1,284,504**	**14,945**	**(756,442)**	**(5,586)**	**537,421**	**663**	**538,084**

Statements of Cash Flows

		Three months ended March 31	
$000s	**Note**	**2017**	**2016**
Operating activities			
Profit / (Loss)		4,137	(19,429)
Items not involving cash	**18**	(6,487)	13,738
		(2,350)	(5,691)
Changes in non-cash assets and liabilities	**18**	4,541	(2,137)
Net cash generated by / (used in) operating activities		**2,191**	**(7,828)**
Investing activities			
Acquisition of intangible assets		(1,088)	190
Acquisition of property, plant and equipment		(8,182)	(6,201)
Changes in non-cash working capital	**18**	5,910	(1,846)
Net cash used in investing activities		**(3,360)**	**(7,857)**
Financing activities			
Proceeds from issuance of common shares		-	33,171
Transaction costs		-	(535)
Changes in non-cash working capital	**18**	-	462
Net cash generated from financing activities		**-**	**33,098**
Net (decrease) / increase in cash and cash equivalents		**(1,169)**	**17,413**
Cash and cash equivalents at beginning of the period	**10**	40,732	54,226
Cash and cash equivalents at end of the period		**39,563**	**71,639**

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Oryx Petroleum Corporation Limited (the "Company" or "OPCL") is a public company incorporated in Canada under the Canada Business Corporation Act on December 31, 2012, and is the holding company for the Oryx Petroleum group of companies (together the "Group" or "Oryx Petroleum"). The address of the registered office of OPCL is 3400 First Canadian Centre 350, 7th Avenue Southwest, Calgary, Alberta, Canada T2J 2M2. The Group's indirect controlling shareholder is The Addax and Oryx Group PLC ("AOG") (incorporated in Malta). The majority of AOG's outstanding shares are owned by Samsufi Trust, an irrevocable discretionary charitable trust created at the suggestion of Jean Claude Gandur. Mr. Gandur is not one of the beneficiaries of the Samsufi Trust. The Group's principal activities are to acquire and develop exploration and production assets in order to produce hydrocarbons and to increase oil and gas reserves.

The Company's unaudited condensed consolidated interim financial statements (the "Financial Statements") were authorised for issue by the Board of Directors on May 10, 2017.

2. Summary of significant accounting policies

a. Basis of preparation

The Company's Financial Statements for the three months ended March 31, 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim financial reporting". The Financial Statements should be read in conjunction with Oryx Petroleum's annual financial statements for the year ended December 31, 2016, which have been prepared in accordance with International Financial Reporting Standards (IFRS). Accounting policies included in the annual financial statements for the year ended December 31, 2016 are applicable to these Financial Statements.

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

The preparation of financial statements in conformity with IFRS requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in the annual financial statements for the year ended December 31, 2016.

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

b. Going concern

These Financial Statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. The Group has met its day to day working capital requirements, and has funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 15), its share of oil sales revenues from the Hawler License Area, and from Borrowings (note 13).

Management expects that the cash proceeds arising from the AOG and Zeg Oil and Gas Subscriptions described in note 25, the cash resources on hand as at March 31, 2017, and future cash receipts from sales of its share of oil production from the Hawler license area will be sufficient to fund the Group's capital and operating expenditures and to meet obligations as they fall due in the 18 months following March 31, 2017.

2. Summary of significant accounting policies (continued)

b. Going concern (continued)

The Group's ability to continue as a going concern in accordance with management's estimates and forecasts is dependent on its ability to:

i) satisfy conditions, and close transactions associated with the Zeg Oil and Gas and AOG Subscriptions, and the Loan Amendment as they are described in note 25, and definitively conclude and execute an agreement to restructure a contingent liability associated with the acquisition of the Hawler license area (note 24),

ii) realise forecasted revenues, and

iii) manage the timing and extent of projected expenditures.

Uncertainties regarding the above may cast significant doubt about the Group's ability to continue as a going concern.

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

i) Regarding the transactions described above and in note 25, management expects that outstanding regulatory, shareholder and counterparty approvals will be obtained, that conditions will be satisfied, and that the AOG Subscription and Zeg Oil and Gas Subscription will close as contemplated.

ii) 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 $86 million during the 18 months ending September 30, 2018. The contribution from the anticipated production and sale of crude oil from the Hawler License Area's Zey Gawra field is particularly significant to the Group's ability to generate forecasted revenues during the forecast period.

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

Should the Group be unable to meet its obligations as they fall due and to fund its anticipated capital investments and operating expenditures, the preparation of these Financial Statements on a going concern basis may not be appropriate. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Such adjustments may be material. Specifically, in the absence of additional financing and the restructuring of Borrowings (note 13 and 25), and contingent costs (note 11 and 24) as described above, Oryx Petroleum would be unlikely to be able to continue development of the Hawler license area and the Group would be required to consider divestiture or relinquishment of the license area. Such curtailment of activity would likely materially and negatively impact the Group's assessment of the carrying values of assets and liabilities associated with the Hawler license area.

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

2. Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group

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

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

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

d. New and amended standards issued but not yet effective

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

New and Amended Standards	Effective for annual periods beginning on or after
IFRS 16 – Leases	January 1, 2019
IFRS 9, IFRS 7, IAS 39 – Financial Instruments: classification and measurement	January 1, 2018
Additions to IFRS 9 for financial liability accounting	January 1, 2018
IFRS 15 – Revenue from contracts with customers	January 1, 2018
Amendments IFRS 2 - Classification and measurement of share based payment transactions	January 1, 2018
Annual improvements - 2014 – 2016 cycle	January 1, 2018

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

3. Financial risk management

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

a. Foreign exchange risk

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

The group has recorded a foreign exchange gain of \$2,000 (realised) and a foreign exchange loss of \$2,000 (unrealised) during the three months ended March 31, 2017, relating to these agreements.

4. Joint arrangements

The Group has entered into Joint arrangements to facilitate the development and production of oil and gas. No new joint arrangements have been entered into during the three months ended March 31, 2017. As at March 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 Shallow	Joint operation	Senegal and Guinea Bissau	85%
AGC Central	Joint operation	Senegal and Guinea Bissau	85%
Haute Mer A	Joint operation	Congo (Brazzaville)	20%
Haute Mer B	Joint operation	Congo (Brazzaville)	30%

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

5. Intangible assets

$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2016	**369,311**	**2,162**	**371,473**
Additions[(1)]	(488)	18	(470)
At March 31, 2016	**368,823**	**2,180**	**371,003**
Additions	6,252	-	6,252
At December 31, 2016	**375,075**	**2,180**	**377,255**
Additions[(1)(3)(4)]	(1,722)	-	(1,722)
At March 31, 2017	**373,353**	**2,180**	**375,533**
Accumulated amortisation and impairment			
At January 1, 2016	**267,495**	**1,826**	**269,321**
Amortisation	-	73	73
Impairment recovery[(2)]	(704)	-	(704)
At March 31, 2016	**266,791**	**1,899**	**268,690**
Amortisation	-	179	179
Impairment charge[(3)(4)]	18,455	-	18,455
At December 31, 2016	**285,246**	**2,078**	**287,324**
Amortisation	-	39	39
Impairment recovery[(4)]	(1,132)	-	(1,132)
At March 31, 2017	**284,114**	**2,117**	**286,231**
Net book value			
At March 31, 2017	89,239	63	89,302
At December 31, 2016	89,829	102	89,931
At March 31, 2016	102,032	281	102,313

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

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

5. Intangible assets (continued)

(3) At September 30, 2015, management determined that the limited exploration and evaluation activities now planned for the OML 141 license area constituted an indicator of impairment. Management concluded that given the fact that cash flows attributable to the asset in its current condition could not be established, the recoverable amount of this asset calculated using the value-in-use methodology was Nil. The Group consequently recorded an impairment provision of $55.6 million. During 2016 the Group recorded an addition and equivalent impairment expense of $2.1 million relating to the OML 141 license area due to revisions in costs previously estimated. During the first quarter of 2017, the Group recorded a credit to additions and equivalent impairment recovery of $1.2 million due to revisions in costs previously estimated. As at March 31, 2017, the carrying value of the OML 141 CGU was Nil (December 31, 2016 – Nil).

(4) At December 31, 2016, management determined that the limited exploration and evaluations activities planned for the Haute Mer B license area during the foreseeable future constituted an indicator of impairment. Management concluded that given the fact that cash flows attributable to the assets in their current condition could not be established, the recoverable amount of this asset calculated using the value-in-use methodology was Nil. The Group consequently recorded an impairment charge of $16.3 million related to the Haute Mer B license area. During the first quarter of 2017, the Group recorded an addition and equivalent impairment expense of $0.1 million relating to the Congo Haute Mer B license area due to revisions in costs previously estimated. As at March 31, 2017, the carrying value of the Congo Haute Mer B CGU was Nil (December 31, 2016: Nil).

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

$000s	**March 31 2017**	**December 31 2016**
Middle East	48,666	50,288
West Africa	40,573	39,541
	89,239	**89,829**

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

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

6. Property, plant and equipment

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

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

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

Management has determined that as at March 31, 2017, there were no new substantive indicators suggesting that the carrying amount of Hawler license area Oil and Gas assets exceeds their recoverable amount nor were there indicators suggesting that the previously recognised impairment losses no longer exist or may have decreased.

6. Property, plant and equipment (continued)

$000s	**Oil & Gas Assets**	**Finance Lease Asset**	**Fixtures and Equipment**	**Total**
Cost				
At January 1, 2016	**798,256**	**42,921**	**3,326**	**844,503**
Additions	4,792	-	-	4,792
At March 31, 2016	**803,048**	**42,921**	**3,326**	**849,295**
Additions	21,031	4,696	-	25,727
At December 31, 2016	**824,079**	**47,617**	**3,326**	**875,022**
Additions(1)	(4,189)	-	-	(4,189)
Transfers and reclassifications(2)	47,617	(47,617)	-	-
At March 31, 2017	**867,507**	**-**	**3,326**	**870,833**
Accumulated depreciation, depletion and impairment				
At January 1, 2016	**252,792**	**72**	**2,031**	**254,895**
Impairment expense(3)	-	-	1,039	1,039
Depreciation	-	-	151	151
Depletion	391	31	-	422
At March 31, 2016	**253,183**	**103**	**3,221**	**256,507**
Depreciation	-	-	99	99
Depletion	4,209	357	-	4,566
At December 31, 2016	**257,392**	**460**	**3,320**	**261,172**
Depreciation	-	-	6	6
Depletion	1,119	-	-	1,119
Transfers and reclassifications(2)	460	(460)	-	-
At March 31, 2017	**258,971**	**-**	**3,326**	**262,297**
Net book value				
At March 31, 2017	608,536	-	-	608,536
At December 31, 2016	566,687	47,157	6	631,850
At March 31, 2016	549,865	42,818	105	592,788

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

(2) During 2013, the Group entered into an agreement to construct, lease, and purchase a production facility for the Hawler license area. The related facilities were commissioned in September 2015. During the first quarter of 2017, the Group settled the finance lease obligation (refer to note 12 for further information) and assumed ownership of the asset. The facilities previously classified as Finance Lease Assets were concurrently reclassified to Oil & Gas Assets.

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

7. Inventories

$000s	**March 31 2017**	**December 31 2016**
Oil inventory	306	257
Materials	12,851	13,099
	13,157	**13,356**

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at March 31, 2017 the Group's working interest share of oil inventory was 11,300 bbls (December 31, 2016 – 9,900 bbls).

7. Inventories (continued)

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 (Note 20). The provision at March 31, 2017 is $8.5 million (December 31, 2016: $8.5 million).

No inventories have been pledged as security during the period.

8. Trade and other receivables

$000s	March 31 2017	December 31 2016
Revenue receivables	1,587	5,041
Other receivables	696	354
	2,283	**5,395**

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

9. Other current assets

$000s	March 31 2017	December 31 2016
Deposits	262	278
Prepaid charges and other current assets	998	1,039
	1,260	**1,317**

10. Cash and cash equivalents

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

11. Trade and other payables

$000s	March 31 2017	December 31 2016
Trade accounts payable	10,902	8,472
Amounts payable to joint operations partners	1,158	2,393
Amounts payable to related parties	250	-
Contingent costs (note 24)	5,140	14,744
Other payables and accrued liabilities	24,476	30,981
Current portion	**41,926**	**56,590**
Non-current portion of contingent costs (note 24)	60,315	53,358
Non-current portion	**60,315**	**53,358**
Total trade and other payables	**102,241**	**109,948**

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

11. Trade and other payables (continued)

As at March 31, 2017, the Group has recognised a liability of $65.5 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 statement of financial position dates is classified as a long-term liability. The contingent cost liability is presented at fair value estimated by discounting estimated future cash outflows at a rate of 10% (note 24).

12. Finance lease obligation

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

In March 2017, the Group entered into a negotiated agreement to settle the remaining obligations under the Lease Agreement for $7.4 million which is included in trade accounts payable (see note 11) as at March 31, 2017, and assume ownership of the production facilities. A gain of $7.6 million has been recorded on the statement of profit and loss relating to this settlement (note 20).

		Minimum lease payments		Present value of minimum lease payments	
$000s	**Note**	**March 31 2017**	**December 31 2016**	**March 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**

13. Borrowings

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

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

On 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”). See note 25 for details of the Loan Amendment and related conditions. Under the terms of the Loan Amendment, interest, which up to and including May 11, 2017 accrued at an annual compound rate of 10.5%, and principal amounts owing to the Lender up to and including May 11, 2017 (the “Loan Amount”) are payable at the Maturity Date or earlier, at the option of the borrower. Interest accrued on the Loan Amount after May 11, 2017 is to be determined on each of November 11, 2017, May 11, 2018, November 11, 2018, and July 1, 2019 (each, an “Interest Calculation Date”) and paid to the Lender by way of issuance of common shares with the number of common shares issuable to be determined using the issue price per share equal to the volume weighted average trading price for the five trading days immediately preceding the Interest Calculation Date.

13. Borrowings (continued)

On March 18, 2016, the Group extinguished $8.2 million of the principal and accrued interest under the Loan Facility, in consideration for 20,581,247 common shares of the Company (note 15).

On October 24, 2016, OPCL issued 23,032,871 common shares of the Company to the Lender as consideration to extinguish a further $9.1 million of principal and accrued interest under the Loan Facility (note 15).

Borrowings are presented as a non-current liability, net of warrant issue and other transaction costs. The carrying value of the loan at March 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	2,341
Accretion of deferred financing costs	546
At March 31, 2017	**95,990**

14. Decommissioning obligation

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

In calculating the value of the Group's future decommissioning obligation at March 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, 2016 to rates ranging from 1.0% to 3.3% (December 31, 2016 – 1.0% to 3.3%). The discount rates used at March 31, 2017 range from 2.8% to 5.2% (December 31, 2016 – 2.8% to 5.2%). Decommissioning costs are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at March 31, 2017 is $17.1 million (December 31, 2016 - $16.7 million) based on the Group's working interest undiscounted liability of $31.5 million (December 31, 2015 - $30.8 million).

$000s	**Three months ended March 31 2017**	**Year ended December 31 2016**
Decommissioning obligation, beginning of the period	**16,664**	**8,561**
Property acquisition and development activity	407	846
Change in discount rate	-	10,447
Change in inflation rate	-	(3,576)
	17,071	**16,278**
Accretion expense	74	386
Decommissioning obligation, end of the period	**17,145**	**16,664**

15. Share capital

a. Issued common shares

$000s	Number of shares	Share capital
At January 1, 2016	**121,759,034**	**1,227,398**
Issue of shares for private placement	83,683,994	33,170
Issue of shares to Lender (Note 13)	20,581,247	8,158
Transaction costs	-	(534)
Issue of shares for LTIP	213,790	80
Issue of shares for directors' compensation	155,659	54
At March 31, 2016	**226,393,724**	**1,268,326**
Issue of shares to Lender (Note 13)	23,032,871	9,130
Issue of shares for LTIP	3,513,930	1,997
Issue of shares for directors' compensation	421,056	202
At December 31, 2016	**253,361,581**	**1,279,655**
Issue of shares to settle trade accounts payable	15,500,000	4,750
Issue of shares for directors' compensation	248,755	99
At March 31, 2017	**269,110,336**	**1,284,504**

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

2017 share capital transactions

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

During the three months ended March 31, 2017, the Group issued 248,755 shares to Directors of the Company as remuneration.

2016 share capital transactions

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

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

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

On October 14, 2016, OPCL issued 23,032,871 common shares of the Company to the Lender as consideration to extinguish a further $9.1 million of principal and accrued interest under the Loan Facility (note 13).

During the 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.

b. Warrants

On March 11, 2015, in accordance with the Loan Facility described in note 13, the Group issued warrants to acquire one million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD $3.29 per common share. The expiry date of the issued warrants is March 10, 2018.

On May 11, 2015, also in accordance with the Loan Facility described in note 13, the Group issued warrants to acquire seven million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD $3.56 per common share. The expiry date of the issued warrants is May 11, 2018.

On December 15, 2015, also in accordance with the Loan Facility described in note 13, the Group issued warrants to acquire four million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD $0.50 per common share. The expiry date of the issued warrants is December 15, 2018.

15. Share capital (continued)

The following table summarises warrants outstanding and exercisable at March 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**		

16. Basic and diluted earnings / (loss) per share

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

	Three Months ended March 31	
$000s	**2017**	**2016**
Net profit / (loss) for the period attributable to equity holders	4,135	(19,423)
Weighted average number of ordinary shares for basic and diluted earnings / (loss) per share(1)	256,516,002	152,461,126
$		
Basic and diluted earnings / (loss) per share	**0.02**	**(0.13)**

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

17. Reserves

$000s	Other Reserves	Share based payments	Total reserves
At January 1, 2016	**2,700**	**10,086**	**12,786**
Share based payment transactions	-	590	590
Issue of shares for LTIP	-	(80)	(80)
Share based directors compensation	-	60	60
Issue of shares for directors' compensation	-	(53)	(53)
At March 31, 2016	**2,700**	**10,603**	**13,303**
Share based payment transactions	-	3,142	3,142
Issue of shares for LTIP	-	(1,997)	(1,997)
Share based directors compensation	-	146	146
Issue of shares for directors' compensation	-	(194)	(194)
At December 31, 2016	**2,700**	**11,701**	**14,401**
Share based payment transactions	-	619	619
Share based directors compensation	-	24	24
Issue of shares for directors' compensation	-	(99)	(99)
At March 31, 2017	**2,700**	**12,245**	**14,945**

18. Supplemental cash flow information

Items not involving cash

	Three months ended March 31	
$000s	**2017**	**2016**
Depreciation, depletion and amortisation	1,155	727
Share based payment expense	352	293
Impairment (recovery) / expense	(1,132)	335
Unrealised foreign exchange losses	18	15
Non-cash income tax (benefit) / expense	(67)	967
Finance expense	3,797	3,912
General and administrative expense	(17)	(77)
Other (income) / expense	(10,593)	7,566
Items not involving cash	**(6,487)**	**13,738**

Changes in non-cash working capital

	Three months ended March 31	
$000s	**2017**	**2016**
Inventories	208	684
Trade and other receivables	3,112	2,116
Other current assets	119	368
Trade and other payables	7,268	(4,630)
Current income tax liabilities	-	(301)
Changes in non-cash working capital	10,707	(1,763)
Retirement benefit obligation	(256)	(1,758)
Changes in non-cash assets and liabilities	**10,451**	**(3,521)**
Changes in operating non-cash assets and liabilities	4,541	(2,137)
Changes in investing non-cash assets and liabilities	5,910	(1,846)
Changes in financing non-cash assets and liabilities	-	462
Changes in non-cash assets and liabilities	**10,451**	**(3,521)**

Other cash flow Information

	Three months ended March 31	
$000s	**2017**	**2016**
Cash interest received	24	-
Cash interest paid	464	440
Cash income taxes paid	97	586

19. Income tax expense

	Three Months ended March 31	
$000s	**2017**	**2016**
Current income tax expense	**(265)**	**(325)**
Deferred tax on LTIP shares	(9)	1
Deferred tax on defined benefit obligation	75	(968)
Total deferred tax	**66**	**(967)**
Income tax expense	**(199)**	**(1,292)**

19. Income tax expense (continued)

The Group is subject to income taxes in certain jurisdictions where it owns licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the Kurdistan Region of Iraq and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the three months ended March 31, 2017, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of $0.2 million (2016 - $0.1 million) were deemed to be collected by the government through its allocation of profit oil under the Hawler PSC.

20. Other income / (expense)

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

		Three Months ended March 31	
$000s	**Note**	**2017**	**2016**
Settlement of finance lease liability	**12**	7,605	-
Impairment of materials inventory	**7**	-	(8,279)
Curtailment of retirement benefit obligation		-	3,803
Change in fair value of contingent consideration	**24**	3,039	(1,333)
Restructuring charge[(1)]		-	(1,757)
Other income		44	-
Other income / (expense)		**10,688**	**(7,566)**

(1) During the three months March 31, 2016, the Group completed a corporate re-organisation as part of its efforts to reduce costs and recorded a restructuring charge.

21. Finance expense

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

		Three Months ended March 31	
$000s	**Note**	**2017**	**2016**
Interest expense on Borrowings	**13**	(2,341)	(2,594)
Accretion of deferred financing costs	**13**	(546)	(545)
Interest expense on Finance lease obligation	**12**	(443)	(428)
Interest on Contingent costs	**11**	(393)	(252)
Accretion of Decommissioning obligation	**14**	(74)	(93)
Finance expense		**(3,797)**	**(3,912)**

22. Segment information

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

For the three months ended March 31, 2017 $000s	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	7,904	-	-	7,904
Royalty	(3,478)	-	-	(3,478)
Net revenue	**4,426**	**-**	**-**	**4,426**
Operating expense	(4,249)	-	-	(4,249)
Depreciation, depletion and amortisation	(1,108)	-	(47)	(1,155)
Impairment recovery	-	1,132	-	1,132
Pre-license and exploration	-	(127)	-	(127)
General and administration	(1,001)	(159)	(1,424)	(2,584)
Other income / (expense)	10,581	-	107	10,688
Segment result	**8,649**	**846**	**(1,364)**	**8,131**
Finance income				24
Finance expense				(3,797)
Foreign exchange gain				(22)
Income before income tax				**4,336**
Income tax expense				(199)
Income for the period				**4,137**
Capital additions[1]	(5,810)	(100)	-	(5,910)
Segment assets as at March 31, 2017	692,270	57,976	5,786	756,032
Segment liabilities as at March 31, 2017	211,519	1,993	4,436	217,948

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

For the three months ended March 31, 2016 $000s	**Middle East**	**West Africa**	**Corporate**	**Total**
Revenue	1,198	-	-	1,198
Royalty	(527)	-	-	(527)
Net revenue	**671**	**-**	**-**	**671**
Operating expense	(3,493)	-	-	(3,493)
Depreciation, depletion and amortisation	(502)	(5)	(219)	(726)
Impairment recovery / (expense)	704	-	(1,039)	(335)
Pre-license and exploration	(153)	(4)	-	(157)
General and administration	(51)	(155)	(2,384)	(2,590)
Other (expense) / income	(8,891)	(721)	2,046	(7,566)
Segment result	**(11,715)**	**(885)**	**(1,596)**	**(14,196)**
Finance expense				(3,912)
Foreign exchange loss				(29)
Loss before income tax				**(18,137)**
Income tax expense				(1,292)
Loss for the period				**(19,429)**
Capital additions	4,015	288	19	4,322
Segment assets as at March 31, 2016	725,093	55,740	7,233	788,067
Segment liabilities as at March 31, 2016	220,647	294	5,981	226,922

22. Segment information (continued)

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

$000s	March 31 2017	December 31 2016
Iraq	657,184	664,131
Senegal and Guinea Bissau	40,609	39,785
Other	1,976	1,729
	699,769	**705,645**

23. Commitments

(a) Contractual obligations

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

$000s	March 31 2017	December 31 2016
No later than one year	12,225	3,018
One to five years	47,014	57,395
Greater than five years	17,724	17,784
	76,963	**78,197**

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

(b) Operating lease commitments – Group company as lessee

The Group leases buildings and equipment under non-cancellable operating lease agreements with varying terms and renewal rights. The corresponding lease expenditure charged to the statement of profit and loss during the three months ended March 31, 2017 was $0.1 million (2016 - $1.2 million).

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

$000s	March 31 2017	December 31 2016
No later than one year	269	496
One to five years	61	65
	330	**561**

24. Contingent liabilities

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

During 2011, the Group acquired OP Hawler Kurdistan Limited. The acquisition terms included additional consideration which is contingent upon the outcome of exploration activities. The Group is currently in advanced stages of negotiations with the vendor with regards to restructuring the contingent consideration. The Group has recorded the contingent liability at management's estimate of fair value, which as at March 31, 2017, amounts to $65.5 million (note 11). For the specific purpose of estimating the fair value of the contingent liability, management's estimate assumes that the Group will achieve a second declaration of commercial discovery in the Hawler license area, that the contingent consideration will consequently become payable, and that the timing and amount of resulting cash outflows will be consistent with the terms outlined in an agreement which has been negotiated with representatives of the vendor and which is currently being considered for final approval.

25. Events after the statement of financial position date

Shareholder subscriptions and Loan Facility amendment

On April 28, 2017, the following arrangements were concluded:

Zeg Oil and Gas subscribed for 29,916,831 common shares of the Company at $0.33426 per common share (the "Zeg Oil and Gas Subscription"), resulting in an aggregate subscription price of $10 million payable at closing in cash.

AOG subscribed for 131,933,226 common shares at $0.33426 per common share (the "AOG Subscription"), resulting in an aggregate subscription price of $44.1 million, $20 million of which is payable at closing in cash and the balance of which will be paid through the extinguishment of $24.1 million of principal and accrued interest owing under the Loan Facility (see Note 13).

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 and principal amounts owing to the Lender up to and including May 11, 2017 (the "Loan Amount") are payable at the Maturity Date or earlier, at the option of the borrower. Interest accrued on the Loan Amount after May 11, 2017 is to be determined on each of November 11, 2017, May 11, 2018, November 11, 2018, and July 1, 2019 (each, an "Interest Calculation Date") and paid to the Lender by way of issuance of common shares with the number of common shares issuable to be determined using the issue price per share equal to the volume weighted average trading price for the five trading days immediately preceding the Interest Calculation Date.

Each of the Zeg Oil and Gas Subscription, the AOG Subscription, and the Loan Amendment is subject to the acceptance of the Toronto Stock Exchange and approval of minority shareholders. The AOG Subscription and the Zeg Oil and Gas Subscription are also subject to the concurrent closing of both subscriptions, a restructuring of the contingent consideration obligation arising in connection with the original purchase of the Group's interest in the Hawler license area (see note 11 and 24), and certain customary conditions.

The Zeg Oil and Gas Subscription, the AOG Subscription, and the Loan Amendment will be submitted to the shareholders of the Company for consideration at the Annual Meeting of Shareholders to be held on June 7, 2017.

Subject to obtaining all required approvals and satisfying all other conditions to closing, the AOG Subscription and the Zeg Oil and Gas Subscription are expected to close in the second half of June 2017. Following closing, the Company will have 430,960,393 common shares outstanding with AOG owning 60.9% and Zeg Oil and Gas owning 24.5%. Assuming the closing occurs on July 31, 2017, the cut-off date defined in the subscriptions agreements, on such date, the balance of accrued principal and interest under the Loan Facility will be reduced to approximately $78.1 million.