MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE THREE MONTHS ENDED

MARCH 31, 2017 and 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following Management's Discussion and Analysis ("**MD&A**") should be read in conjunction with the consolidated financial statements of Oryx Petroleum Corporation Limited ("**OPCL**" or, the "**Company**") and its subsidiaries for the three months ended March 31, 2017 and 2016 (the "**Financial Statements**"), which have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

The date of this MD&A is May 10, 2017.

Unless otherwise noted, all amounts are in thousands of U.S. dollars.

Selected terms and abbreviations used in this MD&A are listed and described in the "Glossary and Abbreviations" section.

This MD&A contains non-IFRS measures. Please refer to the "Non-IFRS Measures" section for further information.

Readers should refer to the "Forward-Looking Information" advisory on page 20. Additional information relating to OPCL, including OPCL's Annual Information Form dated March 23, 2017, is on SEDAR at www.sedar.com.

Table of Contents

Company Overview

The Company is a public company incorporated in Canada under the Canada Business Corporations Act on December 31, 2012, and is the holding company for the Oryx Petroleum group of companies (together, the "**Group**" or "**Oryx Petroleum**").

Oryx Petroleum is an upstream oil and gas entity with operating activities focused on the Middle East and West Africa. The Group holds interests in the following License Areas:

License Area	Location	Participating Interest	Working Interest	Role
Hawler	Iraq – Kurdistan Region	65%	65%	Operator
AGC Central	Senegal and Guinea Bissau	85%	80%(1)	Operator
AGC Shallow	Senegal and Guinea Bissau	85%	80%(1)	Operator
Haute Mer A	Congo (Brazzaville)	20%	20%	Non-operator
Haute Mer B	Congo (Brazzaville)	30%	30%	Non-operator

Notes:

(1) Assuming the AGC exercises back-in rights.

During the first quarter of 2017, the Group divested of its interest in the OML 141 License Area in Nigeria for nominal consideration.

Operational Highlights and Outlook

Operational highlights

- Gross (100%) oil production of 263,300 bbl (working interest 171,200 bbl) for the three months ended March 31, 2017 versus gross (100%) oil production of 69,100 bbl (working interest 44,900 bbl) for the three months ended March 31, 2016;
- Average gross (100%) oil production of 2,900 bbl/d (working interest 1,900 bbl/d) for the three months ended March 31, 2017;
- Average gross (100%) oil production of 2,900 bbl/d in April 2017;
- The Group completed the acquisition of 1,921 km2 of 3D seismic data in the AGC Central License Area and fast-track processing, with full processing and interpretation is ongoing;
- Drilling of the ZAB-1 sidetrack well targeting the Cretaceous reservoir at the Zey Gawra field is expected to commence in the coming weeks.

Outlook

The Group has forecasted 2017 capital expenditures of $47 million. Most of these expenditures will be dedicated to the Hawler License Area in the Kurdistan Region of Iraq with a focus on the appraisal of the Zey Gawra field. Forecast activities consist of:

- Four wells to be spudded at the Zey Gawra field in 2017 with associated field infrastructure
- Re-completion of the Demir Dagh-8 well targeting the Cretaceous reservoir
- Full settlement of finance lease obligation related to the Hawler production facilities
- Processing of recently acquired 3D seismic data covering a portion of the AGC Central License Area

Financial Highlights and Outlook

Liability restructuring, recapitalisation, and liquidity

During the first quarter of 2017 and up to the date of this MD&A, management was engaged in efforts to restructure its financial liabilities and to secure the financing required to complete appraisal activities at the Zey Gawra field, to pursue its exploration activities in the AGC, and to meet the Group's other commitments and concluded the following:

Liability restructuring:

- AOG and the Oryx Petroleum have agreed to amend the Loan Facility dated March 11, 2015 (the "**Loan Facility**" and the "**Loan Amendment**") to (i) extend the maturity date from March 10, 2018 to July 1, 2019, and (ii) require that, after May 11, 2017, accrued interest be paid out in Common Shares approximately every six months, rather than in cash upon maturity, at the then current five day volume-weighted average trading price for the Common Shares.
    - As at March 31, 2017 the total balance of principal and accrued interest owed under the Loan Facility was $98.8 million;
    - The Loan Amendment is subject to the acceptance of the Toronto Stock Exchange and approval of the Company's minority shareholders. The Loan Amendment will be submitted to the shareholders of the Company for consideration at the scheduled Annual Meeting of Shareholders to be held on June 7, 2017.
- Negotiations with the vendor of the Hawler License Area with regards to restructuring the contingent consideration obligation are in very advanced stages and an agreement is expected in the coming days
    - As at March 31, 2017 the total balance of principal and accrued interest potentially owed under the contingent consideration obligation was $75.9 million
- An agreement to settle the financial lease obligation related to the Hawler Production Facilities was reached during the first quarter of 2017 whereby the lessor was paid $8.9 million ($7.6 million net to the Group) in April 2017 to settle the liability in full. The Group's share of payments due under the obligation through to its latest possible termination date in September 2018 were previously estimated to total $17.5 million.
- On March 15, 2017 the Company issued 15.5 million Common Shares to a contractor to settle a $4.8 million trade payable.

Proposed equity subscriptions:

- AOG and Zeg Oil and Gas have agreed to subscribe for a total of 161,850,057 Common Shares for aggregate consideration of $54.1 million (the "Shareholder Subscriptions")
  - AOG has 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; and
  - Zeg Oil and Gas has subscribed for 29,916,831 Common Shares 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;
- Completion of the Shareholder Subscriptions is subject to acceptance of the Toronto Stock Exchange, approval of shareholders (excluding AOG and Zeg Oil and Gas and their related parties), restructuring of the contingent consideration obligation on terms satisfactory to AOG and Zeg Oil and Gas, and other customary conditions. The AOG Subscription and The Zeg Oil and Gas Subscription will be submitted to the shareholders of the Company for consideration at the scheduled Annual Meeting of Shareholders to be held on June 7, 2017.

Liquidity outlook:

The Group expects cash on hand at March 31, 2017, expected proceeds from the anticipated Shareholder Subscriptions, and cash receipts from net revenues will allow it to fund its forecasted cash expenditures and operating and administrative costs and to meet its obligations through the first half of 2018. Capital expenditures to achieve further production growth beyond the first half of 2018 will likely require access to additional funding. Without the proceeds from the anticipated Shareholder Subscriptions, 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.

See the "New Accounting Pronouncements, Policies, and Critical Estimates – Going Concern" section of this MD&A for discussion regarding uncertainties and risks associated with the Group's ability to continue as a going concern.

Financial performance

The following table contains financial performance highlights for the three months ended March 31, 2017 and March 31, 2016.

	Three months ending	
($ thousands unless otherwise stated)	March 31, 2017	March 31, 2016
Revenue	7,904	1,198
Cash generated by / (used in) operating activities	2,191	(7,828)
Operating Cash Flow[(1)]	(2,350)	(5,691)
Operating Cash Flow[(1)] per basic and diluted share ($/share)	(0.01)	(0.04)
Profit / (Loss) for the period	4,137	(19,429)
Earnings / (Loss) per basic and diluted share ($/share)	0.02	(0.13)
Average sales price ($/bbl)	41.92	20.25
Field production costs[(2)] ($/bbl)	19.13	50.11
Operating expense ($/bbl)	25.02	65.53
Field Netback[(1)] ($/bbl)	1.34	(40.21)
Oryx Petroleum Netback[(1)] ($/bbl)	0.10	(53.40)
Capital expenditures	(5,911)[(3)]	4,322

Notes:

1. *Operating Cash Flow, Field Netback, and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.*
2. *Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum. See the "Operating expense" section of this MD&A.*
3. *Includes credits of $7.3 million relating to revisions in previously estimated costs recorded in the Hawler and OML 141 License Areas.*

Revenue and cash receipts

All sales during the first quarter of 2017 were made via the KRG's international export pipeline. The average sales price for oil sold during Q1 2017 was $41.92/bbl. Pursuant to an agreement with the KRG's Ministry of Natural Resources, the sales price for oil sold through the international export pipeline is referenced to monthly average Brent crude oil prices, discounted $12/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges.

The Group has received payment in full for all crude oil delivered and sold through the KRG's international export pipeline up to and including the end of the first quarter of 2017.

Revenue of $7.9 million was recorded for the three months ended March 31, 2017. Included in revenue is $7.1 million ($41.92/bbl) realised on the sale of 169,800 bbl (WI) of crude oil and $0.8 million related to the recovery of costs carried on behalf of partners.

Profit

Profit for the three months ended March 31, 2017 was $4.1 million compared to a loss of $19.4 million during the first quarter of 2016. The increase in profit for the period is primarily attributable to i) a $7.6 million gain recorded on the settlement of the finance lease obligation during the first quarter of 2017, ii) an $8.3 million materials inventory impairment charge and a $1.8 million restructuring charge recorded during the three months ended March 31, 2016, iii) a $3.8 million increase in net revenue during the first quarter of 2017, and iv) a $1.4 million increase in impairment recovery recorded during the three months ended March 31, 2017 primarily related to revisions in costs previously estimated on the OML 141 License Area. These positive factors were partially offset by a $0.8 million increase in operating expense for the three months ended March 31, 2017 compared to the same period in 2016.

Capital expenditures

During the three months ended March 31, 2017, the Group recorded a net reversal to capital additions in the amount of $5.9 million. The Group invested $0.9 million related to sponsoring the acquisition of 3D seismic data in the AGC Central License Area and $0.2 million on other capital activities. These capital investments were offset primarily by $7.3 million in revisions to previous estimates of costs recorded related to the Hawler and OML 141 License Areas.

Financial position

The following table contains highlights of the Group's financial position as at the dates indicated below.

($ thousands)	March 31, 2017	December 31, 2016
Total cash and cash equivalents	39,563	40,732
Working Capital	(81,653)	(2,149)
Total assets	756,032	766,445
Borrowings – current	95,990	-
Borrowings – non-current	-	93,103
Total long-term liabilities	80,032	174,942

The cash and cash equivalents balance of $40.7 million as at December 31, 2016 decreased to $39.6 million at March 31, 2017. This decrease is due to $3.4 million used in investing activities, partially offset by $2.2 million generated by operating activities.

Due to the Loan Facility's March 10, 2018 maturity date, Borrowings were reclassified and presented as current liabilities as at March 31, 2017. The Group expects that the Loan Facility will be reclassified to non-current liabilities upon satisfaction of the conditions associated with the Loan Amendment as discussed above.

Working capital decreased to negative $81.7 million at March 31, 2017 from a negative working capital balance of $2.1 million as at December 31, 2016. The decrease was mainly due to the reclassification of the Borrowings balance ($96.0 million) from non-current to current liabilities during the period. In addition, a $3.1 million decrease in trade and other receivables and a $1.2 million decrease in cash and cash equivalents contributed to the decrease in the working capital balance. These negative factors were partially offset by a $14.7 million reduction in the trade and other payables balance and the elimination of the $6.4 million finance lease obligation balance upon the settlement of this liability.

Business Environment

Uncertainty related to global, social, political, and economic conditions and the resulting changes in global oil supply chains and infrastructure investment have had a negative impact on world commodity markets. In particular, the price of crude oil declined substantially throughout 2015 and into the first quarter of 2016 with some recovery and stability during the remainder of 2016. These developments and related uncertainty impact the availability and cost of capital resources. Furthermore, future oil prices, which directly impact the Group's expected cash inflows, are difficult to forecast. The Group's ability to fund the forecasted capital investments is consequently subject to significant uncertainty. See the "Liquidity and Capital Resources" section of this MD&A for further discussion.

The political instability in the regions in which Oryx Petroleum operates and other risk factors which are disclosed in OPCL's Annual Information Form could have an adverse effect on Oryx Petroleum's performance.

Since 2014, militants have been engaged in armed conflict with government forces in various regions of Iraq. The Group has implemented precautionary measures to protect employees and operations from the impacts of the conflict. These precautionary measures have permitted the Group to continue appraisal and development activities at the Demir Dagh field after a brief interruption during the third quarter of 2014. The closure of the international land border crossing to Turkey, beginning in December 2015 and extending into the first quarter of 2016 restricted the Group's ability to sell oil produced from the Hawler Licence Area during the fourth quarter of 2015 and the first quarter of 2016. On March 14, 2016, the Group initiated crude oil deliveries to international markets through the KRG's international export pipeline. Although management does not expect restrictions on its ability to access pipeline capacity, Oryx Petroleum is not aware of official allocations of export pipeline capacity and is uncertain of the extent to which its production will be sold through the export pipeline. The market on which oil produced from the Hawler Licence Area is sold affects the price realised and, consequently, Oryx Petroleum's cash flows. Complexities in local, regional, and international market access dynamics may impact the Group's realised oil sales prices and its future ability to sell its produced oil.

Appraisal activities at the Banan and Ain Al Safra discoveries have been limited due to capital allocation priorities and also to security risks. Appraisal activities at the Zey Gawra discovery were disrupted in August 2014 and resumed during the third quarter of 2016. There is an ongoing risk that the regional security situation could have a material adverse effect on the operating and financial performance of the Group.

The Group's future revenues and cash flows from operating activities are dependent on the Group's ability to produce and deliver crude oil. A number of factors impact well production rates including i) natural declines, ii) fluid composition, and iii) well and production equipment performance. Consequently, production rates are subject to fluctuation over time and are difficult to predict.

The timing and execution of the Group's capital expenditure program may also be affected by the availability of services from third party oil field contractors and the Group's ability to obtain, sustain or renew necessary government licenses and permits on a timely basis to conduct exploration and development activities.

With the exception of the items discussed above together with risks disclosed in the Group's Annual Information Form dated March 23, 2017, management has not identified trends or events that are expected to have a material adverse effect on the financial performance of Oryx Petroleum.

Operations Review

Kurdistan Region of Iraq

The following table summarises production and sales data for the three months ended March 31, 2017, December 31, 2016, and March 31, 2016:

	Three months ended		
	March 31, 2017	December 31, 2016	March 31, 2016
Gross Production (bbl)	263,300	286,500	69,100
Gross Production per day (bbl/d)	2,900	3,100	800
WI Production (bbl)	171,200	186,000	44,900
WI Production per day (bbl/d)	1,900	2,000	500
WI sales (bbl)	169,800	182,000	53,300
WI sales per day (bbl/d)	1,900	2,000	600

Production and sales

Gross (100%) oil production for the three months ended March 31, 2017 was 263,300 bbl representing an average rate of 2,900 bbl/d. The Group's Working Interest share of oil production during this period was 171,200 bbl representing an average rate of 1,900 bbl/d.

The Group recognised revenue on the sale of 169,800 bbl (Working Interest) of crude oil during the three months ended March 31, 2017.

Crude oil sale prices

Commencing in March 2016, the Group began selling crude oil to the KRG's Ministry of Natural Resources via deliveries at the Hawler License Area through the KRG's international export pipeline. The realised sales prices on export sales through this pipeline are referenced to monthly average Brent crude oil prices, discounted by $12/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges.

The following table indicates average Brent crude oil prices and the Group's realised crude oil sales prices for each quarter ended on the dates indicated below:

	2017	2016				2015		
	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30
Brent average price ($/bbl)	54.13	49.96	45.85	45.89	34.54	43.42	50.20	62.05
Realised sales price ($/bbl)	41.92	38.75	35.19	34.15	20.25	19.37	20.83	35.37

Netbacks

The following table summarises the Field Netback and Oryx Petroleum Netback for the three months ended March 31, 2017 and March 31, 2016:

	Three months ended March 31, 2017		Three months ended March 31, 2016	
	($ thousands)	($/bbl)	($ thousands)	($/bbl)
Oil sales	7,116	41.92	1,079	20.25
Royalties	(3,478)	(20.48)	(527)	(9.90)
Field production costs(1)	(3,249)	(19.13)	(2,671)	(50.11)
Current taxes	(161)	(0.95)	(24)	(0.45)
Field Netback(2)	**228**	**1.35**	**(2,143)**	**(40.21)**
Recovery of Carried Costs	788	4.64	119	2.23
Partner share of production costs	(1,000)	(5.89)	(822)	(15.42)
Oryx Petroleum Netback(2)	**16**	**0.10**	**(2,846)**	**(53.40)**

Notes:

(1) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum.

(2) Field Netback and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

Field Netback for the three months ended March 31, 2017 of $16,000 ($0.10/bbl) incorporates field production costs of $3.2 million ($19.13/bbl). The Field Netback per barrel has improved from a negative Field Netback of $2.8 million ($53.40/bbl) for the three months ended March 31, 2016. This variance is primarily attributable to an increase in oil sales due to an increase in both realised sales prices and volumes during the first quarter of 2017 in comparison with the first quarter of 2016.

Zey Gawra field appraisal and early production

During the first quarter of 2017, the Group incorporated information obtained during the ZAB-1 drilling operation in October 2016 and the successful ZEG-1 well which was brought onto production during December 2016 to plan the next phase of the Zey Gawra appraisal program. Final preparations are now under way to proceed with a sidetrack drilling operation of the ZAB-1 well. Management expects the well to spud in the coming weeks. Following an evaluation of the Tertiary reservoir, management intends to complete the well as a producer in the Cretaceous reservoir. Concurrently, the Group is proceeding with the design, procurement, and installation of the infrastructure required to complete appraisal activities at the Zey Gawra field.

West Africa

The Group has licensed approximately 2,000 km^2 of 3D seismic data, acquired in December 2016 and January 2017 from the AGC Central License Area. The data is currently being processed and interpreted.

Other than the above, activities in West Africa in the first quarter of 2017 were limited to license maintenance, data analysis, and preparation for future data acquisition and drilling activity.

Capital Expenditures

The following table summarises the capital expenditures incurred by activity during the three months ended March 31, 2017 and March 31, 2016:

	Three months ended	
($ thousands)	March 31, 2017	March 31, 2016
Middle East		
Drilling	(2,073)[(1)]	2,603
Facilities	(633)[(2)]	182
Seismic acquisition	-	155
Studies, license, and support	(3,106)[(3)]	1,075
Sub-Total Middle East	**(5,812)**	**4,015**
West Africa		
Exploration drilling	(1,906)[(4)]	24
Seismic acquisition	915	1
Studies, license, and support	892[(5)]	263
Sub-Total West Africa	**(99)**	**288**
Corporate	**-**	**19**
Total capital expenditures	**(5,911)**	**4,322**

Notes:

(1) Included in the drilling capital expenditures for the Middle East for the three months ended March 31, 2017 is a credit of $2.9 million related to revisions to estimates of costs incurred in prior periods.

(2) Facilities capital expenditures in the Middle East for the three months ended March 31, 2017 includes a $1.1 million credit related to revisions to estimates of costs incurred in prior periods.

(3) Included in studies, license and support costs for the Middle East for the three months ended March 31, 2017 is a credit of $3.2 million related to revisions to estimates of costs incurred in prior periods.

(4) West African exploration drilling costs for the three months ended March 31, 2017 includes a credit of $1.9 million due to revisions to estimates of costs incurred in prior periods.

(5) Included in West African studies, license and support costs for the three months ended March 31, 2017 is a non-cash addition of $0.7 million.

The following table summarises the capital expenditures incurred by License Area during the three months ended March 31, 2017 compared to the same period in 2016:

($ thousands)	Three months ended March 31, 2017	Three months ended March 31, 2016
Middle East		
Hawler	(5,812)[1]	4,719
Wasit	-	-
Sindi Amedi	-	(704)[2]
Sub-Total Middle East	(5,812)	**4,015**
West Africa		
AGC Shallow	92	85
AGC Central	940	243
OML 141	(1,233)[3]	-
Haute Mer A	-	-
Haute Mer B	101	(40)[2]
Sub-Total West Africa	**(99)**	**288**
Corporate	**-**	**19**
Total capital expenditures	**(5,911)**	**4,322**

Notes:

(1) Included in Hawler License Area capital expenditure for the three months ended March 31, 2017 are credits totalling $6.0 million related to revisions to estimates of costs incurred in prior periods.

(2) Credits recorded during the three months ended March 31, 2016 relate to updated information received from the Operator which indicated a reduction to estimates of expenditures incurred in prior periods.

(3) Capital expenditures recorded in the OML 141 License Area for the three months ended March 31, 2017 include a credit of $1.9 million related to revisions to estimates of costs recorded in prior periods and a $0.7 million non-cash addition.

Middle East

During the three months ended March 31, 2017, the Group invested $0.2 million to plan and prepare for appraisal activities in the Zey Gawra field. The investment was offset by $6.0 million in credits related to revisions to estimates of costs incurred in prior periods.

West Africa

Capital expenditures for West Africa for three months ended March 31, 2017 are primarily comprised of $0.9 million in seismic acquisition costs in the AGC Central License Area. Remaining capital expenditures relate to investments in planning for drilling activities in the AGC Shallow and AGC Central License Areas and directly attributable technical support costs.

Cost Pools

Cost Pools for each License Area, which are available for recovery through future oil sales from such License Area, as at March 31, 2017, are detailed in the table below:

License Area	Location	Gross Cost Pool	Oryx Petroleum Participating Interest Cost Pool	Costs carried by Oryx Petroleum	Costs recovered through cost oil	Oryx Petroleum share of recoverable costs available[(1)(2)]
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	750.9	472.6	170.9[3]	(33.9)	609.6
AGC Central	Senegal and Guinea Bissau	7.4	6.3	1.1	-	7.4
AGC Shallow	Senegal and Guinea Bissau	33.3	28.3	5.0	-	33.3
Haute Mer A	Congo (Brazzaville)	245.0	57.7	-	-	57.7
Haute Mer B	Congo (Brazzaville)	22.8	8.0	-	-	8.0
		1,059.4	**572.9**	**177.0**	**(33.9)**	**716.0**

Note:

(1) Cost Pool balances are subject to audit by relevant government entities.
(2) Oryx Petroleum share of costs available for future recovery through the sale of cost oil or deduction for tax purposes.
(3) Carried costs include $97.2 million in expenditures related to a commitment to carry $300 million on behalf of a partner for the Hawler License Area development.

Property, plant and equipment and intangible assets

The capital expenditures described in the sections above, net of depletion, depreciation and amortisation ("**DD&A**") and impairment net recovery, have resulted in the following movements in Intangible Asset and PP&E balances during the three months ended March 31, 2017:

($ thousands)	Exploration and Evaluation Assets	Other Intangible Assets	Total Intangible Assets
As at January 1, 2017	**89,829**	**102**	**89,931**
Capital additions	(1,722)[(1)]	-	(1,722)
Impairment recovery	1,132[(1)(2)]	-	1,132
DD&A	-	(39)	(39)
As at March 31, 2017	**89,239**	**63**	**89,302**

Note:

(1) Included in capital additions is a $1.9 million credit relating to revisions in cost estimates recorded in prior periods related to the OML 141 License Area. During 2015, the Group fully impaired capitalised expenditures related to its interest in the OML 141 License Area. An impairment recovery of $1.2 million has been recorded during the first quarter of 2017.
(2) During 2016, the Group fully impaired capitalised expenditures related to its interest in the Congo Haute Mer B License Area. An impairment charge of $0.1 million has been recorded during the first quarter of 2017 based on updated estimates of costs previously recorded.

($ thousands)	Oil & Gas assets	Finance lease asset	Furniture and fixtures	Total PP&E
As at January 1, 2017	**566,687**	**47,157**	**6**	**613,850**
Capital additions	(4,189)[(1)]	-	-	(4,189)
Transfers	47,157[(2)]	(47,157)[(2)]	-	-
DD&A	(1,119)	-	(6)	(1,125)
As at March 31, 2017	**608,536**	**-**	**-**	**608,536**

Note:

(1) Included in Hawler License Area capital expenditure for the three months ended March 31, 2017 are credits totalling $8.3 million relating to revisions in costs previously estimated.
(2) The Group entered into a leasing arrangement for production facilities in the Hawler License Area in September 2015. During the first quarter of 2017, an agreement to settle the finance lease was concluded and the production facilities previously classified as Finance lease assets were reclassified to Oil & Gas assets.

Financial Results

Revenue

The following table summarises Oryx Petroleum's revenue for the three months ended March 31, 2017 and March 31, 2016. All oil sold during each of the below periods was produced at the Hawler License Area.

($ thousands)	Three months ended March 31	
	2017	2016
Oil Sales	7,116	1,079
Recovery of Carried Costs	788	119
Revenue	**7,904**	**1,198**

The Group recognised revenue on the sale of 169,800 bbl (Working Interest) of oil during the three months ended March 31, 2017, compared to revenue on the sale of 53,300 bbl (Working Interest) of oil during the same period in the previous year. Oil sales of $7.1 million during the first quarter of 2017 increased by $6.0 million compared to the three months ended March 31, 2016. The improvement is attributable to a 107% increase in realised sales prices combined with a 219% increase in sales volumes.

Production and sales were suspended for a total of 48 days during the three months ended March 31, 2016 due primarily to the closure of the international land border crossing to Turkey.

Sales volumes are determined by the timing of deliveries to customers and are not directly correlated with production volumes in the same period. Sales exclude oil produced and held in oil inventory at the end of the reporting period. As at March 31, 2017, the Group's Working Interest share of oil inventory amounted to 11,300 bbl.

The Group has received full payment in accordance with PSC entitlements for all oil deliveries into the KRG's export pipeline through the end of March 2017.

Royalties

The following table summarises royalty expense during the three months ended March 31, 2017 and March 31, 2016:

	Three months ended March 31	
($ thousands)	2017	2016
Royalties	**3,478**	**527**

All remittances to governments that are directly attributable to the sale of oil during the reporting period, including the government share of Profit Oil but excluding income taxes, are reported as royalties. Royalties increased by $3.0 million during the three months ended March 31, 2017 compared to the same period in the previous year. The variances in royalties from period to period are attributable to the same factors as those applicable to revenues on oil sales as discussed above.

Operating expense

	Three months ended March 31	
($ thousands)	2017	2016
Field production costs[1]	3,249	2,671
Partner's share of production costs carried by Oryx Petroleum	1,000	882
Operating expense	**4,249**	**3,493**
Sales[2] (bbl)	169,800	53,300
Field production costs[1] ($/bbl)	**19.13**	**50.11**
Operating expense ($/bbl)	**25.02**	**65.53**

Notes:

(1) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum.

(2) Oryx Petroleum's Working Interest share.

Operating expense of $4.2 million in the three months ended March 31, 2017 increased by $0.8 million compared to the same period in the previous year. The increase in operating costs is primarily attributable to the costs associated with the operation of the Zey Gawra field that commenced production in December 2016, partially offset by lower operating costs at the Demir Dagh field resulting from the implementation of a cost reduction program during 2016. The increase in operating costs relates to facilities operations and maintenance, diesel and operation costs. Operating costs per barrel have decreased during the three months ended March 31, 2017 compared to the three months ended March 31, 2016, due primarily to the 219% increase in sales volumes during the three months ended March 31, 2017 compared to the same period in 2016.

The following table indicates the impact of the variances in operating expense between the fourth quarter of 2016 and the first quarter of 2017:

($ thousands)	($000)	($/bbl)
Operating expense – three months ended December 31, 2016	**3,066**	**16.85**
Contribution of the following to variance:		
Personnel and camp costs	375	2.21
Well maintenance	29	0.17
Facilities lease and maintenance, diesel and operation	418	2.46
Security	361	2.12
Change in volume	-	1.21
Operating expense – three months ended March 31, 2017	**4,249**	**25.02**

General and administration

($ thousands)	Three months ended March 31 2017	2016
Total General and Administration	**2,584**	**2,590**

General and administrative expenses incurred during the first quarter of 2017 include $0.9 million in support costs which were previously allocated to capital expenditures in prior periods. The increase in support costs allocated to general and administrative expenditures has been mitigated by cost containment measures undertaken by the Group during 2016.

Exploration expense

($ thousands)	Three months ended March 31 2017	2016
Total exploration expense	**127**	**157**

Exploration costs relate to expenses incurred on the OML 141, Wasit, Congo Haute Mer A and Congo Haute Mer B License Areas subsequent to the impairment of these License Areas during 2015 and 2016.

Impairment of oil and gas assets

($ thousands)	Three months ended March 31 2017	2016
Impairment recovery of intangibles	(1,132)	(704)
Impairment expense of property, plant and equipment	-	1,039
Total impairment (recovery) / expense	**(1,132)**	**335**

During 2015, the Group fully impaired capitalised expenditures relating to its interest in the OML 141 License Area. An impairment recovery of $1.2 million has been recorded during the first quarter of 2017 based on revised estimates of previously impaired costs. Also during the first quarter of 2017, a $0.1 million impairment expense was recorded relating to the Congo Haute Mer B License Area. The Congo Haute Mer B License Area was fully impaired during the fourth quarter of 2016. The impairment expense recorded in Q1 2017 relates to revised estimates of previously impaired costs.

Depletion, depreciation and amortisation

The following table summarises the component parts of depletion, depreciation and amortisation for the three months ended March 31, 2017 and March 31, 2016:

($ thousands)	Three months ended March 31 2017	2016
Intangible assets: Amortisation	39	73
PP&E assets: Depreciation	8	151
Depletion	1,108	502
Total DD&A	**1,155**	**726**

Depletion is calculated on a unit of production basis, which is the ratio of oil production volume during the period to the estimated quantities of proved plus probable oil reserves at the beginning of the period.

Other income / expense

The following table summarises the components of other income / expense for the three months ended March 31, 2017 compared to the same period in 2016:

($ thousands)	Three months ended March 31 2017	2016
Settlement of finance lease liability	(7,605)	-
Impairment of materials inventory	-	8,279
Curtailment of retirement benefit obligation	-	(3,803)
Change in fair value of contingent consideration	(3,039)	1,333
Restructuring charge	-	1,756
Other income	(44)	
Other (income) / expense	**(10,688)**	**7,565**

The $10.7 million other income for the three months ended March 31, 2017 is comprised of a $7.6 million gain related to the settlement of the finance lease obligation and a $3.0 million gain related to the decrease in the estimated fair value of previously recognised contingent consideration.

The contingent consideration referenced above relates to a 2011 agreement for acquisition of OP Hawler Kurdistan Limited, which holds the Group's interest in the Hawler License Area. Under this agreement Oryx Petroleum was scheduled to provide additional consideration upon declaration of each of the first two commercial discoveries. Oryx Petroleum paid $20.0 million plus interest during 2014 in satisfaction of the obligation arising upon the first commercial discovery.

The Group is currently involved in advanced stages of negotiations with the vendor with regards to restructuring the contingent consideration related to a potential second declaration of commercial discovery. 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. For the specific purpose of estimating the fair value of the contingent liability in accordance with IFRS, 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 the terms contained in the agreement currently being finalised with the vendor.

Finance expense

($ thousands)	Three months ended March 31 2017	2016
Interest expense on Loan Facility	2,341	2,594
Accretion of deferred financing costs on Loan Facility	546	545
Interest expense on finance lease obligation	443	428
Interest on contingent costs	393	252
Accretion of decommissioning liability	74	93
Finance expense	**3,797**	**3,912**

Finance expense primarily relates to accrued interest and accretion of deferred financing costs associated with the Loan Facility.

Income tax expense

The following table summarises the component parts of income tax expense for the three months ended March 31, 2017 and March 31, 2016.

	Three months ended March 31	
($ thousands)	2017	2016
Current income tax expense	265	325
Deferred tax (benefit) / expense	(66)	967
Total income tax expense	**199**	**1,292**

The current income tax expense includes amounts deemed to be collected by the KRG through its allocation of Profit Oil under the Hawler PSC.

Liquidity and Capital Resources

During the three months ended March 31, 2017, the Group met its day-to-day working capital requirements primarily through funding received through the cash receipts from oil sales, the previous issuance of Common Shares, and the $100 million in financing via the Loan Facility.

Liquidity outlook

The Group's ability to meet its obligations and execute its activities 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 the Financial Highlights section of this MD&A, and definitively conclude and execute an agreement to restructure a contingent liability associated with the acquisition of the Hawler license area,

ii) realise forecasted revenues, and

iii) manage the timing and extent of projected expenditures.

Management has applied significant judgement in preparing forecasts supporting the assumption that the Group will have the ability to meet its obligations as they fall due and to fund its anticipated capital investments and operating expenditures.

The Group expects cash on hand at March 31, 2017, expected proceeds from the anticipated Shareholder Subscriptions, and cash receipts from net revenues will allow it to fund its forecasted cash expenditures and operating and administrative costs and to meet its obligations through the first half of 2018. Capital expenditures to achieve further production growth beyond the first half of 2018 will likely require access to additional funding. Without the proceeds from the anticipated Shareholder Subscriptions, 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.

See the "New Accounting Pronouncements, Policies, and Critical Estimates – Going Concern" section of this MD&A for discussion regarding uncertainties and risks associated with the Group's ability to continue as a going concern.Cash flow information

The following table summarises the components of Oryx Petroleum's consolidated cash flows for the periods indicated:

	Three months ended March 31	
($ thousands)	2017	2016
Operating Cash Flow[(1)]	(2,350)	(5,691)
Change in non-cash assets and liabilities relating to operating activities	4,541	(2,137)
Net cash generated by / (used in) operating activities	**2,191**	**(7,828)**
Additions to E&E and PP&E	(9,270)	(6,011)
Change in non-cash working capital	5,910	(1,846)
Net cash used in investing activities	**(3,360)**	**(7,857)**
Net cash generated by financing activities	**-**	**33,098**
Total change in cash	**(1,169)**	**17,413**
Cash and cash equivalents at beginning of the period	40,732	54,226
Cash and cash equivalents at end of the period	**39,563**	**71,639**

Note:

(1) Operating Cash Flow is a non-IFRS measure. See the "Non-IFRS Measures" section of this MD&A.

During the quarter ended March 31, 2017, the Group invested $3.4 million in cash in the development, appraisal and exploration activities primarily in the Hawler and AGC Central License Areas. This amount is primarily composed of $7.9 million related to Hawler License Area production facilities, and $0.9 million in seismic acquisition costs in the AGC Central License Area partially offset by a $5.9 million net decrease to non-cash working capital which is primarily related to an increase in trade and other payables during the first three months of 2017. Operating activities during the quarter ended March 31, 2017 also generated $2.2 million in cash resources reflecting a negative operating cash flow of $2.4 million offset by a $4.5 million reduction in non-cash working capital which was primarily related to the receipt of the revenue receivable balance outstanding at December 31, 2016 during the first quarter of 2017.

Risks and uncertainties

The Group's ability to realise cash inflows from crude oil sales is subject to significant uncertainty related to the future performance and productivity of individual wells and production facilities, future crude oil prices, and customer credit risk. The Group's ability to secure external financing is also subject to significant uncertainty and is dependent on the Group's performance and on market conditions. Furthermore, the execution of capital investment plans requires significant capital expenditures. Long lead times between initiation of commitments to capital projects and completion thereof are common in the industry. During these lead times, Oryx Petroleum will continue to incur significant costs at a level which may be difficult to predict. The Group plans to fulfill financing requirements through current cash reserves, Operating Cash Flow, and through externally sourced financing. Prevailing market conditions, together with Oryx Petroleum's business performance, will impact the Group's ability to realise required Operating Cash Flows and to arrange further financing as needed.

While the Group retains the flexibility to defer certain budgeted expenditures and to adjust the timing of its expenditures on the development of the Hawler License Area, slowing the rate of development expenditures related to the Hawler License Area would be likely to impede the Group's ability to achieve expected production and sales levels.

Refer to the "Critical estimates" section of this MD&A for additional discussion regarding management's going concern assumption which contemplates that the Group will realise its assets and settle its liabilities and commitments in the normal course of business for the foreseeable future.

Economic Sensitivities

The following table shows the estimated effect that changes to crude oil prices, Gross (100%) oil sale volumes, operating costs and interest rates would have had on the Group's profit for the three months ended March 31, 2017, had these changes occurred on January 1, 2017. These calculations are based on business conditions, production and sales volumes existing during the three months ended March 31, 2017. The 1,000 bbl/d increase assumes the increase is to Gross (100%) sale volumes and the Group's entitlement is calculated according to the provisions of the Hawler PSC and Joint Operating Agreement.

	Change	Profit impact ($000s)	Loss impact ($ per basic share)
Change in average realised price	$10.00/bbl	1,158	-
Change in crude oil sales volumes	1,000 bbl/d	1,673	0.01
Change in operating expenses	$1.00/bbl	170	-
Change in interest rate	1%	185	-

The impact of the above changes may be compounded or offset by changes to other business conditions. In addition, the table does not reflect any inter-relationships between the above factors. Changes in foreign exchange rates have not been considered in this analysis as they do not have a significant impact on the Group's operations.

Non-IFRS Measures

Field Netback

Field Netback is a non-IFRS measure that represents the Group's Working Interest share of oil sales net of the Group's Working Interest share of Royalties, the Group's Working Interest share of operating expense and the Group's Working Interest share of taxes.

Management believes that Field Netback is a useful supplemental measure to analyse operating performance and provides an indication of the results generated by the Group's principal business activities prior to the consideration of PSC and Joint Operating Agreement financing characteristics, and other income and expenses. Field Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies. See the "Operations Review" section of this MD&A for a reconciliation of Field Netback.

Oryx Petroleum Netback

Oryx Petroleum Netback is a non-IFRS measure that represents Field Netback adjusted to reflect the impact of Carried Costs incurred and recovered through the sale of Cost Oil during the reporting period. Management believes that Oryx Petroleum Netback is a useful supplemental measure to analyse the net cash impact of the Group's principal business activities prior to the consideration of other income and expenses. Oryx Petroleum Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies. See the "Operations Review" section of this MD&A for a reconciliation of Oryx Petroleum Netback.

Operating Cash Flow

Operating Cash Flow is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital and changes in the retirement benefit obligation balance. The term Operating Cash Flow should not be considered an alternative to or more meaningful than "net cash used in operating activities" as determined in accordance with IFRS.

Management considers Operating Cash Flow to be a key measure as it demonstrates the Group's ability to generate the cash flow necessary to fund future growth through capital investment. Operating Cash Flow does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to similar measures used by other companies.

The following table reconciles Operating Cash Flow to the IFRS measure of 'Net cash used in operating activities':

($ thousands)	Three months ended March 31	
	2017	2016
Net cash generated by / (used in) operating activities	2,191	(7,828)
Changes in non-cash assets and liabilities	(4,541)	2,137
Operating Cash Flow	**(2,350)**	**(5,691)**

Outstanding Share Data

On March 15, 2017 the Company issued 15.5 million Common Shares to settle a $4.8 million trade payable.

As at March 31, 2017, and at the date of this M&DA, a total of 269,110,336 Common Shares were issued and outstanding.

There are 5,404,508 unvested LTIP shares outstanding as at the date of this MD&A.

The following table summarises warrants which were issued in conjunction with the equity capital raised in March 2015 and are 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**		

At the date of this MD&A, other than the warrants and unvested LTIP shares described above, there are no securities convertible into or exercisable or exchangeable for voting shares.

Transactions which contemplate the issuance of Common Shares subsequent to the date of this MD&A are discussed in the Financial Highlights section of this MD&A.

There were no repurchases of OPCL's equity securities by the Company during the three months ended March 31, 2017.

Commitments and Contractual Obligations

The table below sets forth information relating to Oryx Petroleum's commitments and contractual obligations as at March 31, 2017.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases(1)	269	61	-	**330**
Other obligations(2)(3)	12,225	47,014	17,724	**76,963**
Total	**12,494**	**47,075**	**17,724**	**77,293**

Notes:

(1) Operating leases primarily relate to buildings and equipment.

(2) Consists principally of obligations related to PSC commitments and capital expenditure commitments. The main purpose of these commitments is to develop oil and gas assets in Oryx Petroleum's various License Areas.

(3) Other obligation of $77.0 million have not changed significantly from December 31, 2016.

Summary of Quarterly Results

The following table sets forth a summary of Oryx Petroleum's results for the quarterly periods.

($ thousands, unless otherwise stated)	2015			2016				2017
	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31
Revenue, net of royalties	9,362	2,496	889	671	3,949	3,766	4,386	4,426
Operating expense	(4,694)	(5,738)	(4,356)	(3,493)	(3,230)	(2,839)	(3,066)	(4,249)
Depletion	(2,438)	(2,059)	(1,124)	(502)	(1,746)	(1,616)	(1,204)	(1,108)
G&A	(4,827)	(3,171)	(3,127)	(2,590)	(2,058)	(2,150)	(2,628)	(2,584)
Profit / (Loss)	(5,579)	(317,836)	(91,537)	(19,429)	(11,354)	(8,738)	(26,205)	4,137
Earnings / (Loss) per share (basic and diluted) ($/share)	(0.05)	(2.56)	(0.75)	(0.13)	(0.05)	(0.04)	(0.10)	0.02
Operating cash flow	(2,235)	(6,300)	(5,594)	(5,691)	(1,222)	(645)	(1,673)	(2,350)
Gross Production (bbl)	348,900	258,800	115,000	69,100	284,700	264,500	286,000	263,300
WI Production (bbl)	226,800	168,200	75,000	44,900	185,100	172,000	186,000	171,200
Gross Sales (bbl)	341,100	261,100	104,700	82,000	286,100	264,800	279,900	261,100
WI Sales (bbl)	221,700	170,000	68,000	53,300	186,000	172,100	182,000	169,800
Field production costs(1)	(3,589)	(4,388)	(3,332)	(2,671)	(2,470)	(2,171)	(2,345)	(3,249)
Field Netback(2)	243	(2,659)	(2,689)	(2,143)	631	788	1,099	228
Oryx Petroleum Netback(2)	658	(3,323)	(3,497)	(2,846)	574	790	1,160	16
Brent price ($/bbl)	62.05	50.20	43.32	34.54	45.89	45.85	49.96	54.13
Sales price ($/bbl)	35.37	20.83	19.37	20.25	34.15	35.19	38.75	41.92
Royalties ($/bbl)	(17.29)	(10.18)	(9.47)	(9.90)	(16.70)	(17.20)	(18.93)	(20.48)
Field production costs(1) ($/bbl)	(16.19)	(25.81)	(49.00)	(50.11)	(13.28)	(12.61)	(12.88)	(19.13)
Current taxes ($/bbl)	(0.80)	(0.48)	(0.44)	(0.45)	(0.78)	(0.80)	(0.88)	(0.95)
Field Netback(2) ($/bbl)	1.10	(15.64)	(39.54)	(40.21)	3.39	4.58	6.04	1.35
Oryx Petroleum Netback(2) ($/bbl)	2.97	(19.55)	(51.43)	(53.40)	3.09	4.59	6.37	0.10
Capital expenditures(3)	25,258	31,768	9,742	4,322	17,243	4,227	10,513	(5,911)

Notes:

(1) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum. See the "Operating expense" section of this MD&A.

(2) Field Netback and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

(3) Excludes license acquisition costs.

Variations in revenue are attributable to changes in realised sales prices which have been broadly referenced to Brent crude oil prices and sales volumes which have fluctuated due to the variations in production from the Hawler License Area. There were no significant interruptions in production during the three months ended March 31, 2017. During the fourth quarter of 2015 and the first quarter of 2016, production and sales were interrupted primarily due to the closure of the land border crossing between the Kurdistan Region of Iraq and Turkey. During the second quarter of 2015, oil production rates decreased due to the incursion of water from the Demir Dagh reservoir.

Variations in Field Netback and Oryx Petroleum Netback reflect changes in revenue discussed above and the impact of changes in field production costs. Field production costs have been subject to significant fluctuation as management aligned operating procedures and the related expenditures with fluctuating actual and expected production volumes. Following revised and lowered production forecasts during the second quarter of 2015, field production costs incurred during the fourth quarter of 2015 and year ended December 31, 2016 reflect management's consequent efforts to reduce costs.

Total capital expenditures for the three months ended March 31, 2017 include $7.3 million in credits relating to revised estimates of previously recorded costs.

Profit for the three months ended March 31, 2017 was $4.1 million compared to a loss of $19.4 million during the first quarter of 2016. The increase in profit for the period is primarily attributable to i) a $7.6 million gain recorded on the settlement of the finance lease obligation during the first quarter of 2017, ii) an $8.3 million materials inventory impairment charge and a $1.8 million restructuring charge recorded during the three months ended March 31, 2016, iii) a $3.8 million increase in net revenue during the first quarter of 2017, and iv) a $1.4 million increase in impairment recovery recorded during the three months ended March 31, 2017 primarily related to revisions in costs previously estimated on the OML 141 License Area. These positive factors were partially offset by a $0.8 million increase in operating expense for the three months ended March 31, 2017 compared to the same period in 2016.

Operating expense of $4.2 million in the three months ended March 31, 2017 increased by $0.8 million compared to the same period in the previous year. The increase in operating costs is primarily attributable to the costs associated with the operation of the Zey Gawra field that commenced production in December 2016 partially offset by lower operating costs at the Demir Dagh field resulting from the implementation of a cost reduction program.

Financial and Other Instruments and Off Balance Sheet Arrangements

Oryx Petroleum operates internationally and has foreign exchange risk arising from various currency exposures, notably the Swiss Franc. In January 2017, the Group entered into five foreign exchange contracts. The Group entered into these contracts to sell $0.3 million and to receive Swiss Francs at various rates for each of the five months from February to June 2017 in order to hedge its exposure to foreign exchange risk for each of the subsequent five months. 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.

Other than the above, Oryx Petroleum was not party to any off-balance sheet arrangements during the three months ended March 31, 2017 that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of Oryx Petroleum. Further, on the date of this MD&A, Oryx Petroleum is not party to any such off-balance sheet arrangements.

Refer to the Financial Statements for further information on significant assumptions made in determining the fair value and classification of financial instruments recognised during the period.

Transactions with Related Parties

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement with a subsidiary of its indirect controlling shareholder AOG. Interest expense of $2.3 million relating to this transaction have been recorded for the three months ended March 31, 2017 (2016 - $2.6 million). Management has estimated the terms and conditions to be materially comparable to terms applicable to similar market transactions.

On October 19, 2016, the Group entered into an office lease agreement with a subsidiary of its indirect controlling shareholder. Rental expense of $30 thousand relating to this agreement was recorded for the three months ended March 31, 2017. An operating lease commitment of $0.1 million has been included in commitments as at March 31, 2017.

For the three months ended March 31, 2017, the Group incurred costs of $0.4 million for goods and services provided by related parties, all of which are subsidiaries of AOG (2016: $0.4 million). Costs related to trademark license fees, parent company guarantees, and management services have been incurred under agreements between the Group and AOG. Additional information relating to such agreements is available in OPCL's Annual Information Form dated March 23, 2017 available on SEDAR at www.sedar.com. Management exercised judgement, which was based on its industry specific knowledge and experience, to determine that i) the transactions described above did not contain any 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.

In January 2017, directors of OPCL were awarded 248,755 Common Shares ($0.1 million) and $0.1 million in cash as remuneration for services provided in the third and fourth quarters of 2016. In July 2016, directors of OPCL were awarded 171,399 Common Shares ($0.1 million) and $0.2 million in cash as remuneration for services provided in the first and second quarters of 2016. In January 2016, directors of OPCL were awarded 405,316 Common Shares ($0.2 million) and $0.2 million in cash as remuneration for services provided in the third and fourth quarters of 2015. Of this amount, 155,659 Common Shares ($0.1 million) were issued to directors in January 2016. The balance of 249,657 Common Shares ($0.1 million) was issued to directors of OPCL in July 2016.

The Shareholder Subscription and Loan Amendment transactions being contemplated as discussed in the Financial Highlights section of this MD&A are transactions involving related parties.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

Oryx Petroleum has adopted the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on or after January 1, 2017 as described in Note 2 of the Financial Statements. The adoption of these standards and interpretations has not had a material effect on OPCL.

Critical estimates

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. Such estimates, judgments and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. The critical estimates discussed in the Group's MD&A for the year ended December 31, 2016 remain applicable to the three month period ended March 31, 2017 and, with the exception of the estimates discussed below, there have been no material changes in estimates.

Going Concern

The 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 of the Financial Statements), its share of oil sales revenues from the Hawler License Area, and from Borrowings (note 13 of the Financial Statements).

Management expects that the cash proceeds arising from the AOG and Zeg Oil and Gas Subscriptions described in note 25 of the Financial Statements, 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.

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 of the Financial Statements, and definitively conclude and execute an agreement to restructure a contingent liability associated with the acquisition of the Hawler License Area (note 24 of the Financial Statements),

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 of the Financial Statements, 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 the 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 of the Financial Statements), and contingent costs (note 11 and 24 of the Financial Statements) 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 the Financial Statements.

Financial Controls

Disclosure Controls and Procedures

Disclosure Controls and Procedures have been designed under the supervision of the Chief Executive Officer ("**CEO**") and the Head of Corporate Finance and Planning (acting as CFO), with the participation of other management, to provide reasonable assurance that information required to be disclosed is recorded, processed, summarised and reported within the time periods specified in applicable securities legislation, and include controls and procedures designed to ensure that information required to be disclosed is accumulated and communicated to management, including the CEO and Head of Corporate Finance and Planning (acting as CFO), as appropriate to allow timely decisions regarding required disclosure.

Internal Controls over Financial Reporting

Internal Controls over Financial Reporting ("**ICFR**") have been designed under the supervision of the CEO and the Head of Corporate Finance and Planning (acting as CFO), with the participation of other management, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements in accordance with IFRS. ICFR can only provide reasonable assurance and may not prevent or detect misstatements. Projections of an evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

There were no changes in Oryx Petroleum's ICFR during the three months ended March 31, 2017 that have materially affected, or are reasonably likely to materially affect, Oryx Petroleum's ICFR.

Forward-Looking Information

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including statements related to the nature, timing and effect of Oryx Petroleum's future expenditures and budget, forecast capital expenditure for 2017, financing and capital activities, the additional liquidity required to fund future expenditures, expectations that cash on hand, expected proceeds from the anticipated shareholder subscription and cash receipts from net revenues and exports sales exclusively through the pipeline will allow the Corporation to fund forecasted cash expenditures needed to sustain the Group's operations and meet license commitments through the first half of 2018, the proposed shareholder subscription and balance sheet restructuring including conditions, pricing terms and closing date, business and acquisition strategy and goals, opportunities, drilling plans, development plans and schedules and chance of success, results of exploration activities, declarations of commercial discovery, contingent liabilities and government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, expectations that future revenue from sales will be split in accordance with the production sharing contract applicable to the Hawler License Area, future drilling of new wells and the reservoirs to be targeted, costs and drilling times for new wells, ultimate recoverability of current and long-term assets, estimates of oil reserves and resources, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, guidance regarding operating expenses on a per barrel basis, plans to process and interpret 3D seismic data from the AGC Central License Area, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares and pro forma ownership figures as a result of the vesting of LTIP awards, exercise of outstanding warrants and the proposed shareholder subscription and balance sheet restructuring, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the credit facility with AOG and the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, changes in any of the foregoing, and statements that contain words such as "may", "will", "would", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "budget", "outlook", "propose", "potentially", "project", "forecast" or the negative of such expressions and statements relating to matters that are not historical fact.

Although Oryx Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Oryx Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Oryx Petroleum's ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in jurisdictions in which Oryx Petroleum has licenses, the ability to renew its licenses on attractive terms, Oryx Petroleum's future production levels, the applicability of technologies for the recovery and production of Oryx Petroleum's oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Oryx Petroleum's reserves and resources, the geography of the areas in which Oryx Petroleum is conducting exploration and development activities, operating and other costs, the extent of Oryx Petroleum's liabilities, and business strategies and plans of management and Oryx Petroleum's business partners. For more information about these assumptions and risks facing the Group, refer to the Group's Annual Information Form dated March 23, 2017, available at www.sedar.com and the Group's website at www.oryxpetroleum.com.

Any forward-looking information concerning prospective exploration, results of operations, financial position, production, expectations of capital expenditures, cash flows and future cash flows or other information described above that is based upon assumptions about future results, economic conditions and courses of action are presented for the purpose of providing readers with a more complete perspective on Oryx Petroleum's present and planned future operations and such information may not be appropriate for other purposes and actual results may differ materially from those anticipated in such forward-looking information. In addition, included herein is information that may be considered financial outlook and/or future-oriented financial information. Its purpose is to indicate the potential results of Oryx Petroleum's intentions and may not be appropriate for other purposes.

Readers are strongly cautioned that the above list of factors affecting forward-looking information is not exhaustive. Although OPCL believes that the expectations conveyed by the forward-looking information are reasonable based on information available to it on the date such forward-looking information was made, no assurances can be given as to future results, levels of activity and achievements. Readers should not place undue importance or reliance on the forward-looking information and should not rely on the forward-looking information as of any date other than the date hereof. Further, statements including forward-looking information are made as at the date they are given and, except as required by applicable law, Oryx Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether as a result of new information or otherwise. If OPCL does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this MD&A is expressly qualified by this cautionary statement.

Glossary and Abbreviations

The following abbreviations and definitions are used in this MD&A:

AGC
Agence de Gestion et de Cooporation, an inter-governmental agency established in 1993 to manage and administer petroleum and fishing activities in the maritime zone between Senegal and Guinea Bissau

AOG
The Addax and Oryx Group PLC

bbl
Barrel(s) of oil

bbl/d
Barrel(s) of oil per day

Carried Cost
Costs related to the Group's funding another party's share of costs, by agreement, in excess of the Group's Participating Interest. Carried Costs are typically recovered through Cost Oil

Common shares
Common shares of the Company

Company
Oryx Petroleum Corporation Limited

Contractor
An oil company operating in a country under a PSC on behalf of the host government, for which it receives either a share of production or a fee

Cost Oil
The portion of oil sold used to reimburse the Contractor for exploration, development, and operating costs

Cost Pool
Costs incurred to explore and/or develop a License Area to be recovered as Cost Oil through future oil sales

Farm-in
To acquire an interest in a license from another party

G&A
General and administrative

Gross
In respect of reserves, resources, future net revenue, production, sales, area, capital expenditures or operating expenses, the total reserves, resources, future net revenue, production, sales, area, capital expenditures or operating expenses, as applicable, attributable to either (i) 100% of the License Area or field; or (ii) the Group's working interest in the License Area or field, as indicated, prior to the deductions specified in the applicable PSC, REC or fiscal regime for each License Area.

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

KRG
Kurdistan Regional Government of Iraq

License Area
Area of specified size, which is licensed to a company by a government for the production of oil and gas

Operator
A company that organises the exploration and productions programs in a License Area on behalf of all the interest holdings in the license

Participating Interest
The Group's current interest in an applicable License Area

PP&E
Property, plant and equipment

Profit Oil
Production remaining after contractual Royalties and Cost Oil, which is split between the government and the Contractors according to the prevailing contract terms in the PSC

Production Sharing Agreement (PSA) / Production Sharing Contract (PSC)
A contractual agreement between a Contractor and a host government, whereby the Contractor bears certain defined exploration costs, risks, and development and production costs in return for a stipulated share of the production resulting from this effort

Reserves
Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on

- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable

Royalty
All remittances to governments who are party to the applicable PSCs/PSAs 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

Working Interest or WI
The Group's interest in an applicable License Area, assuming the exercise of back-in rights or options