

# UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**FOR THE THREE AND SIX MONTHS ENDED  
JUNE 30, 2019 AND 2018**



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**ORYX PETROLEUM CORPORATION LIMITED**

Unaudited Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2019 and 2018

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

\$000s	Note	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
Revenue		39,873	17,901	73,882	31,831
Royalties		(17,546)	(7,877)	(32,512)	(14,007)
<b>Net revenue</b>		<b>22,327</b>	<b>10,024</b>	<b>41,370</b>	<b>17,824</b>
Operating expense		(6,938)	(3,632)	(14,208)	(6,760)
Depreciation, depletion and amortisation	5, 6	(5,012)	(2,645)	(9,741)	(4,878)
General and administration		(3,361)	(2,358)	(5,464)	(5,070)
Other income / (expense)	21	105	(655)	1,442	(495)
<b>Profit from operations</b>		<b>7,121</b>	<b>734</b>	<b>13,399</b>	<b>621</b>
Finance income		-	41	-	70
Finance expense	22	(3,893)	(3,919)	(7,808)	(7,742)
Foreign exchange losses		(34)	(19)	(114)	-
<b>Profit / (Loss) before income tax</b>		<b>3,194</b>	<b>(3,163)</b>	<b>5,477</b>	<b>(7,051)</b>
Income tax expense	20	(881)	(359)	(1,620)	(745)
<b>Profit / (Loss) for the period</b>		<b>2,313</b>	<b>(3,522)</b>	<b>3,857</b>	<b>(7,796)</b>
<b>Comprehensive income / (loss) for the period</b>		<b>2,313</b>	<b>(3,522)</b>	<b>3,857</b>	<b>(7,796)</b>
<b>Loss per share (basic and diluted)</b>	17	<b>0.00</b>	<b>(0.01)</b>	<b>0.01</b>	<b>(0.02)</b>

**ORYX PETROLEUM CORPORATION LIMITED**  
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**Statements of Financial Position**

\$000s	Note	June 30 2019	December 31 2018
<b>Non-current assets</b>			
Intangible assets	5	100,677	99,875
Property, plant and equipment	6	654,001	651,579
Deferred tax assets		230	236
		<b>754,908</b>	<b>751,690</b>
<b>Current assets</b>			
Inventories	7	8,903	9,391
Trade and other receivables	8	25,101	23,019
Other current assets	9	2,650	1,200
Cash and cash equivalents	10	16,777	14,410
Assets held for disposal	11	13,266	13,266
		<b>66,697</b>	<b>61,286</b>
<b>Total assets</b>		<b>821,605</b>	<b>812,976</b>
<b>Current liabilities</b>			
Trade and other payables	12	64,244	69,913
		<b>64,244</b>	<b>69,913</b>
<b>Non-current liabilities</b>			
Borrowings	13	80,756	76,624
Trade and other payables	12	39,352	37,521
Retirement benefit obligation		2,863	2,707
Decommissioning obligation	15	19,361	16,674
		<b>142,332</b>	<b>133,526</b>
<b>Total liabilities</b>		<b>206,576</b>	<b>203,439</b>
<b>Equity</b>			
Share capital	16	1,353,220	1,353,220
Reserves	18	18,562	16,927
Accumulated remeasurement of defined benefit obligation, net of income tax		(4,753)	(4,753)
Accumulated deficit		(752,000)	(755,857)
<b>Equity attributable to owners of the Company</b>		<b>615,029</b>	<b>609,537</b>
<b>Total equity</b>		<b>615,029</b>	<b>609,537</b>
<b>Total equity and liabilities</b>		<b>821,605</b>	<b>812,976</b>

The unaudited condensed consolidated interim financial statements were approved by the Board of Directors and authorised for issue on July 30, 2019.

On behalf of the Board of Directors:

*Signed*  
Jean Claude Gandur  
Director

*Signed*  
Peter Newman  
Director

# ORYX PETROLEUM CORPORATION LIMITED

Unaudited Condensed Consolidated Interim Financial Statements  
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## Statements of Changes in Equity

\$000s	Note	Attributable to equity holders of the Company					Non-controlling interest	Total equity
		Share capital	Reserves	Accumulated deficit	Accumulated remeasurement of defined benefit obligation - gain/(loss)	Total		
<b>Balance at January 1, 2018</b>		<b>1,343,186</b>	<b>15,879</b>	<b>(799,610)</b>	<b>(5,720)</b>	<b>553,735</b>	<b>644</b>	<b>554,379</b>
Loss for the period		-	-	(7,796)	-	(7,796)	-	(7,796)
Share based payment expense	<b>18</b>	-	967	-	-	967	-	967
Increase in ownership of KPAWDE <sup>(1)</sup>	<b>18</b>	-	(57)	-	-	(57)	(644)	(701)
Shares issued for Directors' compensation	<b>16, 18</b>	49	(50)	-	-	(1)	-	(1)
<b>Balance at June 30, 2018</b>		<b>1,343,235</b>	<b>16,739</b>	<b>(807,406)</b>	<b>(5,720)</b>	<b>546,848</b>	<b>-</b>	<b>546,848</b>
Profit for the period		-	-	51,549	-	51,549	-	51,549
Issue of shares for debt interest conversion	<b>16</b>	7,983	-	-	-	7,983	-	7,983
Private subscription	<b>16</b>	1,277	-	-	-	1,277	-	1,277
Share based payment expense	<b>18</b>	-	1,018	-	-	1,018	-	1,018
Shares issued for cash and LTIP	<b>16, 18</b>	725	(830)	-	-	(105)	-	(105)
Gain on defined benefit obligation, net of income tax		-	-	-	967	967	-	967
<b>Balance at December 31, 2018</b>		<b>1,353,220</b>	<b>16,927</b>	<b>(755,857)</b>	<b>(4,753)</b>	<b>609,537</b>	<b>-</b>	<b>609,537</b>
Profit for the period		-	-	3,857	-	3,857	-	3,857
Share based payment expense	<b>18</b>	-	1,157	-	-	1,157	-	1,157
Issue of warrants	<b>18</b>	-	478	-	-	478	-	478
<b>Balance at June 30, 2019</b>		<b>1,353,220</b>	<b>18,562</b>	<b>(752,000)</b>	<b>(4,753)</b>	<b>615,029</b>	<b>-</b>	<b>615,029</b>

- (1) During the first quarter of 2018, the Group acquired the minority ownership interest in KPA Western Desert Energy Limited ("KPAWDE"), thereby increasing its percentage ownership from 80.8% to 100%.

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## Statements of Cash Flows

\$000s	Note	Three months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
<b>Operating activities</b>					
Profit / (Loss)		2,313	(3,522)	3,857	(7,796)
Items not involving cash	19	9,648	7,610	17,592	13,913
Change in retirement benefit obligation		(109)	210	(417)	(389)
Changes in non-cash working capital	19	(496)	(5,888)	(1,045)	(9,900)
<b>Net cash generated by / (used in) operating activities</b>		<b>11,356</b>	<b>(1,590)</b>	<b>19,987</b>	<b>(4,172)</b>
<b>Investing activities</b>					
Acquisition of intangible assets		(229)	(546)	(635)	(940)
Acquisition of property, plant and equipment		(8,302)	(7,769)	(9,594)	(12,928)
Additions to assets held for disposal	11	-	-	-	(5,266)
Changes in non-cash working capital	19	(117)	3,288	(7,391)	6,791
<b>Net cash used in investing activities</b>		<b>(8,648)</b>	<b>(5,027)</b>	<b>(17,620)</b>	<b>(12,343)</b>
<b>Financing activities</b>					
Increase in ownership of KPAWDE	18	-	-	-	(731)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(731)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>2,708</b>	<b>(6,617)</b>	<b>2,367</b>	<b>(17,246)</b>
Cash and cash equivalents at beginning of the period	10	14,069	27,943	14,410	38,572
<b>Cash and cash equivalents at end of the period</b>		<b>16,777</b>	<b>21,326</b>	<b>16,777</b>	<b>21,326</b>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. General information**

Oryx Petroleum Corporation Limited (the “Company” or “OPCL”) is a public company incorporated in Canada under the Canada Business Corporation Act and is the holding company for the Oryx Petroleum group of companies (together the “Group” or “Oryx Petroleum”). The address of the registered office of OPCL is 3400 First Canadian Centre 350, 7<sup>th</sup> 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 unaudited condensed consolidated interim financial statements (the “Financial Statements”) were authorised for issue by the Board of Directors on July 30, 2019.

### **2. Summary of significant accounting policies**

#### **a. Basis of preparation**

The Company’s Financial Statements for the three and six months ended June 30, 2019 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 consolidated financial statements for the year ended December 31, 2018, which have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies included in the annual consolidated financial statements for the year ended December 31, 2018 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 consolidated financial statements for the year ended December 31, 2018 and have been updated in these Financial Statements as required.

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

#### **b. Going concern**

These Financial Statements have been prepared on a going concern basis which contemplates the realisation of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. During the first and second quarters of 2019, the Group met its day to day working capital requirements and funded its capital and operating expenditures through its share of oil sales revenues from the Hawler license area.

The Group’s ability to continue as a going concern in accordance with management’s estimates and forecasts is primarily dependent on a) the Group’s ability to produce and sell and receive payment for crude oil from the Hawler license area in accordance with its 2019 work program and its 2020 preliminary drilling plans and forecast, b) positive contributions to net cash flow of at least \$25 million during the third and fourth quarters of 2019 and a further \$30 million during the second half of 2020 through a combination of measures (see iv below), and c) the Group’s ability to restructure cash outflow related to Borrowings currently scheduled for July 2020 (note 13 and v below). Uncertainties related to b) and c) may cast significant doubt about the Group’s ability to continue as a going concern.

The Directors expect that cash resources will be sufficient to fund the Group’s capital and operating expenditures and to meet forecast obligations as they fall due in the 15 months following June 30, 2019.

## 2. Summary of significant accounting policies (continued)

### b. Going concern (continued)

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

- i) Oil production volumes are based on current gross production rates adjusted to account for production increases expected to result from the execution of the Group's 2019 work program and its 2020 preliminary drilling plans.
- ii) The timing and extent of forecast capital and operating expenditures is based on the Group's 2019 reforecast work plan and preliminary 2020 forecast. The Group retains a high degree of control and flexibility over both the extent and timing of expenditure under its capital investment program.
- iii) The agreement to amend the terms of the contingent consideration will be executed (note 25).
- iv) Positive contributions to net cash flow of at least \$25 million during the third and fourth quarters of 2019 and a further \$30 million during the second half of 2020 through a combination of a) rescheduling of currently estimated future cash outflows, b) receipt of proceeds from the sale of assets held for disposal (note 11) and, so far as may be necessary, c) additional financing.
- v) Management has anticipated and assumed that Borrowings maturing in July 2020 will be rescheduled or restructured, such that no related cash outflows occur during 2020 (note 13).

Management continually monitors the Group's financing requirements and plans to secure external funding, if required. Specifically, management is engaged with principal shareholders and the Lender (note 13), to consider the financing arrangements required to provide for the financing of the Group's cash outflows as they materialise. Management expects that sufficient time is available to clarify precise requirements for modification to existing financing arrangements or to secure additional financing, if any, and to subsequently conclude the arrangements required.

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

The directors have considered the judgments, estimates, and related uncertainties discussed above and have concluded that there is a reasonable expectation that the Group will have adequate resources to continue operations for the foreseeable future and, therefore, continue to adopt the going concern basis in preparing these Financial Statements. However, so long as definitive financing agreements have not been concluded where required, the directors have determined that the uncertainty related to the Group's ability to restructure or to reschedule cash outflows and/or to obtain required financing is material to the conclusion that the Group will be able to continue operations on a going concern basis.

### c. New and amended standards adopted by the Group

Effective January 1, 2019, the Group adopted the following IFRS as issued or amended by the IASB:

Amendments to Standards	Effective for annual periods beginning on or after
IFRS 16 – Leases	January 1, 2019
Annual improvements – 2015 – 2017 Cycle	January 1, 2019
Amendments to IAS 19: Plan amendment, curtailment or settlement	January 1, 2019
IFRIC 23 – Uncertainty over income tax treatments	January 1, 2019

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

### d. New and amended standards issued but not yet effective

At the date of authorisation of these Financial Statements, there were no new standards applicable to the Group that were issued but not yet effective.



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### 3. Financial risk management

The financial risk management disclosure contained in Oryx Petroleum's annual financial statements for the year ended December 31, 2018 is applicable to these Financial Statements.

The Group operates internationally and has foreign exchange risk arising from various currency exposures, notably the Swiss Franc. In January 2019, the Group entered into eight foreign exchange contracts to purchase CHF 0.3 million and to sell US Dollars at various rates for each of the eight months from February to September 2019 in order to hedge its exposure to foreign exchange risk.

### 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 six months ended June 30, 2019. As at June 30, 2019, the Company was involved in the following joint arrangements:

License Area	Classification	Location	Participating interest <sup>(1)</sup>
Hawler	Joint operation	Iraq – Kurdistan Region	65%
AGC <sup>(2)</sup> Central	Joint operation	Senegal and Guinea Bissau	85%
Haute Mer B <sup>(3)</sup>	Joint operation	Congo (Brazzaville)	30%

- (1) Participating interest is the Group's current interest in the applicable license area. Participating interest differs from working interest which reflects the impact of unexercised back-in rights or options.
- (2) Agence de Gestion et de Coopération entre le Sénégal et la Guinée – Bissau ("AGC")
- (3) On April 23, 2018, the Group entered into an agreement providing for the sale of the Group's 30% participating interest in the Haute Mer B license to the operator of the license (note 11).

### 5. Intangible assets

\$000s	Exploration & Evaluation costs	Computer Software	Total
<b>Cost</b>			
<b>At January 1, 2018</b>	<b>92,180</b>	<b>2,186</b>	<b>94,366</b>
Additions	1,038	-	1,038
<b>At June 30, 2018</b>	<b>93,218</b>	<b>2,186</b>	<b>95,404</b>
Additions	6,634	25	6,659
<b>At December 31, 2018</b>	<b>99,852</b>	<b>2,211</b>	<b>102,063</b>
Additions	794	14	808
<b>At June 30, 2019</b>	<b>100,646</b>	<b>2,225</b>	<b>102,871</b>
<b>Accumulated amortisation and impairment</b>			
<b>At January 1, 2018</b>	-	<b>2,159</b>	<b>2,159</b>
Amortisation	-	27	27
<b>At June 30, 2018</b>	-	<b>2,186</b>	<b>2,186</b>
Amortisation	-	2	2
<b>At December 31, 2018</b>	-	<b>2,188</b>	<b>2,188</b>
Amortisation	-	6	6
<b>At June 30, 2019</b>	-	<b>2,194</b>	<b>2,194</b>
<b>Net book value</b>			
At June 30, 2019	100,646	31	100,677
At December 31, 2018	99,852	23	99,875

## 5. Intangible assets (continued)

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

<b>\$000s</b>	<b>June 30 2019</b>	<b>December 31 2018</b>
Middle East	48,517	48,397
West Africa	52,129	51,455
	<b>100,646</b>	<b>99,852</b>

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

## 6. Property, plant and equipment

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

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

For the purpose of impairment assessments and testing, Oil & Gas assets are aggregated in cash generating units (“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 field constitute the group’s single CGU which contains property, plant and equipment.

Management has determined that as at June 30, 2019, there were no new substantive indicators suggesting that the carrying amount of Hawler license area Oil and Gas assets exceeds its 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	Fixtures and Equipment	Total
<b>Cost</b>			
<b>At January 1, 2018</b>	<b>874,088</b>	<b>3,326</b>	<b>877,414</b>
Additions	13,899	-	13,899
<b>At June 30, 2018</b>	<b>887,987</b>	<b>3,326</b>	<b>891,313</b>
Additions	14,605	218	14,823
<b>At December 31, 2018</b>	<b>902,592</b>	<b>3,544</b>	<b>906,136</b>
Additions	12,141	3	12,144
<b>At June 30, 2019</b>	<b>914,733</b>	<b>3,547</b>	<b>918,280</b>
<b>Accumulated depreciation, depletion and impairment</b>			
<b>At January 1, 2018</b>	<b>291,469</b>	<b>3,323</b>	<b>294,792</b>
Depreciation	-	2	2
Depletion	4,844	-	4,844
<b>At June 30, 2018</b>	<b>296,313</b>	<b>3,325</b>	<b>299,638</b>
Impairment reversal <sup>(1)</sup>	(54,109)	-	(54,109)
Depreciation	-	16	16
Depletion	9,012	-	9,012
<b>At December 31, 2018</b>	<b>251,216</b>	<b>3,341</b>	<b>254,557</b>
Depreciation	-	37	37
Depletion	9,685	-	9,685
<b>At June 30, 2019</b>	<b>260,901</b>	<b>3,378</b>	<b>264,279</b>
<b>Net book value</b>			
At June 30, 2019	653,832	169	654,001
At December 31, 2018	651,376	203	651,579

(1) As at December 31, 2018, the Group recorded a \$54.1 million impairment reversal relating to the Hawler license area. The impairment reversal represents the difference between the estimated recoverable amount of the Hawler license area CGU and its carrying amount prior to the impairment reversal. The carrying value of the Hawler license area CGU at June 30, 2019 is \$653.8 million (December 31, 2018: \$651.4 million).

## 7. Inventories

\$000s	June 30 2019	December 31 2018
Oil inventory	181	221
Materials	8,722	9,170
	<b>8,903</b>	<b>9,391</b>

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at June 30, 2019 the Group's working interest share of oil inventory was 10,040 bbls (December 31, 2018 – 11,720 bbls).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realisable value. The provision at June 30, 2019 is \$6.6 million (December 31, 2018: \$8.3 million).

No inventories have been pledged as security during the period.

## 8. Trade and other receivables

\$000s	June 30 2019	December 31 2018
Revenue receivables	23,817	21,776
Other receivables	1,284	1,243
	<b>25,101</b>	<b>23,019</b>

## 8. Trade and other receivables (continued)

The carrying amounts of trade and other receivables presented above are reasonable approximations of their fair values. Included in the revenue receivable balance at June 30, 2019 is a provision of \$1.9 million (December 31, 2018 – \$1.8 million) which was calculated based on the probabilities of possible default (note 21).

## 9. Other current assets

\$000s	June 30 2019	December 31 2018
Deposits	1,325	580
Prepaid charges and other current assets	1,325	620
	<b>2,650</b>	<b>1,200</b>

## 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. Assets held for disposal

On April 23, 2018, a subsidiary of Oryx Petroleum (the “Seller”) entered into an agreement providing for the sale of a 30% participating interest in the Haute Mer B exploration license offshore Congo (Brazzaville) (“HMB License”) to a subsidiary of Total S.A. (the “Buyer”) (the “Sale Agreement”). The Seller’s interest in the HMB License were to have been transferred for cash consideration of \$8 million, payable at closing with the sale to be deemed effective from January 1, 2018. The Sale Agreement provides for the Buyer to reimburse the Seller for costs incurred by it in relation to the HMB License between January 1, 2018 and the date of the Sale Agreement and to carry the Seller’s share of costs from the date of the Sale Agreement to the closing of the transaction. This is expected to result in a further payment to the Seller, at closing, of \$5.3 million.

The Group’s position that all conditions to closing have been either satisfied or waived notwithstanding, the Buyer has declined to close the transaction and has purported to terminate the Sale Agreement. During the second quarter of 2019, the Buyer and other members of the HMB License contractor group relinquished their rights to explore and produce crude oil from the license area. The Seller has engaged external legal counsel, has initiated arbitration to settle the dispute, and believes strongly in the merits of its position. Consequently, management estimates that the recoverable amount of the asset that has been held for disposal with an effective date of January 1, 2018 continues to be equivalent to its carrying value. Management has assessed that it is improbable that the arbitration panel will rule against the Seller, or that the Group may otherwise be unsuccessful in realizing the contracted amounts. In the event that conditions to closing are determined not to have been met and the Sale Agreement is terminated, the Seller may be adjudged to have an obligation to fund the Seller’s share of HMB License expenditures incurred by the Buyer following the date of the Sale Agreement. As at June 30, 2019, these unrecognised, contingent liabilities amount to approximately \$14.0 million including interest charges. The Group expects the arbitration process and resolution of the dispute to be concluded in the next nine months.

## 12. Trade and other payables

\$000s	June 30 2019	December 31 2018
Trade accounts payable	2,780	6,946
Amounts payable to joint operations partners	4,961	3,301
Amounts payable to related parties	40	82
Contingent consideration (note 25)	34,553	33,472
Other payables and accrued liabilities	21,910	26,112
<b>Current portion</b>	<b>64,244</b>	<b>69,913</b>
Non-current portion of contingent consideration (note 25)	39,352	37,521
<b>Total trade and other payables</b>	<b>103,596</b>	<b>107,434</b>

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

As at June 30, 2019, the Group has recognised a liability of \$73.9 million (December 31, 2018 - \$71.0 million) representing the estimated fair value of liabilities associated with the acquisition of OP Hawler Kurdistan Limited. The portion of the liability estimated to be paid beyond one year of the respective dates of the statements of financial position is classified as a non-current liability. The contingent consideration liability is presented at fair value estimated by discounting estimated future cash outflows at a rate of 10% (notes 22 and 25).

## 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 \$100 million Loan Facility has been fully drawn and had an initial maturity of March 10, 2018 (the "Maturity Date").

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").

On December 31, 2018, the Group agreed with the Lender to amend the Loan Facility to further extend the Maturity Date from July 1, 2019 to July 1, 2020 and to amend interest provisions (the "2nd Loan Amendment"). The Company issued warrants to acquire 6,132,804 common shares to an affiliate of the Lender (note 16b) in consideration of the 2nd Loan Amendment. The Loan Amount and interest rate remain unchanged from the terms agreed under the Loan Amendment. Interest accrued on the Loan Amount for the period beginning on November 12, 2018 and ending on July 1, 2019 will be settled by way of issuance of common shares, as contemplated in the Loan Amendment. If cash payments to the Lender are permitted under the terms of other corporate agreements, interest on the Loan Amount accruing after July 1, 2019 will be payable in cash on January 1, 2020 and July 1, 2020. If interest is not paid in cash, the interest due on January 1, 2020 will be capitalised ("Capitalised Interest") and added to the Loan Amount and interest on the Loan Amount and Capitalised Interest shall then accrue and be payable at the Maturity Date.

The Group is continuously engaged with the Lender and management expects to reach agreement to further amend or settle the Loan Facility prior to the amended Maturity Date of July 1, 2020 such that cash outflows align with then available cash inflows arising from operating and/or financing activities.

### 13. Borrowings (continued)

Borrowings are presented as a non-current liability, net of warrant issue and other transaction costs. The carrying value of the loan at June 30, 2019, 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:

<b>At December 31, 2017</b>	<b>75,854</b>
Interest expense	7,983
Accretion of deferred financing costs	770
Extinguishment through issuance of common shares (note 16)	(7,983)
<b>At December 31, 2018</b>	<b>76,624</b>
Interest expense	3,959
Accretion of deferred financing costs	173
<b>At June 30, 2019</b>	<b>80,756</b>

### 14. Interim credit facility

On November 13, 2018, the Group entered into a committed and unsecured term loan agreement ("Interim Credit Facility") jointly with affiliates of AOG and of Zeg Oil and Gas Limited. The amount of the Interim Credit Facility was subsequently reduced to \$7.25 million and the availability period to draw funds under the facility was extended to September 23, 2019. Amounts drawn under the Interim Credit Facility ("Principal"), if any, shall bear interest at an annual rate of 10.5% calculated daily and compounding at the end of each calendar month ("Interest"). The Group also incurs a commitment fee ("Commitment Fee") equivalent to 1% of the undrawn amount under the Interim Credit Facility, which is calculated daily and compounded at the end of each calendar month. Principal and Interest are payable on the earlier of i) two business days after receipt by the Group of the proceeds from the sale of assets held for disposal (note 11), and ii) September 30, 2019 (the "Interim Credit Facility Maturity Date"). If drawn down, the Interim Credit Facility is repayable in cash or through the issuance of common shares at an issue price equal to the greater of i) \$0.1731 per common share, and ii) the market price of common shares on the Interim Credit Facility Maturity Date. As at both June 30, 2019 and July 30, 2019 no amounts have been drawn under the Interim Credit Facility.

### 15. 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 June 30, 2019, 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 may 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 rate used in the calculation to determine the carrying value of the decommissioning obligation was updated on June 30, 2019 to 0.2% (December 31, 2018 – 1.4%). The assumed discount rate was also reviewed as at June 30, 2019 and was updated to 2.5% (December 31, 2018 - 4.3%). Decommissioning obligations are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at June 30, 2019 is \$19.4 million (December 31, 2018 - \$16.7 million) based on the Group's working interest undiscounted liability of \$31.4 million (December 31, 2018 - \$39.0 million).

## 15. Decommissioning obligation (continued)

\$000s	Six months ended June 30 2019	Year ended December 31 2018
<b>Decommissioning obligation, beginning of the period</b>	<b>16,674</b>	<b>14,593</b>
Property acquisition and development activity	527	2,278
Change in discount rate	5,525	(618)
Change in inflation rate	(3,603)	-
	<b>19,123</b>	<b>16,253</b>
Accretion expense	238	421
<b>Decommissioning obligation, end of the period</b>	<b>19,361</b>	<b>16,674</b>

## 16. Share capital

### a. Issued common shares

\$000s	Number of shares	Share capital
<b>At January 1, 2018</b>	<b>458,062,407</b>	<b>1,343,186</b>
Issue of shares for directors' compensation	360,372	49
<b>At June 30, 2018</b>	<b>458,422,779</b>	<b>1,343,235</b>
Issue of shares to an affiliate of Lender (note 13)	45,240,792	7,983
Issue of shares for private placement	7,312,764	1,277
Issue of shares for LTIP	4,054,887	725
<b>At December 31, 2018 and June 30, 2019</b>	<b>515,031,222</b>	<b>1,353,220</b>

The Company has unlimited authorised share capital outstanding as at June 30, 2019.

#### 2018 share capital transactions

On July 3, 2018, the Group extinguished \$4.0 million of accrued interest under the Loan Facility described in note 13, in consideration for 22,188,975 common shares of the Company.

On September 4, 2018, the Company issued 4,054,887 common shares to employees under the Group's LTIP.

On November 12, 2018, the Company issued 23,051,817 common shares of the Company to a subsidiary of AOG in satisfaction of \$4.0 million of interest accrued under the Loan Facility (note 13).

On December 27, 2018, the Company issued 7,312,764 common shares of the Company to Zeg Oil and Gas Limited for cash consideration of \$1.3 million.

During the year ended December 31, 2018, the Group issued 360,372 shares to Directors of the Company as remuneration.

### b. Warrants

On February 26, 2019, in accordance with the 2nd Loan Amendment described in note 13, the Group issued warrants to an affiliate of the Lender to acquire 3,637,262 common shares of the Company. The exercise price of the issued warrants is \$0.2094 per common share. The warrants expire on November 13, 2021 and were outstanding and exercisable as at June 30, 2019.

On April 2, 2019, in accordance with the 2nd Loan Amendment described in note 13, the Group issued warrants to an affiliate of the Lender to acquire 2,495,542 common shares of the Company. The exercise price of the issued warrants is \$0.2094 per common share. The warrants expire on November 13, 2021 and were outstanding and exercisable as at June 30, 2019.

As at June 30, 2019 the total number of warrants outstanding and exercisable was 6,132,804.

## 17. Basic and diluted earnings / (loss) per share

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

\$000s	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Profit / (loss) for the period attributable to equity holders	2,313	(3,522)	3,857	(7,796)
Weighted average number of common shares for basic earnings / loss per share <sup>(1)</sup>	515,031,222	458,422,779	515,031,222	458,386,941
Weighted average dilutive impact of unexercised warrants outstanding	6,105,480	-	-(2)	-
Weighted average number of common shares for diluted earnings / loss per share	521,136,702	458,422,779	515,031,222	458,386,941
\$				
<b>Basic and Diluted earnings / (loss) per share</b>	<b>0.00</b>	<b>(0.01)</b>	<b>0.01</b>	<b>(0.02)</b>

(1) Unvested LTIP shares are excluded from diluted shares as share issuances are subject to vesting conditions.

(2) Outstanding warrants are excluded from diluted shares for the six months ended June 30, 2019 as they are anti-dilutive for the period.

## 18. Reserves

\$000s	Other Reserves	Share based payments	Total reserves
<b>At January 1, 2018</b>	<b>2,700</b>	<b>13,179</b>	<b>15,879</b>
Share based payment transactions	-	967	967
Issue of shares for directors' compensation	-	(50)	(50)
Increase in ownership of KPAWDE <sup>(1)</sup>	(57)	-	(57)
<b>At June 30, 2018</b>	<b>2,643</b>	<b>14,096</b>	<b>16,739</b>
Share based payment transactions	-	1,018	1,018
Issue of shares and cash for LTIP	-	(830)	(830)
<b>At December 31, 2018</b>	<b>2,643</b>	<b>14,284</b>	<b>16,927</b>
Share based payment transactions	-	1,157	1,157
Issue of warrants (note 16b)	-	478	478
<b>At June 30, 2019</b>	<b>2,643</b>	<b>15,919</b>	<b>18,562</b>

(1) During the first quarter of 2018, the Group acquired the minority ownership interest in KPA Western Desert Energy Limited ("KPAWDE"), thereby increasing its percentage ownership from 80.8% to 100%.

## 19. Supplemental cash flow information

Items not involving cash \$000s	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Depreciation, depletion and amortisation	5,011	2,646	9,741	4,879
Share based payment expense	395	302	803	619
Unrealised foreign exchange losses	145	40	65	15
Non-cash income tax expense	4	4	6	5
Finance expense	3,873	4,603	7,760	7,742
General and administrative	278	-	564	29
Other expense / (income)	(58)	15	(1,347)	624
<b>Items not involving cash</b>	<b>9,648</b>	<b>7,610</b>	<b>17,592</b>	<b>13,913</b>



## 19. Supplemental cash flow information (continued)

Changes in non-cash working capital \$000s	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Inventories	1,228	1,281	2,025	2,272
Trade and other receivables	(3,810)	(2,844)	(2,247)	(3,739)
Other current assets	(273)	(608)	(1,450)	(616)
Trade and other payables	2,242	(429)	(6,764)	(1,026)
<b>Change in non-cash working capital</b>	<b>(613)</b>	<b>(2,600)</b>	<b>(8,436)</b>	<b>(3,109)</b>
Changes in operating non-cash working capital	(496)	(5,888)	(1,045)	(9,900)
Changes in investing non-cash working capital	(117)	3,288	(7,391)	6,791
<b>Change in non-cash working capital</b>	<b>(613)</b>	<b>(2,600)</b>	<b>(8,436)</b>	<b>(3,109)</b>

  

Other cash flow information \$000s	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Cash income taxes paid	50	126	86	213

## 20. Income tax expense

\$000s	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Current income tax expense	877	355	1,614	740
Deferred tax on LTIP shares	4	4	6	5
<b>Income tax expense</b>	<b>881</b>	<b>359</b>	<b>1,620</b>	<b>745</b>

The Group is subject to income taxes in certain jurisdictions where it holds interests in exploration and development licenses or has taxable operations. Current income tax expense relates to tax on profits from oil sales in the Kurdistan Region of Iraq and on taxable profits from operations of the Group's Swiss and Maltese subsidiaries. For the six months ended June 30, 2019, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of \$1.5 million (2018 - \$0.7 million) were deemed to be collected by the government through its allocation of profit oil under the Hawler Production Sharing Contract and are included in the current income tax expense balance.

## 21. Other income / (expense)

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

\$000s	Note	Three Months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
Reduction of materials inventory provision	7	448	204	1,639	286
Increase of provision against trade and other receivables	8	(284)	(880)	(165)	(880)
Other (expense) / income		(59)	21	(32)	99
<b>Other income / (expense)</b>		<b>105</b>	<b>(655)</b>	<b>1,442</b>	<b>(495)</b>

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### 22. Finance expense

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

\$000s	Note	Three Months ended June 30		Six months ended June 30	
		2019	2018	2019	2018
Interest expense on borrowings	13	1,991	1,991	3,959	3,959
Accretion of deferred financing costs	13	87	230	173	425
Change in fair value of contingent consideration	25	683	712	1,340	1,398
Interest on contingent consideration	25	791	887	1,573	1,765
Accretion of decommissioning obligation	15	121	99	238	195
Issue of warrants	16b	201	-	478	-
Other		19	-	47	-
<b>Finance expense</b>		<b>3,893</b>	<b>3,919</b>	<b>7,808</b>	<b>7,742</b>

### 23. 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 six months ended June 30, 2019 \$000s				
	Middle East	West Africa	Corporate	Total
Revenue	73,882	-	-	73,882
Royalty	(32,512)	-	-	(32,512)
<b>Net revenue</b>	<b>41,370</b>	<b>-</b>	<b>-</b>	<b>41,370</b>
Operating expense	(14,208)	-	-	(14,208)
Depreciation, depletion and amortisation	(9,697)	-	(44)	(9,741)
General and administration	(2,252)	(369)	(2,843)	(5,464)
Other income	1,442	-	-	1,442
<b>Segment result</b>	<b>16,655</b>	<b>(369)</b>	<b>(2,887)</b>	<b>13,399</b>
Finance expense				(7,808)
Foreign exchange gain				(114)
<b>Profit before income tax</b>				<b>5,477</b>
Income tax expense				(1,620)
<b>Profit for the period</b>				<b>3,857</b>
Capital additions	12,258	676	18	12,952
Segment assets as at June 30, 2019	753,299	66,751	1,555	821,605
Segment liabilities as at June 30, 2019	200,312	1,679	4,585	206,576

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**23. Segment information (continued)**

For the six months ended

June 30, 2018

\$000s	Middle East	West Africa	Corporate	Total
Revenue	31,831	-	-	31,831
Royalty	(14,007)	-	-	(14,007)
<b>Net revenue</b>	<b>17,824</b>	<b>-</b>	<b>-</b>	<b>17,824</b>
Operating expense	(6,760)	-	-	(6,760)
Depreciation, depletion and amortisation	(4,853)	-	(25)	(4,878)
General and administration	(1,662)	(91)	(3,317)	(5,070)
Other expense	(556)	61	-	(495)
<b>Segment result</b>	<b>3,993</b>	<b>(30)</b>	<b>(3,342)</b>	<b>621</b>
Finance income				70
Finance expense				(7,742)
<b>Loss before income tax</b>				<b>(7,051)</b>
Income tax expense				(745)
<b>Loss for the period</b>				<b>(7,796)</b>
Capital additions	13,858	1,079	-	14,937
Segment assets as at June 30, 2018	670,631	71,179	2,547	744,357
Segment liabilities as at June 30, 2018	192,220	1,143	4,146	197,509

For the three months ended

June 30, 2019

\$000s	Middle East	West Africa	Corporate	Total
Revenue	39,873	-	-	39,873
Royalty	(17,546)	-	-	(17,546)
<b>Net revenue</b>	<b>22,327</b>	<b>-</b>	<b>-</b>	<b>22,327</b>
Operating expense	(6,938)	-	-	(6,938)
Depreciation, depletion and amortisation	(4,989)	-	(23)	(5,012)
General and administration	(1,089)	(189)	(2,083)	(3,361)
Other income	105	-	-	105
<b>Segment result</b>	<b>9,416</b>	<b>(189)</b>	<b>(2,106)</b>	<b>7,121</b>
Finance expense				(3,893)
Foreign exchange gain				(34)
<b>Profit before income tax</b>				<b>3,194</b>
Income tax expense				(881)
<b>Profit for the period</b>				<b>2,313</b>
Capital additions	10,397	241	1	10,639

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## 23. Segment information (continued)

For the three months ended June 30, 2018				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	17,901	-	-	17,901
Royalty	(7,877)	-	-	(7,877)
<b>Net revenue</b>	<b>10,024</b>	<b>-</b>	<b>-</b>	<b>10,024</b>
Operating expense	(3,632)	-	-	(3,632)
Depreciation, depletion and amortisation	(2,623)	-	(22)	(2,645)
General and administration	(725)	(40)	(1,593)	(2,358)
Other expense	(655)	-	-	(655)
<b>Segment result</b>	<b>2,389</b>	<b>(40)</b>	<b>(1,615)</b>	<b>734</b>
Finance income				41
Finance expense				(3,919)
Foreign exchange loss				(19)
<b>Loss before income tax</b>				<b>(3,163)</b>
Income tax expense				(359)
<b>Loss for the period</b>				<b>(3,522)</b>
Capital additions	8,176	598	-	8,774

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

\$000s	June 30 2019	December 31 2018
Iraq (Kurdistan Region)	702,347	699,771
Senegal and Guinea Bissau	52,149	51,472
Other	412	447
	<b>754,908</b>	<b>751,690</b>

## 24. Commitments

### (a) Contractual obligations

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

\$000s	June 30 2019	December 31 2018
No later than one year	2,523	2,523
One to five years	38,428	38,428
Greater than five years	14,503	14,503
	<b>55,454</b>	<b>55,454</b>

The commitments noted above reflect the Group's execution of expected and contracted exploration and development activities as at June 30, 2019. 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.

## 24. Commitments (continued)

### (b) Operating lease commitments – Group company as lessee

The Group leases buildings and equipment under non-cancellable operating lease agreements with varying terms and renewal rights. The corresponding lease expenditure charged to the statement of profit and loss during the six months ended June 30, 2019 was \$0.2 million (2018 - \$0.2 million).

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

\$000s	June 30 2019	December 31 2018
No later than one year	172	296
One to five years	16	26
	<b>188</b>	<b>322</b>

## 25. Contingent liabilities and consideration

In the normal course of operations, the Company may be subject to litigation and claims. In management's estimation, other than as has been recognised or disclosed within these Financial Statements, no such litigation or claim, individually or in aggregate, is expected to 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 under the terms of a sale and purchase agreement (the "Purchase Agreement").

The Purchase Agreement, as amended, provides for additional consideration which becomes payable upon the outcome of exploration activities. The associated liability is presented at management's estimate of fair value, which as at June 30, 2019 amounted to \$73.9 million (December 31, 2018 - \$71.0 million) (note 12). During the six months ended June 30, 2019, contingent interest accrued at a rate of 5.0% per annum (year ended December 31, 2018 – 5.0%). For periods beginning on October 1, 2018, if the average price of dated Brent crude oil exceeds \$75/bbl during any year ending on September 30, the amended Purchase Agreement prescribes that the annually compounding interest rate increase to 10% per annum for interest calculated during such year.

In November 2018, the Group agreed with the vendor of the Hawler license area to amend terms of the Purchase Agreement (the "2018 Amendment"), with the vendor's final execution pending. The 2018 Amendment provides for an \$11.4 million deferral payment which the Group expects to make upon the vendor's final execution of the agreement. Subject to the declaration of a second commercial discovery within the Hawler license area, the remaining contingent principal balance plus accrued interest is then to be paid in three annual instalments beginning September 30, 2019. If the Group has not declared a second commercial discovery by September 30, 2019 (previously September 30, 2018), the instalment payment schedule would no longer apply and the contingent consideration obligation, if subsequently triggered by a second commercial discovery, would revert to a single lump-sum payment obligation.

For the specific purpose of estimating the fair value of the contingent consideration obligation, 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 2018 Amendment. The fair value of the liability was established using observable inputs other than quoted prices (IFRS 13 Level 2 hierarchy category) and was determined by calculating the present value of estimated future cash flows using the discount rate adjustment technique. The future cash flows have been estimated based on the terms outlined in the 2018 Amendment and discounted using an observed market rate for similar obligations. As at June 30, 2019, management has assumed an interest rate of 5% per annum and a 10% discount rate (December 31, 2018 – 5% interest rate, 10% discount rate).