

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED
SEPTEMBER 30, 2018 AND 2017



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In accordance with National Instrument 51-102 as published by the Canadian Securities Administrators, Oryx Petroleum Corporation Limited confirms that its auditors have not reviewed the unaudited condensed consolidated interim financial statements as at and for the three and nine months ended September 30, 2018.

ORYX PETROLEUM CORPORATION LIMITED
Unaudited Condensed Consolidated Interim Financial Statements
For the three and nine months ended September 30, 2018 and 2017

Statements of Loss and Comprehensive Loss

\$000s	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Revenue		29,355	9,844	61,186	24,860
Royalties		(12,918)	(4,332)	(26,925)	(10,940)
Net revenue		16,437	5,512	34,261	13,920
Operating expense		(5,571)	(3,364)	(12,331)	(11,645)
Depreciation, depletion and amortization	4, 5	(4,315)	(1,424)	(9,193)	(3,695)
Impairment reversal	4, 5	-	-	-	1,132
Pre-license and exploration		-	(403)	61	(803)
General and administration		(2,414)	(2,183)	(7,484)	(7,279)
Other (expense) / income	19	(194)	80	(750)	7,709
Profit / (Loss) from operations		3,943	(1,782)	4,564	(611)
Finance income		72	51	142	93
Finance expense	20	(8,619)	(3,833)	(16,361)	(9,888)
Foreign exchange gain / (loss)		23	(56)	23	94
Loss before income tax		(4,581)	(5,620)	(11,632)	(10,362)
Income tax expense	18	(635)	(240)	(1,380)	(560)
Loss for the period		(5,216)	(5,860)	(13,012)	(10,922)
Comprehensive loss for the period		(5,216)	(5,860)	(13,012)	(10,922)
Loss for the period attributable to:					
Owners of the Company		(5,216)	(5,851)	(13,012)	(10,911)
Non-controlling interest		-	(9)	-	(11)
		(5,216)	(5,860)	(13,012)	(10,922)
Comprehensive loss for the period attributable to:					
Owners of the Company		(5,216)	(5,851)	(13,012)	(10,911)
Non-controlling interest		-	(9)	-	(11)
		(5,216)	(5,860)	(13,012)	(10,922)
Loss per share (basic and diluted)	15	(0.01)	(0.01)	(0.03)	(0.03)

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Statements of Financial Position

\$000s	Note	September 30 2018	December 31 2017
Non-current assets			
Intangible assets	4	98,510	92,207
Property, plant and equipment	5	594,529	582,622
Deferred tax assets		245	254
		693,284	675,083
Current assets			
Inventories	6	11,267	13,444
Trade and other receivables	7	19,071	8,757
Other current assets	8	1,301	942
Cash and cash equivalents	9	17,048	38,572
Assets held for disposal	10	13,266	8,000
		61,953	69,715
Total assets		755,237	744,798
Current liabilities			
Trade and other payables	11	71,053	42,582
Borrowings	12	78,548	-
		149,601	42,582
Non-current liabilities			
Borrowings	12	-	75,854
Trade and other payables	11	40,209	54,242
Retirement benefit obligation		2,962	3,148
Decommissioning obligation	13	16,540	14,593
		59,711	147,837
Total liabilities		209,312	190,419
Equity			
Share capital	14	1,347,919	1,343,186
Reserves	16	16,348	15,879
Accumulated remeasurement of defined benefit obligation, net of income tax		(5,720)	(5,720)
Accumulated deficit		(812,622)	(799,610)
Equity attributable to owners of the Company		545,925	553,735
Non-controlling interest	16	-	644
Total equity		545,925	554,379
Total equity and liabilities		755,237	744,798

The condensed consolidated financial statements were approved by the Board of Directors and authorised for issue on November 13, 2018.

On behalf of the Board of Directors:

(signed)

 Jean Claude Gandur
 Director

(signed)

 Peter Newman
 Director

ORYX PETROLEUM CORPORATION LIMITED

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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			
Balance at January 1, 2017		1,279,655	14,401	(760,577)	(5,586)	527,893	661	528,554	
Loss for the period		-	-	(10,911)	-	(10,911)	(11)	(10,922)	
Share based payment expense	16	-	1,621	-	-	1,621	-	1,621	
Private subscription	14	54,100	-	-	-	54,100	-	54,100	
Transaction costs	14	(103)	-	-	-	(103)	-	(103)	
Shares issued to settle trade accounts payable	14	4,750	-	-	-	4,750	-	4,750	
Shares issued for long-term incentive plan ("LTIP")	14, 16	585	(585)	-	-	-	-	-	
Shares issued for Directors' compensation	14, 16	149	(75)	-	-	74	-	74	
Balance at September 30, 2017		1,339,136	15,362	(771,488)	(5,586)	577,424	650	578,074	
Loss for the period		-	-	(28,122)	-	(28,122)	(6)	(28,128)	
Share based payment expense	16	-	518	-	-	518	-	518	
Issue of shares for debt interest conversion	14	4,024	-	-	-	4,024	-	4,024	
Shares issued for LTIP	14, 16	26	(26)	-	-	-	-	-	
Shares issued for Directors' compensation	16	-	25	-	-	25	-	25	
Loss on defined benefit obligation, net of income tax		-	-	-	(134)	(134)	-	(134)	
Balance at December 31, 2017		1,343,186	15,879	(799,610)	(5,720)	553,735	644	554,379	
Loss for the period		-	-	(13,012)	-	(13,012)	-	(13,012)	
Issue of shares for debt interest conversion	14	3,959	-	-	-	3,959	-	3,959	
Share based payment expense	16	-	1,406	-	-	1,406	-	1,406	
Shares and cash issued for LTIP	14, 16	725	(830)	-	-	(105)	-	(105)	
Increase in ownership of KPAWDE ⁽¹⁾	16	-	(57)	-	-	(57)	(644)	(701)	
Shares issued for Directors' compensation	14, 16	49	(50)	-	-	(1)	-	(1)	
Balance at September 30, 2018		1,347,919	16,348	(812,622)	(5,720)	545,925	-	545,925	

(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 September 30		Nine months ended September 30	
		2018	2017	2018	2017
Operating activities					
Loss		(5,216)	(5,860)	(13,012)	(10,922)
Items not involving cash	17	13,413	5,214	27,326	5,825
Change in retirement benefit obligation		203	1	(186)	(256)
Change in non-cash working capital	17	(3,481)	(3,979)	(13,382)	1,759
Net cash generated by / (used in) operating activities		4,919	(4,624)	746	(3,594)
Investing activities					
Acquisition of intangible assets		(5,254)	(248)	(6,194)	(1,707)
Acquisition of property, plant and equipment		(6,228)	(3,472)	(19,156)	(14,795)
Additions to Assets held for disposal	10	-	-	(5,266)	-
Change in non-cash working capital	17	2,285	(2,766)	9,077	(4,269)
Net cash used in investing activities		(9,197)	(6,486)	(21,539)	(20,771)
Financing activities					
Increase in ownership of KPAWDE	16	-	-	(731)	-
Proceeds from issuance of common shares		-	-	-	30,000
Transaction costs		-	-	-	(103)
Net cash (used in) / generated by financing activities		-	-	(731)	29,897
Net (decrease) / increase in cash and cash equivalents		(4,278)	(11,110)	(21,524)	5,532
Cash and cash equivalents at beginning of the period	9	21,326	57,374	38,572	40,732
Cash and cash equivalents at end of the period		17,048	46,264	17,048	46,264

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, 7th Avenue Southwest, Calgary, Alberta, Canada T2J 2M2. The Group’s indirect controlling shareholder is The Addax and Oryx Group PLC (“AOG”) (incorporated in Malta). The majority of AOG’s outstanding shares are owned by Samsufi Trust, an irrevocable discretionary charitable trust created at the suggestion of Jean Claude Gandur. Mr. Gandur is not one of the beneficiaries of the Samsufi Trust. The Group’s principal activities are to acquire and develop exploration and production assets in order to produce hydrocarbons and to increase oil and gas reserves.

The unaudited condensed consolidated interim financial statements (the “Financial Statements”) were authorised for issue by the Board of Directors on November 13, 2018.

2. Summary of significant accounting policies**a. Basis of preparation**

The Company’s Financial Statements for the three and nine months ended September 30, 2018 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, 2017, which have been prepared in accordance with International Financial Reporting Standards (IFRS). Other than the changes to the Group’s accounting policies arising from the adoption of IFRS 9 and 15 as described below, accounting policies included in the annual consolidated financial statements for the year ended December 31, 2017 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, 2017 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 2018, the Group has met its day to day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 14) and 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) receipt of proceeds from the sale of assets held for disposal (note 10) or financing available under the Interim Credit Facility (note 24) if required, b) the Group’s ability to produce and sell crude oil from the Hawler license area in accordance with the its 2019 work program and budget, and c) completion of the restructuring of the cash outflow related to Borrowings (note 12) and execution of the agreement to amend the terms of contingent consideration (note 23).

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2. Summary of significant accounting policies (continued)

b. Going concern (continued)

The Directors expect that cash resources on hand as at September 30, 2018, future cash receipts from sales of its share of oil production from the Hawler license area, receipt of proceeds from the sale of assets held for disposal (note 10) or if required, funds available under the terms of the Interim Credit Facility (note 24), 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 September 30, 2018.

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

- i) The timing and extent of forecast capital and operating expenditures is based on the Group's 2018 reforecast budget, and on the Group's approved 2019 work program and budget. The Group retains a high degree of control and flexibility over both the extent and timing of expenditure under its capital investment program.
- ii) Oil production volume assumptions are based on current gross production adjusted to account for production increases expected to result from the execution of the Group's work program during the remainder of 2018 and during 2019.
- iii) The amendment extending the Maturity Date of Borrowings from July 1, 2019 to July 1, 2020 (note 12), and the Interim Credit Facility (note 24) will receive Toronto Stock Exchange approval.
- iv) The agreement to amend terms of the contingent consideration will be executed (note 23).

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

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

c. New and amended standards adopted by the Group

Effective January 1, 2018, 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 9 – Financial Instruments: classification and measurement	January 1, 2018
IFRS 15 – Revenue from contracts with customers	January 1, 2018
Amendments to IFRS 2 - Classification and measurement of share based payment transactions	January 1, 2018
Annual improvements - 2014 – 2016 cycle	January 1, 2018

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

i. IFRS 9 – Financial Instruments

On January 1, 2018, the Group adopted IFRS 9 "Financial Instruments" as issued by the IASB. IFRS 9 includes a new classification and measurement approach for financial assets and a forward looking expected-credit loss model.

The Group has revised its accounting policy for financial assets and trade and other receivables to reflect the new classification approach as follows:

2. Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group (continued)

i. IFRS 9 – Financial Instruments (continued)

Financial assets

The Group classifies its financial assets in the following categories: amortised cost and fair value through profit or loss. The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Management determines the classification of its financial assets upon initial recognition.

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

i. Financial assets at amortised cost

Financial assets classified as amortised cost are held to collect contractual cash flows that solely represent repayments of the carrying amount of the asset upon initial recognition and interest, if any. These financial assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

ii. Financial assets at fair value through profit or loss

All other financial assets, not classified at amortised cost or at fair value through other comprehensive income, are classified and subsequently measured at fair value through profit or loss.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established based on the probabilities of possible default scenarios, and on changes in those possible default scenarios at each reporting date.

ii. IFRS 15 – Revenue from contracts with customers

On January 1, 2018, the Group adopted IFRS 15 "Revenue from contracts with customers". IFRS 15 establishes a comprehensive framework to determine whether, how much, and when revenue from contracts with customers is recognised.

The Group implemented IFRS 15 using the modified retrospective approach with no impact on retained earnings and no changes or adjustments to comparative figures in prior reporting periods.

The Group has revised its accounting policy for revenue as follows:

Revenue

The Group recognises revenue associated with the sale of the Group's working interest share of oil and natural gas products when control of the product is transferred to its customer(s) at which point the Group has satisfied its performance obligations. Revenue is measured on the basis of the consideration specified in the commercial agreements governing the sale of oil and natural gas products.

The Group incurs operating and capital costs for the exploration and development of various license areas. Agreements governing the exploration and development activities establish terms for the Group to recover these costs from the value of the sales of oil and natural gas products (Cost Recovery Oil) and to share in the value of the remaining oil and natural gas products (Profit Oil). The Group's revenue includes the value of gross sales representing the sum of Cost Recovery Oil and Profit Oil.

Summary of significant accounting policies (continued)

c. New and amended standards adopted by the Group (continued)

ii. IFRS 15 – Revenue from contracts with customers (continued)

Revenue (continued)

All remittances to governments who are party to the applicable Production Sharing Contract (“PSC”) that are directly attributable to the sale of oil and natural gas products during the reporting period including the government share of Profit Oil described above, except for income taxes, are reported as royalties.

Under the terms of certain PSCs, the governments’ share of Profit Oil includes an amount in respect of income taxes payable by the Group under the laws of the respective jurisdiction. As this amount is classified as income tax in accordance with IAS 12, the Group recognises the amount as a deduction to royalties with a corresponding income tax expense when the oil and natural gas products are sold.

d. New and amended standards issued but not yet effective

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

New and Amended Standards	Effective for annual periods beginning on or after
IFRS 16 – Leases	January 1, 2019

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

3. 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 nine months ended September 30, 2018. As at September 30, 2018, the Company was involved in the following joint arrangements:

License Area	Classification	Location	Participating interest⁽¹⁾
Hawler	Joint operation	Iraq – Kurdistan Region	65%
AGC ⁽²⁾ Central	Joint operation	Senegal and Guinea Bissau	85%
Haute Mer A	Joint operation	Congo (Brazzaville)	20%
Haute Mer B ⁽³⁾	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. The transaction is expected to close during the fourth quarter of 2018 (note 10).

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4. Intangible assets

\$000s	Exploration & Evaluation costs	Computer Software	Total
Cost			
At January 1, 2017	375,075	2,180	377,255
Additions ⁽¹⁾⁽²⁾⁽³⁾	(1,195)	5	(1,190)
At September 30, 2017	373,880	2,185	376,065
Additions	2,135	1	2,136
Transfer to Assets held for disposal ⁽³⁾ (note 10)	(15,998)	-	(15,998)
At December 31, 2017	360,017	2,186	362,203
Additions	6,326	4	6,330
At September 30, 2018	366,343	2,190	368,533
Accumulated amortisation and impairment			
At January 1, 2017	285,246	2,078	287,324
Amortisation	-	74	74
Impairment reversal ⁽²⁾⁽³⁾	(1,132)	-	(1,132)
At September 30, 2017	284,114	2,152	286,226
Amortisation	-	7	7
Impairment reversal ⁽²⁾⁽³⁾	(8,279)	-	(8,279)
Transfer to Assets held for disposal ⁽³⁾ (note 10)	(7,998)	-	(7,998)
At December 31, 2017	267,837	2,159	269,996
Amortisation	-	27	27
At September 30, 2018	267,837	2,186	270,023
Net book value			
At September 30, 2018	98,506	4	98,510
At December 31, 2017	92,180	27	92,207

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

(2) During the first quarter of 2017, the Group recorded a credit to additions and an equivalent impairment reversal of \$1.2 million due to revisions in costs previously estimated. During the fourth quarter of 2017, an additional impairment reversal of \$0.3 million due to revisions in costs previously estimated was recorded. As at September 30, 2018, the carrying value of the OML 141 CGU was Nil (December 31, 2017 – Nil).

(3) During the first quarter of 2017, the Group recorded an addition and equivalent impairment expense of \$0.1 million relating to the Congo Haute Mer B license area due to revisions in costs previously estimated. Subsequent to December 31, 2017, the Group entered into an agreement to dispose of its interest in the Haute Mer B License Area. Management concluded that the agreement constituted an indication that the net realisable value of the Group's interest in the Haute Mer B License Area as at December 31, 2017 was greater than Nil as previously estimated and consequently recorded an \$8.0 million net impairment reversal. As at September 30, 2018, the carrying value of the Congo Haute Mer B license, classified as an asset held for disposal, was \$13.3 million (December 31, 2017: \$8.0 million).

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

\$000s	September 30 2018	December 31 2017
Middle East	48,572	48,425
West Africa	49,934	43,755
	98,506	92,180

4. Intangible assets (continued)

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

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.

5. Property, plant and equipment

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

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 area constitute the group’s single CGU which contains property, plant and equipment.

Management has determined that as at September 30, 2018, 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.

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5. Property, plant and equipment (continued)

\$000s	Oil & Gas Assets	Finance Lease Asset	Fixtures and Equipment	Total
Cost				
At January 1, 2017	824,079	47,617	3,326	875,022
Additions ⁽¹⁾	(84)	-	-	(84)
Transfers and reclassifications ⁽²⁾	47,617	(47,617)	-	-
At September 30, 2017	871,612	-	3,326	874,938
Additions	2,476	-	-	2,476
At December 31, 2017	874,088	-	3,326	877,414
Additions	20,825	-	236	21,061
At September 30, 2018	894,913	-	3,562	898,475
Accumulated depreciation, depletion and impairment				
At January 1, 2017	257,392	460	3,320	261,172
Depreciation	-	-	3	3
Depletion	3,625	-	-	3,625
Transfers and reclassifications ⁽²⁾	460	(460)	-	-
At September 30, 2017	261,477	-	3,323	264,800
Impairment expense ⁽³⁾	27,726	-	-	27,726
Depletion	2,266	-	-	2,266
At December 31, 2017	291,469	-	3,323	294,792
Depreciation	-	-	2	2
Depletion	9,152	-	-	9,152
At September 30, 2018	300,621	-	3,325	303,946
Net book value				
At September 30, 2018	594,292	-	237	594,529
At December 31, 2017	582,619	-	3	582,622

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

(2) During the first quarter of 2017, the Group settled a finance lease obligation and assumed ownership of the asset. The facilities previously classified as Finance Lease Assets were concurrently reclassified to Oil & Gas Assets.

(3) As at December 31, 2017, the Group recorded a \$27.7 million impairment charge relating to the Hawler License Area. The impairment charge represents the difference between the recoverable amount of the Hawler license area CGU and its carrying amount prior to impairment. The carrying value of the Hawler License Area CGU at September 30, 2018 is \$594.3 million (December 31, 2017: \$582.6 million).

6. Inventories

\$000s	September 30 2018	December 31 2017
Oil inventory	226	323
Materials	11,041	13,121
	11,267	13,444

The cost of oil inventory is expensed through production and depletion expenses in the period during which it is sold. As at September 30, 2018 the Group's working interest share of oil inventory was 10,560 bbls (December 31, 2017 – 12,100 bbls).

The Group has adjusted the carrying value of materials inventory to management's estimate of net realisable value. The provision at September 30, 2018 is \$6.8 million (December 31, 2017: \$7.7 million).

No inventories have been pledged as security during the period.

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7. Trade and other receivables

\$000s	September 30 2018	December 31 2017
Revenue receivables	17,536	8,085
Other receivables	1,535	672
	19,071	8,757

The carrying amounts of trade and other receivables presented above are reasonable approximations of their fair values. Included in the revenue receivable balance at September 30, 2018 is a provision of \$1.4 million (December 31, 2017 – nil) which was calculated based on the probabilities of possible default (note 19).

8. Other current assets

\$000s	September 30 2018	December 31 2017
Deposits	307	265
Prepaid charges and other current assets	994	677
	1,301	942

9. 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.

10. Assets held for disposal

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 exploration license offshore Congo (Brazzaville) ("HMB License") to a subsidiary of Total S.A. (the "Buyer") (the "Sale Agreement"). Upon closing, the Group's interest in the HMB License is expected to be transferred for cash consideration of \$8 million, payable at closing. The sale will be deemed to be made with effect from January 1, 2018. As a result, the Buyer has agreed to reimburse the Group 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 Group'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 Group, at closing, of \$5.3 million. Subject to completion of closing conditions, the transaction is expected to close during the fourth quarter of 2018. The license interest is presented as an asset held for disposal as at September 30, 2018.

11. Trade and other payables

\$000s	September 30 2018	December 31 2017
Trade accounts payable	5,263	4,782
Amounts payable to joint operations partners	3,394	2,934
Amounts payable to related parties	-	4
Contingent consideration (note 23)	33,980	10,545
Other payables and accrued liabilities	28,416	24,317
Current portion	71,053	42,582
Non-current portion of contingent consideration (note 23)	40,209	54,242
Total trade and other payables	111,262	96,824

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.

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11. Trade and other payables (continued)

As at September 30, 2018, the Group has recognised a liability of \$74.2 million (December 31, 2017 - \$64.8 million) representing the estimated fair value of contingent liabilities associated with the acquisition of OP Hawler Kurdistan Limited. The portion of the liability estimated to be paid beyond one year of the respective dates of the statements of financial position is classified as a long-term liability. The contingent consideration liability is presented at fair value estimated by discounting estimated future cash outflows at a rate of 10% (note 23).

12. 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"). Under the terms of the Loan Amendment, interest, which up to and including May 11, 2017 accrued at an annual compound rate of 10.5%, and principal amounts owing to the Lender up to and including May 11, 2017 (the "Loan Amount") are payable at the Maturity Date or earlier, at the option of the borrower. Interest accrued on the Loan Amount after May 11, 2017 was determined on each of November 11, 2017, May 11, 2018, November 11, 2018, (each, an "Interest Calculation Dates") and has been paid to the Lender by way of issuance of common shares (note 14). The number of common shares were determined using the issue price per share equal to the volume weighted average trading price for the five trading days immediately preceding the Interest Calculation Dates.

On November 13, 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 has agreed to issue warrants to acquire between 3,637,262 and 6,853,677 common shares of the Company to the Lender or one of its affiliates. The warrants will have an exercise price of \$0.2094 per common share and the warrants will expire on November 13, 2021. 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 is to be paid to the Lender by way of issuance of common shares as contemplated in the Loan Amendment. If cash payments to the Lender are then 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 2nd Loan Amendment is subject to the approval of the Toronto Stock Exchange.

Pending definitive conclusion of the 2nd Loan Amendment, Borrowings are presented as a current liability, net of warrant issue and other transaction costs. The carrying value of the loan at September 30, 2018, which has been measured at amortised cost using the effective interest rate method, approximates its fair value and its components are summarised in the table below:

At December 31, 2016	93,103
Interest expense	8,794
Accretion of deferred financing costs	2,081
Extinguishment	(28,124)
At December 31, 2017	75,854
Interest expense	5,971
Accretion of deferred financing costs	682
Extinguishment	(3,959)
At September 30, 2018	78,548

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13. 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 September 30, 2018, management has made significant assumptions and estimates based on an assessment of the current economic environment and factors specific to the assets to be decommissioned. These estimates are reviewed annually and when circumstances suggest that such revisions are required. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain. The assumed inflation rates used in the calculation to determine the carrying value of the decommissioning obligation were updated as at June 30, 2018 to rates ranging from 1.4% to 4.5% (December 31, 2017 – 1.4% to 4.5%). The assumed discount rates which were also updated as at June 30, 2018 range from 4.3% to 7.4% (December 31, 2017 – 4.1% to 7.2%). Decommissioning obligations are anticipated to be incurred in 2038.

The estimated net present value of the decommissioning obligation at September 30, 2018 is \$16.5 million (December 31, 2017 - \$14.6 million) based on the Group's working interest undiscounted liability of \$39.1 million (December 31, 2017 - \$34.3 million).

\$000s	Nine months ended September 30 2018	Year ended December 31 2017
Decommissioning obligation, beginning of the period	14,593	16,664
Property acquisition and development activity	2,260	443
Change in discount rate	(618)	(4,491)
Change in inflation rate	-	1,635
	16,235	14,251
Accretion expense	305	342
Decommissioning obligation, end of the period	16,540	14,593

14. Share capital

a. Issued common shares

\$000s	Number of shares	Share capital
At January 1, 2017	253,361,581	1,279,655
Issue of shares for private placement	161,850,057	54,100
Transaction costs	-	(103)
Issue of shares to settle trade accounts payable	15,500,000	4,750
Issue of shares for directors' compensation	411,828	149
Issue of shares for LTIP	2,310,789	585
At September 30, 2017	433,434,255	1,339,136
Issue of shares to Lender (Note 12)	24,481,049	4,024
Issue of shares for LTIP	147,103	26
At December 31, 2017	458,062,407	1,343,186
Issue of shares to Lender (Note 12)	22,188,975	3,959
Issue of shares for LTIP	4,054,887	725
Issue of shares for directors' compensation	360,372	49
At September 30, 2018	484,666,641	1,347,919

The Company has unlimited authorised share capital outstanding as September 30, 2018.

2018 share capital transactions

During the nine months ended September 30, 2018, the Group issued 360,372 shares to Directors of the Company as remuneration.

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14. Share capital (continued)

2018 share capital transactions (continued)

On July 3, 2018, the Group extinguished \$4.0 million of accrued interest under the Loan Facility described in note 12, in consideration for 22,188,975 common shares of the Company.

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

On November 12, 2018, OPCL 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 12).

2017 share capital transactions

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

On June 20, 2017, OPCL issued 131,933,226 common shares of the Company to a subsidiary of AOG for consideration of \$44.1 million. \$24.1 million of the proceeds from the issue and sale of common shares has been applied to extinguish principal and accrued interest under the Loan Facility described in note 12. On June 20, 2017, the Company also issued 29,916,831 common shares of the Company to Zeg Oil and Gas Ltd ("Zeg Oil and Gas") for consideration of \$10.0 million.

On December 8, 2017, the Group extinguished \$4.0 million of accrued interest under the Loan Facility described in note 12, in consideration for 24,481,049 common shares of the Company.

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

b. Warrants

On March 11, 2015, in accordance with the Loan Facility described in note 12, the Group issued warrants to acquire one million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants was USD \$3.29 per common share. The warrants expired on March 10, 2018.

On May 11, 2015, also in accordance with the Loan Facility described in note 12, the Group issued warrants to acquire seven million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants was USD \$3.56 per common share. The warrants expired on May 11, 2018.

On December 15, 2015, also in accordance with the Loan Facility described in note 12, the Group issued warrants to acquire four million common shares of the Company to an affiliate of the Lender. The exercise price of the warrants is USD \$0.50 per common share. The expiry date of the issued warrants is December 15, 2018.

The following table summarises warrants outstanding and exercisable at September 30, 2018:

	Warrants	Exercise price USD\$	Expiry date
Issued December 15, 2015	4,000,000	0.50	December 15, 2018
Total outstanding and exercisable	4,000,000		

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15. Basic and diluted loss per share

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

\$000s	Three Months ended September 30		Nine Months ended September 30	
	2018	2017	2018	2017
Loss for the period attributable to equity holders	(5,216)	(5,851)	(13,012)	(10,911)
Weighted average number of shares for basic and diluted loss per share ⁽¹⁾	481,319,406	431,912,214	466,115,098	326,343,425
\$				
Basic and diluted loss per share	(0.01)	(0.01)	(0.03)	(0.03)

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

16. Reserves

\$000s	Other Reserves	Share based payments	Total reserves
At January 1, 2017	2,700	11,701	14,401
Share based payment transactions	-	1,621	1,621
Issue of shares for LTIP	-	(585)	(585)
Share based directors compensation	-	74	74
Issue of shares for directors' compensation	-	(149)	(149)
At September 30, 2017	2,700	12,662	15,362
Share based payment transactions	-	518	518
Issue of shares for LTIP	-	(26)	(26)
Share based directors compensation	-	25	25
At December 31, 2017	2,700	13,179	15,879
Share based payment transactions	-	1,406	1,406
Issue of shares and cash for LTIP	-	(830)	(830)
Issue of shares for directors' compensation	-	(50)	(50)
Increase in ownership of KPAWDE ⁽¹⁾	(57)	-	(57)
At September 30, 2018	2,643	13,705	16,348

(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%.

17. Supplemental cash flow information

Items not involving cash

\$000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Depreciation, depletion and amortisation	4,314	1,425	9,193	3,696
Share based payment expense	305	253	924	1,041
Impairment reversal	-	-	-	(1,132)
Unrealised foreign exchange losses	(54)	(249)	(39)	(107)
Non-cash income tax expense / (benefit)	4	10	9	(132)
Finance expense	8,618	2,643	16,360	10,458
General and administrative expense	-	(87)	29	83
Other expense / (income)	226	1,219	850	(8,082)
Items not involving cash	13,413	5,214	27,326	5,825

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17. Supplemental cash flow information (continued)

Change in non-cash working capital

\$000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Inventories	499	529	2,771	1,380
Trade and other receivables	(7,995)	(3,478)	(11,734)	(1,741)
Other current assets	257	515	(359)	230
Trade and other payables	6,043	(4,311)	5,017	(2,379)
Change in non-cash working capital	(1,196)	(6,745)	(4,305)	(2,510)
Changes in operating non-cash assets and liabilities	(3,481)	(3,979)	(13,382)	1,759
Changes in investing non-cash assets and liabilities	2,285	(2,766)	9,077	(4,269)
Change in non-cash working capital	(1,196)	(6,745)	(4,305)	(2,510)

Other cash flow information

\$000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Cash interest received	-	51	-	93
Cash interest paid	-	-	-	464
Cash income taxes paid	-	-	213	243

18. Income tax expense

\$000s	Three months ended September 30		Nine months ended September 30	
	2018	2017	2018	2017
Current income tax expense	631	229	1,371	691
Deferred tax on LTIP shares	4	1	9	11
Deferred tax on defined benefit obligation	-	10	-	(142)
Total deferred tax	4	11	9	(131)
Income tax expense	635	240	1,380	560

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 nine months ended September 30, 2018, income taxes related to oil sales in the Kurdistan Region of Iraq in the amount of \$1.2 million (2017 - \$0.5 million) were deemed to be collected by the government through its allocation of profit oil under the Hawler Production Sharing Contract.

19. Other (expense) / income

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

\$000s	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Impairment of trade and other receivables	7	(540)	-	(1,420)	-
Recovery / (Impairment) of materials inventory	6	543	129	829	(34)
Settlement of finance lease liability		-	-	-	7,605
Restructuring charge		-	-	-	63
Other (expense) / income		(197)	(49)	(159)	75
Other (expense) / income		(194)	80	(750)	7,709

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20. Finance expense

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

\$000s	Note	Three months ended September 30		Nine months ended September 30	
		2018	2017	2018	2017
Interest expense on Borrowings	12	2,012	2,012	5,971	6,782
Accretion of deferred financing costs	12	257	173	682	1,880
Change in fair value of contingent consideration	23	5,342	1,192	6,740	(569)
Interest on contingent consideration	23	898	361	2,663	1,106
Accretion of Decommissioning obligation	13	110	95	305	246
Interest expense on Finance lease obligation		-	-	-	443
Finance expense		8,619	3,833	16,361	9,888

21. 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 nine months ended September 30, 2018				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	61,186	-	-	61,186
Royalty	(26,925)	-	-	(26,925)
Net revenue	34,261	-	-	34,261
Operating expense	(12,331)	-	-	(12,331)
Depreciation, depletion and amortisation	(9,167)	-	(26)	(9,193)
Pre-license and exploration	-	61	-	61
General and administration	(2,501)	(155)	(4,828)	(7,484)
Other expense	(750)	-	-	(750)
Segment result	9,512	(94)	(4,854)	4,564
Finance income				142
Finance expense				(16,361)
Foreign exchange gain				23
Loss before income tax				(11,632)
Income tax expense				(1,380)
Loss for the period				(13,012)
Capital additions	20,785	6,366	240	27,391
Segment assets as at September 30, 2018	680,127	72,382	2,728	755,237
Segment liabilities as at September 30, 2018	199,062	5,783	4,467	209,312

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21. Segment information (continued)

For the nine months ended September 30, 2017				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	24,860	-	-	24,860
Royalty	(10,940)	-	-	(10,940)
Net revenue	13,920	-	-	13,920
Operating expense	(11,645)	-	-	(11,645)
Depreciation, depletion and amortisation	(3,618)	-	(77)	(3,695)
Impairment recovery	-	1,132	-	1,132
Pre-license and exploration	-	(803)	-	(803)
General and administration	(2,639)	(136)	(4,504)	(7,279)
Other income	8,102	-	176	8,278
Segment result	4,120	193	(4,405)	(92)
Finance income				93
Finance expense				(10,457)
Foreign exchange gain				94
Loss before income tax				(10,362)
Income tax expense				(560)
Loss for the period				(10,922)
Capital additions ⁽¹⁾	(1,974)	694	6	(1,274)
Segment assets as at September 30, 2017	697,497	64,653	6,435	768,585
Segment liabilities as at September 30, 2017	184,533	2,397	3,581	190,511

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

For the three months ended September 30, 2018				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	29,355	-	-	29,355
Royalty	(12,918)	-	-	(12,918)
Net revenue	16,437	-	-	16,437
Operating expense	(5,571)	-	-	(5,571)
Depreciation, depletion and amortisation	(4,314)	-	(1)	(4,315)
General and administration	(839)	(64)	(1,511)	(2,414)
Other expense	(194)	-	-	(194)
Segment result	5,519	(64)	(1,512)	3,943
Finance income				72
Finance expense				(8,619)
Foreign exchange loss				23
Loss before income tax				(4,581)
Income tax expense				(653)
Loss for the period				(5,216)
Capital additions	6,926	5,288	240	12,454

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21. Segment information (continued)

For the three months ended September 30, 2017				
\$000s	Middle East	West Africa	Corporate	Total
Revenue	9,844	-	-	9,844
Royalty	(4,332)	-	-	(4,332)
Net revenue	5,512	-	-	5,512
Operating expense	(3,364)	-	-	(3,364)
Depreciation, depletion and amortisation	(1,408)	-	(16)	(1,424)
Pre-license and exploration	-	(403)	-	(403)
General and administration	(862)	(54)	(1,267)	(2,183)
Other expense	142	-	(62)	80
Segment result	20	(556)	(2,974)	(1,782)
Finance income				51
Finance expense				(3,833)
Foreign exchange loss				(56)
Loss before income tax				(5,620)
Income tax expense				(240)
Loss for the period				(5,860)
Capital additions	3,428	396	1	3,825

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

\$000s	September 30 2018	December 31 2017
Iraq	640,056	631,042
Senegal and Guinea Bissau	44,852	43,773
Other	234	268
	685,142	675,083

22. Commitments

(a) Contractual obligations

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

\$000s	September 30 2018	December 31 2017
No later than one year	2,523	6,143
One to five years	38,844	38,546
Greater than five years	16,114	16,100
	57,481	60,789

The commitments noted above reflect the Group's execution of expected and contracted exploration and development activities as at September 30, 2018. 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.

22. 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 nine months ended September 30, 2018 was \$0.2 million (2017 - \$0.1 million).

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

<u>\$000s</u>	September 30 2018	December 31 2017
No later than one year	135	243
One to five years	31	46
	166	289

23. Contingent liabilities

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 within these Financial Statements, no such litigation or claim, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position or results of operations of the Company.

During 2011, the Group acquired OP Hawler Kurdistan Limited 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 contingent liability is presented at management's estimate of fair value, which as at September 30, 2018, amounted to \$74.2 million (December 31, 2017 - \$64.8 million) (note 11). During the three and nine months ended September 30, 2018, contingent interest accrued at a rate of 5.0% per annum. During the three and nine months ended September 30, 2017, contingent interest accrued at a rate of 1.9% per annum. For periods beginning on October 1, 2018, if the average price of 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.

The Group has recently agreed with the vendor of the Hawler License Area to amend terms of Purchase Agreement (the "2018 Amendment"), with execution of the 2018 Amendment expected in the coming days. The 2018 Amendment provides for a \$11.4 million deferral payment which the Group expects to make upon 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 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 will no longer apply and the contingent consideration obligation, if subsequently triggered by a second commercial discovery, will revert to a single lump-sum payment obligation.

For the specific purpose of estimating the fair value of the contingent liability, management's estimate assumes that the Group will achieve a second declaration of commercial discovery in the Hawler license area, that the contingent consideration will consequently become payable, and that the timing and amount of resulting cash outflows will be consistent with the terms outlined in 2018 Amendment. The fair value of the contingent 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 agreement with the counterparty and discounted using an observed market rate for similar obligations. As at September 30, 2018, management has assumed an interest rate of 10% per annum and a 10% discount rate (December 31, 2017 – 5% interest rate, 10% discount rate).

24. Events after the statement of financial position date

On November 13, 2018, the Group entered into a committed and unsecured term loan agreement (“Interim Credit Facility”) jointly with an affiliate of AOG and Zeg Oil & Gas. The Interim Credit Facility provides the Group with access to \$7.5 million, to be drawn no later than December 31, 2018. Amounts drawn under the Interim Credit Facility (“Principal”) shall bear interest at annual rate of 10.5% calculated daily and compounding at the end of each calendar month (“Interest”). 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 10), and ii) March 31, 2019 (the “Interim Credit Facility Maturity Date”). The Group has the option to repay the Interim Credit Facility in cash or through the issuance of common shares at an issue price equal to \$0.1731 per common share. The Interim Credit Facility is subject to the approval of the Toronto Stock Exchange.