

# Oryx Petroleum 2017 Financial and Operational Results



***64% increase in Revenues; Receipt of full payment for oil export sales through November 2017; Re-commencement of appraisal drilling in the Hawler license area; Maturation of AGC Central license area***

**Calgary, Alberta, March 7, 2018**

Oryx Petroleum Corporation Limited ("Oryx Petroleum" or the "Corporation") today announces its financial and operational results for the year ended December 31, 2017. All dollar amounts set forth in this news release are in United States dollars, except where otherwise indicated.

## **2017 Financial Highlights:**

- Total revenues of \$37.4 million on working interest sales of 779,200 barrels of oil ("bbl") and an average realised sales price of \$43.17/bbl for 2017
  - 64% annual increase in revenues versus 2016
  - Q4 2017 revenues increased 27% versus Q3 2017
  - The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sale deliveries into the Kurdistan Export Pipeline through November 2017
- Operating expenses of \$15.5 million (\$19.87/bbl) and an Oryx Petroleum Netback<sup>1</sup> of \$5.99/bbl
  - 7% decrease in operating expenses per barrel versus 2016
  - Oryx Petroleum Netback<sup>1</sup> increased by 43% to \$12.92/bbl in Q4 2017 versus Q3 2017
- Net loss of \$39.1 million (\$0.11 per common share) in 2017 versus net loss of \$65.7 million in 2016 (\$0.31 per common share)
- Net cash used in operating activities was \$9.7 million versus \$11.5 million in 2016 comprised of negative Operating Cash Flow<sup>2</sup> of \$5.4 million and a \$4.3 million increase in non-cash working capital
- Net cash used in investing activities during 2017 was \$22.3 million including payments related to drilling and facilities work in the Hawler license area, the settlement of the finance lease obligation related to the Demir Dagh production facilities, seismic processing and interpretation costs in the AGC Central license area, and reductions in accounts payable
- \$38.6 million of cash and cash equivalents as of December 31, 2017
- Total liabilities reduced by 20% versus year end 2016

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<sup>1</sup> Oryx Petroleum Netback is a non-IFRS measure. See the table below for a definition of and other information related to the term.

<sup>2</sup> Operating Cash Flow is a non-IFRS measure. See the table below for a definition of and other information related to the term.



### **2017 Operations Highlights:**

- Average gross (100%) oil production of 3,300 bbl/d (working interest 2,100 bbl/d) for the year ended December 31, 2017 vs 2,500 bbl/d (working interest 1,600 bbl/d) for the year ended December 31, 2016
  - 32% increase in 2017 versus 2016
  - Successful re-completion of the ZAB-1 sidetrack (“ST”) well in the Cretaceous reservoir and increased production from the ZEG-1 ST well in the Cretaceous reservoir
- Gross (working interest) proved plus probable oil reserves of 122 million barrels as at December 31, 2017
- Processing and interpretation of 3D seismic data covering the AGC Central license area largely completed
- Best estimate unrisks gross (working interest) prospective oil resources of 3,750 million barrels as at December 31, 2017
  - Upward revision of estimates for the AGC Central license area
- Divestment/relinquishment of the OML 141 and AGC Shallow licences completed

### **2018 Operations Update:**

- Average gross (100%) oil production of 3,600 bbl/d and 3,900 bbl/d in January and February 2018, respectively
- The ZEG-2 appraisal well targeting the Cretaceous reservoir was spudded in January 2018 and drilled to a measured depth of 2,120 metres. The well is currently being logged and is expected to be completed as a producer in the coming weeks
- Preparations for drilling at the Banan field are underway with drilling expected to commence in Q2 2018
- Final interpretation of 3D seismic data covering the AGC Central license area is in advanced stages and is expected to be completed in the coming months with prospect selection and preparation for drilling to follow
- Recently accepted a non-binding offer to transfer the Corporation’s full interest in the Haute Mer B license area for cash consideration.

### **2018 Forecasted Work Program and Capital Expenditures:**

- 2018 capital expenditure forecast of \$48 million (versus \$55 million budget). Most expenditures will be dedicated to further appraisal and early development of the Hawler license area in the Kurdistan Region of Iraq and finalisation of 3D seismic data and drilling preparation in the AGC Central license area. Forecast activities consist of:
  - \$35 million dedicated to the Hawler license area: seven wells including one short-radius sidetrack well targeting the Demir Dagh Cretaceous reservoir, two wells targeting the Zey Gawra Cretaceous reservoir, re-entry of the existing Banan-2 well targeting the Banan Cretaceous reservoir and three wells targeting the Banan Tertiary reservoir; flowlines and required facilities modifications needed to accommodate incremental production



- \$13 million dedicated to the AGC Central license area including preparations for exploration drilling in 2019, and a contingent payment for 3D seismic acquisition and processing required upon the expected entry into the first renewal of the license's exploration period in September 2018.

**Liquidity Outlook:**

- The Corporation expects cash on hand as of December 31, 2017 and cash receipts from net revenues and export sales exclusively through the Kurdistan Export Pipeline, will allow it to fund its forecasted cash expenditures and operating and administrative costs and to meet its obligations through the end of 2018. Beyond 2018, additional capital is likely required to fund further development of the Hawler license area and for drilling in the AGC Central license area.



## CEO's Comment

Commenting today, Oryx Petroleum's Chief Executive Officer, Vance Querio, stated:

*"In 2017 we made significant progress in repositioning the company for the future. We increased production from the Hawler license area by 32% thanks to production from the Zey Gawra field. We also lowered per barrel operating costs which together with higher realised prices improved cash flow.*

*We matured our interests in the AGC Central license area. 3D seismic data acquired in late 2016 and early 2017 has been processed and interpretation is in advanced stages with final interpretation expected to be completed in the next couple of months. Based on initial interpretation, 11 prospects have been identified with best estimate unrisked gross (working interest) prospective oil resources of 3,450 million barrels.*

*During 2017 we completed a major recapitalisation of our balance sheet. We restructured and/or reduced all of our major liabilities and commitments and we raised equity capital from our major shareholders to fund our capital program through the end of 2018. We also made progress rationalising our license portfolio with the disposal of the OML 141 license area in Nigeria and the relinquishment of the AGC Shallow license area. In recent weeks we have accepted an offer to transfer our interest in the Haute Mer B license area in Congo (Brazzaville) for cash consideration and we expect that the disposal of our interest in the Haute Mer A license area in Congo (Brazzaville) will be completed in the coming months.*

*Our 2018 capital program is focused on our core license areas: the Hawler license area in the Kurdistan Region of Iraq, and the AGC Central license area offshore Senegal and Guinea Bissau. In the Hawler license area our program includes the drilling or re-entry of seven wells and has been designed to allow us to significantly increase production and better define the development potential of the three key fields in the license area. We recently finished drilling the first of the seven planned wells. The ZEG-2 well targets the Zey Gawra Cretaceous reservoir, and we expect to complete the well as a producer in the coming weeks. In the AGC Central license area, our forecasted capital expenditures include a final payment for the acquisition of 3D seismic data currently being interpreted, and preparations for exploration drilling planned in 2019.*

*We expect that cash on hand and cash receipts from net revenues will fund forecasted capital expenditures and operating and administrative costs through the end of 2018.*

*We look forward to implementing our plans in 2018 and achieving both higher production in the Hawler license area and preparing for an exciting exploration drilling program in the AGC Central license area in 2019."*



## Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards (“IFRS”) and the reporting currency is US dollars. References in this news release to the “Group” refer to Oryx Petroleum and its subsidiaries. The following table summarises selected financial highlights for Oryx Petroleum for the year and three month periods ended December 31, 2017 and December 31, 2016.

(\$ in millions unless otherwise indicated)	Three Months Ended December 31		Year Ended December 31	
	2017	2016	2017	2016
Revenue	12.5	7.8	37.4	22.8
Working Interest Production (bbl)	226,100	186,000	781,400	588,000
Average WI Production per day (bbl/d)	2,500	2,000	2,100	1,600
Working Interest Sales (bbl)	225,000	182,000	779,200	593,300
Average Sales Price (\$/bbl)	50.04	38.75	43.17	34.61
Operating Expense	3.8	3.1	15.5	12.6
Field production costs (\$/bbl) <sup>(1)</sup>	13.06	12.88	15.20	16.28
Field Netback (\$/bbl) <sup>(2)</sup>	11.39	6.04	5.89	0.63
Operating expenses (\$/bbl)	17.07	16.85	19.87	21.28
Oryx Petroleum Netback (\$/bbl) <sup>(3)</sup>	12.92	6.37	5.99	(0.54)
Net Loss	28.1	26.2	39.1	65.7
Loss per Share (\$/sh)	0.06	0.10	0.11	0.31
Operating Cash Flow <sup>(4)</sup>	(0.3)	(1.7)	(5.4)	(9.2)
Net Cash used in operating activities	6.1	0.6	9.7	11.5
Net Cash used in investing activities	1.6	5.3	22.3	34.7
Capital Expenditure <sup>(5)</sup>	4.6	10.5	3.3	36.3
Cash and Cash Equivalents	38.6	40.7	38.6	40.7
Total Assets	744.8	766.4	744.8	766.4
Total Liabilities	190.4	237.9	190.4	237.9
Total Equity	554.4	528.6	554.4	528.6

(1) Field production costs represent Oryx Petroleum’s working interest share of gross production costs and exclude the partner share of production costs carried by Oryx Petroleum.

(2) Field Netback is a non-IFRS measure that represents the Group’s working interest share of oil sales net of the Group’s working interest share of royalties, the Group’s working interest share of operating expenses and the Group’s working interest share of taxes. Management believes that Field Netback is a useful supplemental measure to analyse operating performance and provides an indication of the results generated by the Group’s principal business activities prior to the consideration of production sharing contract and joint operating agreement financing characteristics, and other income and expenses. Field Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies.

- (3) *Oryx Petroleum Netback is a non-IFRS measure that represents Field Netback adjusted to reflect the impact of carried costs incurred and recovered through the sale of cost oil during the reporting period. Management believes that Oryx Petroleum Netback is a useful supplemental measure to analyse the net cash impact of the Group's principal business activities prior to the consideration of other income and expenses. Oryx Petroleum Netback does not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies.*
- (4) *Operating Cash Flow is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital and changes in the retirement benefit obligation balance. The term Operating Cash Flow should not be considered an alternative to or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS. Management considers Operating Cash Flow to be a key measure as it demonstrates the Group's ability to generate the cash flow necessary to fund future growth through capital investment. Operating Cash Flow does not have any standardised meaning prescribed by IFRS and may not be comparable to similar measures used by other companies.*
- (5) *Capital Expenditure for the year ended December 31, 2017 includes credits of \$7.5 million reflecting revisions of previously estimated costs related to the Hawler and OML 141 license areas and \$2.4 million in non-cash credits relating to revisions to estimates associated with decommissioning liabilities. Capital Expenditure for the year ended December 31, 2016 includes non-cash items totalling \$13.8 million reflecting changes to estimates associated with decommissioning liabilities and finance lease assets related to the Hawler license area, and a non-cash revision to previous costs incurred in the OML 141 license area.*
- Revenue for the year increased to \$37.4 million in 2017 versus \$22.8 million in 2016 due to a 25% increase in average oil sales prices and a 31% increase in oil sales volumes. Gross (working interest) production and sales of oil in 2017 were 781,400 barrels and 779,200 barrels, respectively, versus 588,000 and 593,300 barrels, respectively, for 2016. The average oil sales price realised in 2017 was \$43.17 per barrel versus \$34.61 for 2016. In addition to oil sales, revenue includes the recovery of carried costs.
  - Operating expenses in the year increased 23% to \$15.5 million in 2017 versus \$12.6 million in 2016 due to the costs associated with the operation of the Zey Gawra field that commenced production in December 2016 partially offset by lower operating costs at the Demir Dagah field resulting from the implementation of a cost reduction program that has reduced personnel, security, camp and facilities operating costs. Operating expenses on a per barrel basis declined 7% in 2017 versus 2016 but remain significantly higher than expected over the longer term due to low production levels relative to expected field plateau production levels. Per barrel operating expenses are expected to improve in the near term but will continue to be at elevated levels prior to achieving production and sales levels closer to expected field plateau production levels. Oryx Petroleum currently carries the Kurdistan Regional Government's share of production costs. The Oryx Petroleum Netback achieved in 2017 of \$5.99 per barrel reflects the Field Netback plus adjustments for carried costs.
  - General and administrative expenses increased to \$10.7 million in 2017 versus \$9.4 million in 2016. 2017 expenses include \$3.7 million in support costs that were allocated to capital expenditures in prior years.
  - Net loss for the year decreased to \$39.1 million in 2017 as compared to net loss of \$65.7 million in 2016. The reduced loss is primarily attributable to i) an increase in net revenue of \$8.2 million, ii) a \$7.6 million gain recorded on the settlement of the finance lease obligation during the first quarter of 2017, iii) an \$0.7 million inventory impairment recovery in 2017 versus a \$8.3 million inventory impairment and \$2.2 million restructuring charge in 2016, iv) a \$3.1 million decrease in finance expense due to the lower outstanding balance of the loan facility provided by AOG, and v) a \$0.5 million reduction of impairment expense. Impairment expense in 2017 included a \$27.7 million impairment related to the Hawler license area partially offset by \$9.4 million of impairment reversals related to the Haute Mer B and OML 141 license areas. These positive factors were partially offset by a \$2.9 million increase in operating expense and a \$1.3 million increase in general and administrative costs.



- Operating Cash Flow was negative \$5.4 million for 2017 compared to Operating Cash Flow of negative \$9.2 million in 2016. The reduction in negative Operating Cash Flow is primarily due to higher revenues and a higher achieved netback in 2017.
- Net cash used in operating activities decreased to \$9.7 million in 2017 as compared to \$11.5 million in 2016. The decrease reflects higher revenues and netback offset by a larger increase in non-cash working capital in 2017 versus 2016.
- Net cash used in investing activities decreased to \$22.3 million in 2017 as compared to \$34.7 million in 2016 reflecting reduced cash outflows for capital investment during the period.
- Capital expenditures in 2017 totalled \$3.3 million as compared to \$36.3 million in 2016. In 2017, \$6.7 million of capital expenditures were incurred in the Hawler license area primarily on drilling activity. 2017 capital expenditures also included \$1.6 million related to the acquisition and processing of 3D seismic data in the AGC Central license area sponsored by the Corporation, and \$4.8 million in technical support and license maintenance costs. These expenditures were offset by \$7.5 million in non-cash revisions to previous estimates of costs recorded related to the Hawler and OML 141 licence areas and a \$2.4 million non-cash adjustment related to revisions to estimates used to calculate the decommissioning obligation associated with the Hawler license area.
- Cash and cash equivalents decreased to \$38.6 million at December 31, 2017 from \$40.7 million at December 31, 2016 reflecting negative Operating Cash Flow, capital expenditures, and movements in non-cash working capital offset by the proceeds of a private placement of shares in June 2017.
- In March 2015, Oryx Petroleum entered into a Loan Agreement with AOG whereby AOG committed to provide a \$100 million unsecured credit facility to Oryx Petroleum. As at December 31, 2017 the balance owing under the facility totalled \$77.1 million, including \$1.1 million in accrued interest which will be settled through the issuance of common shares.
  - Maturity date: July 1, 2019
  - Interest accrued after May 11, 2017 will be paid out in common shares approximately every six months, rather than in cash upon maturity, at the then current five day volume-weighted average trading price for the common shares
- The Corporation is obligated to make further payments to the vendor of the Hawler license area contingent upon declaration of commerciality of a second discovery in the Hawler license area.
  - As at December 31, 2017, the total balance of principal and accrued interest owed under the contingent consideration obligation was \$72.1 million. The remaining principal balance plus accrued interest is to be paid in four annual instalments beginning September 30, 2018
  - If the Corporation has not declared a second commercial discovery by 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 lump-sum payment obligation
- As at March 7, 2018, 458,422,779 common shares are outstanding. As at March 7, 2018 there are unvested Long Term Incentive Plan awards which will result in the issuance of up to an additional 9,496,149 common shares upon vesting.



## 2018 Capital Expenditure Forecast

Oryx Petroleum re-forecasted capital expenditures for 2018 are \$48 million, reduced from the previously announced budget of \$55 million. The reduction reflects revised estimated drilling costs in the Hawler license area and a revised estimate of drilling preparation costs to be incurred during 2018 relating to the AGC Central license area. The Corporation now plans one workover at the Demir Dagh field rather than two. The following table summarises the Corporation's 2018 forecasted cash capital expenditure program against budget:

Location	License/Field/Activity	2018 Budget \$ millions	2018 Forecast \$ millions
<b>Kurdistan Region</b>	Hawler		
	Zey Gawra-Drilling	11	9
	Demir Dagh-Drilling	5	4
	Demir Dagh-Facilities	2	2
	Banan-Drilling	14	11
	Banan-Facilities	6	6
	Other <sup>(1)</sup>	2	3
	<b>Total Hawler</b>	<b>40</b>	<b>35</b>
<b>West Africa</b>	AGC Central--Drilling Prep	8	6
	AGC Central--Other	7	7
<b>Capex Total<sup>(2)</sup></b>		<b>55</b>	<b>48</b>

Note:

(1) Other is comprised primarily of license maintenance costs

(2) Totals may not add-up due to rounding.

### Kurdistan Region of Iraq -- Hawler License Area

Demir Dagh drilling--consists of costs related to short radius sidetrack of the previously drilled Demir Dagh-5 well. Sidetrack operations are expected to be completed in the first half of 2018.

Zey Gawra drilling--consists of the drilling of two new wells targeting the Zey Gawra Cretaceous reservoir. One well has been drilled in early 2018 and is expected to be completed in the coming weeks and another is planned in late 2018 subject to the performance of existing wells.

Banan drilling--consists of i) the re-entry, completion and testing of the Banan-2 well targeting the Cretaceous reservoir, which was suspended in 2014 due to security developments, and ii) the drilling of three new wells targeting the Tertiary reservoir. The Banan-2 re-entry and the drilling of the first new well targeting the Tertiary reservoir are planned in the first half of 2018 while a further two wells targeting the Tertiary reservoir planned for the second half of the year are subject to the success of the first well.

Demir Dagh facilities--comprised of modifications to the Hawler truck loading station needed to accommodate increased production, and minor infrastructure works.

Banan facilities expenditures—comprised of site remediation, construction of a truck loading station at the Banan field, the construction of a new drilling pad needed to drill wells planned in the second half of the year, and flowlines.



### *AGC Central License Area*

Consists of preparation for drilling planned in 2019, facilities studies, and a final payment for the acquisition of 3D seismic data contingent upon entering the first renewal of the exploration period under the applicable production sharing contract which is expected in September 2018.

### **Divestment of Interest in the Haute Mer B License Area**

On February 27, 2018, Oryx Petroleum accepted a non-binding offer to transfer its 30% interest in the Haute Mer B license area in Congo (Brazzaville) for cash consideration. The transaction is expected to close in Q2 2018.

### **Regulatory Filings**

This announcement coincides with the filing with the Canadian securities regulatory authorities of Oryx Petroleum's audited condensed consolidated financial statements for the year ended December 31, 2017 and the related management's discussion and analysis thereon. Copies of these documents filed by Oryx Petroleum may be obtained via [www.sedar.com](http://www.sedar.com) and the Corporation's website, [www.oryxpetroleum.com](http://www.oryxpetroleum.com).

### **ABOUT ORYX PETROLEUM CORPORATION LIMITED**

Oryx Petroleum is an international oil exploration, development and production company focused in Africa and the Middle East. The Corporation's shares are listed on the Toronto Stock Exchange under the symbol "OXC". The Oryx Petroleum group of companies was founded in 2010 by The Addax and Oryx Group P.L.C. Oryx Petroleum has interests in four license areas, two of which have yielded oil discoveries. The Corporation is the operator in two of the four license areas. One license area is located in the Kurdistan Region of Iraq and three license areas are located in West Africa in the AGC administrative area offshore Senegal and Guinea Bissau, and Congo (Brazzaville). Further information about Oryx Petroleum is available at [www.oryxpetroleum.com](http://www.oryxpetroleum.com) or under Oryx Petroleum's profile at [www.sedar.com](http://www.sedar.com).

### **For additional information about Oryx Petroleum, please contact:**

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### ***Reader Advisory Regarding Forward-Looking Information***

Certain statements in this news release constitute "forward-looking information", including statements related to estimates of oil reserves and resources volumes, forecast work program and capital expenditure for 2018, drilling and well workover plans, development plans and schedules and chance of success, future drilling of wells and the reservoirs to be targeted, plans for drilling in the Banan field to commence in the first half of 2018, expectations that the ZEG-2 well will be completed as a producer in the coming weeks, ultimate recoverability of current and long-term assets, expected completion of interpretation of 3D seismic data from the AGC Central license area in the coming months and plans to identify and map prospects in the AGC Central license area and



prepare for drilling, expected entry into the first renewal of the exploration period under the AGC Central PSC in September 2018, possible commerciality of our projects, plateau production rates, future expenditures and sources of financing for such expenditures, expectations that cash on hand as of December 31, 2017, and cash receipts from net revenues will allow the Corporation to fund forecasted cash expenditures and operating and administrative costs and to meet its obligations through the end of 2018, expected closing of a transaction to transfer the Corporation's interests in the Haute Mer B license area in Q2 2018, expected transfer of interests in the Haute Mer A license area for no consideration in the coming months, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards and in consideration of interest under the Loan Agreement with AOG, future requirements for additional funding, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the credit facility with AOG and the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, and statements that contain words such as "may", "will", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "potentially", "project", or the negative of such expressions and statements relating to matters that are not historical fact, constitute forward-looking information within the meaning of applicable Canadian securities legislation.

Although Oryx Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. For more information about these assumptions and risks facing the Corporation, refer to the Corporation's annual information form dated March 23, 2017 available at [www.sedar.com](http://www.sedar.com) and the Corporation's website at [www.oryxpetroleum.com](http://www.oryxpetroleum.com). Further, statements including forward-looking information in this news release are made as at the date they are given and, except as required by applicable law, Oryx Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether as a result of new information, future events or otherwise. If the Corporation does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

#### ***Reader Advisory Regarding Certain Figures***

Unless provided otherwise, all production and capacity figures and volumes cited in this news release are gross (100%) values, indicating that figures (i) have not been adjusted for deductions specified in the production sharing contract applicable to the Hawler license area, and (ii) are attributed to the license area as a whole and do not represent Oryx Petroleum's working interest in such production, capacity or volumes.

#### ***Reserves Advisory***

Oryx Petroleum's reserves estimates have been prepared and evaluated by Netherland, Sewell & Associates, Inc., an independent oil and gas consulting firm, with effective dates as at December 31, 2017 and December 31, 2016, as indicated, in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook.

Proved oil reserves are those reserves which are most certain to be recovered. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved oil reserves. Probable oil reserves are those additional reserves that are less certain to be recovered than proved oil reserves. There is at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable oil reserves. Volumes are based on commercially recoverable volumes within the life of the production sharing contract. See the Material Change Report filed by the Corporation on February 15, 2018 for more information regarding Oryx Petroleum's reserves estimates.