

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

FOR THE THREE AND NINE MONTHS ENDED
September 30, 2016 and 2015



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

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the condensed consolidated interim financial statements of Oryx Petroleum Corporation Limited ("OPCL" or, the "Company") and its subsidiaries for the three and nine months ended September 30, 2016 and 2015 (the "Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The date of this MD&A is November 9, 2016.

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

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

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

Readers should refer to the "Forward-Looking Information" advisory on page 25. Additional information relating to OPCL, including OPCL's Annual Information Form dated March 24, 2016, is on SEDAR at www.sedar.com.

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Company Overview

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

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

| License Area | Location | Participating Interest | Working Interest ("WI") | Role |
|--------------|---------------------------|------------------------|-------------------------|-------------------|
| Hawler | Iraq – Kurdistan Region | 65% | 65% | Operator |
| AGC Shallow | Senegal and Guinea Bissau | 85% | 80% ⁽¹⁾ | Operator |
| AGC Central | Senegal and Guinea Bissau | 85% | 80% ⁽¹⁾ | Operator |
| OML 141 | Nigeria | 38.67% | 38.67% | Technical partner |
| Haute Mer A | Congo (Brazzaville) | 20% | 20% | Non-operator |
| Haute Mer B | Congo (Brazzaville) | 30% | 30% | Non-operator |

Notes:

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

Agreements relating to the Group's right to conduct oil exploration activities in the Wasit province of Iraq are no longer in effect. Permits necessary for exploration activities to proceed have never been issued, restricting the Group's ability to advance exploration activity during the terms of the applicable agreements.

Operational Highlights and Outlook

Operational highlights

- Average gross (100%) oil production of 2,900 barrels per day (“bbl/d”) for Q3 2016 from the Demir Dagh field:
 - Production achieved on all days in the quarter with all production sold via export pipeline,
 - Average realisation on sales of \$35.19/bbl reflecting a discount of \$10.66/bbl to average Brent crude oil price.
- Average gross (100%) oil production of 2,900 bbl/d in October 2016 at the Demir Dagh field:
 - Average realisation on sales of \$39.17/bbl reflecting a discount of \$10.49/bbl to average Brent crude oil price.
- Appraisal and initial development of the Zey Gawra field in progress with initial intervention on one of three planned wells concluded:
 - The ZAB-1 well in the Zey Gawra field was spudded in 1990, reached targeted total depth and was successfully re-entered in 2003 after a long suspension prompted by the Gulf War, with the well suspended again prior to completion due to the resumption of hostilities in Iraq;

In late September 2016, Oryx Petroleum resumed test activities conducting a fluid identification test through a 17 metre perforated interval at a depth of approximately 1,000 metres in the Tertiary reservoir;

After a series of short clean-up flow periods, the well flowed steadily during an 8 hour test through a one inch choke, producing 9.6 million standard cubic feet per day of natural gas with 2.8 percent hydrogen sulfide, 1,120 bbl/d of water and approximately 20 bbl/d of 33 degree API oil;

The well was not completed as a producer and has been suspended. Data obtained during the work indicate a lack of zonal isolation behind the casing. As such, the Group intends to further evaluate the Tertiary reservoir at the Zey Gawra field in the coming months. The Group has no estimated reserves or contingent resources attributed to the Tertiary reservoir as of December 31, 2015.
 - The sidetrack and re-completion of the Zey Gawra-1 discovery well in the Cretaceous reservoir, where the Group does have estimated reserves as of December 31, 2015, is now underway with results and first production expected in December 2016.
 - The drilling of a third well in the appraisal and initial development of the Zey Gawra field targeting the Cretaceous reservoir is planned in the first half of 2017.
 - The installation of leased production facilities at the Zey Gawra field, from which oil will be trucked to the existing Hawler tanker terminal, and modifications to the Hawler tanker terminal and production facilities required to handle Zey Gawra crude oil are complete.
- The Group is in the final stages of contracting with a party to conduct a multi-client 3D seismic survey in the AGC Central License Area. It is envisioned that approximately 2000 km² of 3D seismic data will be acquired in Q4 2016 and that the data will be processed and interpreted in the first half of 2017.
- Agreements relating to the Group’s right to conduct oil exploration activities in the Wasit province of Iraq are no longer in effect. Permits necessary for exploration activities to proceed have never been issued, restricting the ability of the Group to advance exploration activity during the terms of the applicable agreements.

Outlook

Assuming full funding of expenditures included in the Group’s 2017 budget, the successful completion of all planned activities, and drilling success, the Group expects gross (100%) oil production from the Hawler License Area to be approximately 4,000 to 5,000 bbl/d by the end of 2016 and 12,000 to 15,000 bbl/d by the end of 2017.

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Financial Highlights and Outlook

Financial performance

The following table contains financial performance highlights for the three and nine months ended September 30, 2016 and September 30, 2015.

| (\$ thousands unless otherwise stated) | Three months ended | | Nine months ended | |
|---|--------------------|-----------------------|-----------------------|-----------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Revenue | 6,726 | 4,227 | 14,977 | 18,934 |
| Cash used in operating activities | (2,121) | (2,454) | (10,873) | (14,798) |
| Operating Cash Flow ⁽¹⁾ | (645) | (6,300) | (7,558) | (12,662) |
| Operating Cash Flow ⁽¹⁾ per basic and diluted share (\$/share) | (0.00) | (0.05) | (0.04) | (0.10) |
| Loss for the period | (8,738) | (317,836) | (39,520) | (332,079) |
| Loss per basic and diluted share (\$/share) | (0.04) | (2.56) | (0.19) | (2.68) |
| Average sales price (\$/bbl) | 35.19 | 20.83 | 32.78 | 30.49 |
| Field production costs ⁽²⁾ (\$/bbl) | 12.61 | 25.81 | 17.78 | 22.80 |
| Operating expense (\$/bbl) | 16.50 | 33.75 | 23.25 | 29.81 |
| Field Netback ⁽¹⁾ (\$/bbl) | 4.58 | (15.64) | (1.76) | (7.91) |
| Oryx Petroleum Netback ⁽¹⁾ (\$/bbl) | 4.59 | (19.55) | (3.60) | (9.01) |
| Capital expenditures ⁽³⁾ | 4,227 | 31,768 ⁽⁵⁾ | 25,788 ⁽⁴⁾ | 98,979 ⁽⁵⁾ |

Notes:

- (1) Operating Cash Flow, Field Netback, and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.
- (2) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum. See the "Operating expense" section of this MD&A.
- (3) Excludes license acquisition costs.
- (4) Includes non-cash items totalling \$13.8 million reflecting changes in assumptions used in calculating asset retirement obligations 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. Refer to the "Capital Expenditures" section below.
- (5) Capital expenditures for the three and nine months ended September 30, 2015 include a \$16.7 million non-cash addition to oil and gas assets related to the Group's recognition of a finance lease asset and associated liabilities.

Revenue and cash receipts

During the first quarter of 2016, the Group completed and recorded revenue in connection with inaugural sales from Hawler License Area crude oil delivered into the Kurdistan Regional Government's international export pipeline. Deliveries commenced in mid-March 2016 and have continued substantially uninterrupted to the date of this MD&A. All sales during the third quarter of 2016 were made via the international export pipeline. The average sales price for oil sold during Q3 2016 was \$35.19/bbl. Pursuant to an agreement with the KRG's Ministry of Natural Resources, the sales price for oil sold through the international export pipeline is referenced to monthly average Brent crude oil prices, discounted \$12/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges. Subsequent to September 30, 2016, the Group received payments for July, August, and September 2016 export oil sales and has now received full payment in accordance with PSC entitlements for all oil deliveries into the Kurdistan Export Pipeline through the end of September 2016.

Revenue of \$15.0 million was recorded for the nine months ended September 30, 2016. Included in revenue is \$13.5 million (\$32.78/bbl) realised on the sale of 411,300 bbl (WI) of crude oil and \$1.5 million related to the recovery of costs carried on behalf of partners.

Cost containment and netbacks

During the third and fourth quarters of 2015 and through the first half of 2016, the Group undertook structural cost containment measures. As a partial result, during the third quarter of 2016, the Group incurred operating expenses of \$2.8 million (\$16.50/bbl) representing 51% decreases in both absolute and per barrel terms, versus operating expenses incurred during the third quarter of 2015 (see the "Financial Results" section of this MD&A for further discussion). The reduced

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operating expenses, combined with a 69% increase in realized sales price (\$35.19/bbl versus \$20.83/bbl), contributed to a positive quarterly Oryx Petroleum Netback (\$4.59/bbl) for the three months ended September 30, 2016, representing a 49% increase in comparison to Oryx Petroleum Netback (\$3.09/bbl) for the three months ended June 30, 2016.

In addition to a reduction in operating expenses incurred during the third quarter of 2016, the Group incurred general and administrative expenses of \$2.1 million representing a 32% reduction in comparison with general and administrative expenditures incurred during the third quarter of 2015.

Loss for the period

Loss for the three months ended September 30, 2016 was \$8.7 million compared to \$317.8 million for the three month period ended September 30, 2015. The change in loss for the period is primarily attributable to i) an impairment loss of \$310.8 million recorded on the Hawler, Wasit and OML 141 License Areas during the third quarter of 2015, ii) an increase in net revenue of \$1.3 million mainly due to the increase in average sales price from \$20.83/bbl to \$35.19/bbl, and iii) a \$2.9 million decrease in operating expenses and a \$1.0 million decrease in general and administrative expenses, both as a result of cost control measures implemented in the last twelve months. These positive factors were partially offset by a \$6.8 million increase in other expense primarily relating to the revision in the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited and a \$2.1 million increase in finance expense primarily related to interest on the Loan Facility as described in the "Liquidity and Capital Resources" section of this MD&A during the three months ended September 30, 2016 compared to the same period in 2015.

Net loss for the nine months ended September 30, 2016 decreased by \$292.6 million to \$39.5 million compared to the nine months ended September 30, 2015. The change in loss for the period is primarily attributable to i) an impairment loss of \$310.8 million recorded on the Hawler, Wasit and OML 141 License Areas during the nine months ended September 30, 2015, and ii) a \$5.9 million decrease in operating expenses and a \$3.5 million decrease in general and administrative expenses both primarily due to cost control measures. These positive factors were partially offset by an increase in \$6.1 million of costs included in other expense relating to the revision in the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited, a \$8.3 million charge relating to the impairment of materials inventory recorded during the nine months ended September 30, 2016, a \$2.2 million corporate restructuring charge recorded during the nine months ended September 30, 2016, and a \$8.6 million increase in finance expense primarily related to interest on the Loan Facility as described in the "Liquidity and Capital Resources" section of this MD&A.

Capital expenditures

During the nine months ended September 30, 2016, the Group recorded capital additions of \$25.8 million. Additions included a non-cash addition of \$6.9 million due to a change in estimated discount and inflation rates used to calculate the decommissioning liabilities related to the Hawler License Area, a \$4.7 million non-cash addition to finance lease assets due to a change in the purchase date assumption used to calculate the finance lease asset, and a \$2.2 million non-cash addition related to updated estimates of previously impaired costs on the OML 141 License Area. The remaining \$12.0 million in investments were primarily related to development expenditures on the Hawler License Area during the period.

During the nine months ended September 30, 2016, \$29.4 million in cash was used in investing activities. This balance is primarily composed of \$6.5 million in facilities costs, \$4.4 million in drilling activities relating to the Demir Dagh-3 well ("DD-3") re-completion and the initial phase of the Zey Gawra field appraisal and development (refer to the "Capital expenditures" section of this MD&A for further information), \$4.7 million in support costs attributable to capital projects, and \$13.7 million used to decrease working capital relating to investing activities. Included in the \$6.5 million in cash used related to facilities costs, is \$5.0 million paid relating to the finance lease which was capitalized during 2015.

Financial position

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

| (\$ thousands) | September 30, 2016 | December 31, 2015 |
|---------------------------------|-----------------------|-------------------|
| Total cash and cash equivalents | 46,591 | 54,226 |
| Working Capital | 11,253 | 29,422 |
| Total assets | 780,795 | 779,661 |
| Borrowings | 98,552 | 97,120 |
| Total long-term liabilities | 180,184 | 184,900 |

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The cash and cash equivalents balance of \$54.2 million as at December 31, 2015 decreased to \$46.6 million at September 30, 2016. This decrease is due to \$10.9 million used in operating activities and \$29.4 million used in investing activities, which were partially offset by \$32.6 million in net cash proceeds from the issuance of common shares. Refer to the "Liquidity and Capital Resources" section of this MD&A for additional information.

Working capital decreased to \$11.3 million at September 30, 2016 from \$29.4 million as at December 31, 2015. The decrease was mainly due to a \$9.8 million decrease in inventories, a \$7.6 million decrease in cash and a \$1.1 million decrease in other payables.

Borrowings increased to \$98.6 million at September 30, 2016 from \$97.1 million as at December 31, 2015. The increase to borrowings during the nine months ended September 30, 2016 relates to deferred financing and interest charges which are described in the Financial Statements. During the first half of 2016 the Group entered into an agreement with the Lender of the Loan Facility, described in the "Liquidity and Capital Resources" section of this MD&A, to extinguish \$8.2 million of principal and accrued interest in consideration for 20,581,247 common shares of the Company.

2016 reforecast capital expenditures

Planned cash capital expenditures and capital lease payments for the fourth quarter of 2016 are approximately \$15 million and consist of i) drilling activities and facilities work related to the first phase development of the Zey Gawra field (\$8 million), ii) capital lease payments related to the Hawler production facilities in the Hawler License Area (\$1.5 million), iii) acquisition of 3D seismic data in the AGC Central License Area (\$2 million), iv) PSC costs in the Hawler License Area (\$2 million), and v) expenditures for technical support, local office, and PSC compliance costs throughout the Group's West African License Areas (\$1.5 million).

2017 capital expenditure budget

Oryx Petroleum's budgeted capital expenditures for 2017 are \$94 million. The following table summarises the Group's budgeted 2017 capital expenditure program:

| Location | License/Field | Drilling | Facilities | Seismic & Studies and Other ⁽²⁾ | Total 2017 Budget |
|-----------------------------|----------------------|-------------|-------------|--|-------------------|
| | | \$ millions | \$ millions | \$ millions | \$ millions |
| Kurdistan Region | Hawler | | | | |
| | Demir Dagħ | 9.3 | 13.1 | - | 22.4 |
| | Zey Gawra | 15.6 | 22.4 | - | 38.0 |
| | Banan | 8.2 | - | - | 8.2 |
| | Other ⁽²⁾ | | | 3.4 | 3.4 |
| | Total Hawler | 33.1 | 35.5 | 3.4 | 72.0 |
| W. Africa & Corp | AGC Shallow | 20.7 | - | 0.6 | 21.3 |
| | Other | - | - | 1.1 | 1.1 |
| | Capex Total | 53.8 | 35.5 | 5.1 | 94.4 |

Note:

(1) The above table excludes license acquisition costs. Totals in rows and columns may not add-up due to rounding

(2) Other is comprised primarily of license maintenance costs

Hawler License Area

Demir Dagħ drilling--consists of costs related to the clean-up and completion in the Cretaceous reservoir of the previously drilled Demir Dagħ-8 well and the drilling of a horizontal well as a sidetrack from an existing Demir Dagħ well.

Zey Gawra drilling--consists of the drilling of two new wells targeting the Zey Gawra Cretaceous reservoir and related technical support.

Banan drilling--consists of the completion of drilling and testing of the Banan-2 well suspended in 2014 due to security developments. The well will test both Cretaceous and Jurassic reservoirs and is expected to be completed in the Cretaceous reservoir as a producer.

Demir Dagħ facilities--comprised primarily of monthly capital lease payments for the Demir Dagħ production facilities, modifications to Train 1 of the Hawler production facilities needed to increase capacity to process crude oil with hydrogen sulfide, minor infrastructure works, and technical support.

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Zey Gawra facilities expenditures-- include the installation of flowlines, and the construction of a multi-phase tie-back line to the Hawler Production facilities.

West Africa License Areas and Corporate

AGC Shallow--Consists of costs to drill two prospects and related technical support as well as PSC compliance costs.

Other--Consists primarily of costs to process and interpret 3D seismic data that the Group expects to acquire in late 2016 and related technical support and PSC costs in the AGC Central License Area, and minor studies and technical support in the Haute Mer B License Area.

Expenditures related to the OML 141 and Haute Mer A License Areas are now being expensed rather than capitalized.

Liquidity

The Group expects cash on hand as of September 30, 2016 and cash receipts from net revenues to fund forecasted cash expenditures into the second quarter of 2017. The Group requires \$20-\$25 million of additional liquidity to achieve production and cash flow levels that is expected to allow it to sustain its operations and fulfil its committed obligations in 2017. The Group requires a further \$50-\$60 million of liquidity to fund its full 2017 budgeted expenditures.

Business Environment

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

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

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

Appraisal activities at the Banan and Ain Al Safra discoveries during 2015 and 2016 have been limited due to capital allocation priorities and also to security risks. Appraisal activities at the Zey Gawra discovery were disrupted in August 2014 and only resumed during the third quarter of 2016. There is an ongoing risk that the regional security situation could have a material adverse effect on the operating and financial performance of the Group.

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

The Group is currently implementing drilling and facilities activities at the Zey Gawra field and management expects first production through temporary facilities with oil sales revenues from this field during the fourth quarter of 2016. Positive and negative fluctuations in production rates will have a direct corresponding impact on the Group's future revenues and cash flows from operating activities.

The timing and execution of the Group's capital expenditure program may also be affected by the availability of services

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from third party oil field contractors and the Group's ability to obtain, sustain or renew necessary government licenses and permits on a timely basis to conduct exploration and development activities.

With the exception of the items discussed above, management has not identified trends or events that are expected to have a material adverse effect on the financial performance of Oryx Petroleum.

Operations Review

Kurdistan Region of Iraq

The following table summarizes production and sales data for the three months ended September 30, 2016, June 30, 2016 and September 30, 2015 and for the nine months ended September 30, 2016 and September 30, 2015:

| | Three months ended | | | Nine months ended | |
|--|--------------------|---------------|--------------------|--------------------|--------------------|
| | September 30, 2016 | June 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Gross Production (bbl) | 264,500 | 284,700 | 258,800 | 618,400 | 807,300 |
| Gross Production per day (bbl/d) | 2,900 | 3,100 | 2,800 | 2,300 | 3,000 |
| Normalised Gross Production per day (bbl/d) ⁽¹⁾ | 2,900 | 3,100 | 2,900 | 2,700 | 3,600 |
| WI Production (bbl) | 172,000 | 185,100 | 168,200 | 402,000 | 524,800 |
| WI Production per day (bbl/d) | 1,900 | 2,000 | 1,800 | 1,500 | 1,900 |
| Normalised WI Production per day (bbl/d) ⁽¹⁾ | 1,900 | 2,000 | 1,900 | 1,800 | 2,300 |
| WI sales (bbl) | 172,100 | 186,000 | 170,000 | 411,300 | 520,200 |
| WI sales per day (bbl/d) | 1,900 | 2,000 | 1,800 | 1,500 | 1,900 |

Notes:

- (1) Normalised production has been calculated by including only days of actual production. Per day figures have been calculated using 92, 91 and 89 days for the three month periods ended September 30, 2016, June 30, 2016, and September 30, 2015 respectively, and 226 and 227 days for the nine month periods ended September 30, 2016 and September 30, 2015, respectively.

Production and sales

Gross (100%) oil production for the three months ended September 30, 2016 was 264,500 bbl representing an average rate of 2,900 bbl/d. The Group's Working Interest share of oil production during this period was 172,000 bbl representing an average rate of 1,900 bbl/d.

Gross (100%) oil production for the nine months ended September 30, 2016 was 618,400 bbl representing an average rate of 2,300 bbl/d. Production was suspended for a total of 48 days during the nine months ended September 30, 2016 due primarily to the closure of the international land border crossing to Turkey during the first quarter of 2016. Average daily production for the nine months ended September 30, 2016 adjusted to exclude days where production was suspended was 2,700 bbl/d.

The Group recognized revenue on the sale of 172,100 bbl (Working Interest) and 411,300 bbl (Working Interest) of crude oil during the three and nine months ended September 30, 2016, respectively. Sales volumes are determined by the timing of deliveries to customers and are not necessarily correlated with production volumes during the same period.

Crude oil sale prices

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

During the three months ended March 31, 2015, the Group sold crude oil from the Hawler License Area to Local Third Party Marketers and, beginning in March 2015 and for the balance of 2015, to a Regional Third Party Marketer. Sales to Local Third Party Marketers were concluded at prices negotiated with the Local Third Party Marketers and confirmed by the KRG

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through ministerial orders. The realised sales prices on sales to the Regional Third Party Marketer were referenced to the average Brent crude oil prices during specified periods occurring during contractually defined lifting cycles, discounted \$26/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges.

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

| | 2016 | | | 2015 | | |
|-------------------------------|---------|--------|--------|--------|---------|--------|
| | Sept 30 | Jun 30 | Mar 31 | Dec 31 | Sept 30 | Jun 30 |
| Brent average price (\$/bbl) | 45.85 | 45.89 | 34.54 | 43.42 | 50.20 | 62.05 |
| Realised sales price (\$/bbl) | 35.19 | 34.15 | 20.25 | 19.37 | 20.83 | 35.37 |

Netbacks

The following table summarises the Field Netback and Oryx Petroleum Netback for the three months ended September 30, 2016 and September 30, 2015:

| | Three months ended September 30, 2016 | | Three months ended September 30, 2015 | |
|---|---------------------------------------|-------------|---------------------------------------|----------------|
| | (\$ thousands) | (\$/bbl) | (\$ thousands) | (\$/bbl) |
| Oil sales | 6,056 | 35.19 | 3,541 | 20.83 |
| Royalties | (2,960) | (17.20) | (1,731) | (10.18) |
| Field production costs ⁽¹⁾ | (2,171) | (12.61) | (4,388) | (25.81) |
| Current taxes | (137) | (0.80) | (81) | (0.48) |
| Field Netback⁽²⁾ | 788 | 4.58 | (2,659) | (15.64) |
| Recovery of Carried Costs | 670 | 3.89 | 686 | 4.04 |
| Partner share of production costs | (668) | (3.88) | (1,350) | (7.94) |
| Oryx Petroleum Netback⁽²⁾ | 790 | 4.59 | (3,323) | (19.55) |

Notes:

- (1) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum.
- (2) Field Netback and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

Field Netback for the three months ended September 30, 2016 of \$0.8 million (\$4.58/bbl) incorporates field production costs of \$2.2 million (\$12.61/bbl). The Field Netback per barrel has improved from a negative Field Netback of \$2.7 million (\$15.64/bbl) for the three months ended September 30, 2015. This variance is primarily attributable to a decrease in field production costs and an increase in the realised sales prices during the third quarter of 2016 in comparison with the third quarter of 2015. See the "Operating expense" section of this MD&A for further discussion regarding field production costs.

The following table summarizes the Field Netback and Oryx Petroleum Netback for the nine months ended September 30, 2016 and September 30, 2015:

| | Nine months ended September 30, 2016 | | Nine months ended September 30, 2015 | |
|---|--------------------------------------|---------------|--------------------------------------|---------------|
| | (\$ thousands) | (\$/bbl) | (\$ thousands) | (\$/bbl) |
| Oil sales | 13,484 | 32.78 | 15,860 | 30.49 |
| Royalties | (6,591) | (16.02) | (7,753) | (14.90) |
| Field production costs ⁽¹⁾ | (7,312) | (17.78) | (11,860) | (22.80) |
| Current taxes | (306) | (0.74) | (360) | (0.69) |
| Field Netback⁽²⁾ | (725) | (1.76) | (4,113) | (7.91) |
| Recovery of Carried Costs | 1,493 | 3.63 | 3,074 | 5.91 |
| Partner share of production costs | (2,250) | (5.47) | (3,649) | (7.01) |
| Oryx Petroleum Netback⁽²⁾ | (1,482) | (3.60) | (4,688) | (9.01) |

Notes:

- (1) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum.
- (2) Field Netback and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.

Negative Field Netback for the nine months ended September 30, 2016 of \$0.7 million (\$1.76/bbl) incorporates field production costs of \$7.3 million (\$17.78/bbl). The negative Field Netback per barrel has improved from a negative Field Netback of \$4.1 million (\$7.91/bbl) for the nine months ended September 30, 2015. This variance is primarily attributable

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



to a decrease in field production costs during the nine months ended September 30, 2016 compared to the same period in 2015. See the "Operating expense" section of this MD&A for further discussion regarding field production costs.

Zey Gawra field development

- Appraisal and initial development of the Zey Gawra field in progress with initial intervention on one of three planned wells concluded:
 - The ZAB-1 well in the Zey Gawra field was spudded in 1990, reached targeted total depth and was successfully re-entered in 2003 after a long suspension prompted by the Gulf War, with the well suspended again prior to completion due to the resumption of hostilities in Iraq;
 - In late September 2016, Oryx Petroleum resumed test activities conducting a fluid identification test through a 17 metre perforated interval at a depth of approximately 1,000 metres in the Tertiary reservoir;
 - After a series of short clean-up flow periods, the well flowed steadily during an 8 hour test through a one inch choke, producing 9.6 million standard cubic feet per day of natural gas with 2.8 percent hydrogen sulfide, 1,120 bbl/d of water and approximately 20 bbl/d of 33 degree API oil;
 - The well was not completed as a producer and has been suspended. Data obtained during the work indicate a lack of zonal isolation behind the casing. As such, the Group intends to further evaluate the Tertiary reservoir at the Zey Gawra field in the coming months. The Group has no estimated reserves or contingent resources attributed to the Tertiary reservoir as of December 31, 2015.
- The sidetrack and re-completion of the Zey Gawra-1 discovery well in the Cretaceous reservoir, where the Group does have estimated reserves as of December 31, 2015, is now underway with results and first production expected in December 2016.
- The drilling of a third well in the appraisal and initial development of the Zey Gawra field targeting the Cretaceous reservoir is planned in the first half of 2017.
- The installation of leased production facilities at the Zey Gawra field, from which oil will be trucked to the existing Hawler tanker terminal, and modifications to the Hawler tanker terminal and production facilities required to handle Zey Gawra crude oil are complete.

West Africa

The Group is in the final stages of contracting with a party to conduct a multi-client 3D seismic survey in the AGC Central License Area. It is envisioned that approximately 2000 km² of 3D seismic data will be acquired in Q4 2016 and that the data will be processed and interpreted in the first half of 2017.

Other than the above, activities in West Africa in 2016 continue to be limited to license maintenance, data analysis, and preparation for future data acquisition and drilling activity.

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Capital Expenditures

The following table summarises the capital expenditures incurred by activity during the three and nine months ended September 30, 2016 and September 30, 2015:

| (\$ thousands) | Three months ended | | Nine months ended | |
|-----------------------------------|-----------------------|----------------------------|-----------------------|----------------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Middle East | | | | |
| Drilling | 1,326 | 3,006 | 11,268 ⁽¹⁾ | 19,082 |
| Facilities | 660 | 23,755 ⁽⁴⁾ | 6,134 ⁽²⁾ | 62,302 ⁽⁴⁾ |
| Seismic acquisition | - | 771 | 246 | 1,887 |
| Studies, and support | 1,745 | 3,108 | 4,357 | 10,137 |
| Sub-Total Middle East | 3,731 | 30,640 | 22,005 | 93,408 |
| West Africa | | | | |
| Exploration drilling | 39 | 45 | 2,276 ⁽³⁾ | 894 |
| Seismic acquisition | - | 221 | 1 | 898 |
| Studies, license, and support | 457 | 1,256 | 1,487 | 4,099 |
| Sub-Total West Africa | 496 | 1,522 | 3,764 | 5,891 |
| Corporate | - | (394)⁽⁵⁾ | 19 | (320)⁽⁵⁾ |
| Total capital expenditures | 4,227 | 31,768 | 25,788 | 98,979 |

Notes:

- (1) Included in the drilling capital expenditures for the Middle East for the nine months ended September 30, 2016 is a \$6.9 million non-cash addition relating to the change in discount and inflation rates used to calculate the decommissioning asset.
- (2) Included in the facilities capital expenditures for the Middle East for the nine months ended September 30, 2016 is a \$4.7 million non-cash addition relating to the change in the purchase date assumption used to calculate the finance lease asset.
- (3) During 2015, the Group fully impaired capitalized expenditures relating to its interest in the OML 141 License Area. During the second quarter of 2016, the Group recorded a \$2.2 million non-cash addition to E&E assets relating to revisions to previous cost estimates. As the OML 141 License Area had been previously impaired a concurrent impairment charge of \$2.2 million was also recorded during the second quarter of 2016. A \$0.1 million adjustment to this figure was recorded during the third quarter of 2016 which related to actual expenditures incurred at values below those estimated in prior periods.
- (4) Capital expenditures for the three and nine months ended September 30, 2015 include a \$16.7 million non-cash addition to oil and gas assets related to the Group's recognition of a finance lease asset and associated liabilities.
- (5) The credits to corporate expenditures relate to actual expenditure incurred at values below those estimated in prior periods.
- (6) The table above excludes license acquisition costs.

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The following table summarises the capital expenditures incurred by License Area during the three and nine months ended September 30, 2016 compared to the same periods in 2015:

| (\$ thousands) | Three months ended | | Nine months ended | |
|-----------------------------------|---------------------|----------------------------|-----------------------|----------------------------|
| | September 30, 2016 | September 30, 2015 | September 30, 2016 | September 30, 2015 |
| Middle East | | | | |
| Hawler | 3,731 | 30,562 | 22,709 ⁽¹⁾ | 92,982 |
| Wasit | - | 78 | - | 426 |
| Sindi Amedi | - | - | (704) ⁽²⁾ | - |
| Sub-Total Middle East | 3,731 | 30,640 | 22,005 | 93,408 |
| West Africa | | | | |
| AGC Shallow | 306 | 264 | 502 | 2,003 |
| AGC Central | 133 | 350 | 561 | 1,544 |
| OML 141 | (76) ⁽³⁾ | 123 | 2,124 ⁽³⁾ | 647 |
| Haute Mer A | - | 217 | - | 836 |
| Haute Mer B | 133 | 568 | 577 | 861 |
| Sub-Total West Africa | 496 | 1,522 | 3,764 | 5,891 |
| Corporate | - | (394)⁽⁴⁾ | 19 | (320)⁽⁴⁾ |
| Total capital expenditures | 4,227 | 31,768 | 25,788 | 98,979 |

Notes:

- (1) Included in Hawler License Area capital expenditure for the nine months ended September 30, 2016 is a \$6.9 million non-cash addition relating to the change in discount and inflation rates used to calculate the decommissioning asset and a \$4.7 million non-cash addition relating to the change in the purchase date assumption used to calculate the finance lease asset.
- (2) Credits relate to updated information received from the Operator which indicated a reduction in estimates of expenditures incurred in prior periods.
- (3) During 2015, the Group fully impaired capitalized expenditures relating to its interest in the OML 141 License Area. During the second quarter of 2016, the Group recorded a \$2.2 million non-cash addition to E&E assets relating to revisions to previous cost estimate. As the OML 141 License Area had been previously impaired a concurrent impairment charge of \$2.2 million was also recorded during the second quarter of 2016. A \$0.1 million adjustment to this figure was recorded during the third quarter of 2016 which related to actual expenditures incurred at values below those estimated in prior periods.
- (4) The credits to corporate expenditures relate to actual expenditure incurred at values below those estimated in prior periods.
- (5) The above table excludes license acquisition costs.

Middle East

Costs of \$2.0 million relating to initial phase of the Zey Gawra field appraisal and development were incurred during the three months ended September 30, 2016. The remainder of the capital investments in the Middle East for the third quarter of 2016 relate to directly attributable technical support costs relating to the Hawler License Area.

During the nine months ended September 30, 2016 the Group incurred \$22.7 million in drilling expenditures in the Hawler License Area. Included in these expenditures are non-cash additions of \$6.9 million relating to the changes in estimated discount and inflation rates used to calculate the decommissioning asset and \$4.7 million relating to a change in the purchase date assumption used to calculate the finance lease asset. In addition, development costs relating to re-completion activities on DD-3 were incurred. The remainder of capital investments in the Middle East for the nine months ended September 30, 2016 relate to the Hawler production facilities and studies, and technical support costs directly attributable to capital projects.

West Africa

Capital expenditures for West Africa for the three and nine months ended September 30, 2016 relate primarily to a non-cash addition to the OML 141 License Area of \$2.2 million resulting from a change in estimate of previously impaired costs. The remainder of the capital expenditures relate to the investment in site preparation and well planning activities for the AGC Shallow and AGC Central License Areas and directly attributable technical support costs.

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Cost Pools

Cost Pools for each License Area, which are available for recovery through future oil sales from such License Area, as at September 30, 2016, are detailed in the table below:

| License Area | Location | Gross Cost Pool (\$ million) | Oryx Petroleum share of recoverable costs | | | |
|--------------------|---------------------------|---------------------------------|--|-------------------------------|--|--|
| | | | Participating Interest Cost Pool (\$ million) | Carried Costs (\$ million) | Recovered through cost oil (\$ million) | Total Cost Pool available ⁽¹⁾ (\$ million) |
| Hawler | Iraq – Kurdistan Region | 717.0 | 452.3 | 163.0 | (26.1) | 589.2 |
| OML 141 | Nigeria | 62.5 | 24.1 | 37.7 | - | 61.8 |
| AGC Shallow | Senegal and Guinea Bissau | 32.8 | 27.9 | 4.9 | - | 32.8 |
| AGC Central | Senegal and Guinea Bissau | 4.9 | 4.2 | 0.7 | - | 4.9 |
| Haute Mer A | Congo (Brazzaville) | 241.6 | 56.8 | - | - | 56.8 |
| Haute Mer B | Congo (Brazzaville) | 22.4 | 7.9 | - | - | 7.9 |
| | | 1,081.2 | 573.2 | 206.3 | (26.1) | 753.4 |

Note:

- (1) Cost Pool balances are subject to audit by relevant government entities.
- (2) Carried costs include \$90.0 million in expenditures related to a commitment to carry \$300 million on behalf of a partner for the Hawler License Area development.

Property, plant and equipment and intangible assets

The capital expenditures described in the sections above, net of depletion, depreciation and amortisation (“DD&A”) and impairment loss, have resulted in the following movements in Intangible Asset and PP&E balances during the three months ended March 31, 2016, June 30, 2016 and September 30, 2016:

| (\$ thousands) | Exploration and Evaluation Assets | Other Intangible Assets | Total Intangible Assets |
|---------------------------------|-----------------------------------|-------------------------|-------------------------|
| As at January 1, 2016 | 101,816 | 336 | 102,152 |
| Capital additions | (488) ⁽¹⁾ | 18 | (470) |
| Impairment recovery | 704 ⁽²⁾ | - | 704 |
| DD&A | - | (73) | (73) |
| As at March 31, 2016 | 102,032 | 281 | 102,313 |
| Capital additions | 3,804 ⁽³⁾ | 1 | 3,805 |
| Impairment charge | (2,200) ⁽³⁾ | - | (2,200) |
| DD&A | - | (71) | (71) |
| As at June 30, 2016 | 103,636 | 211 | 103,847 |
| Capital additions | 399 | (1) | 398 |
| Impairment charge | 69 ⁽³⁾ | - | 69 |
| DD&A | - | (61) | (61) |
| As at September 30, 2016 | 104,104 | 149 | 104,253 |

Note:

- (1) Credits relate to updated information received from the Operator which indicated a reduction in estimates of expenditures incurred in prior periods. During 2013, the Group fully impaired capitalised expenditures related to its interest in the Sindi Amedi License Area. An impairment recovery of \$0.7 million has been recorded during the first quarter of 2016 based on updated information received from the Operator.
- (2) During 2013, the Group fully impaired capitalised expenditures related to its interest in the Sindi Amedi License Area. An impairment recovery of \$0.7 million has been recorded during the first quarter of 2016 based on updated information received from the Operator.
- (3) During 2015, the Group fully impaired capitalised expenditures relating to its interest in the OML 141 License Area. During the second quarter of 2016, the Group recorded a \$2.2 million non-cash addition to E&E assets relating to revisions to previous cost estimates. As the OML 141 License Area had been previously impaired a concurrent impairment charge of \$2.2 million was also recorded during the second quarter of 2016. A \$0.1 million adjustment to this figure was recorded during the third quarter of 2016 which related to actual expenditures incurred at values below those estimated in prior periods.

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| (\$ thousands) | Oil & Gas Assets | Finance lease asset | Furniture and fixtures | Total PP&E |
|---------------------------------|----------------------|----------------------|------------------------|----------------|
| As at January 1, 2016 | 545,464 | 42,849 | 1,295 | 589,608 |
| Capital additions | 4,792 | - | - | 4,792 |
| Impairment expense | - | - | (1,039) | (1,039) |
| DD&A | (391) | (31) | (151) | (573) |
| As at March 31, 2016 | 549,865 | 42,818 | 105 | 592,788 |
| Capital additions | 8,743 ⁽¹⁾ | 4,695 ⁽²⁾ | - | 13,438 |
| DD&A | (1,612) | (125) | (62) | (1,799) |
| As at June 30, 2016 | 556,996 | 47,388 | 43 | 604,427 |
| Capital additions | 3,824 | - | - | 3,824 |
| DD&A | (1,474) | (141) | (21) | (1,636) |
| As at September 30, 2016 | 559,346 | 47,248 | 22 | 606,616 |

Note:

- (1) Included in the Oil & Gas Assets capital additions for the three months ended June 30, 2016 is a \$6.9 million non-cash addition relating to the change in inflation and discount rates used to calculate the decommissioning asset.
- (2) Included in the Finance Lease Asset capital additions for the three months ended June 30, 2016 is a \$4.7 million non-cash addition relating to the change in the purchase date assumption used to calculate the finance lease asset.

Financial Results

Revenue

The following table summarises Oryx Petroleum's revenue for the three and nine months ended September 30, 2016 and September 30, 2015. All oil sold during each of the below periods was produced at the Hawler License Area.

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------------|---------------------------------|--------------|--------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Oil Sales | 6,056 | 3,541 | 13,484 | 15,860 |
| Recovery of Carried Costs | 670 | 686 | 1,493 | 3,074 |
| Revenue | 6,726 | 4,227 | 14,977 | 18,934 |

The Group recognized revenue on the sale of 172,100 bbl (Working Interest) of oil during the three months ended September 30, 2016, compared to revenue on the sale of 170,000 bbl (Working Interest) of oil during the same period in the previous year. Revenue of \$6.7 million during the third quarter of 2016 increased by \$2.5 million compared to the three months ended September 30, 2015. The increase is attributable to a 69% increase in realised sales prices combined with a 1% increase in sales volumes.

The Group recognized revenue on the sale of 411,300 bbl (Working Interest) of oil during the nine months ended September 30, 2016, compared to revenue on the sale of 520,200 bbl (Working Interest) of oil during the same period in the previous year. Revenue decreased by \$4.0 million to \$15.0 million during the nine months ended September 30, 2016 compared to the same period in 2015. The decrease is attributable to a 21% decrease in sales volumes partially offset by an 8% increase in realised sales prices. See the "Production and sales" section of this MD&A for further discussion regarding oil production volumes.

Sales volumes are determined by the timing of deliveries to customers and are not directly correlated with production volumes in the same period. Sales exclude oil produced and held in oil inventory at the end of the reporting period. As at September 30, 2016, the Group's Working Interest share of oil inventory amounted to 5,900 bbl.

Subsequent to September 30, 2016, the Group received payments for July, August, and September 2016 export oil sales and has now received full payment in accordance with PSC entitlements for all oil deliveries into the Kurdistan Export Pipeline through the end of September 2016.

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Royalties

The following table summarises royalty expense during the three and nine months ended September 30, 2016 and September 30, 2015:

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|------------------|---------------------------------|--------------|--------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Royalties | 2,960 | 1,731 | 6,591 | 7,753 |

All remittances to governments that are directly attributable to the sale of oil during the reporting period, including the government share of Profit Oil but excluding income taxes, are reported as royalties. Royalties increased by \$1.2 million and decreased by \$1.2 million during the three and nine months ended September 30, 2016, respectively, compared to the same periods in the previous year. The variances in royalties paid from period to period are attributable to the same factors as those applicable to revenues on oil sales as discussed above.

Operating expense

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|--------------|--------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Field production costs ⁽¹⁾ | 2,171 | 4,388 | 7,312 | 11,860 |
| Partner's share of production costs carried by Oryx Petroleum | 668 | 1,350 | 2,250 | 3,649 |
| Operating expense | 2,839 | 5,738 | 9,562 | 15,509 |
| Sales ⁽²⁾ (bbl) | 172,100 | 170,000 | 411,300 | 520,200 |
| Field production costs⁽¹⁾ (\$/bbl) | 12.61 | 25.81 | 17.78 | 22.80 |
| Operating expense (\$/bbl) | 16.50 | 33.75 | 23.25 | 29.81 |

Notes:

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

Operating expense of \$2.8 million recorded in the three months ended September 30, 2016 decreased by \$2.9 million compared to the same period in the previous year, resulting in a decrease in per barrel operating costs from \$33.75/bbl to \$16.50/bbl. The decrease in operating costs is primarily attributable to temporary processing facility rental charges incurred during 2015 while no such charges were incurred during the third quarter of 2016. In addition, personnel, security, and facilities operating and maintenance costs were lower during the three months ended September 30, 2016 in comparison with 2015. Partially offsetting the decrease in 2016 costs in comparison with 2015, a greater proportion of camp and support costs have been allocated to operating costs as capital activities at the Hawler License Area have decreased during the three months ended September 30, 2016 compared to the same period in 2015.

Management's efforts to reduce costs have resulted in lower operating expenditures throughout 2016 compared to the equivalent periods in 2015.

The following table indicates the impact of the variances in operating expense between the third quarter of 2015 and 2016:

| (\$ thousands) | (\$000) | (\$/bbl) |
|--|--------------|--------------|
| Operating expense – three months ended September 30, 2015 | 5,738 | 33.75 |
| Contribution of the following to variance: | | |
| Personnel and camp costs | (122) | (0.70) |
| Well maintenance | (127) | (0.74) |
| Facilities lease and maintenance, diesel and operation | (1,902) | (11.05) |
| Security | (748) | (4.35) |
| Change in volume | - | (0.41) |
| Operating expense – three months ended September 30, 2016 | 2,839 | 16.50 |

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General and administration

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|--------------|--------------------------------|---------------|
| | 2016 | 2015 | 2016 | 2015 |
| Total General and Administration | 2,150 | 3,171 | 6,798 | 10,320 |

General and administrative expenses decreased by \$1.0 million and \$3.5 million during the three and nine months ended September 30, 2016, respectively, compared to the same periods in 2015. The decrease is primarily due to cost control measures.

Exploration expense

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|----------------------------------|---------------------------------|------------|--------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Exploration | 287 | - | 640 | - |
| Pre-license | - | 103 | - | 1,111 |
| Total exploration expense | 287 | 103 | 640 | 1,111 |

There were no pre-license activities during the current period as the Group has focused on development activities in the Hawler License Area. Exploration costs relate to expenses incurred on the OML 141 and Wasit License Areas subsequent to the impairment of these License Areas during 2015.

Impairment of oil and gas assets

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|----------------|--------------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Impairment expense / (recovery) of intangibles | (69) | 104,003 | 1,427 | 104,003 |
| Impairment expense of property, plant and equipment | - | 206,838 | 1,039 | 206,838 |
| Total impairment | (69) | 310,841 | 2,466 | 310,841 |

The impairment expense for the nine months ended September 30, 2016 includes a \$2.2 million expense relating to a revision of estimates of previously capitalized costs in the OML 141 License Area and an impairment recovery of \$0.7 million relating to the Sindi Amedi License Area. The impairment recovery relates to a reduction of estimated expenditures incurred in prior periods.

As at March 31, 2016, an impairment indicator was identified relating to the Group's fixtures and equipment due to a reduction in personnel. The Group consequently recorded an impairment provision of \$1.0 million.

Depletion, depreciation and amortisation

The following table summarises the component parts of depletion, depreciation and amortisation for the three and nine months ended September 30, 2016 and September 30, 2015:

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------------------|---------------------------------|--------------|--------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Intangible assets: Amortisation | 61 | 101 | 205 | 350 |
| PP&E assets: Depreciation | 21 | 104 | 233 | 536 |
| Depletion | 1,616 | 2,059 | 3,864 | 5,911 |
| Total DD&A | 1,698 | 2,264 | 4,302 | 6,797 |

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

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Other expense

The following table summarises the components of other expense for the three and nine months ended September 30, 2016 compared to the same periods in 2015:

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|----------------|--------------------------------|----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Impairment of materials inventory | - | - | 8,279 | - |
| Curtailment of retirement benefit obligation | - | (4,460) | (3,803) | (4,460) |
| Change in fair value of contingent consideration | 1,455 | (970) | 4,092 | (1,955) |
| Restructuring charge | - | - | 2,192 | - |
| Other income | (117) | - | (182) | - |
| Other expense / (income) | 1,338 | (5,430) | 10,578 | (6,415) |

The \$10.6 million other expense charge for the nine months ended September 30, 2016 is comprised of an \$8.3 million materials inventory charge which represents the adjustment of materials inventory's carrying value to management's estimate of net realizable value, a \$4.1 million charge relating to the increase in the fair value of the previously recognized contingent consideration due to a change in the measurement date, and a \$2.2 million restructuring charge relating to personnel and rental costs. These charges are partially offset by a \$3.8 million gain on the curtailment of retirement benefit obligation related to decreased staff levels during 2016.

Other expense for the three months ended September 30, 2016 is primarily comprised of a \$1.5 million charge relating to the increase in the fair value of the previously recognized contingent consideration due to a change in the measurement date.

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

Finance expense

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|--------------|--------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Interest expense on Loan Facility | 2,616 | 1,339 | 7,723 | 2,073 |
| Accretion of deferred financing costs on Loan Facility | 698 | 510 | 1,868 | 778 |
| Interest expense on finance lease obligation | 498 | 107 | 1,457 | 107 |
| Interest on contingent costs | 322 | 131 | 858 | 395 |
| Accretion of decommissioning liability | 71 | 59 | 238 | 154 |
| Finance expense | 4,205 | 2,146 | 12,144 | 3,507 |

Finance expense primarily relates to accrued interest and accretion of deferred financing costs associated with the Loan Facility which is described in the "Liquidity and Capital Resources" section of this MD&A.

Income tax expense

The following table summarises the component parts of income tax expense for the three and nine months ended September 30, 2016 and September 30, 2015.

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|----------------------------------|---------------------------------|--------------|--------------------------------|--------------|
| | 2016 | 2015 | 2016 | 2015 |
| Current income tax expense | 236 | 217 | 809 | 1,009 |
| Deferred tax expense / (benefit) | (138) | 887 | 708 | 476 |
| Total income tax expense | 98 | 1,104 | 1,517 | 1,485 |

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

Liquidity and Capital Resources

During the nine months ended September 30, 2016, the Group met its day-to-day working capital requirements primarily through funding received through the issuance of common shares, cash receipts from oil sales, and with the receipt of \$100 million in financing via the Loan Facility described below.

On March 1, 2016, the Group entered into a definitive agreement whereby Zeg Oil has been issued 75,683,994 common shares of the Company for consideration of \$30 million (the **"Zeg Oil Strategic Investment"**). In addition, Oryx Petroleum intends to contract with an affiliate of Zeg Oil for the provision of drilling and other services related to appraisal and production of the Zey Gawra field in the Hawler License Area in the Kurdistan Region of Iraq (the **"Zey Gawra Contracts"**). It is intended that, subject to the acceptance of the Toronto Stock Exchange and approval of shareholders, if required, \$20 million of consideration for work performed under the Zey Gawra Contracts will be paid through the issuance of an additional 50,455,996 common shares of Oryx Petroleum. Zeg Oil is a privately held company based in the Kurdistan Region of Iraq that provides a broad range of engineering and construction services to the energy sector.

On March 15, 2016, Company issued 8,000,000 common shares to another third party for consideration of \$3.2 million.

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement (the **"Loan Facility"**) with a subsidiary of its indirect controlling shareholder The Addax and Oryx Group PLC (the **"Lender"**). The three year Loan Facility has provided the Group with \$100 million of funding with a maturity date of March 10, 2018 (the **"Maturity Date"**). Interest and principal amounts owing to the Lender are payable at the Maturity Date or earlier, at the option of the Group. The annual compound interest payable to the Lender is 10.5% per annum. Upon execution of the Loan Facility on March 11, 2015, the Group issued warrants to acquire one million common shares to an affiliate of the Lender. The exercise price of those issued warrants is \$3.29 per common share. The expiry date of those issued warrants is March 10, 2018. On May 11, 2015, the Group received \$50 million in cash pursuant to the Loan Facility and issued warrants to an affiliate of the Lender to acquire seven million common shares of the Company. The exercise price of those issued warrants is \$3.56 per common share. The expiry date of those issued warrants is May 11, 2018. On December 15, 2015, the Group received \$50 million in cash pursuant to the Loan Facility and issued warrants to an affiliate of the Lender to acquire four million common shares of the Company. The exercise price of those issued warrants is \$0.50 per common share. The expiry date of those issued warrants is December 15, 2018. The Lender may exercise the issued warrants at any time prior to the applicable expiry date. The arrangement described above is referred to as the **"March 2015 Financing"** in this MD&A.

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

On October 14, 2016, the Group extinguished \$9.1 million of principal and accrued interest under the Loan Facility in consideration for 23,032,871 common shares of the Company.

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Historical cash flow information

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

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|-----------------|--------------------------------|------------------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating Cash Flow ⁽¹⁾ | (645) | (6,300) | (7,558) | (12,662) |
| Change in non-cash assets and liabilities relating to operating activities | (1,476) | 3,846 | (3,315) | (2,136) |
| Net cash used in operating activities | (2,121) | (2,454) | (10,873) | (14,798) |
| Additions to E&E and PP&E | (4,814) | (14,682) | (15,738) | (83,829) |
| Change in non-cash assets and liabilities relating to investing activities | (2,830) | (4,503) | (13,660) | (25,612) |
| Net cash used in investing activities | (7,644) | (19,185) | (29,398) | (109,441) |
| Net cash generated by financing activities | - | - | 32,636 | 49,383 |
| Total change in cash | (9,765) | (21,639) | (7,635) | (74,856) |
| Cash and cash equivalents at beginning of the period | 56,356 | 56,653 | 54,226 | 109,870 |
| Cash and cash equivalents at end of the period | 46,591 | 35,014 | 46,591 | 35,014 |

Note:

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

During the quarter ended September 30, 2016, the Group invested \$7.6 million in development activities primarily in the Hawler License Area. This amount includes \$2.8 million in cash outflows related to changes in non-cash working capital balances. See the "Capital Expenditures" section of this MD&A for further information on the capital expenditure program during the three months ended September 30, 2016. Operating activities during the quarter ended September 30, 2016 also consumed \$2.1 million in cash resources.

A total of \$29.4 million in cash was used in investing activities relating to additions to E&E and PP&E for the nine months ended September 30, 2016. This balance is primarily composed of \$6.5 million in facilities costs, \$4.4 million in drilling activities relating to the DD-3 re-completion and the initial phase of the Zey Gawra field appraisal and development (refer to the "Capital expenditures" section of this MD&A for further information), \$4.7 million in support costs attributable to capital projects, and \$13.7 million used to decrease working capital relating to investing activities. Included in the \$6.5 million in cash used related to facilities costs, is \$5.0 million paid relating to the finance lease which was capitalized during 2015.

Liquidity outlook

The Group expects cash on hand as of September 30, 2016 and cash receipts from net revenues to fund forecasted cash expenditures into the second quarter of 2017 (see the "New Accounting Pronouncements, Policies, and Critical Estimates – Going Concern" section of this MD&A for discussion regarding uncertainties and risks associated with the Group's ability to realise forecasted revenues).

The Group requires a \$20-\$25 million positive contribution to net cash flows during the 12 month period ending September 30, 2017 and a further \$15 million during the first quarter of 2018. In addition, the Group will need to refinance principal and interest expected to amount to \$109 million relating to Borrowings maturing during the first quarter of 2018. Management expects to achieve the positive contributions to net cash flows referred to above through a combination of i) cost containment measures, ii) rescheduling of cash outflows associated with current and anticipated obligations, iii) agreements to issue common shares in exchange for the provision of services, and iv) additional financing.

Management continually monitors the Group's financing requirements and is implementing plans to secure funding at appropriate cost. Specifically, management is engaged in discussions with existing shareholders, creditors, and other stakeholders on potential transactions and agreements which would reduce anticipated cash outflows and/or provide the additional financing required to fund capital, operating and general and administrative expenditures, and to meet obligations as they fall due in the 18 months following September 30, 2016. In addition, management is engaged in discussions with shareholders, creditors, and third parties on potential transactions which would provide approximately

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



\$50 million to fund the discretionary elements of the Group's fully budgeted capital, operating and general and administrative expenditures during the 18 month period ending March 31, 2018.

Among the potential funding arrangements under consideration and pursuant to the agreement entered into by the Group and Zeg Oil and Gas Ltd. ("Zeg Oil") on Mar. 1, 2016 (the "Zeg Oil Strategic Investment"), Oryx Petroleum intends to contract with an affiliate of Zeg Oil for the provision of services related to appraisal and development of the Zey Gawra field in the Hawler license area (the "Zey Gawra Contracts"). It is intended that \$20 million of consideration for work performed under the Zey Gawra Contracts will be paid through the issuance of an additional 50,455,966 common shares of Oryx Petroleum. The precise scope of work to be performed by the Zeg Oil affiliate under the Zey Gawra Contracts is under discussion.

The Group retains the flexibility to adjust its expenditure plans in response to positive or negative changes in the operating environment.

Risks and uncertainties

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

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

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

Economic Sensitivities

The following table shows the estimated effect that changes to crude oil prices, Gross (100%) oil sale volumes, operating costs and interest rates would have had on the Group's loss for the nine months ended September 30, 2016, had these changes occurred on January 1, 2016. These calculations are based on business conditions, production and sales volumes existing during the nine months ended September 30, 2016. The 1,000 bbl/d increase assumes the increase is to Gross (100%) sale volumes and the Group's entitlement is calculated according to the provisions of the Hawler PSC and Joint Operating Agreement.

| | Change | Loss impact (\$000s) | Loss impact (\$ per basic share) |
|-----------------------------------|-------------|-------------------------|-------------------------------------|
| Change in average realised price | \$10.00/bbl | 2,465 | 0.01 |
| Change in crude oil sales volumes | 1,000 bbl/d | 2,324 | 0.01 |
| Change in operating expenses | \$1.00/bbl | 411 | - |
| Change in interest rate | 1% | (281) | - |

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

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Non-IFRS Measures

Field Netback

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

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

Oryx Petroleum Netback

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

Operating Cash Flow

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

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

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

| (\$ thousands) | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|----------------|--------------------------------|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| Net cash used in operating activities | (2,121) | (2,454) | (10,873) | (14,798) |
| Changes in non-cash assets and liabilities | 1,476 | (3,846) | 3,315 | 2,136 |
| Operating Cash Flow | (645) | (6,300) | (7,558) | (12,662) |

Outstanding Share Data

As at September 30, 2016, a total of 230,328,710 common shares of OPCL were issued and outstanding.

On March 1, 2016, OPCL issued 75,683,994 common shares of the Company as part of the Zeg Oil Strategic Investment. In addition, on March 15, 2016, OPCL issued 8,000,000 common shares of Company for consideration of \$3.2 million. On March 18, 2016, the Group entered into a definitive agreement with AOG to extinguish \$8.2 million of principal and accrued interest under the Loan Facility, in consideration for 20,581,247 common shares of the Company. See the "Liquidity and Capital Resources" section of this MD&A for further information on the issuances of common shares during the nine months ended September 30, 2016.

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



On March 11, 2015, in accordance with the March 2015 Financing, the Group issued warrants to an affiliate of the Lender to acquire one million common shares of OPCL. On May 11, 2015, pursuant to the Group's receipt of \$50 million under the terms of the March 2015 Financing, the Group issued warrants to an affiliate of the Lender to acquire a further seven million common shares of OPCL. On December 15, 2015, pursuant to the Group's receipt of an additional \$50 million under the terms of the March 2015 Financing, the Group issued warrants to an affiliate of the Lender to acquire a further four million common shares of OPCL. The Lender may exercise the issued warrants at any time prior to the applicable expiry date.

On August 2, 2016, the Group issued 3,025,641 common shares to employees under the Group's Long Term Incentive Plan. Upon vesting, OPCL LTIP share awards granted to the date of the MD&A will result in the issuance of up to an additional 5,430,778 common shares in 2017 and 2018. Subsequent to September 30, 2016, the Group entered into a definitive agreement with AOG to extinguish \$9.1 million of principal and accrued interest under the Loan Facility, in consideration for 23,032,871 common shares of the Company.

The number of common shares outstanding as at the date of this MD&A is 253,361,581.

At the date of this MD&A, there are no other securities convertible into or exercisable or exchangeable for voting shares.

There were no repurchases of OPCL's equity securities by the Company during the three months ended September 30, 2016.

Off-Balance Sheet Arrangements

In June 2016, the Group entered into two foreign exchange contracts. The Group entered into a contract to sell \$0.7 million and to receive Swiss Francs at a rate of USD 1.00 / CHF 0.9815 for each of the six months from June to November 2016 in order to hedge its exposure to foreign exchange risk for the subsequent six months. The Group entered into a second forward exchange contract to sell CHF 9.8 million and to receive USD at a rate of USD 1.00 / CHF 0.9786 in December 2016. The Group has recorded foreign exchange gains of \$16,000 (realized) and of \$7,000 (unrealized) during the three months ended September 30, 2016, and gains of \$33,000 (realized) and of \$68,000 (unrealized) during the nine months ended September 30, 2016, relating to these agreements.

Other than the above, Oryx Petroleum was not party to any off-balance sheet arrangements during the three or nine months ended September 30, 2016 that have, or are reasonably likely to have, a current or future effect on the financial performance or financial condition of Oryx Petroleum. Further, on the date of this MD&A, Oryx Petroleum is not party to any such off-balance sheet arrangements.

Commitments and Contractual Obligations

The table below sets forth information relating to Oryx Petroleum's commitments and contractual obligations as at September 30, 2016.

| (\$ thousands) | Within One Year | From 1 to 5 Years | More than 5 Years | Total |
|--|-----------------|-------------------|-------------------|---------------|
| Operating leases ⁽¹⁾ | 823 | 121 | - | 944 |
| Other long term obligations ⁽²⁾ | 6,650 | 57,700 | 19,395 | 83,745 |
| Total | 7,473 | 57,821 | 19,395 | 84,689 |

Notes:

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

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

Other long term obligations of \$83.7 million have increased by \$2.3 million compared to the balance at December 31, 2015. This variance is mainly attributable to commitments relating to the initial phase of the Zey Gawra field appraisal and development.

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



Summary of Quarterly Results

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

| (\$ thousands, unless otherwise stated) | 2014 | 2015 | | | | 2016 | | |
|---|---------|---------|---------|-----------|----------|----------|----------|---------|
| | Dec 31 | Mar 31 | Jun 30 | Sept 30 | Dec 31 | Mar 31 | Jun 30 | Sept 30 |
| Revenue, net of royalties | 7,808 | 5,345 | 9,362 | 2,496 | 889 | 671 | 3,949 | 3,766 |
| Operating expense | (1,889) | (5,077) | (4,694) | (5,738) | (4,356) | (3,493) | (3,230) | (2,839) |
| Depletion | (1,276) | (1,414) | (2,438) | (2,059) | (1,124) | (502) | (1,746) | (1,616) |
| G&A | (766) | (2,322) | (4,827) | (3,171) | (3,127) | (2,590) | (2,058) | (2,150) |
| Loss | (1,862) | (8,664) | (5,579) | (317,836) | (91,537) | (19,429) | (11,354) | (8,738) |
| Loss per share (basic and diluted) (\$/share) | (0.02) | (0.07) | (0.05) | (2.56) | (0.75) | (0.13) | (0.05) | (0.04) |
| Operating cash flow | 1,107 | (4,131) | (2,235) | (6,300) | (5,594) | (5,691) | (1,222) | (645) |
| Gross Production (bbl) | 257,000 | 199,600 | 348,900 | 258,800 | 115,000 | 69,100 | 284,700 | 264,500 |
| WI Production (bbl) | 168,000 | 129,800 | 226,800 | 168,200 | 75,000 | 44,900 | 185,100 | 172,000 |
| Gross Sales (bbl) | 188,000 | 198,100 | 341,100 | 261,100 | 104,700 | 82,000 | 286,100 | 264,800 |
| WI Sales (bbl) | 122,000 | 128,700 | 221,700 | 170,000 | 68,000 | 53,300 | 186,000 | 172,100 |
| Field production costs ⁽¹⁾ | (1,445) | (3,882) | (3,589) | (4,388) | (3,332) | (2,671) | (2,470) | (2,171) |
| Field Netback ⁽²⁾ | 1,752 | (1,696) | 243 | (2,659) | (2,689) | (2,143) | 631 | 788 |
| Oryx Petroleum Netback ⁽²⁾ | 2,575 | (2,023) | 658 | (3,323) | (3,497) | (2,846) | 574 | 790 |
| Brent price (\$/bbl) | 76.03 | 54.22 | 62.05 | 50.20 | 43.32 | 34.54 | 45.89 | 45.85 |
| Sales price (\$/bbl) | 53.61 | 34.79 | 35.37 | 20.83 | 19.37 | 20.25 | 34.15 | 35.19 |
| Royalties (\$/bbl) | (26.20) | (17.01) | (17.29) | (10.18) | (9.47) | (9.90) | (16.70) | (17.20) |
| Field production costs ⁽¹⁾ (\$/bbl) | (11.84) | (30.16) | (16.19) | (25.81) | (49.00) | (50.11) | (13.28) | (12.61) |
| Current taxes (\$/bbl) | (1.21) | (0.79) | (0.80) | (0.48) | (0.44) | (0.45) | (0.78) | (0.80) |
| Field Netback ⁽²⁾ (\$/bbl) | 14.36 | (13.18) | 1.10 | (15.64) | (39.54) | (40.21) | 3.39 | 4.58 |
| Oryx Petroleum Netback ⁽²⁾ (\$/bbl) | 21.11 | (15.72) | 2.97 | (19.55) | (51.43) | (53.40) | 3.09 | 4.59 |
| Capital expenditures ⁽³⁾ | 65,486 | 41,952 | 25,258 | 31,768 | 9,742 | 4,322 | 17,243 | 4,227 |

Notes:

- (1) Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum. See the "Operating expense" section of this MD&A.
- (2) Field Netback and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.
- (3) Excludes license acquisition costs.

Variations in revenue are attributable to changes in realised sales prices which have been broadly referenced to Brent crude oil prices and sales volumes which have fluctuated due to the variations in production from the Hawler License Area. There were no significant interruptions in production during the three months ended September 30, 2016. During the fourth quarter of 2015 and the first quarter of 2016, production and sales were interrupted primarily due to the closure of the land border crossing between the Kurdistan Region of Iraq and Turkey. During the second half of 2014 and the first quarter of 2015, sales volumes were also periodically interrupted as demand in the local market was impacted by limited pipeline export capacity and fluctuating oil production from other sources of supply in the local market. During the second quarter of 2015, oil production rates decreased due to the incursion of water from the Demir Dagh reservoir.

Variations in Field Netback and Oryx Petroleum Netback reflect changes in revenue discussed above and the impact of changes in field production costs. Field production costs have been subject to significant fluctuation as management continues the process of aligning operating procedures and the related expenditures with fluctuating actual and expected production volumes. During 2014, field production costs fluctuated initially following the commencement of production prior to gradually increasing in anticipation of increased production expected upon commissioning of the production facilities at Demir Dagh in September 2015. Following revised and lowered production forecasts during the second quarter of 2015, field production costs incurred during the fourth quarter of 2015 and nine months ended September 30, 2016 reflect management's consequent efforts to reduce costs.

Total capital expenditures have decreased in 2016 compared to 2015 and 2014 due to capital conservation measures and refocused investment priorities.

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Loss of \$8.7 million for the three months ended September 30, 2016 is primarily due to \$4.2 million in finance expenses recorded during the quarter which are primarily related to the Loan Facility described in the “Liquidity and Capital Resources” section of this MD&A, combined with \$2.2 million in general and administrative expenses, and \$1.6 million in depletion.

Net loss for the nine months ended September 30, 2016 decreased by \$292.6 million to \$39.5 million compared to the nine months ended September 30, 2015. The change in loss for the period is primarily attributable to i) an impairment loss of \$310.8 million recorded on the Hawler, Wasit and OML 141 License Areas during 2015, and ii) a \$5.9 decrease in operating expenses and a \$3.5 million decrease in general and administrative expenses both primarily due to cost control measures. These positive factors were partially offset by an increase in \$6.1 million of costs included in other expense primarily relating to the acquisition of OP Hawler Kurdistan Limited, a \$8.3 million charge relating to the impairment of materials inventory recorded during the nine months ended September 30, 2016, a \$2.2 million corporate restructuring charge recorded during the nine months ended September 30, 2016, and a \$8.6 million increase in finance expense primarily related to interest on the Loan Facility as described in the “Liquidity and Capital Resources” section of this MD&A.

Financial and Other Instruments

Oryx Petroleum operates internationally and has foreign exchange risk arising from various currency exposures, notably the Swiss Franc. In June 2016 the Group entered into two foreign exchange contracts. The Group entered into a contract to sell \$0.7 million and to receive Swiss Francs at a rate of USD 1.00 / CHF 0.9815 for each of the six months from June to November 2016 in order to hedge its exposure to foreign exchange risk for the subsequent six months. The Group entered into a second forward exchange contract to sell CHF 9.8 million and to receive USD at a rate of USD 1.00 / CHF 0.9786 in December 2016. The Group has recorded foreign exchange gains of \$16,000 (realized) and of \$7,000 (unrealized) during the three months ended September 30, 2016, and gains of \$33,000 (realized) and of \$68,000 (unrealized) during the nine months ended September 30, 2016, relating to these agreements.

Transactions with Related Parties

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement with a subsidiary of its indirect controlling shareholder AOG. Interest expense of \$7.7 million relating to this transaction have been recorded for the nine months ended September 30, 2016 (2015 - \$2.1 million). See the “Liquidity and Capital Resources” section of this MD&A for details regarding the March 2015 Financing. Management has estimated the terms and conditions to be materially comparable to terms applicable to similar market transactions.

On October 19, 2016, the Group entered into a lease agreement with a subsidiary of its indirect controlling shareholder. No amounts were expensed relating to this agreement for the three or nine months ended September 30, 2016. An operating lease commitment of \$0.3 million has been included in commitments as at September 30, 2016. Refer to the “Commitments and Other Contractual Obligations” section of this MD&A for further information.

On March 18, 2016, the Group extinguished \$8.2 million of principal and accrued interest under the \$100 million credit facility provided by AOG to Oryx Petroleum in March 2015, in consideration for 20,581,247 common shares of the Company. See the “Liquidity and Capital Resources” section of this MD&A for further information.

For the three and nine months ended September 30, 2016, the Group incurred costs of \$0.4 million and \$1.4 million for goods and services provided by related parties, all of which are subsidiaries of AOG (2015: \$0.5 million, \$1.4 million). Costs related to trademark license fees, parent company guarantees, and management services have been incurred under agreements between the Group and AOG. Additional information relating to such agreements is available in OPCL’s Annual Information Form dated March 24, 2016 available on SEDAR at www.sedar.com. Management exercised judgement, which was based on its industry specific knowledge and experience, to determine that i) the transactions described above did not contain any unusual commercial terms, and ii) the fees charged under the agreements were reasonable and not materially inconsistent with fees which would normally be associated with broadly comparable agreements.

In July 2016, directors of OPCL were awarded 171,399 common shares (\$0.1 million) and \$0.2 million in cash as remuneration for services provided in the first and second quarters of 2016. In January 2016, directors of OPCL were awarded 405,315 common shares (\$0.2 million) and \$0.2 million in cash as remuneration for services provided in the third and fourth quarters of 2015. Of this amount, 155,659 common shares (\$0.1 million) were issued to directors in January 2016. The balance of 249,657 common shares (\$0.1 million) was issued to directors of OPCL in July 2016. In July 2015, directors of OPCL were awarded and issued 51,975 common shares (\$0.1 million) and \$0.2 million in cash as remuneration for services provided in the first and second quarters of 2015. In January 2015, directors of OPCL were awarded and issued 30,175 common shares (\$0.2 million) and \$0.2 million in cash as remuneration for services provided in the third and fourth quarters of 2014.

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During the second quarter of 2013, the Group resolved to donate a total of \$1.5 million over a period of three years to the Addax & Oryx Foundation. The first payment of \$0.5 million was made in July 2013 and the second payment of \$0.5 million was made in September 2014. In July 2015, the Group resolved to reduce the third donation by 90% to \$50,000 and this payment was made in December 2015. The donations have been measured at fair value.

New Accounting Pronouncements, Policies, and Critical Estimates

New Pronouncements

Oryx Petroleum has adopted the new and revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee that are relevant to its operations and effective for accounting periods beginning on or after January 1, 2016 as described in Note 2 of the Financial Statements. The adoption of these standards and interpretations has not had a material effect on OPCL.

Critical estimates

In the process of applying the Group's accounting policies management makes estimates, judgments and assumptions concerning the future. These accounting estimates, judgments and assumptions may differ from actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. Such estimates, judgments and assumptions have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities. The critical estimates discussed in the Group's MD&A for the year ended December 31, 2015 remain applicable to the three and nine month period ended September 30, 2016 and, with the exception of estimates discussed below, there have been no material changes in estimates.

Going Concern

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

The Group's ability to continue as a going concern is dependent on the Group's ability to realize forecasted revenues, control the timing and extent of projected expenditures, and secure future financing when required. These uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management has applied significant judgment in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, and the timing and extent of capital, operating, and general and administrative expenditures. Oil sales volume assumptions are based on historical production volumes adjusted to consider the impact of production increases expected to result from planned appraisal and development drilling. Crude oil price assumptions are based on Brent forward contract prices adjusted for transportation costs and quality differentials. Management's forecast assumes net cash receipts from sales of its share of oil production from the Hawler License Area of approximately \$68 million during the 18 months ending March 31, 2018. The contribution from the anticipated production and sale of crude oil from the Hawler License Area's Zey Gawra field is particularly significant to the Group's ability to generate forecasted revenues during the forecast period.

The timing and extent of capital, operating and general and administrative expenditures is based on the Group's revised activity forecast for the remainder of 2016, the Group's approved 2017 budget adjusted to exclude discretionary expenditures, and on management's estimate of expenditures expected to be incurred beyond 2017. The Group has a degree of control and flexibility over both the extent and timing of expenditure under its future capital investment program. Nevertheless, the Group requires access to additional financing to fund its budgeted capital investments and operating and general and administrative expenditures, and to meet its obligations as they fall due in the 18 months following September 30, 2016. The exact timing and magnitude of the requirement for additional financing is uncertain and dependent on actual oil production and sale volumes, realized prices, and management's ability to defer expenditures if required. However, while cash on hand together with the Group's share of oil sales revenues are expected to fund the Group's operations into the second quarter of 2017, the Group requires a \$20-\$25 million positive contribution to net cash flows during the 12 month period ending September 30, 2017 and a further \$15 million during the first quarter of 2018. In addition, the Group will need to refinance principal and interest expected to amount to \$109 million relating to Borrowings (note 13 of the Financial Statements) maturing during the first quarter of 2018. Management expects to achieve the positive contributions to net cash flows referred to above through a combination of i) cost containment measures, ii) rescheduling of cash outflows associated with current and anticipated obligations, iii) agreements to issue common shares in exchange for the provision of services, and iv) additional financing.

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



Management continually monitors the Group's financing requirements and is implementing plans to secure funding at appropriate cost. Specifically, management is engaged in discussions with existing shareholders, creditors, and other stakeholders on potential transactions and agreements which would reduce anticipated cash outflows and/or provide the additional financing required to fund capital, operating and general and administrative expenditures, and to meet obligations as they fall due in the 18 months following September 30, 2016. In addition, management is engaged in discussions with shareholders, creditors, and third parties on potential transactions which would provide approximately \$50 million to fund the discretionary elements of the Group's fully budgeted capital, operating and general and administrative expenditures during the 18 month period ending March 31, 2018.

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

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

Financial Controls

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting

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

There were no changes in Oryx Petroleum's ICFR during the nine months ended September 30, 2016 that have materially affected, or are reasonably likely to materially affect, Oryx Petroleum's ICFR.

Forward-Looking Information

Certain statements in this MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including statements related to the nature, timing and effect of Oryx Petroleum's future expenditures and budget, forecast capital expenditure including details of planned cash capital expenditures and capital lease payments for the fourth quarter of 2016 and the Group's capital expenditure budget for 2017, financing and capital activities, plans for managing available working capital, initiatives being implemented to reduce overhead and operating costs, expected savings from cost reduction efforts, expectations that cash on hand and cash receipts from net revenues will be sufficient to fund forecasted cash expenditures needed to sustain the Group's operations and meet license commitments through the second quarter of 2017, the additional liquidity required to fund future expenditures, business and acquisition strategy and goals, opportunities, drilling plans, development plans and schedules and chance of success, the development of the Hawler License Area including plans to truck oil from the Zey Gawra field to the existing Hawler tanker terminal, future seismic activity, results of exploration activities, declarations of commercial discovery, contingent liabilities and government approvals, the ability to consistently access the export pipeline or other exterior facilities to sell oil production, sales channels for future sales, expectations that all future production will be exported through the Kurdistan Export Pipeline, expectations that future revenue from sales will be split in accordance with the production sharing contract applicable to the Hawler License Area, future drilling of new wells and the reservoirs to be targeted, costs and drilling times for new wells, ultimate recoverability of current and long-term assets, estimates of oil reserves and resources, expected well capacity and oil production rates, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, guidance regarding operating expenses on a per barrel basis, plans to negotiate and

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



enter into the Zey Gawra Contracts and a contract to conduct a multi-client 3D seismic survey in the AGC Central License Area, plans to process and interpret 3D seismic data from the AGC Central License Area in the first half of 2017, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares as a result of the vesting of LTIP awards, exercise of outstanding warrants and the proposed Zey Gawra Contracts, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the credit facility with AOG and the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, changes in any of the foregoing, and statements that contain words such as “may”, “will”, “would”, “could”, “should”, “anticipate”, “believe”, “intend”, “expect”, “plan”, “estimate”, “budget”, “outlook”, “propose”, “potentially”, “project”, “forecast” or the negative of such expressions and statements relating to matters that are not historical fact.

Although Oryx Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Oryx Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Oryx Petroleum’s ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in jurisdictions in which Oryx Petroleum has licenses, the ability to renew its licenses on attractive terms, Oryx Petroleum’s future production levels, the applicability of technologies for the recovery and production of Oryx Petroleum’s oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Oryx Petroleum’s reserves and resources, the geography of the areas in which Oryx Petroleum is conducting exploration and development activities, operating and other costs, the extent of Oryx Petroleum’s liabilities, and business strategies and plans of management and Oryx Petroleum’s business partners. For more information about these assumptions and risks facing the Group, refer to the Group’s Annual Information Form dated March 24, 2016, available at www.sedar.com and the Group’s website at www.oryxpetroleum.com.

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

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

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



Glossary and Abbreviations

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

AGC

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

AOG

The Addax and Oryx Group PLC

bbbl

Barrel(s) of oil

bbbl/d

Barrel(s) of oil per day

Carried Cost

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

Company

Oryx Petroleum Corporation Limited

Contractor

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

Cost Oil

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

Cost Pool

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

Farm-in

To acquire an interest in a license from another party

G&A

General and administrative

Gross

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

IAS

International Accounting Standards

IFRS

International Financial Reporting Standards

KRG

Kurdistan Regional Government of Iraq

Local Third Party Marketers

Companies that broker the purchase and sale of crude oil within the Kurdistan Region of Iraq

License Area

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

Operator

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

Participating Interest

The Group's current interest in an applicable License Area

PP&E

Property, plant and equipment

Profit Oil

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

Production Sharing Agreement (PSA) / Production Sharing Contract (PSC)

A contractual agreement between a Contractor and a host government, whereby the Contractor bears certain defined exploration costs, risks, and development and production costs in return for a stipulated share of the production resulting from this effort

Regional Third Party Marketers

Companies that take ownership of crude oil at the Hawler License Area crude oil loading facilities and broker the purchase and sale of crude oil outside of the Kurdistan Region of Iraq

Reserves

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

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

Royalty

All remittances to governments who are party to the applicable PSCs/PSAs that are directly attributable to the sale of oil and natural gas products during the reporting period including the government share of Profit Oil described above, except for income taxes

Working Interest or WI

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

WPG

Wasit Provincial Government