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

FOR THE YEARS ENDED

DECEMBER 31, 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 consolidated financial statements of Oryx Petroleum Corporation Limited ("**OPCL**" or, the "**Company**") and its subsidiaries for years ended December 31, 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 March 15, 2017.

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

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

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

Readers should refer to the "Forward-Looking Information" advisory on page 29. Additional information relating to OPCL, including OPCL's Annual Information Form dated March 24, 2016, is on SEDAR at www.sedar.com. The Company will file an Annual Information Form for the year ended December 31, 2016 on or before March 31, 2017.

Table of Contents

Company Overview	1	Off-Balance Sheet Arrangements	22
Operational Highlights and Outlook	2	Commitments and Contractual Obligations	22
Financial Highlights and Outlook	3	Summary of Quarterly Results	23
Summary of Reserves and Resources	6	Selected Annual Information	24
Business Environment	8	Financial and Other Instruments	24
Operations Review	9	Transactions with Related Parties	24
Capital Expenditures	11	New Accounting Pronouncements, Policies, and Critical Estimates	25
Financial Results	14	Financial Controls	28
Liquidity and Capital Resources	18	Forward-Looking Information	29
Economic Sensitivities	21	Reserves and Resources Advisory	30
Non-IFRS Measures	21	Glossary and Abbreviations	31
Outstanding Share Data	21		

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(2)	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.

(2) The Company intends to divest its interest in the OML 141 License Area for nominal consideration in the upcoming months

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

2016

- Gross (100%) oil production of 904,000 bbl (working interest 588,000 bbl) for the year ended December 31, 2016 versus gross (100%) oil production of 922,000 bbl (working interest 599,000 bbl) for the year ended December 31, 2015;
- Average gross (100%) oil production of 2,500 bbl/d (working interest 1,600 bbl/d) for the year ended December 31, 2016;
- Commencement of oil sales via pipeline on March 14, 2016;
- Successful re-completion of the Zey Gawra-1 ("**ZEG-1**") well in the Cretaceous reservoir;
- Gross (working interest) proved plus probable oil reserves of 202 million barrels as at December 31, 2016 versus 238 million barrels as at December 31, 2015

2017

- Average gross (100%) oil production of 2,900 bbl/d and 3,100 bbl/d in January and February 2017, respectively;
- Completed acquisition of 1,912 km^2 of 3D seismic data in the AGC Central License Area.

Outlook

The Group has revised its 2017 capital expenditure forecast. Total investments of $45 million (versus $94 million budget) are now planned. Investment will be primarily dedicated to the Hawler License Area in the Kurdistan Region of Iraq with the development of the Zey Gawra field the key focus. Revised forecast activities consist of:

- Zey Gawra - four further wells are expected to be spudded in 2017, with production continuing to be exported through the Demir Dagh facilities;
- Recompletion of the Demir Dagh-8 ("**DD-8**") well targeting the Cretaceous reservoir;
- AGC Central – processing the recently acquired 3D seismic data covering a portion of the AGC Central License Area;

The Group expects the four Zey Gawra wells and the re-completion of the Demir Dagh-8 well to enable it to achieve production and cash flow levels that will fund its operations and allow it to meet its obligations

Financial Highlights and Outlook

Financial performance

The following table contains financial performance highlights for the three and twelve months ended December 31, 2016 and December 31, 2015.

	Three months ended		Year ended	
($ thousands unless otherwise stated)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Revenue	7,832	1,533	22,809	20,467
Cash used in operating activities	(584)	(7,233)	(11,457)	(22,029)
Operating Cash Flow[1]	(1,676)	(5,594)	(9,231)	(18,255)
Operating Cash Flow[1] per basic and diluted share ($/share)	(0.01)	(0.05)	(0.04)	(0.15)
Loss for the period	(26,205)	(91,537)	(65,725)	(423,616)
Loss per basic and diluted share ($/share)	(0.10)	(0.75)	(0.31)	(3.43)
Average sales price ($/bbl)	38.75	19.37	34.61	29.20
Field production costs[2] ($/bbl)	12.88	49.00	16.28	25.83
Operating expense ($/bbl)	16.85	64.06	21.28	33.77
Field Netback[1] ($/bbl)	6.04	(39.54)	0.63	(11.56)
Oryx Petroleum Netback[1] ($/bbl)	6.37	(51.43)	(0.54)	(13.92)
Capital expenditures	10,513	9,742	36,301[3]	108,720[4]

Notes:

1. *Operating Cash Flow, Field Netback, and Oryx Petroleum Netback are non-IFRS measures. See the "Non-IFRS Measures" section of this MD&A.*
2. *Field production costs represent Oryx Petroleum's Working Interest share of gross production costs and exclude partner share of production costs which are being carried by Oryx Petroleum. See the "Operating expense" section of this MD&A.*
3. *Includes 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.*
4. *Capital expenditures for the year ended December 31, 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

All sales during the fourth quarter of 2016 were made via the KRG's international export pipeline. The average sales price for oil sold during Q4 2016 was $38.75/bbl. Pursuant to an agreement with the KRG's Ministry of Natural Resources, the sales price for oil sold through the international export pipeline is referenced to monthly average Brent crude oil prices, discounted $12/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges.

The Group has received payment in full for all crude oil delivered and sold through the KRG's international export pipeline during 2016 and January and February 2017.

Revenue of $22.8 million was recorded for the year ended December 31, 2016. Included in revenue is $20.5 million ($38.75/bbl) realised on the sale of 593,300 bbl (WI) of crude oil and $2.3 million related to the recovery of costs carried on behalf of partners.

Cost reductions and netbacks

During the third and fourth quarters of 2015 and through the first half of 2016, the Group undertook structural cost reduction measures. As a partial result, during the fourth quarter of 2016, the Group incurred operating expenses of $3.1 million ($16.85/bbl) representing a 30% and 74% decrease in absolute and per barrel terms, respectively, versus operating expenses incurred during the fourth quarter of 2015. The reduced operating expenses, combined with a 100% increase in realized sales price ($38.75/bbl versus $19.37/bbl), contributed to a positive quarterly Oryx Petroleum Netback ($6.37/bbl) for the three months ended December 31, 2016 compared to a negative Oryx Petroleum Netback of $51.43/bbl for the three months ended December 31, 2015.

In addition to reductions in operating expenses, the Group's full year general and administrative expenditures of $9.4 million represent a 30% reduction in comparison with 2015.

Loss

Loss for the three months ended December 31, 2016 was $26.2 million compared to $91.5 million for the three month period ended December 31, 2015. The decrease in loss for the period is primarily attributable to i) an impairment loss of $86.6 million recorded on the Hawler and Haute Mer A License Areas during the fourth quarter of 2015 compared to an impairment loss of $16.3 million recorded on the Haute Mer B License Area during the fourth quarter of 2016, ii) a $3.5 million increase in net revenue, and iii) a $1.3 million decrease in operating expenses. These positive factors were partially offset by an $8.2 million increase in other expense primarily relating to a $6.7 million gain recorded on the revaluation of warrants issued under the Loan Facility in the fourth quarter of 2015, and a $1.6 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 during the three months ended December 31, 2016 compared to the same period in 2015.

Net loss for the year ended December 31, 2016 decreased by $357.9 million to $65.7 million compared to the year ended December 31, 2015. The decrease in loss for the period is primarily attributable to i) an impairment loss of $397.5 million recorded on the Hawler, Wasit, OML 141 and Haute Mer A License Areas during the year ended December 31, 2015 compared to an impairment loss of $18.8 million primarily related to the Haute Mer B and OML 141 License Areas during 2016, ii) a $7.2 million decrease in operating expenses, and iii) a $4.0 million decrease in general and administrative expenses. These positive factors were partially offset by a $25.2 million increase in other expenses primarily comprised of i) a $9.3 million change related to revisions in the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited, ii) a $9.1 million charge relating to the impairment of materials inventory recorded during the year ended December 31, 2016, iii) a $6.7 million change in warrant valuation adjustments, and iv) a $10.3 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 year ended December 31, 2016, the Group recorded capital additions of $36.3 million. Of the Group's total investment, $31.2 million was invested in the Hawler License Area with $23.4 million being directed to drilling and infrastructure investments. The Group also invested $2.0 million in the AGC Central License Area.

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.

Financial position

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

($ thousands)	December 31, 2016	December 31, 2015
Total cash and cash equivalents	40,732	54,226
Working Capital	(2,149)	29,422
Total assets	766,445	779,661
Borrowings	93,103	97,120
Total long-term liabilities	174,942	184,900

The cash and cash equivalents balance of $54.2 million as at December 31, 2015 decreased to $40.7 million at December 31, 2016. This decrease is due to $11.5 million used in operating activities and $34.7 million used in investing activities, partially offset by $32.6 million in net cash proceeds from the issuance of common shares.

Working capital decreased to negative $2.1 million at December 31, 2016 from $29.4 million as at December 31, 2015. The decrease was mainly due to an $11.1 million decrease in inventories, a $13.5 million decrease in cash and a $7.4 million increase in trade and other payables.

Borrowings decreased to $93.1 million at December 31, 2016 from $97.1 million as at December 31, 2015. The $4 million decrease relates to $17.3 million in extinguishments partially offset by $10.1 million in accrued interest and $3.1 million in deferred financing charges. During the first quarter of 2016 the Group extinguished $8.2 million of principal and accrued interest in consideration for 20,581,247 common shares of the Company. During the fourth quarter of 2016 the Company

issued 23,032,871 common shares of the Company to the Lender as consideration to extinguish a further $9.1 million of principal and accrued interest under the Loan Facility.

2017 forecast capital expenditures

Oryx Petroleum's re-forecasted capital expenditures for 2017 are $45 million, reduced from the previously announced budget of $94 million. The reduction reflects revised plans at the Zey Gawra field including the drilling of additional wells and deferment of a tie-back line to the Demir Dagh field, the deferment of drilling activity at the Demir Dagh and Banan fields, and the deferment of expenditures related to a commitment well in the AGC Shallow License Area into 2018. The following table summarises the Group's 2017 forecasted cash capital expenditure program against budget:

Location	License/Field/Activity	2017 Budget	2017 Forecast
		$ millions	$ millions
Kurdistan Region	Hawler		
	Zey Gawra-Drilling	16	26
	Zey Gawra-Facilities	22	1
	Demir Dagh-Drilling	9	3
	Demir Dagh-Facilities	13	9
	Banan-Drilling	8	-
	Other	3	3
	Total Hawler	**72**	**42**
West Africa	AGC Shallow	21	1
	Other	1	3
	Capex Total	**94**	**45**

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

Hawler License Area

At the Zey Gawra field, planned drilling expenditures include the sidetrack of the ZAB-1 well targeting the Cretaceous reservoir, two new wells targeting the Cretaceous reservoir (at least one of which is expected to be a horizontal well), and one new horizontal well targeting the Tertiary reservoir. Planned Zey Gawra facilities expenditures include flowlines and field infrastructure. A planned tieback pipeline from the Zey Gawra field to the Hawler production facilities at the Demir Dagh field has been deferred.

At the Demir Dagh field, planned expenditures are comprised primarily of the recompletion of the DD-8 well and lease payments related to the Hawler production facilities. Previously planned drilling of a new horizontal well at the Demir Dagh field has been deferred.

Previously planned drilling at the Banan field has been deferred.

West Africa

Forecasted expenditures in West Africa consist of processing the 3D seismic data recently acquired in the AGC Central License Area and technical support and license maintenance costs related to the Group's licenses in the AGC administrative area offshore Senegal and Guinea Bissau and in Congo (Brazzaville). Expenditures related to the Group's drilling commitment in the AGC Shallow License Area have been deferred into early 2018.

Statement of Financial Position Restructuring and Liquidity

- AOG and Zeg Oil and Gas Ltd ("**Zeg Oil**") have conditionally agreed to subscribe for approximately 90 million shares of OPCL for cash consideration of $30 million (the "Shareholder Subscription");
- AOG has conditionally agreed to extinguish $24.1 million of the outstanding principal and interest due under the Loan Facility, representing 25% of that facility as of December 31, 2016 in consideration for approximately 72 million common shares of the Company. The maturity date of the remaining balance due of $72.4 million (as of December 31, 2016) is proposed to be extended from March 2018 to July 2019 (collectively, the "Loan Facility Restructuring");
- Completion of the above transactions will be subject to finalization and execution of definitive agreements, acceptance of the Toronto Stock Exchange, approval of shareholders (excluding AOG and Zeg Oil), restructuring of the contingent consideration obligation and certain other obligations on terms satisfactory to AOG and Zeg Oil, and other customary conditions;
- Negotiations with the vendor of the Hawler License Area with regards to the contingent consideration obligation are ongoing but have yet to produce an agreement;
- All share issuances in connection with the aforementioned agreements are proposed to be based on an Oryx Petroleum share price of C$0.45 per common share and the Bank of Canada Canadian Dollar-United States Dollar noon rate on March 14, 2017, being 0.7428;
- Pro forma for the closing of the Shareholder Subscription and Loan Facility Restructuring, the Company would have approximately 431 million shares outstanding of which AOG and Zeg Oil would own 61% and 25%, respectively;
- The Shareholder Subscription and Loan Facility Restructuring are expected to close in June 2017 provided final agreements are reached and conditions satisfied;
- Definitive agreements have not yet been executed and it is uncertain if final agreements can be reached. If definitive agreements are entered, the transactions may nonetheless fail to be completed if any of the conditions to closing fail to be satisfied;
- On March 15, 2017 the Company issued 15.5 million shares to a contractor to settle a $4.8 million trade payable.

The Group expects cash on hand at December 31, 2016, expected proceeds from the anticipated Shareholder Subscription, and cash receipts from net revenues on export sales exclusively through the pipeline, will allow it to fund its forecasted cash expenditures and operating and administrative costs and to meet its obligations into the first half of 2018. Without the proceeds from the anticipated Shareholder Subscription, Oryx Petroleum would be unlikely to be able to continue development of the Hawler License Area and the Group would be required to consider divestiture or relinquishment of the License Area.

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

Summary of Reserves and Resources

The following is a summary of the Company's proved plus probable oil reserves, and contingent and prospective oil resources. The net present value of future net revenue related to the proved plus probable oil reserves, and the risked net present value of future net revenue related to contingent oil resources sub-classified as development pending is also presented. The information is derived from a report dated February 22, 2017, prepared with an effective date as at December 31, 2016 by Netherland, Sewell & Associates, Inc. ("**NSAI**"), an independent oil and gas consulting firm. Where applicable, comparative information derived from NSAI's report as at December 31, 2015 is provided. The reserves and resources information set out in this MD&A should be read in conjunction with the advisories in the "Forward-Looking Information" and "Reserves and Resources Advisory" sections below. Further details regarding the below estimates, including the risks and level of uncertainty associated with recovery, are available in the Company's Material Change Report dated February 22, 2017 filed on SEDAR at www.sedar.com.

Oil reserves [1]

License Area	Location	Proved plus Probable Gross (Working Interest) Oil – December 31, 2016: Reserves (MMbbl)	December 31, 2016: Future Net Revenue[2] ($ million)	December 31, 2015: Reserves (MMbbl)	December 31, 2015: Future Net Revenue[2] ($ million)
Hawler	Iraq – Kurdistan Region	202	1,014	238	1,217
Total oil reserves		**202**	**1,014**	**238**	**1,217**

Notes:

(1) The oil reserves data is based upon evaluations by NSAI, with effective dates as at December 31, 2015 and December 31, 2016, as indicated. Volumes are based on commercially recoverable volumes within the life of the production sharing contract.

(2) After-tax net present value of related future net revenue using forecast prices and costs assumed by NSAI and a 10% discount rate as at December 31, 2015 and December 31, 2016, as indicated. Gross proved plus probable oil reserves estimates used to calculate future net revenue are estimated based on economically recoverable volumes within the development/exploitation period specified in the production sharing contract, risk exploration contract or fiscal regime applicable to each License Area. The estimated values disclosed do not represent fair market value.

The Group's Gross (Working Interest) proved plus probable oil reserves decreased by 15% from 238 million barrels ("**MMbb**l") as at December 31, 2015 to 202 MMbbl as at December 31, 2016. The decrease is primarily attributable to revisions to the Demir Dagh Jurassic volumes and revised development plans.

The after-tax net present value utilizing a 10% discount rate of the future net revenues attributable to the Group's Gross (Working Interest) proved plus probable oil reserves decreased to $1,014 million from $1,217 million as at December 31, 2015. The decrease reflects the impact of lower forecasted Brent Crude oil prices and reduced reserve volumes in the Demir Dagh Jurassic reservoir, partially offset by lower operating costs and revised development plans requiring fewer facilities.

Contingent oil resources [1]

License Area	Location	Best Estimate Gross (Working Interest) Oil – December 31, 2016: Unrisked Contingent Resources (MMbbl)	Risked Contingent Resources[2] (MMbbl)	Future Net Revenue[3] ($ million)
Contingent Oil Resources – Development Pending[4]				
Hawler	Iraq – Kurdistan Region	47	42	71
	Total Development pending	**47**	**42**	**71**

License Area	Location	Best Estimate Gross (Working Interest) Oil – December 31, 2016: Unrisked Contingent Resources (MMbbl)	Risked Contingent Resources[2] (MMbbl)
Contingent Oil Resources – Development Undefined[5]			
Hawler	Iraq – Kurdistan Region	94	65
Haute Mer A	Congo (Brazzaville)	6	1
	Total Development undefined	**100**	**66**

Notes:

(1) The contingent oil resource data is based on evaluations by NSAI, and the classification of such resources as "contingent oil resources" by NSAI, with effective date as at December 31, 2016. The figures shown are NSAI's best estimate using deterministic methods. Once all contingencies have been successfully addressed, the probability that the quantities of contingent oil resources actually recovered will equal or exceed the estimated amounts is 50% for the best estimate. Contingent oil resources estimates are volumetric estimates prior to economic calculations.

(2) These are risked contingent resources that have been risked for chance of development. There is uncertainty that it will be commercially viable to produce any portion of the resources.

(3) After-tax risked net present value of related future net revenue using forecast prices and costs assumed by NSAI and a 10% discount rate. Gross contingent oil resource estimates used to calculate future net revenue are estimated based on economically recoverable volumes within the development/production period specified in the production sharing contract, risk exploration contract or fiscal regime applicable to each License Area. The estimated values disclosed do not represent fair market value.

(4) Classification of a project's maturity as Development Pending indicates that there is a high chance of development (i.e., probability that a known accumulation will be commercially developed), where resolution of the final conditions for development is being actively pursued.
(5) Classification of a project's maturity as Development Undefined indicates that evaluation of the project is incomplete and there is ongoing activity to resolve any risks or uncertainties regarding commercial development of the project. An economic evaluation has not been performed by NSAI on the contingent oil resources classified as Development Undefined.

Prospective oil resources [(1)]

		Best Estimate Gross (Working Interest) Oil	
		December 31, 2016	
License Area	Location	Unrisked (MMbbl)	Risked[(2)] (MMbbl)
Hawler	Iraq – Kurdistan Region	111	5
Various	West Africa	742	18
Total oil resources[(3)]		**853**	**23**

Notes:
(1) The prospective oil resource data is based on evaluations by NSAI, and the classification of such resources as "prospective oil resources" by NSAI, with effective date as at December 31, 2016. The figures shown are NSAI's best estimate using a combination of deterministic and probabilistic methods and are dependent on a petroleum discovery being made. If discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the risked estimates is 50% for the best estimate. Prospective oil resources estimates are volumetric estimates prior to economic calculations.
(2) These are risked prospective resources that have been risked for both chance of discovery and chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Business Environment

Uncertainty related to global, social, political, and economic conditions and the resulting changes in global oil supply chains and infrastructure investment have had a negative impact on world commodity markets. In particular, the price of crude oil declined substantially throughout 2015 and into the first quarter of 2016 with some recovery and stability during the remainder of 2016. These developments and related uncertainty impact the availability and cost of capital resources. Furthermore, future oil prices, which directly impact the Group's expected cash inflows, are difficult to forecast. The Group's ability to fund the forecasted capital investments is consequently subject to significant uncertainty. See the "Liquidity and Capital Resources" section of 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 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 resumed during the third quarter of 2016. There is an ongoing risk that the regional security situation could have a material adverse effect on the operating and financial performance of the Group.

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

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

With the exception of the items discussed above, 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 December 31, 2016, September 30, 2016, and December 31, 2015 and for the year ended December 31, 2016 and December 31, 2015:

	Three months ended			Year ended	
	December 31, 2016	September 30, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Gross Production (bbl)	286,500	264,500	115,000	904,000	922,000
Gross Production per day (bbl/d)	3,100	2,900	1,200	2,500	2,500
WI Production (bbl)	186,000	172,000	75,000	588,000	599,000
WI Production per day (bbl/d)	2,000	1,900	800	1,600	1,600
WI sales (bbl)	182,000	172,100	68,000	593,300	588,200
WI sales per day (bbl/d)	2,000	1,900	700	1,600	1,600

Production and sales

Gross (100%) oil production for the three months ended December 31, 2016 was 286,500 bbl representing an average rate of 3,100 bbl/d. The Group's Working Interest share of oil production during this period was 186,000 bbl representing an average rate of 2,000 bbl/d.

Gross (100%) oil production for the year ended December 31, 2016 was 904,000 bbl representing an average rate of 2,500 bbl/d. Production was suspended for a total of 48 days during the year ended December 31, 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 year ended December 31, 2016 adjusted to exclude days where production was suspended was 2,800 bbl/d.

Production from the Demir Dagh-3 ("**DD-3**") well in the Jurassic reservoir, which was expected to decline in 2017, ceased in late December 2016 due to an abrupt increase in the water-oil ratio. The earlier than anticipated loss of production from the DD-3 well has been offset by the addition of the production from the ZEG-1well.

The Group recognized revenue on the sale of 182,000 bbl (Working Interest) and 593,300 bbl (Working Interest) of crude oil during the three and twelve months ended December 31, 2016, respectively.

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 realized sales prices on export sales through this pipeline are referenced to monthly average Brent crude oil prices, discounted by $12/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges.

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

	2016				2015			
	Dec 31	Sept 30	Jun 30	Mar 31	Dec 31	Sept 30	Jun 30	Mar 31
Brent average price ($/bbl)	49.96	45.85	45.89	34.54	43.42	50.20	62.05	54.22
Realised sales price ($/bbl)	38.75	35.19	34.15	20.25	19.37	20.83	35.37	34.79

Netbacks

The following table summarises the Field Netback and Oryx Petroleum Netback for the three months ended December 31, 2016 and December 31, 2015:

	Three months ended December 31, 2016		Three months ended December 31, 2015	
	($ thousands)	($/bbl)	($ thousands)	($/bbl)
Oil sales	7,050	38.74	1,317	19.37
Royalties	(3,446)	(18.93)	(644)	(9.47)
Field production costs[(1)]	(2,345)	(12.88)	(3,332)	(49.00)
Current taxes	(160)	(0.88)	(30)	(0.44)
Field Netback[(2)]	**1,099**	**6.04**	**(2,689)**	**(39.54)**
Recovery of Carried Costs	782	4.30	216	3.18
Partner share of production costs	(721)	(3.96)	(1,024)	(15.06)
Oryx Petroleum Netback[(2)]	**1,160**	**6.37**	**(3,497)**	**(51.43)**

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 December 31, 2016 of $1.1 million ($6.04/bbl) incorporates field production costs of $2.3 million ($12.88/bbl). The Field Netback per barrel has improved from a negative Field Netback of $2.7 million ($39.54/bbl) for the three months ended December 31, 2015. This variance is primarily attributable to a decrease in field production costs and an increase in the realized sales prices during the fourth quarter of 2016 in comparison with the fourth quarter of 2015.

The following table summarizes the Field Netback and Oryx Petroleum Netback for the year ended December 31, 2016 and December 31, 2015:

	Year ended December 31, 2016		Year ended December 31, 2015	
	($ thousands)	($/bbl)	($ thousands)	($/bbl)
Oil sales	20,534	34.61	17,177	29.20
Royalties	(10,037)	(16.92)	(8,397)	(14.28)
Field production costs[(1)]	(9,657)	(16.28)	(15,192)	(25.83)
Current taxes	(466)	(0.79)	(390)	(0.66)
Field Netback[(2)]	**374**	**0.63**	**(6,802)**	**(11.56)**
Recovery of Carried Costs	2,275	3.83	3,290	5.59
Partner share of production costs	(2,971)	(5.01)	(4,673)	(7.94)
Oryx Petroleum Netback[(2)]	**(322)**	**(0.54)**	**(8,185)**	**(13.92)**

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 year ended December 31, 2016 of $0.4 million ($0.63/bbl) incorporates field production costs of $9.7 million ($16.28/bbl). The Field Netback per barrel has improved from a negative Field Netback of $6.8 million ($11.56/bbl) for the year ended December 31, 2015. This variance is primarily attributable to a decrease in field production costs during the year ended December 31, 2016 compared to the same period in 2015.

Zey Gawra field appraisal and initial development

Appraisal and initial development of the Zey Gawra field is in progress with initial interventions on two wells concluded.

- In December 2016, the ZEG-1 well was side-tracked and completed in open hole, partially penetrating the Cretaceous reservoir. Production from the naturally flowing well is currently constrained to approximately 1,500 bbl/d of 35.5 degree API oil with a gas-oil ratio of approximately 3,000 scf/stb and less than 0.5% water, with more than 1,500 psi well pressure. The Group intends to continue the extended production test of the well with the objective of assessing the well's performance, identifying options for increasing production and obtaining information to refine plans for future development of the Zey Gawra field.
- In November 2016, Oryx Petroleum completed test activities on the ZAB-1 well in the Zey Gawra field. The Group conducted 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 indicates a lack of zonal isolation behind the casing. As such, the Group intends to further evaluate the Tertiary reservoir at the Zey Gawra field during 2017. The Group has no estimated reserves or contingent resources attributed to the Tertiary reservoir at December 31, 2016.

- 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.

Demir Dagh field development

- In January 2016, the Group successfully re-completed the DD-3 well in the Jurassic reservoir. The well produced 461,000 bbls during 2016.

West Africa

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

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

Capital Expenditures

The following table summarises the capital expenditures incurred by activity during the three and twelve months ended December 31, 2016 and December 31, 2015:

	Three months ended		Year ended	
($ thousands)	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Middle East				
Drilling	5,050	5,344	16,317[1]	24,429
Facilities	922	3,269	7,056[2]	65,570[4]
Seismic acquisition	(9)[5]	(358)[5]	238	1,529
Studies, license, and support	2,515	4,245	6,872	14,382
Sub-Total Middle East	**8,478**	**12,500**	**30,483**	**105,910**
West Africa				
Exploration drilling	26	(4,689)[5]	2,301[3]	(3,795)[5]
Seismic acquisition	1,072	(55)[5]	1,073	843
Studies, license, and support	937	1,985	2,425	6,083
Sub-Total West Africa	**2,035**	**(2,759)**	**5,799**	**3,131**
Corporate	**-**	**1**	**19**	**(321)[5]**
Total capital expenditures	**10,513**	**9,742**	**36,301**	**108,720**

Notes:

(1) Included in the drilling capital expenditures for the Middle East for the year ended December 31, 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 year ended December 31, 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 year ended December 31, 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 relate to actual expenditure incurred at values below those estimated in prior periods.

The following table summarises the capital expenditures incurred by License Area during the three and twelve months ended December 31, 2016 compared to the same periods in 2015:

($ thousands)	Three months ended		Year ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Middle East				
Hawler	8,477	12,500	31,186[1]	105,484
Wasit	1	-	1	426
Sindi Amedi	-	-	(704)[2]	-
Sub-Total Middle East	**8,478**	**12,500**	**30,483**	**105,910**
West Africa				
AGC Shallow	474	483	976	2,485
AGC Central	1,488	628	2,049	2,171
OML 141	(15)[4]	(4,690)[4]	2,109[3]	(4,043)[4]
Haute Mer A	-	458	-	1,294
Haute Mer B	88	362	665	1,224
Sub-Total West Africa	**2,035**	**(2,759)**	**5,799**	**3,131**
Corporate	**-**	**1**	**19**	**(321)**[4]
Total capital expenditures	**10,513**	**9,742**	**36,301**	**108,720**

Notes:

(1) Included in Hawler License Area capital expenditure for the year ended December 31, 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 relate to actual expenditure incurred at values below those estimated in prior periods.

Middle East

Costs of $6.0 million relating to the initial phase of the Zey Gawra field appraisal and early production were incurred during the three months ended December 31, 2016. The remainder of the capital investments in the Middle East for the fourth quarter of 2016 relate to directly attributable technical support costs relating to the Hawler License Area.

During the year ended December 31, 2016 the Group invested $16.3 million in drilling activities and $7.0 million in infrastructure projects 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 year ended December 31, 2016 relate to studies and technical support costs directly attributable to capital projects.

West Africa

Capital expenditures for West Africa for the three and twelve months ended December 31, 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 and $1.1 million in seismic costs relating to the AGC Central License Area. 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.

Cost Pools

Cost Pools for each License Area, which are available for recovery through future oil sales from such License Area, as at December 31, 2016, are detailed in the table below:

License Area	Location	Gross Cost Pool	Oryx Petroleum Participating Interest Cost Pool	Costs carried by Oryx Petroleum	Costs recovered through cost oil	Oryx Petroleum share of recoverable costs available[(1)(2)]
		($ million)	($ million)	($ million)	($ million)	($ million)
Hawler	Iraq – Kurdistan Region	734.8	462.1	166.6[(3)]	(30.0)	598.7
OML 141	Nigeria	62.5	24.1	37.7	-	61.8
AGC Shallow	Senegal and Guinea Bissau	32.2	28.3	5.0	-	33.4
AGC Central	Senegal and Guinea Bissau	5.4	4.6	0.8	-	5.4
Haute Mer A	Congo (Brazzaville)	244.7	57.6	-	-	57.6
Haute Mer B	Congo (Brazzaville)	22.7	8.0	-	-	8.0
		1,103.3	**584.7**	**210.1**	**(30.0)**	**764.8**

Note:

(1) Cost Pool balances are subject to audit by relevant government entities.

(2) Oryx Petroleum share of costs available for future recovery through the sale of cost oil or deduction for tax purposes.

(3) Carried costs include $94.0 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, September 30, 2016 and December 31, 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 recovery	69[(3)]	-	69
DD&A	-	(61)	(61)
As at September 30, 2016	**104,104**	**149**	**104,253**
Capital additions	2,049	-	2,049
Impairment charge	(16,324)[(4)]	-	(16,324)
DD&A	-	(47)	(47)
As at December 31, 2016	**89,829**	**102**	**89,931**

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 capitalized 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 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) *During the fourth quarter of 2016, the Group fully impaired capitalized expenditures relating to its interest in the Haute Mer B License Area.*

($ 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**
Capital additions	8,462	-	-	8,462
DD&A	(1,121)	(91)	(16)	(1,228)
As at December 31, 2016	**566,687**	**47,157**	**6**	**613,850**

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 twelve months ended December 31, 2016 and December 31, 2015. All oil sold during each of the below periods was produced at the Hawler License Area.

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Oil Sales	7,050	1,317	20,534	17,177
Recovery of Carried Costs	782	216	2,275	3,290
Revenue	**7,832**	**1,533**	**22,809**	**20,467**

The Group recognized revenue on the sale of 182,000 bbl (Working Interest) of oil during the three months ended December 31, 2016, compared to revenue on the sale of 68,000 bbl (Working Interest) of oil during the same period in the previous year. Oil sales of $7.1 million during the fourth quarter of 2016 increased by $6.3 million compared to the three months ended December 31, 2015. The increase is attributable to a 100% increase in realised sales prices combined with a 167% increase in sales volumes. Production was higher during the fourth quarter of 2016 due to the contribution of the Demir Dagh Jurassic reservoir which was not producing during 2015.

The Group recognized revenue on the sale of 593,300 bbl (Working Interest) of oil during the year ended December 31, 2016, compared to revenue on the sale of 588,200 bbl (Working Interest) of oil during the same period in the previous year. Oil sales increased by $3.4 million to $20.5 million during the year ended December 31, 2016 compared to the same period in 2015. The increase is attributable to an 18% increase in realised sales prices and a 1% increase in sales 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 December 31, 2016, the Group's Working Interest share of oil inventory amounted to 9,900 bbl.

Subsequent to December 31, 2016, the Group received payments for October, November, and December 2016 export oil sales and has now received full payment in accordance with PSC entitlements for all oil deliveries into the KRG's export pipeline through the end of February 2017.

Royalties

The following table summarises royalty expense during the three and twelve months ended December 31, 2016 and December 31, 2015:

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Royalties	**3,446**	**644**	**10,037**	**8,397**

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 $2.8 million and $1.6 million, respectively, during the three and twelve months ended December 31, 2016 compared to the same periods in the previous year. The variances in royalties from period to period are attributable to the same factors as those applicable to revenues on oil sales as discussed above.

Operating expense

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Field production costs[1]	2,345	3,332	9,657	15,192
Partner's share of production costs carried by Oryx Petroleum	721	1,024	2,971	4,649
Operating expense	**3,066**	**4,356**	**12,628**	**19,865**
Sales[2] (bbl)	182,000	68,000	593,300	588,200
Field production costs[1] ($/bbl)	**12.88**	**49.00**	**16.28**	**25.83**
Operating expense ($/bbl)	**16.85**	**64.06**	**21.28**	**33.77**

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 $3.1 million recorded in the three months ended December 31, 2016 decreased by $1.3 million compared to the same period in the previous year. The decrease in operating costs is primarily attributable to the decrease in personnel and camp costs during the fourth quarter of 2016. In addition, security and well maintenance costs were lower during the three months ended December 31, 2016 in comparison with 2015. In addition to the impact of the above factors, the decrease in per barrel operating costs is primarily due to the 167% increase in sales volumes during the three months ended December 31, 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 fourth quarter of 2016 and 2015:

($ thousands)	($000)	($/bbl)
Operating expense – three months ended December 31, 2015	**4,356**	**64.06**
Contribution of the following to variance:		
Personnel and camp costs	(605)	(3.32)
Well maintenance	(411)	(2.26)
Facilities lease and maintenance, diesel and operation	39	0.21
Security	(313)	(1.72)
Change in volume	-	(40.12)
Operating expense – three months ended December 31, 2016	**3,066**	**16.85**

General and administration

($ thousands)	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
Total General and Administration	**2,628**	**3,127**	**9,426**	**13,447**

General and administrative expenses decreased by $0.5 million and $4.0 million during the three and twelve months ended December 31, 2016, respectively, compared to the same periods in 2015. The decrease is primarily due to cost control measures.

Exploration expense

($ thousands)	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
Exploration	314	67	954	67
Pre-license	-	92	-	1,203
Total exploration expense	**314**	**159**	**954**	**1,270**

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 December 31		Year ended December 31	
	2016	2015	2016	2015
Impairment expense of intangibles	16,324	50,924	17, 751	154,927
Impairment expense of property, plant and equipment	-	35,706	1,039	242,544
Total impairment	**16,324**	**86,630**	**18,790**	**397,471**

The impairment expense for the year ended December 31, 2016 includes a $16.3 million expense relating to the Haute Mer B License Area, 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 twelve months ended December 31, 2016 and December 31, 2015:

($ thousands)	Three months ended December 31		Year ended December 31	
	2016	2015	2016	2015
Intangible assets: Amortisation	47	81	252	431
PP&E assets: Depreciation	17	263	250	799
Depletion	1,204	1,276	5,068	7,035
Total DD&A	**1,268**	**1,468**	**5,570**	**8,265**

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

Other expense

The following table summarises the components of other expense for the three and twelve months ended December 31, 2016 compared to the same periods in 2015:

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Impairment of materials inventory	808	-	9,087	-
Curtailment of retirement benefit obligation	298	1,807	(3,505)	(2,653)
Change in fair value of contingent consideration	1,252	(1,960)	5,344	(3,915)
Restructuring charge	-	-	2,192	-
Revaluation of warrants	-	(6,673)	-	(6,673)
Other income	(128)	877	(310)	877
Other expense / (income)	**2,230**	**(5,949)**	**12,808**	**(12,364)**

The $12.8 million other expense charge for the year ended December 31, 2016 is comprised of an $9.1 million materials inventory charge which represents the adjustment of materials inventory's carrying value to management's estimate of net realizable value, a $5.3 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 $3.5 million gain on the curtailment of retirement benefit obligation related to decreased staff levels during 2016.

Other expense for the three months ended December 31, 2016 is primarily comprised of a $1.3 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 $0.8 million materials inventory charge which represents the adjustment of materials inventory's carrying value to management's estimates of net realizable value.

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 scheduled to provide additional consideration upon declaration of each of the first two commercial discoveries. Oryx Petroleum paid $20.0 million plus interest during 2014 in satisfaction of the obligation arising upon the first commercial discovery.

Finance expense

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Interest expense on Loan Facility	2,417	1,555	10,140	3,628
Accretion of deferred financing costs on Loan Facility	1,263	533	3,131	1,311
Interest expense on finance lease obligation	464	464	1,921	571
Interest on contingent costs	352	348	1,210	743
Accretion of decommissioning liability	148	111	386	265
Finance expense	**4,644**	**3,011**	**16,788**	**6,518**

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

Income tax expense

The following table summarises the component parts of income tax expense for the three and twelve months ended December 31, 2016 and December 31, 2015.

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Current income tax expense	210	97	1,019	1,105
Deferred tax expense / (benefit)	(133)	(756)	575	(279)
Total income tax expense / (benefit)	**77**	**(659)**	**1,594**	**826**

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 twelve months ended December 31, 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 $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**"). 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, the 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.

Liquidity outlook

The Group's ability to meet its obligations as they fall due and to fund its anticipated capital investments and operating expenditures is dependent on its ability to realize forecasted revenues, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and to secure future financing.

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

Specifically, management's forecast assumes net cash receipts from sales of its share of oil production from the Hawler License Area of $67 million during the 18 months ending June 30, 2018. Management is also actively engaged in specific and substantive discussions with creditors in respect of borrowings, contingent costs related to the acquisition of the Group's interest in the Hawler license area, and certain other liabilities. On March 15, 2017, the Company issued 15,500,000 of its common shares to settle trade accounts payable of $4.8 million. In addition, management expects to

conclude agreements to restructure and reschedule forecasted cash outflows such that, during the 18 months ending 30 June 2018, no payments of principal or interest will be required in respect of existing borrowings, payments related to contingent costs will not exceed $10 million, and that other forecasted cash outflows will be reduced by $5 - $10 million.

In addition to the above, the Group requires access to additional financing to fund its budgeted capital investments and operating expenditures, and to meet its obligations as they fall due in the 18 months following December 31, 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, management expects to require $30 million in additional financing to support its activities during the 18 months ending June 30, 2018.

Management is currently engaged in specific and substantive discussions with existing shareholders to secure the required financing as follows.

- AOG and Zeg Oil and Gas Ltd ("**Zeg Oil**") have conditionally agreed to subscribe for approximately 90 million shares of OPCL for cash consideration of $30 million (the "Shareholder Subscription");
- AOG has conditionally agreed to extinguish $24.1 million of the outstanding principal and interest due under the Loan Facility, representing 25% of that facility as of December 31, 2016 in consideration for approximately 72 million common shares of the Company. The maturity date of the remaining balance due of $72.4 million (as of December 31, 2016) is proposed to be extended from March 2018 to July 2019 (collectively, the "Loan Facility Restructuring");
- Completion of the above transactions will be subject to finalization and execution of definitive agreements, acceptance of the Toronto Stock Exchange, approval of shareholders (excluding AOG and Zeg Oil), restructuring of the contingent consideration obligation and certain other obligations on terms satisfactory to AOG and Zeg Oil, and other customary conditions;
- Negotiations with the vendor of the Hawler License Area with regards to the contingent consideration obligation are ongoing but have yet to produce an agreement;
- All share issuances in connection with the aforementioned agreements are proposed to be based on an Oryx Petroleum share price of C$0.45 per common share and the Bank of Canada Canadian Dollar-United States Dollar noon rate on March 14, 2017, being 0.7428;
- Pro forma for the closing of the Shareholder Subscription and Loan Facility Restructuring, the Company would have approximately 431 million shares outstanding of which AOG and Zeg Oil would own 61% and 25%, respectively;
- The Shareholder Subscription and Loan Facility Restructuring are expected to close in June 2017 provided final agreements are reached and conditions satisfied;
- Definitive agreements have not yet been executed and it is uncertain if final agreements can be reached. If definitive agreements are entered, the transactions may nonetheless fail to be completed if any of the conditions to closing fail to be satisfied;
- On March 15, 2017 the Company issued 15.5 million shares to settle a $4.8 million trade payable.

The Group expects cash on hand at December 31, 2016, expected proceeds from the anticipated Shareholder Subscription, and cash receipts from net revenues on export sales exclusively through the pipeline, will allow it to fund its forecasted cash expenditures and operating and administrative costs and to meet its obligations into the first half of 2018. Without the proceeds from the anticipated Shareholder Subscription, Oryx Petroleum would be unlikely to be able to continue development of the Hawler License Area and the Group would be required to consider divestiture or relinquishment of the License Area.

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

Historical cash flow information

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

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Operating Cash Flow[(1)]	(1,673)	(5,594)	(9,231)	(18,255)
Change in non-cash assets and liabilities relating to operating activities	1,089	(1,639)	(2,226)	(3,774)
Net cash used in operating activities	**(584)**	**(7,233)**	**(11,457)**	**(22,029)**
Additions to E&E and PP&E	(10,885)	(10,590)	(26,623)	(94,420)
Change in non-cash assets and liabilities relating to investing activities	5,610	(12,964)	(8,050)	(38,577)
Net cash used in investing activities	**(5,275)**	**(23,554)**	**(34,673)**	**(132,997)**
Net cash generated by financing activities	**-**	**49,999**	**32,636**	**99,382**
Total change in cash	**(5,859)**	**19,212**	**(13,494)**	**(55,644)**
Cash and cash equivalents at beginning of the period	46,591	35,014	54,226	109,870
Cash and cash equivalents at end of the period	**40,732**	**54,226**	**40,732**	**54,226**

Note:

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

During the quarter ended December 31, 2016, the Group invested $5.3 million in development activities primarily in the Hawler License Area. This amount is primarily related to $5.6 million in decreases to current liabilities. Operating activities during the quarter ended December 31, 2016 also consumed $0.6 million in cash resources.

A total of $34.7 million in cash was used in investing activities relating to additions to E&E and PP&E for the year ended December 31, 2016. This total is primarily composed of $8.5 million in facilities costs, $8.6 million in drilling activities relating to the DD-3 re-completion and the initial phase of the Zey Gawra field appraisal and early production, $8.1 million in support costs attributable to capital projects, $1.1 million in seismic costs relating to the AGC Central seismic acquisition, and $8.1 million used primarily to settle current liabilities related to investing activities. Included in the $8.5 million in cash used related to facilities costs, is $6.2 million paid relating to the finance lease which was capitalized during 2015.

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 realize 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 year ended December 31, 2016, had these changes occurred on January 1, 2016. These calculations are based on business conditions, production and sales volumes existing during the year ended December 31, 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	4,048	0.02
Change in crude oil sales volumes	1,000 bbl/d	5,618	0.03
Change in operating expenses	$1.00/bbl	593	-
Change in interest rate	1%	744	-

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

Non-IFRS Measures

Field Netback

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

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

Oryx Petroleum Netback

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

Operating Cash Flow

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

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

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

	Three months ended December 31		Year ended December 31	
($ thousands)	2016	2015	2016	2015
Net cash used in operating activities	(584)	(7,233)	(11,457)	(22,029)
Changes in non-cash assets and liabilities	(1,089)	1,639	2,226	3,774
Operating Cash Flow	**(1,673)**	**(5,594)**	**(9,231)**	**(18,255)**

Outstanding Share Data

As at December 31, 2016, a total of 253,361,581 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 the 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 year ended December 31, 2016.

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.

During 2016, the Group issued 3,727,720 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 5,404,508 common shares in 2017 and 2018. On October 14, 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. In addition, 576,715 common shares were issued to directors of OPCL during the year ended December 2016. Please refer to the "Transactions with Related Parties" section of this MD&A for further information.

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

The number of common shares outstanding as at the date of this MD&A is 269,110,336.

At the date of this MD&A, other than the warrants described above, there are no 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 December 31, 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 $4,000 during the year ended December 31, 2016, relating to these agreements.

Other than the above, Oryx Petroleum was not party to any off-balance sheet arrangements during the three or twelve months ended December 31, 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 December 31, 2016.

($ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases[1]	496	65	-	**561**
Other obligations[2]	3,018	57,395	17,784	**78,197**
Total	**3,514**	**57,460**	**17,784**	**78,758**

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 $78.2 million have decreased by $3.2 million compared to the balance at December 31, 2015. This variance is mainly attributable to commitments relating to the Hawler License Area recorded on the statement of financial position as at December 31, 2016.

Summary of Quarterly Results

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

($ thousands, unless otherwise stated)	2015				2016			
	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Revenue, net of royalties	5,345	9,362	2,496	889	671	3,949	3,766	4,386
Operating expense	(5,077)	(4,694)	(5,738)	(4,356)	(3,493)	(3,230)	(2,839)	(3,066)
Depletion	(1,414)	(2,438)	(2,059)	(1,124)	(502)	(1,746)	(1,616)	(1,204)
G&A	(2,322)	(4,827)	(3,171)	(3,127)	(2,590)	(2,058)	(2,150)	(2,628)
Loss	(8,664)	(5,579)	(317,836)	(91,537)	(19,429)	(11,354)	(8,738)	(26,205)
Loss per share (basic and diluted) ($/share)	(0.07)	(0.05)	(2.56)	(0.75)	(0.13)	(0.05)	(0.04)	(0.10)
Operating cash flow	(4,131)	(2,235)	(6,300)	(5,594)	(5,691)	(1,222)	(645)	(1,673)
Gross Production (bbl)	199,600	348,900	258,800	115,000	69,100	284,700	264,500	286,000
WI Production (bbl)	129,800	226,800	168,200	75,000	44,900	185,100	172,000	186,000
Gross Sales (bbl)	198,100	341,100	261,100	104,700	82,000	286,100	264,800	279,900
WI Sales (bbl)	128,700	221,700	170,000	68,000	53,300	186,000	172,100	182,000
Field production costs(1)	(3,882)	(3,589)	(4,388)	(3,332)	(2,671)	(2,470)	(2,171)	(2,345)
Field Netback(2)	(1,696)	243	(2,659)	(2,689)	(2,143)	631	788	1,099
Oryx Petroleum Netback(2)	(2,023)	658	(3,323)	(3,497)	(2,846)	574	790	1,160
Brent price ($/bbl)	54.22	62.05	50.20	43.32	34.54	45.89	45.85	49.96
Sales price ($/bbl)	34.79	35.37	20.83	19.37	20.25	34.15	35.19	38.75
Royalties ($/bbl)	(17.01)	(17.29)	(10.18)	(9.47)	(9.90)	(16.70)	(17.20)	(18.93)
Field production costs(1) ($/bbl)	(30.16)	(16.19)	(25.81)	(49.00)	(50.11)	(13.28)	(12.61)	(12.88)
Current taxes ($/bbl)	(0.79)	(0.80)	(0.48)	(0.44)	(0.45)	(0.78)	(0.80)	(0.88)
Field Netback(2) ($/bbl)	(13.18)	1.10	(15.64)	(39.54)	(40.21)	3.39	4.58	6.04
Oryx Petroleum Netback(2) ($/bbl)	(15.72)	2.97	(19.55)	(51.43)	(53.40)	3.09	4.59	6.37
Capital expenditures(3)	41,952	25,258	31,768	9,742	4,322	17,243	4,227	10,513

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 December 31, 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 aligned 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 year ended December 31, 2016 reflect management's consequent efforts to reduce costs.

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

Loss of $26.2 million for the three months ended December 31, 2016 is primarily due to $16.3 million in impairment expense relating to the Haute Mer B License Area, $4.6 million in finance expenses recorded during the quarter which are primarily related to the Loan Facility, combined with $2.6 million in general and administrative expenses, and $1.2 million in depletion.

Net loss for the year ended December 31, 2016 decreased by $357.9 million to $65.7 million compared to the year ended December 31, 2015. The change in loss for the period is primarily attributable to i) an impairment loss of $397.5 million recorded on the Hawler, Wasit, OML 141 and Haute Mer A License Areas during the year ended December 31, 2015, and ii) a $7.2 million decrease in operating expenses and a $4.0 million decrease in general and administrative expenses both primarily due to cost control measures. These positive factors were partially offset by an increase in $3.2 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 $9.1 million charge relating to the impairment of materials inventory recorded during the year ended December 31, 2016, a $2.2 million corporate restructuring charge recorded during the year ended December 31, 2016, and a $10.3 million increase in finance expense primarily related to interest on the Loan Facility.

Selected Annual Information

The following table sets forth a summary of Oryx Petroleum's results for the years indicated, in each case prepared in accordance with IFRS as issued by the IASB.

	Year ended December 31		
($ thousands except per share amounts)	2016	2015	2014
Revenue	22,809	20,467	19,616
Loss attributable to owners	65,707	415,235	18,065
Loss per share (basic and diluted)	0.31	*3.43*	*0.17*
Total assets	766,445	779,661	1,138,216
Long-term debt	**93,103**	97,120	-

There have been no changes due to changes in accounting policies, significant acquisitions or dispositions.

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 $4,000 during the year ended December 31, 2016 relating to these agreements.

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

Transactions with Related Parties

On March 11, 2015, the Group entered into a committed and unsecured term loan facility agreement with a subsidiary of its indirect controlling shareholder AOG. Interest expense of $10.1 million relating to this transaction have been recorded for the year ended December 31, 2016 (2015 - $3.6 million). Management has estimated the terms and conditions to be materially comparable to terms applicable to similar market transactions.

On October 19, 2016, the Group entered into an office lease agreement with a subsidiary of its indirect controlling shareholder. Rental expense of $0.1 million relating to this agreement was recorded for both the three and twelve months ended December 31, 2016. An operating lease commitment of $0.2 million has been included in commitments as at December 31, 2016.

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.

On October 14, 2016, OPCL issued 23,032,871 common shares of the Company to the Lender as consideration to extinguish a further $9.1 million of principal and accrued interest under the Loan Facility.

For the three and twelve months ended December 31, 2016, the Group incurred costs of $0.4 million and $1.8 million for goods and services provided by related parties, all of which are subsidiaries of AOG (2015: $0.4 million, $1.8 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 January 2017, directors of OPCL were awarded 248,755 common shares ($0.1 million) and $0.1 million in cash as remuneration for services provided in the third and fourth quarters of 2016. In July 2016, directors of OPCL were awarded 171,399 common shares ($0.1 million) and $0.2 million in cash as remuneration for services provided in the first and second quarters of 2016. In January 2016, directors of OPCL were awarded 405,316 common shares ($0.2 million) and $0.2 million in cash as remuneration for services provided in the third and fourth quarters of 2015. Of this amount, 155,659 common shares ($0.1 million) were issued to directors in January 2016. The balance of 249,657 common shares ($0.1 million) was issued to directors of OPCL in July 2016. 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.

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

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 has met its day to day working capital requirements, and has funded its capital and operating expenditures through funding received from the proceeds of share issuances (note 17 of the Financial Statements), its share of oil sales revenues from the Hawler License Area, and from Borrowings (note 14 of the Financial Statements).

Management continually monitors the Group's financing requirements and is pursuing negotiations to finance its ongoing operations at appropriate cost. Management is engaged in discussions with existing shareholders and creditors on proposed transactions and agreements which would reduce anticipated cash outflows and provide the additional financing required to fund capital and operating expenditures, and to meet obligations as they fall due in the 18 months following December 31, 2016.

The timing and extent of forecast capital and operating expenditures is based on the Group’s 2017 reforecast budget, and on management’s estimate of expenditures expected to be incurred beyond 2017. The Group has a significant degree of control and flexibility over both the extent and timing of expenditure under its future capital investment program.

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, scheduling of payments arising from various obligations as at December 31, 2016, the availability of additional financing, and the timing and extent of capital and operating expenditures.

The Group’s ability to continue as a going concern is dependent on its ability to realize forecasted revenues, restructure projected cash outflows arising from existing arrangements, control the timing and extent of projected expenditures, and to secure future financing. These uncertainties cast significant doubt about the Group’s ability to continue as a going concern.

Oil sales volume assumptions are based on historical production volumes adjusted to recognize 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 $67 million during the 18 months ending June 30, 2018. The contribution from the anticipated production and sale of crude oil from the Hawler License Area’s Zey Gawra field is particularly significant to the Group’s ability to generate forecasted revenues during the forecast period.

Management is actively engaged in specific and substantive discussions with creditors in respect of borrowings (note 14 of the Financial Statements), contingent costs related to the acquisition of the Group’s interest in the Hawler License Area (note 30 of the Financial Statements), and certain other liabilities. On March 15, 2017, the Company issued 15,500,000 of its common shares to settle trade accounts payable of $4.8 million (note 12 and 31 of the Financial Statements). In addition, management expects to conclude agreements to restructure and reschedule forecasted cash outflows such that, during the 18 months ending 30 June 2018, no payments of principal or interest will be required in respect of existing borrowings, payments related to contingent costs will not exceed $10 million, and that other forecasted cash outflows will be reduced by $5 - $10 million.

In addition to the above, the Group requires access to additional financing to fund its budgeted capital investments and operating expenditures, and to meet its obligations as they fall due in the 18 months following December 31, 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, management expects to require $30 million in additional financing to support its activities during the 18 months ending June 30, 2018. Management is currently engaged in specific and substantive discussions with existing shareholders to secure the required financing. Certain shareholders have indicated their intentions to provide the required financing on the condition that a) satisfactory creditor arrangements are secured in accordance with management plans as described above, and b) regulatory and shareholder approvals are obtained.

Should the Group be unable to meet its obligations as they fall due and to fund its anticipated capital investments and operating expenditures, the preparation of the Financial Statements on a going concern basis may not be appropriate. The Financial Statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. Such adjustments may be material. Specifically, in the absence of additional financing and the restructuring of borrowings (note 14 of the Financial Statements), contingent costs (note 30 of the Financial Statements), and other liabilities as described above, Oryx Petroleum would be unlikely to be able to continue development of the Hawler License Area and the Group would be required to consider divestiture or relinquishment of the License Area. Such curtailment of activity would likely materially and negatively impact the Group’s assessment of the carrying values of assets and liabilities associated with the Hawler License Area.

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

Carrying value of intangible exploration and evaluation assets

The carrying amounts for E&E assets represent costs incurred on exploration projects. For the purpose of impairment assessments and testing, E&E assets are aggregated in cash-generating units (“CGU”). Determination of what constitutes a CGU is subject to management judgments and the circumstances. For the purposes of impairment assessments and testing, management has determined that each License Area constitutes a CGU. The carrying amounts remain capitalized, provided there are no indications of impairment, until the process to determine whether commercial reserves are established is

complete. At that stage the relevant costs are either transferred to PP&E or written-off to the statement of loss as an impairment of oil and gas assets.

At December 31, 2016, management determined that the limited exploration and evaluations activities planned for the Haute Mer B License Area during the foreseeable future constituted an indicator of impairment. Management concluded that given the fact that cash flows attributable to the assets in their current condition could not be established, the recoverable amount of this asset calculated using the value-in-use methodology was Nil. The Group consequently recorded an impairment charge of $16.3 million related to the Haute Mer B License Area. As at December 31, 2016, the carrying value of the Congo Haute Mer B CGU was Nil (December 31, 2015: $15.7 million).

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

Carrying value of Oil and Gas assets

The carrying amounts for Oil & Gas assets are subject to impairment assessment and testing in accordance with IAS 36. For the purpose of impairment assessments and testing, Oil & Gas assets are aggregated in CGUs. Determination of what constitutes a CGU is subject to management judgments and the circumstances. For the purposes of impairment assessments and testing of Oil & Gas assets, management has determined that the Oil & Gas assets in the Hawler License Area outside of the Ain al Safra area constitute the group's single CGU which contains property, plant and equipment.

In conducting impairment tests, management considers internal and external sources of information regarding the manner in which assets are being used or are expected to be used and indications of economic performance of the assets. Estimates include but are not limited to the determination of future cash flows expected to be derived from the asset being tested and the discount rate used to determine the value of the cash flows at the measurement date. Reductions in oil price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable reserves and resources and/or adverse economic conditions can result in estimated carrying amounts exceeding the recoverable amounts of the Group's Oil & Gas assets. An impairment loss is recognized if and when the carrying amount exceeds the recoverable amount.

Following the presence of indicators of possible impairment primarily related to a reduction in estimated proved plus probable reserves assigned to the Hawler License Area, management conducted an impairment test on the Hawler License Area CGU at December 31, 2016. In performing the impairment test, management used significant assumptions and estimates derived from and consistent with those incorporated in the proved plus probable reserves development case contained in the Group's Material Change Report dated February 22, 2017, adjusted to reflect management's current assumptions related to future crude oil sales prices.

Expected cash inflows from oil sales have been based on quoted Brent Crude forward contract prices for 2017, 2018, and 2019. Management's Brent Crude assumptions beyond 2019 are benchmarked against the forward contract prices and pricing forecasts prepared by external reserves evaluation firms. Expected cash inflows assume that all sales of crude oil from the Hawler License Area are to be completed through the Kurdistan Regional Government's international export pipeline. In accordance with management's best estimate and understanding of the terms most likely to govern future sales of Hawler License Area crude oil, realized prices from oil sales have been referenced to management's estimated future Brent Crude prices adjusted for a fixed and constant discount maintained through the economic life of the CGU.

Based on the above, expected cash inflows from oil sales have been determined using the following estimated weighted average nominal sales prices:

Year ending December 31,	Brent Crude Price ($/bbl)	Assumed realised Price ($/bbl)
2017	56.33	45.05
2018	56.01	45.87
2019	55.29	44.25
2020	66.42	54.40
2021	69.47	57.84
2022	71.19	59.94
2023	72.91	61.55
2024	74.52	62.96
2025	76.33	64.54
2026	78.30	66.28
2027	79.84	67.64
Thereafter	2% escalation	

Management applied the fair value less costs of disposal methodology to establish the net present value of expected after-tax cash flows associated with proved plus probable reserves as at December 31, 2016 using a 15% after-tax discount rate. Management selected the 15% discount rate based on management's estimate of the cost of capital invested in upstream oil & gas assets in the Kurdistan Region of Iraq.

Application of the fair value less costs of disposal methodology using the assumptions described above indicates the estimated recoverable amount of the Hawler License Area CGU as at December 31, 2016 to be $671.1 million. The estimated recoverable amount exceeds the Hawler License Area's $513.6 million carrying amount as at December 31, 2016 which includes the carrying values of decommissioning (note 16 of the Financial Statements) and finance lease (note 13 of the Financial Statements) obligations and contingent costs (note 30 of the Financial Statements), for which settlement is included in the discounted expected after-tax cash-flows. Consequently, the Group has not recorded an impairment provision as a result of conducting the impairment test.

The net present value of expected after-tax cash-flows associated with the proved plus probable reserves development case described above were subjected to sensitivities arising from changes in crude oil price forecasts and discount rates. The following table indicates the recoverable amounts as at December 31, 2016 that result from applying various crude oil price forecasts and discount rates:

	Discount rate		
Recoverable amount ($ millions)	12.5%	15%	17.5%
Above prices less $5/bbl	722.2	612.6	521.5
Prices listed above	783.3	671.1	577.7
Above prices plus $5/bbl	848.6	732.7	636.0

The net present value of expected cash-flows associated with the proved plus probable reserves development case is also highly sensitive to the Group's internal and independently evaluated estimation of proved plus probable reserves and to the production profile associated with the exploitation of these reserves. The recoverable and carrying values of the Group's Hawler License Area CGU may need to be revised should there be significant future changes to estimates proved plus probable reserves and their associated production profile.

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.

An evaluation of the design and operational effectiveness of Oryx Petroleum's DC&P in place during 2016 was carried out under the supervision of, and with the participation of management including its certifying officers. Based on that evaluation, the certifying officers concluded that the design and operation of the DC&P were effective as at December 31,

2016.

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.

An evaluation of the design and operational effectiveness of Oryx Petroleum’s ICFR in place during 2016 was carried out under the supervision of, and with the participation of management, including its certifying officers. Based on that evaluation, the certifying officers concluded that the design and operation of the ICFR were effective as at December 31, 2016. There were no changes in Oryx Petroleum’s ICFR during the year ended December 31, 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 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, expectations that cash on hand, expected proceeds from the anticipated shareholder subscription and cash receipts from net revenues and exports sales exclusively through the pipeline will allow the Corporation to fund forecasted cash expenditures needed to sustain the Group’s operations and meet license commitments into the first half of 2018, the proposed shareholder subscription and balance sheet restructuring including expected conditions, pricing terms and closing date, 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, 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, future royalties and tax levels, access to and sources of future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, guidance regarding operating expenses on a per barrel basis, plans to process and interpret 3D seismic data from the AGC Central License Area, estimates on a per share basis, future foreign currency exchange rates, the issuance of shares and pro forma ownership figures as a result of the vesting of LTIP awards, exercise of outstanding warrants and the proposed shareholder subscription and balance sheet restructuring, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the credit facility with AOG and the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, changes in any of the foregoing, and statements that contain words such as “may”, “will”, “would”, “could”, “should”, “anticipate”, “believe”, “intend”, “expect”, “plan”, “estimate”, “budget”, “outlook”, “propose”, “potentially”, “project”, “forecast” or the negative of such expressions and statements relating to matters that are not historical fact.

Although Oryx Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. In making certain statements in this MD&A, Oryx Petroleum has made assumptions with respect to the following: the general continuance of the current or, where applicable, assumed industry conditions, the continuation of assumed tax, royalties and regulatory regimes, forecasts of capital expenditures and the sources of financing thereof, timing and results of exploration activities, access to local and international markets for future crude oil production and future crude oil prices, Oryx Petroleum’s ability to obtain and retain qualified staff, contractors and personnel and equipment in a timely and cost-efficient manner, the political situation and stability in jurisdictions in which Oryx Petroleum has licenses, the ability to renew its licenses on attractive terms, Oryx Petroleum’s future production levels, the applicability of technologies for the recovery and production of Oryx Petroleum’s oil reserves and resources, the amount, nature, timing and effects of capital expenditures, geological and engineering estimates in respect of Oryx Petroleum’s reserves and resources, the geography of the areas in which Oryx Petroleum is conducting exploration and development

activities, operating and other costs, the extent of Oryx Petroleum's liabilities, and business strategies and plans of management and Oryx Petroleum's business partners. For more information about these assumptions and risks facing the Group, refer to the Group's Annual Information Form dated March 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.

Reserves and Resources Advisory

Oryx Petroleum's reserves and resource estimates have been prepared and evaluated in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* and the Canadian Oil and Gas Evaluation Handbook.

Proved oil reserves are those reserves which are most certain to be recovered. There is at least a 90% probability that the quantities actually recovered will equal or exceed the estimated proved oil reserves. Probable oil reserves are those additional reserves that are less certain to be recovered than proved oil reserves. There is at least a 50% probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable oil reserves.

Contingent oil resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political, and regulatory matters, or a lack of markets. Contingent oil resources entail additional commercial risk than reserves. There is no certainty that it will be commercially viable to produce any portion of the contingent oil resources. Moreover, the volumes of contingent oil resources reported herein are sensitive to economic assumptions, including capital and operating costs and commodity pricing.

Prospective oil resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective oil resources have both a chance of discovery and a chance of development. Prospective oil resources entail more commercial and exploration risks than those relating to oil reserves and contingent resources. There is no certainty that any portion of the prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources.

Glossary and Abbreviations

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

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

AOG
The Addax and Oryx Group PLC

bbl
Barrel(s) of oil

bbl/d
Barrel(s) of oil per day

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

Company
Oryx Petroleum Corporation Limited

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

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

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

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

G&A
General and administrative

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

IAS
International Accounting Standards

IFRS
International Financial Reporting Standards

KRG
Kurdistan Regional Government of Iraq

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

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

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

PP&E
Property, plant and equipment

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

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

Reserves
Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on
- analysis of drilling, geological, geophysical and engineering data;
- the use of established technology;
- specified economic conditions, which are generally accepted as being reasonable

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

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