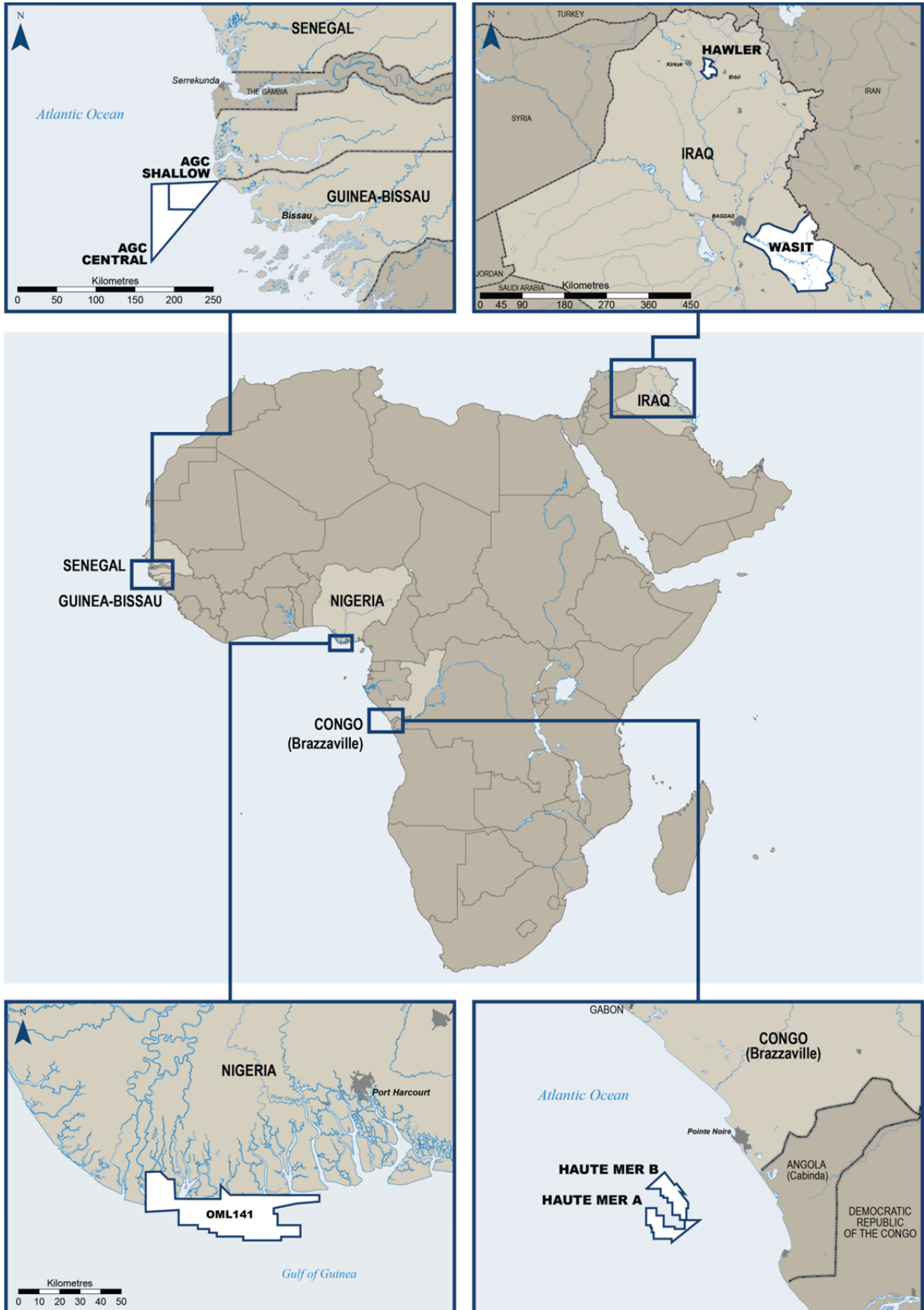


# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEAR ENDED  
DECEMBER 31, 2014



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



## 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 audited consolidated financial statements of Oryx Petroleum Corporation Limited ("OPCL" or, the "Company") and its subsidiaries for the year ended December 31, 2014, 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 18, 2015.

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 31. Additional information relating to OPCL, including OPCL's Annual Information Form dated March 12, 2014, is on SEDAR at [www.sedar.com](http://www.sedar.com). The Company will file an Annual Information Form for the year ended December 31, 2014 on or before March 31, 2015.

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### Company Overview

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

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

License Area	Location	Participating Interest	Working Interest	Role
Hawler	Iraq – Kurdistan Region	65%	65%	Operator
Wasit	Iraq – Wasit province	75% <sup>(1)</sup>	40% <sup>(2)(3)</sup>	Operator
AGC Shallow	Senegal and Guinea Bissau	85%	80% <sup>(4)</sup>	Operator
AGC Central	Senegal and Guinea Bissau	85%	80% <sup>(4)</sup>	Operator
OML 141	Nigeria	38.67%	38.67%	Technical partner
Haute Mer A	Congo (Brazzaville)	20%	20%	Non-operator
Haute Mer B	Congo (Brazzaville)	30%	30%	Non-operator

Notes:

- (1) The 75% Participating Interest includes an interest attributable to a non-controlling third party. The Participating Interest net of the non-controlling interest is 50%.
- (2) Assuming the WPG exercises back-in rights.
- (3) The 40% Working Interest is net of a third party non-controlling interest which owns 33.33% of an indirect OPCL subsidiary which indirectly holds an interest in the Wasit License Area.
- (4) Assuming the AGC exercises back-in rights.



## **Operational Highlights and Update**

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### **2014 Operations Highlights:**

- Declaration of commercial discovery for Demir Dagħ
- First production achieved in the second quarter
- Gross (100%) oil production from Demir Dagħ of 533,000 bbl (working interest 346,000 bbl)
  - 3,900 bbl/d average (working interest 2,500 bbl/d) for the actual days of production
- Gross (Working Interest) proved plus probable reserves increased by 27%
- Nine appraisal and development wells drilled at Demir Dagħ with three wells capable of production at year end representing Gross (100%) wellhead production capacity exceeding 15,000 bbl/d
- Oil discovery at Banan and drilling of appraisal wells at each of Banan and Ain Al Safra
- Capacity of production facilities increased to 20,000 bbl/d with associated increases to storage and truck loading station capacity
- Successful testing of Elephant discovery in Haute Mer A License Area offshore Congo (Brazzaville)
- Award of interest in the AGC Central License Area offshore Senegal and Guinea Bissau

### **2015 Operations Update:**

- Gross (100%) oil production averaged 3,100 bbl/d and 1,100 bbl/d, respectively, for the months of January 2015 and February 2015
- Commenced oil liftings on March 16, 2015 with regional marketer
- Five wells at Demir Dagħ are now tied into the Hawler production facilities, and collectively represent Gross (100%) wellhead production capacity of over 25,000 bbl/d
- Tie-in to the expanded Kurdistan Region of Iraq (KRI) to Turkey export pipeline expected to be completed in the second quarter
- Commissioning of Early Production Facility with Gross (100%) nameplate capacity of 40,000 bbl/d expected to be completed in the second quarter
- The drilling of five development wells at Demir Dagħ is planned for the second half of the year
- Target production guidance of 35,000 to 45,000 bbl/d by year-end remains unchanged

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



## Financial Highlights

### Financial performance

The following table contains financial performance highlights for the three and twelve month periods ended December 31, 2014 compared to the same periods in 2013. As first production and sales commenced during the second quarter of 2014 there are no comparative operating measures for the three months and year ended December 31, 2013.

(\$ thousands unless otherwise stated)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Revenue	7,808	-	19,616	-
Cash used in operating activities	(17,928)	(1,882)	(28,530)	(8,732)
Operating Cash Flow <sup>(1)</sup>	1,106	(8,318)	(3,220)	(20,386)
Operating Cash Flow <sup>(1)</sup> per basic and diluted share (\$/share)	0.01	(0.08)	(0.03)	(0.22)
Net loss	(1,862)	(35,210)	(19,010)	(185,823)
Net loss per basic and diluted share (\$/share)	(0.02)	(0.35)	(0.17)	(2.04)
Average sales price (\$/bbl)	53.61	-	55.69	-
Field production costs <sup>(3)</sup> (\$/bbl)	11.84	-	17.24	-
Field Netback <sup>(1)</sup> (\$/bbl)	14.36	-	9.96	-
Oryx Petroleum Netback <sup>(1)</sup> (\$/bbl)	21.11	-	15.46	-
Capital expenditures <sup>(2)</sup>	65,487	74,801	325,906	200,234

#### 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) Excludes license acquisition costs. Refer to the "Capital Expenditures" section below.
- (3) 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.

### Revenue

Oryx Petroleum recorded gross revenue of \$19.6 million for the year ending December 31, 2014. Included in gross revenue is \$16.4 million (\$55.69/bbl) realised on the sale of 295,000 bbl of oil (Oryx Petroleum Working Interest Share) and \$3.2 million related to the recovery of costs carried on behalf of partners.

During the fourth quarter of 2014, Oryx Petroleum recorded gross revenue of \$7.8 million. The Group realized revenue of \$6.5 million (\$53.61/bbl) on the sale of 122,000 bbl of oil (Oryx Petroleum Working Interest share) into the Kurdistan Region of Iraq's local market. Also included in gross revenue for the three months ended December 31, 2014 is \$1.3 million related to the recovery of costs carried on behalf of partners.

### Net loss

Net loss for the year ended December 31, 2014 was \$19.0 million which is \$166.8 million less than the net loss for the year ended December 31, 2013. The decrease in net loss is primarily attributable to a \$82.3 million decrease in impairment expense, a \$26.7 million decrease in G&A expenses and a \$55.8 million decrease in other expenses.

Net loss for the three months ended December 31, 2014 of \$1.9 million decreased by \$33.3 million compared to the three months ended December 31, 2013. The change is primarily attributable to a \$17.8 million decrease in impairment expense, a \$5.2 million decrease in other expenses mainly relating to a revision in the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, and a \$4.6 million increase in net revenue partially offset by increased operating and depletion expense. The remaining decrease in net loss compared to the three months ended December 31, 2013 relates to a \$2.3 million decrease in interest expense, a \$2.0 million decrease in the non-cash pension provision, and an increase in support costs being directly attributable to capital projects.

### Capital expenditures

During the year ended December 31, 2014, the Group invested \$325.9 million in capital expenditures. These expenditures were primarily related to exploration and development activity on the Hawler License Area in the amount of \$289.9 million,

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



which included \$153.4 million in drilling costs, \$88.1 million in facilities costs and \$16.2 million in seismic expenditures. Additional expenditures of \$16.6 million and \$7.4 million, respectively, were made on the Haute Mer A and Haute Mer B License Areas in Congo (Brazzaville) and \$6.4 million in expenditures were made on the AGC Shallow License Area. The remaining expenditures relate to the OML 141, AGC Central and Wasit License Areas, as well as capital expenditures for the corporate office.

### Financial position

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

(\$ thousands)	December 31, 2014	December 31, 2013
Working Capital	50,138	191,686
Cash Surplus / (Net Debt) <sup>(1)</sup>	109,870	306,034
Total assets	1,138,216	976,212
Total long-term liabilities	80,646	71,109

Notes:

(1) Cash Surplus / (Net Debt) is a non-IFRS measure. See the "Non-IFRS Measures" section of this MD&A.

Working capital decreased from \$191.7 million as at December 31, 2013 to \$50.1 million as at December 31, 2014. The decrease was mainly due to the decrease in cash of \$196.2 million which has been partially offset by the increases in trade and other receivables of \$2.3 million and inventory of \$9.7 million, as well as a decrease in trade and other payables of \$43.6 million and changes in other non-cash working capital balances.

A Cash Surplus of \$306.0 million as at December 31, 2013 decreased to \$109.9 million at December 31, 2014. This decrease was primarily due to \$325.9 million in ongoing exploration and development activities explained in the "Capital Expenditures" section below. This expenditure was partly funded by net proceeds of \$206.7 million received from the issuance of common shares during July 2014 (see "Common share offering" section below). During 2014, Oryx Petroleum also made \$20.0 million (plus interest) in payments relating to the contingent consideration on the OP Hawler Kurdistan Limited acquisition, and a \$50.0 million payment to the KRG due upon the declaration of the first commercial discovery in the Hawler License Area.

### Common share offering

On July 18, 2014, pursuant to a prospectus supplement to the short form base shelf prospectus dated January 27, 2014, the Company issued 19,910,000 common shares of the Company at a price of CAD\$11.25 per Common Share (the "**July 2014 Common Share Offering**") for aggregate gross proceeds of CAD\$224.0 million (\$209.7 million). Costs associated with the issuance of these shares amounted to \$3.1 million.

### March 2015 Financing

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 majority shareholder The Addax and Oryx Group PLC (the "Lender").

The three year Loan Facility provides the Group with access to committed funding up to \$100 million 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 under the terms of the loan facility is 10.5% per annum.

Under the terms of the Loan Facility, should the Loan Facility be fully drawn, the Lender will receive warrants giving it the option to purchase up to twelve million ordinary common shares of the Company at a price equivalent to 110% of the ten day historical volume weighted average price (VWAP) at the time of the issue of the warrants. On March 11, 2015, in accordance with the Loan Facility, the Group issued warrants to acquire one million common shares to the Lender. The exercise price of the issued warrants was CAD \$4.39 per common share. The expiry date of the issued warrants is March 10, 2018. The Company is obligated to issue up to an additional eleven million warrants, if and when the Loan Facility is drawn down. The Lender may exercise the issued warrants immediately and at any time prior to the expiry date. As at the date of this MD&A, the Group had not drawn any funds under the Loan Facility. The arrangement described above is hereafter referred to as the "**March 2015 Financing**".

## **Outlook**

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### **Hawler License Area (Kurdistan Region of Iraq)**

Oryx Petroleum's planned activity in the Hawler License Area is subject to the continuation of safe and secure operating conditions. Activities at the Banan, Zey Gawra and Ain Al Safra fields during 2014 were limited as a precaution due to security risks and resumption of activities is subject to further improvements in the local security environment.

#### ***Production and sales***

Gross (100%) oil production from Demir Dagh averaged 3,100 bbl/d and 1,100 bbl/d, respectively, for the months of January 2015 and February 2015. Production reached a daily high of 9,800 bbl/d in January 2015.

Oryx Petroleum sold to local third party marketers from late December 2014 to mid-February 2015 with periodic interruptions due to local market dynamics. As with previous local sales arrangements, the contracts were short-term in duration and stipulated that payments be received in advance. Realisations under these local sales agreements averaged \$39.96/bbl on 61,100 barrels of Gross (Working Interest) liftings in January 2015 and \$31.88/bbl on 17,000 barrels of Gross (Working Interest) liftings in February 2015.

On March 16, 2015 Oryx Petroleum commenced oil liftings with a third party regional marketer. Payments are to be made by the regional marketer directly to Oryx Petroleum with realised sales prices referenced to a Dated Brent crude oil price with adjustments reflecting transport costs and crude quality.

Five wells, the Demir Dagh-2 ("DD-2"), Demir Dagh-3 ("DD-3"), Demir Dagh-4 ("DD-4"), Demir Dagh-7 ("DD-7") and Demir Dagh-10 ("DD-10") wells, are completed and tied into the Hawler production facilities, and collectively represent Gross (100%) wellhead production capacity of over 25,000 bbl/d.

The Group anticipates achieving Gross (100%) Hawler License Area production and sale volumes of 35,000 to 45,000 bbl/d by the end of 2015.

#### ***Appraisal and development drilling***

Oryx Petroleum has released all rigs previously under contract in the Hawler License Area and plans to resume drilling in mid-2015.

Plans include the drilling of five development wells before the end of 2015 including at least three sidetrack wells (Demir Dagh-6 ("DD-6"), Demir Dagh-8 ("DD-8") and Demir Dagh-11 ("DD-11")) which are considerably less costly to drill than new development wells.

#### ***Hawler facilities and processing capacity***

The Hawler truck loading station ("TLS") and associated infrastructure has the capacity to support liftings of 20,000 bbl/d and will be able to support up to 40,000 bbl/d in the coming weeks. An increase in total storage capacity from 15,000 barrels to 25,000 bbl is also expected in the coming weeks.

Construction and commissioning of an Early Production Facility ("EPF") with Gross (100%) nameplate processing capacity of 40,000 bbl/d continues and is expected to be completed in the second quarter of 2015. Further design works are underway with the aim of conducting future upgrades to increase the EPF's capacity with minor modifications. Oryx Petroleum also has the ability to retain the existing 20,000 bbl/d TPF if needed.

#### ***Export infrastructure***

The installation of a 1.2 kilometre 16" connecting line from the Hawler production facilities to the KRI-Turkey pipeline is in advanced stages. A tie-in point to the 36" line under construction by the KAR Group alongside the existing 24" inch line has recently been completed. The 36" line will be the main export line bringing the total capacity of the KRI-Turkey pipelines to an estimated 700,000 bbl/d. The new line is expected to be operational in the second quarter of 2015. Oryx Petroleum also expects to be capable of metering and exporting crude oil from the Hawler License Area when it becomes operational.

#### ***Seismic***

Processing and interpretation of 3D seismic data acquired in late 2014 that cover the Demir Dagh field and the portion of the Banan field east of the Zab River continues. Analysis of the 3D seismic data is expected to improve the efficiency and effectiveness of future development drilling.

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## West Africa

### *Congo (Brazzaville)*

Partners in the Haute Mer A License Area continue to analyse data in preparation for further exploration drilling expected in 2016. The government of Congo (Brazzaville) has approved the request of the partners to enter the second exploration phase of the Production Sharing Contract and the related relinquishment of 25% of the License Area.

Partners in the Haute Mer B License Area continue to analyse 3D seismic data acquired in 2014 and other data in preparation for exploration drilling. Exploration drilling is expected to commence in 2016.

### **AGC**

Oryx Petroleum is engaged in discussion with the authorities in AGC regarding a potential extension of the current exploration period under the PSC governing the AGC Shallow License Area. The Group has commenced a process seeking partners in the AGC Shallow License Area which it anticipates concluding in 2015. The first exploration well to be drilled by the Group in the License Area is most likely to target the Dome Iris structure.

On October 16, 2014 Oryx Petroleum announced that it signed a new PSC entitling it to an 85% working interest in the AGC Central License Area. Oryx Petroleum plans to acquire 3D seismic data covering a portion of the License Area in 2016.

## Corporate

There are no planned asset or business acquisitions or disposals that would have a material effect on the financial condition, financial performance and cash flows of Oryx Petroleum.

### **2015 forecasted capital expenditures**

The Group's total forecasted expenditures for 2015 amount to \$140 million which represents a 60% decrease from the original budgeted capital expenditure program of \$353 million.

The main components of forecasted expenditures are focused on activities on the Hawler License Area in the Kurdistan Region of Iraq as follows:

- \$48 million for the completion of the Demir-Dagh EPF and the tie-in to the KRI-Turkey export pipeline;
- \$54 million for development drilling, including 5 development wells at Demir-Dagh in the second half of 2015 (at least three of which are expected to be side-track wells);
- \$4 million for the processing of 3D seismic data acquired in 2014; and
- \$19 million for directly allocable technical resource and administrative costs, PSC compliance costs and local office costs.

## Liquidity and funding

As at December 31, 2014, Oryx Petroleum had approximately \$110 million of cash on hand. The Group's 2015 capital expenditure forecast has been developed on the basis that current cash together with a \$100 million credit facility from AOG (discussed below) will fund its forecasted 2015 capital expenditures and other general and administrative expenses.

AOG has committed to provide \$100 million of funding to Oryx Petroleum in the form of an unsecured credit facility in order to ensure Oryx Petroleum has financial flexibility in undertaking its work program for 2015.



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



A summary of key terms of the credit facility is set out below:

Summary of Key Terms	
<b>Size:</b>	\$100 mm Total Commitment drawable in two \$50 million tranches
<b>Tenor:</b>	36 months
<b>Repayment:</b>	Full drawn amount plus accrued interest paid at Maturity (36 Months)
<b>Coupon:</b>	10.5% per annum (interest accrues until Repayment)
<b>Security:</b>	Unsecured
<b>Number of Warrants:</b>	Up to 12.0 million if full commitment drawn
<b>Warrant Exercise Price:</b>	10% premium to 10-day historical volume weighted average price (VWAP) of Oryx Petroleum shares traded on Toronto Stock Exchange at time of issue
<b>Warrant Duration:</b>	36 months from issue

At the date of this MD&A Oryx Petroleum has approximately 122.7 million common shares outstanding on a fully diluted basis. The pro-forma ownership of AOG and its affiliates in Oryx Petroleum would be expected to increase to 77% from 75% on a fully diluted basis if Oryx Petroleum draws down the full \$100 million and if AOG exercises the full 12 million warrants that it is entitled to under the terms of the facility.

Definitive agreements have been executed by Oryx Petroleum and AOG, and the requisite approvals have been received from their respective boards and the relevant security regulatory authorities in Canada. The transaction closed on March 11, 2015.

### Summary of Reserves and Resources

The following is a summary of the Company's proved plus probable oil reserves, contingent and prospective oil resources, the present value of future net revenue related to such oil reserves, and the present value of future net contingent cash flow related to contingent oil resources located in the Hawler License Area. The information is derived from a report dated February 16, 2015, prepared with an effective date as at December 31, 2014 by Netherland, Sewell & Associates, Inc. ("NSAI"), an independent oil and gas consulting firm. Comparatives are provided to information evaluated by NSAI with an effective date as at December 31, 2013. 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.

#### Oil reserves <sup>(1)</sup>

		Proved plus Probable Gross (Working Interest) Oil			
		December 31, 2014		December 31, 2013	
		Reserves	Future Net Revenue <sup>(2)</sup>	Reserves	Future Net Revenue <sup>(2)</sup>
License Area	Location	(MMbbl)	(\$ million)	(MMbbl)	(\$ million)
<b>Hawler</b>	Iraq – Kurdistan Region	271	1,815	213	1,287
<b>Total oil reserves</b>		<b>271</b>	<b>1,815</b>	<b>213</b>	<b>1,287</b>

Notes:

(1) The oil reserves data is based on evaluations by NSAI, with effective dates as at December 31, 2014 and December 31, 2013 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. Gross proved plus probable oil reserve 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 applicable to the License Area. The estimated values disclosed do not represent fair market value.

The Group's Gross (Working Interest) proved plus probable oil reserves increased by 27% during 2014 from 213 million barrels ("MMbbl") as at December 31, 2013 to 271 MMbbl as at December 31, 2014. The increase is attributable to the first

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reserves assigned to the Banan field (64 MMbbl) and to a 59% increase in reserves at the Zey Gawra field, partially offset by a 20% decrease in reserves at the Demir Dagh field.

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 increased to \$1,815 million from \$1,287 million resulting in a 41% increase versus December 31, 2013. The increase is primarily attributable to an increase in reserve volumes partially offset by decreasing expected future oil prices.

### Contingent oil resources <sup>(1)</sup>

License Area	Location	Best Estimate Gross (Working Interest) Oil			
		December 31, 2014		December 31, 2013	
		Contingent Resources (MMbbl)	Future Net Contingent Cash Flow <sup>(2)</sup> (\$ million)	Contingent Resources (MMbbl)	Future Net Contingent Cash Flow <sup>(2)</sup> (\$ million)
Hawler	Iraq – Kurdistan Region	182	424	217	697
Haute Mer A <sup>(3)</sup>	Congo (Brazzaville)	6	-	6	-
<b>Total oil resources</b>		<b>188</b>	<b>424</b>	<b>223</b>	<b>697</b>

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 dates as at December 31, 2014 and December 31, 2013 as indicated. 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) After-tax net present value of related future net contingent cash flow using forecast prices and costs assumed by NSAI and a 10% discount rate. Gross contingent oil resource estimates used to calculate future net contingent cash flow 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.

(3) An economic evaluation has not been performed by NSAI on the contingent oil resources in Haute Mer A because the field development plan is still under consideration.

Gross (Working Interest) best estimate contingent oil resources decreased by 16% to 188 MMbbl compared to the prior year. This decrease is attributable to a 41% decrease at the Demir Dagh field partially offset by a 98% increase in Gross (Working Interest) best estimate contingent resources at the Ain Al Safra field and a 90% increase at the Banan field.

The after-tax net present value utilizing a 10% discount rate of the future net contingent cash flow attributable to the Group's Gross (Working Interest) best estimate contingent oil resources located in the Hawler License Area decreased by 39% versus December 31, 2013. The decrease is primarily due to lower volumes related to Demir Dagh partially offset by increased volumes attributed to Ain Al Safra and Banan.

### Prospective oil resources <sup>(1)</sup>

License Area	Location	Best Estimate Gross (Working Interest) Oil			
		December 31, 2014		December 31, 2013	
		Unrisked (MMbbl)	Risked <sup>(2)</sup> (MMbbl)	Unrisked (MMbbl)	Risked <sup>(2)</sup> (MMbbl)
Hawler	Iraq – Kurdistan Region	111	16	238	50
Wasit	Iraq – Wasit Province	404	78	404	78
Haute Mer A	Congo (Brazzaville)	34	5	31	4
Haute Mer B	Congo (Brazzaville)	160	31	160	31
OML 141	Nigeria	67	10	67	10
AGC Shallow	Senegal and Guinea Bissau	153	14	267	38
<b>Total oil resources<sup>(3)</sup></b>		<b>929</b>	<b>153</b>	<b>1,167</b>	<b>209</b>

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 dates as at December 31, 2014 and December 31, 2013, as indicated. 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 partially risked prospective resources that have been risked for chance of discovery, but have not been risked for chance of development. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development.

(3) Individual numbers provided may not add to total due to rounding.

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Unrisked best estimate prospective oil resources of 929 MMbbl at December 31, 2014 decreased from 1,167 MMbbl at December 31, 2013. This decrease reflects category changes and adjustments within the Hawler License Area, as well as adjustments in the AGC Shallow and Haute Mer A License Areas.

### Finding & Development and Finding, Development & Acquisition Costs

The Finding & Development ("F&D") and Finding, Development and Acquisition ("FD&A") costs have been calculated based on exploration and development costs divided by Gross (Working Interest) reserve additions over the equivalent period as indicated below. No amount of future capital has been included in the calculation. See the "Non-IFRS Measures" section of this MD&A.

#### Proved plus probable

(\$000s, except volumes and \$/bbl amounts)	Hawler License Area			Total Group		
	2014	2013	2012	2014	2013	2012
Total capital expenditure	289,885	128,986	34,694	324,152	198,065	89,431
Acquisitions	-	17,571	40,000	23,590	48,247	46,695
Reserve additions and revisions (Mbbbl)	58.42	213.27	N/A	58.42	213.27	N/A
<i>Average cost per bbl</i>						
F&D	4.96	0.60	N/A	5.55	0.93	N/A
FD&A	4.96	0.69	N/A	5.95	1.15	N/A
<i>Three-year weighted average cost per bbl</i>						
F&D	1.67	N/A	N/A	2.25	N/A	N/A
FD&A	1.88	N/A	N/A	2.69	N/A	N/A

### Business Environment

All of the crude oil produced from the Hawler License Area during 2014 was sold to local marketers in the Kurdistan Region of Iraq. Oryx Petroleum is uncertain if any of the oil produced by the Group will be sold on the international market. The market on which oil produced is sold could affect the price realized and consequently, Oryx Petroleum's cash flows. In addition, Oryx Petroleum is not aware of any official allocation of export pipeline capacity in the region and commercial terms for international pipeline sales of its Hawler License Area production, if any, have not been established.

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.

During June 2014, militants escalated the 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. As a result of the conflict, the local market for crude oil was disrupted and production from the Hawler License Area was temporarily halted in July and August 2014. Appraisal and development activities at the Demir Dagh field fully resumed during the third quarter of 2014. Sales have since been intermittently disrupted from time to time due to complex and evolving regional market dynamics for crude oil. Activities at the Banan, Zey Gawra and Ain Al Safra fields during 2014 were limited as a precaution due to security risks. 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.

Continuing global social, political and economic uncertainty and changes in global supply and infrastructure are having an impact on world markets, and we are unable to determine the impact, if any, these events may have on oil prices and demand.

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

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



With the exception of the items discussed above, there are no trends or events that have been identified that would have a material adverse effect on the financial performance of Oryx Petroleum.

### Operations Review

#### Kurdistan Region of Iraq

As first production and sales commenced during the second quarter of 2014 there are no comparative operating measures for the three months and year ended December 31, 2013:

	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Gross Production (bbl)	257,000	-	533,000	-
Gross Production per day (bbl/d)	2,800	-	2,700 <sup>(1)</sup>	-
Normalized Gross Production per day (bbl/d)	4,100 <sup>(2)</sup>	-	3,900 <sup>(2)</sup>	-
Working Interest Production (bbl)	168,000	-	346,000	-
WI Production per day (bbl/d)	1,800	-	1,800 <sup>(1)</sup>	-
Normalized WI Production per day (bbl/d)	2,700 <sup>(2)</sup>	-	2,500 <sup>(2)</sup>	-
WI sales (bbl)	122,000	-	295,000	-
WI sales per day (bbl/d)	1,300	-	1,500 <sup>(1)</sup>	-

Notes:

- (1) Production at the Hawler License Area began on June 19, 2014. Per day figures have been calculated on the basis of 196 days.
- (2) Normalized production has been calculated by including only days of actual production. Per day figures have been calculated using 62 and 135 days for the three month period and year ended December 31, 2014, respectively.

#### Production and sales

Gross production from the Hawler License Area during the year ended December 31, 2014 was 533,000 bbl. Average Gross daily production over the year was 2,700 bbl/d. The Group's Working Interest share of production during 2014 was 346,000 bbl representing an average daily rate of 1,800 bbl/d.

Gross production for the three months ended December 31, 2014 was 257,000 bbl. Average daily production over the three month period was 2,800 bbl. The Group's Working Interest share of production during this period was 168,000 bbl representing an average daily rate of 1,800 bbl/d.

Average daily production was impacted by interruptions in July and August 2014 due to precautions taken by the Group in response to the security situation and to local market dynamics in the region. During the fourth quarter of 2014, production was also periodically interrupted due to complex and evolving regional market dynamics for crude oil. Production was suspended for a total of 61 days during the period subsequent to first production in June 2014 including 30 days during the three months ended December 31, 2014. Gross production per day of actual production was 3,900 bbl/d for the period subsequent to first production and 4,100 bbl/d for the three months ended December 31, 2014. The Group's Working Interest share of normalised production per day was 2,500 bbl/d for the year ended December 31, 2014 and 2,700 bbl/d for the three months ended December 31, 2014.

The Group realized revenue on the sale of 122,000 bbl (Working Interest) and 295,000 bbl (Working Interest) during the three months and year ended December 31, 2014, respectively. Sales volumes are determined by the timing of deliveries to customers and are not directly correlated with production volumes. The Group's share of production during the year ended December 31, 2014 was 346,000 bbl.

Sales exclude oil produced and held in oil inventory at the end of the reporting period. As at December 31, 2014, the Group's working interest share of oil inventory amounted to 51,000 bbl.



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



### Netbacks

	Three months ended December 31, 2014		Year ended December 31, 2014	
	(\$ thousands)	(\$/bbl)	(\$ thousands)	(\$/bbl)
Oil sales	6,541	53.61	16,429	55.69
Royalties	(3,196)	(26.20)	(8,031)	(27.22)
Field production costs <sup>(1)</sup>	(1,445)	(11.84)	(5,086)	(17.24)
Current taxes	(148)	(1.21)	(373)	(1.26)
<b>Field Netback<sup>(2)</sup></b>	<b>1,752</b>	<b>14.36</b>	<b>2,939</b>	<b>9.96</b>
Recovery of Carried Costs	1,267	10.39	3,187	10.80
Partner share of production costs	(444)	(3.64)	(1,565)	(5.31)
<b>Oryx Petroleum Netback<sup>(2)</sup></b>	<b>2,575</b>	<b>21.11</b>	<b>4,561</b>	<b>15.46</b>

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 Netbacks for the year ended December 31, 2014 of \$2.9 million (\$9.96/bbl) incorporate field production costs of \$5.1 million (\$17.24/bbl). Field production costs incurred during the initial phase of commercial production include start-up costs of \$0.8 million primarily related to the period immediately preceding first production.

Field Netbacks for the three month period ended December 31, 2014 of \$1.8 million (\$14.36/bbl) incorporate field production costs of \$1.4 million (\$11.84/bbl).

Field production costs incurred during 2014 incorporate the impact of fluctuations in costs as the Group implements the operational practices required to sustain anticipated ramp-up of production and sales volumes. The impact of fluctuations in operating costs has been compounded during 2014 by fluctuations in production and sales volumes. The Group expects continued variability in per barrel operating costs in the short term prior to normalisation as production and sales volumes stabilise during 2015.

Oryx Petroleum Netbacks for the year ended December 31, 2014 were \$15.46/bbl. For the three months ended December 31, 2014, Oryx Petroleum Netbacks were \$21.11/bbl. Oryx Petroleum Netbacks reflect the impact of a partner's working interest share of production costs which are being carried by Oryx Petroleum. Oryx Petroleum Netbacks also include the impact of recoveries of current and historical Carried Costs through the sale of Cost Oil.

### Hawler production capacity

Gross production during the month of December 2014 reached a maximum rate of approximately 8,500 bbl/d and averaged 3,900 bbl/d. Daily production and sales rates vary due to complex and evolving regional market dynamics for crude oil. Production was sourced from the DD-2 well exclusively until late October 2014 when the DD-4 well was tied into the processing facilities. The DD-7 well was tied into the production facilities in December 2014. The DD-3 and DD-10 wells have been tied-into the production facilities during the first quarter of 2015. The five wells now tied into the Hawler production facilities represent Gross (100%) wellhead production capacity exceeding 25,000 bbl/d.

### Hawler processing facilities

In late September 2014, the Group commissioned the second phase of its initial production facilities. These current facilities, leased from a local provider, have Gross (100%) nameplate processing capacity of approximately 20,000 bbl/d and replaced the initial production facilities that had processing capacity of 5,000 bbl/d. Based on the known characteristics of the oil produced at the Demir Dagħ field, the Group believes it can operate the existing facilities at rates exceeding nameplate capacity.

Construction and commissioning of an EPF with Gross (100%) nameplate processing capacity of 40,000 bbl/d continues and is expected to be completed in the second quarter of 2015. Further design works are underway with the aim of conducting future upgrades to increase the EPF's capacity with minor modifications. Oryx Petroleum also has the ability to retain the existing 20,000 bbl/d TPF if needed.

The Hawler truck loading station ("TLS") and associated infrastructure has the capacity to support liftings of 20,000 bbl/d and will be able to support up to 40,000 bbl/d in the coming weeks. An increase in total storage capacity from 15,000 bbl to 25,000 bbl is also expected in the second quarter of 2015.

The Group's full field development plan for the Hawler License Area envisions the construction of a PPF with initial Gross (100%) oil production capacity of 100,000 bbl/d. An initial front end engineering design ("FEED") is largely complete. Plans to proceed with construction of the facilities are subject to local and export market dynamics for crude oil produced in the

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



Kurdistan Region of Iraq, wellhead production capacity and the Group's ability to source appropriate financing. Commissioning of the facility is expected approximately twenty-four months after construction begins.

### *Export infrastructure*

The installation of a 1.2 kilometre 16" connecting line from the Hawler production facilities to the KRI-Turkey pipeline is in advanced stages. A tie-in point to the 36" line under construction by the KAR Group alongside the existing 24" inch line has recently been completed. The 36" line will be the main export line bringing the total capacity of the KRI-Turkey pipelines to an estimated 700,000 bbl/d. The new line is expected to be operational in the second quarter of 2015. Oryx Petroleum also expects to be capable of metering and exporting crude oil from the Hawler License Area when it becomes operational.

### *Appraisal and development drilling*

The DD-10 well was spudded in late October 2014 and reached a total measured depth of 2,000 metres in mid November. Observations during the drilling of the DD-10 well, including significant losses of drilling fluids, suggest the presence of a connected fracture network and logging data showed a high density of fracturing and the presence of hydrocarbons. A drill stem test was performed in a 76 metre interval in the Shiranish formation of the Cretaceous reservoir. The drill stem test successfully flowed oil at an average rate of 3,400 bbl/d over a period of seven hours using a one inch choke size under natural flow conditions. The crude oil tested was measured on site between 21° and 22° API gravity. Quantities of associated natural gas encountered were approximately 180 scf/bbl and hydrogen sulfide at 0.02% in the natural gas phase. No water production or pressure decline was observed during the test. Following the drill stem test, the well was completed as a producer with the aid of an electrical submersible pump. During the completion test conducted, the well successfully flowed oil at a sustained rate of 6,500 bbl/d for a period of two hours.

The DD-11 well was spudded in late November 2014 and reached a total measured depth of 2,300 metres in mid-January 2015. Observations during the drilling of the DD-11 well and data collected were largely consistent with expectations. A drill stem test was performed in a 13 metre interval in the Shiranish formation of the Cretaceous reservoir. During the test the well flowed fluids to the surface indicating a highly productive fracture system but the fluid was primarily water with slugs of oil. Oryx Petroleum believes the presence of water was due to a flaw in the cementing of the well which enabled water to enter the testing interval from the reservoir below. Oryx Petroleum intends to drill a short sidetrack for the DD-11 well with the expectation that the well will be a future producer.

The Demir Dagh-9 ("DD-9") well was spudded in early November 2014 and reached a total measured depth of 2,100 metres in early December 2014. The DD-9 well was drilled from the DD-3 well drillpad in the eastern portion of the Demir Dagh structure and its primary objective was to obtain additional Cretaceous reservoir data with building productive capacity a secondary objective. Logging data and observations during drilling confirmed the presence of hydrocarbons and porosity similar to that observed at other Demir Dagh wells. Drill stem tests were performed in two intervals but sustained flow rates of oil were not achieved as the tests were unable to connect to the fracture network.

The drilling of the DD-7 and DD-8 development wells were completed in October 2014. Both wells were drilled from the same crestal location near the main east-west fault on the Demir Dagh structure but in different directions. Each well reached a total measured depth of approximately 1,900 metres. Technical data collected and observations during drilling of both wells, including significant losses of drilling fluids, suggested the presence of hydrocarbons and a highly permeable and connected fracture network.

The completion test conducted in the Shiranish and Kometan formations in the Upper Cretaceous at the DD-7 well successfully flowed oil. The test demonstrated high productivity comparable to that observed at the DD-2 well.

A drill stem test conducted in the Shiranish and Kometan formations in the Upper Cretaceous reservoir at the DD-8 well was not able to flow crude oil on a sustained basis from the well. Oryx Petroleum attributes the unsuccessful test to a mechanical failure in properly isolating the interval tested. The lack of isolation resulted in natural gas entering the interval during testing. In 2015 the Group plans to drill a short sidetrack well at DD-8 and re-test the Cretaceous formations.

The DD-6 well in the Hawler License Area was spudded in May 2014, and reached a target depth of 2,029 metres in June 2014, and was successfully tested in July 2014. The testing program comprised of two DSTs in the Cretaceous reservoir. The first DST, conducted in the Kometan formation, flowed oil over a total of 86 hours using a series of different choke sizes. The test flowed naturally at a sustained rate of 500 bbl/d of oil for a 10 hour period on a 32/64" choke. The oil gravity was measured on site at 19 - 21° API. Gas to Oil Ratio ("GOR") measurements ranged from 250 to 300 scf/stb and hydrogen sulphide was measured at 0.08%. No water production or pressure declines were observed during the test. The fracture network encountered was not adequate to facilitate high well productivity and flow rates. The second DST was conducted over a 25 metre interval in the Shiranish formation. The well was flowed over a total of 46 hours using a series of different choke sizes. During the test, oil flowed at rates exceeding 3,000 bbl/d indicating a good fracture network and high well productivity. However, natural gas was encountered at the top of the perforation interval indicating presence of a small

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

natural gas cap. The top of the perforation was the highest perforation point in all Demir Dagh Cretaceous reservoir tests to date. In order to achieve a sustained oil flow with no free gas, only smaller choke sizes were used during the main test period, thus constraining the flow rates that could be achieved. As such, during the main test period using a 16/64" choke a sustained flow rate of approximately 700 bbl/d of oil over a 6 hour period was achieved with only associated gas. The oil gravity was measured on site at 23° API. The GOR measurements ranged from 65 to 3,500 scf/stb and hydrogen sulphide was measured at 0%. No water production or pressure declines were observed during the test.

The Demir Dagh-5 ("DD-5") well reached target depth of 1,938 metres in April 2014. The testing of DD-5 was conducted during the second quarter of 2014. Based on core and logging analysis and observations during drilling, including losses, oil on shakers, and oil shows on cuttings, a testing program of two DSTs was designed. However, due to an inability to re-connect to the permeable fracture network indicated by logging data and losses, only small quantities of oil flowed to surface during testing. It was not possible to accurately measure crude quantities or the presence of natural gas or hydrogen sulfide.

The first well in the Demir Dagh appraisal program in the Hawler License Area, DD-3 was spudded in November 2013 and reached total depth of 2,875 metres as at December 31, 2013. DD-3 reached a target depth of 4,400 metres in the Kurra Chine formation in the Triassic in March 2014. Based on core and logging analysis and observations during drilling, including losses, oil on shakers, and oil shows on cuttings, a multi zone testing was designed. The testing program was comprised of four cased-hole drill stem tests targeting the Cretaceous and Lower Jurassic reservoirs. Oryx Petroleum successfully flowed oil in all DSTs. DD-3 was completed as a producer from the Cretaceous reservoir during the second quarter of 2014.

During the first quarter of 2014, oil was successfully flowed in two cased-hole drill stem tests on the Banan-1 ("BAN-1") exploration well, one in each of the Cretaceous reservoir (Shiranish and top Kometan formations) and the Lower Jurassic reservoir (Butmah formation). The BAN-1 well was drilled down-dip of the crest of the Banan structure. The Group believes significant up-dip potential exists in all formations and has targeted this potential with the Banan-2 ("BAN-2") well. BAN-2 is being drilled in a more crestal position over the Banan structure and is targeting oil potential in Cretaceous, Jurassic and Triassic formations. The well reached a measured depth of approximately 2,700 metres in the Jurassic in late July 2014 before being temporarily suspended due to deterioration in the security environment.

Testing of the Ain Al Safra-1 ("AAS-1") well in the second half of 2014 resulted in an oil discovery in the Lower Jurassic. The KS Discoverer-1 rig spudded the Ain Al Safra-2 ("AAS-2") appraisal well in March 2014. The AAS-2 well's objective is to further appraise the Lower Jurassic interval and the full extent of the discovered oil column and to drill to the Triassic reservoir to understand any upside potential that the AAS-1 well was unable to reach. AAS-2 reached a total measured depth of just over 3,700 metres in the Triassic in July 2014 before being temporarily suspended in August 2014. Based on logging data and observations during drilling a testing program targeting Jurassic and Triassic reservoirs has been designed. However, on the basis of operational priorities the AAS-2 testing program has been deferred.

### *Seismic activities*

Acquisition of approximately 223 square kilometres of 3D seismic data over the Demir Dagh structure and the Banan structure east of the Zab River commenced in June 2014 and was completed in the third quarter of 2014. Processing and interpretation of 3D seismic data acquired in 2014 is ongoing. Analysis of the 3D seismic data is expected to improve the efficiency and effectiveness of future development drilling.

### **Haute Mer A**

On March 4, 2014, Oryx Petroleum announced that the testing of the Elephant-1 ("E-1") exploration well targeting the Elephant prospect in the Haute Mer A License Area confirmed the previously announced discovery. However, additional oil resource is needed to support a commercial development.

Partners in the Haute Mer A License Area continue to analyse data in preparation for further exploration drilling expected in 2016. The government of Congo (Brazzaville) has approved the request of the partners to enter the second exploration phase of the Production Sharing Contract and the related relinquishment of 25% of the License Area.

### **Haute Mer B**

During the second quarter of 2014 the contractor group received final approval of the PSC by the National Assembly and President of Congo (Brazzaville). Oryx Petroleum has a 30% Participating and Working Interest in the Haute Mer B License Area.

Partners in the Haute Mer B License Area continue to analyse 3D seismic data acquired in 2014 and other data in preparation for exploration drilling. Exploration drilling is expected to commence in 2016.

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



### AGC Shallow

Oryx Petroleum has completed the processing and analysing of previously acquired 3D seismic data. Oryx Petroleum is engaged in discussion with the authorities in AGC regarding a potential extension of the current exploration period under the PSC governing the AGC Shallow License Area. The Group has commenced a process seeking partners in the AGC Shallow License Area which it anticipates concluding in 2015. The first exploration well to be drilled by the Group in the License Area is most likely to target the Dome Iris structure.

### AGC Central

The Group announced on October 16, 2014 that it had signed a new PSC covering the AGC Central License Area in the joint development offshore area between Senegal and Guinea Bissau. The PSC has been approved by decree from the Haute Autorité, the Presidencies of Senegal and Guinea Bissau, who are responsible for administering oil exploration activities in the AGC. The license covers 3,150 square kilometres in water depths ranging from 100 metres to 1,500 metres. Oryx Petroleum holds an 85% participating interest and serves as Operator with L'Entreprise AGC holding the remaining 15%. L'Entreprise AGC, whose share of costs will be carried by Oryx Petroleum through exploration, have a back-in right for an additional 5% paying interest in the license upon declaration of commerciality. A signature bonus was paid in conjunction with the signing of the PSC. The PSC includes three exploration periods of three, two and two years. The commitment in the initial three year exploration phase is the acquisition of 750 square kilometres of 3D seismic data. Based on available technical data Oryx Petroleum has identified a carbonate edge play type with potential Cretaceous clastic/carbonate structures.

### Capital Expenditures

The following table summarizes the capital expenditures incurred by activity during the three months and year ended December 31, 2014 and December 31, 2013:

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Middle East</b>				
Exploration drilling	3,709	23,899	61,240	85,919
Appraisal and development drilling	25,255	24,268	92,184	30,501
Facilities	22,817	-	88,140	-
Seismic acquisition	3,182	-	16,425	9,618
Studies and administrative	5,557	4,220	32,878	11,072
<b>Sub-Total Middle East</b>	<b>60,520</b>	<b>52,387</b>	<b>290,867</b>	<b>137,110</b>
<b>West Africa</b>				
Exploration drilling	(63) <sup>(1)</sup>	18,795	16,089	49,564
Seismic acquisition	300	112	4,277	834
Studies and administrative	4,594	3,225	12,918	10,556
Property, plant & equipment	-	-	-	83
<b>Sub-Total West Africa</b>	<b>4,831</b>	<b>22,132</b>	<b>33,284</b>	<b>61,037</b>
<b>Corporate</b>	<b>136</b>	<b>282</b>	<b>1,755</b>	<b>2,087</b>
<b>Total capital expenditures</b>	<b>65,487</b>	<b>74,801</b>	<b>325,906</b>	<b>200,234</b>

Note: The above table excludes license acquisition costs.

- (1) Based on updated information from the operator of the Haute Mer A License Area, the Group has recorded a \$0.6 million recovery of drilling expenditures during the fourth quarter of 2014 which has been partially offset by other exploration drilling expenditures.



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

The following table summarizes the capital expenditures incurred by License Area during the three and twelve months ended December 31, 2014 compared to the same periods in 2013:

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Middle East</b>				
Hawler	60,372	51,906	289,885	128,985
Wasit	148	481	982	4,119
Sindi Amedi	-	-	-	4,006
<b>Sub-Total Middle East</b>	<b>60,520</b>	<b>52,387</b>	<b>290,867</b>	<b>137,110</b>
<b>West Africa</b>				
AGC Shallow	1,534	801	6,433	2,830
AGC Central	174	-	174	-
OML 141	520	403	2,664	16,744
Haute Mer A	453	20,928	16,636	41,463
Haute Mer B	2,151	-	7,378	-
<b>Sub-Total West Africa</b>	<b>4,831</b>	<b>22,132</b>	<b>33,284</b>	<b>61,037</b>
<b>Corporate</b>	<b>136</b>	<b>282</b>	<b>1,755</b>	<b>2,087</b>
<b>Total capital expenditures</b>	<b>65,487</b>	<b>74,801</b>	<b>325,906</b>	<b>200,234</b>

### Middle East

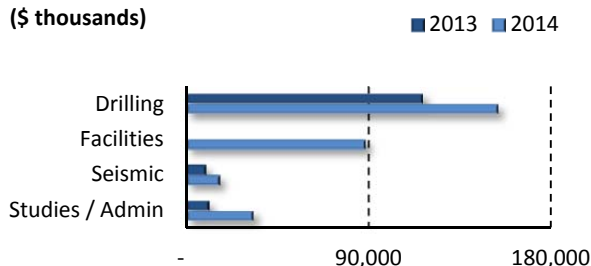
Hawler drilling costs for the three months ended December 31, 2014 amounted to \$29.0 million. Expenditures for the quarter are primarily related to drilling the DD-9, DD-10, and DD-11 wells. In addition to costs related to wells drilled in the fourth quarter, Hawler drilling costs for the year ended December 31, 2014 of \$153.4 relate to drilling the DD-3 - DD-8, AAS-2, BAN-1, and BAN-2 wells.

The Group invested \$22.8 million in infrastructure related to the Hawler License Area EPF during the three months ended December 31, 2014. For the year ended December 31, 2014, infrastructure costs related to the EPF amounted to \$88.1 million. The Group invested a total of \$3.2 million in seismic processing for the three months ended December 31, 2014. Of the \$16.4 million in seismic costs incurred during the year ended December 31, 2014, \$16.2 million relate to the 3D seismic program in the Hawler License Area with the remainder relating to the Wasit License Area.

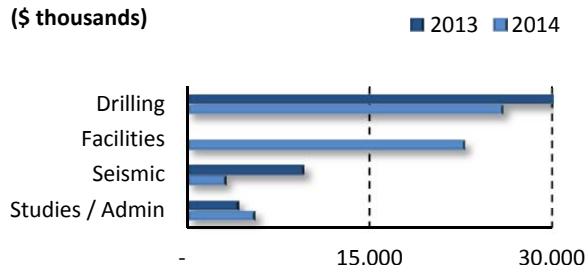
The Group incurred a total of \$5.6 million and \$32.9 million in studies and administrative costs directly attributable to capital projects in the Middle East during the three months ended and year ended December 31, 2014, respectively.

In the Sindi Amedi License Area, no capital expenditures were incurred during 2014 as the License Area was relinquished to the Kurdistan Regional Government during 2013.

**Year ended December 31**  
(\$ thousands)



**Three months ended December 31**  
(\$ thousands)



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

### West Africa

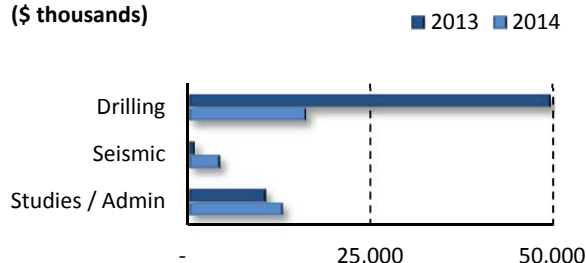
Exploration costs for the year ended December 31, 2014 in the amount of \$16.1 million mainly relate to the successful testing of the offshore E-1 discovery well in the Haute Mer A License Area (\$12.8 million). The remaining \$3.3 million in drilling expenditures for year ended December 31, 2014 relate to site preparation and long lead items for the AGC Shallow License Area.

The Group recorded a net recovery of \$0.1 million relating to exploration drilling during the fourth quarter of 2014. Exploration drilling costs of \$0.5 million are offset by a recovery of previously incurred impairment expense relating to the Horse well on the Haute Mer A License Area of \$0.6 million due to updated information received from the operator.

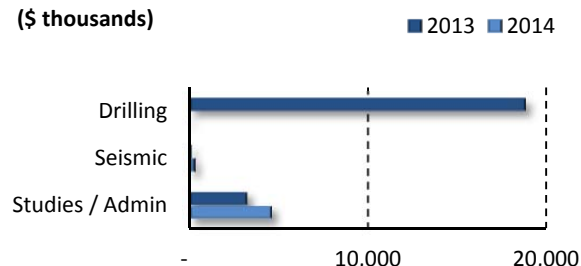
The Group incurred seismic acquisition costs of \$4.3 million during the year ended December 31, 2014 which were primarily related to the Haute Mer B License Area. Seismic costs of \$0.3 million incurred during the fourth quarter were primarily related to the AGC Shallow License Area.

The Group incurred a total of \$4.6 million and \$12.9 million in studies and administrative costs directly attributable to capital projects in West Africa during the three and twelve months ended December 31, 2014, respectively.

Year ended December 31  
(\$ thousands)



Three months ended December 31  
(\$ thousands)



### Cost Pools

Cost Pools available for recovery through future oil sales as at December 31, 2014 are detailed in the table below:

License Area	Location	Gross Cost Pool (\$ million)	Oryx Petroleum share of recoverable costs		
			Participating Interest Cost Pool (\$ million)	Carried Costs (\$ million)	Total Cost Pool available <sup>(1)</sup> (\$ million)
Hawler	Iraq – Kurdistan Region	560.4	342.8	127.2 <sup>(2)</sup>	470.0
Wasit	Iraq – Wasit province	10.7	8.0	2.7	10.7
OML 141	Nigeria	62.2	24.1	37.7	61.8
AGC Shallow	Senegal and Guinea Bissau	29.8	25.3	4.5	29.8
AGC Central	Senegal and Guinea Bissau	2.2	1.8	0.3	2.1
Haute Mer A	Congo (Brazzaville)	238.9	56.2	-	56.2
Haute Mer B	Congo (Brazzaville)	19.3	6.8	-	6.8
		<b>923.5</b>	<b>465.0</b>	<b>172.4</b>	<b>637.4</b>

Note:

- (1) Cost Pool balances are subject to audit by relevant Government entities.
- (2) Carried costs include \$59.0 million in costs carried in respect of a total commitment to carry \$300 million on behalf of a partner for the Hawler License Area development.

### Corporate

Oryx Petroleum incurred \$1.8 million in corporate costs for the year ended December 31, 2014 to acquire computer software and furniture and fixtures.

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



### Property, plant and equipment and intangible assets

The capital expenditures described in the sections above, net of DD&A and impairment expense, have resulted in the following movements in Intangible Asset and PP&E balances during the year ended December 31, 2014:

(\$ thousands)	Exploration and Evaluation Assets	Other Intangible Assets	Total Intangible Assets
<b>As at January 1, 2014</b>	<b>199,900</b>	<b>820</b>	<b>200,720</b>
Capital additions	20,960	189	21,149
License acquisition costs	14,531	-	14,531
DD&A	-	(118)	(118)
Impairment expense	(416)	-	(416)
<b>As at March 31, 2014</b>	<b>234,975</b>	<b>891</b>	<b>235,866</b>
Capital additions	32,571	98	32,669
License acquisition costs	7,079	-	7,079
DD&A	-	(138)	(138)
Impairment expense	(765)	-	(765)
<b>As at June 30, 2014</b>	<b>273,860</b>	<b>851</b>	<b>274,711</b>
Capital additions	24,451	-	24,451
DD&A	-	(141)	(141)
Impairment expense	-	-	-
<b>As at September 30, 2014</b>	<b>298,311</b>	<b>710</b>	<b>299,021</b>
Capital additions	8,462	121	8,583
License acquisition costs	2,000	-	2,000
Transfer to PP&E	(55,941) <sup>(1)</sup>	-	(55,941)
DD&A	-	(134)	(134)
Impairment recovery	578	-	578
<b>As at December 31, 2014</b>	<b>253,410</b>	<b>697</b>	<b>254,107</b>

(\$ thousands)	Oil & Gas Assets	Facilities under construction <sup>(1)</sup>	Property, Plant and Equipment	Total PP&E
<b>As at January 1, 2014</b>	<b>440,651</b>	<b>1,116</b>	<b>2,057</b>	<b>443,824</b>
Capital additions	54,335	4,346	51	58,732
DD&A	-	-	(357)	(357)
Impairment expense	-	-	-	-
<b>As at March 31, 2014</b>	<b>494,986</b>	<b>5,462</b>	<b>1,751</b>	<b>502,199</b>
Capital additions	56,558	9,651	213	66,422
DD&A	(261)	-	(155)	(416)
Impairment expense	-	-	-	-
<b>As at June 30, 2014</b>	<b>551,283</b>	<b>15,113</b>	<b>1,809</b>	<b>568,205</b>
Capital additions	50,761	5,148	1,068	56,977
DD&A	(1,602)	-	(157)	(1,759)
Impairment expense	-	-	-	-
<b>As at September 30, 2014</b>	<b>600,442</b>	<b>20,261</b>	<b>2,720</b>	<b>623,423</b>
Capital additions	45,768	11,109	25	56,902
Transfer from intangible assets	55,941 <sup>(1)</sup>	-	-	55,941
DD&A	(1,835)	-	(211)	(2,046)
Impairment expense	-	-	-	-
<b>As at December 31, 2014</b>	<b>700,316</b>	<b>31,370</b>	<b>2,535</b>	<b>734,221</b>

Note:

- (1) During the third quarter of 2013, the Kurdistan Regional Government gave its consent to lease an Early Production Facility for the Demir Dagh area of the Hawler license. The related facilities are under construction. Refer to note 27 of the audited consolidated financial statements for further information on the commitments related to the Early Production Facility finance lease contract.
- (2) Following receipt of an evaluation report dated February 16, 2015 (the "NSAI Report") prepared by Netherland, Sewell & Associates, Inc. ("NSAI"), independent qualified reserves evaluator, evaluating Oryx Petroleum's crude oil reserves and resources as at December 31, 2014, confirming the discovery of reserves at Banan within the Hawler License Area, \$55.9 million of costs associated with the Banan discovery were transferred from intangible E&E assets to Oil and Gas assets classified as PP&E at December 31, 2014.

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



## Financial Results

### Revenue

The following table summarizes Oryx Petroleum's revenue for the three months and year ended December 31, 2014. Oil sold during the period was produced at the Hawler License Area.

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Oil Sales	6,541	-	16,429	-
Recovery of Carried Costs	1,267	-	3,187	-
<b>Revenue</b>	<b>7,808</b>	<b>-</b>	<b>19,616</b>	<b>-</b>

The Group realized revenue on the sale of 122,000 bbl (Working Interest) and 295,000 bbl (Working Interest) of oil during the three months and year ended December 31, 2014 respectively. Revenue of \$7.8 million during the fourth quarter of 2014 decreased by \$2.6 million compared to the three months ended September 30, 2014. The decrease in sales is attributable to a decrease in sales volume and selling price.

Sales volumes are determined by the timing of deliveries to customers and are not directly correlated with production volumes. Sales exclude oil produced and held in oil inventory at the end of the reporting period. The Group's share of production during the fourth quarter of 2014 was 168,000 bbl compared to 154,000 bbl during the three months ended September 30, 2014.

Under oil sale contracts in effect during 2014, the Group received payment for oil sales in advance of delivery. The portion of payments related to oil not yet delivered to purchasers at December 31, 2014, which amounts to \$1.0 million, has been presented as deferred revenue on the Group's Statement of Financial Position as at December 31, 2014. The oil not delivered to purchasers at December 31, 2014 was sold during January 2015.

### Royalties

The following table summarizes royalties paid during the three months and year ended December 31, 2014:

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
<b>Royalties</b>	<b>3,196</b>	<b>-</b>	<b>8,031</b>	<b>-</b>

All remittances to governments who are party to the applicable PSC that are directly attributable to the sale of oil during the reporting period including the government share of Profit Oil, excluding income taxes, are reported as royalties. Royalties decreased by \$1.1 million during the three months ended December 31, 2014 compared to the previous quarter. This decrease was driven by a decrease in revenue recorded due to the lower sales volumes and prices.

### Operating expense

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Field production costs <sup>(1)</sup>	1,445	-	5,086	-
Partner's share of production costs carried by Oryx Petroleum	444	-	1,565	-
<b>Operating expense</b>	<b>1,889</b>	<b>-</b>	<b>6,651</b>	<b>-</b>
Sales <sup>(2)</sup> (bbl)	122,000	-	295,000	-
<b>Field production costs (\$/bbl)</b>	<b>11.84</b>	<b>-</b>	<b>17.24</b>	<b>-</b>

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.



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

Operating expense for the year ended December 31, 2014 includes start-up costs of \$1.0 million (includes \$0.2 million in partner's share of costs carried by Oryx Petroleum) primarily related to the period immediately preceding first production in June 2014. Operating expense for the three and twelve months ended December 31, 2014 also incorporate the impact of fluctuations in operating costs as the Group implements the operational practices required to sustain anticipated ramp-up of production and sales volumes. The impact of fluctuations in operating costs has been compounded during 2014 by fluctuations in production and sales volumes. The Group expects continued variability in per barrel operating costs in the short term prior to normalisation as production and sales volumes stabilise during 2015.

Operating expense of \$1.9 million recorded in the three months ended December 31, 2014 decreased by \$1.7 million compared to the previous quarter.

### General and administrative expense

The following table summarizes the component parts of general and administrative expense for the three months and year ended December 31, 2014:

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
General & administrative costs	766	5,962	13,398	26,481
Share gift	-	-	-	13,650
<b>Total General &amp; administrative expense</b>	<b>766</b>	<b>5,962</b>	<b>13,398</b>	<b>40,131</b>

General and administrative expense decreased by \$5.2 million during the three months ended December 31, 2014 compared to 2013. The decrease is primarily attributable to a \$1.9 million non-cash provision for the Group's defined benefit pension obligation as at December 31, 2014, a decrease in consulting and professional fees in 2014 compared to 2013, and an increased percentage of technical resources and support costs being directly attributable to capital projects.

General and administrative expense decreased by \$26.7 million to \$13.4 million during the year ended December 31, 2014 compared to the same period in 2013. The decrease is primarily due to \$13.7 million in stock based compensation recorded in the second quarter of 2013 which related to a share grant to employees and management of the Group in conjunction with OPCL's initial public offering. The decrease is also due to an increased proportion of the Group's technical resources, along with the associated support costs, directly assigned to capital projects as described in the "Capital Expenditures" section.

### Exploration expense

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Pre-license costs	701	1,430	4,470	6,383
Impairment (recovery) / expense of oil and gas assets	(578)	17,255	603	82,948
<b>Total exploration expense</b>	<b>123</b>	<b>18,685</b>	<b>5,073</b>	<b>89,331</b>

Pre-license costs for the year ended December 31, 2014 decreased by \$1.9 million compared to the costs recorded in 2013. This decrease is due to a reduction in pre-license activities during the current year as expenditure has been focused on development activities in the Hawler License Area.

Impairment of oil and gas assets for the year ended December 31, 2014 includes an additional impairment charge relating to the Horse-1 well in the Haute Mer A License Area offshore Congo (Brazzaville). An impairment charge of \$17.3 million which was originally recorded on this well in the fourth quarter of 2013 was reduced by \$0.6 million during the fourth quarter of 2014 based on updated information from the operator.

Impairment charges recorded during 2013 related to the OML 141 and Sindi Amedi License Areas.

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



### Depletion, depreciation and amortization expense

The following table summarizes the component parts of depletion, depreciation and amortization expense for three months and year ended December 31, 2014 compared to 2013.

(\$ thousands)	Year ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Intangible assets: Amortization	134	112	531	437
PP&E assets: Depreciation	281	87	880	291
Depletion	1,276	-	3,139	-
<b>Total DD&amp;A</b>	<b>1,691</b>	<b>199</b>	<b>4,550</b>	<b>728</b>

The Group initiated depletion of its Hawler Oil and Gas assets upon commencement of production 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 reserves at the beginning of the period.

### Other expense

The following table summarizes the components of other expenses for the three months and year ended December 31, 2014 compared to 2013:

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Other expense	2,593	7,808	1,077	56,887
Financial (income) / expense	(68)	1,851	268	60
<b>Total other expense</b>	<b>2,525</b>	<b>9,659</b>	<b>1,345</b>	<b>56,947</b>

Other expense of \$1.1 million during the year ended December 31, 2014 includes an increase in fair value, due to revised estimates regarding timing of anticipated cash outflows, of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011. In accordance with the terms of the agreement for the acquisition of OP Hawler Kurdistan Limited, which holds the interest in the Hawler License Area, Oryx Petroleum is obliged to provide additional consideration upon each of the first two commercial discoveries. The fair value adjustment referred to above has been offset by a \$2.8 million provision adjusting other current assets to recoverable amounts during the fourth quarter of 2014.

Other expense of \$56.9 million recorded during the year ended December 31, 2013 related to an increase in the fair value of the contingent consideration described above. The aggregate fair value of the contingent consideration, based on the estimated probability of success, had previously been evaluated by the Group at \$66.9 million at March 31, 2013 and \$27.7 million at December 31, 2012. The increase of \$39.3 million was recognized in Oryx Petroleum's Statement of Financial Position at December 31, 2013. Oryx Petroleum paid \$20.0 million plus interest during 2014 in satisfaction of the obligation arising upon the first commercial discovery.

In addition, the net assets and liabilities acquired with OP Hawler Kurdistan Limited included a \$50 million contingent liability to the Kurdistan Regional Government in relation to the first commercial discovery. This amount was paid in February 2014 in full settlement of the liability due.

### Income tax expense

The following table summarizes the component parts of income tax expense for the three months and year ended December 31, 2014, as compared to the same periods in 2013.

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Current income tax (benefit) / expense	(132)	299	1,327	1,361
Deferred tax (benefit) / expense	277	207	(707)	(42)
<b>Total income tax expense</b>	<b>145</b>	<b>506</b>	<b>620</b>	<b>1,319</b>

The current income tax expense includes amounts remitted to the KRG through its allocation of Profit Oil under the Hawler PSC for the year ended December 31, 2014.

## **Liquidity and Capital Resources**

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During 2014, the Group met its day-to-day working capital requirements through funding received through the issuance of Common Shares. In July 2014, the Company issued 19,910,000 Common Shares at a price of CAD\$11.25 per Common Share for net proceeds of \$206.7 million. Commencing the second quarter of 2014, the Group began to generate cash inflows through its share of oil sales from the Hawler License Area. These cash inflows are also used to meet the Group's working capital requirements.

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 majority shareholder The Addax and Oryx Group PLC (the "Lender").

The three year Loan Facility provides the Group with access to committed funding up to \$100 million with a maturity date of March 10, 2018. 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 under the terms of the loan facility is 10.5% per annum.

Under the terms of the Loan Facility, should the Loan Facility be fully drawn, the Lender will receive warrants giving it the option to purchase up to twelve million ordinary common shares of the Company at a price equivalent to 110% of the ten day historical volume weighted average price (VWAP) at the time of the issue of the warrants. On March 11, 2015, in accordance with the Loan Facility, the Group issued warrants to acquire one million common shares to the Lender. The exercise price of the issued warrants was CAD \$4.39 per common share. The expiry date of the issued warrants is March 10, 2018. The Company is obligated to issue up to an additional eleven million warrants, if and when the Loan Facility is drawn down. The Lender may exercise the issued warrants immediately and at any time prior to the expiry date. As at the date of this MD&A, the Group had not drawn any funds under the Loan Facility.

With the March 2015 Financing, Oryx Petroleum has access to sufficient cash and cash equivalents to fund the balance of its 2015 forecasted capital expenditure program. The Group's 2015 forecast has been planned on the basis that the forecasted cash and cash equivalents at the end of 2014, together with the proceeds of the March 2015 Financing will fund its planned development expenditures at the Demir Dagh field as well as its other appraisal and exploration activities. The Group also retains the flexibility to defer certain budgeted exploration and appraisal expenditures, most of which are planned for the second half of 2015. The Group is also able to adjust the timing of its expenditures on the development of the Demir Dagh field. Slowing the rate of development expenditures related to the Demir Dagh field would be likely to impede the Group's ability to achieve expected production and sales levels.

Oryx Petroleum's business requires significant capital expenditures with respect to the Group's exploration, appraisal, development and maintenance of its oil and gas assets. Long lead times between discovery and production of oil and gas 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. Furthermore, the Group may not continue to realize revenue from the sale of oil or gas production. Oryx Petroleum intends to fund planned capital expenditures from its cash reserves including proceeds from the July 2014 Common Share Offering, from the March 2015 Financing, and from cash inflows generated from the sale of oil from the Hawler License Area in the short to medium term. The Group plans to fulfill longer term financing requirements through Operating Cash Flow, and if necessary through further equity or debt financing. Prevailing market conditions, together with Oryx Petroleum's business performance will impact the Group's ability to arrange such financing. Oryx Petroleum has a considerable degree of control over both the extent and timing of expenditures under its future capital expenditure program.

Oryx Petroleum entered into an uncommitted bond facility agreement in 2013 whereby up to a maximum of \$15 million may be used by Oryx Petroleum for bank guarantees. This agreement was extended for an additional twelve months in February 2014 and will expire on March 26, 2015. As at December 31, 2014, no guarantees were issued under this agreement.

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



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

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Operating Cash Flow <sup>(1)</sup>	1,106	(8,318)	(3,220)	(20,386)
Change in retirement benefit obligation	(5,384)	-	(3,667)	-
Change in non-cash Working Capital	(13,650)	6,436	(21,643)	11,654
Net cash used in operating activities	(17,928)	(1,882)	(28,530)	(8,732)
Net cash used in investing activities	(62,197)	(69,517)	(374,296)	(234,080)
Net cash generated by financing activities	-	-	206,662	476,121
<b>Total increase/(decrease) in cash</b>	<b>(80,125)</b>	<b>(71,399)</b>	<b>(196,164)</b>	<b>233,309</b>
Cash and cash equivalents at beginning of the period	189,995	377,433	306,034	72,725
<b>Cash and cash equivalents at end of the period</b>	<b>109,870</b>	<b>306,034</b>	<b>109,870</b>	<b>306,034</b>

Note:

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

During the year ended December 31, 2014, the Group invested \$374.4 million in exploration and development activities primarily in the Hawler License Area. The cash outflow for the year includes \$70.0 million in payments relating to the Hawler License Area's contingent consideration and payment due upon the declaration of the first commercial discovery, a \$14.5 million payment on farm-in commitments related to the OML 141 License Area, \$7.0 million in a signature bonus relating to the Haute Mer B License Area and a \$2.0 million signature bonus relating to the AGC Central License Area.

See the "Capital Expenditures" section for further information on the capital expenditure program during the period.

### Economic Sensitivities

The following table shows the estimated after-tax effect that changes to crude oil prices, Gross (100%) crude oil production, operating costs and interest rates would have had on the Group's net loss for the year ended December 31, 2014, had these changes occurred on January 1, 2014<sup>(1)</sup>. These calculations are based on business conditions, production and sales volumes existing during the year ended December 31, 2014. The 1,000 bbl/d increase assumes the increase is to Gross (100%) field production and the Group's entitlement is calculated according to the provisions of the PSA and JOA.

	Change	Net loss impact (\$ '000s)	Net loss impact (\$ per basic share)
Increase in average realized price	\$10.00/bbl	1,307	0.01
Increase in crude oil sales volumes <sup>(1)</sup>	1,000 bbl/d	3,150	-
Increase in operating expenses	\$1.00/bbl	295	-
Increase in interest rate	1%	1,451	0.01

(1) Production at the Hawler License Area began on June 19, 2014. The impact of the increase in crude oil sales volumes has consequently been calculated on the basis of 196 days.

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.

### Use of Proceeds

#### The July 2014 Common Share Offering

On July 11, 2014, the Company announced the filing of a final prospectus supplement to the final short form base shelf prospectus dated January 27, 2014, with the securities regulatory authorities in each of the provinces of Canada, other than Quebec (the "July 2014 Prospectus"). The July 2014 Prospectus relates to the issuance of 19,910,000 Common Shares of the Company at a price of CAD\$11.25 per Common Share for aggregate gross proceeds of CAD\$224.0 million (\$209.7 million). The July 2014 Common Share Offering closed on July 18, 2014.

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

The following tables compare the planned use of proceeds per the July 2014 Common Share Offering to actual expenditures between July 1, 2014 and December 31, 2014.

(\$ million)	Estimated <sup>(1)</sup>	Estimated net proceeds <sup>(1)</sup>	Actual net proceeds	Approximate cash at May 31, 2014 <sup>(1)</sup>	Actual cash at June 30, 2014	Pro forma Funds available for use
Available to fund capital expenditure program	261	(208)	207	(89)	55.2	226
Contingent payments and license acquisition fees	17				-	17
General corporate purposes	19				-	19
<b>Total</b>	<b>297</b>	<b>(208)</b>	<b>207</b>	<b>(89)</b>	<b>55</b>	<b>262</b>

Note:

(1) See the "Use of Proceeds" section of July 2014 Prospectus.

The above funds available for use have been employed as follows:

(\$ million)	Pro forma Funds available for use as at July 1, 2014	Actual use of proceeds	Remaining proceeds available for use	Cash flow from operating activities	Cash balance as at December 31, 2014
Available to fund capital expenditure program	226	(127)	99		
Contingent payments and license acquisition fees	17	(17)	-		
General corporate purposes	19	(8)	11		
<b>Total</b>	<b>262</b>	<b>(151)</b>	<b>110</b>	<b>-</b>	<b>110</b>

### 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 JOA 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 for a reconciliation of Field Netbacks.

#### Oryx Petroleum Netback

Oryx Petroleum Netback is a non-IFRS measure that represents Field Netbacks 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 for a reconciliation of Oryx Petroleum Netbacks.

#### Cash Surplus / (Net Debt)

The Group defines "Cash Surplus / (Net Debt)" as long-term debt and short-term borrowings less cash and cash equivalents. Oryx Petroleum uses net debt as a key indicator of its leverage and to monitor the strength of its balance sheet. Net debt is directly tied to operating cash flow and capital investment. Net debt is not recognized under IFRS. Readers are cautioned that this measure should not be construed as an alternative to net income or cash flow from operating activities determined in accordance with IFRS or as an indication of the Group's performance. Oryx Petroleum's method of calculating this measure may differ from other companies and accordingly, it may not be comparable to similar measures used by other companies.

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



The following table summarizes the components of Oryx Petroleum's consolidated "Cash Surplus / (Net Debt)":

(\$ thousands)	As at December 31, 2014	As at December 31, 2013
<b>Total Borrowings</b>	-	-
Less: Cash and cash equivalents	109,870	306,034
<b>Cash Surplus / (Net Debt)</b>	<b>109,870</b>	<b>306,034</b>

### 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 "cash flow from operating activities" as determined in accordance with IFRS.

Management considers Operating Cash Flow to be a key measure as it demonstrates the Group's ability to generate the cash flow necessary to fund future growth through capital investment. Operating Cash Flow does not have any standardized 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 'Cash flow from operating activities':

(\$ thousands)	Three months ended		Year ended	
	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Net cash flow used in operating activities	(17,928)	(1,882)	(28,530)	(8,732)
Changes in non-cash working capital	13,650	(6,436)	21,643	(11,654)
Change in retirement benefit obligation	5,384	-	3,667	-
<b>Operating Cash Flow</b>	<b>1,106</b>	<b>(8,318)</b>	<b>(3,220)</b>	<b>(20,386)</b>

### Finding & Development and Finding, Development and Acquisition Costs

F&D and FD&A costs are non-IFRS measures that demonstrate the costs associated with the Group's adjustments to proved, and proved plus probable reserves over time. Management believes that F&D and FD&A costs are useful measures in assessing the Group's exploration efficiency. F&D and FD&A costs have been calculated based on exploration and development costs divided by Gross (Working Interest) reserve additions over the equivalent period. No amount of future capital has been included in the calculation. F&D and FD&A costs do not have a standard meaning under IFRS and may not be comparable to similar measures used by other companies. See the "Finding & Development Costs ("F&D") and Finding, Development and Acquisition Costs ("FD&A")" section for a reconciliation of F&D and FD&A costs.

### Outstanding Share Data

As at December 31, 2014, 120,767,916 common shares of OPCL were issued and outstanding.

The number of common shares outstanding as at the date of this MD&A is 120,825,608.

Upon vesting, OPCL LTIP awards granted to the date of the MD&A will result in the issuance of up to an additional 897,423 common shares over 2015 and 2016.

On March 11, 2015, in accordance with the March 2015 Financing the Group issued warrants to acquire one million common shares.

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

There were no repurchases of OPCL's equity securities by the Company during the year ended December 31, 2014.



### Off-Balance Sheet Arrangements

In October 2014, the Group entered into a forward exchange contract to hedge foreign currency transactions in the ordinary course of business. Under the contract, the Group purchased CHF 2.4 million per month (total CHF 7.2 million) at a rate of USD 1.00/CHF 0.95347 during the fourth quarter of 2014. The contracts expired in December 2014.

In December 2014, the Group entered into two foreign exchange contracts to hedge the foreign exchange risk throughout 2015. (i) The Group entered into a contract to sell \$1.5 million and to receive Swiss Francs at a rate of USD 1.00 / CHF 0.9645 for each of the twelve months during 2015. (ii) The Group entered into a forward exchange contract to sell \$1.5 million and to receive Swiss Francs for each of the twelve months during 2015 in the event that the exchange rate on monthly execution dates is outside the following range: USD 1.00 / CHF 0.9400 and USD 1.00 / CHF 0.9850.

Other than the above, Oryx Petroleum was not party to any off-balance sheet arrangements during the year ended December 31, 2014 that have, or is 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.

### Contractual Obligations

The table below sets forth information relating to Oryx Petroleum's contractual obligations and commitments as at December 31, 2014.

(\$ thousands)	Within One Year	From 1 to 5 Years	More than 5 Years	Total
Operating leases <sup>(1)</sup>	2,385	3,910	-	6,295
Other long term obligations <sup>(2)</sup>	37,111	84,138	21,370	142,619
<b>Total</b>	<b>39,496</b>	<b>88,048</b>	<b>21,370</b>	<b>148,914</b>

Notes:

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

(2) Consists principally of obligations related to PSC commitments and capital expenditure commitments including commitments under a financing lease for the construction of an EPF at Demir Dag in the Hawler License Area. The main purpose of these commitments is to develop oil and gas assets in Oryx Petroleum's various License Areas.

Contractual obligations of \$142.6 million have decreased by \$35.3 million compared to the balance at December 31, 2013. This variance is mainly attributable to decreases in contractual obligations relating to the Hawler License Area together with the revised phasing of exploration activities in West Africa which is consistent with planned work programs.

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



## Summary of Quarterly Results

The following table sets forth a summary of Oryx Petroleum's results for the quarterly periods indicated which have been prepared in accordance with IFRS as issued by the IASB.

(\$ thousands except per share amounts)	2013				2014			
	Mar 31	Jun 30	Sept 30	Dec 31	Mar 31	Jun 30	Sept 30	Dec 31
Revenue	-	-	-	-	-	(1,378)	(10,430)	(7,808)
Net Revenue	-	-	-	-	-	(814)	(6,159)	(4,612)
Oil and Gas <sup>(1)</sup>	1,672	21,934	47,040	18,685	2,099	3,045	6,170	3,358
Corporate and Other <sup>(2)</sup>	45,237	16,062	17,855	16,019	4,709	6,225	1,397	2,971
<b>Net loss before income tax</b>	<b>46,909</b>	<b>37,996</b>	<b>64,895</b>	<b>34,704</b>	<b>6,808</b>	<b>8,456</b>	<b>1,408</b>	<b>1,717</b>
Income Tax Expense	67	494	252	506	111	216	148	145
<b>Net loss</b>	<b>46,976</b>	<b>38,490</b>	<b>65,147</b>	<b>35,210</b>	<b>6,919</b>	<b>8,672</b>	<b>1,556</b>	<b>1,862</b>
<i>Per share (basic and diluted)</i>	<i>0.64</i>	<i>0.44</i>	<i>0.66</i>	<i>0.35</i>	<i>0.07</i>	<i>0.09</i>	<i>0.01</i>	<i>0.02</i>
<b>Net Loss attributable to owners</b>	<b>46,815</b>	<b>38,457</b>	<b>65,109</b>	<b>35,183</b>	<b>6,904</b>	<b>8,660</b>	<b>1,556</b>	<b>945</b>
<i>Per share (basic and diluted)</i>	<i>0.64</i>	<i>0.43</i>	<i>0.65</i>	<i>0.35</i>	<i>0.07</i>	<i>0.09</i>	<i>0.01</i>	<i>0.01</i>
Remeasurement of defined benefit obligation	-	-	-	1,424	373	375	365	2,462
<b>Total comprehensive loss</b>	<b>46,976</b>	<b>38,490</b>	<b>65,147</b>	<b>36,634</b>	<b>7,292</b>	<b>9,047</b>	<b>1,921</b>	<b>4,323</b>
<i>Per share (basic and diluted)</i>	<i>0.64</i>	<i>0.43</i>	<i>0.65</i>	<i>0.37</i>	<i>0.07</i>	<i>0.09</i>	<i>0.02</i>	<i>0.05</i>
<b>Total comprehensive loss attributable to owners</b>	<b>46,815</b>	<b>38,457</b>	<b>65,109</b>	<b>36,607</b>	<b>7,277</b>	<b>9,035</b>	<b>1,921</b>	<b>3,407</b>
<i>Per share (basic and diluted)</i>	<i>0.64</i>	<i>0.43</i>	<i>0.65</i>	<i>0.37</i>	<i>0.07</i>	<i>0.09</i>	<i>0.02</i>	<i>0.04</i>
Capital expenditures <sup>(3)</sup>	41,400	48,946	35,087	74,801	79,881	99,112	81,427	65,487
Long-term debt	-	-	-	-	-	-	-	-
Change in Equity attributable to owners	(198,172)	(218,826)	60,805	25,889	4,939	6,816	(208,949)	1,679
Change in Equity attributable to NCI	161	33	38	8,377	15	11	(6)	924

Notes:

- (1) Oil and gas expense includes operating expense, depletion expense, pre-license costs, and impairment of oil and gas assets.
- (2) Corporate and other expense includes general and administrative expense, depreciation and amortization expense, other expense, finance income and expense, and foreign exchange gains and losses.
- (3) Excludes license acquisition costs.

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



### Selected Annual Information

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

(\$ thousands except per share amounts)	Year ended December 31		
	2014	2013	2012
Revenue	(19,616)	-	-
<b>Net Loss attributable to owners</b>	<b>18,065</b>	<b>185,564</b>	<b>58,359</b>
<i>Per share (basic and diluted)</i>	<i>0.17</i>	<i>2.04</i>	<i>2.10</i>
Total assets	1,138,216	976,212	576,265
Long-term debt	-	-	-
Cash dividends declared	-	-	-

### Financial and Other Instruments

In December 2014, the Group entered into two foreign exchange contracts to hedge the foreign exchange risk throughout 2015. The Group entered into a contract to sell \$1.5 million and to receive Swiss Francs at a rate of USD 1.00 / CHF 0.9645 for each of the twelve months during 2015. The Group signed a second forward exchange contract to sell \$1.5 million and to receive Swiss Francs for each of the twelve months during 2015 in the event that the exchange rate on monthly execution dates is outside the range following range: USD 1.00 / CHF 0.9400 and USD 1.00 / CHF 0.9850. The future impact on the statement of comprehensive loss cannot be estimated as the resulting impact of this contract is dependent on the foreign exchange rate on the date of each settlement.

Oryx Petroleum operates internationally and has foreign exchange risk arising from various currency exposures, notably the Swiss Franc. In October 2014, the Group entered into a forward exchange contract to hedge foreign currency transactions in the ordinary course of business. Under the contract, the Group purchased CHF 2.4 million per month (total CHF 7.2 million) at a rate of USD 1.00/CHF 0.95347 during the fourth quarter of 2014. The contract expired in December 2014. The Group recognised a gain of \$48,000 during the three months ended December 31, 2014.

In July 2014, the Group entered into a forward exchange contract to hedge the foreign currency risk related to proceeds of the July 2014 Common Share Offering. Oryx Petroleum entered into a forward exchange contract to sell Canadian dollars and purchase US dollars. A foreign exchange gain of \$0.4 million was recorded when the transaction was settled during July 2014.

### 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 majority shareholder The Addax and Oryx Group PLC.

The three year Loan Facility provides the Group with access to committed funding up to \$100 million with a maturity date of March 10, 2018. 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 under the terms of the loan facility is 10.5% per annum.

Under the terms of the Loan Facility, should the Loan Facility be fully drawn, the Lender will receive warrants giving it the option to purchase up to twelve million ordinary common shares of the Company at a price equivalent to 110% of the ten day historical volume weighted average price (VWAP) at the time of the issue of the warrants. On March 11, 2015, in accordance with the Loan Facility, the Group issued warrants to acquire one million common shares to the Lender. The exercise price of the issued warrants was CAD \$4.39 per common share. The expiry date of the issued warrants is March 10, 2018. The Company is obligated to issue up to an additional eleven million warrants, if and when the Loan Facility is drawn down. The Lender may exercise the issued warrants immediately and at any time prior to the expiry date. As at the date of this MD&A, the Group had not drawn any funds under the terms of the Loan Facility.

For the year ended December 31, 2014 the Group incurred costs of \$1.9 million for goods and services provided by related parties, all of which are subsidiaries of AOG (2013: \$4.2 million). Costs related to trademark license fees, parent company guarantees, management service fees, and furniture and fixtures purchases 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 12, 2014 available on SEDAR at [www.sedar.com](http://www.sedar.com). The Company will file an Annual Information Form for the year ended December 31, 2014 on or before March 31, 2015.

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



In January 2015 directors of OPCL were awarded 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. In July 2014 the directors of OPCL were awarded 12,191 Common Shares (\$0.2 million) and \$0.2 million in cash as remuneration for services provided in the first and second quarters of 2014. In January 2014 the directors of OPCL were awarded 12,466 Common Shares (\$0.1 million) and \$0.2 million in cash as remuneration for services provided in the third and fourth quarters of 2013. During the third quarter of 2013, the directors were awarded, in aggregate, 12,882 common shares (\$0.1 million) and \$0.1 million in cash as remuneration for services provided in the first and second quarters of 2013.

In January 2013, AOG subscribed for shares to the value of \$234.8 million. In May 2013, AOG subscribed for shares through the initial public offering of the Company to the value of \$20.0 million. In addition, certain directors of OPCL subscribed in the initial public offering in the aggregate amount of \$2.0 million.

In the July 2014 Common Share Offering, AOG subscribed for additional shares to the value of \$150.0 million and certain directors of OPCL subscribed for shares to the value of \$0.7 million. Together with the aggregate subscriptions prior to 2013 in the amount of \$465.2 million, AOG has contributed to Oryx Petroleum total funding of \$870.0 million.

During the second quarter of 2013, the Group resolved to donate a total of \$1.5 million over a period of 3 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.

### **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, 2014 as described in Note 2 of the audited consolidated financial statements for the year ended December 31, 2014. The adoption of these standards and interpretations has not had a material effect on OPCL. During 2013, Oryx Petroleum initially and retroactively applied IAS 19 Employee Benefits (as revised in 2011) and the related consequential amendments. The impact on the equity balance as at January 1, 2013 was \$3.6 million, which represents an increase in the accumulated deficit of \$1.1 million as at December 31, 2012 and an increase in the remeasurement loss of the defined benefit obligation of \$2.5 million for the year ended December 31, 2012.

#### **Policies**

During 2014, Oryx Petroleum adopted the following policies related to the Group's first crude oil sales from the Hawler License Area:

#### **Revenue**

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

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

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

Revenue associated with the sale of the Group's working interest share of oil and natural gas products are recognized when the following conditions are satisfied:

- the risks and rewards of ownership have been transferred to the buyer;
- the fair value of revenue can be reliably measured.

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



Oil and natural gas products produced and sold by the Group below or above its working interest share in the related resource properties result in under-liftings or over-liftings respectively. Under-liftings are presented as inventory at cost and over-liftings are recorded as deferred revenue at market value.

### 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. The estimates, judgments and assumptions which may differ from actual results have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and are discussed below.

### *Carrying value of intangible exploration and evaluation assets*

The outcome of ongoing exploration is inherently uncertain. The recoverability of the carrying values of intangible exploration and evaluation assets is consequently subject to resolution of the uncertainties associated with exploration activities. Management makes the judgments necessary to implement the Group's policy with respect to exploration and evaluation assets and considers these assets for impairment at least annually with reference to the indicators set out in IFRS 6.

Assets are aggregated into CGUs for the purpose of calculating impairment. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures and the way in which management monitors the operations.

### *Joint arrangements*

The Group has entered into joint arrangements to facilitate the development and production of oil and gas. The joint arrangements are governed by PSCs and by joint operating agreements. Management has exercised judgment in concluding that joint arrangements are subject to joint control. Specifically, judgment has been used in determining that decisions concerning the relevant activities of each arrangement require the unanimous consent of at least two specified parties. The Group has classified and accounted for each of its interests in joint arrangements as joint operations.

### *Acquisition of subsidiaries*

Due to the inherently uncertain nature of the oil and gas industry, the assumptions underlying the fair values of identifiable assets and liabilities of OP Hawler Kurdistan Limited and KPA Western Desert Energy Limited, which were acquired on August 10, 2011 and December 21, 2011 respectively, and the probability of exploration success that could result in paying contingent consideration, and quantification thereof, are judgmental in nature. Further details on the measurement of the contingent consideration are disclosed in note 28.

### *Fair value*

An assessment of fair value of assets and liabilities is required in accounting for derivative instruments and other items – principally available-for-sale financial assets and disclosures related to fair values of financial assets and liabilities. In such instances, fair value measurements are estimated based on the amounts for which the assets and liabilities could be exchanged at the relevant transaction date or reporting period end, and are therefore not necessarily reflective of the likely cash flow upon actual settlements. Where fair value measurements cannot be derived from publicly available information, they are estimated using models and other valuation methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market based transactions may not exist.

### *Pension benefits*

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions, as disclosed in note 13. The assumptions used in determining the net cost (income) for pensions include the discount rate. Changes in these assumptions impact the carrying amount of pension obligations and the charge to the statement of comprehensive loss.

### *Decommissioning obligation*

The decommissioning obligation is calculated using the current estimated costs to decommission a particular asset. Liabilities for decommissioning are adjusted every reporting period for changes in estimates. Estimating the decommissioning obligation requires significant judgment as restoration technologies and costs are constantly changing, as are regulatory, political, environmental and safety considerations. Inherent in the calculation of the obligation are numerous assumptions including the ultimate settlement amounts, future third-party pricing, inflation factors, risk free

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



discount rates, credit risk, timing of settlement and changes in the legal, regulatory and environmental and political environments. Future revisions to these assumptions may result in material changes to the decommissioning obligation.

In light of the significant estimates and judgments involved, adjustments to the estimated amounts and timing of future decommissioning cash flows are a regular occurrence.

### Financial Controls

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#### Disclosure Controls and Procedures (“DC&P”)

Disclosure Controls and Procedures have been designed under the supervision of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), with the participation of other management, to provide reasonable assurance that information required to be disclosed is recorded, processed, summarized 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 CFO, as appropriate to allow timely decisions regarding required disclosure.

An evaluation of the design and operation of Oryx Petroleum’s DC&P was carried out during 2014 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, 2014.

#### Internal Controls over Financial Reporting

Internal Controls over Financial Reporting (“ICFR”) have been designed under the supervision of the CEO and the 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 operation of Oryx Petroleum’s ICFR was carried out during 2014 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, 2014.

### Forward-Looking Information

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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 capital expenditures and budget, financing and capital activities, plans for managing available working capital, business and acquisition strategy and goals, opportunities, drilling plans, development plans and schedules and chance of success, future seismic activity, results of exploration activities, declarations of commercial discovery, contingent liabilities and government approvals, plans to complete production facilities and to tie production facilities into the export pipeline, the ability to access the export pipeline or other exterior facilities to sell oil production, future drilling of new wells, ultimate recoverability of current and long-term assets, expected well capacity and target oil production rates, expectations that the market for local sales of crude oil in the KRI will normalize, expectations that the occurrence of sales interruptions will decrease, future royalties and tax levels, access to future financing and liquidity, future debt levels, availability of committed credit facilities, possible commerciality of our projects, expected operating capacity, expected operating costs, estimates on a per share basis, future foreign currency exchange rates, future expenditures, 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.

In addition, information and statements in this MD&A relating to future net revenue, future net contingent cash flow, reserves and resources are deemed to be forward-looking information, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and that the reserves and resources described can be profitably produced in the future. See “Reserves and Resources Advisory” below.

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,



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



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 12, 2014, available at [www.sedar.com](http://www.sedar.com) and the Group's website at [www.oryxpetroleum.com](http://www.oryxpetroleum.com). The Company will file an Annual Information Form for the year ended December 31, 2014 on or before March 31, 2015.

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**

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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 and adjustments for commercial risks have not been incorporated in the summaries of contingent oil set forth in this MD&A. 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

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

### **AGC**

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

### **AOG**

The Addax and Oryx Group P.L.C.

### **bbbl**

Barrel(s) of oil

### **bbbl/d**

Barrel(s) of oil per day

### **Carried Cost**

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

### **Company**

Oryx Petroleum Corporation Limited

### **Contractor**

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

### **Cost Oil**

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

### **Cost Pool**

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

### **Farm-in**

To acquire an interest in a license from another party

### **G&A**

General and administrative

### **Gross**

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

### **IAS**

International Accounting Standards

### **IFRS**

International Financial Reporting Standards

### **KRG**

Kurdistan Regional Government

### **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 organizes 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**

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

### **WPG**

Wasit Provincial Government