Export sales via pipeline since mid-March with recent production exceeding 3,500 bbl/d

CALGARY, May 11, 2016 /CNW/ - Oryx Petroleum Corporation Ltd. ("Oryx Petroleum" or the "Corporation") today announces its financial and operational results for the three months ended March 31, 2016. All dollar amounts set forth in this news release are in United States dollars, except where otherwise indicated.

Operations Highlights:

- Commencement of light oil production from the Demir Dagh Jurassic reservoir and pipeline export sales on March 14, 2016 with all sales via export pipeline since such time
  - Average export sales price per barrel of oil ("bbl") significantly higher due to reduced nominal discount to average Brent oil price for pipeline sales ($12/bbl) versus previously trucked exports ($26/bbl)
  - The Corporation expects that most future production from the Hawler license area will be exported via pipeline
- Gross (100%) oil production of 69,100 bbl (working interest 44,900 bbl) for the three months ended March 31, 2016
  - 800 bbl/d (working interest 500 bbl/d) average oil production for the three months ended March 31, 2016
  - Limited production and oil sales in January and February 2016 due primarily to Turkey-Iraq border closures and restrictions on export by both trucking and pipeline
- Average gross (100%) oil production of 3,387 bbl/d in April 2016 from six wells at the Demir Dagh field
  - Average realisations in April 2016 of $30.15/bbl reflect a discount of $11.33/bbl to April's monthly average Brent crude oi price
  - Realised discount lower than nominal discount of $12/bbl due to average API gravity of 30.7 degrees from blend of Cretaceous and Jurassic crude oil exceeding API gravity specifications in agreement
- Negotiation of a contract with an affiliate of Zeg Oil and Gas Ltd ("Zeg Oil") to complete the first phase of development of the Zey Gawra field is progressing
  - The contract is expected to be executed in the coming weeks with first Zey Gawra production expected to be achieved i the second half of 2016
- Ongoing cost reductions from the implementation of the re-organisation announced on March, 1, 2016
- The Agence de Gestion et de Cooperation ("AGC") granted an extension of the first exploration period in the AGC Shallow license area to March 2018

Financial Highlights for the three months ended March 31, 2016:

- Revenues of $1.2 million on working interest sales of 53,300 bbl and an average realised sales price of $20.25/bbl
  - Transfer of the first payment from the Kurdistan Regional Government ("KRG") for sales via export pipeline in March 201 initiated with receipt of payment expected in the coming days
- Net loss of $19.4 million ($0.13 per common share)

- Net cash used in operating activities was $7.8 million for the quarter including negative operating cash flow of $5.7 million and an increase in working capital

- Net cash used in investing activities was $7.9 million in the quarter including expenditures for the successful re-completion of the Demir Dagh-3 well in the Jurassic reservoir and payments under the finance lease obligation related to the Demir Dagh production facilities

- $30 million cash investment and proposed $20 million work commitment from Zeg Oil announced on March 1, 2016

- $71.6 million of cash and cash equivalents as of March 31, 2016 including proceeds from the cash investment by Zeg Oil and another investor

2016 Forecasted Capital Expenditures, Liquidity and Outlook:

- 2016 cash capital expenditure forecast of $62 million announced on March 16, 2016 remains unchanged. Almost all expenditure in 2016 will be dedicated to the Hawler license area in the Kurdistan Region of Iraq with the initial development of the Zey Gawra field being the key focus

- The Corporation expects cash on hand as of March 31, 2016 and cash receipts from net revenues to fund its forecasted cash expenditures into the third quarter of 2017

- Assuming the successful completion of planned activities, the Corporation expects gross (100%) oil production from the Hawler license area to exceed 10,000 bbl/d by the end of 2016

CEO's Comment

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

"During Q1 2016 we achieved important progress. We successfully re-completed the Demir Dagh-3 well in the Jurassic reservoir and tied it in to our production facilities, restored all of our production wells completed in the Cretaceous reservoir, and commenced pipeline export sales. We have increased gross (100%) oil production to more than 3,500 bbl/d in recent weeks and expect to achieve further increases over the coming months. We also continued to implement cost reduction measures and secured a strategic investment to help fund our 2016 plans.

Commencement of pipeline export sales and addition of Jurassic crude to our blend have allowed us to realise an increase of more than $14/bbl in our sales price. This increase and recently increased international oil prices have improved our average realised sales prices and significantly increased our cash flow generation capability. Payment by the KRG for our first month of pipeline exports has been initiated with receipt expected in the coming days and we expect all of our future production to be sold via export pipeline. We continue to be encouraged by consistent monthly payments from the KRG to oil producers and recent increases in export levels from the region.

Our plans for the remainder of 2016 will focus on developing the Zey Gawra field. With the re-completion of previously drilled exploration wells and the drilling of new wells at Zey Gawra, we expect the productive capacity of our fields in the Hawler license area to exceed 10,000 bbl/d by the end of 2016.

Overall, we believe we are well positioned for 2016 and beyond and are confident in the continuing implementation of our plans."

Selected Financial Results

Financial results are prepared in accordance with International Financial Reporting Standards ("IFRS") and the reporting currency is US dollars. References in this news release to the "Group" refer to Oryx Petroleum and its subsidiaries. The following table summarises selected financial highlights for Oryx Petroleum for the three month periods ended March 31, 2016 and March 31, 2015 as well as the year ended December 31, 2015.

	Three Months Ended March 31		Year Ended December 31
($ in millions unless otherwise indicated)	2016	2015	2015
Revenue	1.2	5.3	20.5
Working Interest Production (bbl)	44,900	129,800	599,000
Average WI Production per day (bbl/d)	500	1,400	1,600
Working Interest Sales (bbl)	53,300	128,700	588,200
Average Sales Price ($/bbl)	20.25	34.79	29.20
Operating Expense	3.5	5.1	19.9
Field production costs ($/bbl)(1)	50.11	30.16	25.83
Field Netback ($/bbl)(2)	(40.21)	(13.18)	(11.56)
Operating expenses ($/bbl)	65.53	39.45	33.77
Oryx Petroleum Netback ($/bbl)(3)	(53.40)	(15.72)	(13.92)
Net Loss	19.4	8.7	423.6
Loss per Share ($/sh)	0.13	0.07	3.43
Operating Cash Flow(4)	(5.7)	(4.1)	(18.3)
Net Cash used in operating activities	7.8	8.2	22.0
Net Cash used in investing activities	7.9	63.0	133.0
Capital Expenditure(5)	4.3	42.0	108.7
Cash and Cash Equivalents	71.6	38.7	54.2
Total Assets	788.0	1,110.7	779.7
Total Liabilities	226.9	157.1	240.5
Total Equity	561.1	953.6	539.1

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

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

(3) Oryx Petroleum Netback is a non-IFRS measure that represents Field 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.

(4) Operating Cash Flow is a non-IFRS measure that represents cash generated from operating activities before changes in non-cash working capital and changes in the retirement benefit obligation balance. The term Operating Cash Flow should not be considered an alternative to or more meaningful than "cash flow from operating activities" as determined in accordance with IFRS. Management considers Operating Cash Flow to be a key measure as it demonstrates the Group's ability to generate the cash flow necessary to fund future growth through capital investment. Operating Cash Flow does not have any standardised meaning prescribed by IFRS and may not be comparable to similar measures used by other companies.

(5) Excludes license acquisition costs.

- Revenue decreased to $1.2 million in Q1 2016 versus $5.3 million in Q1 2015 due both to lower oil sales volumes and a decrease in average oil sales prices. Gross (working interest) production and sales of oil in Q1 2016 were 44,900 bbl and 53,300 bbl, respectively, versus 129,800 and 128,700 bbl, respectively, for Q1 2015. Exports in the quarter were limited until mid-March due to the closure of the Turkey-Iraq land border to truck traffic beginning in December 2015 and the shut-down of the Kurdistan-Turkey export pipeline for portions of February and March. The average oil sales price realised in Q1 2016 was $20.25/bbl versus $34.79/bbl for Q1 2015. In addition to oil sales, revenue includes the recovery of carried costs.

  Lower international oil prices in Q1 2016 versus Q1 2015 were partially offset by the lower discount incurred on pipeline export sales versus that incurred on trucking export sales. Realised sales prices through the export pipeline are referenced to monthly average Brent crude oil prices, discounted $12/bbl for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges.

  The transfer of payment for pipeline export sales in March in accordance with entitlement under the Hawler license production sharing contract has been initiated and receipt is expected in the coming days. The Corporation has invoiced the KRG for April sales and expects payment in the coming weeks. Going forward the Corporation expects all sales to be via pipeline and expects to receive payment from the KRG within 30 days of the end of any given month in which there were sales.

- Operating expenses decreased to $3.5 million in Q1 2016 from $5.1 million in Q1 2015. The decrease is primarily attributable to lower facilities operating costs and inventory movements. Fuel and other variable costs were lower due to the lower number of operating days in Q1 2016, and Q1 2015 operating expenses included rental costs for the temporary production facilities which are no longer incurred. The decrease was partially offset by higher security costs associated with operating a higher number of wells than were operated in Q1 2015 and a higher allocation of support costs to operating expenses given fewer capital expenditure activities in Q1 2016 versus Q1 2015.

  Operating expenses on a per bbl basis were higher in Q1 2016 than in Q1 2015 due to lower production levels and they remain significantly higher than expected over the longer term due to the largely fixed nature of operating costs and low production levels relative to expected field plateau production levels. Per bbl operating expenses are expected to improve in the near to medium term as production levels increase and due to the impact of cost reduction measures implemented in recent months. Oryx Petroleum currently carries the Kurdistan Regional Government's share of production costs. The Oryx Petroleum Netback achieved in Q1 2016 of negative $53.40/bbl reflects the Field Netback plus adjustments for carried costs.

- Net loss increased to $19.4 million in Q1 2016 as compared to a net loss of $8.7 million in Q1 2015. The increased loss is due primarily to Q1 2016 charges of $8.3 million for materials inventory impairment and $1.8 million for restructuring, and a $3.6 million increase in finance expenses versus Q1 2015. The increase in finance expenses resulted from the drawdown of the credit facility provided by AOG in March 2015, higher interest expense related to the contingent consideration liability restructured in late 2015 and interest expense related to the Hawler production facilities financing lease put in place in 2015.

- Operating Cash Flow was negative $5.7 million for Q1 2016 compared to negative $4.1 million in Q1 2015. The decrease in Operating Cash Flow is primarily due to lower net revenues in Q1 2016 versus Q1 2015 partially offset by lower operating expenses.

- Net cash used in operating activities decreased to $7.8 million in Q1 2016 as compared to $8.2 million in Q1 2015. The decrease reflects a smaller increase in working capital and lower operating expenses in Q1 2016 versus Q1 2015 partially offset by lower net revenues.

- Net cash used in investing activities decreased to $7.9 million in Q1 2016 as compared to $63.0 million in Q1 2015 reflecting reduced cash outflows for capital investment during the period.

- Capital expenditures in Q1 2016 totalled $4.3 million as compared to $42.0 million in Q1 2015. Most of the Q1 2016 capital expenditures were related to the re-completion of the Demir Dagh-3 well in the Hawler license area. Net cash used in investing activities significantly exceeded capital expenditures in Q1 2016 due primarily to a reduction in payables and a reduction in the finance lease obligation during that quarter.

- Cash and cash equivalents increased to $71.6 million at March 31, 2016 from $54.2 million at December 31, 2015 reflecting the receipt of proceeds from the Zeg Oil investment offset by negative operating cash flow, cash used in investing activities and movements in working capital.

- In March 2015, Oryx Petroleum entered into a Loan Agreement with AOG whereby AOG committed to provide a $100 million unsecured credit facility to Oryx Petroleum. As of March 31, 2016 the facility has been fully drawn. $8.2 million of the balance was extinguished with the issuance of 20.6 million common shares of Oryx Petroleum to AOG on March 18, 2016. The outstanding balance of principal and accrued interest owed at March 31, 2016 is $98.1 million. No cash payments are due on the credit facility until it matures in 2018.

- The first annual instalment of $14 million relating to the $71 million contingent consideration payable upon declaration of commerciality of a second discovery in the Hawler license area is expected to be payable in the first half of 2017. The total balance of principal plus accrued interest of contingent consideration liability outstanding as of March 31, 2016 is $74.5 million.

- As at March 31, 2016, 226,393,724 common shares are outstanding. As at May 11, 2016, there are unvested Long Term Incentive Plan awards which will result in the issuance of up to an additional 1,040,615 common shares upon vesting and the Corporation has issued warrants to AOG to purchase twelve million common shares as part of the unsecured credit facility provided by AOG in March 2015.

Liquidity Outlook

Oryx Petroleum expects cash on hand at March 31, 2016, the cash proceeds from the Zeg Oil Strategic Investment, and cash receipts from net revenues to fund its forecasted cash expenditures into the third quarter of 2017. The Corporation retains the flexibility to adjust its expenditure plans in response to positive or negative changes in the operating environment.

Strategic Investment

As announced on March 1, 2016, Zeg Oil subscribed for and was issued approximately 75.7 million common shares of Oryx Petroleum for consideration of $30 million. The Corporation has also issued 8,000,000 common shares to another third party for consideration of $3.2 million.

In addition, Oryx Petroleum announced it intends to contract with an affiliate of Zeg Oil for the provision of $40 million of drilling and other services related to the appraisal and early production of the Zey Gawra field in the Hawler license area in the Kurdistan Region of Iraq (the "Zey Gawra Contracts"). It is anticipated that, subject to the acceptance of the Toronto Stock Exchange and approval of shareholders, if required, $20 million of such services will be compensated with common shares of Oryx Petroleum.

Zeg Oil is a privately held company based in the Kurdistan Region of Iraq that provides a broad range of engineering and construction services to the energy sector.

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Oryx Petroleum's audited condensed consolidated financial statements for the three months ended March 31, 2016 and the related management's discussion and analysis thereon. Copies of these documents filed by Oryx Petroleum may be obtained via www.sedar.com, and the Corporation's website, www.oryxpetroleum.com.

ABOUT ORYX PETROLEUM CORPORATION LIMITED

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

Reader Advisory Regarding Forward-Looking Information

Certain statements in this news release constitute "forward-looking information", including statements related to expected well capacity and production rates, forecast capital expenditure including details of the Corporation's capital expenditure budget for 2016, drilling plans, development plans and schedules and chance of success, future drilling of new wells, costs and drilling times for new wells, approach to the development of the Hawler license area, sales channels for future sales and expectations that all future production will be exported through the KRI-Turkey pipeline, expectations that future revenue from sales will be split in accordance with the production sharing contract applicable to the Hawler license area, ultimate recoverability of current and long-term assets, guidance regarding production rates and operating expenses on a per barrel basis, possible commerciality of our projects, future expenditures and sources of financing for such expenditures, expected savings from cost reduction efforts, expectations that cash on hand, proceeds and funding from the Zeg Oil Strategic Investment and net revenues in 2016 will be sufficient to fund forecasted 2016 cash capital expenditures, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards, exercise of outstanding warrants, and the proposed Zey Gawra Contracts, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011 and the expected timing for settlement of such liability, and statements that contain words such as "may", "will", "could", "should", "anticipate", "believe", "intend", "expect", "plan", "estimate", "potentially", "project", or the negative of such expressions and statements relating to matters that are not historical fact, constitute forward-looking information within the meaning of applicable Canadian securities legislation.

Although Oryx Petroleum believes these statements to be reasonable, the assumptions upon which they are based may prove to be incorrect. For more information about these assumptions and risks facing the Corporation, refer to the Corporation's annual information form dated March 24, 2016 available at www.sedar.com and the Corporation's website at www.oryxpetroleum.com. Further, statements including forward-looking information in this news release are made as at the date they are given and, except as required by applicable law, Oryx Petroleum does not intend, and does not assume any obligation, to update any forward-looking information, whether as a result of new information, future events or otherwise. If the Corporation does update one or more statements containing forward-looking information, it is not obligated to, and no inference should be drawn that it will make additional updates with respect thereto or with respect to other forward-looking information. The forward-looking information contained in this news release is expressly qualified by this cautionary statement.

Reader Advisory Regarding Production Figures

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

SOURCE Oryx Petroleum Corporation Ltd.

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