Average production of 3,100 bbl/d during the quarter with positive netback and reduced expenditures; First phase development of Zey Gawra has commenced

CALGARY, Aug. 3, 2016 /CNW/ - Oryx Petroleum Corporation Ltd. ("Oryx Petroleum" or the "Corporation") today announces its financial and operational results for the three and six months ended June 30, 2016. All dollar amounts set forth in this news release are in United States dollars, except where otherwise indicated.

Operations Highlights:

- Average gross (100%) oil production of 3,100 barrels per day ("bbl/d") for Q2 2016 from the Demir Dagh field
  - Production achieved on all days in the quarter with all production sold via export pipeline
  - Average realisation on sales of $34.15/bbl reflecting a discount of $11.22/bbl to average Brent crude oil price
- Average gross (100%) oil production of 3,000 bbl/d in July 2016 at the Demir Dagh field
  - Average realisations on sales of $34.39/bbl reflecting a discount of $10.71/bbl to average Brent crude oil price
- First phase of development of the Zey Gawra field has commenced
  - Security infrastructure has been mobilised and a letter of intent has been executed with a rig operator with mobilisation expected in early September. The Corporation plans to use the rig for re-entry and completion of two wells targeting Tertiary and Cretaceous reservoirs before the end of 2016.
  - Engineering work related to the installation of temporary production facilities required to accommodate production from the two wells is underway. The facilities will be leased and are expected to be available in early Q4 2016 with crude to be transported by truck to the Demir Dagh field for pipeline entry
  - First production from the Zey Gawra field is expected in October 2016

Financial Highlights for the three months ended June 30, 2016:

- Revenues of $7.1 million on working interest sales of 186,000 bbl of oil and an average realised sales price of $34.15/bbl
  - Payments received during the quarter from the Kurdistan Regional Government ("KRG") for sales via export pipeline for March and April. Payment for May sales is expected in the coming days with payment for June sales to follow
- Operating expenses of $3.2 million ($17.37/bbl) and positive Oryx Petroleum Netback[1] of $3.09/bbl
  - 31% and 18% decrease in operating expenses in absolute and per barrel terms, respectively, versus Q2 2015
  - First positive quarterly Oryx Petroleum Netback since Q2 2015 and highest since 2014
- General and administrative expenses of $2.1 million
  - 57% reduction versus Q2 2015 and 21% reduction versus Q1 2016
- Net loss of $11.4 million ($0.05 per common share)
- Net cash used in operating activities was $0.9 million versus $4.2 million in Q2 2015 including negative Operating Cash Flow[2] of $1.2 million and a small decrease in working capital
- Net cash used in investing activities was $13.9 million including payments related to the finance lease obligation related to the Demir Dagh production facilities, capital investment in prior periods and technical support costs
- $56.4 million of cash and cash equivalents as of June 30, 2016

2016 Forecasted Capital Expenditures, Liquidity and Outlook:

- 2016 cash capital expenditure forecast of $62 million announced on March 16, 2016 has been revised to $32 million reflecting the lower estimated expenditure to be incurred during the first phase development of the Zey Gawra field
- The Corporation expects cash on hand as of June 30, 2016 and cash receipts from net revenues to fund the forecasted cash expenditures needed to sustain its operations and meet license commitments through the end of 2017
- Assuming the successful completion of planned activities, the Corporation expects gross (100%) oil production from the Hawler license area to approximate 8,000 to 9,000 bbl/d by the end of 2016

CEO's Comment

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

"During Q2 2016 we achieved uninterrupted production and sales. Gross (100%) oil production averaged approximately 3,100 bbl/d in Q2 2016, and all production is being sold via the export pipeline. We achieved positive netbacks during Q2 2016 for the first time since Q2 2015 and reduced our operating cash outflow. The improvements are due to increases in international oil prices and the impact of structural cost reduction measures implemented during the past year.

We have been working to prepare for the first phase of development of the Zey Gawra field and have decided to defer both the construction of permanent facilities and the drilling of new wells at Zey Gawra. The first phase of development will consist of the re-entry and completion of the ZAB-1 well, the completion of the Zey Gawra-1 well, and the installation of leased production facilities from which oil will be trucked to the existing Hawler tanker terminal, pumped to storage tanks at the Demir Dagh facilities, and then sold via the export pipeline along with Demir Dagh production. The revised plan will allow us to achieve production in Q4 2016, reduce near term capital expenditures and observe well performance before committing to a full development program.

We have commenced engineering work on the facilities and work overs, mobilised security infrastructure, and executed a letter of intent with a rig operator with the expectation that a rig will be mobilised to the Zey Gawra field in early September. First production is expected in October 2016. If the two planned wells at the Zey Gawra field are successful, we expect to achieve production levels from the Hawler license area of 8,000 to 9,000 bbl/d by the end of 2016.

Overall, we are confident in achieving our objectives for 2016 and beyond."

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

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

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 and six month periods ended June 30, 2016 and June 30, 2015 as well as the year ended December 31, 2015.

($ in millions unless otherwise indicated)	Three Months Ended June 30 2016	2015	Six Months Ended June 30 2016	2015	Year Ended December 31 2015
Revenue	7.1	9.4	8.3	14.7	20.5
Working Interest Oil Production (bbl)	185,100	226,800	230,000	356,500	599,000
Average WI Oil Production per day (bbl/d)	2,000	2,500	1,300	2,000	1,600
Working Interest Oil Sales (bbl)	186,000	221,700	239,200	350,500	588,200
Average Sales Price ($/bbl)	34.15	35.37	31.05	35.15	29.20
Operating Expense	3.2	4.7	6.7	9.8	19.9
Field production costs ($/bbl)(1)	13.28	16.19	21.49	21.32	25.83
Field Netback ($/bbl)(2)	3.39	1.10	(6.33)	(4.15)	(11.56)
Operating expenses ($/bbl)	17.37	21.17	28.11	27.88	33.77
Oryx Petroleum Netback ($/bbl)(3)	3.09	2.97	(9.50)	(3.89)	(13.92)
Net Loss	11.4	5.6	30.8	14.2	423.6
Loss per Share ($/sh)	0.05	0.05	0.16	0.12	3.43
Operating Cash Flow(4)	(1.2)	(2.2)	(6.9)	(6.4)	(18.3)
Net Cash used in operating activities	0.9	4.2	8.8	12.3	22.0
Net Cash used in investing activities	13.9	27.3	21.8	90.3	133.0
Capital Expenditure(5)	17.2	25.3	21.6	67.2	108.7
Cash and Cash Equivalents	56.4	56.7	56.4	56.7	54.2
Total Assets	787.8	1,148.0	787.8	1,148.0	779.7
Total Liabilities	237.4	197.1	237.4	197.1	240.5
Total Equity	550.3	950.9	550.3	950.9	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. Includes non-cash items totalling $13.8 million reflecting changes in assumptions used in calculating the asset retirement obligations and the finance lease asset related to the Hawler license area and a non-cash revision to previous costs incurred in the OML 141 license area.

- Revenue decreased to $7.1 million in Q2 2016 versus $9.4 million in Q2 2015 due both to lower oil sales volumes and a slightly lower average realised oil sales prices. Gross (working interest) production and sales of oil in Q2 2016 were 185,100 bbl and 186,000 bbl, respectively, versus 226,800 and 221,700 bbl, respectively, for Q2 2015. The average oil sales price realised in Q2 2016 was $34.15/bbl versus $35.37/bbl for Q2 2015. In addition to oil sales, revenue includes the recovery of carried costs.

  Lower international oil prices in Q2 2016 versus Q2 2015 were largely 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 for crude oil quality and transport, and adjusted for actual API gravity and sulphur content outside of agreed quality specification ranges. Sales realisations achieved in Q2 2016 reflect a discount of $11.22/bbl to the average Brent crude oil price during the period.

  Payment was received from the KRG for pipeline export sales in March and April during the quarter in accordance with the Corporation's entitlement under the Hawler license production sharing contract. Payment for May pipeline export sales is expected in the coming days with payment for June pipeline export sales to follow. Going forward the Corporation expects all oil sales to be via pipeline and will continue to work with the KRG to improve the efficiency and shorten the duration of the payment cycle.

- Operating expenses decreased to $3.2 million in Q2 2016 from $4.7 million in Q2 2015. The decrease is primarily attributable to lower personnel, security, and facilities operating costs. Q2 2015 operating expenses included rental costs for the temporary production facilities which are no longer incurred. Additionally the Corporation has implemented cost saving initiatives that have resulted in lower personnel and other operating costs. The decrease was partially offset by a higher allocation of support costs to operating expenses given the reduced capital investment program in Q2 2016 versus Q2 2015.

  Operating expenses on a per barrel basis decreased from $21.17/bbl in Q2 2015 to $17.37/bbl in Q2 2016 due to cost reductions partially offset by lower production and sales volumes. Per barrel operating costs remain higher than expected over the longer term due to the largely fixed nature of operating costs and current production volumes relative to expected field plateau production levels. Per barrel operating expenses are expected to improve when production from the Zey Gawra field commences in Q4 2016.

  Oryx Petroleum currently carries the Kurdistan Regional Government's share of production costs. The Oryx Petroleum Netback achieved in Q2 2016 of $3.09/bbl and $2.97/bbl in Q2 2015 reflect the Field Netback plus adjustments for carried costs.

- Net loss increased to $11.4 million in Q2 2016 as compared to a net loss of $5.6 million in Q2 2015. The increased loss in Q2 2016 is due primarily to a $3.8 million increase to the fair value of the contingent consideration liability related to the acquisition of the Hawler license, a $2.9 million increase in finance costs, an impairment expense of $2.2 million relating to a revision of previously recorded costs in the OML 141 license area, and lower net revenues. 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. These negative factors were partially offset by lower operating, general and administrative expenses, both as a result of cost control measures implemented in the last twelve months, and lower depreciation, depletion and amortisation.

- Operating Cash Flow was negative $1.2 million for Q2 2016 compared to negative $2.2 million in Q2 2015. The decrease in negative Operating Cash Flow is primarily due to lower cash operating and general and administrative expenses partially offset by lower net revenues in Q2 2016 versus Q2 2015.

- Net cash used in operating activities decreased to $0.9 million in Q2 2016 as compared to $4.2 million in Q2 2015. The decrease reflects lower cash operating and general and administrative expenses in Q2 2016 versus Q2 2015 partially offset by lower net revenues. The decrease reflects a modest increase in cash due to a reduction in non-cash working capital balances related to operating activities in Q2 2016 versus cash outflows related to increases in non-cash working capital in Q2 2015.

- Net cash used in investing activities decreased to $13.9 million in Q2 2016 as compared to $27.3 million in Q2 2015 reflecting reduced cash outflows for current capital investment which include lease payments related to the Demir Dagh production facilities versus prior periods and a reduction in payables related to capital investment in prior periods.

- Capital expenditures in Q2 2016 totalled $17.9 million as compared to $25.2 million in Q2 2015. Q2 2016 capital expenditures included a number of non-cash adjustments: a $6.9 million addition relating to changes in assumptions used to calculate asset retirement obligations related to the Hawler license area; a $4.7 million addition relating to changes in assumptions used to calculate the finance lease asset related to the Hawler production facilities; and a $2.2 million addition relating to revision to prior cost estimates for the OML 141 license area. The remainder of the Q2 2016 capital expenditures were related to activities in the Hawler license area. In Q2 2016 net cash used in investing activities significantly exceeded capital expenditures (excluding non-cash additions) due primarily to a reduction in payables related to capital investment in prior periods and payments related to the finance lease obligation during the quarter.

- Cash and cash equivalents decreased to $56.4 million at June 30, 2016 from $71.6 million at March 31, 2016 reflecting negative operating cash flow, cash capital expenditures 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. The outstanding balance of principal and accrued interest owed at June 30, 2016 is $100.6 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 June 30, 2016 is $74.8 million.

- As at June 30, 2016, 226,882,013 common shares are outstanding. Subsequent to June 30, 2016, the Corporation issued 3,025,641 shares to employees under its Long Term Incentive Plan. As at August 3, 2016, there are unvested Long Term Incentive Plan awards which will result in the issuance of up to an additional 5,430,778 common shares upon vesting in 2017 and 2018 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.

2016 Capital Expenditure Forecast

Oryx Petroleum re-forecasted capital expenditures for 2016 are $32 million, reduced from the previous forecast of $62 million. The reduction reflects revised plans at the Zey Gawra field and reduced technical support costs. The following table summarises the Corporation's revised 2016 forecasted capital expenditure program:

Location	License/Field/Asset	Previous	Revised
		$ millions	$ millions
Kurdistan Region	Hawler		
	Demir Dagh	18	17
	Zey Gawra	40	13
	Total Hawler	58	30
West Africa/Other	Various	5	2
Capex Total		62	32

Note:

(1) The above table excludes license acquisition costs and non-cash additions recorded in 2016 totalling $13.8 million reflecting changes in assumptions used in calculating the asset retirement obligation and the finance lease asset related to the Hawler license area and a non-cash revision to previous costs incurred in the OML 141 license area.

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

Demir Dagh drilling expenditures consist primarily of costs related to the successful re-completion of the Demir Dagh-3 well in the Jurassic reservoir completed in Q1 2016.

Demir Dagh facilities expenditures are comprised primarily of monthly capital lease payments for the Demir Dagh production facilities, minor infrastructure works, and technical support.

Zey Gawra forecasted drilling activities consist of a re-entry and re-completion of the ZAB-1 discovery well drilled in the 1990s and the completion of the Zey Gawra-1 discovery well and related technical support. Both wells are expected to be completed as producers. Forecasted Zey Gawra facilities expenditures include the installation and rental of temporary processing and storage facilities, the installation of flowlines, and modifications to the Hawler tanker terminal that are needed to handle the Zey Gawra production. The construction of permanent facilities for Zey Gawra has been deferred.

Activities in West Africa in 2016 will be limited to license maintenance, data analysis, preparation for future data acquisition and drilling activity, and technical support. Expenditures related to the OML 141 and Haute Mer A license areas are now being expensed rather than capitalized. The Corporation recovered $0.7 million in Q2 2016 related to capital expenditures incurred in the Sindi Amedi license in prior years due to a settlement with the operator of the license.

Liquidity Outlook

Oryx Petroleum expects cash on hand at June 30, 2016 and cash receipts from net revenues to fund forecasted cash expenditures needed to sustain its operations and meet license commitments through the end of 2017. The pursuit of growth capital expenditures in 2017 will likely require external funding. Pursuant to the agreement entered into by the Corporation and Zeg Oil and Gas Ltd. ("Zeg Oil") on Mar. 1, 2016 (the "Zeg Oil Strategic Investment"), Oryx Petroleum intends to contract with an affiliate of Zeg Oil for the provision of services related to appraisal and development of the Zey Gawra field in the Hawler license area (the "Zey Gawra Contracts"). It is intended that $20 million of consideration for work performed under the Zey Gawra Contracts will be paid through the issuance of an additional 50,455,966 common shares of Oryx Petroleum. The precise scope of work to be performed by the Zeg Oil affiliate under the Zey Gawra Contracts is under discussion. The Corporation retains the flexibility to adjust its expenditure plans in response to positive or negative changes in the operating environment.

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 and six months ended June 30, 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 wells, costs and drilling times for 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 and cash receipts from net revenues will be sufficient to fund forecasted cash expenditures needed to sustain the Corporation's operations and meet license commitments through the end of 2017, 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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