Stable production and full payment for oil sales; Significant restructuring of obligations and proposed equity recapitalization on track for completion in Q2 2017

CALGARY, May 10, 2017 /CNW/ - Oryx Petroleum Corporation Ltd. ("Oryx Petroleum" or the "Corporation") today announces its financial and operational results for the three months ended March 31, 2017. All dollar amounts set forth in this news release are in United States dollars, except where otherwise indicated.

Q1 2017 Financial Highlights:

- Total revenues of $7.9 million on working interest sales of 169,800 barrels of oil ("bbl") and an average realised sales price of $41.92/bbl for Q1 2017
    - The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sale deliveries into the Kurdistan Export Pipeline during Q1 2017
- Operating expenses of $4.2 million ($25.02/bbl) and an Oryx Petroleum Netback [1] of $0.10/bbl
    - First full quarter with operations at both the Demir Dagh and Zey Gawra fields in the Hawler license area
    - 62% decrease in operating expenses in per barrel terms versus Q1 2016
- General and administrative expenses of $2.6 million
    - Unchanged versus Q1 2016 but includes approximately $0.9 million of technical support expenses that would have beer classified as capital expenditures in prior periods
- Net profit of $4.1 million ($0.02 per common share) in Q1 2017 as a result of certain non-recurring items versus net loss of $19.4 million ($0.13 per common share) in Q1 2016
- Net cash generated by operating activities of $2.2 million in Q1 2017 versus Net cash used in operating activities of $7.8 million in Q1 2016. Q1 2017 result consists of negative Operating Cash Flow[2] of $2.4 million and a $4.5 million decrease in non-cash working capital
- Net cash used in investing activities was $3.4 million including payments related to drilling preparation and facilities work in Q1 2017 in the Hawler license area and the finance lease obligation related to the Hawler production facilities, partially offset by a increase in trade payables
- $39.6 million of cash and cash equivalents as of March 31, 2017

Operations Update:

- Average gross (100%) oil production of 2,900 bbl/d in Q1 2017
    - Average gross (100%) oil production of 2,900 bbl/d in April 2017
- Completed acquisition of 1,921 km^2 of 3D seismic data in the AGC Central license area and fast-track processing, with full processing and interpretation ongoing
- Drilling of the ZAB-1 sidetrack well targeting the Cretaceous reservoir at the Zey Gawra field to commence in the coming weeks

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

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

2017 Forecasted Work Program and Capital Expenditures:

- 2017 capital expenditure forecast of $47 million. Most expenditures will be dedicated to the Hawler license area in the Kurdistan Region of Iraq with a focus on the appraisal of the Zey Gawra field. Forecast activities consist of:
    - Four wells to be spudded at the Zey Gawra field in 2017 with associated field infrastructure
    - Recompletion of the Demir Dagh-8 well targeting the Cretaceous reservoir
    - Full settlement of finance lease obligation related to the Hawler production facilities
    - Processing of recently acquired 3D seismic data covering a portion of the AGC Central license area

Restructuring of Obligations:

- The Addax and Oryx Group ("AOG") and the Corporation have agreed to amend the Loan Agreement dated March 11, 2015 (the "Loan Agreement" and the "Loan Amendment") to (i) extend the maturity date from March 10, 2018 to July 1, 2019, and (i require that, after May 11, 2017, accrued interest be paid out in common shares of the Corporation ("Common Shares") approximately every six months, rather than in cash upon maturity, at the then current five day volume-weighted average trading price for the Common Shares.
    - As at March 31, 2017 the total balance of principal and accrued interest owed under the Loan Agreement was $98.8 million
    - The Loan Amendment is subject to the acceptance of the Toronto Stock Exchange and approval of minority shareholder The Loan Amendment will be submitted to the shareholders of the Corporation for consideration at the scheduled Annua Meeting of Shareholders to be held on June 7, 2017.

- Negotiations with the vendor of the Hawler license area with regards to restructuring the contingent consideration obligation are in very advanced stages and an agreement is expected in the coming days
    - As at March 31, 2017 the total balance of principal and accrued interest potentially owed under the contingent consideration obligation was $75.9 million
- An agreement to settle the financial lease obligation related to the Hawler production facilities was reached in Q1 2017 whereby the lessor was paid $8.9 million ($7.6 million net to the Corporation) in April 2017 to settle the liability in full. The Corporation`s share of payments due under the obligation through to its latest possible termination date in September 2018 were previously calculated to total $17.5 million.
- On March 15, 2017 the Corporation issued 15.5 million Common Shares to a contractor to settle a $4.8 million trade payable.

Proposed Equity Subscriptions:

- AOG and Zeg Oil and Gas have agreed to subscribe for a total of 161,850,057 Common Shares for aggregate consideration o $54.1 million (the "Shareholder Subscriptions")
    - AOG has subscribed for 131,933,226 common shares at $0.33426 per common share (the "AOG Subscription"), resultin in an aggregate subscription price of $44.1 million, $20 million of which is payable at closing in cash and the balance of which will be paid through the extinguishment of $24.1 million of principal and accrued interest owing under the Loan Agreement; and
    - Zeg Oil and Gas has subscribed for 29,916,831 Common Shares at $0.33426 per common share (the "Zeg Oil and Gas Subscription"), resulting in an aggregate subscription price of $10 million payable at closing in cash.
- Completion of the AOG Subscription and the Zeg Oil and Gas Subscription is subject to acceptance of the Toronto Stock Exchange, approval of shareholders (excluding AOG and Zeg Oil and Gas and their related parties), restructuring of the contingent consideration obligation on terms satisfactory to AOG and Zeg Oil and Gas, and other customary conditions. The AOG Subscription and the Zeg Oil and Gas Subscription will be submitted to the shareholders of the Corporation for consideration at the scheduled Annual Meeting of Shareholders to be held on June 7, 2017.

Liquidity Outlook:

- The Corporation expects cash on hand as of March 31, 2017, expected proceeds from the anticipated Shareholder Subscriptions, and cash receipts from net revenues will allow it to fund its forecasted cash expenditures and operating and administrative costs and to meet its obligations through the first half of 2018. Capital expenditures to achieve further production growth beyond the first half of 2018 will likely require access to additional funding. Without the proceeds from the anticipated Shareholder Subscriptions, Oryx Petroleum would be unlikely to be able to continue development of the Hawler license area and the Corporation would be required to consider divestiture or relinquishment of the license area.

CEO's Comment

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

"During Q1 2017 we maintained fairly stable production and sales. Gross (100%) oil production averaged 2,900 bbl/d in Q1 2017 with all production sold via the export pipeline and payments for export sales through the end of March received in full.

The acquisition of approximately 2,000 km^2 of 3D seismic data covering the AGC license area was completed in January 2017. Fast-track processing has also been completed with full processing and interpretation ongoing and expected to be completed later this year.

Our capital program for 2017 and early 2018 is focused primarily on the Zey Gawra field in the Hawler license area. The program includes four further wells at the Zey Gawra field and the recompletion of the Demir Dagh-8 well. We expect to commence drilling of the first new well at Zey Gawra in the coming weeks and we expect this program will provide us with additional production and cash flow by early 2018 sufficient to sustain our operations and allow us to meet our obligations.

We are making significant progress on restructuring our obligations and finalizing our balance sheet recapitalization. During Q1 2017, we reached agreement with AOG with regards to proposed amendments to the balance of the credit facility owed them, we agreed to settle the financial lease obligation related to the Hawler production facilities for significantly less than the expected payments over the remaining life of the lease, we satisfied a significant trade payable with the issuance of common shares, and we are very close to an agreement to restructure the contingent consideration obligation with the vendor of the Hawler license. Importantly, AOG and Zeg Oil and Gas have executed equity subscription agreements to subscribe for Oryx Petroleum shares in consideration for cash and debt extinguishment. The agreed equity subscriptions by AOG and Zeg Oil and Gas are conditioned upon acceptance by the Toronto Stock Exchange, minority shareholder approval, and the restructuring of the contingent consideration obligation related to the acquisition of the Hawler license area on terms acceptable to AOG and Zeg Oil and Gas. The amendment to the terms of the credit facility provided by AOG is also conditioned on acceptance of the Toronto Stock Exchange and approval of minority shareholders. The restructuring of our obligations and the equity subscriptions, if closed, will provide us with the liquidity and financial flexibility needed to execute our capital program.

We look forward to finalising our balance sheet recapitalization and implementing our 2017 plans for continued appraisal, development and exploration of our core assets."

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, 2017 and March 31, 2016 as well as the year ended December 31, 2016.

	Three Months Ended March 31		Year Ended December 31
($ in millions unless otherwise indicated)	2017	2016	2016
Revenue	7.9	1.2	22.8
Working Interest Oil Production (bbl)	171,200	44,900	588,000
Average WI Oil Production per day (bbl/d)	1,900	500	1,600
Working Interest Oil Sales (bbl)	169,800	53,300	593,300
Average Sales Price ($/bbl)	41.92	20.25	34.61
Operating Expense	4.2	3.5	12.6
Field production costs ($/bbl)(1)	19.13	50.11	16.28
Field Netback ($/bbl)(2)	1.34	(40.21)	0.63
Operating expenses ($/bbl)	25.02	65.53	21.28
Oryx Petroleum Netback ($/bbl)(3)	0.10	(53.40)	(0.54)
Net Profit (Loss)	4.1	(19.4)	(65.7)
Earnings (Loss) per Share ($/sh)	0.02	(0.13)	(0.31)
Operating Cash Flow(4)	(2.4)	(5.7)	(9.2)
Net Cash generated by (used in) operating activities	2.2	(7.8)	(11.5)
Net Cash used in investing activities	3.4	7.9	34.7
Capital Expenditure(5)	(5.9)	4.3	36.3
Cash and Cash Equivalents	39.6	71.6	40.7
Total Assets	756.0	788.1	766.4
Total Liabilities	217.9	226.9	237.9
Total Equity	538.1	561.1	528.6

(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) Capital Expenditure for the three months ended March 31, 2017 includes credits of $7.3 million reflecting revisions of previously estimated costs related to the Hawler and OML 141 license areas.

- Revenue increased to $7.9 million in Q1 2017 versus $1.2 million in Q1 2016 due to a 219% increase in oil sales volumes and an 107% increase in average realised oil sales prices. Gross (working interest) production and sales of oil in Q1 2017 were 171,200 barrels and 169,800 barrels, respectively, versus 44,900 and 53,300 barrels, respectively, for Q1 2016. Oil sales via the Kurdistan Export Pipeline did not commence until March 2016 and export sales via trucking were disrupted for most of Q1 2016 due to border closures. The average oil sales price realised in Q1 2017 was $41.92 per barrel versus $20.25 for Q1 2016. In addition to oil sales, revenue includes the recovery of carried costs.
- Operating expenses in Q1 2017 increased 22% to $4.2 million from $3.4 million in Q1 2016 due to the costs associated with the operation of the Zey Gawra field that commenced production in December 2016 partially offset by lower operating costs at the Demir Dagh field resulting from the implementation of a cost reduction program. Operating expenses on a per barrel basis remain significantly higher than expected over the longer term due to low production levels relative to expected field plateau production levels. Per barrel operating expenses are expected to improve in 2017 but will continue to be at elevated levels prior to achieving production and sales levels closer to expected field plateau production levels. Oryx Petroleum currently carries the Kurdistan Regional Government's share of production costs. The Oryx Petroleum Netback achieved in Q1 2017 of $0.10 per barrel reflects the Field Netback plus adjustments for carried costs.
- Net profit for Q1 2017 was $4.1 million as compared to net loss of $19.4 million in Q1 2016. The increase in profit is primarily attributable to i) a $7.6 million gain recorded on the settlement of the finance lease obligation in Q1 2017, ii) a $8.3 million materials inventory impairment charge and a $1.8 million restructuring charge recorded during Q1 2016, iii) a $3.8 million increase in net revenue in Q1 2017, and iv) a $1.1 million impairment recovery recorded during Q1 2017 relating primarily to revisions in costs previously estimated on the OML 141 license area. These positive factors were partially offset by a $0.8 million increase in operating expense for Q1 2017 versus Q1 2016.
- Operating Cash Flow was negative $2.4 million for Q1 2017 compared to negative $5.7 million in Q1 2016. The reduction in negative Operating Cash Flow is primarily due to higher revenues partially offset by higher cash operating expenditures.
- Net cash generated by operating activities increased to $2.2 million in Q1 2017 as compared to net cash used in operating activities of $7.8 million in Q1 2016. The increase reflects improved Operating Cash flow and decreases in non-cash working capital.
- Net cash used in investing activities decreased to $3.4 million in Q1 2017 as compared to $7.9 million in Q1 2016.
- Capital expenditures in Q1 2017 were a net reversal of $5.9 million, as compared to $4.3 million capitalized in Q1 2016. Capital expenditures during Q1 2017 included $0.9 million related to sponsoring the acquisition of 3D seismic data in the AGC Central license area and $0.2 million related to other activities. These expenditures were offset primarily by $7.3 million in revisions to previous estimates of costs recorded related to the Hawler and OML 141 license areas. Technical support costs, similar to those classified in previous periods as capital expenditures, have been classified as general and administrative costs in Q1 2017.
- Cash and cash equivalents decreased to $39.6 million at March 31, 2017 from $40.7 million at December 31, 2016 reflecting negative Operating Cash Flow, capital expenditures, and movements in non-cash 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, 2017 principal plus accrued interest under the facility totalled $98.8 million. The Loan Amendment that will be proposed to shareholders, if approved, would extend the maturity of the credit facility from March 10, 2018 to July 1, 2019.
- The Corporation is obligated to make a further payment to the vendor of the Hawler license area contingent upon declaration of commerciality of a second discovery in the Hawler license area. The total amount of the potential obligation, including accrued interest arising in the event of the envisaged staged settlement, is estimated as $75.9 million as of March 31, 2017.

- As at May 9, 2017, 269,110,336 common shares are outstanding, including 15.5 million common shares issued on March 15, 2017 to a contractor to settle a $4.8 million account payable. As at May 9, 2017, there are unvested Long Term Incentive Plan awards which will result in the issuance of up to an additional 5,404,508 common shares upon vesting. 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.

2017 Capital Expenditure Forecast

Oryx Petroleum reforecasted capital expenditures for 2017 are $47 million, which is an increase of $2 million versus the previously announced forecast of $45 million. The modest increase reflects the changes to estimated Demir Dagh-Facilities expenditures resulting from the early settlement of the lease obligation related to the Hawler production facilities:

Location	License/Field/Activity	2017 Forecast
		$ millions
Kurdistan Region	Hawler	
	Zey Gawra-Drilling	26
	Zey Gawra-Facilities	1
	Demir Dagh-Drilling	3
	Demir Dagh-Facilities	11
	Other	3
	Total Hawler	44
West Africa	AGC Central	3
	Other	1
	Capex Total	47

Note:

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

Hawler License Area

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

At the Demir Dagh field planned expenditures are comprised primarily of the recompletion of the Demir Dagh-8 well and the payment to settle the lease obligation related to the Hawler production facilities.

West Africa

Forecasted expenditures in West Africa consist of processing the 3D seismic data recently acquired in the AGC Central license area and technical support and license maintenance costs related to the Corporation's licenses in the AGC administrative area offshore Senegal and Guinea Bissau and in Congo (Brazzaville).

Regulatory Filings

This announcement coincides with the filing with the Canadian securities regulatory authorities of Oryx Petroleum's unaudited consolidated financial statements for the three months ended March 31, 2017 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 five license areas, two of which have yielded oil discoveries. The Corporation is the operator in three of the five license areas. One license area is located in the Kurdistan Region of Iraq and four license areas are located in West Africa in 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 forecast capital expenditure for 2017, drilling plans, development plans and schedules and chance of success, future drilling of wells and the reservoirs to be targeted, approach to the development of the Hawler license area, 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 operating expenses on a per barrel basis, plans to process and interpret 3D seismic data from the AGC Central license area, possible commerciality of our projects, future expenditures and sources of financing for such expenditures, expectations that the forecast work program will enable the Corporation to achieve production and cash flow levels that will fund operations and allow the Corporation to meet its obligations, expectations that cash on hand as of March 31, 2017, expected proceeds from the anticipated shareholder subscriptions, and cash receipts from net revenues will allow the Corporation to fund forecasted cash expenditures and operating and administrative costs and to meet its obligations through the first half of 2018, the proposed shareholder subscription and balance sheet restructuring including conditions, pricing terms and expected closing date, the issuance of shares and pro forma ownership figures as a result of the vesting of Long Term Incentive Plan awards, exercise of outstanding warrants and the proposed shareholder subscription and balance sheet restructuring, future requirements for additional funding, estimates for the fair value of the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, the expected timing for settlement of liabilities including the credit facility with AOG and the contingent consideration arising from the acquisition of OP Hawler Kurdistan Limited in 2011, 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 23, 2017 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 Certain 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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