Stable production and payment for oil sales; successful drilling and completion of the ZAB-1 sidetrack well; restructuring of obligations and equity recapitalization completed

CALGARY, Aug. 2, 2017 /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, 2017. All dollar amounts set forth in this news release are in United States dollars, except where otherwise indicated.

Q2 2017 Financial Highlights:

- Total revenues of \$7.1 million on working interest sales of 168,800 barrels of oil ("bbl") and an average realised sales price
 of \$37.93/bbl
- The Corporation has received full payment in accordance with production sharing contract entitlements for all oil sales into the Kurdistan Export Pipeline through May 2017
- Operating expenses of \$4.0 million (\$23.89/bbl) and a negative Oryx Petroleum Netback¹ of \$1.15/bbl
- Lower operating expenses versus Q1 2017
- General and administrative expenses of \$2.5 million
- Unchanged versus Q1 2017 but higher than Q2 2016 due to the inclusion of approximately \$0.8 million of costs for technical support that had been applied to capital projects in periods prior to 2017
- Net loss of \$9.2 million (\$0.03 per common share) versus net loss of \$11.4 million (\$0.05 per common share) in Q2 2016
- Net cash used in operating activities of \$1.2 million versus \$0.9 million in Q2 2016. Q2 2017 result consists of negative Operating Cash Flow² of \$2.1 million partially offset by a \$0.9 million decrease in non-cash working capital
- Net cash used in investing activities was \$10.9 million and includes payments related to drilling and facilities work in the Hawler license area, seismic processing and interpretation costs in the AGC Central license, and the settlement of the finance lease obligation related to the Hawler production facilities
- \$57.4 million of cash and cash equivalents as of June 30, 2017

Operations Update:

- Average gross (100%) oil production of 2,900 bbl/d in Q2 2017
- Production impacted by a planned shut-in of the Zey Gawra-1 sidetrack well ("Zeg-1ST well") for eight days in May in connection with the drilling of the ZAB-1 sidetrack well ("ZAB-1ST well")
 - Average gross (100%) oil production of 2,900 bbl/d in July 2017
- Drilling and completion of the ZAB-1ST well
- The ZAB-1ST well was drilled to a measured depth of 2,069 metres and completed in the Cretaceous reservoir in the Zey Gawra field of the Hawler license area
 - The well was successfully completed and allowed to flow through a small choke while cleaning up with bottom hole and surface pressures being monitored. During the clean-up flow period that spanned approximately a week production of the 35 degree API oil was restricted to approximately 350 barrels per day with gas-oil ratio varying from 950 to 1,150 standard cubic feet per barrel and with the water cut varying from 0 to 3%. Initial results indicate that the well has a higher productivity than the Zeg-1ST well prior to acid stimulation. The well is currently shut-in for a final pressure build up measurement and an acid stimulation treatment will be performed within the next few days.
 - Data collected during drilling of the ZAB-1ST well included measurements of pressure at a series of points in the Zey Gawra Cretaceous reservoir providing a basis for estimating the depths of the gas-oil contact and the free water level in the reservoir. This information together with well performance data to be acquired over the coming weeks will provide an improved basis for estimating the maximum efficient rate of withdrawal and ultimate recovery from the Zey Gawra Cretaceous reservoir and, consequently, determining future development plans and estimating oil reserves.
 - The Tertiary reservoir was also evaluated during the drilling of the ZAB-1ST well. The presence of an oil column was confirmed based on logging and pressure data collected. However, the Corporation does not believe the oil column is of sufficient size to warrant drilling targeting the Tertiary reservoir at Zey Gawra in the near term
- Workovers of the Demir Dagh-8 and Demir Dagh-7 wells in the Cretaceous reservoir
- The rig used to drill the ZAB-1ST well has now moved to the Demir Dagh field to recomplete the Demir Dagh-8 and Demir Dagh-7 wells targeting the Cretaceous reservoir. These operations are expected to be completed in Q3 2017
- Preparations for the drilling of additional wells at the Zey Gawra field targeting the Cretaceous reservoir are ongoing with drilling now expected to commence in Q4 2017 subject to performance of the existing two producing wells over the coming weeks
- Fast-track processing of 1,921 km² of 3D seismic data covering the AGC Central license area is complete, with full
 processing and interpretation ongoing
- Preliminary interpretation of the data is positive with exploration drilling expected to commence in late 2018 or early 2019

Forecasted Work Program and Capital Expenditures:

• Oryx Petroleum re-forecasted cash capital expenditures for the second half of 2017 are \$16 million, reduced from the previous forecast of \$29 million:

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.

 Reflects a decision to reschedule further drilling at Zey Gawra to Q4 2017 and the addition of the Demir Dagh-7 workover to the program

Restructuring of Obligations:

- On April 28, 2017, The Addax and Oryx Group ("AOG") and the Corporation agreed to amend the Loan Agreement dated March 11, 2015 (the "Loan Agreement" and the "Loan Amendment")
- Maturity date extended from March 10, 2018 to July 1, 2019
 - Interest accrued after May 11, 2017 to be paid out in common shares of the Corporation ("Common Shares") approximately every six months, rather than in cash upon maturity
 - The Loan Amendment has been approved by disinterested shareholders and accepted by the Toronto Stock Exchange
 - As at June 30, 2017, the balance owed under the Loan Agreement was \$77.1, including \$1.1 million in accrued interest which will be settled through the issuance of Common Shares
- An agreement was reached on June 7, 2017 with the vendor of the Hawler license area to restructure the contingent
 consideration obligation. The Corporation is obligated to make a further payment to the vendor of the Hawler license area
 contingent upon the declaration of commerciality of a second discovery in the Hawler license area
- In consideration for the restructuring, a non-contingent and non-refundable payment of \$5 million plus accrued interest was settled on August 1, 2017 and has been applied against the contingent consideration obligation
 - Subject to the declaration of commerciality of a second discovery, the remaining principal balance plus accrued interest is to be paid in four annual instalments beginning September 30, 2018
 - As at June 30, 2017, the total balance of principal and accrued interest owed under the obligation was \$76.2 million (including the payment of \$5.4 million made on August 1, 2017)

Equity Subscriptions:

- The equity subscriptions by AOG and Zeg Oil and Gas Ltd ("Zeg Oil and Gas") for a total of 161,850,057 Common Shares for aggregate consideration of \$54.1 million (the "Shareholder Subscriptions") closed on June 20, 2017
- AOG subscribed for 131,933,226 Common Shares at \$0.33426 per Common Share, resulting in an aggregate subscription price of \$44.1 million, \$20 million of which was paid at closing in cash and the balance of which was paid through the extinguishment of \$24.1 million of principal and accrued interest owing under the Loan Agreement
 - Zeg Oil and Gas subscribed for 29,916,831 Common Shares at \$0.33426 per Common Share, resulting in an aggregate subscription price of \$10 million paid at closing in cash

Liquidity Outlook:

The Corporation expects that cash on hand as of June 30, 2017 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 end of 2018.
 Capital expenditures beyond those currently forecasted in 2018 will likely require access to additional funding

CEO's Comment

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

"During Q2 2017 we maintained fairly stable production and sales. Gross (100%) oil production averaged 2,900 bbl/d in Q2 2017 with all production sold via the export pipeline and payments for export sales through the end of May received in full.

In recent weeks we have successfully drilled and completed the ZAB-1ST well as a producer in the Cretaceous reservoir at the Zey Gawra field. The well is now being prepared for acid stimulation and we expect to have it on production before the end of August at a rate similar to that of the Zeg-1ST well. The rig that was used to drill the ZAB-1ST well has now been moved to Demir Dagh where it will complete the workovers of the Demir Dagh-8 and Demir Dagh-7 wells both targeting the Cretaceous reservoir. Results of these wells are expected in Q3 2017.

Fast-track processing of the approximately 2,000 km² of 3D seismic data covering the AGC Central license area is complete with full processing and interpretation ongoing and expected to be completed later this year. Initial results are very encouraging with several large prospects identified. In the coming months we will begin preparations for an exploration drilling program that we expect to commence as early as late 2018. We expect the AGC Central license to be a very important determinant of our value in the future.

We have modified our capital program for the second half of 2017 and early 2018. We now plan to drill two rather than three further wells at Zey Gawra. The drilling of the next well targeting the Zey Gawra Cretaceous is now expected in Q4 2017 with spudding of the second well expected in Q1 2018. The third well originally planned to target the Tertiary reservoir at Zey Gawra has been deferred indefinitely. We have also added a workover of the Demir Dagh-7 well to the program.

In June, we completed the restructuring of our key obligations and a recapitalisation of our balance sheet. The agreement with

AOG to amend the credit facility's repayment terms was approved by disinterested shareholders and accepted by the Toronto Stock Exchange. We also reached an agreement with the vendor of the Hawler license to restructure the contingent consideration obligation, and equity subscriptions by AOG and Zeg Oil and Gas in consideration for cash and debt extinguishment have closed. The restructuring of our obligations and the equity subscriptions have provided us with the liquidity and financial flexibility needed to execute our capital program in 2017 and 2018.

We look forward to implementing our 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 and six month periods ended June 30, 2017 and June 30, 2016 as well as the year ended December 31, 2016.

	Three Mo June 30	onths Ende	Six Months Ended June 30		d Year Ended December 31
(\$ in millions unless otherwise indicated)	2017	2016	2017	2016	2016
Revenue	7.1	7.1	15.0	8.3	22.8
Working Interest Oil Production (bbl)	169,100	185,100	340,300	230,000	588,000
Average WI Oil Production per day (bbl/d)	1,900	2,000	1,900	1,300	1,600
Working Interest Oil Sales (bbl)	168,800	186,000	338,500	239,200	593,300
Average Sales Price (\$/bbl)	37.93	34.15	39.94	31.05	34.61
Operating Expense	4.0	3.2	8.3	6.7	12.6
Field production costs (\$/bbl) ⁽¹⁾	18.25	13.28	18.71	21.49	16.28
Field Netback (\$/bbl)(2)	0.27	3.39	0.80	(6.33)	0.63
Operating expenses (\$/bbl)	23.89	17.37	24.46	28.11	21.28
Oryx Petroleum Netback (\$/bbl)(3)	(1.15)	3.09	(0.53)	(9.50)	(0.54)
Loss	(9.2)	(11.4)	(5.1)	(30.8)	(65.7)
Loss per Share (\$/sh)	(0.03)	(0.05)	(0.02)	(0.16)	(0.31)
Operating Cash Flow ⁽⁴⁾	(2.1)	(1.2)	(4.5)	(6.9)	(9.2)
Net Cash generated by (used in) operating activities	es (1.2)	(0.9)	1.0	(8.8)	(11.5)
Net Cash used in investing activities	10.9	13.9	14.3	21.8	34.7
Capital Expenditure ⁽⁵⁾	0.8	17.2	(5.1)	21.6	36.3
Cash and Cash Equivalents	57.4	56.4	57.4	56.4	40.7
Total Assets	774.8	787.8	774.8	787.8	766.4
Total Liabilities	191.3	237.4	191.3	237.4	237.9
Total Equity	583.5	550.3	583.5	550.3	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) Three month period ended June 30, 2017 includes a \$2.4 million non-cash credit related to revision of assumptions used to calculate decommissioning obligations. Capital Expenditure for the six month period ended June 30, 2017 includes credits of \$7.3 million reflecting revisions of previously estimated costs related to the Hawler and OML 141 license areas.
 - Revenue was \$7.1 million in Q2 2017 unchanged versus \$7.1 million in Q2 2016 due to an 11% increase in average realised oil sales prices offset by a 9% decrease in oil sales volumes. Gross (working interest) production and sales of oil in Q2 2017 were 169,100 barrels and 168,800 barrels, respectively, versus 185,100 and 186,000 barrels, respectively, for Q2 2016. The average oil sales price realised in Q2 2017 was \$37.93 per barrel versus \$34.15 for Q2 2016. In addition to oil sales, revenue includes the recovery of carried costs.
 - Operating expenses in Q2 2017 increased 25% to \$4.0 million from \$3.2 million in Q2 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 in Q2 2017 of negative \$1.15 per barrel reflects the Field Netback plus adjustments for carried costs.
 - Net loss for Q2 2017 was \$9.2 million as compared to \$11.4 million in Q2 2016. The reduced loss is primarily attributable to i) a \$2.2 million impairment expense recorded in Q2 2016 relating to a revision of an estimate of previously recorded costs in the OML 141 license area recorded during the three months ended June 30, 2016, and ii) a \$0.8 million decrease in depreciation, depletion and amortization expense recorded during Q2 2017 related to the decrease in depletion expense per barrel in 2017. These positive factors were partially offset by a \$0.8 million increase in operating expense for Q2 2017 versus Q2 2016.
 - Operating Cash Flow was negative \$2.1 million for Q2 2017 compared to negative \$1.2 million in Q2 2016. The increase in negative Operating Cash Flow is primarily due to higher cash operating and general and administrative expenditures.
 - Net cash used in operating activities increased to \$1.2 million in Q2 2017 as compared to \$0.9 million in Q2 2016. The
 increase reflects an increased negative Operating Cash Flow, partially offset by decreases in non-cash working capital.
 - Net cash used in investing activities decreased to \$10.9 million in Q2 2017 as compared to \$13.9 million in Q2 2016.
 - Capital expenditures in Q2 2017 were \$0.8 million, as compared to \$17.2 million capitalized in Q2 2016. Capital expenditures
 during Q2 2017 included \$3.3 million related to appraisal activities on the Zey Gawra field, and \$0.4 million related to the
 processing and interpretation of 3D seismic data in the AGC Central license area. These expenditures were offset primarily
 by a \$2.8 million non-cash credit primarily relating to the revision of the discount and inflation rates used to calculate the
 Hawler license area decommissioning asset.
 - Cash and cash equivalents increased to \$57.4 million at June 30, 2017 from \$39.6 million at March 31, 2017 reflecting
 receipt of proceeds from the Shareholder Subscriptions offset by 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 June 30, 2017 the balance owing under the facility totalled \$77.1, including \$1.1 million in accrued interest which will be settled through the issuance of Common Shares. On April 28, 2017, AOG and the Corporation agreed to amend the Loan Agreement
 - Maturity date extended from March 10, 2018 to July 1, 2019
 - Interest accrued after May 11, 2017 to be paid out in 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
 - The Loan Amendment was approved by disinterested shareholders and accepted by the Toronto Stock Exchange

- 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. An agreement was reached on June 7, 2017 with the vendor of the Hawler license area to restructure the contingent consideration obligation.
- Non-contingent and non-refundable payment of \$5 million plus accrued interest settled on August 1, 2017
 - Remaining principal balance plus accrued interest to be paid in four instalments beginning September 30, 2018
 - \$10 million plus accrued interest on such amount by September 30, 2018;

 - \$20 million plus accrued interest on such amount by September 30, 2019;
 \$25 million plus accrued interest on such amount by September 30, 2020; and
 - \$11 million plus accrued interest on such amount by September 30, 2021.
 - If the Corporation has not declared a second commercial discovery by September 30, 2018, the above schedule of payments will no longer apply and the contingent consideration obligation will revert to a lump-sum payment obligation triggered by a second commercial discovery
 - Interest has been accruing at an adjusted LIBOR rate plus 0.25% per annum since the acquisition of the Hawler license area on August 10, 2011. After September 30, 2017, and subject to certain exceptions, interest on the outstanding balance will accrue at a rate of 5% per annum
 - As at June 30, 2017, the total balance of principal and accrued interest owed under the contingent consideration obligation was \$76.2 million
- As at August 2, 2017, 431,185,639 Common Shares are outstanding. As at August 2, 2017 there are Long Term Incentive awards representing 2,803,317 Common Shares that have vested and are expected to be issued in September 2017 and there are unvested Long Term Incentive Plan awards which will result in the issuance of up to an additional 2,411,035 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.

Capital Expenditure Forecast

Oryx Petroleum reforecasted capital expenditures for the second half of 2017 are \$16 million, which is a decrease of \$13 million versus the previous forecast of \$29 million. The decrease reflects the deferral of previously planned drilling at the Zey Gawra field into late 2017 and early 2018 partially offset by the addition of the Demir Dagh-7 workover to the drilling program:

Location	License/Field/Activity 2H 2017 Forecast
	\$ millions

Kurdistan Region Hawler

	Zey Gawra-Drilling	8
	Demir Dagh-Drilling	3
	Other	3
	Total Hawler	14
West Africa	AGC Central	1
	Other	1

Capex Total

16

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 and six months ended June 30, 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 the second half of 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, ultimate recoverability of current and long-term assets, guidance regarding operating expenses on a per barrel basis, guidance regarding well specific production rates, plans to process and interpret 3D seismic data from the AGC Central license area which are expected to be completed later in 2017, possible commerciality of our projects, plateau production rates, future expenditures and sources of financing for such expenditures, expectations that cash on hand as of June 30, 2017, 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 end of 2018, the issuance of shares as a result of the vesting of Long Term Incentive Plan awards and exercise of outstanding warrants, 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.

Contact

about Oryx Petroleum, please contact: Scott Lewis, Head of Corporate Finance and Planning, Tel.: +41 (0) 58 702 93 52, scott.lewis@oryxpetroleum.com