Africa Oil Corp

Africa Oil 2017 Third Quarter Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov. 14, 2017) - Africa Oil Corp. ("Africa Oil" or the "Company") (TSX:AOI)(OMX:AOI) is pleased to announce its financial and operating results for the three and nine months ended September 30, 2017.

As at September 30, 2017, the Company had cash of $423.9 million and working capital of $443.1 million as compared to cash of $463.1 million and working capital of $435.0 million at December 31, 2016. During the second quarter of 2017, further to the previously announced farmout agreement (press release 4th February 2016), the Company and Maersk agreed to payment terms related to the $75.0 million advance development carry. Africa Oil is due to receive equal quarterly payments of $18.75 million at the end of each calendar quarter during 2018. These proceeds were recognized in accounts receivable ($56.2 million current and $18.8 million long term) and intangible exploration assets during 2017.

The 2017 exploration and appraisal drilling campaign in Blocks 10BB and 13T (Kenya) concluded subsequent to the end of the third quarter, following the drilling of the Amosing-7 appraisal well. The PR Marriott Rig-46 has been demobilized. Two discoveries were made during the campaign.

In January 2017, the Erut-1 well resulted in a discovery, proving that oil has migrated to the northern limit of the South Lokichar basin. The second discovery was made during May 2017, at Emekuya-1, encountering significant oil sands, demonstrating oil charge across an extensive part of the Greater Etom structure and further de-risking the northern area of the basin.

The Etiir-1 exploration well, which targeted a large, shallow, structural closure immediately to the west of the Greater Etom structure, spudded in late June and was unsuccessful with no material reservoir development or shows encountered. Although dry, drilling results will be utilized in defining the westerly extent of the Greater Etom Structure. The Etiir-1 well has been plugged and abandoned.

The Ekales-3 well was drilled to a total measured depth of 2,721 meters and finished drilling during the third quarter of 2017. The well targeted an undrilled fault block adjacent to the Ekales field. While reservoir and oil shows were encountered, and oil sampled, the well was deemed non-commercial.

Multiple appraisal wells have been drilled in the Ngamia, Amosing and Etom fields during 2017: Ngamia-10 (65 meters of net oil pay), Amosing-6 (35 meters of net oil and gas pay), Amosing-7 (25 meters of net oil and gas pay) and Etom-3 (25 meters of net oil and gas pay). An extensive wireline evaluation program, including sampling has been undertaken on all appraisal wells. The Ngamia-10, Amosing-6 and 7 and Etom-3 wells have all improved the definition of the limits of their respective fields. However, the presence of rift edge facies has limited their net pay. These drilling results will be incorporated into the geological models that will be utilized for potential fields development plans.

The Auwerwer and Lokone reservoirs in the Etom-2 well were tested utilising artificial lift and flowed at 752 bopd and 580 bopd respectively which was lower than anticipated. As a result, the Joint Venture Partners will undertake further technical work to assess how representative the tests may have been and identify potential options to increase flow rates from the Etom field.

Activity will now move to focus on collecting dynamic field data through extended production and water injection testing. The Ngamia-11 appraisal well (143 meters of net oil pay) has been completed and will be utilized in a waterflood pilot test planned for the first half of 2018. The waterflood pilot will include the previously drilled Ngamia 3, 6 and 8 wells. This pilot is designed to deliver a long-term assessment of the rate of enhanced oil recovery that may be expected as a result of water injection. The waterflood pilot follows up the successful water injection testing program which was completed during the first half of 2017 on the Ngamia and Amosing fields. Additionally, the partnership aims to initiate extended well testing on wells in the Amosing and Ngamia fields, commencing in the first quarter of 2018. Produced oil from testing will be stored and is planned to be transported as part of the Early Oil Production Scheme (EOPS). This scheme will initially entail the evacuation of stored crude oil to Mombasa by road, and first production from EOPS is now expected to commence in the first half of 2018, subject to receiving the necessary consents and approvals.

In addition to the drilling and operational activities to support the Final Investment Decision ("FID") for the Kenya Full Field Development, engineering studies and contracting activities are under way in preparation for the start of the Front End Engineering Design ("FEED"), which are expected to take place during 2018. The Joint Venture Partners are continuing optimization of the development plans that will allow field and pipeline infrastructure to move forward while limiting upfront capital spend.

A Joint Development Agreement ("JDA"), setting out a structure for the Government of Kenya and the Kenya

Joint Venture Partners to progress the development of the export pipeline, was signed on 25 October 2017. The JDA allows important studies to commence such as FEED, Environmental and Social Impact Assessments ("ESIA"), as well as studies on pipeline financing and ownership.

Africa Oil Corp. has a 25% working interest in Blocks 10BB and 13T with Tullow Oil plc (50% and Operator) and Maersk Olie og Gas A/S (25%) holding the remaining interests.

During this period the partnership informed the Government of Kenya of its intention to enter the Second Additional Exploration Period on Block 10BA.

2017 Third Quarter Financial Results

Results of Operations
(Thousands United States Dollars)
(unaudited)

(thousands)		**Three months ended September 30, 2017**		**Three months ended September 30, 2016**		**Nine months ended September 30, 2017**		**Nine months ended September 30, 2016**
Salaries and benefits	$	419	$	435	$	989	$	1,264
Equity-based compensation		740		774		1,871		2,250
Travel		262		259		576		685
Office and general		353		64		442		143
Donation		-		350		850		1,000
Depreciation		26		5		78		8
Professional fees		76		82		455		1,471
Stock exchange and filing fees		161		202		467		602
Share of loss from equity investment		272		334		884		1,068
Operating expenses	$	2,309	$	2,505	$	6,612	$	8,491

Operating expenses decreased $0.2 million during the third quarter of 2017 compared to the same period in 2016. Office and general expenses increased by $0.2 million during the three months ended September 30, 2017 compared to the same period in 2016 which primarily relates to an increase in consulting fees associated with the corporate activities within the Company. The increase was offset by a decrease in donations as the Company made a donation of $0.4 million during the third quarter of 2016 while no donations were made during the third quarter of 2017.

Operating expenses decreased $1.9 million during the nine months ended September 30, 2017 compared to the same period in 2016. The $1.0 million decrease in professional fees relates to the completion of the farmout transaction with Maersk during the first quarter of 2016 compared to a lower fee associated with the settlement of the advance development carry with Maersk during 2017. Salaries and benefits decreased $0.3 million during 2017 compared to the same period in 2016 which is primarily due to the recovery of costs relating to the secondment of an employee and a reduced headcount. Equity-based compensation expense decreased by $0.4 million which can be mainly attributed to the decrease in the number of stock options granted in prior periods and the vesting of costs associated with options granted during 2014 being fully amortized by the end of 2016. There were no options granted during the nine months ended September 30, 2017 and 2016. The Company's share of losses from the equity investment in Africa Energy decreased by $0.2 million during the nine months ended September 30, 2017. The decreases were offset by an increase in office and general expenses of $0.3 million which primarily relates to an increase in consulting fees associated with the corporate activities within the Company.

Financial income and expense is made up of the following items:

(Thousands of United States Dollars)
(unaudited)

	Three months ended September 30,	**Three months ended September 30,**	**Nine months ended September 30,**	**Nine months ended September 30,**

	2017	2016	2017	2016
Interest and other income	$ 1,288	$ 925	$ 2,859	$ 2,136
Bank charges	(6)	(10)	(27)	(27)
Foreign exchange gain (loss)	83	(3)	45	(58)
Finance income	$ 1,371	$ 925	$ 2,904	$ 2,136
Finance expense	$ (6)	$ (13)	$ (27)	$ (85)

The Company holds the vast majority of its cash on hand in US dollars, the Company's functional currency. Interest Income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates.

Consolidated Balance Sheets
(Thousands United States Dollars)
(unaudited)

	September 30, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	$ 423,905	$ 463,061
Accounts receivable	56,402	213
Due from related party	-	57
Prepaid expenses	1,160	1,155
	481,467	464,486
Long-term assets		
Accounts receivable	18,750	-
Equity investment	6,446	7,330
Property and equipment	132	197
Intangible exploration assets	506,862	534,929
	532,190	542,456
Total assets	$ 1,013,657	$ 1,006,942
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 38,329	$ 29,501
	38,329	29,501
Total liabilities	38,329	29,501
Equity attributable to common shareholders		
Share capital	1,290,796	1,290,389
Contributed surplus	50,892	49,677
Deficit	(366,360)	(362,625)
Total equity attributable to common shareholders	975,328	977,441
Total liabilities and equity attributable to common shareholders	$ 1,013,657	$ 1,006,942

Expenditures on intangible exploration assets of $46.9 million were incurred during the nine months ended September 30, 2017, related primarily to costs associated with exploration and appraisal activities and development studies associated with the South Lokichar Basin (Blocks 10BB and 13T Kenya). The Company is debt free.

Consolidated Statement of Cash Flows
(Thousands United States Dollars)
(unaudited)

	Three months ended September	Three months ended September	Nine months ended September	Nine months ended September

	. 30, 2017	. 30, 2016	. 30, 2017	. 30, 2016
Cash flows provided by (used in):				
Operations:				
Net loss and comprehensive loss for the period	$ (944)	$ (1,593)	$ (3,735)	$ (6,440)
Items not affecting cash:				
Equity-based compensation	740	774	1,871	2,250
Depreciation	26	5	78	8
Share of loss from equity investment	272	334	884	1,068
Unrealized foreign exchange (gain) loss	(83)	3	(45)	58
Changes in non-cash operating working capital	7	171	190	(99)
	18	(306)	(757)	(3,155)
Investing:				
Property and equipment expenditures	(1)	(23)	(13)	(27)
Intangible exploration expenditures	(15,861)	(8,395)	(46,933)	(31,630)
Farmout proceeds received on closing	-	-	-	386,970
Farmout proceeds released from restricted cash	-	-	-	52,500
Changes in non-cash investing working capital	2,809	(6,418)	8,751	(19,935)
	(13,053)	(14,836)	(38,195)	387,878
Financing:				
Common shares issued	-	-	304	-
Settlement of Restricted Share Units	-	-	(553)	-
Release of bank guarantee	-	-	-	1,250
	-	-	(249)	1,250
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	83	(3)	45	(58)
Increase (decrease) in cash and cash equivalents	(12,952)	(15,145)	(39,156)	385,915
Cash and cash equivalents, beginning of the period	$ 436,857	$ 505,265	$ 463,061	$ 104,205
Cash and cash equivalents, end of the period	$ 423,905	$ 490,120	$ 423,905	$ 490,120
Supplementary information:				
Interest paid	Nil	Nil	Nil	Nil
Income taxes paid	Nil	Nil	Nil	Nil

The following table breaks down the material components of intangible exploration expenditures for the nine months ended September 30, 2017 and 2016:

For the nine months ended	**September 30, 2017**			**September 30, 2016**		
(thousands)	**Kenya**	**Ethiopia**	**Total**	**Kenya**	**Ethiopia**	**Total**
Drilling and completion	$ 23,256	$ 87	**$ 23,343**	$ 14,646	$ 1	**$ 14,647**
Development studies	13,464	-	**13,464**	5,738	-	**5,738**
Exploration surveys and studies	1,048	179	**1,227**	3,211	469	**3,680**
PSA and G&A related	7,664	1,235	**8,899**	7,128	437	**7,565**
Total	$ 45,432	$ 1,501	**$ 46,933**	$ 30,723	$ 907	**$ 31,630**

AOC incurred $45.4 million of intangible exploration expenditures in Kenya for nine months ended September 30, 2017. Drilling and completion expenditures primarily relate to the drilling of the Erut-1, Emekuya-1 and Etiir-1 exploration wells in Block 13T, the drilling of the Ngamia-10, Amosing-6, Ngamia-11 and Amosing-7 appraisal wells in Block 10BB, the drilling of the Etom-3 and Ekales-3 appraisal wells in Block 13T, as well as the completion of the water injection testing on the Amosing-2A, Amosing-3, and Ngamia-5 wells in Block 10BB. Development study expenditures are associated with studies aimed at progressing towards project sanction for the South Lokichar Basin. Exploration studies costs continue to be incurred in Kenya in conjunction with exploration and appraisal drilling campaign which recommenced in the fourth quarter of 2016 and concluded subsequent to the third quarter of 2017.

The Company incurred $1.5 million of intangible exploration expenditures in Ethiopia for the nine months ended September 30, 2017, which consists of license fees and general and administrative costs.

Consolidated Statement of Equity
(Thousands United States Dollars)
(unaudited)

		September 30, 2017		September 30, 2016
Share capital:				
Balance, beginning of the period	$	1,290,389	$	1,290,389
Exercise of options		407		-
Balance, end of the period		1,290,796		1,290,389
Contributed surplus:				
Balance, beginning of the period	$	49,677	$	46,353
Equity-based compensation		1,871		1,476
Settlement of Restricted Share Units		(553)		-
Exercise of options		(103)		-
Balance, end of the period		50,892		47,829
Deficit:				
Balance, beginning of the period	$	(362,625)	$	(344,863)
Net loss and comprehensive loss attributable to common shareholders		(3,735)		(4,847)
Balance, end of the period		(366,360)		(349,710)
Total equity	$	975,328	$	988,508

The Company's unaudited consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three and nine months ended September 30, 2017 and 2016, and the 2016 Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

About Africa oil

Africa Oil Corp. is a Canadian oil and gas company with assets in Kenya and Ethiopia. The Company is listed on the Toronto Stock Exchange and on Nasdaq Stockholm under the symbol "AOI".

Additional Information

The information in this release is subject to the disclosure requirements of Africa Oil Corp. under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on November 14, 2017 at 2:30 p.m. Pacific Time.

FORWARD LOOKING INFORMATION

Certain statements made and information contained herein constitute "forward-looking information" (within the meaning of applicable Canadian securities legislation). Such statements and information (together, "forward looking statements") relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities, ultimate recovery of reserves or resources and dates by which certain areas will be explored, developed or reach expected operating capacity, that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "seek", "anticipate", "plan", "continue", "estimate", "expect, "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions) are not statements of historical fact and may be "forward-looking statements". Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in oil prices, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government or other regulatory approvals, actual performance of facilities, availability of financing on reasonable terms, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements.

ON BEHALF OF THE BOARD

"Keith C. Hill"
President and CEO

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