Africa Oil Corp

Africa Oil 2017 Second Quarter Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug. 10, 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 six months ended June 30, 2017.

As at June 30, 2017, the Company had cash of $436.9 million and working capital of $440.2 million as compared to cash of $463.1 million and working capital of $435.0 million at December 31, 2016. The Company continues to work closely with its Joint Venture Partners to focus efforts on advancing the South Lokichar Basin development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resources and resource certainty while progressing development studies and planning. We are pleased to have recommenced drilling activities in the South Lokichar Basin during the fourth quarter of 2016 and to have agreed with our Joint Venture Partners to extend the ongoing exploration and drilling campaign in the South Lokichar Basin.

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 ($37.5 million current and $37.5 million long term) and intangible exploration assets during the second quarter of 2017.

The exploration and appraisal campaign in Kenya has progressed to schedule in 2017 with two discoveries made. The first discovery was made in January 2017 at Erut-1 (Block 13T), which proved that oil has migrated to the northern limit of the South Lokichar basin. The second was made in May 2017 at Emekuya-1 (Block 13T) which encountered significant oil sands, demonstrated oil charge across a significant part of the Greater Etom structure and further de-risked the northern area of the basin.

The Etiir-1 (Block 13T) 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, this well has helped define the westerly extent of the Greater Etom Structure.

The JV Partners also drilled the Amosing-6, Ngamia-10, and Etom-3 appraisal wells (Block 10BB), the results of which are being incorporated into ongoing field development planning activities.

A further three wells are planned this year with drilling underway to test an undrilled fault block adjacent to the Ekales field. The Ngamia-11 appraisal well will be drilled and completed for use in an extended water flood pilot test in conjunction with the Early Oil Pilot Scheme (EOPS) and the Etete exploration well is planned to test a prospect adjacent to the Greater Etom structure. Further locations are currently under evaluation to be added to the programme.

Water injection testing on the Amosing and Ngamia fields (Block 10BB) has been successfully demonstrated and underpins the feasibility of water injection for the development of these fields.

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.

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 is expected to commence in late 2017. In parallel to the upstream development work, the JV Partners and the Government of Kenya continue to progress commercial and finance studies for the proposed export pipeline, and preparations are under way for the Environmental and Social Impact Assessment (ESIA).

The Early Oil Pilot Scheme ("EOPS") Agreement between the JV Partners and the Government of Kenya was signed on 14 March 2017 allowing all EOPS upstream contracts to be awarded. The first phase of the EOPS will be the evacuation of the stored crude oil, which was produced during extended well testing in 2015, to Mombasa by road. This initial phase of the project has been deferred by the Government of Kenya until after elections have taken place in August. The EOPS production of 2,000 bopd is expected to commence around the end of the year and will now include an extended water-flood pilot test in Ngamia. Results from the Ngamia water-flood pilot will assess sustainable production levels to inform the overall resource and Full Field Development Plan.

2017 Second Quarter Financial Results

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

(thousands)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Salaries and benefits	$ 320	$ 370	$ 570	$ 829
Equity-based compensation	676	786	1,131	1,476
Travel	117	242	314	426
Office and general	32	46	89	79
Donation	-	100	850	650
Depreciation	27	1	52	3
Professional fees	269	113	379	1,389
Stock exchange and filing fees	119	263	306	400
Share of loss from equity investment	332	393	612	734
Operating expenses	$ 1,892	$ 2,314	$ 4,303	$ 5,986

Operating expenses decreased $0.4 million during the second quarter of 2017 compared to the same period in 2016. The $0.1 million decrease in equity-based compensation expense 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. As one-third of the fair value of the stock options is expensed immediately upon grant, the remaining expense is expected to decrease over the remaining vesting period. There were no options granted during the second quarter of 2017 and 2016. Donations amounting to $0.1 million were made in the second quarter of 2016 compared $ nil during the second quarter of 2017. The decreases were offset by an increase in professional fees which primarily relates to fees associated with the settlement of the advance development carry with Maersk.

Operating expenses decreased $1.7 million during the six months ended June 30, 2017 compared to the same period in 2016. Salaries and benefits decreased $0.3 million during the first quarter of 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 $0.3 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. As one-third of the fair value of the stock options is expensed immediately upon grant, the remaining expense is expected to decrease over the remaining vesting period. There were no options granted during the first half of 2017 and 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 the second quarter of 2017. These decreases were offset by a $0.9 million donation to the Lundin Foundation during the first half of 2017 compared to a $0.7 million donation during the first half of 2016.

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

(Thousands of United States Dollars)
(unaudited)

	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Interest and other income	$ 802	$ 845	$ 1,571	$ 1,211
Bank charges	(10)	(10)	(21)	(17)
Foreign exchange loss	(50)	(6)	(38)	(55)
Finance income	$ 802	$ 845	$ 1,571	$ 1,211
Finance expense	$ (60)	$ (16)	$ (59)	$ (72)

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)

		June 30, 2017		December 31, 2016
ASSETS				
Current assets				
Cash and cash equivalents	$	436,857	$	463,061
Accounts receivable		37,841		213
Due from related party		16		57
Prepaid expenses		1,113		1,155
		475,827		464,486
Long-term assets				
Accounts receivable		37,500		-
Equity investment		6,718		7,330
Property and equipment		157		197
Intangible exploration assets		491,001		534,929
		535,376		542,456
Total assets	$	1,011,203	$	1,006,942
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	35,671	$	29,501
		35,671		29,501
Total liabilities		35,671		29,501
Equity attributable to common shareholders				
Share capital		1,290,796		1,290,389
Contributed surplus		50,152		49,677
Deficit		(365,416)		(362,625)
Total equity attributable to common shareholders		975,532		977,441
Total liabilities and equity attributable to common shareholders	$	1,011,203	$	1,006,942

Expenditures on intangible exploration assets of $31.1 million were incurred during the six months ended June 30, 2017, which relate primarily to costs associated with the recommencement of drilling activities in the South Lokichar Basin and South Lokichar development studies. The Company is debt free.

Consolidated Statement of Cash Flows

(Thousands United States Dollars)
(unaudited)

		Three months ended June 30, 2017		Three months ended June 30, 2016		Six months ended June 30, 2017		Six months ended June 30, 2016
Cash flows provided by (used in):								
Operations:								
Net loss and comprehensive loss for the period	$	(1,150)	$	(1,485)	$	(2,791)	$	(4,847)
Items not affecting cash:								
Equity-based compensation		676		786		1,131		1,476
Depreciation		27		1		52		3
Share of loss from equity investment		332		393		612		734
Unrealized foreign exchange (gain) loss		50		6		38		55
Changes in non-cash		28		(8)		183		(270)

operating working capital	(37)	(307)	(775)	(2,849)
Investing:				
Property and equipment expenditures	(10)	(4)	(12)	(4)
Intangible exploration expenditures	(16,201)	(10,969)	(31,072)	(23,235)
Farmout proceeds received on closing	-	-	-	386,970
Farmout proceeds released from restricted cash	-	-	-	52,500
Changes in non-cash investing working capital	3,075	(8,348)	5,942	(13,517)
	(13,136)	(19,321)	(25,142)	402,714
Financing:				
Common shares issued	-	-	304	-
Settlement of Restricted Share Units	-	-	(553)	-
Release of bank guarantee	-	1,250	-	1,250
	-	1,250	(249)	1,250
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	(50)	(6)	(38)	(55)
Increase (decrease) in cash and cash equivalents	(13,223)	(18,384)	(26,204)	401,060
Cash and cash equivalents, beginning of the period	$ 450,080	$ 523,649	$ 463,061	$ 104,205
Cash and cash equivalents, end of the period	$ 436,857	$ 505,265	$ 436,857	$ 505,265
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 six months ended June 30, 2017 and 2016:

For the six months ended	**June 30, 2017**			**June 30, 2016**		
(thousands)	**Kenya**	**Ethiopia**	**Total**	**Kenya**	**Ethiopia**	**Total**
Drilling and completion	$ 15,383	$ 165	**$ 15,548**	$ 10,429	$ (2)	**$ 10,427**
Development studies	7,148	-	**7,148**	4,605	-	**4,605**
Exploration surveys and studies	697	32	**729**	2,709	432	**3,141**
PSA and G&A related	7,012	635	**7,647**	4,736	326	**5,062**
Total	$ 30,240	$ 832	**$ 31,072**	$ 22,479	$ 756	**$ 23,235**

The Company incurred $30.2 million of intangible exploration expenditures in Kenya for six months ended June 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 and Amosing-6 appraisal wells in Block 10BB, the drilling of the Etom-3 appraisal well 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.

The Company incurred $0.9 million of intangible exploration expenditures in Ethiopia for the six months ended June 30, 2017, which consists of license fees and general and administrative cost.

Consolidated Statement of Equity

(Thousands United States Dollars)
(unaudited)

	June 30, 2017	**June 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	1,131	1,476
Settlement of Restricted Share Units	(553)	-
Exercise of options	(103)	-
Balance, end of the period	50,152	47,829
Deficit:		
Balance, beginning of the period	$ (362,625)	$ (344,863)
Net loss and comprehensive loss attributable to common shareholders	(2,791)	(4,847)
Balance, end of the period	(365,416)	(349,710)
Total equity	$ 975,532	$ 988,508

The Company's unaudited consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three and six months ended June 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 Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on August 10, 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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