

Africa Oil 2017 First Quarter Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - May 11, 2017) - **Africa Oil Corp. (TSX:AOI) (OMX:AOI)** ("Africa Oil" or the "Company") is pleased to announce its financial and operating results for the three months ended March 31, 2017.

As at March 31, 2017, the Company had cash of \$450.1 million and working capital of \$419.0 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.

In addition to the drilling and operational activities to support the South Lokichar Final Investment Decision for the Kenya Full Field Development by the end of 2018, engineering studies and contracting activities are underway in preparation for the start of Front End Engineering Design (FEED), which is expected in the second half of 2017. In parallel to the upstream development work, the Kenya Joint Venture and the Government of Kenya continue to progress the export pipeline commercial and finance studies and preparations are under way for the Environmental Social Impact Assessment and FEED which are also planned for the second half of 2017. The Kenya crude export pipeline is expected to run from South Lokichar to the Kenyan port of Lamu.

The Company has completed the following significant operational activities during and subsequent to the first quarter of 2017:

- During January 2017, the Company announced that the Erut-1 well in Block 13T, Northern Kenya, discovered a gross oil interval of 55 meters with 25 meters of net oil pay at a depth of 700 meters, extending the proven oil limits to the northernmost end of the South Lokichar Basin;
- The Amosing-6 well was drilled in Block 10BB, near the basin bounding fault, and encountered 35 metres of net gas and oil pay;
- The Ngamia-10 well was drilled in an untested fault compartment and encountered 65 metres of net oil pay. The data from these appraisal wells will be incorporated into the ongoing field development planning activities;
- Following completion of the Ngamia-10 well, the rig was moved to the previously drilled Etom-2 well to prepare the well for a Drill Stem Test. The rig is currently drilling the fourth well of this campaign, the Emekuya exploration well, which will target the north-eastern flank of the Etom Complex;
- The EOPS Agreement between the Kenya Joint Venture and the Government of Kenya was signed on 14 March 2017 allowing all EOPS upstream contracts to be awarded. The first stage 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 will be followed by EOPS production of 2,000 bopd in the fourth quarter of 2017. The EOPS will provide important information which will assist in full field development planning;
- Water injection testing on the Amosing-2A, Amosing-3, and Ngamia-5 wells has been successfully concluded, achieving good water injection rates and proving the feasibility of water injection for the development of these fields. This success has enabled the Ngamia-11 water flood pilot to be incorporated into the EOPS activities which, along with the dynamic data collected from previous tests, will be used to finalize reservoir characteristics for the Field Development Plan.

2017 First Quarter Financial Results

Results of Operations

(Thousands United States Dollars)
(unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
(thousands)		
Salaries and benefits	\$ 250	\$ 459
Equity-based compensation	455	690
Travel	197	184
Office and general	657	622

DONATION	2017	2016
Depreciation	25	2
Professional fees	110	1,276
Stock exchange and filing fees	187	137
Share of loss from equity investment	280	341
Operating expenses	\$ 2,411	\$ 3,672

Operating expenses decreased \$1.3 million during the first quarter of 2017 compared to the same period in 2016. The \$1.1 million decrease in professional fees relates to increased cost during the first quarter of 2016 related to the completion of the farmout transaction with Maersk. Salaries and benefits decreased \$0.2 million during the first quarter of 2017 compared to the same period in 2016 due to the recovery of costs relating to the secondment of an employee. These decreases were offset by a \$0.9 million donation to the Lundin Foundation during the first quarter of 2017 compared to a \$0.6 million donation during the first quarter of 2016.

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

(Thousands of United States Dollars)
(unaudited)

For the three months ended	March 31, 2017	March 31, 2016
Interest and other income	\$ 769	\$ 366
Bank charges	(11)	(7)
Foreign exchange loss	12	(49)
Finance income	\$ 781	\$ 366
Finance expense	\$ (11)	\$ (56)

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)

	March 31, 2017	December 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	\$ 450,080	\$ 463,061
Accounts receivable	331	213
Due from related party	71	57
Prepaid expenses	1,084	1,155
	451,566	464,486
Long-term assets		
Equity investment	7,050	7,330
Property and equipment	174	197
Intangible exploration assets	549,800	534,929
	557,024	542,456
Total assets	\$ 1,008,590	\$ 1,006,942
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 32,584	\$ 29,501
	32,584	29,501
Total liabilities	32,584	29,501
Equity attributable to common shareholders		
Share capital	1,290,796	1,290,389

Contributed surplus	49,476	49,677
Deficit	(364,266)	(362,625)
Total equity attributable to common shareholders	976,006	977,441
Total liabilities and equity attributable to common shareholders	\$ 1,008,590	\$ 1,006,942

Expenditures on intangible exploration assets of \$14.9 million were incurred during the three months ended March 31, 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)

For the three months ended	March 31, 2017	March 31, 2016
Cash flows provided by (used in):		
Operations:		
Net loss and comprehensive loss for the period	\$ (1,641)	\$ (3,362)
Items not affecting cash:		
Equity-based compensation	455	690
Depreciation	25	2
Share of loss from equity investment	280	341
Unrealized foreign exchange (gain) loss	(12)	49
Changes in non-cash operating working capital	155	(262)
	(738)	(2,542)
Investing:		
Property and equipment expenditures	(2)	-
Intangible exploration expenditures	(14,871)	(12,266)
Farmout proceeds received on closing	-	386,970
Farmout proceeds released from restricted cash	-	52,500
Changes in non-cash investing working capital	2,867	(5,169)
	(12,006)	422,035
Financing:		
Common shares issued	304	-
Settlement of Restricted Share Units	(553)	-
	(249)	-
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	12	(49)
Increase (decrease) in cash and cash equivalents	(12,981)	419,444
Cash and cash equivalents, beginning of the period	\$ 463,061	\$ 104,205
Cash and cash equivalents, end of the period	\$ 450,080	\$ 523,649
Supplementary information:		
Interest paid	Nil	Nil
Income taxes paid	Nil	Nil

The following table breaks down the material components of intangible exploration expenditures for the three months ended March 31, 2017 and 2016:

For the three months ended	March 31, 2017			March 31, 2016		
(thousands)	Kenya	Ethiopia	Total	Kenya	Ethiopia	Total
Drilling and completion	\$ 7,665	\$ 16	\$ 7,681	\$ 5,332	\$ (2)	\$ 5,330
Development studies	1,885	-	1,885	3,228	-	3,228
Exploration surveys and studies	379	14	393	1,535	63	1,598
PSA and G&A related	4,593	319	4,912	1,878	232	2,110
Total	\$ 14,522	\$ 349	\$ 14,871	\$ 11,973	\$ 293	\$ 12,266

The Company incurred \$14.5 million of intangible exploration expenditures in Kenya for three months ended March 31, 2017. Drilling and completion expenditures primarily relate to the drilling of Erut-1 in Block 13T, the drilling of the Ngamia-10 and Amosing-6 appraisal wells in Block 10BB 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 \$0.3 million of intangible exploration expenditures in Ethiopia for the three months ended March 31, 2017, which consists of license fees and general and administrative costs.

Consolidated Statement of Equity

(Thousands United States Dollars)
(unaudited)

	March 31, 2017	March 31, 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	455	690
Settlement of Restricted Share Units	(553)	-
Exercise of options	(103)	-
Balance, end of the period	49,476	47,043
Deficit:		
Balance, beginning of the period	\$ (362,625)	\$ (344,863)
Net loss and comprehensive loss attributable to common shareholders	(1,641)	(3,362)
Balance, end of the period	(364,266)	(348,225)
Total equity	\$ 976,006	\$ 989,207

The Company's unaudited consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three months ended March 31, 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

This information is information that Africa Oil Corp. is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, on May 11, 2017 at 3:15 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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