Africa Oil Corp

Africa Oil 2016 First Quarter Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - May 13, 2016) - Africa Oil Corp. ("Africa Oil" or the "Company") (TSX:AOI)(OMX:AOI) is pleased to announce its financial and operating results for the three months ended March 31, 2016.

At March 31, 2016, the Company had cash of $523.6 million and working capital of $474.4 million. The Company's liquidity and capital resource position improved dramatically during the first quarter of 2016 with the receipt of $439.4 million (inclusive of deposit received prior to year-end) upon completion of the previously announced (November 9, 2015) farmout transaction with Maersk Olie og Gas A/S ("Maersk") whereby Maersk acquired 50% of the Company's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia. Proceeds received from Maersk include $350.0 million as reimbursement of past costs incurred by the Company prior to the agreed March 31, 2015 effective date and $89.4 million representing Maersk's share of costs incurred between the effective date and closing, including a carry reimbursement of $15.0 million related to exploration expenditures. An additional $75.0 million development carry may be available to the Company upon confirmation of existing resources. Upon Final Investment Decision ("FID"), Maersk will be obligated to carry Africa Oil for an additional amount of up to $405.0 million depending on meeting certain thresholds of resource growth and timing of first oil.

The Company completed the following significant operational activities during and subsequent to the first quarter of 2016:

- On May 10, 2016, the Company announced details of an updated independent assessment of the Company's contingent resources in the South Lokichar Basin in Blocks 10BB and 13T (Kenya). The estimated gross 2C unrisked resources in the South Lokichar Basin, Kenya have increased by 150 million barrels (or 24%) since they were previously assessed during 2014 to 766 million barrels of oil (Development Pending: 754 million barrels and Development Unclarified: 12 million barrels).

- The Cheptuket-1 well (Block 12A) completed drilling to a depth of 3,083 meters. The well encountered oil shows, seen in cuttings and rotary sidewall cores, across a large interval of over 700 meters. Cheptuket-1 is the first well to test the Kerio Valley Basin proving the existence of a working petroleum system in a basin several hundred kilometers distant from the South Lokichar Basin. Additional technical work is required to analyze the results and consider a program to follow up on this result. The PR Marriott Rig-46 rig was released following completion of the well.

- Late in 2015, the results of the Etom-2 well in the South Lokichar Basin (Block 13T) were announced. The Etom-2 well was drilled based on recently acquired and interpreted 3D seismic in a previously undrilled fault block adjacent to the Etom oil discovery. The well encountered 102 meters of net oil pay in two columns. Oil samples, sidewall cores and wire line logging all indicate the presence of high API oil in the best quality reservoir encountered in the South Lokichar Basin to date. Discovering this thick interval of high quality oil reservoirs at Etom-2 further underpins the development options and resource base in the South Lokichar Basin. The result follows careful evaluation of 3D seismic data which was shot after the Etom-1 well completed drilling and demonstrates how the partnership has improved its understanding of the basin. This result also suggests significant potential in this underexplored part of the block as it is the most northerly well drilled in the South Lokichar Basin and is located close to the axis of the basin away from the basin-bounding fault. Accordingly, the resource potential of the greater Etom area and neighboring prospects is being considered as part of a future exploration drilling program.

- Subsequent to the first quarter of 2016, the Governments of Uganda and Kenya announced that separate export pipelines would be developed for the export of production from the development of oil resources in their respective countries. The Company intends to continue working closely with the Kenyan Government and our upstream partners to move the upstream and midstream development projects forward. Pre-Front End Engineering and Design ("FEED") work on both these elements is well advanced and it is expected that FEED will commence in the near term. It is expected that any Kenya standalone pipeline plan will take into consideration the potential to accommodate the transportation of additional oil resource from bordering East Africa countries.

- Over 1,100 meters of whole core has been acquired from the wells drilled in the South Lokichar Basin, and an extensive program of detailed core analysis is ongoing that will provide results throughout the year. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands. Early core analysis results support the reservoir assumptions used in the contingent resource estimate and support the view of oil saturations in the reservoir.

2016 First Quarter Financial Results

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

(thousands)		Three months ended March 31, 2016		Three months ended March 31, 2015
Salaries and benefits	$	459	$	478
Equity-based compensation		690		3,975
Travel		184		249
Office and general		33		119
Donation		550		-
Depreciation		2		11
Professional fees		1,276		154
Stock exchange and filing fees		137		247
Share of loss from equity investment		341		92
Gain on loss of control		-		(4,155)
Operating expenses	$	3,672	$	1,170

Operating expenses increased $2.5 million during the first quarter of 2016 compared to the same period in 2015. The $1.1 million increase in professional fees relates to the completion of the farmout transaction with Maersk. The Company made a $0.6 million donation to the Lundin Foundation in the first quarter of 2016. A gain of $4.2 million was recognized during the first quarter of 2015 due to the Company's investment in Africa Energy changing from a position of control to a position of significant influence. Stock-based compensation decreased $3.3 million during the first quarter of 2016 due to the issuance of 5,194,000 stock options of AOC to directors, officers and employees in the first quarter of 2015. 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 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, 2016**		**March 31, 2015**
Interest and other income	$	366	$	130
Bank charges		(7)		(5)
Foreign exchange loss		(49)		(15)
Finance income	$	366	$	130
Finance expense	$	(56)	$	(20)

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. Foreign exchange gains and losses are primarily related to changes in the value of the Canadian dollar in comparison to the US dollar.

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

		March 31, 2016		**December 31, 2015**
ASSETS				
Current assets				
Cash and cash equivalents	$	523,649	$	104,205
Accounts receivable		1,640		393

Due from related party	-	87
Prepaid expenses	1,168	1,145
	526,457	105,830
Long-term assets		
Restricted cash	1,774	54,274
Equity investment	5,921	6,262
Property and equipment	30	32
Intangible exploration assets	507,089	934,293
	514,814	994,861
Total assets	$ 1,041,271	$ 1,100,691
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 52,064	$ 56,312
	52,064	56,312
Long-term liabilities		
Deposit for farmout	-	52,500
	-	52,500
Total liabilities	52,064	108,812
Equity attributable to common shareholders		
Share capital	1,290,389	1,290,389
Contributed surplus	47,043	46,353
Deficit	(348,225)	(344,863)
Total equity attributable to common shareholders	989,207	991,879
Total liabilities and equity attributable to common shareholders	$ 1,041,271	$ 1,100,691

Intangible exploration assets decreased during the first quarter of 2016 by $427.2 million as a result of the receipt of $439.4 million in proceeds relating to the completion of the farmout transaction with Maersk. This was offset by $12.2 million in intangible exploration expenditures incurred during the quarter. The Company is debt free.

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

For the three months ended	**March 31, 2016**	**March 31, 2015**
Cash flows provided by (used in):		
Operations:		
Net loss and comprehensive loss for the period	$ (3,362)	$ (1,060)
Items not affecting cash:		
Equity-based compensation	690	3,975
Depreciation	2	11
Gain on loss of control	-	(4,155)
Share of loss from equity investment	341	92
Due from related party	87	-
Unrealized foreign exchange loss	49	15
Changes in non-cash operating working capital	(349)	(977)
	(2,542)	(2,099)
Investing:		
Intangible exploration expenditures	(12,266)	(77,300)
Farmout proceeds received on closing	386,970	-
Farmout proceeds released from restricted cash	52,500	-
Equity investment	-	(1,000)
Reduction of cash from change of control	-	(254)
Changes in non-cash investing working capital	(5,169)	(16,002)
	422,035	(94,556)
Financing:		
Common shares issued	-	124,174

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Deposit of cash for bank guarantee	-	(1,275)
	-	122,899
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	(49)	(15)
Increase in cash and cash equivalents	419,444	26,229
Cash and cash equivalents, beginning of the period	$ 104,205	$ 161,162
Cash and cash equivalents, end of the period	$ 523,649	$ 187,391

Cash inflows during the first quarter of 2016 are primarily driven by the receipt of $439.4 million in proceeds relating to the completion of the farmout transaction with Maersk. The following table breaks down the material components of intangible exploration expenditures for the three months ended March 31, 2016 and 2015:

For the three months ended

	March 31, 2016			**March 31, 2015**		
(thousands)	**Kenya**	**Ethiopia**	**Total**	**Kenya**	**Ethiopia**	**Total**
Drilling and completion	$ 5,332	$ (2)	**$ 5,330**	$ 60,602	$ (2,177)	**$ 58,425**
Development studies	3,228	-	**3,228**	2,150	-	**2,150**
Exploration surveys and studies	1,535	63	**1,598**	4,568	18	**4,586**
PSA and G&A related	1,878	232	**2,110**	11,809	330	**12,139**
Total	$ 11,973	$ 293	**$ 12,266**	$ 79,129	$ (1,829)	**$ 77,300**

The Company incurred $11.9 million of intangible exploration expenditures in Kenya for the three months ended March 31, 2016. Drilling and completion expenditures primarily relate to the Cheptuket-1 exploration well in Block 12A and costs associated with demobilizing the PR Marriott 46 Rig and associated services. Development study expenditures are associated with studies aimed at progressing towards project sanction for the South Lokichar Basin. Exploration studiy costs continue to be incurred in Kenya as the joint venture considers additional drilling and appraisal targets in advance of potentially re-starting drilling activities later in 2016.

The Company incurred $0.3 million of intangible exploration expenditures in Ethiopia for the three months ended March 31, 2016, which consists of license fees and capitalized general and administrative costs.

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

	March 31, 2016	**March 31, 2015**
Share capital:		
Balance, beginning of the period	$ 1,290,389	$ 1,014,772
Private placement, net	-	120,329
Exercise of options	-	5,546
Balance, end of the period	1,290,389	1,140,647
Contributed surplus:		
Balance, beginning of the period	$ 46,353	$ 39,947
Equity-based compensation	690	3,975
Exercise of options	-	(1,701)
Balance, end of the period	47,043	42,221
Deficit:		
Balance, beginning of the period	$ (344,863)	$ (257,673)
Net loss and comprehensive loss attributable to common shareholders	(3,362)	(811)
Balance, end of the period	(348,225)	(258,484)
Total equity attributable to common shareholders	989,207	924,384
Non-controlling interest:		
Balance, beginning of the period	$ -	$ -
Net loss and comprehensive loss attributable to non-controlling interest	-	(249)
Derecognition of non-controlling interest on loss of	-	249

control		
Balance, end of the period	-	-
Total equity	$ 989,207	$ 924,384

The Company's unaudited consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three months ended March 31, 2016 and 2015, and the 2015 Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

Outlook

In light of the current and forecast short to mid-term oil price environment, the Company has worked 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 resource certainty and progressing development studies and planning. We are pleased that Maersk have acquired a 25% interest in the project given the vast financial and technical capabilities they bring to the joint venture and related development activities.

A draft South Lokichar Field Development Plan was submitted to the Government of Kenya in December 2015 and will assist discussions as we progress towards a potential final investment decision. Preparation for FEED is under way. Scoping studies and terms of reference for the detailed upstream environmental and social impact assessments have been submitted to the regulatory authorities in Kenya.

In April 2016, the Governments of Uganda and Kenya announced that separate export pipelines would be developed for the export of production from the development of oil resources in their respective countries. AOC intends to continue working closely with the Kenyan Government and our upstream partners to move the upstream and midstream development projects forward. Pre-FEED work on both these elements is well advanced and it is expected that FEED will commence in the near term. It is expected that any Kenya standalone pipeline plan will take into consideration the potential to accommodate the transportation of additional oil resource from bordering East Africa countries.

The vast resource potential of the South Lokichar Basin has been highlighted by our recent independent assessment of contingent resources in the South Lokichar Basin. AOC is working closely with our joint venture partners to establish exploration and appraisal drilling targets in advance of re-starting drilling activities later this year.

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".

Currency

All dollar amounts contained in this release are stated in United States dollars, unless otherwise disclosed, the Company's functional and presentation currency.

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 May 13, 2016 at 3:00 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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