Africa Oil Provides Operational Update and Second Quarter Results

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 8, 2014) - **Africa Oil Corp.** **(TSX:AOI)(OMX:AOI)** ("Africa Oil" or the "Company") is pleased to provide second quarter 2014 financial results and an update on its operations in Kenya and Ethiopia.

Entering the year, the Company and its partners had seven drilling rigs operating in the region. Four Tullow-Africa Oil joint venture rigs are operating in the discovered basin in Northern Kenya in Blocks 10BB and 13T, one of which is a testing and completions unit. In addition, the Company and its partner have a rig operating in Block 9 in Kenya. In Ethiopia, the Company and its partners in the South Omo Block and Block 7/8 had rigs operating in each block. Drilling operations in Block 7/8 have been completed, and the rig has been released. Additionally, drilling operations in the South Omo Block have been completed and the rig is being de-mobilized whilst future drilling opportunities are being assessed. The Company expects to have five drilling rigs operating in Kenya through the remainder of 2014.

- In January, the Company announced further drilling success with its sixth and seventh consecutive discoveries in the discovered basin in Northern Kenya at Amosing-1 and Ewoi-1. Amosing-1 is located 7 kilometers southwest of the Ngamia-1 discovery along the Basin Bounding Fault Play in Block 10BB. Logs indicated 160 to 200 meters of potential net oil pay in good quality sandstone reservoirs. A down-dip appraisal well with a planned sidetrack is currently being drilled at Amosing-2/2A with an extended well test planned to start towards the end of the year. Ewoi-1 is located 4 kilometers to the east of the Etuko-1 discovery in the Basin Flank Play on the eastern side of the discovered basin in Northern Kenya also in Block 10BB. Logs indicated potential net pay of 20 to 80 meters. Results of Ewoi-1 testing operations are expected to be announced in the coming weeks.
- In February, the Company announced the results of five well tests conducted on five Lokhone pay intervals at Etuko-1 located on the Basin Flank Play in Block 10BB. Light 36 degree API waxy crude oil was successfully flowed from three zones at a combined average rate of over 550 barrels of oil equivalent per day ("bopd").
- In March, the Company announced the results of the Etuko-2 exploration well drilled to test the upper Auwerwer sands overlying the previously announced Etuko discovery. Etuko-2 penetrated a potential significant oil column identified from formation pressure data and oil shows while drilling and in core, with good quality reservoir but flowed only water on drill stem test. The results are considered inconclusive and analysis is underway to consider further options to evaluate this reservoir.
- In March, the Company announced the results of a well test on the Ekales-1 discovery drilled in 2013 and located on the Basin Bounding Fault Play between the Ngamia-1 and Twiga South-1 discoveries. Testing operations on the Ekales-1 well confirmed this significant oil discovery. Two drill stem tests were completed and flowed at a combined rate of over 1,000 bopd from a combined 41 meter net pay interval. The upper zone had a very high productivity index of 4.3 stb/d/psi.
- In March, the Company announced the results of the Emong-1 well located in Block 13T (Kenya), 4 kilometers northwest of the Ngamia-1 field discovery. The well encountered oil and gas shows while drilling, however the Auwerwer sandstones that are the primary reservoirs in the Ngamia field were thin and poorly developed in Emong-1 and the well was plugged and abandoned. It is believed that the reservoir was poorly developed due to its proximity to the basin bounding fault and its location within what appears to be a local isolated slumped fault margin. This well, which was aimed at establishing an additional play, has no impact on the potential of the Ngamia oil accumulation or any other prospectivity in the discovered basin in Northern Kenya.
- In March, the Company completed a farmout transaction with Marathon Oil Corp. ("Marathon") whereby Marathon acquired a 50% interest in the Rift Basin Area leaving the Company with a 50% working interest. In accordance with the farmout agreement, Marathon was obligated to pay the Company $3.0 million in consideration of past exploration expenditures, and has agreed to fund the Company's working interest share of future joint venture expenditures to a maximum of $15.0 million with an effective date of June 30, 2012. Upon closing of the farmout, Marathon paid the Company $3.0 million in consideration of past exploration expenditures and $10.2 million being Marathon's and the Company's share of exploration expenditures from the effective date to the closing date of the farmout.

- In March, the Company completed a farmout transaction with New Age whereby New Age (Africa Global Energy) Limited ("New Age") acquired an additional 40% interest in the Company's Adigala Block leaving AOC with 10% working interest. In accordance with the farmout agreement, New Age is obligated to fund the Company's 10% working interest share of expenditures related to the acquisition of a planned 1,000 kilometer 2D seismic program to a maximum expenditure of $10.0 million on a gross basis, following which the Company would be responsible for its working interest share of expenditures.
- In May, the Company announced the results of the Twiga-2 appraisal well where the initial wellbore was drilled near the basin bounding fault and encountered some 18 meters of net oil pay within alluvial fan facies, with limited reservoir quality. A decision was made to sidetrack the well away from the fault to explore north of Twiga-1 and some 62 meters of vertical net oil pay was discovered in the Auwerwer formation at Twiga-2A, similar in quality to the initial Twiga-1 discovery. Testing at Twiga-2A is expected to commence in August.
- In May, the Company announced the results of the Sala-1 exploration well at Block 9 in Kenya, which tested a large prospect on the northeastern flank of the Cretaceous Anza rift, which is up-dip of two wells that had significant hydrocarbon shows. An upper gas bearing interval tested dry gas at a maximum rate of 6 mmcf/d from a 25 meter net pay interval. The interval had net sand of over 125 meters and encountered as gas-water contact so there is potential to drill up-dip on the structure where the entire interval will be above the gas-water contact. A lower interval tested low rates of dry gas from a 50 meter net pay interval which can also be accessed at the up-dip location. Significant oil shows were also encountered while drilling. The Sala-2 appraisal well located on the crest of the discovery spud in early August. The Company believes there is a very strong market for gas in Kenya and have already engaged in discussions with the Government of Kenya around a fast track gas to power development and discussions are also ongoing around securing PSC gas terms.
- In May, the Company drilled a new prospect in the discovered basin in Northern Kenya, the Ekunyuk-1 well, located on the Basin Flank Play on trend with the Etuko and Ewoi discoveries. The well encountered 5 meters of net oil pay and found 150 meters of good quality Lokhone sands, although there was a lack of trap at this level within the well. The quality of Lokhone sands indicates that there is further exploration potential in this area of the basin.
- In May, the Company completed drilling of the Shimela-1 exploration well at the South Omo Block in Ethiopia to test a new basin in the Tertiary trend, the Chew Bahir Basin, located on the eastern side of the block, but the well encountered water bearing reservoirs and volcanics with trace gas shows.
- In June, the Company announced the results of the Ngamia-2 appraisal well which was drilled 1.7 kilometers from the Ngamia-1 discovery well to test the northwest flank of the field. The well encountered up to 39 meters of net oil pay and 11 meters of net gas pay and appeared to have identified a new fault trap, north of the main Ngamia accumulation. Four to six additional appraisal wells are planned in the Ngamia field area, including the Ngamia-3 well which is currently drilling.
- In June, the Company drilled the Agete-2 exploratory appraisal well drilled some 2.2 kilometers southeast of Agete-1. The well intersected water bearing reservoirs at this down-dip location and further appraisal drilling is planned. Additionally in June, the Agete-1 well was tested at 500 bopd.
- In July, the Company completed drilling of the Gardim-1 exploration well on the eastern flank of the Chew Bahir Basin. The Gardim-1 well intersected lacustrine and volcanic formations, similar to those found in the Shimela-1 well, again minor intervals encountered gas shows. Drilling operations are being demobilized while these results are integrated into the regional basin model. Seismic interpretation continues on independent prospectivity elsewhere in the South Omo Block and the next phase of the Ethiopia exploration campaign will target these prospects.
- Additionally in Ethiopia, the Company and its partners completed the drilling of the El Kuran-3 appraisal well on Block 8 in the first half of the year. El Kuran-3 was an appraisal of a discovery made by Tenneco in the 1970's, and encountered a significant but tight gas-condensate zone in Jurassic Hammanlei carbonates. The well was suspended pending further evaluation. Options regarding the future of the blocks are being evaluated.
- The Company and its partners continue to actively acquire and process seismic data in Blocks 12A, 10BA, 10BB and 13T in Kenya. In Block 12A, a 674 kilometer 2D seismic program was completed in the first quarter and the crew has demobilized. In Block 10BB, a 750 kilometer North Kerio Basin 2D seismic program was completed in the first quarter and the crew is mobilizing to acquire a 600 kilometer 2D program split between Blocks 10BA, 10BB and 13T over the North Lokichar Basin. In Blocks 10BB and 13T, acquisition of a 550 square kilometer 3D seismic program over the discoveries and prospects along the Basin Bounding Fault Play in the discovered basin in Northern Kenya is ongoing and is scheduled to complete in the fourth quarter. In Ethiopia, the Company, as operator, and its partner are making preparations to acquire a minimum 400 kilometer 2D seismic program over the Rift Basin Area commencing in the fourth quarter. Also in Ethiopia, the Company and its partners continue to acquire a 1,000 kilometer 2D seismic program on the Adigala Block.
- Africa Oil ended the quarter with cash of $434.3 million and working capital of $360.1 million.
- The Company is currently working with its independent resource evaluator and expects to release an update to the contingent and prospective resources for the discovered basin in Northern Kenya in Blocks 10BB and 13T during the third quarter.

- The company has now graduated to the main board of the TSX and to the NASDAQ OMX Stockholm main board.
- Mark Dingley has been appointed to the role of Vice President, Operations of the Company, responsible for all of the Company's operated activities. Mr. Dingley has been with the Company since May, 2013 acting as the President of Africa Oil Ethiopia B.V. and Chief Operating Officer of Horn Petroleum Corp.. Mr. Dingley joined the Company after 12 years with Talisman Energy Inc. where he served as Vice President, Middle East Operations as well as General Manager, Peru; Manager, Corporate Security & Surface Risk; and Manager, Government Affairs & Deputy General Manager, Sudan. David Grellman, formerly Vice President, Operations will retire following the drilling of the Sala-2 appraisal well in Block 9.
- The Company has a significant exploration and appraisal program set out for 2014 which will see over 20 wells completed. The program is focused on drilling out the remaining prospect inventory in the discovered basin in Northern Kenya, appraising existing and future discoveries with the aid of the new 3D seismic survey, drilling three new basin opening wells in the second half of the year and progressing the development studies towards project sanction in the discovered basin in Northern Kenya. This significant program in 2014 is fully funded.

Keith Hill, President and CEO of Africa Oil, commented, "We are looking forward to the results of three new basin opening wells to be drilled in the second half of 2014 which have the potential to unlock significant value in terms of new prospects and resources. The ongoing drilling in the discovered basin in Northern Kenya has been quite helpful in understanding the distribution of the best reservoir facies and will no doubt be enhanced by the ongoing 3D seismic survey. We remain very bullish in not only the existing discoveries but in the remaining prospects in the discovered basin in Northern Kenya. Our goal is to open up at least one new basin and to move a significant number of barrels from prospective to contingent resources by the end of 2014 as we move the field development program forward."

Second Quarter 2014 Financial and Operating Highlights

Consolidated Statement of Net Loss and Comprehensive Loss
(Thousands of United States Dollars)
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	S Jun
Operating expenses				
Salaries and benefits	$ 464	$ 477	$ 922	$
Stock-based compensation	2,955	7,088	12,507	
Travel	288	446	597	
Office and general	232	257	416	
Donation	750	-	1,500	
Depreciation	17	12	34	
Professional fees	157	91	352	
Stock exchange and filing fees	882	162	1,071	
Impairment of intangible exploration assets	30,833	-	30,833	
	36,578	8,533	48,232	
Finance income	(433)	(464)	(824)	
Finance expense	5	1,354	86	
Net loss and comprehensive loss	36,150	9,423	47,494	
Net (income) loss and comprehensive (income) loss attributable to non-controlling interest	294	160	500	
Net loss and comprehensive loss attributable to common shareholders	35,856	9,263	46,994	
Net loss attributable to common shareholders per share				
Basic	$ 0.12	$ 0.04	$ 0.15	$
Diluted	$ 0.12	$ 0.04	$ 0.15	$
Weighted average number of shares outstanding for the purpose of calculating earnings per share				
Basic	310,528,286	252,735,463	310,249,223	25
Diluted	310,528,286	252,735,463	310,249,223	25

Operating expenses increased $28.0 million for the three months ended June 30, 2014 compared to the same period in the prior year. Upon further evaluating the drilling results of the El Kuran-3 well, the Company has written off $30.8 million of previously capitalized Blocks 7/8 exploration expenditures in Ethiopia. The $4.1 million decrease in stock-based compensation is result of 120,000 stock options of AOC issued to directors, officers and employees in the second quarter of 2014 versus 5,673,500 stock options of AOC issued to directors, officers and employees in the second quarter of 2013, of which one-third vested immediately. The Company made $0.8 million of donations to the Lundin Foundation in the second quarter of 2014 versus nil in the same period in 2013, resulting in a $0.8 million increase in operating expenses. Stock exchange and filing fees increased $0.7 as a result of costs associated with the graduation to the TSX in Canada and the NASDAQ OMX Stockholm main board.

Operating expenses increased $37.5 million for the six months ended June 30, 2014 compared to the same period in the prior year. Upon further evaluating the drilling results of the El Kuran-3 well, the Company has written off $30.8 million of previously capitalized Blocks 7/8 exploration expenditures in Ethiopia. The $4.7 million increase in stock-based compensation is mainly the result of an increase in the fair value of each stock option granted in the first half of 2014 compared to those granted in the first half of 2013. The increase in the fair market value is primarily attributable to the exercise price being higher for the options granted in the first half of 2014 compared to those granted in the first half of 2013. The Company made $1.5 million and $0.1 million of donations to the Lundin Foundation in the first half of 2014 and 2013, respectively, resulting in a $1.4 million increase in operating expenses. Stock exchange and filing fees increased $0.7 as a result of costs associated with the graduation to the TSX in Canada and the NASDAQ OMX Stockholm main board.

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

(Thousands of United States Dollars)
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Fair value adjustment - warrants	5	155	1	2,882
Interest and other income	387	309	823	681
Bank charges	(5)	(5)	(11)	(13)
Foreign exchange loss	41	(1,349)	(75)	(2,392)
Finance income	433	464	824	3,563
Finance expense	(5)	(1,354)	(86)	(2,405)

At June 30, 2014, nil warrants were outstanding in the Company. In June 2014, all of the remaining 9,546,248 Horn Petroleum Corp. ("Horn") warrants expired unexercised. The Company recorded a $0.001 million gain on the revaluation of warrants for the six months ended June 30, 2014 as the Horn warrants expired unexercised.

Interest income increased in the second quarter of 2014 due to an increase in cash as a result of the brokered private placement in October of 2013.

Foreign exchange gains and losses are primarily related to changes in the value of the Canadian dollar in comparison to the US dollar. Historically, the Company has recorded foreign exchange gains when the Canadian dollar has strengthened versus the US dollar, and has recorded losses when the Canadian dollar has weakened versus the US dollar.

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

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 350,052	$ 493,209
Accounts receivable	1,896	3,195
Prepaid expenses	1,366	1,379
	353,314	497,783
Long-term assets		
Restricted cash	1,700	1,250
Property and equipment	78	103
Intangible exploration assets	651,081	488,688
	652,859	490,041
Total assets	$ 1,006,173	$ 987,824

LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 108,048	$ 57,976
Current portion of warrants	-	1
	108,048	57,977
Total liabilities	108,048	57,977
Equity attributable to common shareholders		
Share capital	1,012,255	1,007,414
Contributed surplus	35,327	24,396
Deficit	(197,730)	(150,736)
	849,852	881,074
Non-controlling interest	48,273	48,773
Total equity	898,125	929,847
Total liabilities and equity	$ 1,006,173	$ 987,824

The increase in total assets from December 2013 to June 2014 is primarily attributable to intangible exploration expenditures incurred during the quarter in Kenya, Ethiopia and Puntland (Somalia).

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

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows provided by (used in):				
Operations:				
Net loss and comprehensive loss for the period	$ (36,150)	$ (9,423)	$ (47,494)	$ (9,535)
Items not affecting cash:				
Stock-based compensation	2,955	7,088	12,507	7,785
Depreciation	17	12	34	25
Impairment of intangible exploration assets	30,833	-	30,833	-
Fair value adjustment - warrants	(5)	(155)	(1)	(2,882)
Unrealized foreign exchange loss	(42)	1,116	75	2,235
Changes in non-cash operating working capital	51	(46)	(680)	(796)
	(2,341)	(1,408)	(4,726)	(3,168)
Investing:				
Property and equipment expenditures	(1)	(27)	(9)	(41)
Intangible exploration expenditures	(114,007)	(55,304)	(206,433)	(94,570)
Farmout proceeds	-	-	13,207	-
Changes in non-cash investing working capital	30,511	(7)	52,064	6,827
	(83,497)	(55,338)	(141,171)	(87,784)
Financing:				
Common shares issued	1,515	1,005	3,265	1,005
Deposit of cash for bank guarantee	-	(1,250)	(450)	(1,250)
Release of bank guarantee	-	450	-	744
	1,515	205	2,815	499
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	42	(1,116)	(75)	(2,235)
Decrease in cash and cash equivalents	(84,281)	(57,657)	(143,157)	(92,688)
Cash and cash equivalents, beginning of period	434,333	237,144	493,209	$ 272,175
Cash and cash equivalents, end of period	350,052	$ 179,487	350,052	$ 179,487
Supplementary information:				
Interest paid	Nil	Nil	Nil	Nil
Income taxes paid	Nil	Nil	Nil	Nil

The decrease in cash for the six months ended June 30, 2014 is mainly the result of intangible exploration expenditures and cash-based operating expenses, offset partially by proceeds received on the Rift Basin Area farmout.

Consolidated Statement of Equity
(Thousands United States Dollars)

(Unaudited)		June 30, 2014		June 30, 2013
Share capital:				
Balance, beginning of period	$	1,007,414	$	558,555
Exercise of options		4,841		1,468
Balance, end of period		1,012,255		560,023
Contributed surplus:				
Balance, beginning of period	$	24,396	$	12,123
Stock based compensation		12,507		7,785
Exercise of options		(1,576)		(463)
Balance, end of period		35,327		19,445
Deficit:				
Balance, beginning of period	$	(150,736)	$	(98,076)
Net loss and comprehensive loss attributable to common shareholders		(46,994)		(11,137)
Balance, end of period		(197,730)		(109,213)
Total equity attributable to common shareholders	$	849,852		470,255
Non-controlling interest:				
Balance, beginning of period	$	48,773	$	47,551
Net income (loss) and comprehensive income (loss) attributable to non-controlling interest		(500)		1,602
Balance, end of period		48,273		49,153
Total equity	$	898,125	$	519,408

The Company's consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three and six months ended June 30, 2014 and the 2013 Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

Outlook

The Company expects to have five drilling rigs operating through the remainder of 2014, one of which is currently being utilized as testing and completion rig. Completion of the brokered private placement in October 2013 increased the Company's liquidity and capital resource position which is expected to fully fund the Company's portion of 2014 exploration, appraisal and development activities.

The near term focus of exploration is to continue drilling out the remaining prospect inventory in the discovered basin in Northern Kenya, appraising existing and future discoveries with the aid of the new 3D seismic survey, drilling three new basin opening wells in the second half of the year and progressing the development studies towards project sanction in the discovered basin in Northern Kenya.

Given the significant volumes discovered and the extensive exploration and appraisal program planned to fully assess the upside potential of the basin, the Tullow-Africa Oil joint venture has agreed with the Government of Kenya to commence development studies. In addition, the partnership is involved in a comprehensive pre-FEED study of the export pipeline. The current ambition of the Government of Kenya and the joint venture partnership is to reach project sanction for development, including an export pipeline, by the end of 2015/early 2016. The governments of Kenya, Uganda and Rwanda have signed a MoU and formed a Steering Committee to progress a regional crude oil export pipeline from Uganda through Kenya. The Kenya upstream partners have also signed a cooperation agreement with the Uganda upstream partners in support of the same objective.

Africa Oil Corp. is a Canadian oil and gas company with assets in Kenya and Ethiopia as well as Puntland (Somalia) through its 45% equity interest in Horn Petroleum Corp.. Africa Oil's East African holdings are in within a world-class exploration play fairway with a total gross land package in this prolific region in excess of 215,000 square kilometers. The East African Rift Basin system is one of the last of the great rift basins to be explored. Seven new significant discoveries have been announced in the discovered basin in Northern Kenya in which the Company holds a 50% interest along with operator Tullow Oil Plc Good quality existing seismic show robust leads and prospects throughout Africa Oil's project areas. The Company is listed on the TSX and on NASDAQ OMX Stockholm main board under the symbol "AOI".

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

Contact

[Africa Oil Corp.](#)
Sophia Shane
Corporate Development
(604) 689-7842
(604) 689-4250
africaoilcorp@namdo.com
www.africaoilcorp.com