Africa Oil Announces Strong Second Quarter 2021 Financial Results

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VANCOUVER, Aug. 12, 2021 - (TSX: AOI) (Nasdaq-Stockholm: AOI) - Africa Oil Corp. ("Africa Oil", "AOC" or the "Com pleased to announce its financial and operating results for the three months ended June 30, 2021, and to provide selec for Prime Oil and Gas Cooperatief UA ("Prime"), a company in which Africa Oil has a 50% equity interest. View PDF ve

Highlights

- Net income of $38.4 million (first half 2021 total of $77.3 million) and end of quarter cash balance of $35.1 million
- Received a dividend for $37.5 million from Prime during the quarter and a further $37.5 million dividend in July.
- On August 2, 2021, Africa Oil announced the closing of its corporate debt facility with $160 million committed. The utilized $98 million of this new facility to fully repay its BTG term loan ("Term Loan") with the undrawn balance of available to Africa Oil until May 2022. This can be utilized for general corporate purposes, subject to customary co
- At end of July 30, 2021, AOC had an approximate cash balance of $42 million and net debt of $56 million.
- Selected Prime's second quarter 2021 results net to Africa Oil's 50% shareholding*:
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    - end of quarter cash position of $292.8 million that includes an amount of $152.5 million, which is 50% of the deposit received from Equinor in relation to the Agbami field;
    - average daily working interest ("W.I") production of 28,100 barrels of oil equivalent per day ("boepd) and ec entitlement production of 30,500 boepd (84% light and medium crude oil and 16% conventional natural gas)
    - EBITDA[4] of $155.1 million (first half 2021 total of $298.2 million) and cash flow from operations of $252.3 m 2021 total of $338.2 million).
- Post period, in July 2021, the OML 130 Gas Sales and Purchase Agreement was signed by Prime and all other p settling historical gas sales from July 2018. This will result in an additional $36 million of sales revenue with a net payment of $21 million expected in the third quarter 2021, in each case net to Africa Oil's 50% shareholding.
- Field operational performance remains strong and was enhanced by the removal of production limitations on Egin OPEC constraints.

Africa Oil President and CEO Keith Hill commented: "We are going from strength to strength on the back of excellent op performance and strong cash flows from our Nigerian assets. We have significantly deleveraged, reduced our cost of ca improved liquidity. I am very pleased with the strong cash position in Prime at end of the second quarter, standing at $2 net to our 50% shareholding. I am also encouraged by the initial positive indications of Nigeria's Petroleum Industry Bill expected to facilitate new project investments and support early license extensions. Our Kenya project continues to gai momentum and we look forward to the drilling of two high impact exploration wells, Venus and Gazania, by end of the y the improved financial position, Africa Oil is considering the option to institute a shareholder capital return program by e year, which could include a dividend policy and/or share buyback program, subject to the necessary approvals."

* Important information: Africa Oil's interest in Prime is accounted for as an investment in joint venture. Refer to Note 1 on page 4 for further details. Please also refer to other notes on page 4 for important information on the material presented.

2021 Second Quarter Financial Results
(Thousands United States Dollars, except Per Share and Share Amounts)

	30 June 2021	31 December, 2020
Cash and cash equivalents	35,090	40,474
Total assets	992,288	910,499
Short-term debt	123,000	-
Long-term debt	-	141,000
Total liabilities	165,574	156,212
Total equity attributable to common shareholders	826,714	754,287

	Six months ended	Six months ended	Three months e
	30 June, 2021	30 June, 2020	30 June, 2021
Share of profit from investment in joint venture	97,378	117,316	48,564
Share of (loss)/profit from investment in associates	(2,090)	57	(1,205)
Total operating income	95,288	117,373	47,359
Net operating income/(expense)	88,339	(103,983)	44,133
Net income/(loss)	77,304	(118,648)	38,384
Net income/(loss) per share - basic and diluted	0.16	(0.25)	0.08
Weighted average number of share outstanding - basic ('000s)	472,703	471,631	473,253
Weighted average number of share outstanding - diluted ('000s)	475,848	471,631	476,398
Number of shares outstanding ('000s)	473,360	471,950	473,360
Cash flows (used in)/ provided by operations	(6,841)	(754)	(3,065)
Cash flows used in investing	30,623	(467,634)	32,525
Cash flows (used in)/provided by financing	(29,154)	178,429	(23,800)
Total change in cash and cash equivalents	(5,384)	(290,036)	5,655
Total change in equity	72,427	(112,010)	44,504

The financial information in this table was selected from the Company's unaudited consolidated financial statements for the three months ended June 30, 2021. The Company's consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three months ended June 30, 2021 and 2020, and the 2020 Report to Shareholders and Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

FINANCIAL POSITION AND EARNINGS

The Company recognized net operating income amounting to $44.1 million during the three months ended June 30, 2021, compared with a net operating income of $27.0 million during the same period in 2020. Included in the Company's share of profit from equity investments is profit from its 50% investment in Prime of $48.6 million in the second quarter of 2021 compared with $31.7 million during the second quarter of 2020. Prime's profit in the second quarter of 2020 was affected by a non-cash impairment charge in the Egina field, reducing the profit from share of joint venture by $72.4 million.

As at June 30, 2021, the Company had cash of $35.1 million, compared with cash of $40.5 million at December 31, 2020.

Prime distributed one dividend to its shareholders in the second quarter of 2021 with $37.5 million received by Africa Oil. Prime distributed a further dividend in July 2021 with another $37.5 million received by Africa Oil. Since completing the acquisition of a 50% shareholding in Prime in January 2020 for $520 million, Africa Oil has received 8 dividends from Prime for a total amount of $275.0 million.

On May 13, 2021, the Company signed a new corporate loan corporate loan facility ("Corporate Facility"), with an amount up to $150.0 million and a three-year term, with $130 million committed at that time. Post signing, the facility amount and commitments were increased to $160 million. Completion occurred on July 16, 2021. On July 30, 2021, $98.0 million was drawn down under the Corporate Facility in order to repay the existing Term Loan in full, and an additional $62.0 million can be drawn until May 12, 2022, subject to the satisfaction of customary covenants. As at 30 July, 2021, the Company has a cash balance of $42.0 million and a net debt position of $56.0 million.

PRIME'S SECOND QUARTER 2021 PERFORMANCE

Production from the Egina field continued to be affected in the second quarter of 2021 by the OPEC+ quotas, but these were relaxed in June, with further increases to production planned in the second half of 2021. These quotas limited production from Egina in the second quarter of 2021 to an average of approximately 162,000 bopd, which compares to the first quarter 2021 average of 152,000 bopd. The quotas in June in respect of the Egina field were approximately 173,000 bopd. The approved July and August quotas are approximately 181,000 and 177,000 bopd respectively. In July 2021, OPEC+ members announced they would be gradually increasing the crude production quotas by 400,000 barrels per month from August 2021 to September 2022. This will result in Nigeria's production output increasing from 1.554 mb/d to 1.829 mb/d.

Prime's second quarter 2021 average daily W.I. production was 28,100 boepd and economic entitlement production was 30,500 boepd (84% light and medium crude oil and 16% conventional natural gas), net to Africa Oil's 50% shareholding in Prime.

During the second quarter of 2021, Prime was allocated four oil liftings with total sales volume of approximately 4.0 million barrels or 2.0 million barrels net to Africa Oil's 50% shareholding.

Prime has sold forward or hedged 100% of its second half 2021 cargoes at an average price of $58/bbl. These contracts are with counterparties including oil supermajors and commodity trading houses. The counterparties are part of groups with investment grade credit ratings. Only 21% of cargoes in 2022 have been hedged at an average price of $67/bbl, giving the Company exposure to improving oil prices associated with economic recovery.

Second quarter 2021 average operating cost of $6.0 per boe compares to first quarter 2021 average operating cost of $6.4 per boe.

Prime achieved second quarter 2021 sales revenue of $127.6 million (first half 2021 total of $280.9 million); EBITDA[4] of $155.1 million (first half 2021 total of $298.2 million) and cash flow generated from operating activities of $252.3 million (first half 2021 total of $338.2 million), in each case net to Africa Oil's 50% shareholding. Capital expenditure during the quarter, net to the Company's shareholding was $3.1 million (first half 2021 total of $5.7 million).

On June 25, 2021, Prime signed a Securitization Agreement with Equinor and Chevron, whereby Equinor agreed to pay a security deposit to the two other partners to secure future payments due under that Securitization Agreement, pending a comprehensive resolution being reached among all unit parties in respect of the tract participation in the Agbami field. In accordance with the Securitization Agreement, on

June 29, 2021 Prime received from Equinor its portion of the security deposit in the form of a cash payment of $305 million. A provision has been recorded to reflect the mechanism pursuant to which any such imbalance payments due from Equinor to Prime under the terms of any future agreement among the Agbami parties will be set-off against this security deposit. The parties will continue ongoing discussions in an attempt to seek final resolution of the formal redetermination of the Agbami tract participation.

As of June 30, 2021, Prime had a cash balance of $585.5 million or $292.8 million net to Africa Oil's 50% interest. Prime also had an outstanding debt balance of $1,114 million or $557 million net to Africa Oil's 50% interest.

2021 OPERATIONAL OUTLOOK

Nigeria's House of Representatives and Senate, that make up the National Assembly, passed the Petroleum Industry Bill ("PIB") in July 2021 which is expected to change the terms that are applied to Prime's licenses. This is expected to be signed into law by the President in 2021. A number of amendments to fiscal terms are currently envisaged and the impact of these is unclear until the PIB is published in final form. One of the amendments may include the imposition of deep-water royalties on the Company's producing assets in Nigeria. It is also anticipated that the PIB will eliminate the existing Petroleum Profit Tax and introduce a new corporate income tax regime with a lower headline tax rate. It is possible the PIB, once passed into law, could reduce investment uncertainties and facilitate new project investments, and support early extension of licenses that would benefit the Company's Nigerian assets.

In July 2021, the OML 130 Gas Sales and Purchase Agreement was signed by Prime and all other parties, settling historical gas sales from July 2018. Payment is anticipated in the third quarter. This will result in an additional $72 million of sales revenue to Prime ($36 million net to Africa Oil's 50% shareholding) for the three-year period from July 2018. This agreement has de-risked Prime's future cash flow generation as it facilitates regular payments to Prime for future gas sales from OML 130 assets.

There is no change to 2021 Management Guidance announced on February 26, 2021, which is copied below:

Guidance for Prime, net to AOC's 50% shareholding:	
W.I. production (boepd)	24,000-28,000
Economic entitlement production (boepd)	26,000-30,000
Cash flow from operations (million)	$310-$440
Capital investment (million)	$35-$50
Net Debt Repayment (million)	$210-$280
Africa Oil's corporate budget (million)	$18-$20

Through its 30.9% shareholding in Impact Oil & Gas ("Impact"), the Company has exposure to the Venus-1 exploration well in Block 2913B, offshore Namibia which is expected to spud by the end 2021. Venus-1 will target a large basin floor fan system with significant undiscovered petroleum initially in place that has been identified using 3D seismic data.

Africa Oil has interest in Block 2B, offshore South Africa through its direct and indirect (through Impact) shareholdings (effective combined interest of 31.2%) in Africa Energy Corp. ("Africa Energy").The Block 2B joint venture partners are finalizing the procurement of a rig to drill the Gazania-1 oil exploration well offshore South Africa in order to start drilling by the end 2021. Block 2B has significant contingent and prospective resources in shallow water close to shore and includes the A-J1 discovery from 1988 that flowed light sweet crude oil to surface. Gazania-1 will target two prospects in a relatively low-risk rift basin oil play up-dip from the discovery.

In Kenya, the JV partners are designing a field development plan for the South Lokichar development in collaboration with the government of Kenya in order to optimize the economics of the project, enhance its sustainability performance and secure a long-term extension of the licenses, while minimizing expenditures in the short term. The Company expects to provide a project update in September 2021.

NOTES

1. The 50% shareholding in Prime is accounted for using the equity method and presented as an investment in joint the Consolidated Balance Sheet. Africa Oil's 50% share of Prime's net profit or loss will be shown in the Consolid Statements of Net Income/Loss and Comprehensive Income/Loss. Any dividends received by Africa Oil from Prin recorded as Cash flow from Investing Activities. The guidance presented here is for information only.
2. Aggregate oil equivalent production data comprised of light and medium crude oil and conventional natural gas p to Prime's W.I. in Agbami, Akpo and Egina fields. These production rates only include sold gas volumes and not t volumes used for fuel, reinjected or flared.
3. Net entitlement production is calculated using the economic interest methodology and includes cost recovery oil, profit oil and is different from working interest production that is calculated based on project volumes multiplied by effective working interest in each license.
4. Earnings Before Interest, Tax, Impairment, Depreciation and Amortization ("EBITDA") is not a generally accepted measure under International Financial Reporting Standards ("IFRS") and does not have any standardized meanin by IFRS and, therefore, may not be comparable with definitions of EBITDA that may be used by other public com Non-IFRS measures should not be considered in isolation or as a substitute for measures prepared in accordanc
5. All dollar amounts are in United States dollars unless otherwise indicated.

About Africa Oil

[Africa Oil Corp.] is a Canadian oil and gas company with producing and development assets in deepwater Nigeria; development assets in Kenya; and an exploration/appraisal portfolio in Africa and Guyana. 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 is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, at 5:30 p.m. ET on August 12, 2021.

Advisory Regarding Oil and Gas Information

The terms boe (barrel of oil equivalent) is used throughout this press release. Such terms may be misleading, particularly if used in isolation. Production data are based on a conversion ratio of six thousand cubic feet per barrel (6 Mcf: 1bbl). This conversion ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion on a 6:1 basis may be misleading as an indication of value.

Forward Looking Information

Certain statements 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.

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, ongoing uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements, including statements pertaining to instituting a dividend policy or implementing a share buyback program, utilization and drawdown under the new Corporate Loan facility, performance of commodity hedges, the results, schedules and costs of exploratory drilling activity, uninsured risks, regulatory and fiscal changes, availability of materials and equipment, unanticipated environmental impacts on operations, duration of the drilling program, availability of third party service providers and defects in title. 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 macro-economic conditions and their impact on operations, changes in oil prices, reservoir and production facility performance, hedging counterparty contractual performance, OPEC+ quota impact on production, results of exploration and development activities, cost overruns, uninsured risks, regulatory and fiscal changes, defects in title, claims and legal proceedings, availability of materials and equipment, availability of skilled personnel, timeliness of government or other regulatory approvals, actual performance of facilities, joint venture partner underperformance, availability of financing on reasonable terms, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated environmental, health and safety impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements.

SOURCE Africa Oil Corp.

Contact
Shahin Amini, IR and Commercial Manager, shahin.amini@africaoilcorp.com, T: +44 (0)203 982 6800;
Sophia Shane, Corporate Development, sophias@namdo.com, T: +1 (604) 806-3575