

CALGARY, May 1, 2015 /CNW/ - [Oando Energy Resources Inc.](#) ("OER" or the "Company") (TSX: OER), a company focused on oil and gas exploration and production in Nigeria, today announced financial and operating results for the quarter ended March 31, 2015. The unaudited consolidated financial statements, notes and management's discussion and analysis pertaining to the period are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com and by visiting www.oandoenergyresources.com. All monetary figures reported herein are U.S. dollars unless otherwise stated.

"The recent acquisition of the Nigerian upstream business of [ConocoPhillips Company](#) again drove substantial improvements in production over the prior year period and daily production remained relatively consistent on a sequential basis compared with the fourth quarter of 2014," said Pade Durotoye, CEO of [Oando Energy Resources Inc.](#) "During the first quarter of the year, as oil prices continued to weaken, we proactively took measures to improve liquidity by realizing \$226.2 million of approximately \$313.7 million in total fair value through settlement and re-establishing our financial commodity contracts at lower prices. Although we took a one time financial charge of \$16.4 million relating to the resetting of the financial commodity hedges, we are better positioned for the future as we now enjoy reduced debt levels and lower future interest payments. Working with our partners, we have taken prudent action to reduce operating costs and defer some capital projects while focusing on high return production enhancement and rigless interventions to strengthen our production base. We are also advancing work on additional opportunities to strengthen our balance sheet as we manage our way through this lower and volatile commodity price environment."

The Company today also announced that Mr. Ronald Royal has joined its board of directors and that Lead Director Mr. Chris Harrop is leaving the board. Mr. Bill Watson has assumed the role of Lead Director.

Mr. Ronald Royal has over 40 years of experience in the oil and gas industry. From 2002 until his retirement in 2007, he was President & General Manager of Esso Chad where he oversaw the development of the Chad Development Project; one of the oil industry's largest investments in sub-Saharan Africa. Prior to 2002, he was the General Manager & Production Manager of Esso REP in France for 12 years. He was awarded the title of "Chevalier de l'Ordre National du Chad" for his contribution to the economic development of Chad in 2003. Presently, he is a director of Valeura Energy Incorporated, and has previously been a director with [Caracal Energy Inc.](#), Esso REP, Esso Chad, Tchad Oil Transportation Company, and Cameroon Oil Transportation Company. Ron holds a Bachelor's Degree in Applied Science from University of British Columbia, and is a member of Canada's Institute of Corporate Directors, and a Graduate of its Directors' Education Program. He is also a member of the Association of Professional Engineers & Geoscientists of Alberta, Canada.

"We thank our outgoing Director, Mr. Chris Harrop, for his services and dedication to the Company during his time as the Lead Director," said Mr Durotoye. "We would also like to welcome Mr. Ronald Royal to our board."

Key Operational and Financial Highlights

- In the first quarter of 2015 production increased to 5.0 MMboe (average 55,399 boe/day) from 0.4 MMboe (average 4,531 boe/day) in first quarter 2014 and was consistent with 5.0 MMboe achieved in the fourth quarter of 2014. The increase from first quarter 2014 to first quarter 2015 is primarily from the Nigerian onshore and offshore assets acquired from the [ConocoPhillips Company](#) ("COP Acquisition") that included substantial production from OMLs 60 to 63, significant reserves and resources, and a considerable base of development and exploration opportunities;
- The Company has hedged 9,958 bbl/day of crude oil production between \$65/bbl and \$85/bbl until July 2017 and January 2019, respectively, with further upside available if certain price targets were met. The financial hedges represented 49% of the first quarter production rates of crude oil. In February 2015, the Company reset their previous hedges and received \$226.2 million in net cash (\$234.0 million including scheduled February cash settlements) that was used to repay debt; and
- In March 2015, OER announced that initial production commenced from the Qua Iboe field at approximately 2,150 boepd gross.

Financial Highlights

The table below summarizes selected annual financial and operational information for the three months ended March 31, 2015, December 31, 2014, and March 31, 2014.

US\$'000, unless otherwise stated

Three Months Ended

Mar 31 Dec 31 Mar 31

2015 2014 2014

Financial:

Revenue	132,415	174,042	32,163
Funds from operations ¹	49,365	52,945	20,316
Comprehensive income (loss)	(21,096)	(199,595)	(39,881)
Net income (loss) per share: Basic	(0.03)	(0.40)	(0.14)
Net income (loss) per share: Diluted	(0.03)	(0.40)	(0.14)
Total assets	2,971,858	3,242,791	1,689,937
Total non-current liabilities	1,033,688	1,088,996	274,812

Operational:

Production

Crude Oil (bbl)	1,844,576	2,000,821	407,802
NGL (boe)	341,491	291,907	-
Natural Gas (mcf)	16,799,262	16,449,778	-
Total Production (boe)	4,985,944	5,034,358	407,802

Daily Production:

Crude Oil (bbls/day)	20,495	21,748	4,531
NGL (boe/day)	3,794	3,173	-
Natural Gas (mcf/day)	186,658	178,802	-
Total (boe/day)	55,399	54,721	4,531

Average Selling Prices ²

Crude Oil (\$/bbl)	60.55	81.29	111.40
NGL (\$/boe)	11.17	10.91	-
Natural Gas (\$/mcf)	1.79	2.21	-

¹ See definition under non-GAAP measures.

² Before royalties and the Government share of profit oil.

For the quarter ended March 31, 2015 the Company reported:

- Net revenue was \$132.4 million in the first quarter of 2015, an increase of \$100.2 million over \$32.2 million earned in the first quarter of 2014, primarily as a result of the COP Acquisition producing assets of OML 60 to 63. Revenues in the first quarter of 2015 decreased by \$41.6 million from \$174.0 million in the fourth quarter of 2014, with the quarter to quarter decrease resulting from lower crude oil prices;
- The Company had a net loss of \$21.1 million in the first quarter of 2015, as compared to a net loss of \$39.9 million in the first quarter of 2014. The net income improvement, which included a one-time charge of \$16.4 million associated with the resetting of our Financial Hedge instruments, which was primarily influenced by operations at OMLs 60 to 63, and was partially offset by financing expenses, general and administrative costs ("G&A") increases and increased depletion;

- Production expenses increased to \$64.9 million from \$7.6 million in 2014. The increase was primarily due to additional production expenses from OMLs 60 to 63 of \$58.6 million. Fourth quarter 2014 production expenses were \$62.8 million, which was \$2.1 million lower than the first quarter of 2015. Production expenses per boe improved to \$13.01/boe in the first quarter from \$18.55/boe in the first quarter of 2014;
- G&A costs for 2015 increased to \$18.5 million from \$5.6 million in the first quarter of 2014. The increase was primarily related to increased employee costs and administrative expenses related to the significant growth of OER. As a result of the increased volumes, G&A/boe improved to \$3.70 in the first 3 months of 2015 as compared to \$13.72 the equivalent in 2014;
- First quarter funds from operations increased to \$49.4 million, from \$20.3 million in the first quarter of 2014 and decreased compared to \$52.9 million in the fourth quarter of 2014. The increase from the first quarter of 2014 was primarily as a result of increased cash flow generated by the new production assets acquired in the third quarter of 2014 and the decrease from quarter to quarter was a result of lower crude oil prices;
- Capital expenditures of \$37.8 million were incurred in the first quarter of 2015. The capital expenditures consisted of \$20.8 million at OMLs 60 to 63, \$12.8 million at OML 125 and \$3.9 million spent at Qua Ibo and Ebendo;
- As at March 31, 2015, OER had a working capital deficiency of \$662.7 million, as compared to a working capital deficiency of \$567.2 million at December 31, 2014. The change in working capital was primarily related to paying down non-current borrowings with current assets;
- At December 31, 2014, the Company was required to calculate a current ratio covenant on the \$450 million loan which required the ratio to be not less than 1.1. The current ratio calculated by the Company was 0.7. Subsequent to December 31, 2014, the lenders clarified the calculation of the current ratio calculation at December 31, 2014 to exclude certain amounts arising from the acquisition of COP Nigeria and other items which the lenders agreed to exclude. This modified calculation resulted in the covenant calculation being in compliance with the lending agreement terms. If there are no further calculation clarifications or waiver of the current ratio covenant, the Company will have to apply normal covenants at June 30, 2015; and
- During the quarter the Company took measures to improve liquidity by crystallizing \$226.2 million of approximately \$313.7 million in total fair value through settlement and re-establishing its financial commodity contracts at lower prices as stated above. That amount received and available cash was used to repay \$238.1 million of debt in addition to scheduled loan repayments, resulting in reduced debt levels and lower future interest payments. As a result, a charge of \$16.4 million related to unamortized transaction costs associated with the portion of the borrowings repaid was recorded in the period.

Selected Quarterly Results

The table below summarizes selected financial and operational information for the last eight quarters. The Corporation's quarterly results have been impacted primarily by acquisitions, fluctuating commodity prices, asset impairments, gains and losses on financial instruments, and borrowing activities.

US\$'000, unless otherwise stated

	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
	2015	2014	2014	2014	2014	2013	2013	2013
Production (boe)	4,985,943	5,035,053	3,248,158	413,985	407,803	406,029	363,032	353,145
Total Revenue	132,415	174,042	184,777	30,440	32,163	23,976	37,461	36,072
Net Income (loss) for the Period	(21,096)	(199,595)	89,541	(137,668)	(39,881)	(41,008)	11,645	(1,168)
Earnings Per Share	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)	0.12	(0.01)
Diluted Earnings Per Share	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)	0.12	(0.01)
Capital Expenditures	37,804	41,206	52,910	24,355	42,550	45,573	29,684	36,353
Total Assets	2,971,858	3,242,791	3,693,880	1,662,142	1,689,937	1,299,422	1,223,808	1,193,585
Total Non-Current Liabilities	1,033,688	1,088,996	1,523,019	245,925	274,812	275,195	206,150	207,981

Operational Update and Outlook

In the first quarter of 2015, the Corporation spent \$37.8 million on the development of oil and gas assets and exploration and evaluation activities, as compared to \$42.1 million in the same quarter of 2014.

OML 60-63

During the first quarter of 2015 capital expenditures on OMLs 60 to 63 totaled \$20.8 million. Capital expenditures included \$10.8 million spent on development drilling and completion activities in the Ogbainbiri Deep 4 well and \$4.6 million was spent on pipeline upgrades. In addition, \$5.4 million was spent on other capital maintenance projects, moveable assets and geophysical exploration studies.

In 2015, the Company estimates that \$35.6 million will be expended on crude oil related projects and \$24.1 million on gas

projects in the OMLs 60 to 63 areas. The anticipated crude oil development expenditures include significant investment in environmental and safety projects, new development drilling, and completions and recompletions of previously drilled wells. Planned natural gas projects consist of drilling and completing new wells, along with enhancements to natural gas facilities and pipelines.

Qua Ibo

In the first quarter of 2015, the Company incurred capital expenditures of \$1.6 million on pipeline and crude oil facility costs to allow for new production from the Qua Ibo field. The Corporation commenced production to build inventory from this field near the end of February of 2015 and anticipates first sales to occur in the second quarter of 2015. Throughout 2015, the Company has estimated \$0.6 million in capital expenditures for facility enhancements.

Ebendo

In the first quarter of 2015, the Company incurred \$2.4 million in capital expenditures at Ebendo, which included the pipeline repairs and maintenance and drilling site preparation costs. Throughout 2015, the Corporation has estimated \$7.7 million in capital expenditures for facility and pipeline overhauls and enhancements.

OML 125

The Company incurred \$12.8 million of capital expenditures in the first quarter of 2015 at OML 125 related to gathering and transportation infrastructure enhancements and facility maintenance. The enhancements included \$11.5 million spent on Abo phase 3 gathering and transportation construction and maintenance, along with \$1.3 million on its floating production storage and offloading vessel ("FPSO") on capital maintenance.

In 2015, the Company estimates \$67.1 million of capital expenditures being incurred on the OML 125 Asset. The planned expenditures include gathering system construction projects, drilling and completion of ABO 12 Upper and ABO 13, along with safety projects and extending the life of the FPSO. The Corporation has a funding arrangement with the operator of OML 125 that allows it to defer the payment of cash calls monthly and allows the operator to take delivery and sell the Corporation's share of crude oil from the block to settle any outstanding cash call. This arrangement does not result in an adjustment to the Company's working interest.

Current Outlook

The Company expects the rest of 2015 to continue to be challenging for the Oil and Gas industry as a whole, as global crude oil prices could remain at current low levels for the rest of the year, and possibly beyond. That notwithstanding, the Company remains well positioned as a result of the assets acquired in 2014 which include substantial production, reserves, and resources, and a considerable base of development and optimization opportunities. In addition, the Company has taken prudent steps to hedge via financial instruments about 45% of its oil production between \$65 and \$85 per bbl and earns about 23% of its gross revenue from natural Gas with pricing based on long term contracts that are not susceptible to the same volatility as oil prices.

Furthermore, as a result of decreasing its borrowings by \$238 million, the Company expects to incur lower interest expense for the balance of the year. Finally, the Company is advancing efforts to refinance its \$100 million subordinated debt facility into a term loan of 4 to 5 years.

Non-GAAP Measures

Funds from Operations

Funds from operations is not a measurement defined in IFRS, but is a financial term commonly used in the oil and gas industry. The Company believes that in addition to cash flows from operating activities as reported in the interim consolidated statements of cash flows, funds from operations is a useful supplemental measure, as it provides an indication of the funds generated by the OER's principal business activities prior to adjusting for changes in non-cash working capital. The Company considers this to be a key measure of performance as it demonstrates its ability to generate cash flow necessary to fund growth through additional capital investments. Funds from operations may not be directly comparable to similar measures presented by other companies, as there is no standardized measure. A reconciliation of funds from operations to cash flows from operating activities is available under results of operations in the Company's MD&A for the quarter ended March 31, 2015.

About Oando Energy Resources Inc. (OER)

OER currently has a broad suite of producing, development and exploration assets in the Gulf of Guinea (predominantly in Nigeria). OER's sales production was 55,399 boe/d for the month ended March 31, 2015.

Cautionary Statements

More information about the Company's oil and gas assets, including cautionary language regarding the estimation of reserves

and resources, can be found in the most recent Form 51-101F1 filed under the Company's profile on SEDAR at www.sedar.com. "Gross" or "gross" means, when used in relation to production, reserves and resources, OER's working interest share of production, reserves and resources before deduction of royalties. "Net" or "net" means, when used in relation to production, reserves and resources, either OER's working interest share of production, reserves and resources after deduction of royalties or OER's entitlement to production reserves and resources after deduction of royalties and PPT for production sharing contracts. In relation to OER's interest in wells, "Net" or "net" means the number of wells obtained by aggregating OER's working interest in each of its gross wells. In relation to OER's interest in property, "Net" or "net" means the total area in which OER has an interest multiplied by the working interest owned by OER. "WI" means with respect to interests governed by a JOA, PSC, farm-in agreement or farm-out agreement, the undivided interest of such party (expressed as a percentage of the total interests of all parties in the contract) in the rights and obligations derived from such contract, which may be an operating or non-operating interest.

Oil and Gas Equivalents

Production information is commonly reported in units of barrel of oil equivalent ("boe" or "Mboe" or "MMboe") or in units of natural gas equivalent ("Mcf" or "MMcf" or "Bcf"). However, boe's or Mcf's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf = 1 barrel, or a Mcf conversion ratio of 1 barrel = 6 Mcf, is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Readers are cautioned that boe may be misleading, particularly if used in isolation.

Forward Looking Statements:

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. In particular, this news release contains forward-looking statements relating to intended acquisitions.

Although the Company believes that the expectations and assumptions on which such forward-looking statements and information are reasonable, undue reliance should not be placed on the forward-looking statements and information because the Company can give no assurance that such statements and information will prove to be correct. Since forward-looking statements and information address future events and conditions, by their very nature they involve inherent risks and uncertainties.

Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: risks related to international operations, the integration of assets acquired under the COP acquisition, the actual results of current exploration and drilling activities, changes in project parameters as plans continue to be refined and the future price of crude oil. Accordingly, readers should not place undue reliance on the forward-looking statements. Readers are cautioned that the foregoing list of factors is not exhaustive.

Additional information on these and other factors that could affect the Company's financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com) under the Company. The forward-looking statements and information contained in this news release are made as of the date hereof and the Company undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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