CALGARY, Aug. 4, 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 three and six months ended June 30, 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.

"While the second quarter of 2015 continued to be a challenging time for the oil and gas industry as a whole, OER has continued to consolidate the assets we acquired in 2014, and reduce expenses," said Pade Durotoye, CEO of Oando Energy Resources Inc. "As a result, we are happy to report that production levels have increased to 5.2 MMboe in Q2 2015, an increase of 4% over the first quarter of 2015, and production expenses have been reduced to $9.90/boe, an improvement of 24% compared to the first quarter of 2015. As we head into the second half of 2015, we will continue with our cost reduction strategies while working with our joint venture partners to identify production optimization opportunities that provide the best return on investment. I am also happy to report that we have recovered from our production losses experienced as a result of the fire incident at the Ebocha facility and are now producing at pre-incident levels in line with our expectations."

Key Financial and Operational Highlights

- In the second quarter of 2015 production increased to 5.2 MMboe (average 56,917 boe/day), up from 0.4 MMboe (average 4,549 boe/day) in the second quarter of 2014, and an increase from 5.0 MMboe (average 55,399 boe/day) achieved in the first quarter of 2015. During the six months ended June 30, 2015, production increased to 10.2 MMboe (average 56,163 boe/day), compared with 0.8 MMboe (average 4,540 boe/d) in the same period of 2014. The production increase in 2015 over the same period in 2014 is primarily attributable to the Nigerian onshore and offshore assets acquired from the ConocoPhillips Company ("COP Acquisition"), which included substantial production from OMLs 60 to 63, significant reserves and resources, and a considerable base of development and exploration opportunities.
- Net revenue was $90.2 million in the second quarter of 2015, an increase of $59.8 million over $30.4 million earned in the second quarter of 2014. During the six months ended June 30, 2015 revenues increased to $222.7 from $62.6 million recognized in the same period of 2014. The increase in revenue between the 2015 and 2014 periods is primarily as a result of the COP Acquisition, specifically the producing assets OMLs 60 to 63. Revenues in the second quarter of 2015 decreased $42.2 million from $132.4 million realized in the first quarter of 2015; the decrease was mainly the result of a portion of second quarter production (with a market value of $23.6 million) not being sold until early July 2015 to accommodate changes to customer lifting schedules.
- The Company has continued to hedge 9,795 bbl/day of crude oil production at $65/bbl (average) with expiries ranging from July 2017 to July 2019, and further upside if certain price targets are met. The hedges represent 47% of second quarter production rates of crude oil.

Selected Financial and Operational Highlights

The table below summarizes selected financial and operational information for the three months ended June 30, 2015, March 31, 2015, and June 30, 2014, and the six months ended June 30, 2015 and June 30, 2014.

US$'000, unless otherwise stated

	Three Months Ended			Six Months Ended	
	Jun 30 2015	Mar 31 2015	Jun 30 2014	Jun 30 2015	Jun 30 2014
Financial:					
Revenue	90,240	132,415	30,440	222,655	62,603
Funds from operations[1]	23,813	49,365	(11,808)	73,178	8,508
Comprehensive income (loss)	(29,255)	(21,096)	(137,668)	(50,351)	(177,549)
Net income (loss) per share: Basic	(0.04)	(0.03)	(0.24)	(0.06)	(0.41)
Net income (loss) per share: Diluted	(0.04)	(0.03)	(0.24)	(0.06)	(0.41)
Total assets	2,922,598	2,971,858	1,662,142	2,922,598	1,662,142
Total non-current liabilities	1,201,823	1,033,688	245,925	1,201,823	245,925
Operational:					
Production					
Crude Oil (bbl)	1,889,965	1,844,576	413,984	3,734,541	821,786
NGL (boe)	333,381	341,491	-	674,872	-
Natural Gas (mcf)	17,736,211	16,799,262	-	34,535,483	-
Total Production (boe)	5,179,383	4,985,944	413,984	10,165,327	821,786
Daily Production:					
Crude Oil (bbls/day)	20,769	20,495	4,549	20,633	4,540
NGL (boe/day)	3,664	3,794	-	3,729	-
Natural Gas (mcf/day)	194,904	186,658	-	190,804	-
Total (boe/day)	56,917	55,399	4,549	56,163	4,540
Average Selling Prices [2,3]					
Crude Oil ($/bbl)	66.81	60.55	106.22	62.98	108.79
NGL ($/boe)	12.09	11.17	-	11.62	-
Natural Gas ($/mcf)	1.98	2.24	-	2.11	-

[1] See definition under non-GAAP measures.

[2] Before royalties and the Government share of profit oil.

[3] Average selling prices are calculated from volumes sold during the period.

For the quarter ended June 30, 2015 the Company reported:

- A net loss of $29.3 million was realized in the second quarter of 2015, compared with a net loss of $137.7 million in the second quarter of 2014. During the six months ended June 30, 2015 the Company incurred a net loss of $50.4 million, compared with a net loss of $177.5 million in the same period of 2014. The significant improvement in net income between the periods of comparison was primarily influenced by the significantly lower financial instrument losses in 2015, and increased earnings from the operations at OMLs 60 to 63, partially offset by the increased depletion in 2015.

- Production expenses in the second quarter of 2015 increased to $51.3 million from $8.0 million in 2014, and during the six months ended June 30, 2015 increased to $116.1 million from $15.6 million in the first half of 2014. The increases in the three and six month ended periods were primarily due to additional production expenses from OMLs 60 to 63. Production expenses per boe improved to $11.42/boe in the first half of 2015, compared to $18.93/boe in the same period of 2014.
- General and administrative costs ("G&A") for the second quarter of 2015 increased to $16.8 million from $13.4 million in the second quarter of 2014. During the six months ended June 30, 2015 G&A increased to $35.2 million, from $19.0 million in the first half of 2014. The increase was primarily related to higher employee costs and administrative expenses related to the significant growth of OER since the COP Acquisition. On a per boe basis, G&A was $3.46/boe during the first half of 2015 as compared to $23.10/boe in the same period of 2014, due to the significant increase in production relative to the G&A increase.
- Second quarter funds from operations increased to $23.8 million, from negative $11.8 million in the second quarter of 2014. During the first half of 2015 the funds from operations increased to $73.2 million, from $8.5 million in the same period of 2014. The increases in 2015 over 2014 were primarily a result of increased cash flow generated by the new production assets acquired in the third quarter of 2014. The second quarter funds from operations decreased by $25.6 million from the first quarter amount of $49.4 million primarily as a result of decreased sales from changes to crude oil lifting schedules.
- Capital expenditures of $19.1 million and $56.9 million were incurred during the three and six months ended June 30, 2015, respectively, compared with $24.8 million and $66.9 million incurred during the three and six months ended June 30, 2014, respectively. During the first half of 2015, the capital expenditures consisted of $25.8 million at OMLs 60 to 63, $25.5 million at OML 125, $2.9 million spent at Qua Ibo and Ebendo, and $2.8 million on other assets.
- As at June 30, 2015, OER had a working capital deficiency of $505.5 million, compared with a working capital deficiency of $567.2 million at December 31, 2014. The improvement in working capital was primarily related to the reclassification of current borrowings to non-current borrowings as a result of meeting loan covenant requirements in the second quarter, which was partially offset by repayments of borrowings. In June 2015, the Company received consent from the lenders of its $450 million loan to waive the current ratio requirement for the periods ending June 30, 2015, December 31, 2015, and June 30, 2016. At June 30, 2015 the Company was in compliance will all other loan covenants. As a result, the current and long-term portions of the loans have been classified according to their maturity as set out by loan repayment schedules.
- On June 28, 2015 there was a fire involving two crude storage tanks at the Ebocha Oil Centre in Rivers State, Nigeria, and a third tank subsequently collapsed. As a result of the incident, impairment charges of $6.7 million were incurred, reflecting the Company's share of the infrastructure and facilities that were damaged. In addition, on July 9, 2015, a fire occurred during the inspection and repair of the Tebidaba-Clough Creek pipeline resulting in the tragic death of 14 contract personnel. The extent of the damage is currently unknown but it will not likely have a significant impact on crude oil deliveries. Both incidents are currently being investigated by the operator, OER, and government agencies.
- In July 2015 the Company extended the repayment date on the $100 million subordinated debt facility to October 8, 2015 and is currently negotiating an increase to the capacity of the $450 million senior secured facility which, if successful, will be used to repay the $100 million subordinated debt.

Selected Quarterly Results

The table below summarizes selected financial and operational information for the last eight quarters. The Company'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

	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Production (boe)	5,179,383	4,985,944	5,034,358	3,248,158	413,984	408,497	406,029	363,032
Total Revenue	90,240	132,415	174,042	184,777	30,440	32,163	23,976	37,461
Net Income (loss) for the Period	(29,255)	(21,096)	(199,595)	89,541	(137,668)	(39,881)	(41,008)	11,645
Earnings Per Share	(0.04)	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)	0.12
Diluted Earnings Per Share	(0.04)	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)	0.12
Capital Expenditures	19,127	37,804	41,206	52,910	24,355	42,550	45,573	29,684
Total Assets	2,922,598	2,971,858	3,242,791	3,693,880	1,662,142	1,689,937	1,299,422	1,223,808
Total Non-Current Liabilities	1,201,823	1,033,688	1,088,996	1,523,019	245,925	274,812	275,195	206,150

Operational Update and Outlook

During the second quarter of 2015 the Company spent $19.1 million on the development of oil and gas assets and exploration and evaluation activities, compared with $24.8 million in the same quarter of 2014. Expenditures in the quarter included $12.7 million at OML 125 on gathering and transportation infrastructure enhancements and facility maintenance. Spending of $5.0 million at OMLs 60 to 63 included completions, geophysical exploration studies and capital maintenance. In addition, $1.4

million was expended on other capital expenditures.

OMLs 60-63

During the six months ended June 30, 2015 capital expenditures on OMLs 60 to 63 totalled $25.8 million. Capital expenditures during the period included $11.5 million spent on development drilling and completion activities in the Ogbainbiri Deep 4 well, $11.8 million was spent on pipeline and facility upgrades and $2.5 million was spent on 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 half of 2015, OER incurred capital expenditures of $1.5 million on pipeline and crude oil facility costs to facilitate the new production from the Qua Ibo field, which commenced production in late February 2015. The Company realized its first sales from production at Qua Ibo in the second quarter of 2015. Throughout 2015, the Company has estimated $0.6 million in capital expenditures for facility enhancements.

Ebendo

During the six months ended June 30, 2015, the Company incurred $1.4 million in capital expenditures at Ebendo, which included pipeline repairs and maintenance, and drilling site preparation costs. Throughout 2015, the Company has estimated $7.7 million in capital expenditures for facility and pipeline overhauls and enhancements.

OML 125

The Company incurred $25.5 million of capital expenditures during the first half of 2015 at OML 125 related to gathering and transportation infrastructure enhancements, and facility maintenance. The enhancements included $20.1 million spent on Abo phase 3 gathering and transportation construction, $2.4 million on well recompletion costs, $2.1 million on its floating production storage and offloading vessel ("FPSO"), and $0.9 million on capital maintenance projects.

In 2015, the Company has estimated $67.1 million in capital expenditures 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. As at June 30, 2015, OER has been advanced $76.8 million from the operator of OML 125. The arrangement with the operator of OML 125, which is in-line with the joint operating agreement, allows the Company to defer the payment of cash calls until revenue from OML 125 is realized.

Other Assets

Other asset capital expenditures include capital expenditures on OML 131, OML 134 and Equator Exploration Limited. During the six months ended June 30, 2015, OER spent $2.8 million, respectively, on preliminary geological studies and other equipment during the period. Throughout 2015, the Company estimates $3.7 million of capital expenditures will be incurred on other projects to assess the geological and geophysical aspects of the project areas, along with the environmental impacts.

Current Outlook

The first half of 2015 has been a challenging period for the Company. Lower crude oil prices have reduced revenues and operating cash flows. Interest and principal payments were reduced as a result of first quarter debt repayments. In July 2015, OER successfully extended the repayment date on the $100 million subordinated debt facility to October 8, 2015, and is currently negotiating an increase to the capacity of the $450 million secured facility by $110 million. The Company intends to repay the $100 million loan with the increased capacity from the $450 million senior secured facility, which will effectively extend principal repayments over a 4 to 5 year period.

The Company expects 2015 to continue to be a challenging year for OER and the oil and gas industry as a whole. Global crude oil prices have been volatile and could remain at current low levels for the remainder of 2015, and possibly longer, reducing potential revenues and operating cash flows. Despite this, OER remains well positioned due to the assets acquired in 2014, which include substantial production, significant reserves and resources, and a considerable base of development and exploration opportunities. The Company has hedged 9,795 bbl/day of crude oil production at $65 per bbl (47% of second quarter crude oil produced). Approximately 25% of gross revenue comes from natural gas which is subject to pricing that has not been as volatile as crude oil prices. Furthermore, OER, as an indigenous company, benefits from the initiatives offered by the Nigerian government to increase the participation of Nigerian companies in Nigeria's oil and gas industry, by means of preferential tax rates and oil and gas opportunities through the Marginal Field Development Program

For the remainder of 2015, OER expects to continue with its strategy to optimize production and capital expenditures. Additionally, the Company continues to work with its joint venture partners to identify initiatives that provide the best return on investment in 2015. As a result of decreasing our borrowings by $236.8 million through prepayment and scheduled debt repayments, OER expects to continue to incur lower future interest costs. Finally, the Company continues to employ prudent cost management strategies to reduce production expenses and G&A.

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 OER's principal business activities prior to adjusting for proceeds from early hedge settlements and 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 three and six months ended June 30, 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). Average production for OER in the second quarter of 2015 was 56,917 boe/d.

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 ("Mcfe" or "MMcfe" or Bcfe"). However, boe's or Mcfe's may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf = 1 barrel, or a Mcfe 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.

SOURCE Oando Energy Resources Inc.

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