

# AFRICA OIL CORP.

May 2016

A Lundin Group Company  
AOI – TSX and Nasdaq Stockholm



# Well Positioned to Weather the Oil Price Storm

- Possibly the Best Financed Oil Company in the World
  - US\$500MM in cash with no debt – Strong supportive shareholders including Lundin Family, Helios and IFC
- Maersk Partnership
  - Will provide forward financial development carries and critical assistance on all aspects of logistics of moving oil to port
- Growing Resource Base
  - 24% increase in 2C Gross Unrisked Contingent Resources to 766 MMBO, 3C resources over 1.6 BBO, Exploration Drilling to resume in Q3 of 2016\*
- Development Accelerating
  - Pipeline decision allows partnership to move forward, aggressively pursuing development studies and facilities design

# A Strategic Position in a World Class Oil Project

## Onshore East Africa

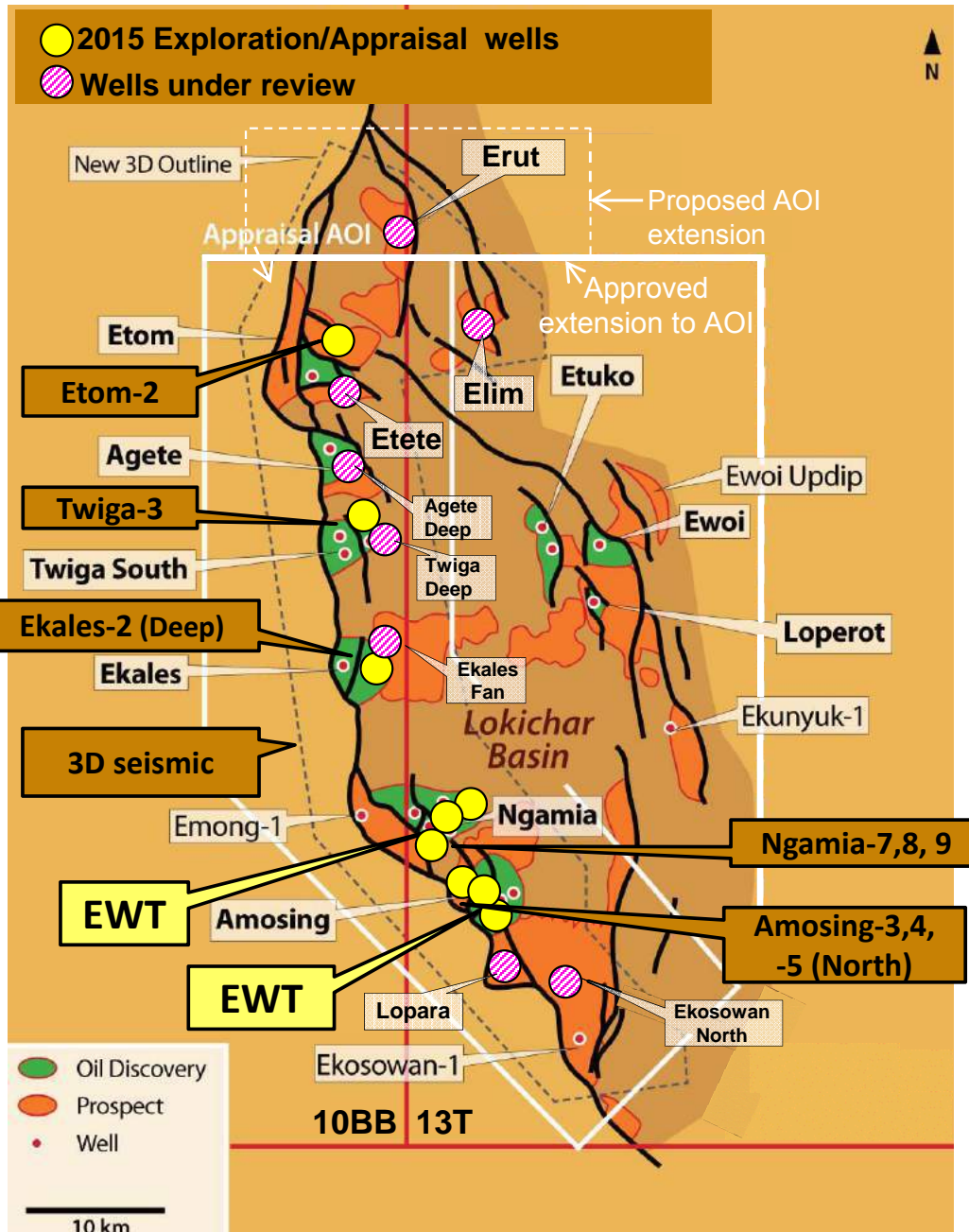
**An Area the Size of the North Sea**



- World Class onshore oil discovery in the South Lokichar Basin in Kenya
- Gross Unrisked Discovered oil resources of over 760 MM barrels with an upside of 1.6 BN barrels\*
- Low cost development, good fiscal terms and strong economics that work in current price environment
- Development planning underway with oil export pipeline route identified that is supported by Government of Kenya and Draft FDP submitted
- New basin exploration is still an area of high growth potential with several untested basins and drill-ready prospects remaining in the inventory

\*Please refer to Africa Oil's press release dated May 10, 2016 for details of the contingent resources by field, risks associated with contingent resources, including chance of commerciality, and related estimates of net present value

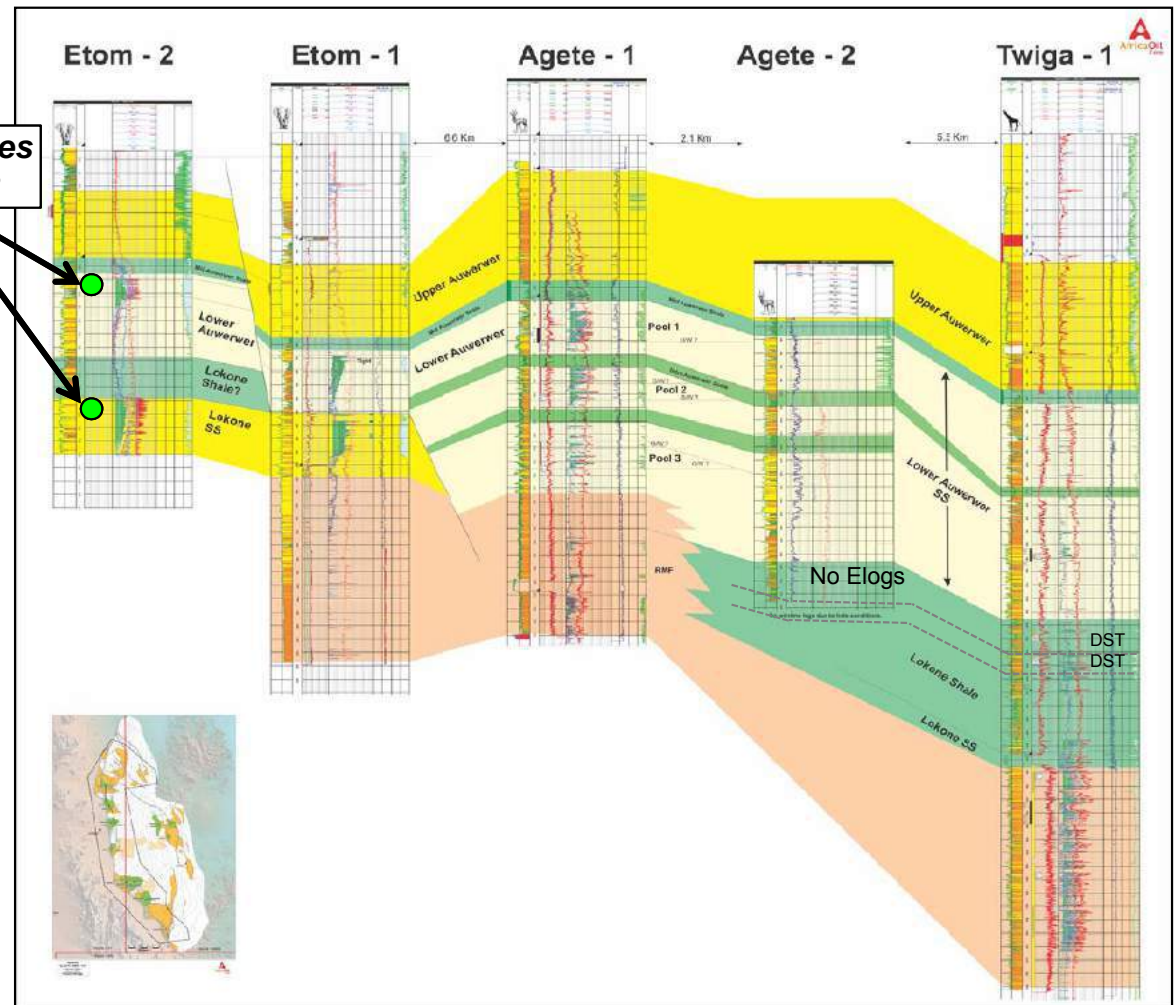
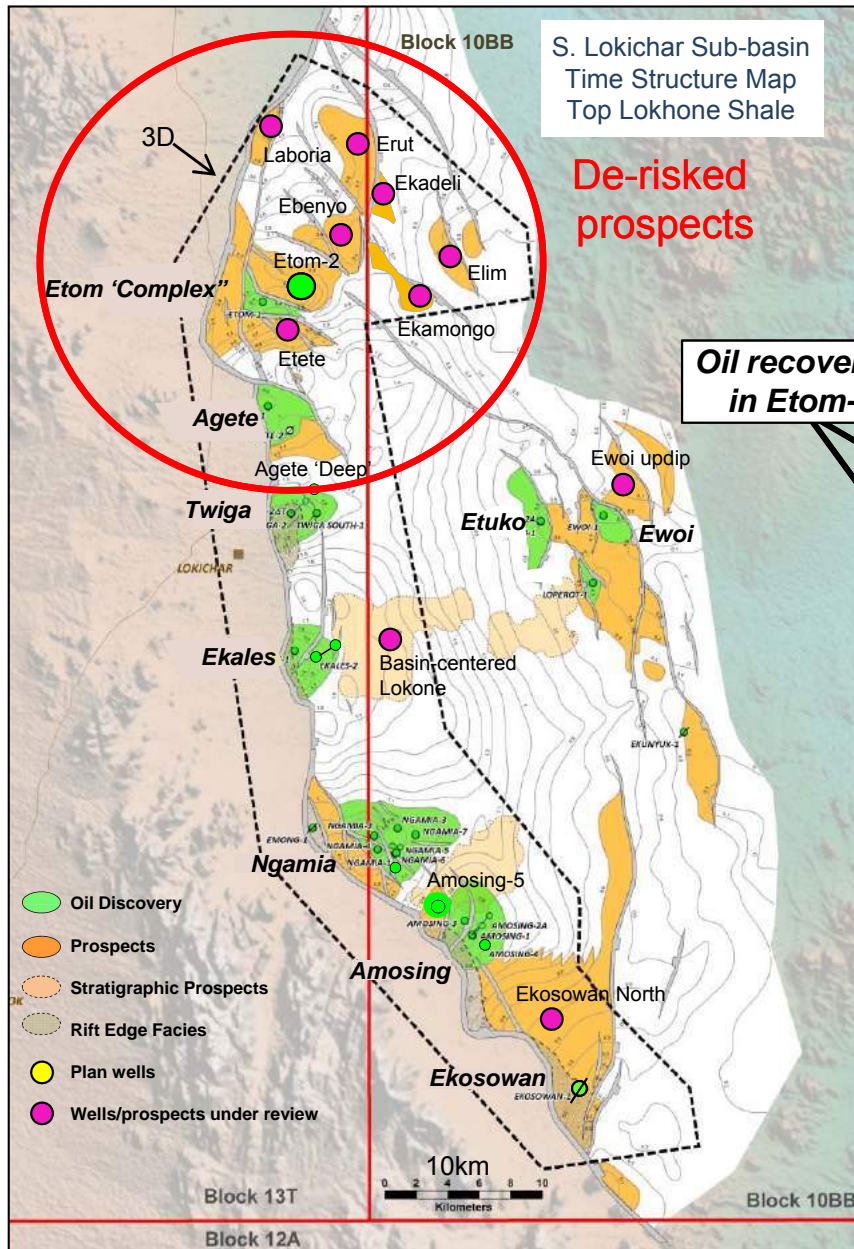
# South Lokichar Basin Appraisal Highlights



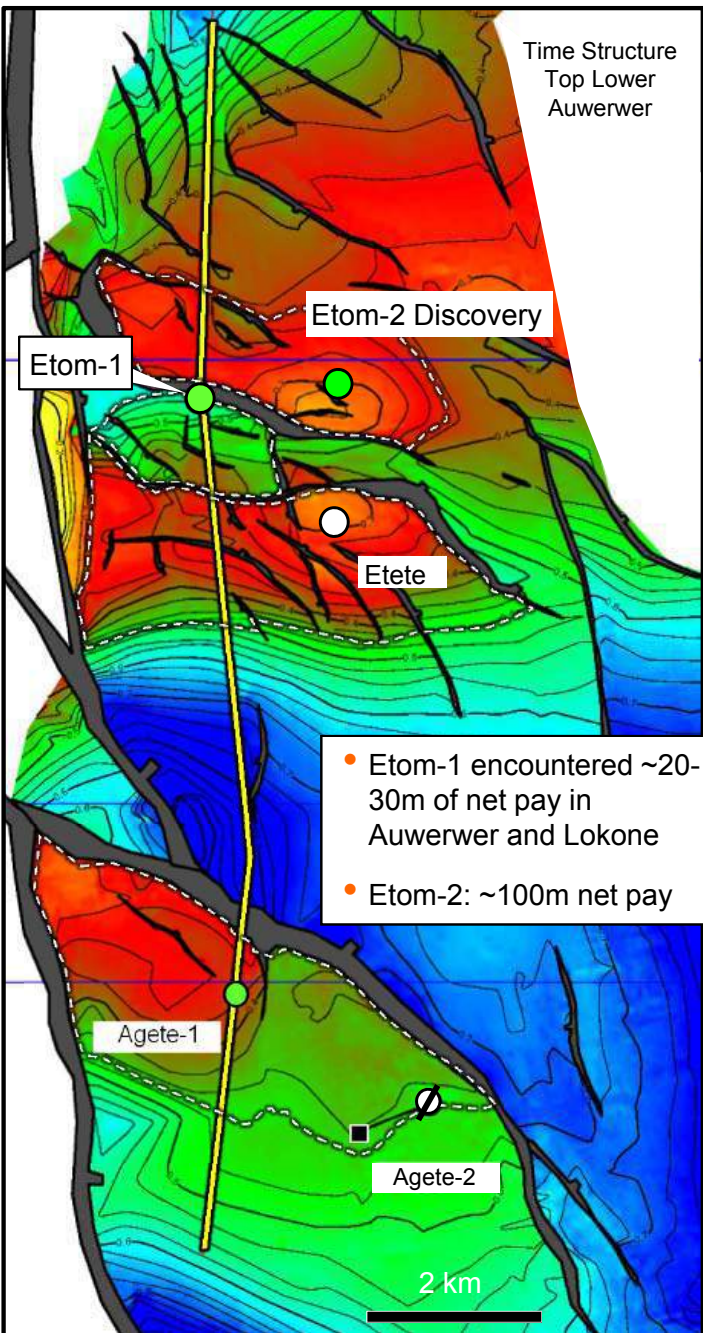
- Ngamia, Amosing, Ekales, Etom, Twiga appraisal wells demonstrate reservoir continuity and field extensions
- Etom 2 discovery encounters high net pay and increases prospectivity of greater Etom complex and adjacent 'northern' prospects
- Ekales-2: confirmed extension to the east and confirmed new pools in the Auwerwer and Lokone formations
- Twiga-3: confirmed pool limits of shallow pools and additional Lokone reservoirs not seen in previous Twiga wells
- Ngamia-7,8,9: results met or exceeded expectations with static connection to core area
- Amosing-3,4,5: confirmed oil bearing Auwerwer sandstones in previously undrilled fault blocks. Pressure data indicate some pools may be shared across field
- Extended Well Tests: Amosing and Ngamia main flow periods completed, well productivity met or exceeded expectations

# Etom Discovery De-Risks Northern Prospects

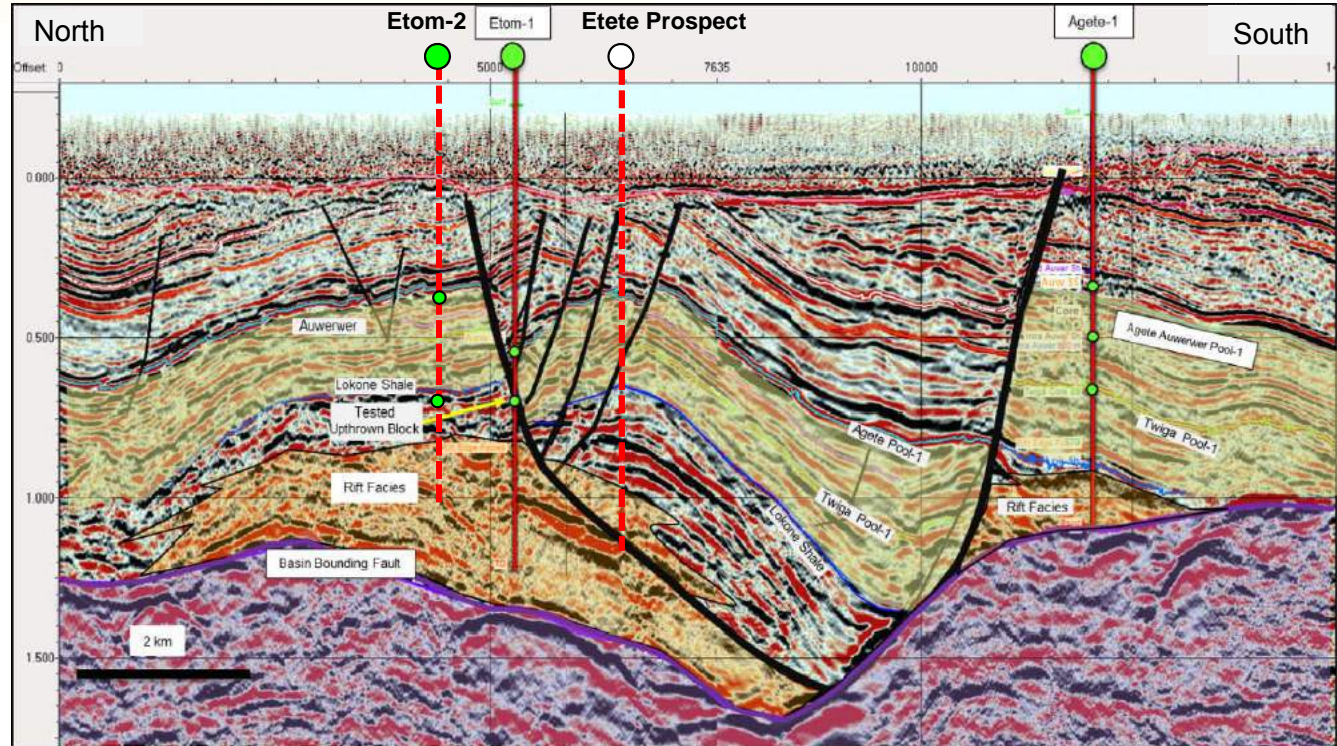
- Etom-1 recovered oil from Lokone reservoirs
- Etom-2 confirms >100m net oil pay in good-quality Auwerwer and Lokone reservoirs
- Northern prospects further de-risked



# Etom-2 Discovery

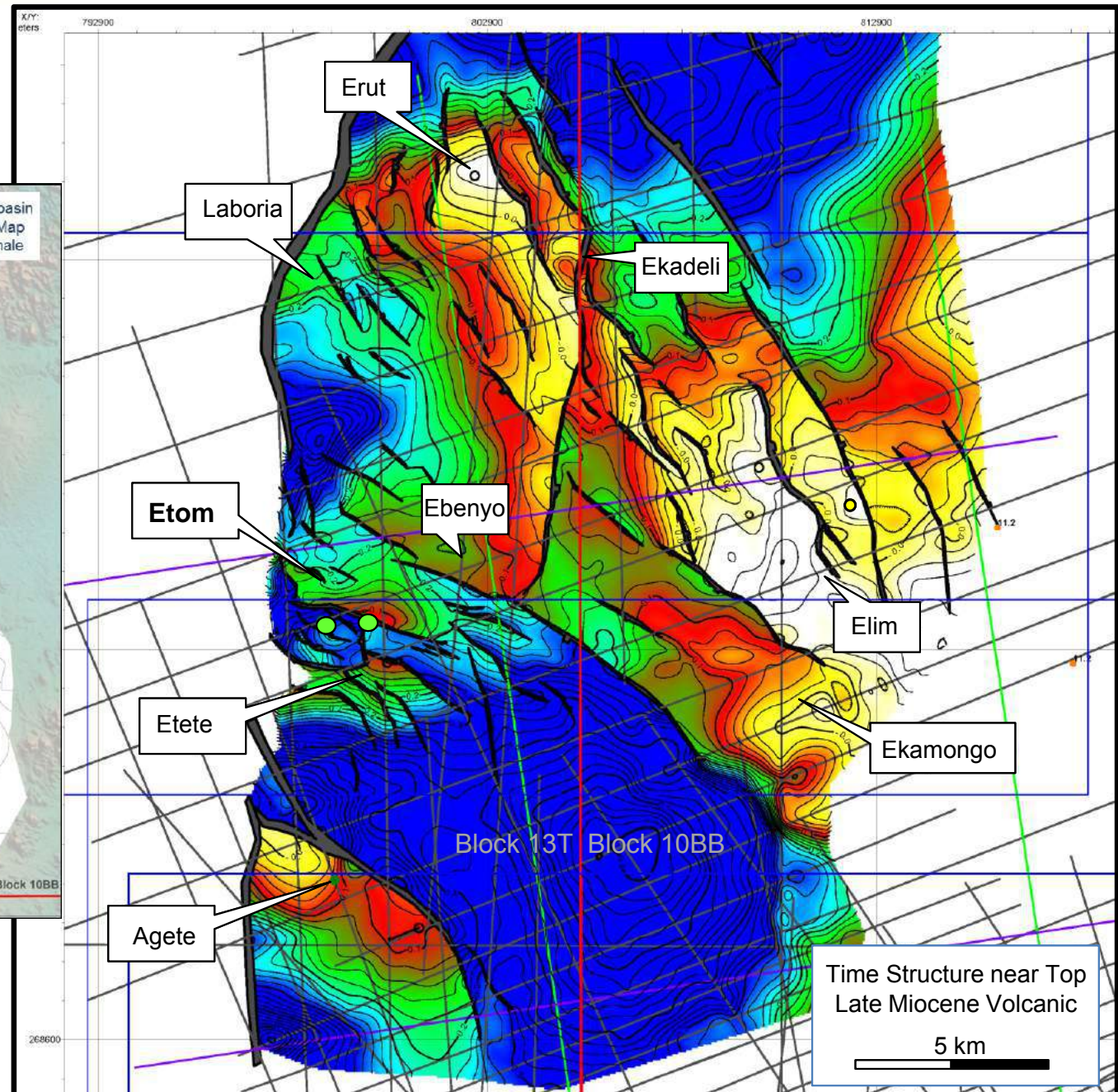
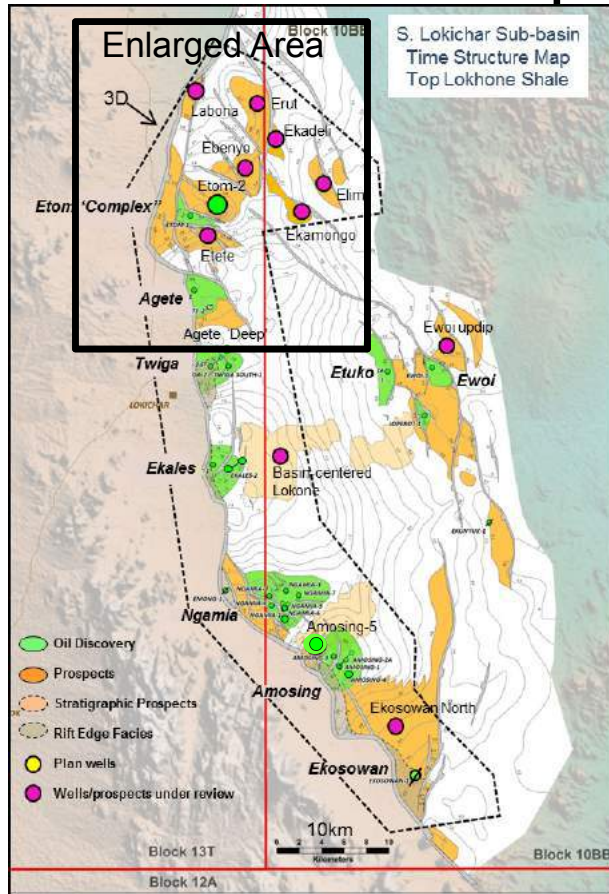


- Etom-1 encountered ~20-30m of net pay in Auwerwer and Lokone
- Etom-2: ~100m net pay



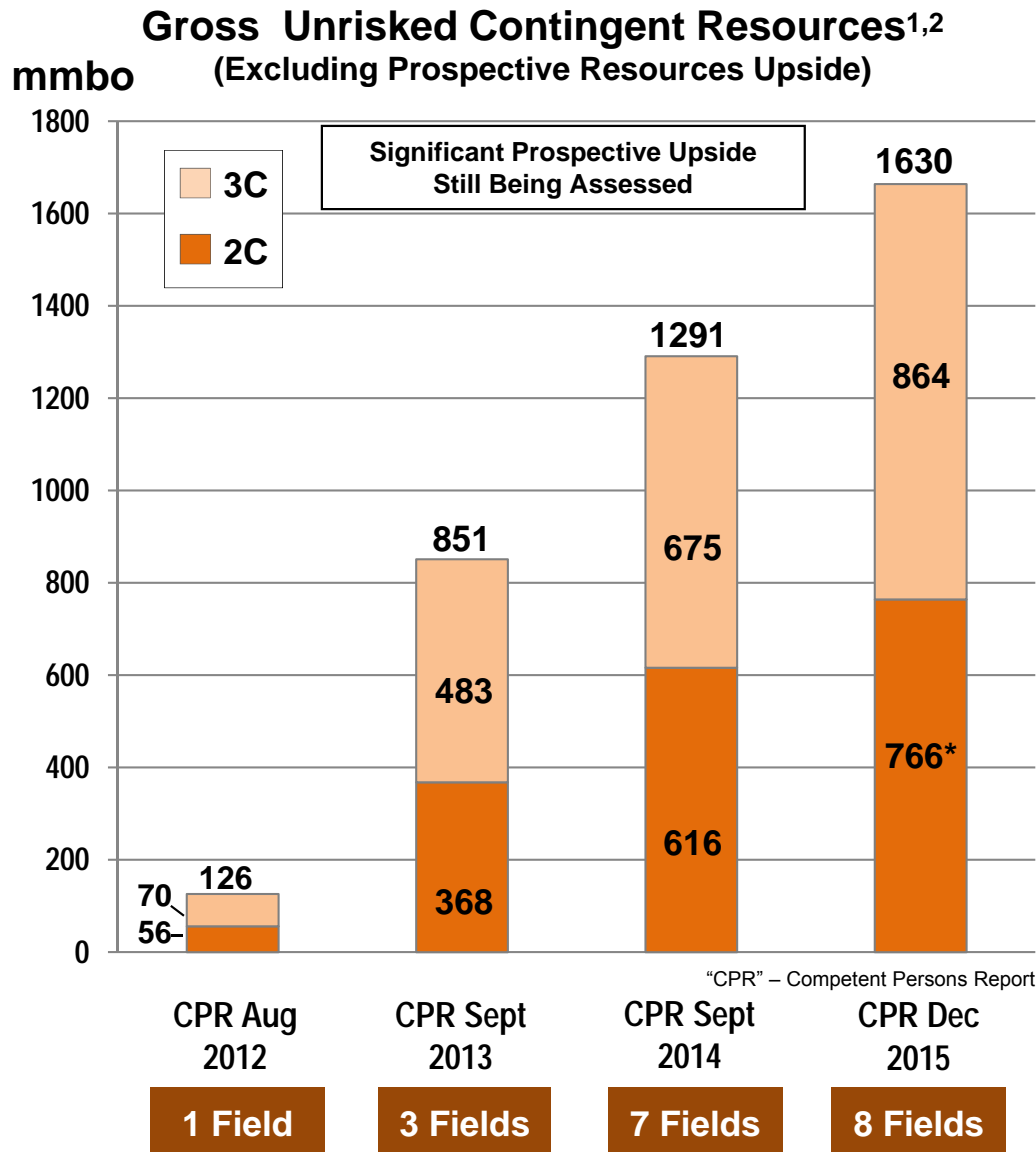
- 3D seismic shows Etom-1 was drilled in a structurally-low graben, with Auwerwer largely faulted-out, and untested potential in adjacent structures
- Etom-2 confirms prospectivity of both the Auwerwer and Lokone reservoirs over a larger area
- Etom-2 Log evaluation summary: ~45m net pay in Auwerwer and ~55m net in Lokone sandstones confirmed by oil sampling
- Some shared pools/fluid contacts between Etom-1 and Etom-2 based on pressure and log data

# Etom Follow-On Potential



# South Lokichar Basin - World Class Discovered Resource Base

(Based on CPR reports dated Aug 2012, Sept 2013, Sept 2014 & Dec 2015)



Consistent growth in  
2C and 3C resource  
since 2012

1. This summary chart was prepared by Company management for the convenience of readers.

2. Please refer to the Company's press releases dated August 22, 2012, September 3, 2013, September 16, 2014 & May 10, 2016 for details of the contingent resources by field, risks associated with contingent resources, including chance of commerciality, and related estimates of net present value.

3. Development Pending: 754 mmbo including Development Unclarified 12 mmbo



# Potential Further Resource Additions

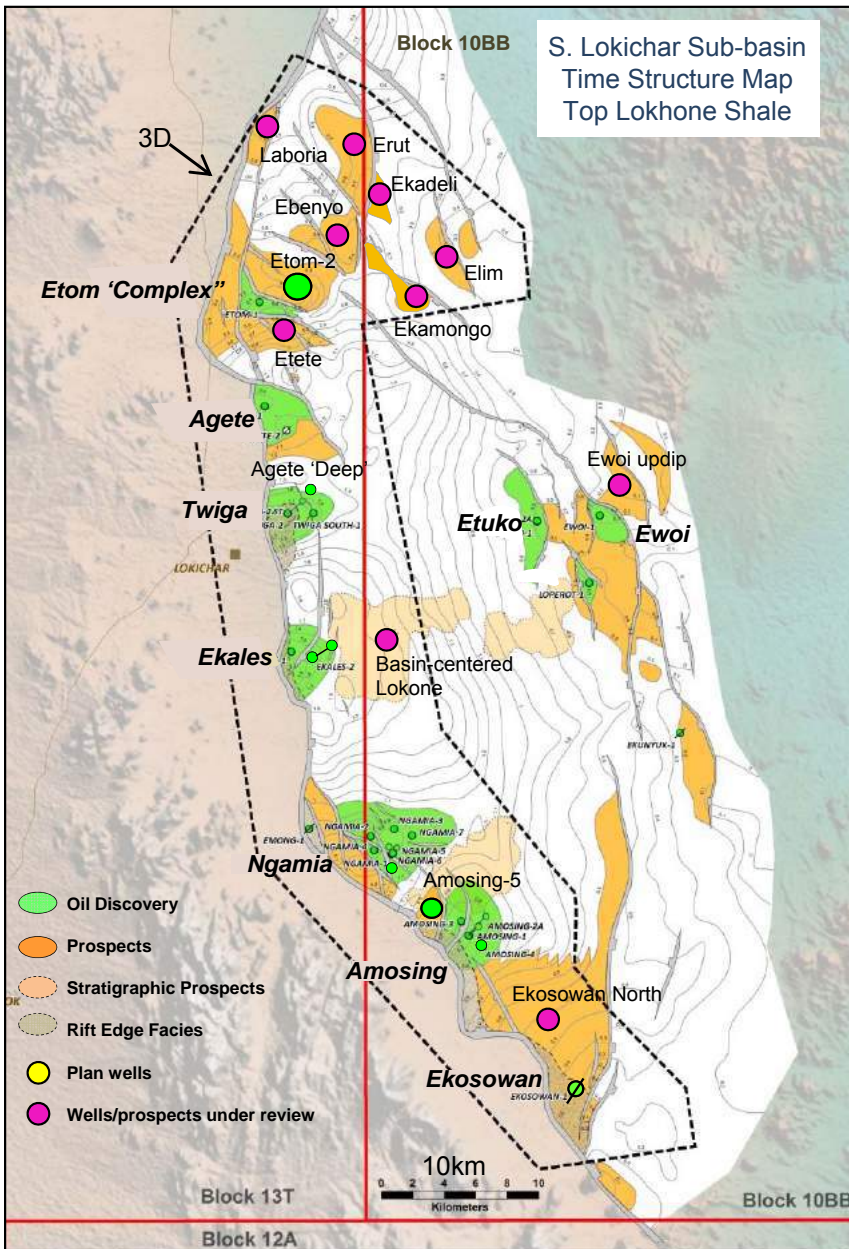
**Upside to current view of contingent resources to come from the Lokichar Basin and/or new basins**

## South Lokichar Basin:

- Considerable exploration potential in discovered basin
- Etom Area
  - Additional upside in Etom 'complex' (Etete)
  - Northern Prospects: Ebenyo, Laboria, Erut, Ekadeli, Elim, Ekamongo
- New Field Discovery Potential
  - Basin Floor Fan/Turbidite Plays
  - Ekosowan North
  - Ewoi Updip and Ewoi-Etuko area
  - Agete Deep

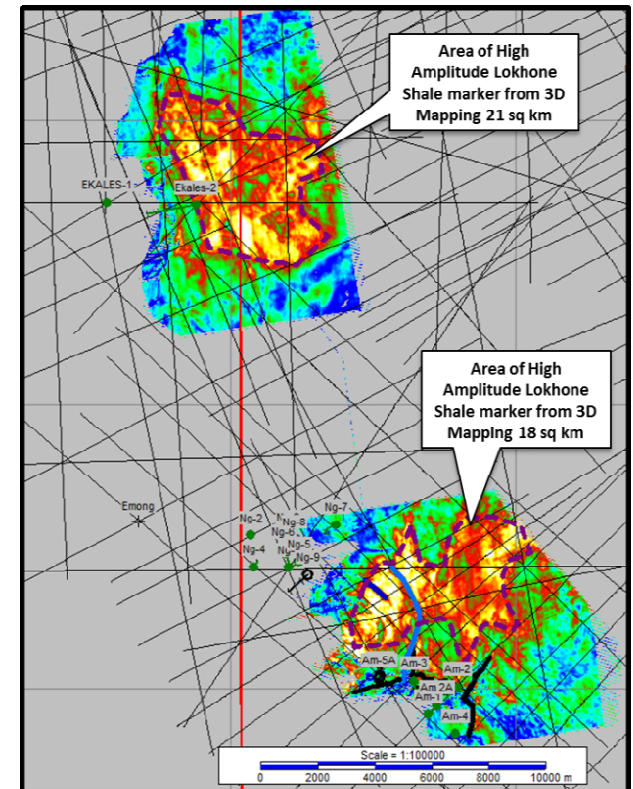
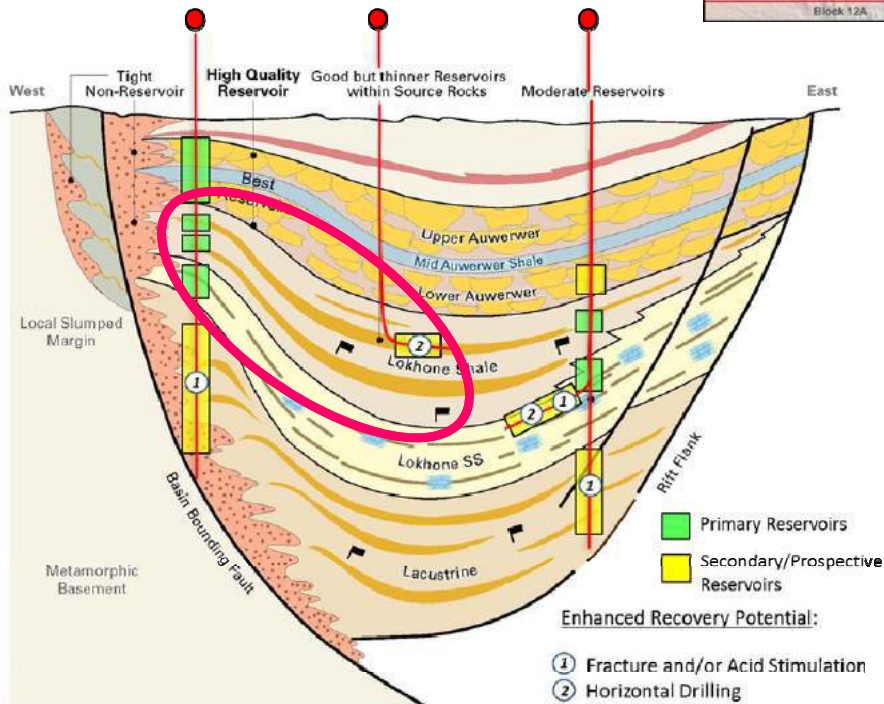
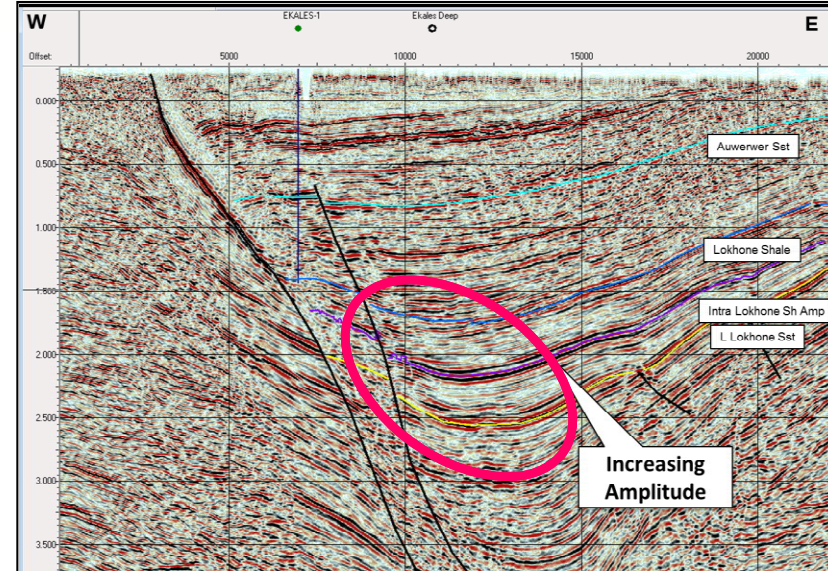
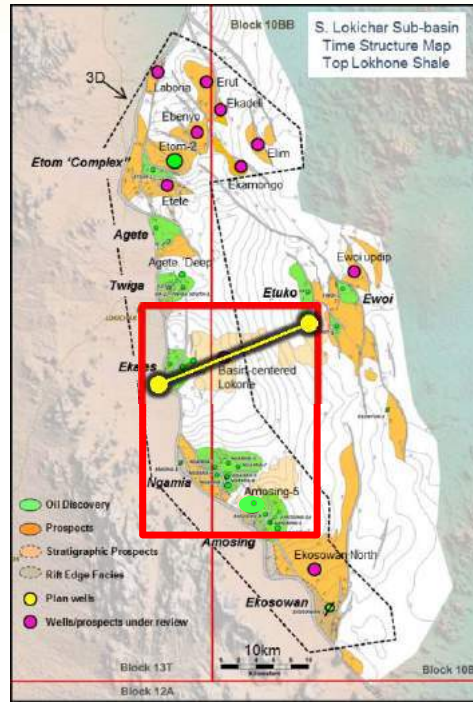
## Potential for New Basin Discoveries:

- Number of basins identified yet to be drilled
- Multiple drill ready targets

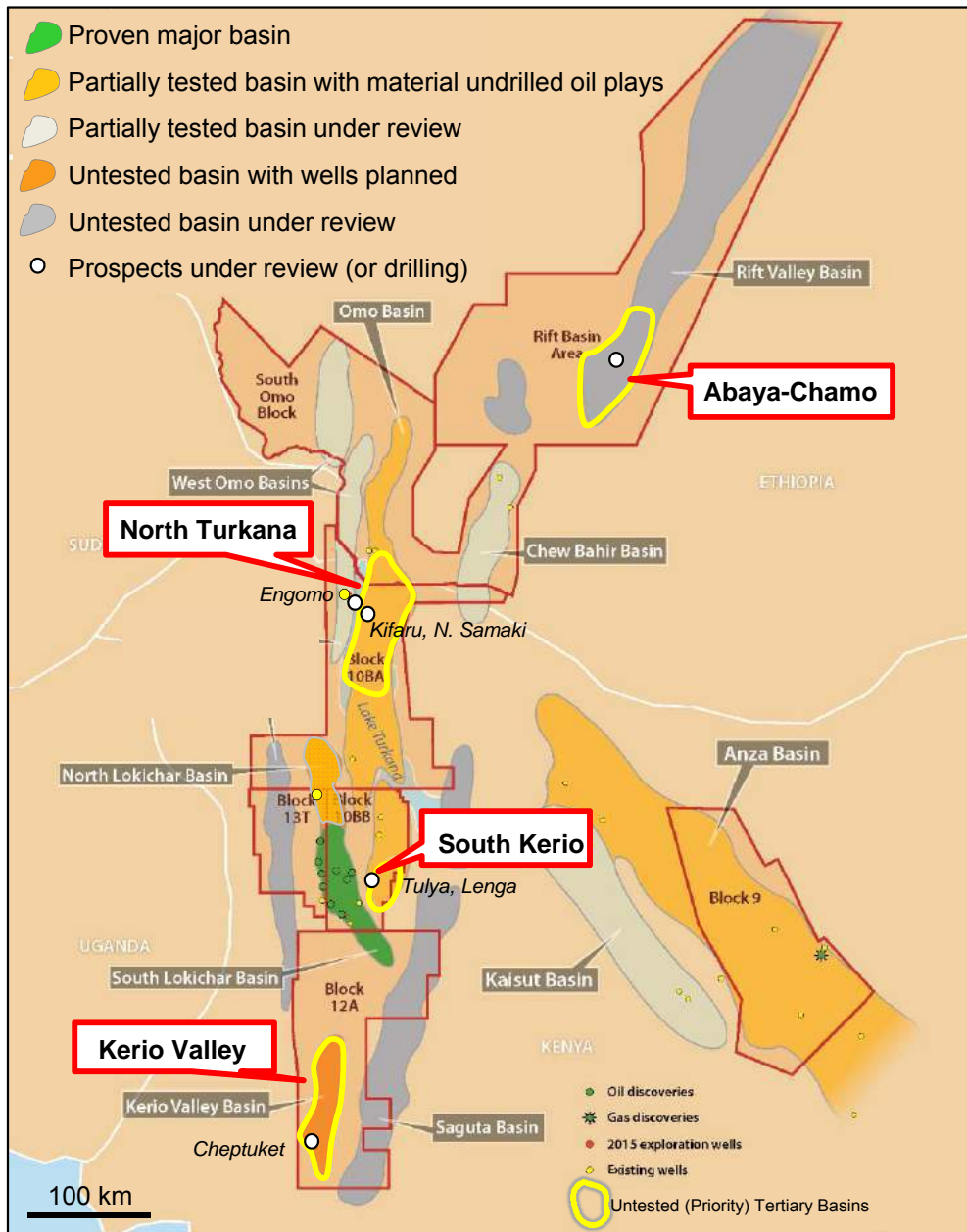


# Basin-Center Sandstones within Lokone Source Rocks

- Dwindip wells at Ngamia, Etuko, Ewoi, Ekales Deep, and Twiga-3 encountered oil-bearing sandstones that confirm play
- Turbidite or storm deposits could be prolific and widespread
- ‘Shingled’ reservoirs tied to wells extend and thicken into the basin
- New 3D will help to explore for this potentially large resource



# Basin-Opening Prospects Drill-Ready for Future



## Near-term Basin Openers:

### Kerio Valley (Block 12A)

Undrilled basin, source rocks located in outcrop are the most extensive seen in Kenyan blocks  
 > **Cheptuket Prospect- Results currently being evaluated**

### South Kerio (Block 10BB)

Separated from Central, North Kerio Basins by strike slip faults, could share same source rocks as South Lokichar  
 > **Tulya, Thilli, Linga, or Lukwa Prospects**

### North Turkana (Block 10BA)

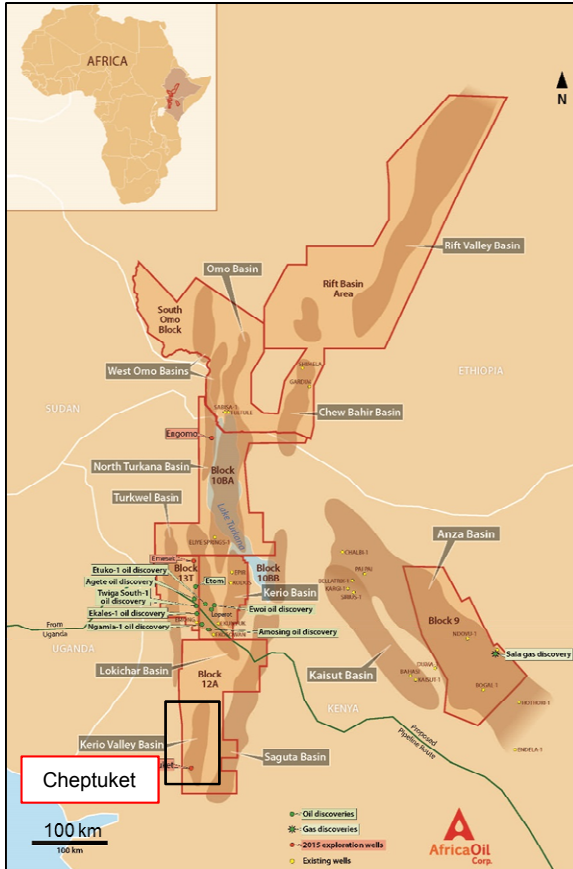
First test of the 'Turkana Lake Basin', reachable from shore, could de-risk a large number of prospects onshore and offshore  
 > **North Samaki & Kifaru Prospects**

### Lakes Abaya-Chamo (Rift Basin Block)

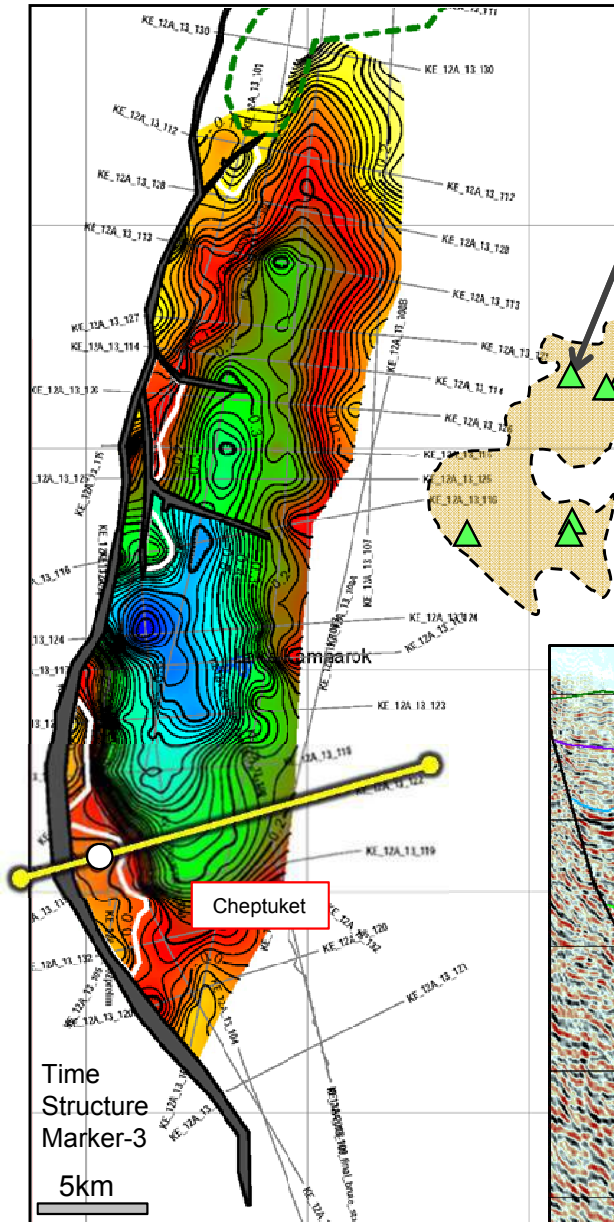
Acquired 603 km 2D seismic, confirms rift basin structures and possible DHI's  
 > **Ranking prospects**

# Block 12A - Kerio Valley

## Cheptuket (formerly Lekep) Prospect

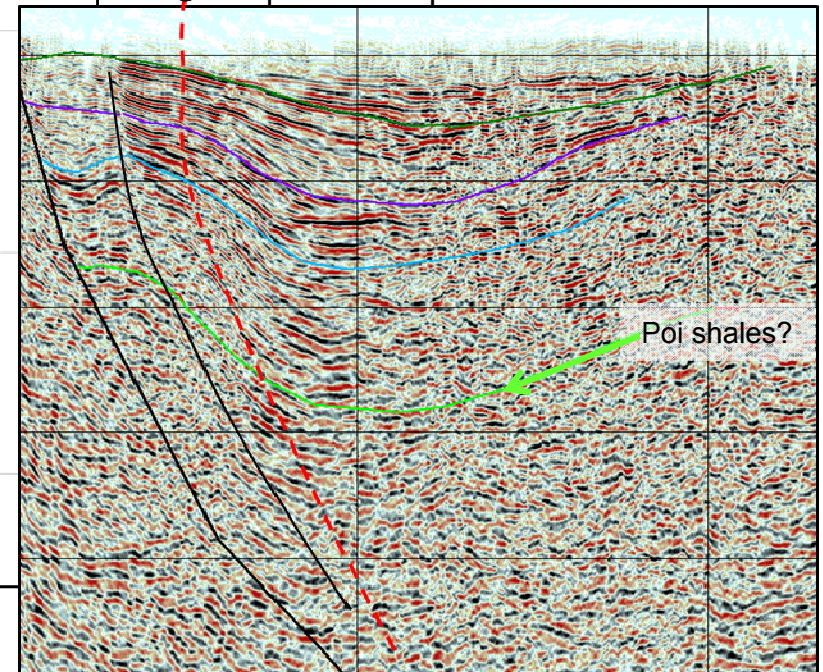


- Excellent oil prone Miocene source rocks in outcrop
- Cheptuket-1 encountered a section of more than 700 m with oil shows



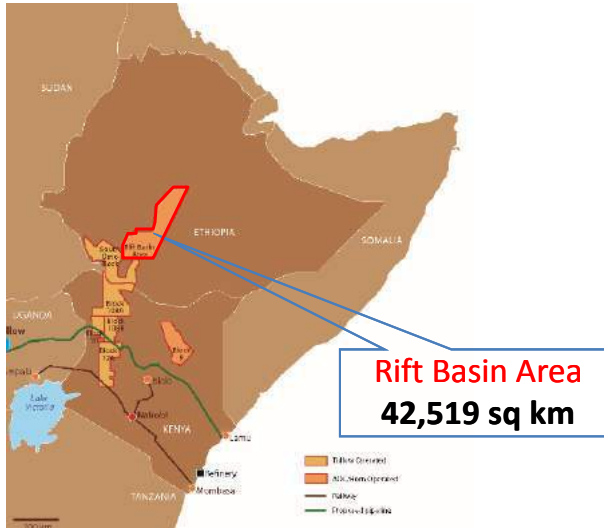
- Miocene Poi Shales in Outcrop:**
- 8 of 16 samples show good to very good source quality with TOC's  $\geq 3\%$
  - Type I lacustrine oil prone source rocks
  - Early oil-generation window with good generation potential
  - Sufficient depths of burial based on basin modelling

○ Cheptuket Prospect

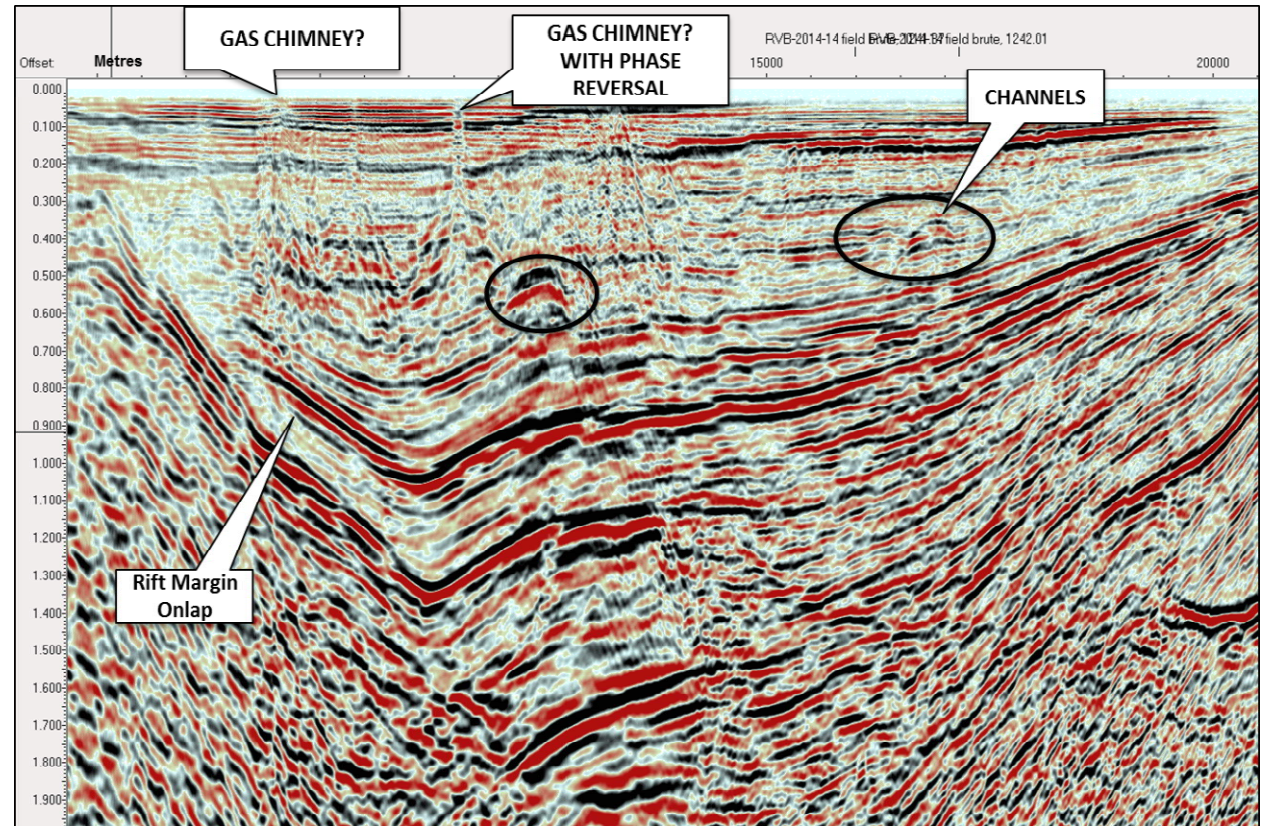
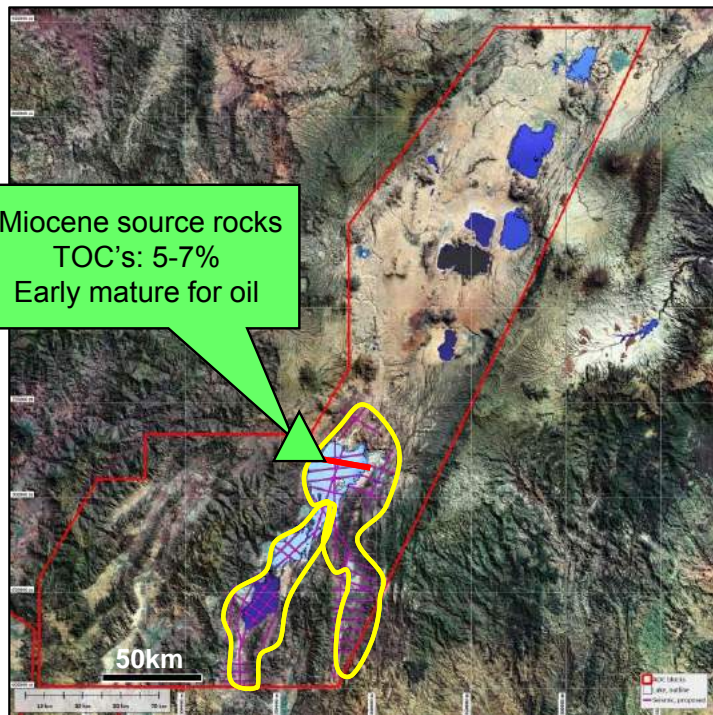


# Rift Basin Area Block

On trend, extremely large, completely unexplored

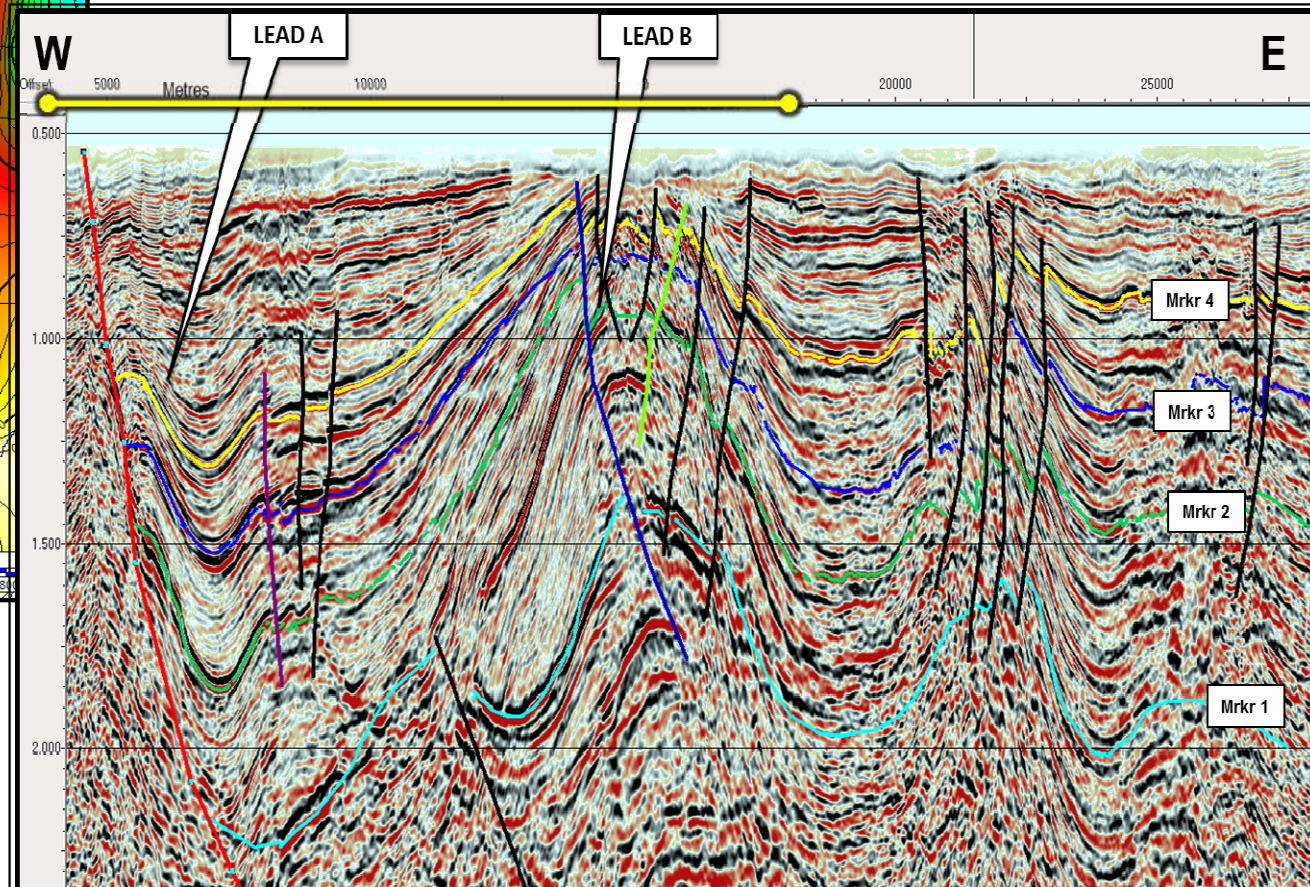
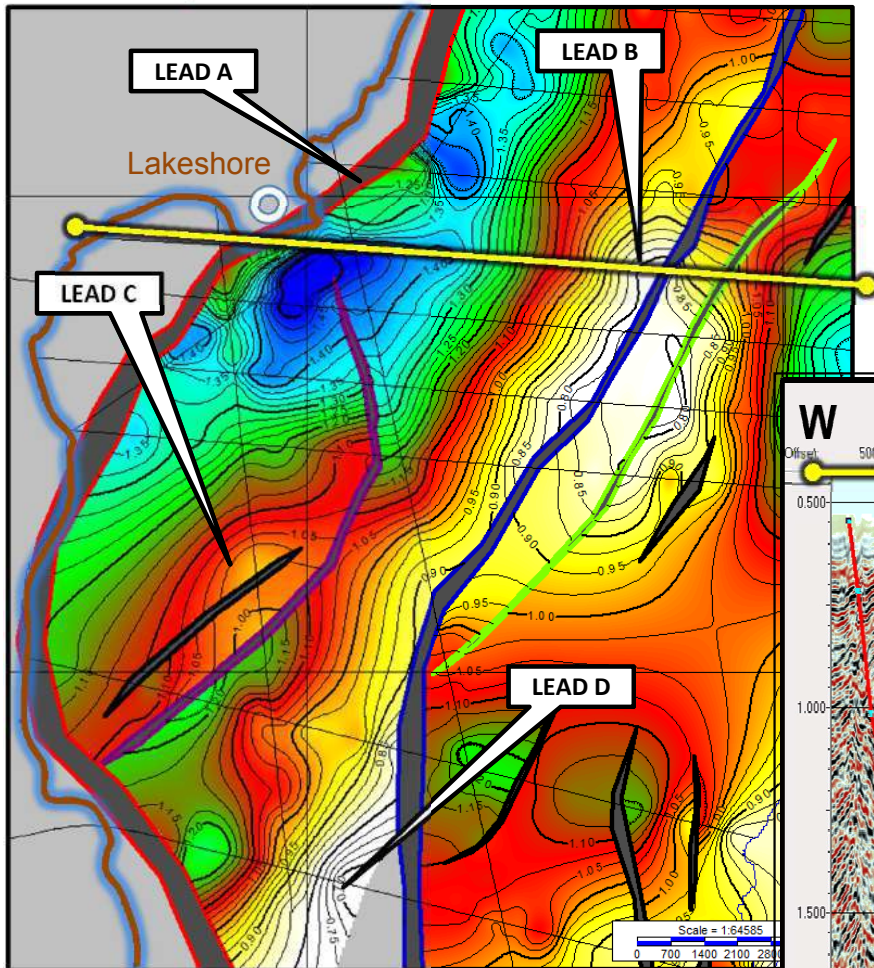


- Possible extension of Tertiary Rift Play
- Fieldwork confirmed source rocks within block
- Completed 600km 2D seismic program
- Possible direct-hydrocarbon-indicators identified on seismic

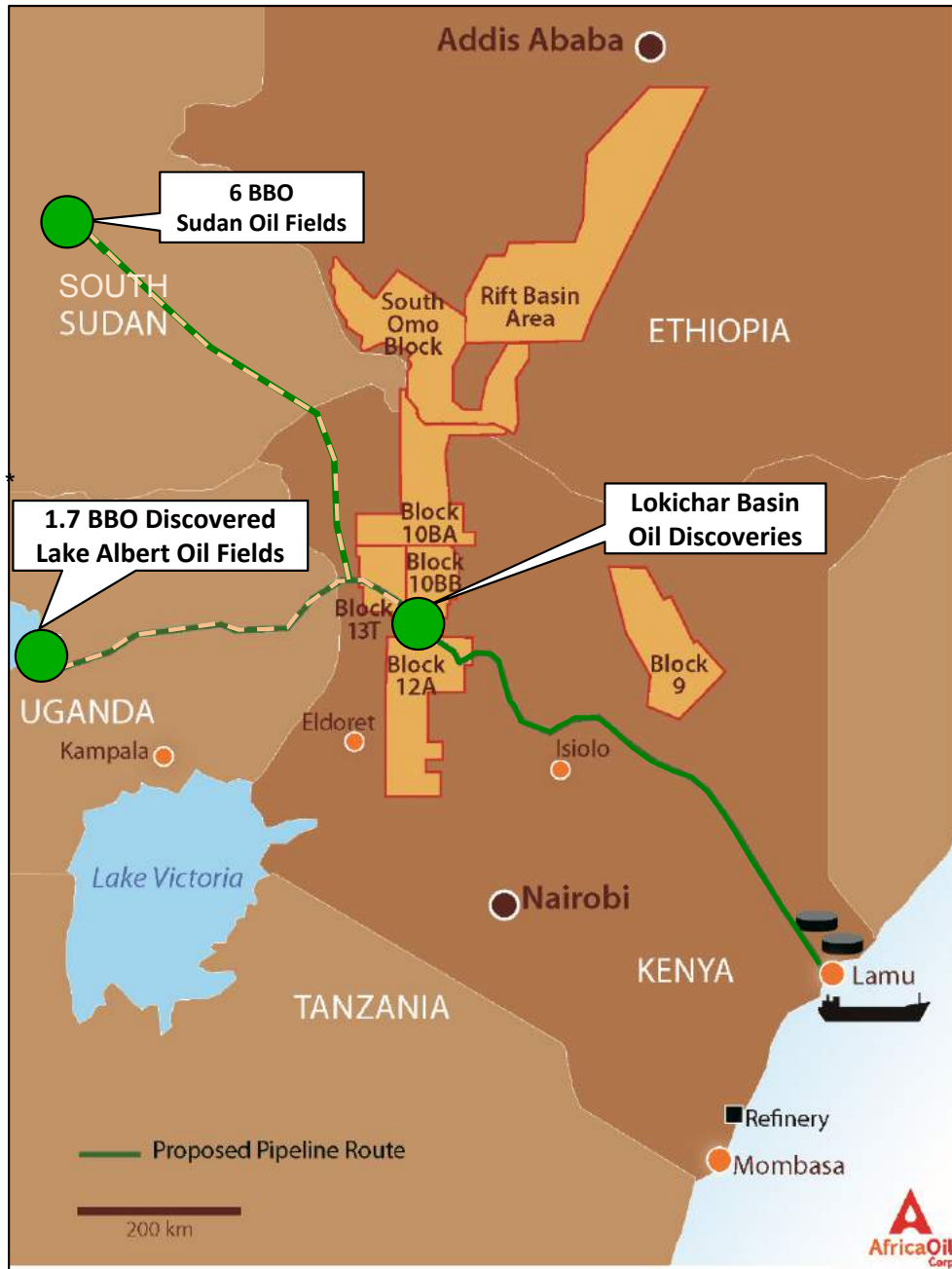


# North Lake Abaya Prospects

- Acquired Infill Seismic over North Lake Abaya Prospects
- Ngamia-style structures reachable from shore
- Large structures offshore could provide materiality once basin is 'proven'



# Kenya oil export pipeline status



- Kenya Government committed to northern route crude oil pipeline – Still leaving open potential to add Uganda and/or South Sudan into regional pipeline
- Pipeline Pre-FEED, routing and environmental screening studies have progressed
- Commercial structure and security being developed in cooperation with Kenyan government
- Waxy nature of crude will require heated surface facilities and export pipeline
  - Wax precipitation is a function of temperature and oil remains mobile if temperature is maintained
  - Development analogue is Cairn India's Rajasthan project

- Continue to increase resource certainty
  - Continue with technical and core studies, pilot water injection project
  - Continue to develop reservoir models (both static and dynamic) as additional testing and studies are complete
- Progress Development Studies
  - Prepare for and initiate FEED
  - Use Draft FDP submitted in Dec 15 as the basis to lead engagement with the Government and other Stakeholders
  - Further advance detailed FDP
  - Further engagement with Stakeholders to progress midstream solution
- Continue to advance Appraisal and Exploration Drilling Targets for consideration in the next drilling program
  - Focus on appraisal/step out opportunities in northern area of Lokichar Basin



- **Oil Price Recovery**
- **Exploration/Appraisal Drilling Campaign**
  - Commencing second half of 2016 with 4 to 8 wells focusing on Northern portion of Lokichar Basin and Deep Objectives
- **Resource Update**
  - 24% increase in Gross Unrisked 2C resources realized in latest CPR report, significant additional growth expected
- **Finalize Export Pipeline Details**
  - Commercial structure, security plan and detailed routing
- **Advance Development towards FID**

## Summary

- Recent Maersk farmout and IFC/Helios financings give AOI an extremely strong balance sheet – funds allow AOI to finance it's share of development costs to reach first oil without further equity raises
- South Lokichar project still remains one of the top new oil developments in the world with sound fundamentals in terms of resources, reservoir quality, economics and upside
- Program in 2015 was focused on further growing resources, providing better reservoir certainty and moving development project forward – results highly encouraging and confirms development criteria
- 2016 Program will focus on progressing Lokichar Development to sanction including ESIA, FEED for field facilities and pipeline
- New basin exploration is still considered an area of high growth potential – Etom-2 discovery opens up Northern Lokichar play fairway
- Still see primary growth from existing portfolio in South Lokichar and new basins



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# Prospective and Contingent Resources

There is no certainty that any discovered resources referred to in this presentation will be commercially viable to produce. There is no certainty that any portion of the undiscovered resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

## Risks associated with discovering oil:

The estimation of prospective resource volumes for high-risk and poorly calibrated basins can be subject to large variation from the introduction of new information. The estimates presented herein are based on all of the information available at the effective date of the resource estimate. New data or information is likely to have a material effect on the resource assessment values.

## Risk Associated with the Estimates:

In the event of a discovery, basic reservoir parameters, such as porosity, net hydrocarbon pay thickness, fluid composition and water saturation, may vary from those assumed by the Company's independent third party resource evaluator affecting the volume of hydrocarbon estimated to be present. Other factors such as the reservoir pressure, density and viscosity of the oil and solution gas/oil ratio will affect the volume of oil that can be recovered. Additional reservoir parameters such as permeability, the presence or absence of water drive and the specific mineralogy of the reservoir rock may affect the efficiency of the recovery process. Recovery of the resources may also be affected by well performance, reliability of production and process facilities, the availability and quality of source water for enhanced recovery processes and availability of fuel gas. There is no certainty that certain mineral interests are not affected by ownership considerations that have not yet come to light.

## Substantial Capital Requirements:

Africa Oil expects to make substantial capital expenditures for exploration, development and production of oil and gas reserves in the future. The Company's ability to access the equity or debt markets may be affected by any prolonged market instability. The inability to access the equity or debt markets for sufficient capital, at acceptable terms and within required time frames, could have a material adverse effect on the Company's financial condition, results of operations and prospects.

## Ability to Execute Exploration and Development Program:

It may not always be possible for Africa Oil to execute its exploration and development strategies in the manner in which the Company considers optimal. Execution of exploration and development strategies is dependent upon the political and security climate in the host countries where the Company operates and agreement amongst the Company joint venture partners. The Company's exploration and development programs in East Africa may involve the need to obtain approvals from relevant authorities who may require conditions to be satisfied or the exercise of discretion by the relevant authorities. It may not be possible for such conditions to be satisfied.

## Regulatory Contingencies

All of the Kenyan discoveries are located within Exploration Contracts; the Government of Kenya has extended these Exploration Contracts, per the terms of the Block 10BB and Block 13T Production Sharing Agreements, to allow further exploration and appraisal. Conversion of these permits to production permits has yet to be agreed. Regulatory support and approval will be required for the commercialisation of the Company's Kenyan Contingent Resources to proceed. In accordance with the Company's Production Sharing Contracts and joint venture agreements, field development plans must be agreed by the Company and its joint venture partners before submission for approval by the government. Oil production from the South Lokichar Basin development will be the first commercial production in Kenya. A draft Field Development Plan has been submitted to the regulatory authorities in Kenya in December 2015, primarily to facilitate discussion between the Block 10BB/13T joint venture partners and the government as the development moves towards sanction. An update to this draft Field Development Plan is expected to be submitted during 2016 prior to government approval for the development. The probability of removing Regulatory Contingencies has been assessed as 95%.

## Market Access Contingencies

Kenya has limited oil infrastructure and no export facilities currently in place. The discoveries in Blocks 10BB and 13T are remote and cannot be delivered to market without significant infrastructure investment. The Lokichar Basin is in a remote part of Kenya, approximately 850 km from the most likely point of export at Lamu. New build pipeline infrastructure and road upgrades will be required to permit field development and production export for these resources. Although technical work has been completed by and on behalf of the Block 10BB/13T joint venture partners on crude oil export route options, there are presently no commercial agreements in place facilitate the pipelines construction or operation. Pipeline tariffs have been estimated for the purposes of the economic evaluation based on pre-FEED cost estimates and forecasted production volumes for a regional export pipeline system. Pipeline tariffs may vary depending on achieving a regional or Kenya standalone pipeline solution. The chance of removing Market Access Contingencies has been assessed as 90%.

## Additional Risks:

Additional risks associated with the estimate of the prospective and contingent resources include risks associated with the oil and gas industry generally (i.e. financing; operational risks in exploration, development and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the uncertainty of estimates and projections related to production; costs and expenses; health, safety, security and environmental risks; and the uncertainty of resource estimates), drilling equipment availability and efficiency, the ability to attract and retain key personnel, the risk of commodity price and foreign exchange rate fluctuations, the uncertainty associated with dealing with governments and obtaining regulatory approvals, and the risks associated with international activities.