Africa Oil Corp

Africa Oil 2015 Fourth Quarter Financial and Full Year Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Feb. 26, 2016) - Africa Oil Corp. ("Africa Oil" or the "Company") (TSX:AOI)(OMX:AOI) is pleased to announce its financial and operating results for the three months and year ended December 31, 2015.

Subsequent to December 31, 2015, the Company completed its previously announced (November 9, 2015) farmout transaction with Maersk Olie og Gas A/S, a Danish oil and gas company owned by the Maersk Group ("Maersk") whereby Maersk acquired 50% of Africa Oil's interests in Blocks 10BB, 13T and 10BA in Kenya and the Rift Basin and South Omo Blocks in Ethiopia in consideration for reimbursement of a portion of Africa Oil's past costs and a future carry on certain exploration and development costs.

To date, $439.5 million of farmout related proceeds have been received from Maersk: $350 as reimbursement of past costs incurred by the Company prior to the agreed March 31, 2015 effective date and $89.5 million representing Maersk's share of costs incurred between the effective date and December 31, 2015, including a carry reimbursement of $15MM related to exploration expenditures.

An additional $75 million development carry may be available to Africa Oil upon confirmation of existing resources. An updated assessment of contingent resources is currently ongoing. Upon Final Investment Decision ("FID"), Maersk will be obligated to carry Africa Oil for an additional amount of up to $405 million depending on meeting certain thresholds of resource growth and timing of first oil.

At December 31, 2015, the Company had cash of $104.2 million and working capital of $49.5 million. During 2015, the Company completed several private placements for gross proceeds of $275 million. During the fourth quarter of 2015, as a result of exploration results to date and current oil industry environment, the Company wrote off $70.7 million of capitalized intangible exploration assets relating to Ethiopia. The remaining carrying value of the intangible exploration assets in Ethiopia is $18.4 million.

The Company has completed the following significant operational activities during the fourth quarter and to date in 2015:

- A draft Field Development Plan was submitted to the Government of Kenya in December and will inform discussions as we progress towards potential FID of the South Lokichar development project. Preparation for Front End Engineering and Design ("FEED") is under way. Scoping studies and terms of reference for the detailed upstream environmental and social impact assessments were submitted to the regulatory authorities.
- In August 2015, a bilateral agreement was reached between the Presidents of Uganda and Kenya adopting the Northern Kenya route for the regional crude oil pipeline, subject to certain conditions. Africa Oil continues to support both countries in moving this project forward as quickly and efficiently as possible taking into account the needs of all stakeholders.
- During the first half of 2015, in preparation for Extended Well Tests ("EWTs"), the Amosing-1 and Amosing-2A wells were successfully completed in five separate zones. Initial rig-less flow testing during clean-up flowed at a cumulative maximum rate of 5,600 and 6,000 bopd, respectively. These results exceeded expectations, and demonstrated high quality reservoir sands which flowed 31 to 38 degree API dry oil under natural conditions. During the test, the wells produced at a cumulative average constrained rate of 4,300 bopd under natural flow conditions. Pressure data from the two wells supports significant connected oil volumes and confirms lateral reservoir continuity, which is positive for the future development. A cumulative volume of 30,000 barrels of oil has been produced into storage.

- During the second half of 2015, the Ngamia EWT production phase was completed with approximately 38,000 barrels of oil produced. Five completed zones of the Ngamia-8 production well were tested individually at a cumulative rate of 2,400 bbl/d and all except the lowest zone produced without artificial lift. Communication between the producer well and an observation well, at a distance of approximately 500 meters, was also demonstrated.
- Multiple appraisal wells were drilled during 2015 in the South Lokichar Basin, concentrated in the Amosing and Ngamia oil fields.
- During the fourth quarter of 2015, the Etom-2 well was drilled in an undrilled fault block adjacent to the Etom oil discovery in Block 13T. The well encountered 102 meters of net oil pay in two columns. The objective of the well was to explore the north flank of the Etom structure in an untested fault block identified by recent 3D seismic. Oil samples, sidewall cores and wire line logging all indicate the presence of high API oil in the best quality reservoir encountered in the South Lokichar Basin to date. Discovering this thick interval of high quality oil reservoirs further underpins the development options and resource

base. The result follows careful evaluation of 3D seismic data which was shot after the Etom-1 well and demonstrates how the partnership has improved its understanding of the South Lokichar Basin. This result also suggests significant potential in this underexplored part of the block as it is the most northerly well drilled in South Lokichar and is located close to the axis of the basin away from the basin -bounding fault. Accordingly, Tullow and Africa Oil will review the potential of the greater Etom area and neighbouring prospects to decide on the forward program.

- Outside of the South Lokichar Basin frontier exploration activity continued in 2015. Three potential basin opening exploration wells were drilled across the Company's extensive Kenyan acreage in the North Kerio (Epir-1 - Block 10BB), North Turkana (Engomo-1 - Block 10BA) and North Lokichar (Emesek-1 - Block 13T) Basins. While none of the wells were discoveries, they have provided valuable data to assess the wider prospectivity of the basins. There is significant remaining exploration potential in the basins outside of South Lokichar and future basin opening exploration drilling plans are currently being evaluated.
- Following Etom-2, the PR Marriott Rig-46 moved to Block 12A in Kenya where it is currently drilling the Cheptuket-1 exploration well, the first well to be drilled in the Kerio Valley Basin.
- The full fast track processed data set for the 951 square kilometer 3D seismic survey over the series of significant discoveries along the western basin bounding fault in the South Lokichar Basin, is being interpreted. The 3D seismic indicates significantly improved structural and stratigraphic definition and additional prospectivity not evident from the 2D seismic.
- Over 1,100 meters of whole core has been obtained from the wells drilled in the South Lokichar Basin and an extensive program of detailed core analysis is ongoing. A key focus of the core program is to better assess oil saturation and to refine the recovery factors of the main reservoir sands. Core analysis results support the reservoir assumptions used in the contingent resource estimate and support the view of oil saturations in the reservoir.
- In the Rift Basin Area, the Government of Ethiopia has granted a twelve month extension to the initial exploration period, which will now expire in February 2017. A 2D seismic crew program was completed of approximately 600 kilometers of land and lake seismic during 2015. Source rock outcrops and oil slicks on the lakes have been identified in the block where there was previously no existing seismic or wells.

2015 Fourth Quarter and Full Year Financial Results

Results of Operations
(Thousands United States Dollars)

(thousands)		**Three months ended December 31, 2015**		**Three months ended December 31, 2014**		**Year ended December 31, 2015**		**Year ended December 31, 2014**
Salaries and benefits	$	2,411	$	1,625	$	3,729	$	3,005
Stock-based compensation		1,741		2,398		8,107		17,951
Travel		248		379		1,124		1,623
Office and general		396		646		991		1,396
Donation		980		-		2,265		2,035
Depreciation		3		17		20		67
Professional fees		1,317		306		1,763		835
Stock exchange and filing fees		1,022		187		1,739		1,584
Share of loss from equity investment		500		-		1,122		-
Gain on loss of control		-		-		(4,155)		-
Impairment of intangible exploration assets		70,670		96,878		70,670		128,180
Operating expenses	$	79,288	$	102,436	$	87,375	$	156,676

Operating expenses were $23.1 million less during the fourth quarter of 2015 compared to the same period in 2014. Impairment of intangible exploration assets charges were $26.2 million less during the fourth quarter of 2015. During the fourth quarter of 2014, the Company recorded a $90.6 million impairment of intangible exploration assets related to the Dharoor and Nugaal exploration blocks in Puntand (Somalia) and a $5.8 million impairment of intangible exploration assets in the Adigala Block in Ethiopia. The impairment provisions resulted from the Company electing to not continue exploration activities in these Blocks. During the fourth quarter of 2015, as a result of exploration results to date and current oil industry environment, the Company wrote off $70.7 million of capitalized intangible exploration assets relating to Ethiopia. This decrease was offset by a $1.0 million increase in professional fees relating to entering into the Maersk farmout agreement, a $1.0 million donation to the Lundin Foundation and increased salary costs associated with annual bonuses.

Operating expenses were $69.3 million less during 2015 in comparison to 2014. Impairment of intangible exploration assets charges were $57.5 million less during 2015. In addition to the Puntland and Adigala impairment provisions booked during the fourth quarter of 2014, described above, the Company recorded a $30.8 million impairment of previously capitalized Blocks 7/8 (Ethiopia) exploration expenditures during 2014 as the Company elected to withdraw from the Bock. Additionally, stock-based compensation expenses were $9.9 million less during the year. The Company's investment in Africa Energy changed from a position of control to a position of significant influence during the first quarter of 2015, which required the Company's investment in Africa Energy to be recorded as an equity investment, resulting in the recognition of a $4.2 million gain for accounting purposes. This gain is partially offset by the recognition $1.1 million of losses from Africa Energy during 2015.

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

(Thousands of United States Dollars)

For the years ended		**December 31, 2015**		**December 31, 2014**		**December 31, 2015**		**December 31, 2014**
Fair value adjustment - warrants	$	-	$	-	$	-	$	1
Interest and other income		106		157		415		1,267
Bank charges		(60)		-		(82)		(13)
Foreign exchange loss		(81)		(7)		(397)		(289)
Finance income	$	106	$	157	$	415	$	1,268
Finance expense	$	(141)	$	(7)	$	(479	$	(302)

Interest income fluctuates in accordance with cash balances, the currency that the cash is held in, and prevailing market interest rates. Foreign exchange gains and losses are primarily related to changes in the value of the Canadian dollar in comparison to the US dollar.

Consolidated Balance Sheets
(Thousands United States Dollars)

		December 31, 2015		**December 31, 2014**
ASSETS				
Current assets				
Cash and cash equivalents	$	104,205	$	161,162
Accounts receivable		393		1,633
Due from related party		87		-
Prepaid expenses		1,145		1,276
		105,830		164,071
Long-term assets				
Restricted cash		54,274		1,250
Equity investment		6,262		-
Property and equipment		32		50
Intangible exploration assets		934,293		785,177
		994,861		786,477
Total assets	$	1,100,691	$	950,548
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	56,312	$	153,502
		56,312		153,502
Long-term liabilities				
Deposit for farmout		52,500		-
		52,500		-
Total liabilities		108,812		153,502
Equity attributable to common shareholders				
Share capital		1,290,389		1,014,772
Contributed surplus		46,353		39,947
Deficit		(344,863)		(257,673)
Total equity attributable to common shareholders		991,879		797,046
Total liabilities and equity attributable to common	$	1,100,691	$	950,548

shareholders

Intangible exploration assets increased during 2015 by $149.1 million as a result of the Company investing $219.8 million in its oil and gas properties in East Africa which was offset by $70.7 million of impairment charges relating to Ethiopia. The Company continues to finance its activities primarily through equity, and has completed several private placements during the year in which 140,812,695 shares were issued. Total gross proceeds from equity issuances during 2015 amount to $275 million. The Company is debt free.

Consolidated Statement of Cash Flows
(Thousands United States Dollars)

		December 31, 2015		**December 31, 2014**
Cash flows provided by (used in):				
Operations:				
Net loss and comprehensive loss for the year	$	(87,439)	$	(155,710)
Items not affecting cash:				
Stock-based compensation		8,107		17,951
Depreciation		20		67
Gain on loss of control		(4,155)		-
Impairment of intangible exploration assets		70,670		128,180
Share of loss from equity investment		1,122		-
Due from related party		22		-
Fair value adjustment - warrants		-		(1)
Unrealized foreign exchange loss		397		289
Changes in non-cash operating working capital		233		(636)
		(11,023)		(9,860)
Investing:				
Property and equipment expenditures		(2)		(14)
Intangible exploration expenditures		(219,786)		(437,876)
Farmout proceeds		-		13,207
Restricted cash		52,500		-
Deposit for farmout		(52,500)		-
Equity investment		(2,110)		-
Reduction of cash from change of control		(254)		-
Changes in non-cash investing working capital		(96,777)		97,827
		(318,929)		(326,856)
Financing:				
Common shares issued		273,916		4,958
Deposit of cash for bank guarantee		(1,799)		(450)
Release of bank guarantee		1,275		450
		273,392		4,958
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency		(397)		(289)
Decrease in cash and cash equivalents		(56,957)		(332,047)
Cash and cash equivalents, beginning of the year	$	161,162	$	493,209
Cash and cash equivalents, end of the year	$	104,205	$	161,162
Supplementary information:				
Interest paid		Nil		Nil
Income taxes paid		Nil		Nil

Investing activities related to the Company's oil and gas activities in East Africa accounted for majority of the cash consumption of the Company. Investment in intangible exploration expenditures decreased during 2015 as a result of reduced drilling activity. Only one drilling rig is now operating in the Company's acreage. Cash inflows during 2015 are related to the proceeds from the completion several private placements during the year for gross proceeds of $275 million

The following table breaks down the material components of intangible exploration expenditures for the years ended December 31, 2015 and 2014:

For the years ended	**December 31, 2015**				**December 31, 2014**			
(thousands)	**Kenya**	**Ethiopia**	**Puntland**	**Total**	**Kenya**	**Ethiopia**	**Puntland**	**Total**
Drilling and completion	$155,533	$ (5,118)	$ -	**$150,415**	$269,806	$ 41,533	$ 79	**$311,418**

Development studies	19,170	-	-	**19,170**	51,756	-	-	**51,756**
Exploration surveys and studies	18,048	5,837	-	**23,885**	44,249	1,382	36	**45,667**
PSA and G&A related	26,248	68	-	**26,316**	22,251	5,697	1,087	**29,035**
Total	$218,999	$ 787	$ -	**$219,786**	$388,062	$ 48,612	$ 1,202	**$437,876**

In light of oil industry conditions, drilling activity was significantly reduced during 2015. Four rigs were active at the beginning of 2015 while the Company ended the year with one rig active. The Company incurred $219.0 million of intangible exploration expenditures in Kenya for year ended December 31, 2015. Drilling and completion expenditures relate to the Epir exploration well (Block 10BB), the Engomo exploration well (Block 10BA), the Ekales and Emesek exploration wells (Block 13T), multiple South Lokichar Basin (Blocks 10BB and 13T) appraisal wells and completions relating to EWTs. The majority of development study spend relates to studies aimed at progressing towards project sanction for the South Lokichar Basin.

The Company incurred $0.8 million of intangible exploration expenditures in Ethiopia for the year ended December 31, 2015, which consists of 2D seismic work being performed in the Rift Basin Area. During 2015, $5.1 million of drilling and completion expenditures were reversed primarily related to accruals associated with the South Omo drilling program which was concluded in 2014, with equipment demobilizing during 2015.

Consolidated Statement of Equity
(Thousands United States Dollars)

	December 31, 2015	December 31, 2014
Share capital:		
Balance, beginning of the year	$ 1,014,772	$ 1,007,414
Private placement, net	270,071	-
Exercise of options	5,546	7,358
Balance, end of the year	1,290,389	1,014,772
Contributed surplus:		
Balance, beginning of the year	$ 39,947	$ 24,396
Stock based compensation	8,107	17,951
Exercise of options	(1,701)	(2,400)
Balance, end of the year	46,353	39,947
Deficit:		
Balance, beginning of the year	$ (257,673)	$ (150,736)
Net loss and comprehensive loss attributable to common shareholders	(87,190)	(106,937)
Balance, end of the year	(344,863)	(257,673)
Total equity attributable to common shareholders	991,879	797,046
Non-controlling interest:		
Balance, beginning of the year	$ -	$ 48,773
Net loss and comprehensive loss attributable to non-controlling interest	(249)	(48,773)
Derecognition of non-controlling interest on loss of control	249	-
Balance, end of the year	-	-
Total equity	$ 991,879	$ 797,046

The Company's consolidated financial statements, notes to the financial statements, management's discussion and analysis for the years ended December 31, 2015, and 2014, and the 2015 Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com).

Outlook

In light of the current and forecast short to mid-term oil price environment, the Company has worked closely with Tullow to focus efforts on advancing the South Lokichar Basin development in Blocks 10BB and 13T (Kenya) by undertaking activities aimed at increasing resource certainty and progressing development studies and planning. We are pleased that Maersk have acquired a 25% interest in the project given the vast financial and technical capabilities they will bring to the joint venture and related development activities.

A draft South Lokichar Field Development Plan was submitted to the Government of Kenya in December and will inform discussions as we progress towards a potential final investment decision. Preparation for FEED (Front End Engineering and Design) is under way. Scoping studies and terms of reference for the detailed upstream environmental and social impact assessments have been submitted to the regulatory authorities in Kenya. In August 2015, a bilateral agreement was reached between the Presidents of Uganda and Kenya adopting the Northern Kenya route for the regional crude oil pipeline, subject to certain conditions. These conditions, which include ensuring that this is the lowest cost route, are being worked on by both Governments in conjunction with the Kenyan and Uganda upstream parties.

Outside of the South Lokichar Basin, the Africa Oil - Tullow joint venture new basin opening exploration drilling program is focused on the Cheptuket well in Block 12A (Kenya), a PSC commitment which is currently drilling.

About Africa oil

Africa Oil Corp. is a Canadian oil and gas company with assets in Kenya and Ethiopia . The Company is listed on the Toronto Stock Exchange and on Nasdaq Stockholm under the symbol "AOI".

Additional Information

The Company also announces that the Annual General and Special Meeting of Shareholders will be held on Tuesday, April 19, 2016, at 9:00 a.m. (Vancouver time) at the Fairmont Hotel Vancouver, 900 West Georgia Street, Vancouver, British Columbia.

The information in this release is subject to the disclosure requirements of Africa Oil Corp. under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on February 26, 2016 at 3:30 p.m. Pacific Time.

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

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