Oando Energy Resources BC:0902702

OANDO ENERGY RESOURCES ANNOUNCES SECOND QUARTER RESULTS

CALGARY, ALBERTA, AUGUST 15, 2014 – **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 six month period ended June 30, 2014. The unaudited 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.

Operational Highlights

- Production from existing assets for the six months ended June 30, 2014 was 821,786 bbls (an average of 4,540 barrels per day) compared to 687,757 bbls (an average of 3,800 barrels per day) for the comparative period primarily as a result of improved well optimization at OML 125;
- The average net sales price of $76.18/bbl for the six months ended June 30, 2014 declined by 20.3% from $95.64/bbl in the comparative period;
- Progressed construction of the 45,000 bbls/d Umugini pipeline, designed as an alternative evacuation route for the OML 56 (Ebendo Field) asset, with a target completion date of Q4, 2014; and
- Completion of the $1.5 Billion acquisition of ConocoPhillips' Nigeria Business Unit (the COP Acquisition).

Financial Highlights

US$'000, except production and per share data	Six Months Ended June 30 (unless otherwise noted)	
	2014	2013
Revenue	62,603	65,774
Barrels of oil produced (bbl)	821,786	687,757
Average sales price per barrel (Gross)	108.79	109.00
Average sales price per barrel (Net, Including unrecognized revenue)	91.25	95.64
Average sales price per barrel (Net)	76.18	95.64

Cash flows from operating activities	(11,220)	(22,171)
Comprehensive income/(loss)	(177,549)	(8,866)
Net income/(loss) per share: Basic	(0.41)	(0.08)
Net income/(loss) per share: Diluted	(0.41)	(0.08)
Total assets	1,662,142	1,299,422
Total non-current Financial liabilities	245,925	275,195

- The average net sales price of $76.18/bbl for the six months ended June 30, 2014 declined by 20.3% from $95.64/bbl in the comparative period, due to the non-recognition of $13.0 million in revenues related to excessive liftings' by the NNPC at OML 125. If the unrecognised revenues of $13.0 million related to excessive NNPC liftings' at OML 125 was recognized, the net average sales price per barrel would be $91.25 for the six months ended June 30, 2014.

- Cash outflow from operating activities for the six months ended June 30, 2014 was $11.2 million, compared to $22.2 million in the comparative prior year period.

- For the six months ended June 30, 2014 revenue declined from the comparative period by $3.2 million. During this period, lower realized net sales prices reduced revenues by $13.4 million and increased production increased revenues by $10.2 million. Lower revenues from lower realized net sales prices were primarily due to $13.0 million in unrecognized revenue at OML 125. Increases in production were due primarily to increased production at OML 125 and the Ebendo Field (OML 56). OML 125 production increased by 17% to 651,000 bbls in the six months ended June 30, 2014 from 557,000 bbls in the comparative period. The Ebendo Field (OML 56) production increased by 30% to 171,000 bbls in the six months ended June 30, 2014 from 131,000 bbls in the comparative period.

- The $177.5 million loss is attributed to the following:

    - Fair value loss on financial instruments of $106.9 million in the quarter driven primarily by warrants and equity conversion rights held by Oando PLC, these losses were recognised due to the large swing in OER's share price from CA$ 1.31 per share on 31st March, 2014 to CA$ 1.90 per share on 30 June, 2014 and PLC's right to convert at CA$ 1.57 per share;
    - $30.7 million financing fee due to Oando PLC, which was recognised as a finance expense for the six months period;
    - Non-recurring G&A cost of $27.3 million due to the COP acquisition; and

- Unrecognized revenue of $13.0 million from production at OML 125 related to excessive liftings' by the NNPC.

- Capital expenditures for the six months ended June 30, 2014 were $66.9 million, compared to $44.7 million for comparative period.

Subsequent Events

On July 30, 2014, the Corporation completed the acquisition of ConocoPhillips Nigerian business unit, with an effective date of January 1, 2012. The final purchase consideration for the Acquisition transferred on July 30, 2014, net of working capital adjustments, transaction costs, purchase price adjustments was $1.5 Billion. The total reserves and resources associated with this transaction are; Proved plus Probable Reserves of 211.6 million barrels oil equivalent ("MMboe"); Best Estimate Contingent Resources of 498.6 MMboe; Unrisked Best Prospective Resources of 656.9 MMboe.

"This half year we have witnessed a 20% growth in production against last year, due to optimization processes on our current producing assets". said CEO, Pade Durotoye, "we are truly excited at the 9 fold ramp up in production that we are experiencing in H2, 2014 as well as a much larger corporation, as a result of our completion of the acquisition of the ConocoPhillips Nigeria business unit, our immediate outlook will be to integrate the systems, processes and people towards growing the business and creating true value for our shareholders".

Selected Quarterly Results

	For the three months ended			
(US$ '000, except [production and] per share data)	June 30 2014	March 31 2014	December 31 2013	September 30 2013
Production (bbls)	413,985	407,802	406,029	363,032
Total Revenue	30,440	32,163	23,976	37,461
Net Income for the Period	(137,668)	(39,881)	(41,008)	11,645
Earnings Per Share	(0.24)	(0.14)	(0.32)	0.12
Diluted Earnings Per Share	(0.24)	(0.14)	(0.32)	0.12
Capital Expenditures	24,355	42,550	45,573	29,684
Total Assets	1,662,142	1,689,937	1,299,422	1,223,808
Total Non-Current Liabilities	245,925	274,812	275,195	206,150

OPERATIONAL UPDATE

OML 125 (Abo Field)

Budgeted capital expenditures for OML 125 for the six months ended June 30, 2014 was $26.6 million. The Corporation incurred expenditures of $40.7 million during the first six months of the year on Abo 8 and Abo 12 drilling and completion activities, FPSO revamp and Abo 3 flow line de-sanding.

Abo 8 re-entry and completion was budgeted at $9.1 million with actual expenditure incurred to date being $5.8 million with remedial works still ongoing to put the well back on stream. Abo 12 drilling and completion was budgeted at $12.9 million for the first half of the year. Actual expenditure to date of $20 million has been incurred. The increase in expenditure was as a result of a delay in completion costs. The well is temporarily plugged pending planned hook up in 2015.

Abo 3 flow line de-sanding costs of $5.5 million was incurred during the first six months of the year but was not budgeted for in 2014. This expenditure was incurred as a result of plugged flow lines from sand production. Remedial works are ongoing to put well back on stream.

FPSO revamp activities were planned for the fourth quarter of 2014 at a budget of $4.5 million. However, this expenditure was incurred during the first six months of the year at a cost of $5.6 million.

OML 56 (Ebendo Field)

Budgeted capital expenditures for OML 56 for the six months ended June 30, 2014 was $11 million. The Corporation spent $9.2 on Umugini pipeline construction and Ebendo Well 7 drilling and completion activities and flow station de-bottlenecking.

The Umugini pipeline project over the course of the year has achieved completion milestones around fiber optic cable laying and pipeline works and projected delivery date remain to be completed during the fourth quarter of 2014. Ebedo Well 7 was successfully drilled and completed on the 1st of April 2014. The well has since been shut in pending completion of Umugini pipeline. The Akri-Kwale flow lines were also de-bottlenecked during the first six months of the year to increase crude production capacity for the field. The cost of de-bottlenecking was $1.1 million.

OML 13 (Qua Ibo Field)

Budgeted capital expenditures for OML 13 – Qua Ibo field were set at $40.6 million for 2014. In the six months ended June 30, 2014, the Corporation incurred capital expenditures of about $9.4 million on pipeline and facility costs as well as flow station construction. Oil production from the Qua Ibo field's D5 reservoir is expected to commence in the fourth quarter of 2014 after the commissioning of a crude processing facility which is currently under construction and should be finalized in the third quarter of 2014. Production from the C4 reservoir of the Qua Ibo is expected to commence in the first quarter of 2015.

OML 134 (Oberan Field)

Budgeted capital expenditures for OML 134 were set at $7.4 million for 2014. In the six months ended June 30, 2014, the Corporation paid $7 million of the costs incurred on exploratory activities related to the Mindiogboro prospect. Based on results from the drilling of the exploration well into the Mindiogboro prospect, the Corporation plans to continue geological, geophysical, and environmental studies in 2015.

OML 90 (Akepo Field) and Blocks 5 & 12, EEZ of São Tomé & Príncipe

Budgeted capital expenditures for OML 90 and Block 5 and 12, EEZ of Sao Tome & Principe were set at $2.0 million and $5.2 million, respectively, for 2014. No significant capital expenditures were incurred in these fields in the six months ended June 30, 2014. For OML 90, planned capital expenditures to develop an evacuation route for crude production remain. For Blocks 5 & 12, planned capital expenditures related to a four year work programme of 2D and 3D seismic acquisition and studies remains.

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 41,071 boe/d in 2013 and 44,512 boe/d in the first half of 2014.

Reserves and resources attributable to OER as of July 31, 2014 include Proved plus Probable reserves of 230.6 MMboe, Best Estimate Contingent Resources of 547.3 MMboe and Risked Best Prospective Resources of 525.2 MMboe.

OER has been specifically structured to take advantage of current opportunities for indigenous companies in Nigeria, which currently has the largest population in Africa, and one of the largest oil and gas resources in Africa.

Cautionary Statements

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.

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