Oando Energy Resources BC:0902702

OANDO ENERGY RESOURCES ANNOUNCES RECORD THIRD QUARTER RESULTS

CALGARY, ALBERTA, NOVEMBER 13, 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 three and nine month periods ended September 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.

"At the end of July we completed the transformational acquisition of the Nigerian Upstream business of ConocoPhillips Company ("COP"), that substantially grew our production, reserves, resources and cashflow, which will allow us exploit a broader suite of assets and new growth opportunities both onshore and offshore Nigeria," said Pade Durotoye, CEO of Oando Energy Resources Inc. "In the third quarter we saw an immediate and significant impact on revenue with only a partial two months of production contribution from the assets acquired in the ConocoPhillips transaction. We also took steps to strengthen our balance sheet with the conversion to equity of more than $315 million in principal, interest and fees payable under the $1.2 billion facility agreement."

Recent Operational Highlights

- On July 30, 2014, completed the acquisition of COP (the "Acquisition Assets") for a total cash consideration of $1.5 billion. The Corporation is now positioned as one of the leading E&P players in the Nigerian Oil & Gas sector, with Proved plus Probable Reserves of 230.6 MMboe, Best Estimate Contingent Resources of 536.8 MMboe, Unrisked Best Prospective Resources of 2,051.8 MMboe as at December, 2013 and total production of approximately 51,400 boe/day at the end of the third quarter, 2014.

- Achieved total production of 4.1 million boe in the nine months and 3.2 million boe in the three months periods ended September 30, 2014 compared with 1.1 million boe and 363,000 boe in the comparative periods ended September 2013, respectively. The increase was primarily due to the Company's newly acquired working interest in OML 60 – 63 which contributed 2.9 million boe of production over the 62-day period from July 30 to September 30, 2014.

- During the Quarter, the Company and its partners completed the construction of the 45,000bbls/d Umugini pipeline project and commenced final testing in readiness for commercial injection into the pipeline.

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Financial Highlights

US$'000, except per share data

	Three months ended September 30,		Nine months ended September 30,	
	2014	2013	2014	2013
Financial:				
Revenue	184,777	37,461	247,380	103,235
Cash flows from operating activities	64,131	848	52,911	(21,323)
Comprehensive income/(loss)	89,541	12,371	(88,008)	2,778
Net income/(loss) per share: Basic	0.12	0.12	(0.16)	0.03
Net income/(loss) per share: Diluted (1)	0.12	0.12	(0.16)	0.03
Total assets (2)	3,693,880	1,299,422	3,484,397	1,299,422
Total non-current liabilities (2)	1,523,019	275,195	1,313,537	275,195
Operational:				
Production (3)				
Oil (bbl) (4)	1,270,183	363,032	2,091,970	1,050,789
NGL (boe) (5)	182,632	-	182,632	-
Natural Gas (mcf)	10,772,054	-	10,772,054	-
Total production (boe) (5)	3,248,158	363,032	4,069,944	1,050,789
Boe/day – Legacy assets (6)	3,524	3,946	4,198	3,849
Boe/day – Acquisition assets (6)	31,783	-	10,711	-
Gross realized prices (7)				
Oil ($/bbl)	104.62	111.62	96.64.	105.77
NGL ($/boe)	13.11	-	13.11	-
Natural gas ($/mcf)	2.47	-	2.47	-
Net realized prices (8)				
Oil ($/bbl)	99.26	103.19	96.20	98.25
NGL ($/boe)	12.19	-	12.19	-
Natural gas ($/mcf)	2.30	-	2.30	-

(1) In determining the diluted EPS of the Corporation in 2014 and 2013, the impact of the warrants, the stock based compensation and the convertible loan have not been considered for the nine month period as their impact is antidilutive. For the three month period dilutive instruments have been considered – Refer to note 13 in the Interim Financial Statements.

(2) Prior year comparatives are as at December 31, 2013.

(3) Barrels abbreviated to "bbl", barrels of oil equivalent abbreviated to "boe", thousand cubic feet abbreviated to "mcf".

*(4) The Corporation consolidates 45% revenue of Ebendo (OML56) which is Oando Production and Development Company (**"OPDC"**) ownership interest in the field and recognises a minority interest of 5% in OPDC.*

(5) Natural gas volumes have been converted to boe using a conversion ratio of six mcf of natural gas to one boe; "NGL" refers to natural gas liquids.

(6) Legacy assets production; means production from OML 125 and OML 56 for the three and nine months ended September 30, 2014; Acquisition assets production means production from OML 60 to 63 for the period July 30, 2014 to September 30, 2014 which were acquired through the COP Acquisition. The actual average daily production for that period was 47,934 boe/day. However for the table above, ninety two calendar days and two hundred and seventy three calendar days have been utilised for the calculation of total production boe/day for the three and nine months ended September 30, 2014 and 2013 respectively.

(7) Gross Realized prices are before royalties, the Nigerian Government share of profit oil, crude oil losses and unrecognised revenues related to excessive NNPC lifting's at OML 125.

(8) Net Realized prices are after royalties, the Nigerian Government share of profit oil, crude oil losses but before unrecognised revenues related to excessive NNPC lifting's at OML 125. After considering unrecognized revenues related to excessive NNPC liftings at OML 125 the net realized price for oil is $89.72/bbl for the nine months ended September 30, 2014.

- Revenue, net of royalties, for the three and nine month periods ended September 30, 2014 increased by $147.3 million and $144.2 million, respectively. The increase in both periods was due primarily to $152.8 million of revenue earned between July 30 and September 30, 2014 from the Acquisition Assets of which $145.4 million related to the sale of oil, gas, and Natural Gas Liquids ("NGL"), $6.3 million related to the sale of power generated by the Kwale-Okpai power plant, and $1.1 million related to crude transportation tariffs. The Legacy Assets revenue for the 9 month period ended September, 2014 declined by $5.5 million in comparison to the same period in 2013.

- Production for the three and nine month periods ended September 30, 2014 was 3.2MMboe and 4.1MMboe, respectively; this represents an increase from the three and nine month periods ended September 30, 2013 of 2.8 MMboe and 3.0 MMboe, respectively. The increase in both periods was primarily due to 2.9 MMboe or 47,934 boe/day of production between July 30 and September 30, 2014 from the Acquisition Assets which attributed 15,508 bbl/day of oil, 2,994 boe/day of NGL, and 29,432 boe/day (or 176,591 mcf/day) of gas.

- Financial commodity contracts were executed in August 2014 which hedged (a) 8,000 bbl/day of oil production at $97/bbl until July 2017 (unless the market price exceeds $110.55/bbl; the Corporation will receive the incremental price above $110.55/bbl) and (b) an average of 2,223 bbl/day of oil production at an average price of $91/bbl until January 2019 (unless the market price exceeds cap prices ranging from $95/bbl to $115/bbl; the Corporation will receive the incremental price above the cap price). This equates to approximately 52% of total oil production being hedged. In the three and nine months ended September 30, 2014, the Corporation recorded derivative gains of $33.2 million on these hedges.

- Production expenses for the three and nine month periods ended September 30, 2014 increased by $63.4 million and $66.2 million, respectively. The increase in both periods was due primarily to $67.1 million of production expenses from the Acquisition Assets between July 30 and September 30, 2014 of which $38.6 million related to non-recurring acquisition accounting fair value adjustments. Excluding fair value adjustments, net production expenses on Acquisition Assets were $28.5 million or $9.75/boe.

- General and administrative costs (**"G&A costs"**) for the three and nine month periods ended September 30, 2014 increased by $66.3 million and $101.0 million, respectively. The $66.3 million increase in the 3 month period was driven primarily by a non-recurring $41.2 million ministerial consent fee levied by the Nigerian government due to the COP Acquisition and $17.5 million of non-recurring COP Acquisition related expenses. The $101.0 million increase in the 9 month period was driven primarily by the $41.2 million non-recurring ministerial consent fee, $45.8 million of non-recurring COP Acquisition related expenses, and a $14.0 million increase in staff and other G&A costs.

- Depletion, depreciation, and amortization (**"DD&A"**) for the three and nine month periods ended September 30, 2014 increased by $34.7 million and $39.9 million, respectively. The increase in both periods was due primarily to $27.8 million of DD&A incurred between July 30 and September 30, 2014 from the Acquisition Assets.

- From July 30 to September 30, 2014, the Acquisition Assets contributed $57.9 million to net income before taxes based on $152.8 million in revenue, $67.1 million of production expenses, and $27.8 million in DD&A; excluding the impact of acquisition accounting fair value adjustments of $28.5 million as described above, the Acquisition Assets contributed $86.4 million to net income before taxes in this period.

- For the nine months ended September 30, 2014, the Company had a net loss of $88.0 million, a working capital deficiency of $507.9 million, and for the nine months ended September 30, 2014, the Company had a net loss of $88.0 million and a working capital deficiency of $591.4 million. Oando has incurred significant levels of debt financing for which specific debt covenants must be satisfied. The Company has taken measures to improve liquidity including converting borrowings to equity and obtaining equity financing and has benefited from increased cash flow from the assets acquired on the COP Acquisition.

- For the nine months ended September 30, 2014, the Corporation exercised the conversion option on borrowing agreements with Oando PLC which resulted in the settlement of Principal of $867 million, outstanding interest of $15 million and financing fees of $48 million, all amounting to $929 million to 650,786,739 shares in the Company and also issued 325,392,870 warrants to Oando PLC.

- For the nine months ended September 30, 2014 cash flow from operating activities was $52.9 million compared to a $21.3 million cash outflow in the comparative period. The increase of $74.2 million was driven primarily by increased cash flow from the Acquisition Assets.

Selected Quarterly Results

US$'000, except production per share data

			For the three months ended	
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Production (boe)	3,248,158	413,985	407,802	406,029
Total Revenue	184,777	30,440	32,163	23,976
Net Income for the Period	89,541	(137,668)	(39,881)	(41,008)
Earnings Per Share	0.12	(0.24)	(0.14)	(0.32)
Diluted Earnings Per Share	0.12	(0.24)	(0.14)	(0.32)
Capital Expenditures	52,910	24,355	42,550	45,573
Total Assets	3,693,880	1,662,142	1,689,937	1,299,422
Total Non-Current Liabilities	1,523,019	245,925	274,812	275,195

			For the three months ended	
	September 30 2013	June 30, 2013	March 31, 2013	December 31, 2012
Production (boe)	363,032	353,145	334,612	326,819
Total Revenue	37,461	36,072	30,699	27,746
Net Income for the Year	11,645	(1,167)	(7,187)	(9,625)
Earnings Per Share	0.12	(0.01)	(0.07)	(0.09)
Diluted Earnings Per Share	0.12	(0.01)	(0.07)	(0.09)
Capital Expenditures	29,684	36,353	8,345	37,752
Total Assets	1,223,808	1,193,585	1,079,899	1,127,050
Total Non-Current Liabilities	206,150	207,981	156,457	177,699

The Corporation's quarterly financial information can be significantly impacted by fluctuations in commodity prices, production volumes, and interest rates. Refer to the relevant sections of the MD&A for discussions of the results for the three and nine months ended September 30, 2014 and the MD&A for the year ended December 31, 2013.

OPERATIONAL UPDATE

OML 60-63, OML 131 ("Acquisition Assets")

From July 30 to September 30, 2014, average production of 47,934 boe/d for 62 days and capital expenditures on Acquisition Asset fields were $25.3 million. In this period, $19 million was spent on the Ogbogene NE and Ogbainbiri Deep C projects, and $6.3 million was spent on other capital projects. The Corporation's share of NAOC JV budgeted costs for Q4 2014 is estimated to be $28.6 million.

OML 125 (Abo Field)

Budgeted capital expenditures for OML 125 for the nine months ended September 30, 2014 were $33.3 million. The Company incurred $66.3 million of capital expenditures in this period, which is attributable to Abo 3, Abo 8, and Abo 12 drilling and completion activities. Capital expenditures on Abo 3 were $41.8 million, which is the main driver of the over budget amount due to increased completion costs. Expenditures on Abo 8 and Abo 12 were $3.9 million and $20.6 million, respectively.

OML 56 (Ebendo Field)

Budgeted capital expenditures for OML 56 for the nine months ended September 30, 2014 was $16.5 million. The Company incurred $9.9 million on construction of the Umugini pipeline, Ebendo Well 7 drilling and completion activities, and flow station construction. The Ebendo Well 7 was successfully drilled and completed with the expectation that it will be connected to Umugini pipeline in Q4 2014.

OML 13 (Qua Ibo Field)

Budgeted capital expenditures for OML 13 were set at $40.6 million for 2014. In the nine months ended September 30, 2014, the Company incurred capital expenditures of about $11.5 million on pipeline and facility costs as well as flow station construction. Oil production from the Qua Ibo Field's C4 and D5 reservoirs are expected to commence in the fourth quarter of 2014 after the commissioning of a crude processing facility which will be completed in the fourth quarter of 2014.

OML 134 (Oberan Field)

Budgeted capital expenditures for OML 134 were set at $7.4 million for 2014. In the nine months ended September 30, 2014, the Company paid $6.1 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 Company plans to continue geological, geophysical, and environmental studies in 2015.

Blocks 5 & 12, EEZ of São Tomé & Príncipe

Budgeted capital expenditures for Block 5 and 12, EEZ of São Tomé & Principe were set at $5.2 million for 2014. No significant capital expenditures were incurred in these fields in the nine months ended September 30, 2014. Planned capital expenditures related to a four year work programme of 2D and 3D seismic acquisition and studies remains with Seismic acquisition to be incurred in December 2014.

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 3,849 bbls/d in 2013 and 14,909 boe/d in the first nine months of 2014.

Reserves and resources attributable to OER as of September 30, 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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