Oando Energy Resources BC:0902702

OANDO ENERGY RESOURCES ANNOUNCES THIRD QUARTER 2015 RESULTS

CALGARY, ALBERTA, October 26, 2015 – 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 months ended September 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.

"In the face of lower and increasingly volatile crude oil prices, we continue to carefully manage costs and execute low Capex activity that optimize our overall production base whilst benefiting from our hedging strategies," said Pade Durotoye, CEO of Oando Energy Resources Inc. "Despite the unfortunate operational incidents that temporarily impacted production in July, Oando delivered total production levels of 4.9 MMboe, an average production level of 53,169 boe/day thanks to quick bypass and recovery systems executed by the Operator and our diverse portfolio of producing assets. We remain committed to working with our joint venture partners to further consolidate the assets we acquired last year and optimize production, whilst also continuing to implement cost reduction strategies and prudently manage our balance sheet."

Key Financial and Operational Highlights

- In the third quarter of 2015 production increased to 4.9 MMboe (average 53,169 boe/day) from 3.2 MMboe (average 35,307 boe/day) in the third quarter of 2014. During the nine months ended September 30, 2015 production increased to 15.1 MMboe, compared with 4.1 MMboe in the same period of 2014. The increase between the 2015 and 2014 year-to-date periods is primarily the result of the Nigerian onshore and offshore assets acquired on July 30, 2014 from the ConocoPhillips Company ("COP Acquisition") that included substantial production from OMLs 60 to 63, significant reserves and resources, and a considerable base of development and exploration opportunities. Third quarter 2015 production was a slight decrease from 5.2 MMboe (average 56,917 boe/day) achieved in the second quarter of 2015. Crude oil production increased by 0.2MMboe, however the net decrease was attributed to a 0.5MMboe reduction in natural gas and NGL production (caused by the Ebocha Flowstation incident).
- Net revenue was $132.5 million in the third quarter of 2015, a decrease of $52.3 million from $184.8 million generated in the third quarter of 2014, resulting from the significant decrease in crude oil prices, which was partially offset by the production increase between the periods. During the nine months ended September 30, 2015 revenues increased to $355.2 from $247.4 million in the same period of 2014, primary as a result of the acquisition of the COP producing assets, offset by declines in crude oil sales prices. Revenues in the third quarter 2015 increased $42.3 million from $90.2 million realized in the second quarter of 2015. The quarter to quarter increase was mainly the result of a portion of second quarter production not being sold until early July 2015 (with a market value of $23.6 million) to accommodate changes to

customer lifting schedules.

- The Corporation has hedged 9,689 bbls/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 represented 43% of third 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 September 30, 2015, June 30, 2015 and September 30, 2014 and the nine months ended September 30, 2015 and September 30, 2014.

	Three months ended			Nine months ended	
	Sep. 30, 2015	Jun. 30, 2015	Sep. 30, 2014	Sep. 30, 2015	Sep. 30, 2014
Financial:					
Revenue	132,512	90,240	184,777	355,167	247,380
Funds from operations [1]	78,621	23,813	39,850	151,799	48,358
Comprehensive income (loss)	(13,107)	(29,255)	89,541	(63,458)	(88,008)
Net income (loss) per share: Basic	(0.02)	(0.04)	0.12	(0.08)	(0.16)
Net income (loss) per share: Diluted	(0.02)	(0.04)	0.12	(0.08)	(0.16)
Total assets	2,900,574	2,922,598	3,693,880	2,900,574	3,693,880
Total non-current liabilities	1,177,793	1,201,823	1,523,019	1,177,793	1,523,019
Operational:					
Production:					
Crude oil (bbl)	2,053,247	1,889,965	1,270,183	5,787,788	2,091,969
NGL (boe)	239,693	333,381	182,632	914,565	182,632
Natural Gas (mcf)	15,591,834	17,736,221	10,772,054	50,127,317	10,772,054
Total production (boe)	4,891,579	5,179,383	3,248,158	15,056,906	4,069,944
Daily production:					
Crude oil (bbls/day)	22,318	20,769	13,806	21,201	7,663
NGLs (boe/day)	2,605	3,664	1,985	3,350	669
Natural Gas (mcf/day)	169,476	194,904	117,093	183,617	39,459
Total (boe/day)	53,169	56,917	35,307	55,154	14,909
Average selling prices [2,3]					
Crude oil ($/bbl)	48.25	66.81	104.62	56.23	96.64
NGL ($/boe)	7.95	12.09	13.11	10.66	13.11
Natural gas ($/mcf)	1.51	1.77	2.47	1.76	2.47

[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.*

Figures in $'000 unless otherwise stated

- The Corporation had a net loss of $13.1 million in the third quarter of 2015, compared to net income of $89.5 million in the third quarter of 2014. In the nine months ended September 30, 2015 the Corporation incurred a net loss of $63.5 million, as compared to a net loss of $88.0 million in the same period of 2014. The net loss during the third quarter of 2015 was the result of non-cash $98.9 million impairment on assets and a $15.6 million joint venture receivable impairment. During the nine months ended September 30, 2015 the net loss of $63.5 million was primarily the result of $121.2 million non-cash impairment of assets and the joint venture receivable impairment, partially offset by profitable operations at OMLs 60 to 63 and crude oil hedging gains.
- Production expenses in the third quarter of 2015 increased to $56.1 million from $35.9 million in the third quarter of 2014 and during the nine months ended September 30, 2015 production expenses increased to $172.2 million from $51.5 million in the same period of 2014. The production expense increases were primarily a result of the increase in production from the COP Acquisition. Adjusted production expenses per boe were $11.47/boe and $11.44/boe in the three and nine months ended September 30, 2015, which were consistent with the amounts for the three and nine months ended September 30, 2014 of $11.07/boe and $12.66/boe, respectively.
- General and administrative costs ("G&A") costs for the third quarter of 2015 increased to $13.7 million from $12.2 million in the third quarter of 2014. During the nine months ended September 30, 2015, G&A increased to $49.0 million from $31.2 million in the same period of 2014. The increase was primarily due 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 $2.81/boe during the third quarter of 2015, compared with $3.75/boe in the same period of 2014, due to the growth in production relative to the G&A increase.
- Third quarter funds from operations increased to $78.6 million, from $39.9 million in the third quarter of 2014. The third quarter funds from operations increased by $54.8 million from $23.8 million in the second quarter, as a result of increased sales resulting from changes to customer lifting schedules for crude oil. During the first nine months of 2015 funds from operations increased to $151.8 million from $48.4 million in the same period of 2014. The increase in 2015 over 2014 was primarily a result of increased cash flow generated by the producing assets acquired on July 30, 2014.
- Capital expenditures of $22.5 million and $79.4 million were incurred during the three and nine months ended September 30, 2015, respectively. During the nine months ended September 30, 2015 the capital expenditures consisted mostly of $36.3 million at OMLs 60 to 63 and $33.6 million at OML 125.
- As at September 30, 2015, OER had a working capital deficiency of $478.3 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 2015. During 2015, the lenders of the $450 million loan waived the current ratio requirement. At September 30, 2015 the Corporation was in compliance will all loan covenants. The current and long-term portion of the loans have been classified according to their maturity as set out by loan repayment schedules.
- On July 9, 2015, a fire occurred during the inspection and repair of the Tebidaba-Clough Creek pipeline resulting in the unfortunate death of 14 contract personnel. The line was fully repaired and brought back on-stream during the quarter. The incident is currently being

investigated by the operator in conjunction with OER.

- In October 2015, the corporation increased the capacity of the $450 million senior secured facility by $90.7 million; proceeds from the loan and cash on hand were used to repay the $100 million subordinated debt facility and fees of $4.4 million.

Selected Quarterly Results

The table below summarizes selected financial and operational information for the last eight quarters. The Corporation's quarterly results have been impacted primarily by acquisitions, fluctuating commodity prices, asset impairments, gains and losses on financial instruments, and borrowing activities.

	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013
Production (boe)	4,891,579	5,179,383	4,985,944	5,034,358	3,248,158	413,984	408,497	406,029
Total revenue	132,512	90,240	132,415	174,042	184,777	30,440	32,163	23,976
Net Income (loss) for the period	(13,107)	(29,255)	(21,096)	(199,595)	89,541	(137,668)	(39,881)	(41,008)
Earnings per share	(0.02)	(0.04)	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)
Diluted earnings per share	(0.02)	(0.04)	(0.03)	(0.40)	0.12	(0.24)	(0.14)	(0.32)
Capital expenditures	22,505	19,127	37,804	41,206	52,910	24,355	42,550	45,573
Total assets	2,900,574	2,922,598	2,971,858	3,242,791	3,693,880	1,662,142	1,689,937	1,299,422
Total non-current liabilities	1,177,793	1,201,823	1,033,688	1,088,996	1,523,019	245,925	274,812	275,195

Figures in $'000 unless otherwise stated

Capital Expenditures and Outlook

During the third quarter of 2015 the Corporation made $22.5 million in capital expenditures related to the development of oil and gas assets and exploration and evaluation activities, as compared with $52.9 million in the same quarter of 2014. Expenditures in the quarter included $10.5 million at OMLs 60 to 63 that included completions, geophysical exploration studies, and capital maintenance, and $8.1 million at OML 125 on gathering and transportation infrastructure enhancements and facility maintenance. In addition, $3.5 million was expended on crude oil gathering facilities at Qua Ibo and $0.4 million on other capital expenditures.

The following provides a summary of 2015 focus area capital expenditures and compares the budgeted expenditures to actual spending to date.

	Actual – Nine months ended September 30, 2015	Budget – Full year 2015
OMLs 60 to 63	36,285	59,680
Qua Ibo (in OML 13)	5,001	3,590
Ebendo (in OML 56)	1,228	7,650
OML 125	33,596	67,130
Other assets, net	3,326	3,670
Capital expenditures, net	79,436	141,720

Figures in $'000 unless otherwise stated

OMLs 60 to 63

During the nine months ended September 30, 2015 capital expenditures on OMLs 60 to 63 totaled $36.3 million. Capital expenditures during the period included $18.5 million spent on development drilling and completion activities in the Ogbainbiri Deep 4 well, $14.9 million was spent on pipeline and facility upgrades, and $2.9 million was spent on geophysical exploration studies and other assets.

In 2015, the Corporation estimates that a total of $59.7 million will be spent at OMLs 60 to 63, consisting of $35.6 million directed to crude oil related projects and $24.1 million on gas projects. 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 nine months ended September 30, 2015, the Corporation incurred capital expenditures of $5.0 million at Qua Ibo on pipeline and crude oil facility costs. The Qua Ibo field commenced production in late February 2015 and realized its first sales from production in the second quarter of 2015.

In the third quarter of 2015, the Company revised its $0.6 million estimate to $3.5 million in capital expenditures to account for additional facility requirements for water handling, in addition to the previously planned facility enhancements.

Ebendo

During the nine months ended September 30, 2015, the Company incurred $1.2 million in capital expenditures at Ebendo, which included the pipeline facility enhancements 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 $33.6 million of capital expenditures during the nine months ended September 30, 2015 at OML 125 related to gathering and transportation infrastructure enhancements and facility maintenance. The enhancements included $20.7 million spent on Abo phase 3 gathering and transportation construction, $5.3 million on well recompletion costs, $4.4 million on its floating production storage and offloading vessel ("FPSO") on capital maintenance, and $3.2 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 activities focused on extending the life of the FPSO. As at September 30, 2015, the Corporation has been advanced $79.5 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 Corporation to defer the payment of cash calls until revenue from OML 125 is realized to pay its outstanding cash call balance.

Other Assets

Other asset capital expenditures include capital expenditures on OML 131, OML 134 and Equator Exploration Limited (EEL). During the nine months ended September 30, 2015 the Corporation spent $3.3 million on preliminary geological studies and other equipment during the period. Throughout 2015, the Corporation 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

Operationally, 2015 has been a successful period for the Corporation. Production has remained steady throughout 2015 with third quarter and nine months production of 53,169 boe/day and 55,154 boe/day, respectively. The third quarter saw increased production from OML 125 and Ebendo which partially offset net production losses at OMLs 60-63 due to production constraints. The production constraint at OMLs 60 to 63 was caused by a fire at the Corporation's non-operated Ebocha terminal at the end of June, with production being fully restored to pre-incident levels near the end of July. The restriction of production resulting from the fire was the reason for the slight decrease in production from the second quarter. Throughout the year, the Company has continued to work with its joint venture partners to execute its development program for 2015, which has been scaled back in response to low commodity prices. The current development program is focused on lower risk activities that provide short-term returns.

Financially, we expect 2015 to continue to be a challenging year for the Company and the oil and gas industry as a whole. Global crude oil prices have been volatile and are expected to remain at their current low levels for the remainder of 2015 and into 2016. In response to the low prices, the Corporation has taken steps to improve its liquidity including pre-paying debt to reduce short-term interest and negotiating advances from joint venture partners to fund a portion of its capital program. Furthermore, in October 2015, the Corporation increased the capacity of the $450 million senior secured facility by $90.7 million using those proceeds to repay the $100 million subordinated debt facility, thereby, extending that obligation over the next 3 to 4 years through the consolidation of loans. The repayment will result in the return of $50 million which was used to as collateral to secure the letter of credit associated with the loan. Going forward, the Corporation will continue to rely on cash from producing assets and financial commodity hedges and plans to secure additional debt financing from Oando PLC in the short-term, in addition to pursuing third party debt and equity financing, as required, to execute on its business plans.

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 Corporation 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 Corporation 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 nine months ended September 30, 2015.

About Oando Energy Resources Inc. (OER)

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 third quarter of 2015 was 53,169 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.

For further information:

Pade Durotoye, CEO
Oando Energy Resources Inc.
pdurotoye@oandoenergyresources.com
+1 403- 561-1713

Tokunboh Akindele, Head Investor Relations
Oando Energy Resources Inc.
takindele@oandoenergyresources.com
+1 403-560-7450