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## **NEWS RELEASE**

### **AFRICA OIL: UPDATE ON KENYA FINANCE BILL**

**September 25, 2014 (AOI-TSX, AOI-NASDAQ OMX Stockholm) ... Africa Oil Corp.** ("Africa Oil", "AOC" or the "Company") confirms that the Kenya Finance Bill 2014 has been passed by the Kenyan Parliament and assented to by President Kenyatta. Publication of the bill is expected imminently. The majority of the legislation included in the Bill applicable to the oil and gas industry will be effective on January 1, 2015. The Bill covers a wide range of issues important for the economic development of Kenya. In terms of its impact upon the oil and gas sector the picture is mixed.

On a positive note the legislation abolishes the previous withholding tax regime and allows 'Farm Out' transactions to be completed in a tax effective manner. Such transactions are heavily relied upon by the oil and gas industry in order to attract companies with the appropriate technical and financial capabilities to projects over the course of their life cycle, thereby mitigating technical and financial risk. Africa Oil has completed numerous farmout transactions to date and will continue to consider farm outs as we continue our extensive exploration and appraisal program in East Africa.

The Finance Bill 2014 has also reintroduced a 'Capital Gains Tax' for the first time since 1985 when such taxation was suspended. While the rate of capital gains tax has been established at 5% for most capital transactions, it appears that the mining and oil and gas sectors will be taxed at 30% or 37.5% depending on the company's country of residency for tax purposes. Africa Oil is working with advisors to understand the impact of this legislation and remedies available to the Company to minimize the potential impact of this tax policy. In addition, the Company is reviewing its approach to structure any potential future strategic transactions to ensure they minimize or eliminate any such taxation.

Africa Oil, alongside the industry representative body (the Kenyan Oil & Gas Association - KOGA), are working closely with all levels of the Kenyan government to discuss the potential negative impact such a tax policy will have on the development of the still early stage oil exploration industry. This will include potential barriers to entry for new investors, erosion of present investor confidence and potential delays it will cause to exploration and development activity. We will accordingly work with the Government to consider potential legislative changes that would bring the rate of CGT to a level that will meet both the Government's requirements to achieve revenue from such transactions while still promoting the future development of the industry. Africa Oil and KOGA have a good track record of constructive and productive dialogue with the Kenyan Government on a range of legislative and regulatory issues and we would hope to continue this in terms of the Finance Bill 2014. The Government and its advisors have repeatedly stated that contract stability and the sanctity of existing Production Sharing Agreements are a cornerstone of its economic policy regarding the oil sector.

#### **About Africa Oil Corp.**

Africa Oil Corp. is a Canadian oil and gas company with assets in Kenya and Ethiopia as well as Puntland (Somalia) through its 45% equity interest in Horn Petroleum Corporation. Africa Oil's East African holdings are within a world-class exploration play fairway with a total gross land package in this prolific region in excess of 215,000 square kilometers. The East African Rift Basin system is one of the last of the great rift basins to be explored. The Company is listed on the Toronto Stock Exchange and on NASDAQ OMX-Stockholm under the symbol "AOI".

## Forward Looking Statements

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.

### Cautionary Statements regarding Well Test Results

Drill stem tests are commonly based on flow periods of 1 to 5 days and build up periods of 1 to 3 days. Pressure transient analysis has not been carried out on all well tests and the results should therefore be considered as preliminary. Well test results are not necessarily indicative of long-term performance or of ultimate recovery.

ON BEHALF OF THE BOARD

"Keith C. Hill"  
President and CEO

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