Africa Energy Corp.

Horn Petroleum Second Quarter of 2014 Financial and Operating Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug. 8, 2014) - Horn Petroleum Corporation ("Horn" or the "Company") (TSX VENTURE:HRN) is pleased to announce its financial and operating results for the three and six months ended June 30, 2014.

- During the six months ended June 30, 2014, Horn increased its investment in intangible exploration assets by $0.9 million. The majority of the costs incurred during the first six months of 2014 related to Production Sharing Agreement ("PSA") related expenditures and general and administrative costs.
- The Company continues to assess the operating environment in each of the Dharoor Valley and Nugaal Valley exploration areas from logistical, community and security perspectives. These assessments will provide critical information required to plan operations in the Company's exploration areas.
- The Company actively engages with a range of governments and organizations, domestic and international to progress planned exploration activities.
- Efforts are now focused on making preparations for a seismic acquisition campaign in the Dharoor Valley area which will include a regional seismic reconnaissance grid in the previously unexplored eastern portion of the basin as well as prospect specific seismic to delineate a drilling candidate in the western portion of the basin where an active petroleum system was confirmed by the most recent drilling at the Shabeel-1 and Shabeel North-1 locations. The Company has identified a suitable location to drill an exploration well in the Nugaal Valley block. However, given operational and political issues, a decision to move ahead on this will not be taken until adequate resolution is achieved.
- Horn continues to actively pursue new venture opportunities.
- Horn continues to investigate potential joint venture partnerships for its Dharoor Valley and Nugaal Valley exploration areas.
- In connection with the non-brokered private placement completed in June 2012, 9,546,248 share purchase warrants were issued. Each share purchase warrant entitled the holder to acquire one common share of Horn at a price of CAD$1.20 over a period of two years. In June 2014, 9,546,248 warrants expired unexercised. At June 30, 2014, the Company has no remaining warrants outstanding.
- As at June 30, 2014, the Company had cash of $2.6 million and working capital of $2.4 million as compared to cash of $3.6 million and working capital of $4.0 million at December 31, 2013.

Horn President and CEO, Jim Phillips, commented, "We continue to actively pursue new venture opportunities and we are continuing to work with a range of governments to progress planned exploration activities in Puntland."

Second Quarter 2014 Financial and Operating Highlights

Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss)
(Thousands of United States Dollars)
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Operating expenses				
Stock-based compensation	$ 184	$ 140	$ 211	$ 270
Management fees	205	221	411	445
Office and general	90	51	133	96
Professional fees	40	26	113	42
Stock exchange and filing fees	21	27	33	43
	540	465	901	896
Finance expense	-	25	3	51
Finance income	(10)	(200)	(2)	(3,837)
Net income (loss) and comprehensive income (loss) attributable to common shareholders	(530)	(290)	(902)	2,890

Net income (loss) per share				
Basic	$ (0.01)	$ 0.00	$ (0.01)	$ 0.03
Diluted	$ (0.01)	$ 0.00	$ (0.01)	$ 0.03
Weighted average number of shares outstanding for the purpose of calculating earnings per share				
Basic	96,849,316	96,849,316	96,849,316	96,849,316
Diluted	96,849,316	96,849,316	96,849,316	96,861,449

Operating expenses increased $0.1 million for the three months ended June 30, 2014 compared to the same period in 2013 due mainly to an increase in stock-based compensation expense. The increase in stock-based compensation expense is due to 2.2 million stock options granted to directors, officers and employees of the Company in the second quarter of 2014, of which one-third vested immediately.

Operating expenses were consistent at $0.9 million for the six months ended June 30, 2014 and 2013.

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

(Thousands United States Dollars)
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Fair market value adjustment - warrants	$ (6)	$ (197)	$ (1)	$ (3,830)
Interest and other income	-	(3)	(1)	(7)
Foreign exchange loss	(4)	25	3	51
Finance Income	$ (10)	$ (200)	$ (2)	$ (3,837)
Finance expense	$ -	$ 25	$ 3	$ 51

Consolidated Balance Sheets
(Thousands United States Dollars)
(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,628	$ 3,581
Accounts receivable	102	666
Prepaid expenses	31	69
	2,761	4,316
Long-term assets		
Intangible exploration assets	90,246	89,368
	90,246	89,368
Total assets	$ 93,007	$ 93,684

LIABILITIES AND EQUITY ATTRIBUTABLE TO COMMON SHAREHOLDERS		
Current liabilities		
Accounts payable and accrued liabilities	$ 355	$ 236
Due to related party	11	115
Current portion of warrants	-	1
	366	352
Total liabilities	366	352
Equity attributable to common shareholders		
Share capital	86,494	86,494
Contributed surplus	3,184	2,973
Retained earnings	2,963	3,865
Total equity attributable to common shareholders	92,641	93,332
Total liabilities and equity attributable to common shareholders	$ 93,007	$ 93,684

The decrease in total assets from December 31, 2013 to June 30, 2014 is primarily due to the funding of cash- based operating expenses.

Consolidated Statement of Cash Flows
(Thousands United States Dollars)
(Unaudited)

	Three months ended June 30, 2014	Three months ended June 30, 2013	Six months ended June 30, 2014	Six months ended June 30, 2013
Cash flows provided by (used in):				
Operations:				
Net income (loss) for the period	$ (530)	$ (290)	$ (902)	$ 2,890
Item not affecting cash:				
Stock-based compensation	184	140	211	270
Fair market value adjustment - warrants	(6)	(197)	(1)	(3,830)
Unrealized foreign exchange loss	(4)	25	3	51
Changes in non-cash operating working capital	(62)	39	(15)	59
	(418)	(283)	(704)	(560)
Investing:				
Intangible exploration expenditures	(260)	(391)	(878)	(1,704)
Changes in non-cash investing working capital	33	(736)	736	(1,794)
	(227)	(1,127)	(142)	(3,498)
Financing:				
Advances from related party	242	221	497	465
Payments to related party	(396)	(221)	(601)	(465)
	(154)	-	(104)	-

Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	4	(25)	(3)	(51)
Decrease in cash and cash equivalents	(795)	(1,435)	(953)	(4,109)
Cash and cash equivalents, beginning of the period	$ 3,423	$ 6,871	$ 3,581	$ 9,545
Cash and cash equivalents, end of the period	$ 2,628	$ 5,436	$ 2,628	$ 5,436
Supplementary information:				
Interest paid	Nil	Nil	Nil	Nil
Taxes paid	Nil	Nil	Nil	Nil

The decrease in cash in the three and six months ended June 30, 2014 is mainly the result of intangible exploration expenditures and cash-based operating expenses.

Consolidated Statement of Equity
(Thousands United States Dollars)
(Unaudited)

	June 30, 2014	June 30, 2013
Share capital:		
Balance, beginning of period	$ 86,494	$ 86,494
Balance, end of period	86,494	86,494
Contributed surplus:		
Balance, beginning of period	$ 2,973	$ 2,521
Stock-based compensation	211	270
Balance, end of period	3,184	2,791
Earnings:		
Balance, beginning of period	$ 3,865	$ 1,660
Net income (loss) for the period	(902)	2,890
Balance, end of period	2,963	4,550
Equity attributable to common shareholders	$ 92,641	$ 93,985

The Company's consolidated financial statements, notes to the financial statements, management's discussion and analysis for the three and six months ended June 30, 2014 and the 2013 Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.hornpetroleum.com).

Outlook

Based on the encouragement provided by the Shabeel wells, the Company and its partners entered the next exploration period in both the Dharoor Valley and Nugaal Valley PSAs which carry a commitment to drill one well in each block within an additional three year term ending October 2015. The current operational plan is to contract a seismic crew to acquire additional data in the Dharoor Valley block and to hold discussions with the Puntland Government regarding advancement of drill ready prospects in the Nugaal Valley block. The focus of the Dharoor Valley block seismic program will be to delineate new structural prospects for the upcoming drilling campaign.

Horn has been in discussions with potential joint venture partners and is actively pursuing new venture opportunities. Somalia is going through an unprecedented period in its history with a real opportunity for all stakeholders to assist in the rebuilding of the country. The first internationally recognized Federal government took power in 2012 following over 20 years of transitional or no

government. In Puntland, a new President was voted into power in January 2014 and the transfer took place peacefully. The Company actively engages with a range of governments and organizations, domestic and international, around how Somalia can best develop a stable Federal state including the institutions and systems it needs to properly manage its natural resources.

Horn holds a 60% working interest in the Dharoor and Nugaal Valley blocks and is the operator. The other partners in the blocks are Range Resources (20%) and Red Emperor (20%). Africa Oil Corp. holds an approximate 45% equity interest in Horn.

Horn Petroleum Corporation is a Canadian oil and gas company with assets in Puntland, Somalia. The Corporation holds a 60% interest and operatorship in the Dharoor and Nugaal blocks encompassing a Jurassic Rift Basin on trend and analogous to the large oil fields in Yemen. The Corporation's shares are listed on the TSX Venture Exchange under the symbol "HRN".

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 Hill, Executive Chairman

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