

LEKOIL Limited
 (“LEKOIL” or the “Company”)

Update on Ministerial Consent for OPL 310

LEKOIL (AIM: LEK), the oil and gas exploration and production company with a focus on West Africa, provides an update on the status of its applications to receive Ministerial Consent for its original 17.14% farm-in stake in OPL 310, completed in 2013 (the “Initial Interest”), and its further 22.86% interest in OPL 310 acquired in December 2015 via the acquisition of the entire issued share capital of AIOGL (the “Further Interest”). Together, these stakes give LEKOIL a consolidated¹ 40% participating interest and a 70% economic interest in OPL 310.

The Initial Interest was acquired from Afren PLC via a farm-in whereby the Company agreed to pay US\$50 million towards an exploration well on OPL 310. The Honourable Minister of State, Petroleum Resources (the “Minister”) granted consent, as announced on 22 November 2016, for this Initial Interest in the third quarter of 2016. However, that consent was conveyed to LEKOIL via a letter that included encumbrances outside of the Minister’s approval. Following further engagements with both the Minister and the Department of Petroleum Resources (DPR), LEKOIL is expecting a revised letter of conveyance without conditions to be received shortly.

While the share purchase of AIOGL is in accordance with the Companies and Allied Matters Act, the Company has applied for Ministerial Consent for the Further Interest in compliance with recent changes in regulatory practices. The necessary due diligence exercise to be undertaken by the DPR in relation to this has been rescheduled and we are awaiting the notification of a new date.

1. Note: LEKOIL's consolidated interest in OPL 310 is held through two subsidiaries, Lekoil Nigeria Limited (“Lekoil Nigeria”) and Lekoil 310 Limited. The Company's interest in Lekoil Nigeria remains unchanged from the date of admission to trading on AIM. Lekoil 310 Limited is a wholly owned subsidiary of the Company.

For further information, please visit www.lekoil.com or contact:

LEKOIL Limited

Alfred Castaneda, Investor Relations	+44 20 3434 5800
Hamilton Esi, Corporate Communications	+44 20 7920 3150.

Strand Hanson Limited (Financial & Nominated Adviser)

James Harris / James Spinney / Ritchie Balmer	+44 20 7409 3494
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Mirabaud Securities LLP (Joint Broker)

Peter Krens / Edward Haig-Thomas	+44 20 7878 3362 / +44 20 7878 3447
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BMO Capital Markets (Joint Broker)

Vicary Gibbs / Neil Haycock / Thomas Rider	+44 20 7236 1010
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Tavistock (Financial PR)

Simon Hudson / Barney Hayward / Jos Simson	+44 20 7920 3150
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Background on OPL310

On 1 February 2013, Mayfair Assets and Trust Limited, a wholly owned subsidiary of Lekoil Nigeria Limited, farmed into Afren Investments Oil and Gas (Nigeria) Limited's interest in OPL 310 for a 17.14% participating interest and 30% economic interest.

Later that year the first exploration well (Ogo-1) drilled by the OPL 310 partners – then consisting of Optimum, LEKOIL Limited and Afren Plc – was the Ogo prospect, a four-way dip-closed structure in the Turonian to Albian sandstone reservoirs. The drilling programme included a planned side-track well (Ogo-1 ST) which aimed to test a new play of stratigraphically trapped sediments at the basement of the Ogo prospect. The Ogo-1 well encountered a gross hydrocarbon section of 524ft, with 216ft of net stacked pay whilst the Ogo-1 ST well encountered the same reservoirs as Ogo-1 in addition to the syn-rift section which encountered a 280 ft vertical section gross hydrocarbon interval. Owing to well data collected from the two wells, the partners estimated P50 gross recoverable resources to be at 774 mmbob across the Ogo prospect four-way dip-closed and syn-rift structure.

On 31 July 2015, Afren PLC, the parent company of Afren Investments Oil & Gas Limited that held interests in the OPL 310 licence, was put into administration and its assets put up for sale. LEKOIL moved quickly to protect its interests in OPL 310 by beginning discussions with the administrator of Afren PLC for the potential acquisition of its subsidiary interests in OPL 310. On 25 November 2015, the Company entered into an agreement with the administrator of Afren PLC and Afren Nigeria Holding Limited to acquire the shares of Afren Investments Oil & Gas Limited which held a 22.86% participating interest in OPL 310 for a total consideration of US\$13 million. Application for Ministerial Consent for this interest has been made and is pending.

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