



TFSA Investors: Here Is the Top Oil Stock for 2020

Description

Africa Oil Corp (TSX:AOI) is an international [oil and gas exploration and development company](#) based in Canada, with oil and gas interests in Kenya.

The company has also made equity investments in a number of international oil and gas exploration companies, recently announcing a proposed transaction to acquire an interest in a company holding interests in producing and developing oilfields in deep water Nigeria.

The company has a price to earnings ratio of 16, a price to book ratio of 0.66 and market capitalization of 603 million. Debt is very sparingly used at Africa Oil, as is evidenced by a debt to equity ratio of just 0.06. The company has average performance metrics with a return on equity of 3.08%.

The company's long-term plan is to increase shareholder value through the acquisition, exploration, development and production associated with oil and gas assets.

Africa Oil has actively explored multiple onshore exploration blocks in various under-explored geological settings in East Africa.

The company has made numerous oil discoveries in the South Lokichar Basin (Blocks 10BB and 13T) located in the Tertiary Rift trend in Kenya. Appraisal activities are ongoing with the goal of sanctioning development of the oil fields in the South Lokichar Basin.

In July 2019, Africa Oil announced that the company's wholly-owned subsidiary, Africa Oil SA Corp., had entered into a [definitive farmout agreement](#) with Azinam Limited, whereby Africa Oil acquires a 20% participating interest and operatorship in a company based in offshore South Africa.

The company has acquired a portfolio of equity investments in frontier exploration companies, providing the company with exposure to numerous near-term high impact exploration drilling prospects.

Africa Oil is working on complete a transaction to acquire an effective 50% ownership interest in Petrobras Oil and Gas, which should provide the company with exposure to multiple high quality, free cash flowing fields in Nigeria.

The company is also working closely with Kenyan Joint Venture Partners to focus efforts on advancing the South Lokichar Basin development in Kenya.

The Joint Venture Partners and the Government of Kenya have concluded negotiations around key fiscal and commercial principles for Project Oil Kenya, and agreements between the parties have been signed by the Joint Venture Partners and the Government of Kenya.

The company also recently noted that the completion of several studies for both the upstream and midstream, together with recent market soundings that provided increased confidence in the company's capital expenditure estimates and construction time tables. Environmental and Social Impact Assessments work on the upstream is expected to be completed before year end.

The company anticipates drilling multiple highly prospective wells in 2020, including potentially high-impact wells in Namibia and South Africa.

The oil discoveries in these wells have confirmed the presence of reservoir sands and the company's partners are assessing the commercial viability of these discoveries. Africa Oil also holds multiple equity interest in several smaller African companies.

Africa Oil has been evaluating potential acquisition and mergers, focused on Africa, which could add significant intrinsic value.

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