



Africa Oil Corp.
Annual Report
For the Year Ended December 31, 2007

To our Shareholders,

Africa Oil Corp. holds an 80% interest in two large oil exploration licenses encompassing the Dharoor and Nogal Valleys in the state of Puntland in northern Somalia. Both blocks are considered world-class exploration plays with petroleum systems geologically similar to and formerly contiguous with those in the prolific oil producing Republic of Yemen. During the year, the Company made excellent progress advancing its exploration efforts on these two highly prospective concessions.

Dharoor and Nogal Oil Exploration Projects, Puntland

A comprehensive seismic reprocessing program, including review and integration of all geophysical and geological data, was successfully completed on the Nogal block. The data from the Nogal block were more than sufficient to enable mapping of the block and prospect generation.

At the Dharoor block, previous seismic coverage was insufficient and, therefore, the Company designed a comprehensive survey of approximately 2,600 kilometres of 2D data to cover the prospective area of the concession. Invitations to bid were issued and the successful bidder was IMC/Tesla of the UK and Canada. The contract was executed and the crew is currently mobilizing to Puntland with recording scheduled to begin in May 2008.

A drill location was chosen on the Nogal block as the Company's first exploration well. A drill rig was sourced and signed with ETP of Indonesia to commence drilling in July, 2008. The contract is for 2 firm wells and 2 contingent wells.

However, during the last few weeks, the security situation in Somalia has deteriorated and there has been a corresponding decrease in stability. While this situation is not directly affecting operations in the Nogal area, the Company considers it prudent to delay the start of the drilling program and give the Puntland Government freedom to deal with the situation effectively. We are continuing to work closely with the Puntland Government and will reinstate the drilling campaign as soon as possible. In the meantime, operations in the Dharoor region are unaffected and recording of the seismic program will commence in May as planned.

While we are disappointed in having to delay our drilling program, it is a minor setback and should not prevent us from satisfying our commitments and fulfilling our obligations under the Production Sharing Agreements. The first exploration period lasts until January, 2010 and, as a result, we have ample time to drill the two wells committed during that initial period. We remain very excited at the prospect of applying lessons learned in Yemen to these world class basins and optimistic that our program will be successful.



Corporate

The Company's name change to Africa Oil Corp. became effective August 20, 2007. The Company now trades on the TSX Venture Exchange under the symbol "AOI".

The Company has added another key member to its technical team. Mr. Paul Colyer has joined the Company as Drilling Manager. Mr. Colyer, considered one of the top drilling managers in the industry, brings over 35 years of experience to the Company. Mr. Colyer has spent the greater part of his career at Occidental Petroleum and has drilled and managed drill programs in both Yemen and Somalia.

In addition, Mr. Darren Moulds was appointed Chief Financial Officer of the Company effective March 31, 2008. Mr. Moulds brings to Africa Oil nine years of financial experience in the oil and gas sector. He is a United States Certified Public Accountant (Illinois) and a graduate of the University of Saskatchewan where he obtained a bachelor of commerce degree. Mr. Moulds replaces Ian Gibbs, who has resigned to focus on his full-time role as CFO of Tanganyika Oil Company Ltd.

The Company looks forward to a successful venture in Puntland and will continue as well to review other opportunities in Africa and beyond as part of an aggressive growth strategy.

On Behalf of the Board

Richard Schmitt
President and CEO

April 25, 2008