

Dear Shareholders,

The year 2009 was one of considerable achievement for Africa Oil. A year of seizing exciting opportunities – a year of expansion and diversification. Our goal is to build Africa Oil into a leading oil and gas explorer in East Africa. We've long recognized the enormous potential of this underexplored region. What little exploration has taken place over the past several years has yielded major new world class oil discoveries – and we want to be part of that.

As a member of the Lundin Group of companies we've had early access to some of the best exploration acreage in the East African Rift Trend located adjacent to the big new discoveries and on trend with all the major petroleum systems in the region. We were able to obtain a portfolio of over 200,000 square kilometers (gross) of land before the major rush occurred into East Africa. To date we've successfully completed three leveraged farmout transactions and are pursuing additional leveraged farmouts given the significant working interests we hold in each of our operated blocks.

Our initial portfolio holdings comprised two large blocks in Puntland, Somalia. Due to political instability in Somalia these blocks have had little work done on them, yet previous drilling had proven that both blocks are hydrocarbon bearing. Puntland has now emerged as a semi-autonomous and much more stable region of Somalia and we are excited to have initiated the first major exploration program there in over two decades. In 2009 we completed the processing and interpretation of new seismic that we acquired in 2008 as well as the reprocessing and interpretation of existing legacy seismic data. We also successfully renegotiated our production sharing agreement to extend the exploration period timeline and clarify certain terms. We are now preparing for a drilling campaign due to commence later in 2010 following the rainy season.

We've since added to our original holdings through the acquisition of several blocks in Kenya and Ethiopia. These new additions have created a truly world-class exploration portfolio for the Company. It's a diversified portfolio with multiple geologic plays and within multiple jurisdictions. This type of diversification provides us with many opportunities for great success. The East African Rift Trend represents the convergence of several large petroleum systems. There is the multi-billion barrel Muglad oil trend out of Sudan, the continuation of the Marib-Shabwa and Sayun-asila Basins of Yemen, the major oil deposits of Madagascar, the Albert Graben proven in Uganda, and many, many more plays. Throughout all these new blocks, we've been busy reprocessing existing seismic and planning the acquisition of new seismic all in preparation for an aggressive drill program over the next two years. One of our acquisitions was a block operated by CNOOC and they have a well currently drilling ahead which has encountered some strong gas shows. As a result, CNOOC is running a comprehensive set of wireline logs and investigating the possibility of testing multiple zones in order to help assess the hydrocarbon potential of this well. We should know the final assessment of this well in the next couple of months.

We have also been able to build a team capable of executing our strategy and now have fully manned operational offices in Addis Ababa, Ethiopia and Nairobi, Kenya as well as a technical office in Calgary. For the global economy we were happy to see that 2009 was a year of stabilization; for Africa Oil it was a year of expansion and taking advantage of the opportunities that presented itself as a result of the preceding economic crisis. Smart, value-driven acquisitions have created what we consider the best exploration portfolio in East Africa and through strategic farmouts of portions of our working interests we have set ourselves up to minimize our risk and expenditures. We are well-situated in one of the most promising yet one of the most underexplored oil provinces in the world. We look forward to an exciting time ahead.

On behalf of the Board,  
*“Keith Hill”*  
Keith Hill  
President and CEO