

First Quarter 2011 Highlights

Highlights and accomplishments during the first quarter of 2011 included:

- The Company completed the acquisition of Centric Energy Corp. ("Centric"), a publicly traded oil and gas company listed on the TSX Venture Exchange. Total consideration paid was valued at \$60.2 million and included the issuance of 30,155,524 AOC common shares. Centric's primary asset is Block 10BA in Kenya which is strategically located within the highly prospective East African Tertiary Rift System between AOC's Block 10BB and its South Omo Block. Centric and Tullow Oil plc ("Tullow") are joint venture partners on the Block 10BA. In addition, Centric also has a carried 25% interest in Block 7 and Block 11, both located in the Republic of Mali and operated by Heritage Oil Corporation.
- Africa Oil entered into amending agreements with the Government of Puntland in the quarter, represented by the Puntland Petroleum and Mineral Agency, in respect of the production sharing agreements ("PSAs") for the Dharoor Valley Exploration Area and the Nugaal Valley Exploration Area. Under the PSAs, as amended, the First Exploration Agreement has been extended for a further 12 months, from January 17, 2011 to January 17, 2012. Under the amended PSAs, AOC is obligated to spud a minimum of one exploratory well in the Dharoor Valley Exploration Area by July 27, 2011. A second exploratory well is required to be spudded in the Nugaal Valley Exploration Area or, at the option of AOC, in the Dharoor Valley Exploration Area, by September 27, 2011. In conjunction with this amendment, the Company completed its farmout agreement with Red Emperor Resources NL ("Red Emperor"). Under the terms of the farmout agreement and an election made by Red Emperor to increase their interests, Red Emperor will earn a 20% interest in both the Dharoor and Nugaal Valley Blocks and is committed to paying a disproportionate share of costs related to the one well drilling commitment included in the first exploration period of both the Dharoor and Nugaal Valley Production Sharing Agreements.
- The Company signed a definitive agreement with Lion Energy Corp. ("Lion"), a publicly traded oil and gas company listed on the TSX Venture Exchange, to acquire all of the issued and outstanding common shares of Lion. Pursuant to the agreement with Lion, AOC will acquire, by way of a plan of arrangement, all of the issued and outstanding shares of Lion in consideration for 0.20 common shares of AOC for each common share of Lion. It is anticipated that 17,233,636 AOC shares will be issued as consideration to acquire Lion. Lion is a joint venture partner of AOC in Kenya and Puntland (Somalia), and currently holds the following working interests; 33.3% in Block 9 (Kenya), 10% in Block 10BB (Kenya), and 15% in each of Dharoor Valley and Nugaal Valley (Puntland). In addition to the above properties, Lion estimated that it had cash, accounts receivable and investments in marketable securities with an approximate aggregate value of CAD\$30 million at the date of signing the definitive agreement. A meeting of Lion shareholders, to approve the transaction, is scheduled to be held on June 8, 2011 and, assuming shareholder approval, the transaction is expected to close shortly thereafter.

Subsequent to the end of the first quarter, Africa Oil entered into a letter of intent for the creation of a new Puntland focused oil exploration company. The new company will be created as a result of the transfer of AOC's interest in its oil and gas properties in Puntland (Somalia) to Denovo Capital Corp. ("Denovo") (the "Transaction"). Denovo is a capital pool company and intends for the Transaction to constitute the "Qualifying Transaction" of Denovo, as that term is defined in the policies of the TSX Venture Exchange. Under the terms of the letter of intent:

- Africa Oil and Denovo will negotiate and enter into a definitive agreement pursuant to which Africa Oil will transfer to Denovo all of the issued and outstanding shares of its subsidiary holding companies (the "Puntland Subsidiaries") which hold participating interests in the Dharoor Valley and Nugaal Valley Production Sharing Agreements in Puntland (Somalia) (the "Puntland PSAs"). Africa Oil will receive, in consideration of the

transfer, 27,777,778 common shares of Denovo. As a result of the Transaction, the Puntland Subsidiaries will become wholly owned subsidiaries of Denovo.

- Africa Oil currently holds a 45% participating interest in the Puntland PSAs. Upon completion of the transaction for the acquisition of Lion Energy Corp, AOC's participating interest in the Puntland PSAs will be increased, directly or indirectly, to 60%. It is anticipated that the entire 60% participating interest will be transferred to Denovo.
 - The definitive agreement will provide for conditions precedent that are standard for a transaction of this nature, including receipt, by both AOC and Denovo, as required, of all regulatory, partner and third party approvals including TSX Venture Exchange approval. Denovo will also seek Denovo shareholder approval for a proposed 0.65 (new) for 1.00 (old) consolidation of its common shares and a change of name of the company, both of which are conditions precedent to completion of the transaction. It will be a condition precedent of the transaction that Africa Oil will have completed its proposed acquisition of Lion Energy Corp. and that Denovo will have completed a private placement of CAD\$35 million comprised of 38,888,889 subscription receipts of Denovo sold at a post-consolidation price of CAD\$0.90 per subscription receipt. Each subscription receipt will be exercised, upon completion of the transaction, into a unit of Denovo, comprised of one common share and one share purchase warrant (a "Denovo Warrant"). Each Denovo Warrant will entitle the holder to acquire an additional Denovo share for \$1.50 for two years, subject to accelerated exercise provisions if the Denovo shares trade at greater than \$2.00 for 10 consecutive trading days. It is anticipated that the definitive agreement will be entered into during the second quarter of 2011.
 - Africa Oil will acquire 11,111,111 subscription receipts in the private placement financing, for proceeds of CAD\$10 million. At the conclusion of the Transaction and the private placement financing described above, AOC is anticipated hold approximately 55% (non-diluted) of the issued and outstanding common shares of Denovo. Upon completion of the Transaction it is expected that Denovo will meet the listing requirements of the Exchange for a Tier II Oil and Gas Issuer.
- Africa Oil ended the quarter in a strong financial position with cash of \$77.8 million and working capital of \$57.2 million as compared to cash of \$76.1 million and working capital of \$70.6 million at December 31, 2010. The Company's liquidity and capital resource position improved since year end primarily as the result of payments received upon the completion of farmout transactions. Working capital improved \$24.4 million subsequent to the end of the quarter as the current portion of the warrant and convertible debenture obligations were settled in shares.
 - Africa Oil currently has more than sufficient funds to meet its portion of the \$163 million expenditure obligations (\$43 million net) as per the active work programs approved by the Company's Board of Directors for 2011. During the first quarter, the Company spent \$5.0 million of the 2011 Board of Directors approved \$43 million in capital expenditures.
 - As of the end of the first quarter, the Company has completed all previously announced farmout transactions with Tullow. Tullow has acquired a 50% interest in, and operatorship of, five of AOC's east African exploration blocks, comprised of four exploration blocks in Kenya and one exploration block in Ethiopia.
 - The Company completed the amendment to their farmout agreement with Lion. The amendment reduced Lion's interest in Block 10BB to 10% (originally 20%) and eliminated its interest in Block 10A (originally 25%).
 - The Company, together with its joint venture partner Lion, entered into the First Additional Exploration Phase under the Block 9 PSC in Kenya. As a result of the withdrawal of its two other joint venture partners, AOC will now hold a 66.7% working interest in the PSC and has been

approved by the government as Operator of Block 9. Lion will hold the remaining 33.3%. The First Additional Exploration Phase commenced on December 31, 2010 and will expire on December 31, 2013 with a one well work commitment (minimum depth 1,500 meters).

- The Company continued to actively explore in East Africa:
 - In Block 10BB, the Company, together with its partners, is currently in the process of undertaking Full Tensor Gravity (“FTG”) surveys and finalizing the prospect and lead inventory on Block 10BB. Drilling is scheduled to commence in the third quarter of 2011.
 - In Block 10A, the Company, together with its partners, has completed recording approximately 800km (gross) of 2D seismic. Seismic data acquired is currently being processed. The Company expects to drill a well on this block in the fourth quarter of 2011.
 - In Puntland, the Company has recently signed a letter of intent with a drilling contractor and plans to spud the first well in the Dharoor Block during the third quarter of 2011. A second well in the Dharoor Block is planned to commence following completion of the first exploration well.
 - In Block 9, the Company, together with its partners, has recently commenced 750km (gross) 2D seismic survey focused on the oil prone Kaisut sub-basin. The seismic crew has recently commenced recording and is anticipated to be completed during the third quarter of 2011.
 - The Company completed its seismic acquisition program in the Company’s Ogaden area of Ethiopia, acquiring 500 km 2D seismic. The new data has been integrated with existing seismic to generate a series of new prospect maps. The Company continues to focus efforts on the large El Kuran prospect.

Keith Hill, President and CEO, commented, “Africa Oil continued to add highly prospective exploration acreage to its portfolio during the first quarter of 2011. Exploration activities continued throughout the quarter with FTG, 2D seismic and drilling preparations continuing on multiple blocks. The Company is very well financed, has a well diversified exploration portfolio and reputable joint venture partners. We are looking forward to the commencement of continuous drilling in 2011.”