Second Quarter 2011 Highlights

Highlights and accomplishments during the second quarter of 2011 included:

- Africa Oil ended the quarter in a strong financial position with cash of $109.1 million and working capital of $96.7 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 and the acquisition of Lion Energy.

- Africa Oil has more than sufficient funds to meet its currently planned work program. During the six months ended June 30, 2011, the Company expended $11.0 million of the 2011 Board of Directors approved $43 million in capital expenditures.

- Effective June 20, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Lion Energy Corp. ("Lion"), a publicly traded oil and gas company listed on the TSX Venture Exchange. Pursuant to the agreement with Lion, AOC acquired, by way of a plan of arrangement, all of the issued and outstanding shares of Lion in consideration for 14,962,447 AOC shares, net of 2,500,000 AOC shares Lion owned at the date of acquisition. The Company also issued 287,250 stock options which expire between 30 and 90 days from the effective date of the transaction and 2,289,000 share purchase warrants that expired unexercised on June 29, 2011. The value of consideration issued, net of AOC shares acquired, was valued at $21.7 million. Lion is a joint venture partner of AOC in Kenya and Puntland (Somalia), and held 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 had net working capital of $20.1 million at closing, excluding the value of the AOC shares held by Lion.

- Subsequent to the end of the second quarter, the Company entered into a Share Exchange Agreement (the "Agreement") aimed at creating 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"). Denovo intends to change its name to Horn Petroleum Corporation ("Horn Petroleum").

    - Under the terms of the Agreement, AOC 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"). AOC 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 (the "Transaction").

    - Africa Oil currently holds a 60% participating interest in the Puntland PSAs. It is anticipated that the entire 60% participating interest will be transferred to Denovo.

    - Denovo has completed a private placement of CAD$41 million comprised of 45,535,195 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 CAD$1.50 for two years, subject to accelerated exercise provisions if the Denovo shares trade at greater than CAD$2.00 for 10 consecutive trading days..

    - AOC has acquired 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 to hold approximately 52% (non-diluted) of the issued and outstanding common shares of Denovo, not factoring in shares of Denovo that may be issued to finders pursuant to the Denovo private placement. 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.

    - Conditions precedent to closing 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.

- Early in 2011 and again in July, AOC amended its Production Sharing Contracts ("PSC") with the Puntland Petroleum and Mineral Agency requiring execution of a drilling contract by July 31, 2011, drilling operations to commence on the first well by November 15, 2011, and drilling operations to commence on a second well by January 17, 2012. A drilling rig contract has now been entered into.

- The Company continued to actively explore in East Africa:

    - In Block 10BB, the Ngamia (Camel) prospect (previously named Fise-1) has been selected by the joint venture for the initial well in Block 10BB. The prospect will test the oil potential in Miocene age sandstones within a three way dip closure against the West Lokichar rift fault. Ngamia is directly analogous to successful oil accumulations drilled by Tullow and partners early in the exploration efforts in the Lake Albert graben of Uganda. The contract for the drilling rig has been awarded to Weatherford International. Spudding of the Ngamia well is slated for the fourth quarter of 2011.

    - In Block 10A, the Company and Tullow have integrated and interpreted all newly acquired (750 km) and vintage 2D seismic data. A number of prospects have been identified and are being high graded for selection of the first drilling location. Preparations for drilling, including purchase of materials, execution of drilling related contracts, civil works, and environmental permits are either completed or underway. The Block 10A well is expected to spud in early 2012.

    - In Puntland, the Company is currently in final preparations to commence a two well drilling campaign in the Dharoor Valley Block, with the first well planned to spud in the fourth quarter of 2011. Drilling locations have been selected over two robust prospects targeting gross best estimated prospective resources of over 300 million barrels each, based on internal estimates. A contract has been awarded to Sakson Drilling and Oil Services who will provide a 1500 horse-power, top drive equipped rig. The majority of the drilling related third party service contracts have been entered into and all outstanding service contracts are expected to be complete before the end of August.

    - In Block 9, the Company has recently completed 750km (gross) 2D seismic survey focused on the oil prone Kaisut sub-basin. The survey was focused on delineating a drillable prospect in the oil-prone Kaisut sub-basin in the northwestern portion of the block. Newly acquired data is of excellent quality and a number of interesting leads have been identified.

    - The Company, in partnership with Tullow, has undertaken an extensive Full Tensor Gravity ("FTG") survey over all of the blocks in the Tertiary Rift basin. This technique has been proven highly successful in Tullow's Uganda Albert Graben project, delineating structured prospects and leads. The survey has been completed in the South Omo Block in Ethiopia and is approximately halfway complete in Blocks 10BA, 10BB, 13T and 12A in Kenya.