

## Third Quarter 2011 Highlights

Highlights and accomplishments during the third quarter of 2011 included:

- The Company continued to actively explore in East Africa:
  - In Block 10BB, the Ngamia (Camel) prospect has been selected by the Tullow operated joint venture as 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 Ngamia well is expected to spud in December of 2011.
  - In Block 10A, the Paipai-1 prospect has been selected by the Tullow operated joint venture as the initial well in Block 10A. The prospect will test the oil potential in Cretaceous age sandstones within a four way dip closure downthrown to the Lag Bagal fault, the northern bounding fault on the Anza Trough. 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 the second quarter of 2012 using the same Weatherford rig as will be used in Block 10BB.
  - In Puntland, Horn Petroleum Corp. ("Horn") is currently in final preparations to commence a two well drilling campaign in the Dharoor Valley Block, with the first well (Shabeel-1) planned to spud in December 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. All drilling related third party service contracts have been executed. The Company has completed sourcing drilling related materials and the majority of materials are on site or on route to the drilling site. Site preparation including the drill site, air strip and ingress route construction have been completed. Water wells are currently being drilled to provide source water for drilling operations.
  - The Company, in partnership with Tullow, has recently completed 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.
  - Based on the results of the FTG survey, the Company, in partnership with Tullow, has an extensive 2D seismic program planned on blocks in the Tertiary Rift basin over the next twelve months.
- The Company closed its previously announced transaction with Horn (formerly Denovo Capital Corp.) pursuant to which Horn acquired all of the issued and outstanding shares of Canmex Holdings (Bermuda) I Ltd. ("Canmex"), a wholly owned subsidiary of the Company. Canmex holds a 60% interest in the production sharing agreements for the Dharoor Valley Exploration Area and the Nugaal Valley Exploration Area in Puntland (Somalia).
  - AOC transferred to Horn all of the issued and outstanding shares of Canmex. AOC received, in consideration of the transfer, 27.8 million common shares of Horn.
  - Horn also completed a non-brokered private placement of an aggregate of 45.5 million subscription receipts at a price of CAD\$0.90 per subscription receipt for gross proceeds

of \$41.3 million. The subscription receipts were converted into common shares and warrants of Horn on September 20, 2011. AOC subscribed to 11.1 million subscription receipts. All securities issued pursuant to the Offering are subject to a statutory hold period expiring December 3, 2011.

- AOC now holds 51.4% of the outstanding shares of Horn, as well, a management services arrangement has been agreed between Horn and AOC in which the management of AOC are responsible for the operating decisions of Horn. As such, AOC is deemed to control Horn.
  - Horn has successfully raised the anticipated funds required for its planned two well exploratory drilling program in Puntland (Somalia). Spudding of the first well is anticipated before the end of 2011.
  - Horn's common shares trade on the TSX Venture Exchange under the symbol "HRN".
- Africa Oil ended the quarter in a strong financial position with cash of \$118.0 million and working capital of \$110.6 million as compared to cash of \$76.1 million and working capital of \$70.6 million at December 31, 2010. Of the \$110.6 million in cash at September 30, 2011, \$43.7 million is cash held by Horn. The Company's liquidity and capital resource position has remained strong throughout the year.
  - Africa Oil has more than sufficient funds to meet its currently planned work program. During the nine months ended September 30, 2011, the Company incurred expenditures of \$20.4 million of the 2011 Board of Directors approved \$43 million in capital expenditures.