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# ANNUAL INFORMATION FORM

For the Year
Ended December 31, 2011

March 23, 2012

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## Glossary of Terms

**"10BA Farmout Agreement"** means the Farmout Agreement made September 27, 2010 between Centric Energy (Kenya) Limited and Tullow Kenya B.V., in respect of the PSC covering Block 10BA, Kenya.

**"12A/13T Farmout Agreement"** means the Farmout Agreement made December 9, 2010 between, among others, the Company and Tullow Kenya B.V., in respect of the PSCs covering Block 12A and Block 13T, Kenya.

**"12A/13T Amending Agreement"** means the amendment to the Platform Assignment Agreement, made May 27, 2010.

**"2D"** means two dimensional.

**"3D"** means three dimensional.

**"Africa Oil" "AOC"** or the **"Company"** means Africa Oil Corp., including Africa Oil and its subsidiaries.

**"Agriterra"** means Agriterra Limited (formerly White Nile Ltd.)

**"Agriterra Farmout Agreement"** means the Farmout Agreement made June 14, 2010 between AOEBV and Agriterra, in respect of the South Omo Block in Ethiopia.

**"AIF"** or **"Annual Information Form"** means this Annual Information Form prepared for the year ended December 31, 2011 and dated March 23, 2012.

**"AOEBV"** means Africa Oil Ethiopia B.V.

**"AOKBV"** means Africa Oil Kenya B.V.

**"BCABC"** means the *Business Corporations Act* (British Columbia) S.B.C. 2002 c.57, as amended, including the regulations promulgated thereunder.

**"Canmex I"** means Canmex Holdings (Bermuda) I Ltd.

**"Canmex II"** means Canmex Holdings (Bermuda) II Ltd.

**"Centric"** means Centric Energy Corp.

**"Centric Arrangement Agreement"** means the Arrangement Agreement dated as of November 29, 2010, as amended by Amending Agreements dated December 23, 2010 and January 4, 2011, between the Company and Centric, including the disclosure letters of Centric and the Company.

**"Centric Plan of Arrangement"** means the arrangement completed pursuant to the provisions of Part 9, Division 5 of the BCABC in accordance with the terms and conditions set forth in the Plan of Arrangement attached as Schedule A to the Centric Arrangement Agreement pursuant to which the Company acquired all of the issued and outstanding shares of Centric on the basis of 0.3077 shares of the Company and $0.0001 in cash for each one share of Centric.

"**CNOOC**" means Chinese National Overseas Oil Company.

"**commercial discovery**" means a discovery that is potentially commercial when taking into account all technical, operational, commercial and financial data collected when carrying out appraisal work or similar operations, including recoverable reserves of petroleum, sustainable regular production levels and other material technical, operational, commercial and financial parameters, all in accordance with prudent international petroleum industry practices.

"**common shares**" means the common shares in the capital of the Company.

"**Contractor Group**" means the parties, including joint venture partners, that hold a working interest in a PSA or a PSC.

**“Convertible Loan”** means the convertible loan provided by Lundin Services pursuant to a loan agreement dated April 29, 2009 between the Company and Lundin Services, as amended on March 1, 2011, in the approximate amount of $10.8 million. The Convertible Loan had a maturity date of December 31, 2011 and bore interest at the rate of USD six-month LIBOR plus 3%. The Convertible Loan, including any accrued and unpaid interest, was convertible on or before December 31, 2011, at the option of either Africa Oil or Lundin Services, into common shares of Africa Oil, issuable at a deemed price of CAD$0.90 per share.

“**crude oil**” means a mixture that consists mainly of pentanes and heavier hydrocarbons, which may contain sulphur and other non-hydrocarbon compounds, that is recoverable at a well from an underground reservoir and that is liquid at the conditions under which its volume is measured or estimated. It does not include solution gas or natural gas liquids.

“**Denovo**” means Denovo Capital Corp.

“**development costs**” means costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from the reserves. More specifically, development costs, including applicable operating costs or support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

“**development well**” means a well drilled inside the established limits of an oil or gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive;

“**EAX**” means East African Exploration Limited, a wholly-owned subsidiary of Black Marlin Energy Holdings Limited. Black Marlin Energy Holdings Limited was acquired by Afren plc on October 7, 2010.

**“EAX Farmout Agreement”** means the Farmout Agreement made May 29, 2009 between, among others, the Company and EAX, in respect of the PSAs covering Blocks 2 and 6 and 7 and 8, Ethiopia and the PSC covering Block 10A, Kenya.

**“Ethiopian Government”** means the Government of the Federal Democratic Republic of Ethiopia.

“**Exchange**” means the TSX Venture Exchange.

“**Farmout Agreement**” means a contractual agreement between parties whereby the holder of an interest in an oil and gas concession agrees to assign all or part of that interest to another entity in exchange for fulfilling contractually specified conditions.

“**gross**” means:

(a) in relation to wells, the total number of wells in which the Company has an interest; and

(b) in relation to properties, the total area of properties in which the Company has an interest.

**“Heritage”** means Heritage Oil Plc.

**“Heritage Farmin Agreements”** means the Farmin Agreements made November 17, 2007 between Mali Oil and Heritage Mali, in respect of the PSCs covering Blocks 7 and 11, Mali, West Africa.

**“Heritage Mali”** means, as applicable, Heritage Mali Block 7 Limited or Heritage Mali Block 11 Limited, each a wholly-owned subsidiary of Heritage.

“**Horn Petroleum**” mean Horn Petroleum Corporation

**“Kenyan Government”** means the Government of the Republic of Kenya

**“Komodo Capital”** means Komodo Capital Pty. Ltd.

**“Lion Energy”** means Lion Energy Corp. (formerly Raytec Metals Corp.).

**“Lion Energy Arrangement Agreement”** means the Arrangement Agreement dated as of April 3, 2011, as amended by Amending Agreement dated June 20, 2011, between the Company and Lion Energy, including the disclosure letters of Lion Energy and the Company.

**“Lion Energy Plan of Arrangement”** means the arrangement completed pursuant to the provisions of Part 9, Division 5 of the BCABC in accordance with the terms and conditions set forth in the Plan of Arrangement attached as Exhibit B to the Lion Energy Arrangement Agreement pursuant to which the Company acquired all of the issued and outstanding shares of Centric on the basis of 0.20 shares of the Company for each one share of Lion Energy.

**“Lion Energy Farmout Agreement”** means the Farmout Agreement made August 19, 2009 between, among others, the Company and Lion Energy, in respect of the PSAs covering Dharoor Valley Block and the Nugaal Valley Block, located in Puntland (Somalia), the PSAs covering Block 9, Block 10A and Block 10BB, Kenya.

**“Lion Energy Farmout Amendment”** means the amendment to the Lion Energy Farmout Agreement made July 29, 2010.

**“Lundin BV”** means Lundin Petroleum BV.

**“Lundin Services”** means Lundin Services BV, a wholly-owned subsidiary of Lundin Petroleum AB.

**“Lundin Share Purchase Agreement”** means the agreement between the Company and Lundin BV dated April 29, 2009 pursuant to which the Company acquired a portfolio of East African oil exploration projects in Ethiopia and Kenya.

**“Mali Oil”** means Mali Oil Development SARL, a wholly-owned subsidiary of Centric.

**“Mali Government”** means the Government of the Republic of Mali, West Africa

**“MD&A”** means Management’s Discussion and Analysis of results of operations and financial condition of the Company for the period ended December 31, 2011 dated March 23, 2012.

“**natural gas**” means all gaseous petroleum and inerts.

“**net**” means:

(a) in relation to the Company’s interest in wells, the number of wells obtained by aggregating the Company’s working interest in each of its gross wells; and

(b) in relation to the Company’s interest in a property, the total area in which the Company has an interest multiplied by the working interest owned by the Company.

**“New Age”** means New Age (African Global Energy) Limited.

“**operating costs**” mean costs incurred to operate and maintain wells and related equipment and facilities, including applicable operating costs of support equipment and facilities and other costs of operating and maintaining those wells and related equipment and facilities.

“**NI 51-101**” means the National Instrument 51-101 — *Standard of Disclosure for Oil and Gas Activities* of the Canadian Securities Administrators and the companion policies and forms thereto, as amended from time to time.

**“Peninsula”** means Peninsula Merchant Syndications Corp.

“**petroleum**” means: (i) any naturally occurring hydrocarbons in gaseous or liquid state; (ii) any mixture of naturally occurring hydrocarbons in gaseous or liquid state; or (iii) any petroleum (as defined in (i) or (ii) above) that has been returned to a reservoir.

“**petroleum operations**” means all exploration, gas marketing, development, production and decommissioning operations, as well as any other activities or operations directly or indirectly related or connected with said operations (including health, safety and environmental operations and activities) and authorized or contemplated by, or performed in accordance with PSC’s.

**“Platform”** means Platform Resources Inc.

**“Platform Assignment Agreement”** means the agreement made January 11, 2010 between, among others, the Company and Platform, in respect of Blocks 12A and 13T in Kenya.

“**production**” means recovering, gathering, treating, field or plant processing (for example, processing gas to extract natural gas liquids) and field storage of oil and gas.

“**PSC**”, “**PSA**”, “**Production Sharing Contract**” or “**Production Sharing Agreement**” means contracts or agreements entered into with a host government providing for petroleum operations in a defined area and the division of petroleum production from the petroleum operations.

“**Profit Oil**” means the amount of production, after deducting cost oil production allocated to costs and expenses that would be divided between the participating parties and the host government under a Production Sharing Contract.

“**prospect**” means a project associated with a potential accumulation that is sufficiently well defined to represent a viable drilling target.

“**prospective resources**” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development.

**“Puntland Oil”** means Puntland Oil Pty Ltd. , a wholly-owned subsidiary of Red Emperor.

**“Range”** means Range Resources Ltd.

**“Red Emperor”** means Red Emperor Resources NL.

**“Red Emperor Farmout Agreement”** means the Farmout Agreement made August 12, 2010 between, among others, the Company and Red Emperor, in respect of the PSAs covering Dharoor Valley Block and the Nugaal Valley Block, located in Puntland (Somalia).

**“Red Emperor Farmout Amendment”** means the amendment to the Red Emperor Farmout Agreement made March 23, 2011.

**“SEDAR”** means the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval.

**“Tullow”** means Tullow Oil plc .

**“Tullow Farmout Agreement”** means the Farmout Agreement made September 1, 2011 between, among others, the Company, Tullow Kenya B.V. and Tullow Ethiopia B.V., in respect of the PSAs covering Blocks 10A and 10BB, Kenya and the South Omo Block, Ethiopia.

**“Turkana”** means Turkana Energy Inc.

**“Turkana Arrangement Agreement”** means the Arrangement Agreement dated as of June 12, 2009 between, among others, the Company and Turkana.

**“Turkana Plan of Arrangement”** means the arrangement pursuant to the provisions of Part 9, Division 5 of the BCABC in accordance with the terms and conditions set forth in the Plan of Arrangement attached as Schedule A to the Turkana Arrangement Agreement pursuant to which the Company acquired all of the issued and outstanding shares of Turkana on the basis of 0.20647 Africa Oil share for one Turkana share and exchanged CAD$1 million convertible loans of Turkana for common shares of Africa Oil at the rate of CAD$1.27 per share.

“**working interest**” means a percentage of the ownership in an oil and gas concession granting its owner the right to explore and develop oil and gas from a specific property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens.

#### CURRENCY

The Company's functional and reporting currency is the United States dollar. All currency amounts in this AIF are expressed in United States dollars, unless otherwise indicated.

| | Year Ended December 31 | | |
|---|---|---|---|
| Bank of Canada Noon Exchange Rate: CAD$/US$ | **2009** | **2010** | **2011** |
| | 1.0466 | 0.9946 | 1.0170 |

#### ACCOUNTING POLICIES AND FINANCIAL INFORMATION

Financial information contained in this AIF is presented in accordance with accounting principles generally accepted in Canada ("Canadian GAAP").

#### CONVERSION TABLE

The following table sets forth certain conversions between Standard Imperial Units and the International System of Units (or metric units).

| To Convert From | To | Multiply By |
|---|---|---|
| Mcf | Cubic meters | 28.174 |
| Cubic meters | Cubic feet | 35.315 |
| Bbls | Cubic meters | 0.159 |
| Cubic meters | Bbls | 6.289 |
| Feet | Meters | 0.305 |
| Meters | Feet | 3.281 |
| Miles | Kilometers | 1.609 |
| Kilometers | Miles | 0.621 |
| Acres | Hectares | 0.405 |
| Hectares | Acres | 2.471 |
| Gigajoules | MMbtu | 0.950 |
| MMbtu | Gigajoules | 1.0526 |

#### ABBREVIATIONS

| Oil and Natural Gas Liquids | | Natural Gas | |
|---|---|---|---|
| Bbls | Barrels of crude oil | Mcf | Thousand cubic feet of natural gas |
| Bbls/d | Barrels of crude oil per day | MMcf | Million cubic feet of natural gas |
| Boe | Barrels of oil equivalent | Bcf | Billion cubic feet of natural gas |
| Boe/d | Barrels of oil equivalent per day | Mcfd | Thousand cubic feet of natural gas per day |
| Mbbl | Thousands of barrels of crude oil | Mcfe | Thousand cubic feet of gas equivalent |
| NGLs | Natural gas liquids | MMbtu | Million British Thermal Units |

Note: The calculations of barrels of oil equivalent (boe) and thousand cubic feet of gas equivalent (Mcfe) are based on the standard of 6Mcf: 1 bbl when converting natural gas to oil and 1 bbl: 6 Mcf when converting oil to natural gas. Boe and Mcfe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 Mcf: 1 bbl or a Mcfe conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalent conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

#### PRESENTATION OF OIL AND GAS INFORMATION

All oil and gas information contained in this AIF has been prepared and presented in accordance with NI 51-101. The actual oil and gas resources may be greater or less than any estimates provided herein.

**FORWARD LOOKING STATEMENTS**

Certain statements in this document are "forward-looking statements". Forward-looking statements are statements that are not historical fact and are generally identified by words such as "believes", "anticipates", "expects", "estimates", "pending", "intends", "plans" or similar words suggesting future outcomes. By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict, and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. Risks and uncertainties include, but are not limited to, risk with respect to general economic conditions, regulations and taxes, civil unrest, corporate restructuring and related costs, capital and operating expenses, pricing and availability of financing and currency exchange rate fluctuations. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements.

The Company does not undertake to update or re-issue the forward-looking statements and information that may be contained herein, whether as a result of new information, future events or otherwise.

Any statements regarding the following are forward-looking statements:

- planned exploration activity including both expected drilling and geological and geophysical related activities;
- future crude oil, natural gas or chemical prices;
- future sources of funding for our capital program;
- availability of potential farmout partners;
- government or other regulatory consent for exploration, development or acquisition activities;
- future production levels;
- future capital expenditures and their allocation to exploration and development activities;
- future earnings;
- future asset acquisitions or dispositions;
- future debt levels;
- availability of committed credit facilities;
- possible commerciality;
- development plans or capacity expansions;
- future ability to execute dispositions of assets or businesses;
- future sources of liquidity, cash flows and their uses;
- future drilling of new wells;
- ultimate recoverability of current and long-term assets;
- ultimate recoverability of reserves or resources;
- expected finding and development costs;
- expected operating costs;
- estimates on a per share basis;
- future foreign currency exchange rates;
- future market interest rates;
- future expenditures and future allowances relating to environmental matters;
- dates by which certain areas will be explored or developed or will come on stream or reach expected operating capacity; and
- changes in any of the foregoing.

Statements relating to "reserves" or "resources" are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

The forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, among others:

- market prices for oil and gas and chemical products;
- our ability to explore, develop, produce and transport crude oil and natural gas to markets;
- ultimate effectiveness of design or design modification to facilities;
- the results of exploration and development drilling and related activities;
- volatility in energy trading markets;
- foreign-currency exchange rates;
- economic conditions in the countries and regions in which we carry on business;
- governmental actions including changes to taxes or royalties, changes in environmental and other laws and regulations;
- renegotiations of contracts;
- results of litigation, arbitration or regulatory proceedings;
- political uncertainty, including actions by terrorists, insurgent or other groups, or other armed conflict; conflict between states; and
- internal conflicts within states or regions.

The impact of any one risk, uncertainty or factor on a particular forward-looking statement is not determinable with certainty as these factors are interdependent, and management's future course of action would depend on our assessment of all information at that time. Although we believe that the expectations conveyed by the forward-looking statements are reasonable based on information available to us on the date such forward-looking statements were made, no assurances can be given as to future results, levels of activity and achievements.

Undue reliance should not be placed on the statements contained herein, which are made as of the date hereof and, except as required by law, we undertake no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

[THIS SPACE INTENTIONALLY LEFT BLANK.]

## ITEM 1 INTRODUCTION

#### INCORPORATION BY REFERENCE AND DATE OF INFORMATION

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2009 to the date of this AIF, copies of which have been filed with the Canadian Securities Administrators in each of the Provinces of British Columbia and Alberta and can be found on the SEDAR website at www.sedar.com under the Company's profile.

All information contained in this AIF is as of December 31, 2011, unless otherwise indicated.

## ITEM 2 CORPORATE STRUCTURE

#### INCORPORATION AND REGISTERED OFFICE

Africa Oil Corp. was incorporated under the BCABC on March 29, 1983 under the name "Canmex Minerals Corporation" with an authorized capital of 100,000,000 common shares. On July 2, 1999 the issued and outstanding shares of the Company were consolidated on a one-for-five basis and the authorized capital was increased, post-consolidation to 100,000,000 common shares. On August 20, 2007 the Company changed its name to Africa Oil Corp. On June 19, 2009 the shareholders of AOC passed a special resolution increasing the Company's authorized share capital to an unlimited number of common shares.

Effective July 21, 2009, the Company completed the Turkana Plan of Arrangement, following which Turkana became a wholly-owned subsidiary of the Company.

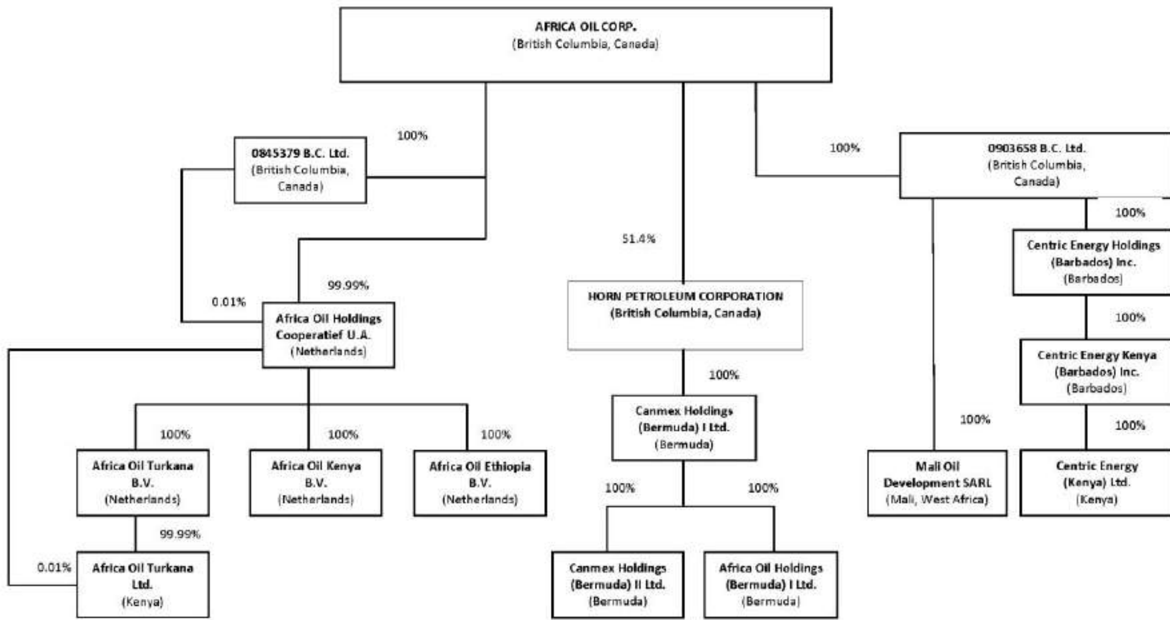
Effective February 23, 2011, the Company completed the Centric Plan of Arrangement, following which Centric became a wholly-owned subsidiary of the Company.

Effective June 20, 2011, the Company completed the Lion Energy Plan of Arrangement, following which Lion Energy became a wholly-owned subsidiary of the Company.

Africa Oil's registered and records office is located at Suite 2610 Oceanic Plaza, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1. The Company's corporate office is located at 2000 – 885 West Georgia Street, Vancouver, B.C. V6C 3E8. The Company also has an office located at 2320, 700 – 2nd Street SW, Calgary, AB, Canada T2P 2W2.

#### INTER-CORPORATE RELATIONSHIPS

The material subsidiaries owned by Africa Oil, as at the date of this AIF, are as set out in the following organizational chart:


AFRICA OIL CORP.
(British Columbia, Canada)
100%
0845379 B.C. Ltd.
(British Columbia, Canada)
99.99%
0.01%
Africa Oil Holdings Cooperatief U.A.
(Netherlands)
100%
100%
100%
Africa Oil Turkana B.V.
(Netherlands)
Africa Oil Kenya B.V.
(Netherlands)
Africa Oil Ethiopia B.V.
(Netherlands)
99.99%
0.01%
Africa Oil Turkana Ltd.
(Kenya)
51.4%
HORN PETROLEUM CORPORATION
(British Columbia, Canada)
100%
Canmex Holdings (Bermuda) I Ltd.
(Bermuda)
100%
100%
Canmex Holdings (Bermuda) II Ltd.
(Bermuda)
Africa Oil Holdings (Bermuda) I Ltd.
(Bermuda)
100%
0903658 B.C. Ltd.
(British Columbia, Canada)
100%
Centric Energy Holdings (Barbados) Inc.
(Barbados)
100%
Centric Energy Kenya (Barbados) Inc.
(Barbados)
100%
100%
Mali Oil Development SARL
(Mali, West Africa)
Centric Energy (Kenya) Ltd.
(Kenya)

## ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Africa Oil is an independent international upstream oil and gas exploration company whose head office is in Canada with oil and gas interests in Ethiopia, Kenya and Mali and, through Horn Petroleum, in Puntland (Somalia). The Company holds interests in over 300,000 $km^2$ (gross) of exploration property throughout several African rift basins, focusing primarily on East Africa. A summary of the Company's current partnership interests is set out in the following table:

| Country | Concession | Gross Acreage ($km^2$) | Partnership Interests | |
|---|---|---|---|---|
| **Puntland (Somalia)** | Dharoor | 14,384 | Horn Petroleum (Operator) | 60% |
| | | | Range | 20% |
| | | | Red Emperor | 20% |
| | Nugaal | 21,784 | Horn Petroleum (Operator) | 60%[1] |
| | | | Range | 20% |
| | | | Red Emperor | 20% |
| **Ethiopia** | 7 and 8 (Ogaden) | 21,758 | AOI (Operator) | 55% |
| | | | New Age | 15% |
| | | | EAX | 30% |
| | Adigala | 27,193 | AOI (Operator) | 50% |
| | | | New Age | 50% |
| | South Omo | 30,688 | AOI | 30% |
| | | | Tullow (Operator) | 50% |
| | | | Agriterra | 20% |
| **Kenya** | 10A | 14,597 | AOI | 30% |
| | | | Tullow (Operator) | 50% |
| | | | EAX | 20% |
| | 10BA | 15,455 | AOI | 50% |
| | | | Tullow (Operator) | 50% |
| | 10BB | 12,625 | AOI | 50% |
| | | | Tullow (Operator) | 50% |
| | 9 | 30.054 | AOI (Operator) | 100% |
| | 12A | 15,345 | AOI | 50% |
| | | | Tullow (Operator) | 50% |
| | 13T | 8,415 | AOI | 50% |
| | | | Tullow (Operator) | 50% |
| **Mali, West Africa** | 7 | 39,804 | Heritage (Operator) | 75% |
| | | | AOI | 25% |
| | 11 | 24,600 | Heritage (Operator) | 75% |
| | | | AOI | 25% |

(1) Subject to Africa Oil fulfilling its sole funding obligation to Range.

### THREE YEAR HISTORY

The following describes the development of Africa Oil's business over the last three completed financial years.

### FISCAL YEAR ENDED DECEMBER 31, 2009

On April 29, Africa Oil completed the transaction contemplated by the Lundin Share Purchase Agreement pursuant to which it acquired a portfolio of East African oil exploration projects in Ethiopia and Kenya from Lundin BV. The Ethiopian interests acquired included an 85% working interest in Blocks 2, 6, 7 and 8 in the Ogaden Basin, and a 50% working interest in the Adigala Block. The Kenyan interests acquired included a 100% working interest in Block 10A and a 30% working interest in Block 9. Africa Oil became the operator of all of these blocks, excluding Block 9 in Kenya. In consideration for such interests, Africa Oil paid approximately $23.7 million, which was funded through the Convertible Loan.

Also during April, the Company completed a non-brokered, private placement of 37,421,018 subscription receipts of the Company offered at a price of CAD$0.95 per subscription receipt for gross proceeds of approximately CAD$35.5 million. Each subscription receipt entitled the holder to receive one unit of the Company. One unit comprised one common share plus one share purchase warrant exercisable at CAD$1.50 per share for a period of three years, subject to a forced exercise

provision under certain circumstances. The proceeds of the private placement were utilized to fund the Company's exploration programs and for ongoing working capital requirements.

In May, the Company's CAD$6 million (plus accrued interest in the amount of CAD$195,520) shareholder loan was converted into 6,521,601 units of the Company on the basis of CAD$0.95 per unit. Each unit comprised one common share and one share purchase warrant exercisable at CAD$1.50 per share for a period of three years and were subject to a forced exercise provision under certain circumstances.

Also during May, the Company entered into the EAX Farmout Agreement pursuant to which the Company agreed to transfer to EAX a 30% license interest in the PSAs covering Blocks 2 and 6 and 7 and 8, Ethiopia and a 20% license interest in the PSC covering Block 10A, Kenya (see "Overview of Farmout and Joint Venture Agreements – Farmout Agreement with EAX" for further details).

On June 12, the Company entered into the Turkana Arrangement Agreement to effect a business combination of the two companies pursuant to a plan of arrangement. As a result of the business combination with Turkana, which was completed on July 21, 2009, the Company acquired an undivided 100% working interest in Block 10BB, Kenya. The Company issued 7,499,934 common shares to the shareholders of Turkana (based on an exchange ratio of 0.20647 Africa Oil share for one Turkana share) and, in addition, issued 787,400 common shares at a deemed price of CAD$1.27 per share to the holders of convertible loans of Turkana in the amount of CAD$1 million.

In August, Africa Oil entered into the Lion Energy Farmout Agreement pursuant to which the Company transferred to Lion Energy a 15% license interest in the PSAs in respect of the Dharoor Valley Block and the Nugaal Valley Block, located in Puntland (Somalia), a 10% license interest in the PSA in respect of Block 9, Kenya, a 25% license interest in the PSA in respect of Block 10A, Kenya, and a 20% license interest in the PSA in respect of Block 10BB, Kenya (see "Overview of Farmout and Joint Venture Agreements – Lion Energy Farmout Agreement" for further details).

In December 2009, Africa Oil amended the PSAs made in respect of the Dharoor Valley Block and the Nugaal Valley Block. The amendments reflected the extension of initial exploration periods from 36 to 48 months, with a revised expiry period of January 17, 2011 (see "Production Sharing Contracts Overview – Dharoor and Nugaal Valley Blocks, Puntland (Somalia) for further details).

During 2009 the Bogal-1 oil exploration well located in Block 9, Kenya, and operated by CNOOC Limited was spud. In addition, the Company acquired approximately 500 km of new 2D seismic data on the Adigala Block in Ethiopia during the year. Also during 2009, seismic operations commenced on the Ogaden Blocks 2 and 6, Ethiopia, and the Company made preparations for a drilling campaign on the Dharoor Valley Block and the Nugaal Valley Block, Puntland (Somalia).

During 2009, the Company made several changes to its board and management. Mr. Keith C. Hill was appointed President of the Company, adding to his responsibilities as the Company's Chief Executive Officer. Mr. Ian Gibbs, a former director of the Company, was appointed Chief Financial Officer, and Mr. James Phillips, was appointed Vice President of Exploration. Messrs. John H. Craig and Mr. Bryan M. Benitz were both appointed to the Board.

**FISCAL YEAR ENDED DECEMBER 31, 2010**

In February 2010, the Company entered into the Platform Assignment Agreement pursuant to which the Company acquired Platform's 100% interest in Blocks 12A and 13T in Kenya. The acquisition, which was subject to requisite government and regulatory approvals, was completed on September 9, 2010. At that time, the Company issued 2,500,000 common shares of the Company and 1,500,000 share purchase warrants to Platform in consideration of the acquisition (see "Overview of Farmout and Joint Venture Agreements – Platform Assignment Agreement" for further details).

On August 12, 2010 the Company entered into the Red Emperor Farmout Agreement pursuant to which Red Emperor could earn up to a 20% participating interest in the Dharoor and Nugaal Valley Blocks in Puntland (Somalia), subject to certain conditions precedent, including ministerial approval. A finder's fee in the amount of up to CDN$250,000, 50% of which was payable in common shares of the Company, was paid to Komodo Capital in connection with the Red Emperor Farmout Agreement (see "Overview of Farmout and Joint Venture Agreements - Red Emperor Farmout" for further details).

On June 14, 2010 the Company entered into the Agriterra Farmout Agreement to acquire an 80% participating interest and operatorship of the South Omo Block in Ethiopia (see "Overview of Farmout and Joint Venture Agreements – Agriterra Farmout and Joint Venture Agreement" for further details").

In July 2010 the Company completed a non-brokered, private placement of 25,000,000 common shares at a price of CAD$1.00 per share for gross proceeds of CAD$25 million. The securities were distributed on July 19, 2010, as to 21,394,990 common shares, and on July 26, 2010, as to 3,605,010 common shares. The proceeds of the private placement were utilized to fund the Company's exploration programs and for ongoing working capital requirements. A finder's fee of 5% payable in cash and shares (416,666 common shares) was paid on a portion of the placement,

On September 1, 2010 the Company entered into the Tullow Farmout Agreement pursuant to which Tullow acquired a 50% interest in, and operatorship of, Blocks 10BB and 10A in Kenya and of the South Omo Block in Ethiopia. Additionally, Tullow was granted, and subsequently exercised, an option to acquire 50% of the Company's interest in, and operatorship of, Blocks 12A and 13T, Kenya (see "Overview of Farmout and Joint Venture Agreements - Tullow Farmout Agreements" for further details). To facilitate the Tullow Farmout Agreements, Africa Oil amended the Lion Energy Farmout Agreement to reduce Lion Energy's interest in Block 10BB to 10% (originally 20%) and to relinquish its interest in Block 10A (originally 25%)(see "Overview of Farmout and Joint Venture Agreements – Lion Energy Farmout and Lion Energy Farmout Amendment" for further details).

The common shares of the Company commenced trading on the First North list of the NASDAQ OMX Stock Exchange in Sweden, on September 30, 2010. The Company engaged Pareto Ohman (formerly E. Ohman J:or Fondkommission AB) as its financial advisor in connection with the listing and as its certified advisor.

On November 22, 2010 the Company elected to exercise its rights to accelerate the expiry date of certain of its outstanding warrants. As a result, 99.5% of the Company's share purchase warrants that were issued pursuant to a private placement in April 2009 were exercised, providing gross proceeds to the Company of approximately CAD$55.8 million.

On November 29, 2010 the Company entered into the Centric Arrangement Agreement to effect a business combination of the two companies pursuant to a plan of arrangement. Under the terms of the Centric Arrangement Agreement, the Company acquired all of the issued and outstanding shares of Centric in consideration for 0.3077 Africa Oil shares and $0.0001 for each common share of Centric.

On December 9, 2010 the Company signed an agreement with the Government of Ethiopia to jointly study the Rift Valley Block. The Joint Study Agreement has an 18 month term, following which the Company will have the exclusive right to enter into negotiations for a production sharing agreement for all or part of the Rift Valley Block (see "Overview of Farmout and Joint Venture Agreements – Study Block" for further details). The Company also closed the Ethiopian (South Omo) portion of the Tullow Farmout Agreement on December 9 and entered into the 12A/13T Farmout Agreement (see "Overview of Farmout and Joint Venture Agreements - Tullow Farmout Agreements" for further details).

Effective December 31, 2010, Africa Oil and its joint venture partner, Lion Energy, 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, Africa Oil held a 66.7% working interest in the PSC (Lion Energy held the remaining 33.3%) and was approved by the government as Operator of Block 9 (see "Production Sharing Contracts Overview – Block 9, Kenya" for further details).

During 2011, the Company relinquished Blocks 2/6 and the Ministry of Mines in Ethiopia agreed to waive remaining commitments. The Company paid $2.135 million to the Ministry of Mines in Ethiopia, in lieu of unfulfilled commitments with respect to Blocks 2/6.

During 2010, the Company completed the recording and processing of 610 km of 2-D seismic on Block 10BB, Kenya, and also re-processed all available vintage seismic data sharpening the imaging and the amplitude response for use in detecting direct hydrocarbon indicators on the Block. A surface geological survey was also completed on on Block 10BB during the third quarter of 2010 and modules were analyzed in order to detect oil and gas seepage from identified prospects and leads on the Block. Environmental impact assessments were completed on Block 10BB over four potential drill sites and

Government permits have been issued. In Block 10A, Kenya, the Company reprocessed all available vintage seismic data with the objective of improving imaging of the data acquired in the 1980s. The Company commenced recording approximately 850 km (gross) of 2D seismic which it expects to be completed by the end of March 2011. New play concepts are being developed for Block 10A based on the reprocessed data in combination with the vintage data. In Block 9, Kenya, the CNOOC-operated Bogal-1 exploration well, which was spudded on October 28, 2009, reached a total depth of 5,085 meters. Preliminary testing on two potential gas pay zones was completed with only minimal flow of gas from each zone. Analysis of the test results indicated that neither test was in communication with the extensive fracture network proven by the abundant fluid losses during drilling and the Formation Micro Imaging log. The well was subsequently plugged pending further analysis of the test results to determine the feasibility of an additional testing program. During 2010, the acquisition of 782 km of good quality 2D seismic was completed in the Dharoor Block of Puntland (Somalia). The Company combined 555 km of previously acquired data into the seismic database which continues to be evaluated to determine exploration well locations. Exploration activities in Puntland were focused on drilling the first exploration well in Somalia in over 20 years. On the Ogaden Blocks (Blocks 7 and 8), the Company completed its seismic acquisition program acquiring 500 km of 2D seismic. The new data has been integrated with existing seismic to generate a series of new prospect maps. The Company continued to focus efforts on the El Kuran prospect in the Block 7/8 license.

**FISCAL YEAR ENDED DECEMBER 31, 2011**

On January 17, 2011 the Company, together with Range and Lion Energy entered into amending agreements with the Government of Puntland, represented by the Puntland Petroleum and Mineral Agency, in respect of the Dharoor Valley and Nugaal Valley PSAs. Under the PSAs, as amended, the First Exploration Period was amended for a further 12 months, from January 17, 2011 to January 17, 2012 (See "Production Sharing Contracts Overview - Dharoor and Nugaal Blocks, Puntland (Somalia)" for further details.) Also on January 17, the Company completed the Red Emperor Farmout Agreement following receipt of ministerial approval (see "Overview of Farmout and Joint Venture Agreements – Red Emperor Farmout Agreement" for further details).

On January 26, 2011 the Company completed the Tullow farmouts in respect of Blocks 10BB and 10A, Kenya, and closed the amended farmout arrangements with Lion Energy, contemplated under the Lion Energy Farmout Amendment. As a result, the Company paid Lion Energy $2.5 million and issued to Lion Energy a total of 2,500,000 common shares of the Company (see "Overview of Farmout and Joint Venture Agreements - Tullow Farmout Agreements" and "Lion Energy Farmout and Lion Energy Farmout Amendment" for further details).

On February 22, 2011 following receipt of government approvals, the Company closed on the 12A/13T Farmout Agreement at which time Tullow paid the Company an aggregate of $1,686,432 (see "Overview of Farmout and Joint Venture Agreements - Tullow Farmout Agreements" for further details).

On February 23, 2011, the Company completed the Centric Arrangement Agreement. As a result of the business combination with Centric, the Company acquired a 50% working interest in Block 10BA in Kenya and a 25% interest in two exploration licenses (Blocks 7 and 11) in the Republic of Mali. The Company issued 30,155,524 common shares to the shareholders of Centric (based on an exchange ratio of 0.3077 Africa Oil share and $0.0001 for each one Centric share).

On March 3, 2011, the Company entered into an amendment to the Convertible Loan and received a Notice of Conversion from Lundin Services. As a result, the Company issued to Lundin Services a total of 14,000,000 common shares in respect of the conversion by Lundin Services of a portion of the loan amount, being $12,957,840. On April 11, 2011, the Company and Lundin Services agreed to convert the remaining $10.8 million of the convertible loan plus $0.2 million of accured interest into 11,850,150 shares of the Company.

On March 23, 2011 the Company entered into the Red Emperor Farmout Amendment amending certain term of the Red Emperor Farmout Agreement (see "Overview of Farmout and Joint Venture Agreements – Red Emperor Farmout and Amendment Agreement" for further details).

On June 20, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Lion Energy. Pursuant to the Lion Energy Arrangement Agreement, the Company acquired all of the issued and outstanding shares of Lion Energy in consideration for 14,962,447 shares of the Company, net of 2,500,000 shares of the Company that

Lion Energy owned at the date of the acquisition. The Company also issued 287,250 stock options, of which 237,250 were subsequently exercised and 50,000 expired 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 (see "Overview of Farmout and Joint Venture Agreements – Lion Energy Farmout Agreement and Lion Energy Farmout Amendment" for further details).

In July 2011, the Dharoor Valley and Nugaal Valley PSCs were further amended 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. The Company agreed to relinquish 15,627km$^2$ (gross) of the Nugaal Valley Exploration Area, perform a surface geochemistry survey in the Nugaal Valley Exploration Area, and pay the Puntland State of Somalia $1,000,000 in infrastructure and development support fees of which $500,000 has been paid, $250,000 is due on spud of the first well and the remaining $250,000 is due on completion of the first exploration well.

On September 20, 2011, the Company completed a share exchange transaction with Denovo Capital Corp. whereby Denovo acquired all of the issued and outstanding shares of Canmex I, a wholly owned subsidiary of the Company in consideration for 27,777,778 (post-consolidation) shares of Denovo. Canmex I held the Company's 60% interest in the Dharoor Valley and Nugaal Valley PSCs.

Prior to closing, Denovo effected a consolidation of its share capital on a basis of 0.65 new shares for each old share, and changed its name to "Horn Petroleum Corporation". Horn also completed a non-brokered private placement of an aggregate of 45,535,195 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. The Company acquired 11,111,111 post-consolidated shares and 11,111,111 post-consolidation share purchase warrants in the Horn private placement. In connection with the private placement, Horn paid a finder's fee consisting of the issuance of an aggregate of 812,517 common shares and the payment of $0.9 million in cash.

Subsequent to the Horn Transaction, the Company owns 51.4% of the outstanding shares of Horn. As well, a management services arrangement has been agreed between Horn and the Company in which the management of the Company is responsible for the operating decisions of Horn. As such, the Company is deemed to control Horn.

On November 8, 2011, the Ministry of Mines in Ethiopia approved the Company and its partners' entry into the next exploration period on the Adigala Block with amended minimum work commitments. Under the Production Sharing Agreement which expires in July 2013, the Company and its partners are obligated to complete certain geological and geophysical operations with a minimum gross expenditure of $2.1 million.

During 2011 the Company with its partners implemented an active exploration work program spanning six contract areas in Kenya, four in Ethiopia including a joint study area, and two in Puntland, Somalia.

In Block 10BB, Kenya, the Company and its operating partner, Tullow Oil, interpreted 610 km of newly acquired and legacy 2D seismic data. A number of prospects and leads were evaluated and the Ngamia (Camel) prospect was selected for the initial well in Block 10BB. The prospect will test the oil potential in Miocene age sandstones within a three way dip closure along a main rift-bounding fault. The contract for the drilling rig was awarded to Weatherford International and preparations for drilling, including purchase of materials, execution of drilling related contracts, civil works, and environmental permits were carried out in the third and fourth quarters. The well was spud January 24, 2012 and is currently drilling head. In addition to drilling operations, a full tensor gravity (FTG) survey was acquired over the majority of the block to further define prospective areas that lack 2D seismic data.

In Block 10A, Kenya, the Company with Tullow as operator reprocessed available legacy seismic data and recorded 812 km of 2D seismic data. Partners identified several prospects and leads and further augmented the seismic data set with a full tensor gravity (FTG) survey over key prospects. In Q4 partners selected the Paipai prospect for the initial well in the block. Preparations for drilling, including purchase of materials, execution of drilling related contracts, civil works, and environmental permits are either completed or underway. The Paipai prospect is expected to spud during 2012 using the same Weatherford rig that is working currently in Block 10BB.

In Block 10BA, Kenya, the Company with Tullow as operator, completed the acquisition of an FTG survey over the majority of the block. The FTG survey was used along with existing seismic data to identify prospects and leads both onshore and

within Lake Turkana. In Q4, partners prepared a program to acquire 1,350 km of 2D seismic data over prospective areas. Acquisition commenced in Q1, 2012, and includes both marine and onshore seismic data acquisition.

In Block 13T, Kenya, the Company with partner Tullow completed acquisition of an FTG survey over the majority of the block. The FTG survey in combination with legacy 2D seismic was used to plan a 500 km 2D seismic program that commenced in the fourth quarter and will be completed by the end of March, 2012. Interpretation of early lines in the program, along with reprocessed legacy seismic data further confirmed a string of prospects on trend with the Ngamia prospect of Block 10BB, and the acquisition program has been modified while in progress to focus on those leads.

In Block 12A, Kenya, the Company with partner Tullow completed acquisition of an FTG survey over the majority of the block. The FTG survey in combination with recent field work in the Kerio Valley has used to plan a 500 km 2D seismic program that will commence in Q2, 2012.

In Block 9, Kenya, the Company as operator acquired a 750 km of 2D seismic data in the oil-prone Kaisut Sub-basin. The Company combined the new seismic data with legacy and selected reprocessed data to identify several large oil-prone prospects with large upside resource potential. Prospects will target Tertiary, Cretaceous and Jurassic reservoirs in anticlinal traps. The Company also continued evaluating resource estimates for the Bogal gas discovery and contracted a third-party consulting group to evaluate potential gas markets and commercialization of the Bogal gas resources.

In the South Omo Block of Ethiopia the Company, with Tullow as operator completed an FTG survey over the majority of the block with a focus on the Turkana and Chew Bahir Basins. The FTG survey identified a number of promising leads and was the basis for planning a 1,000 km 2D seismic program that commenced in Q4, 2011 and will be completed in Q2, 2012. Prospective leads identified early in the program are being delineated with infill program.

In the Adigala Block of Ethiopia, the Company continued to evaluate gravity and seismic data acquired in the initial exploration period, and with partners submitted an application and received approval to enter the next exploration period with a work commitment consisting of an FTG acquisition program, seismic reprocessing, and geological studies. Reprocessing efforts commenced in Q4, along with planning for a surface geological field program which commenced in Q1, 2012. Start-up of the 9,218 line-kilometer FTG survey began in December, 2011 and was completed in January 2012.

In the Ogaden Basin of Ethiopia the Company and its partners have integrated and interpreted all newly acquired and legacy 2D seismic data over Blocks 7 & 8. The joint venture is currently focused on developing a better understanding of the large El Kuran oil and gas accumulation discovered in the early 1970's. The Company completed a reservoir characterization study over the El Kuran structure that focused on the light oil resources within the Jurassic carbonate reservoirs. The reservoir study identified between 4 to 8 zones that could potentially be productive with the application of effective completion techniques. Following those encouraging results the Company has continued to evaluate various completion applications and cost estimates for various well designs and completion methods. The Company is currently analyzing how best to re-drill and test El Kuran to commercialize the light oil resources. Preparations for drilling commenced in the latter half of the year, with preparations for a rig tender ongoing. Spud of the El Kuran well is tentatively planned for mid-2012. The Company also submitted notice to relinquish Ogaden Blocks 2/6 that was subsequently approved.

In the autonomous region of Puntland, Somalia the Company, through its ownership in Horn Petroleum, pursued an aggressive exploration program that was focused on interpreting 782 km of recently acquired 2D seismic data. From this data the partnership identified several prospects and leads and selected Shabeel and Shabeel North as primary prospects for a 2012 drilling campaign. Preparations for drilling, including purchase of materials, execution of drilling related contracts, and tendering for a rig commenced in the second half of the year. The Shabeel-1 prospect was spud in January, 2012. The well will test Cretaceous sandstone objectives as the primary targets and is currently drilling in Cretaceous formations. In the Nugaal Block work continued to refine the subsurface interpretation of prospective areas based on a close integration of well control with seismic data. As a result, the partnership high-graded two leads and has since elevated them to prospect status.

**SUBSEQUENT TO DECEMBER 31, 2011**

In February 2012 the Company, together with Range and Lion Energy entered into amending agreements with the Government of Puntland, represented by the Puntland Petroleum and Mineral Agency, in respect of the Dharoor Valley and Nugaal Valley PSAs. Under the PSAs, as amended, the First Exploration Period expiry date was further extended by the Puntland Government to October 17, 2012 in order to provide sufficient time to evaluate drilling results. (See "Production Sharing Contracts Overview - Dharoor and Nugaal Blocks, Puntland (Somalia)" for further details.)

In March 2012, 6,521,601 common share purchase warrants outstanding at an exercise price of CAD$1.50 per warrant were converted into common shares of the Company for $9.8 million.

## ITEM 4 NARRATIVE DESCRIPTION OF THE BUSINESS

*Summary*

Africa Oil's strategy and long range plan is to increase shareholder value through the acquisition and exploration of oil and gas assets, located in under-explored geographic areas, in the early phase of the upstream oil and gas life-cycle and maturing them into marketable opportunities for larger oil and gas industry players. The Company is focused on high-impact exploration opportunities and has secured a portfolio of African oil and gas assets, focused primarily in East Africa, which provide shareholders with exposure to multiple identified prospects and leads, geographically and geologically diversified across four East African countries and four under-explored petroleum systems. Africa Oil's mission is to de-risk this portfolio of oil and gas prospects and leads, while generating additional prospects and leads, through continuous oil and gas exploration activities. The Company aims to pursue a leveraged farmout strategy allowing it to leverage its large working interest holdings in each of its operated blocks. Africa Oil aims to continue to identify highly prospective exploration targets in geologically favorable settings. Africa Oil will continue to consider acquisition and merger opportunities with a focus on North Africa and the Middle East.

In general, Africa Oil will continue its portfolio approach to exploring a large number of oil and gas opportunities with the goal of increasing shareholder value.

The board of directors of Africa Oil may, in its discretion, approve asset or corporate acquisitions or investments that do not conform to the guidelines discussed above based upon the board's consideration of the qualitative and quantitative aspects of the subject properties, including risk profile, technical upside, resource potential, reserve life and asset quality.

*Specialized Skill and Knowledge*

The Company relies on specialized skills and knowledge to gather, interpret and process geological and geophysical data, design, drill and complete wells, and numerous additional activities required to explore for, and potentially produce, oil and natural gas. The Company has employed a strategy of contracting consultants and other service providers to supplement the skills and knowledge of its permanent staff in order to provide the specialized skills and knowledge to undertake its oil and natural gas operations efficiently and effectively.

*Competitive Conditions*

The petroleum industry is immensely competitive in all of its phases. Africa Oil competes with other participants in the search for, and the acquisition of, oil and natural gas interests located in North Africa and the Middle East. Africa Oil's competitors include other resource companies which may have greater financial resources, staff and facilities than those of the Company. Competitive factors which may come into play in the future include the distribution and marketing of oil and natural gas, pricing, and methods of improving reliability of delivery.

*Economic Dependence*

The Company is heavily dependent upon the results obtained under agreements, including production sharing agreements, joint venture agreements and farmout agreements that it has entered into for the exploration and extraction of hydrocarbons.

## OVERVIEW OF FARMOUT AND JOINT VENTURE AGREEMENTS

The following narrative provides an overview of the Company's farmout and joint venture agreements:

**Lion Energy Farmout Agreement and Lion Energy Farmout Amendment**

Pursuant to the terms of the Lion Energy Farmout Agreement, AOC agreed to transfer to Lion Energy an interest in the Nugaal Valley and Dharoor Valley PSAs, Puntland (Somalia) and in the PSCs covering Block 9, Block 10A and Block 10BB, Kenya.

Under the terms of the Lion Energy Farmout Agreement, AOC agreed to transfer the following interests to Lion Energy upon satisfaction of certain closing conditions, including the receipt of Exchange approval and ministerial approval in both Puntland (Somalia) and Kenya:

- a 15% license interest in the Nugaal and Dharoor Valley PSAs;
- a 10% license interest in the Block 9 PSC;
- a 25% license interest in the Block 10A PSC; and,
- a 20% license interest in the Block 10BB PSC.

In consideration for such interests, Lion Energy agreed to pay a disproportionate share of costs associated with the planned work programs to be carried out in the subject areas and to deposit in escrow, as security for its payment obligations, $4 million.

The Company agreed to pay a finder's fee equal to CAD$842,900 to Peninsula in connection with the Lion Energy Farmout Agreement based upon aggregate expenditures of $26,208,000. The finder's fee is payable in shares of the Company to be issued at a deemed price of CAD$1.04 per share. On April 23, 2010, the Company issued a total of 405,240 common shares to Peninsula. The remaining 405,240 common shares to be issued to Peninsula will be issued from time to time upon receipt of Exchange acceptance of applicable expenditures.

Ministerial approval of the Lion Energy Farmout Agreement was obtained from the Puntland Government on December 8, 2010 and from the Kenyan Government on December 9, 2010. Requisite Exchange approval to the Lion Energy Farmout Agreement was received on March 15, 2010 and to the Peninsula finder's fee arrangement on April 26, 2010.

On July 29, 2010, Lion Energy and AOC entered into the Lion Energy Farmout Amendment. Pursuant to the terms of the Lion Energy Farmout Amendment, Lion Energy agreed to relinquish all of its interest in the Block 10A PSC and relinquish a ten percent (10%) participating interest in the Block 10BB PSC in consideration for which AOC agreed to:

(a) release to Lion Energy the $4 million that had been deposited into escrow under the terms of the Lion Energy Farmout Agreement;

(b) issue to Lion Energy 2,500,000 common shares of AOC which shares were subject to a voluntary six month hold period from the date of closing of the Lion Energy Farmout Amendment;

(c) pay Lion Energy $2.5 million in cash; and

(d) release Lion Energy from its obligation to pay a disproportionate share of costs associated with the planned work programs to be carried out in the remaining subject areas.

The transaction contemplated under the Lion Energy Farmout Amendment was subject to requisite ministerial and Exchange approvals and was also subject to completion of the transactions contemplated under the Tullow Farmout Agreements in respect of South Omo, Ethiopia, and Blocks 10A and 10BB, Kenya. On January 26, 2011, following receipt of the necessary approvals and satisfaction of the conditions precedent related to the Tullow Farmout Agreements, the Company closed the transactions contemplated under the Lion Energy Farmout Amendment and paid Lion Energy $2.5

million and issued to Lion Energy 2,500,000 common shares. The Company also released to Lion Energy the $4 million held in escrow under the terms of the Lion Energy Farmout Agreement.

Effective June 20, 2011, the Company completed the acquisition of all of the issued and outstanding common shares of Lion Energy. Pursuant to the Lion Energy Arrangement Agreement, the Company acquired all of the issued and outstanding shares of Lion Energy in consideration for 14,962,447 shares of the Company, net of 2,500,000 shares of the Company that Lion Energy owned at the date of the acquisition. The Company also issued 287,250 stock options of which 237,250 were subsequently exercised and 2,289,000 share purchase warrants that expired unexercised on June 29, 2011.

**Farmout Agreement with EAX**

On May 29, 2009, AOC entered into the EAX Farmout Agreement with EAX, pursuant to which the Company agreed to transfer to EAX, effective as at December 9, 2009, a 30% license interest in the PSAs covering Blocks 2 and 6 and 7 and 8 in Ethiopia and a 20% license interest in the PSC covering Block 10A in Kenya.

Under the terms of the EAX Farmout Agreement, EAX was obligated to pay a disproportionate share of costs associated with the planned work programs carried out in 2009 and 2010 and to pay a portion of AOC's past costs and future operational costs. As consideration for past costs incurred by the Company, EAX paid the Company $1,700,000.

**Assignment Agreement and 12A/13T Amending Agreement with Platform**

On January 11, 2010, AOC entered into the Platform Assignment Agreement with Platform. Under the Platform Assignment Agreement, AOC agreed to purchase from Platform all of Platform's right, title and interest in and to, and all of its obligations under (collectively, the "Platform Interest"), two production sharing contracts (the "Blocks 12A and 13T PSCs"), each made September 17, 2008 between Platform and the Kenyan Government.

The terms of the Platform Assignment Agreement provided that it would automatically terminate if the closing date for the purchase and sale of the Platform Interest had not occurred by June 1, 2010.

On May 27, 2010, AOC entered into the 12A/13T Amending Agreement with Platform. Under the 12A/13T Amending Agreement, Platform and AOC agreed to certain amendments to the Platform Assignment Agreement including the extension of the date by which the purchase and sale of the Platform Interest was required to be completed, i.e., from June 1, 2010 to September 30, 2010. AOC also agreed to provide bank and parent company guarantees to the Kenyan Government in accordance with the terms of the Blocks 12A and 13T PSCs.

The Kenyan Government consented to the Company's acquisition of Blocks 12A and 13T on August 17, 2010 by signing deeds of assignment in respect of each Block. The Platform Assignment Agreement, as amended by the 12A/13T Amending Agreement, was approved by the Exchange on August 18, 2010 and the transactions contemplated by the Platform Assignment Agreement, as amended by the 12A/13T Agreement completed on September 9, 2010.

The purchase price for the Platform Interest was comprised of 2,500,000 common shares of AOC and 1,500,000 share purchase warrants. Each warrant entitled Platform to acquire one additional common share of the Company at a price of $1.50 per share for a period of two years, i.e. on or before September 9, 2012. On November 22, 2010, the Company elected to exercise its rights to accelerate the expiry date of the warrants to May 22, 2011. All 1,500,000 share purchase warrants were exercised on April 20, 2011.

**Red Emperor Farmout Agreement and Red Emperor Farmout Amendment**

On August 12, 2010, the Company entered into the Red Emperor Farmout Agreement under which Puntland Oil agreed to acquire a 10% participating interest in respect of the Nugaal and Dharoor Valley PSAs, with an option to increase its participating interest in both of the Nugaal and Dharoor Valley PSAs to 20%. The option was exercised by Puntland Oil on October 21, 2010. In consideration for the 20% participating interest, Puntland Oil agreed to pay 30% of all drilling costs associated with the drilling of two wells under the Nugaal and Dharoor Valley PSAs, being one exploration well under each of the production sharing agreements, or, if AOC chooses, two wells in the Dharoor Valley Exploration Area, in each case for the initial US$25 million of gross costs. Thereafter Puntland Oil shall be responsible for its proportionate share of such costs.

Also pursuant to the Red Emperor Farmout Agreement, Red Emperor entered into an escrow agreement under which it has deposited US$2 million into an escrow account, to be offset against the last US$2 million cash call made by AOC in respect of the work programs for the exploration areas, based on approved budgets.

Completion of the Red Emperor Farmout Agreement was subject to the approval of the Government of Puntland, which was received in January 2011. Pursuant to a finder's fee agreement dated June 10, 2010 between the Company and Komodo Capital (the "Komodo Finder's Fee Agreement"), the Company was obligated to pay an aggregate of $125,000 in cash and $125,000 in common shares (103,306 common shares a deemed price of $1.21/share) in connection with the Red Emperor Farmout Agreement. The finder's fee was payable in two tranches, 50% upon receipt of confirmation that the escrow arrangements under the Red Emperor Farmout Agreement had been satisfied (the "First Tranche") and the remaining 50% (the "Second Tranche") upon the entering into of a drilling rig contract in respect of either the Dharoor Valley or Nugaal Valley exploration areas. On January 6, 2011 and September 21, 2011, the Company satisfied its obligations to Komodo Capital in respect of the First and Second Tranches, respectively.

On March 23, 2011 the Company and Red Emperor entered into the Red Emperor Farmout Amendment under which Red Emperor acknowledged that it had made the election to increase the interests assigned to it in the PSCs covering the Dharoor Valley Block and the Nugaal Valley Block assigned to it from a 10% participating interest to a 20% participating interest. In addition, Red Emperor's initial obligation in respect of the initial exploration well drilled pursuant to the Nugaal Valley PSC, or the second exploration well drilled pursuant to the Dharoor Valley PSC, as applicable, was reduced to 20% of pre-spud costs. Red Emperor also elected to maintain its 20% participating interest in the PSCs covering the Nugaal Valley Block and the Dharoor Valley Block, after reviewing certain data relating to the first exploration well, and is committed to paying 30% of the drilling costs related to the one well drilling commitment included in the first exploration period of both the Dharoor and Nugaal Valley PSCs..

**Farmout Agreement with Agriterra**

On June 14, 2010, AOC entered into the Agriterra Farmout Agreement under which AOC agreed to acquire an 80% participating interest in respect of the petroleum production sharing agreement (the "South Omo Block PPSA") made January 2008 between Agriterra and the Government of the Ethiopian Government relating to the South Omo Block.

In consideration for the 80% participating interest, AOC agreed to pay to Agriterra 80% of past costs, to a maximum of $2,517,000, incurred by Agriterra in connection with the South Omo Block PSA and 100% of the costs associated with certain seismic and geological and geochemical work. The $2,517,000 of past costs owing to Agriterra under the Agriterra Farmout Agreement will be offset against cash calls made by AOC in its capacity as operator, in respect of Agriterra's participation share of all costs under the South Omo Block joint operating agreement.

AOC received ministerial consent of Ethiopian Government to the Agriterra Farmout Agreement on August 19, 2010.

**Farmout Agreements with Tullow**

On September 1, 2010, AOC and Tullow entered into the Tullow Farmout Agreement. Under the Tullow Farmout Agreement, AOC agreed to assign to Tullow a 50% interest in and operatorship of, each of the Block 10A PSC, the Block 10BB PSC and the South Omo Block PSA. Tullow was also granted an option to acquire a 50% interest in the Blocks 12A and 13T PSCs, which it subsequently exercised (see below).

In consideration of the assignment, Tullow has paid AOC $9.5 million, representing 50% of AOC's audited past costs in the blocks. In addition, Tullow agreed to fund its 50% working interest and AOC's working interest share of joint venture expenditures on Blocks 10A, 10BB, and South Omo from July 1, 2010, the effective date, until the cap of $23.75 million (based on AOC's carried interest) is reached. Once the expenditure cap has been met, AOC will be responsible for its working interest share of future joint venture expenditures.

The South Omo portion of the farmout to Tullow was completed on December 9, 2010. The farmout of Blocks 10A and 10BB to Tullow was completed in January 2011.

Tullow exercised its option in respect of the Blocks 12A and 13T PSCs on September 1, 2010 and entered into the 12A/13T Farmout Agreement with AOC in respect of those blocks, on December 9, 2010. Under the 12A/13T Farmout Agreement, AOC agreed to assign to Tullow 50% interest in, and operatorship of, each of Blocks 12A and 13T in consideration of $1.55 million, being 50% of AOC's past costs in respect of the blocks plus 50% of gross petroleum costs incurred by AOC from September 9, 2010, to a maximum of $500,000. On February 22, 2011, the Company closed on the 12A/13T farmouts at which time Tullow paid the Company an aggregate of $1,686,432. Tullow and AOC are responsible for their working interest share of joint venture expenditures in these blocks going forward.

As a result of the completion of the Centric Plan of Arrangement, the Company acquired an interest in Block 10BA, Kenya. Block 10BA is the subject of the 10BA Farmout Agreement. Pursuant to the terms of the 10BA Farmout Agreement, Tullow acquired a 50% interest in, and operatorship of, Block 10BA in consideration of the reimbursement of 50% of Centric's acquisition costs, being approximately $750,000, and the payment of 80% of the first $30 million of expenditures required under the Block 10BA PSC. Once the expenditure cap has been met, each joint venture partner will be responsible for its working interest share of future costs. On November 4, 2010, Kenyan Government approval to the 10BA Farmout Agreement was received and on January 26, 2011, the transaction closed at which time Tullow paid to Centric an amount of $1.0 million in respect of estimated historic costs related to the acquisition of the PSC and exploration of Block 10BA.

**Farmout with Heritage**

As a result of the completion of the Centric Plan of Arrangement, the Company acquired an interest in Blocks 7 and 11, Mali, West Africa. Blocks 7 and 11 are the subject of the Heritage Farmin Agreements. Pursuant to the terms of the Heritage Farmin Agreements, Heritage can earn a 75% working interest in each of Blocks 7 and 11, in consideration for funding all costs of the required work programs on the Blocks, comprising the acquisition of 2D seismic and the drilling of one exploratory well, at a total estimated cost of between $15 million and $20 million. Heritage is designated as operator under the Block 7 and 11 PSAs.

**Joint Venture with Range**

Pursuant to a joint venture arrangement with Range (the "Range Joint Venture") relating to the Dharoor and Nugaal Valley Exploration Blocks, Puntland (Somalia), the Company is obligated to solely fund $22.8 million of joint venture costs on each of the blocks ($45.5 million in total for both blocks) during the exploration period, in exchange for a 80% working interest in each block. In the event that a commercial discovery is declared on a block prior to AOC spending $22.8 million, AOC shall be deemed to have earned its interest in the block and the Company and Range will be responsible for future expenditures on the block in proportion to their respective working interests. In the event that AOC does not fund the required $22.8 million during the initial exploration periods, the Company's interest in the block would be forfeited. An additional $3.5 million will be payable to Range upon commencement of commercial production. During the fourth quarter of 2008, the Company fulfilled its sole funding obligation related to the Dharoor Valley Block. As a result, Range is paying its 20% participating interest share of ongoing exploration costs related to this Block.

**Study Area Block, Ethiopia**

In December 2010, the Company signed a definitive agreement (the "Joint Study Agreement") with the Ethiopian Government to jointly study the Rift Valley Block. The Company has committed to carry out an airborne geophysical survey over the Block, which spans 42,519 kilometres. The Joint Study Agreement has an 18 month term, following which the Company will have the exclusive right to enter into negotiations for a production sharing agreement for all or part of the Rift Valley Block.

## PRODUCTION SHARING CONTRACTS OVERVIEW

***Block 10BB, Kenya (50% working interest)***

The Block 10BB PSC contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The first exploration period expiry date has been extended to July 2012. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 600km of 2D seismic and the reprocessing of existing seismic data. The minimum required expenditure of geological and geophysical activities is $6 million. In addition, the Contractor Group is required to drill one

well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $6 million. At the end of the first exploration period, the Contractor Group must relinquish 30% of the original contract area.

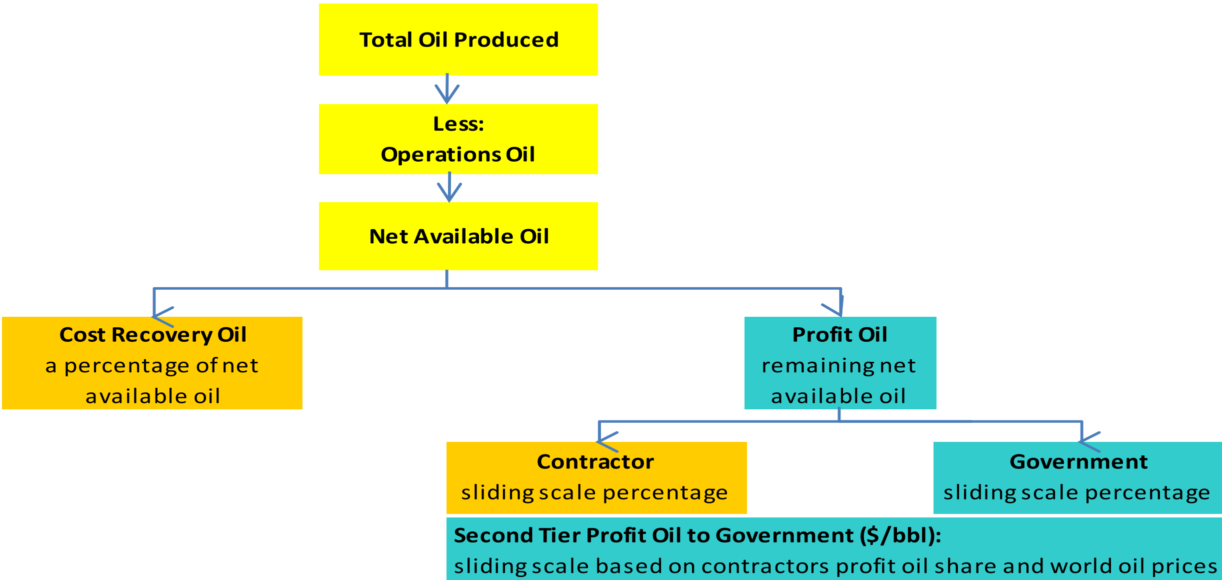
During the first additional exploration period, the Contractor Group is required to acquire and interpret 300 $km^2$ of 3D seismic at a minimum cost of $7 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $6 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 30% of the original contract area.

During the second additional exploration period, the Contractor Group is required to acquire and interpret 250 $km^2$ of 3D seismic at a minimum cost of $7 million. In addition, the Contractor Group is required to drill three exploratory wells, to a vertical depth of at least 3,000 meters per well. The minimum required expenditure for the well is $6 million per well.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 20% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 10BB PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group's share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

***Block 10A, Kenya (30% working interest)***

The Block 10A PSC contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of 1.5 years each. The first exploration period expiry date has been extended to October 2012. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 750km of 2D seismic, reprocessing existing seismic, acquire an air borne gravity survey, complete block wide surface geology mapping and sampling. The minimum required expenditure of geological and geophysical activities is $7.75 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8.5 million. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

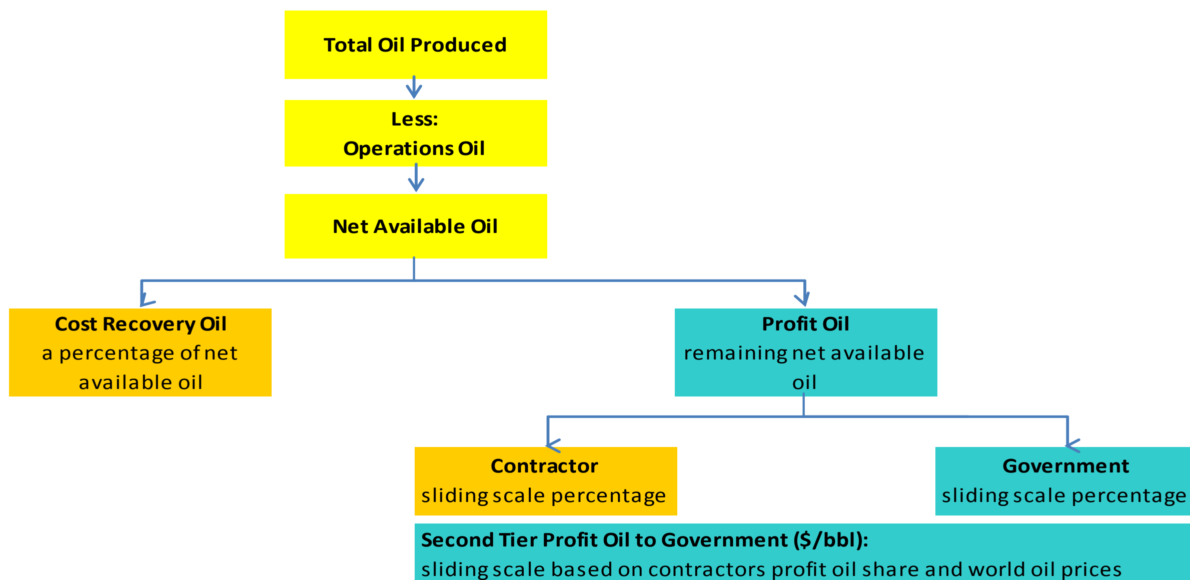
During the first additional exploration period, the Contractor Group is required to conduct a full subsurface integration of well results at a minimum cost of $0.1 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8.5 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the original contract area.

During the second additional exploration period, the Contractor Group is required to conduct a full subsurface integration of well results at a minimum cost of $0.1 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8.5 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 13% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 10A PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. Up to stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to

the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group's share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

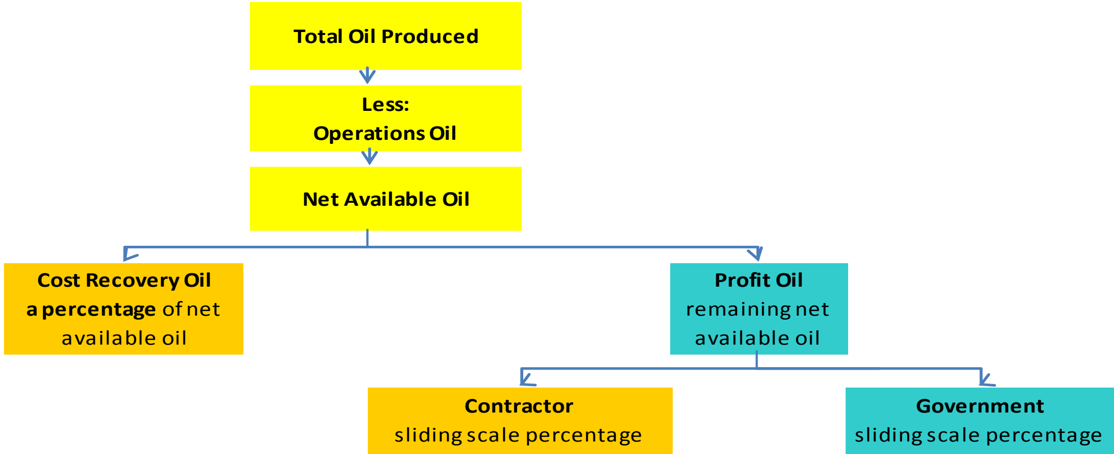
***Block 9, Kenya (100% working interest)***
With the drilling of the Bogal-1 well (which was completed in May 2010), the Company fulfilled the minimum work obligations required under the initial exploration period and has entered the first additional exploration phase under the Block 9 PSC. Although the Company was required to relinquish 25% of the original contract area at the end of the first exploration period, the Kenyan Ministry asked the Company maintain the contract area 100% and waived the requirement to relinquish.

During the first additional exploration period, which commenced on December 31, 2010 and which expires on December 31, 2013, the Company is required to drill an additional well, to a vertical depth of at least 1,500 meters. The minimum required expenditure for the well is $2.5 million. At the end of the first additional exploration period, the Company is required to relinquish 50% of the remaining contract area.

During the second additional exploration period, which has a two year term, and which is exercisable at the option of the Company, the Company is required to, in consultation with the Kenyan Ministry responsible for energy, determine how much 2D or 3D seismic work, if any, is required. In addition, the Company is required to drill one well, to a vertical depth of at least 1,500 meters. The minimum required expenditure for the well is $3.0 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 13% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A development and production period commences once the Company has made a commercial discovery and a development plan is adopted. The development and production period is 25 years with a possible 10 year extension.
The following diagram illustrates the allocation of production under the terms of the Block 9 PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Company for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Company for exploration, development, production and decommissioning operations, as well as any other applicable costs

and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Company is based on a sliding scale with the portion allocated to the Compay declining as the volume of Profit Oil increases.

***Blocks 12A and 13T, Kenya (50% working interest)***

The Block 12A and 13T PSCs contemplate an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. In each case, the first exploration period expiry date has been extended to September 2012. During the first exploration period, the Contractor Group is required to complete, on each of the Blocks, geological and geophysical activities, including the acquisition of 500km of 2D seismic or 100 square kilometers of 3D seismic, reprocess existing seismic, acquire an air borne gravity survey and complete block-wide surface geology mapping and sampling. The minimum required expenditure of geological and geophysical activities is $3.6 million in the case of Block 12A, and $3.65 million, in the case of Block 13T. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area in each of Block 12A and 13T.

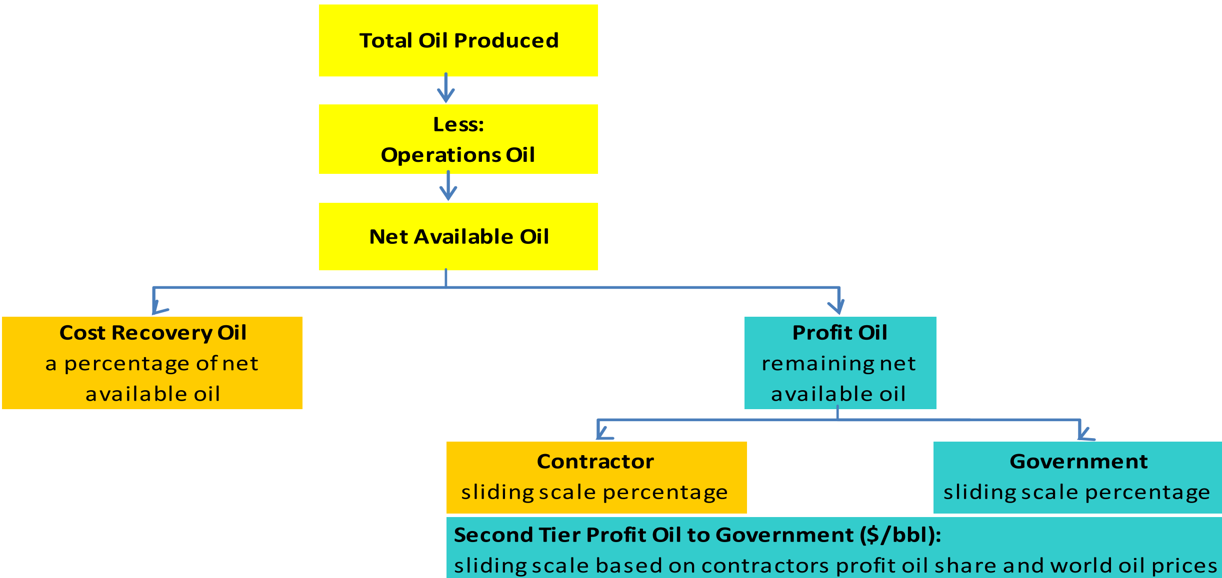
During the first additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 $km^2$ of 3D seismic, on each of the Blocks, at a minimum cost of $6 million. In addition, the Contractor Group is required to drill one well exploratory well in each Block to a vertical depth of at least 3,000 meters. The minimum required expenditure for each well is $15 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the remaining contract area in each Block.

During the second additional exploration period, the Contractor Group is required to acquire and interpret an additional 200 $km^2$ of 3D seismic, on each of the Blocks, at a minimum cost of $6 million. In addition, the Contractor Group is required to drill one exploratory well in each Block to a vertical depth of at least 3,000 meters. The minimum required expenditure for each well is $15 million per well.

The Kenyan Government may elect to participate in any petroleum operations in any development area in either of the Blocks and acquire an interest of up to 22.5% of the total interest in that development area, 15% of which will be held by the Kenyan Government and 7.5% which will be held by the National Oil Corporation of Kenya. The Kenyan Government and the National Oil Corporation of Kenya may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government and the National Oil Corporation of Kenya would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Blocks 12A and 13T PSCs:



Of the “Total Oil Produced”, “Operations Oil” is available to the Contractor Group for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the “Net Available Oil” is available for cost recovery with the remainder allocated to “Profit Oil”. Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group’s share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

***Block 10BA, Kenya (50% working interest)***

The Block 10BA PSC contemplates an initial three year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The first exploration period ends in January 2013. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 200km of 2D seismic and the reprocessing of existing seismic data. The minimum required expenditure of geological and geophysical activities is $3 million. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

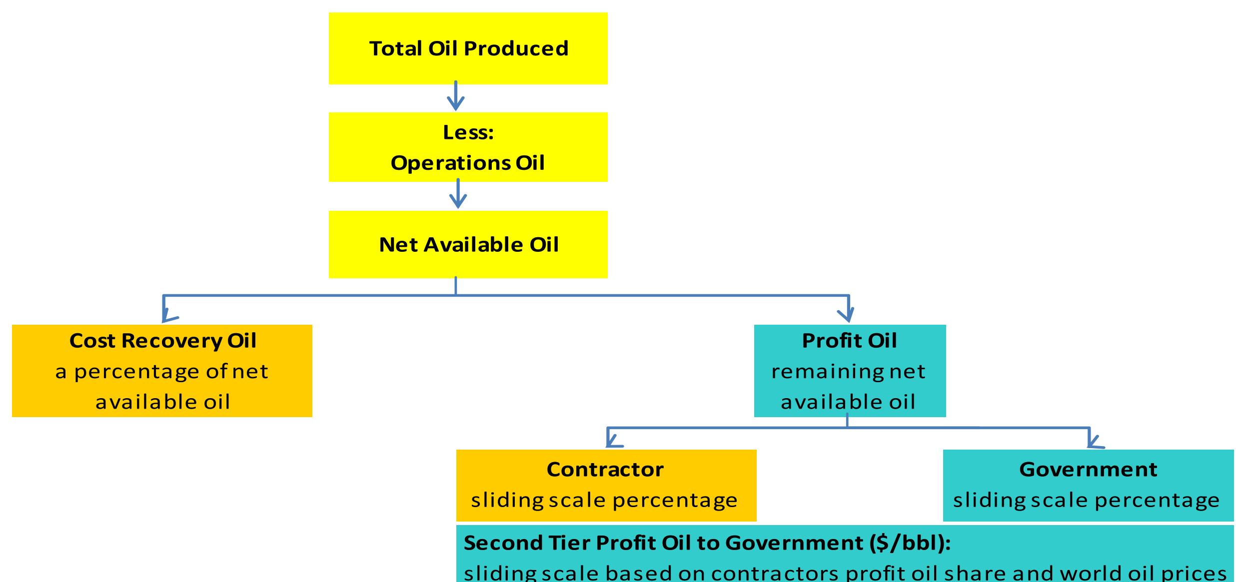
During the first additional exploration period, the Contractor Group is required to acquire and interpret 1,000 kilometers of 2D seismic or carry out surveys of 50 $km^2$ of 3D seismic and drill one well or carry out surveys of 45 $km^2$ of 3D seismic at a minimum cost of $17 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the remaining contract area.

During the second additional exploration period, the Contractor Group is required to carry out surveys of 500 kilometers of 2D seismic or carry out surveys of 25 $km^2$ of 3D seismic and drill two exploratory wells at a minimum cost of $19 million.

The Kenyan Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 10% of the total interest in that development area. The Kenyan Government may exercise its participation rights within six months from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 10BA PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

A second tier Profit Oil payment is due to the Government when oil prices exceed a stated world oil price. The amount payable per barrel is calculated by multiplying the Contractor Group's share of Profit Oil by a stated percentage and by the prevailing oil price in excess of the contractually agreed threshold world oil price.

***Blocks 2 and 6, Ethiopia (55% working interest)***

During 2011, the Company relinquished Blocks 2/6 and the Ministry of Mines in Ethiopia agreed to waive remaining commitments. The Company paid $2.135 million to the Ministry of Mines in Ethiopia , in lieu of unfulfilled commitments with respect to Blocks 2/6.

***Blocks 7 and 8, Ethiopia (55% working interest)***

The Block 7&8 PSC contemplates an initial five year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The initial exploration period ends in July 2012. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 1,250km of 2D seismic, reprocessing existing seismic, acquire an air borne gravity survey and conduct a multi-disciplinary geophysical and geological study. The minimum required expenditure of geological and geophysical activities is $11.0 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $6.0 million. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

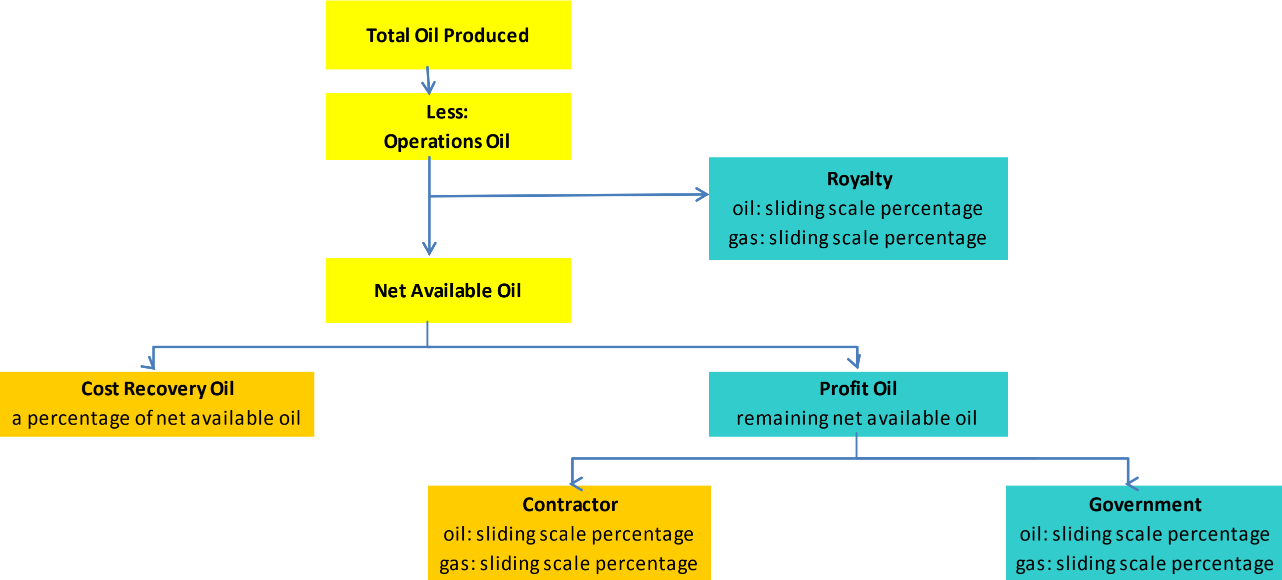
During the first additional exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 1,300km of 2D seismic. The minimum required expenditure of geological and geophysical activities is $11 million. In addition, the Contractor Group is required to drill one well, to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $6.0 million. At the end of the first additional exploration period, the Contractor Group must relinquish an additional 25% of the original contract area.

During the second additional exploration period, the Contractor Group is required to complete geological and geophysical activities, including the acquisition of 200km of seismic. The minimum required expenditure of geological and geophysical activities is $1 million. In addition, the Contractor Group is required to drill two wells, to a minimum vertical depth of at least 3,000 meters per well. The minimum required expenditure for each well is $6.0 million.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 15% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Blocks 7 and 8 PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

***Adigala Block, Ethiopia (50% working interest)***

The Adigala PSC, which expires in July 2013, contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The initial exploration period ended in July 2011. During the first exploration period, the Contractor Group completed geological and geophysical activities, including the acquisition of an air borne gravity and magnetics survey and conducted a multi-disciplinary geophysical and geological study. The minimum required expenditure of geological and geophysical activities was $1.3 million. At the end of the first exploration period, the Contractor Group relinquished 25% of the original contract area.

In November 2011, the Ministry of Mines in Ethiopia approved the Contractor Group's entry into the next exploration period with amended minimum work commitments.  During the first extension to the exploration period, the Contractor Group is required to carry out the following work obligations and make the following exploration expenditures:

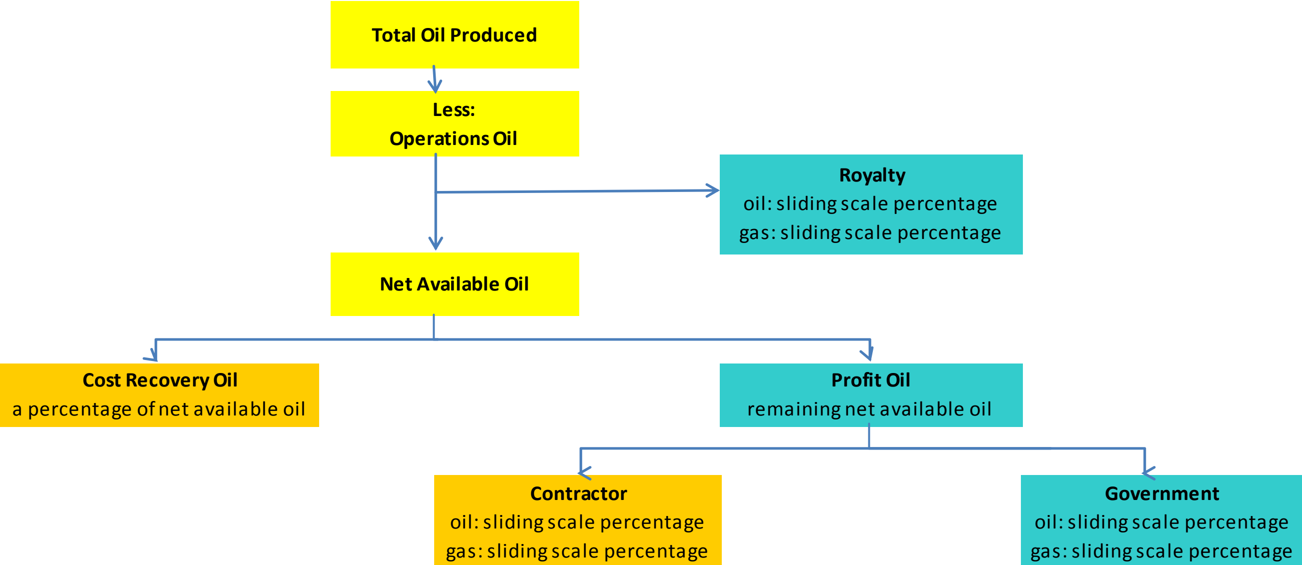
(a) Seismic acquisition analyses: analyze the results of the 2009 survey; research to address optimum acquisition parameters in volcanic terrain for the next possible seismic program which is vital to the future exploration of the block;
(b) Seismic reprocessing:  review the last two attempts at reprocessing to see if there is any additional efforts that could improve the 2009 data;
(c) Geologic field work: define the structural evolution of the Adigala Basin and undertake additional work with respect to developing a better understanding of the stratigraphy, source and reservoir outcrops, with appropriate laboratory analyses;
(d) Gravity and Magnetics: reprocess existing high resolution gravity and magnetic data (acquired by the partnership) to provide calibration to basin depth, basin geometry and help guide any future seismic programs;
(e) Acquire a minimum of 7,500 sq. km of FTG and fully process the data to determine the Adigala basin architecture; and
(f) Subject to the outcome of the above mentioned geologic and geophysical studies and the approval of both the Ministry of Mines in Ethiopia and the Contractor Group, the Contractor may elect to acquire five hundred line kilometers (500 km) of 2D seismic data with a minimum expenditure of $2.5 million.

At the end of the first additional exploration period, the Contractor Group relinquished 25% of the original contract area.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 15% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Adigala Block PSC:



Of the “Total Oil Produced”, “Operations Oil” is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the “Net Available Oil” is available for cost recovery with the remainder allocated to “Profit Oil”. Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

***South Omo Block, Ethiopia (30% working interest)***

The South Omo Block PSA contemplates an initial four year exploration period and, at the option of the Contractor Group, two additional exploration periods of two years each. The first exploration period ends January 2013. During the first exploration period, the Contractor Group is required to complete geological and geophysical activities and studies, including the acquisition of 400 kilometers of 2D seismic. The minimum required expenditure of geological and geophysical activities is $6 million. In addition, the Contractor Group is required to drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8 million and drilling is required to commence not later than January 2012. At the end of the first exploration period, the Contractor Group must relinquish 25% of the original contract area.

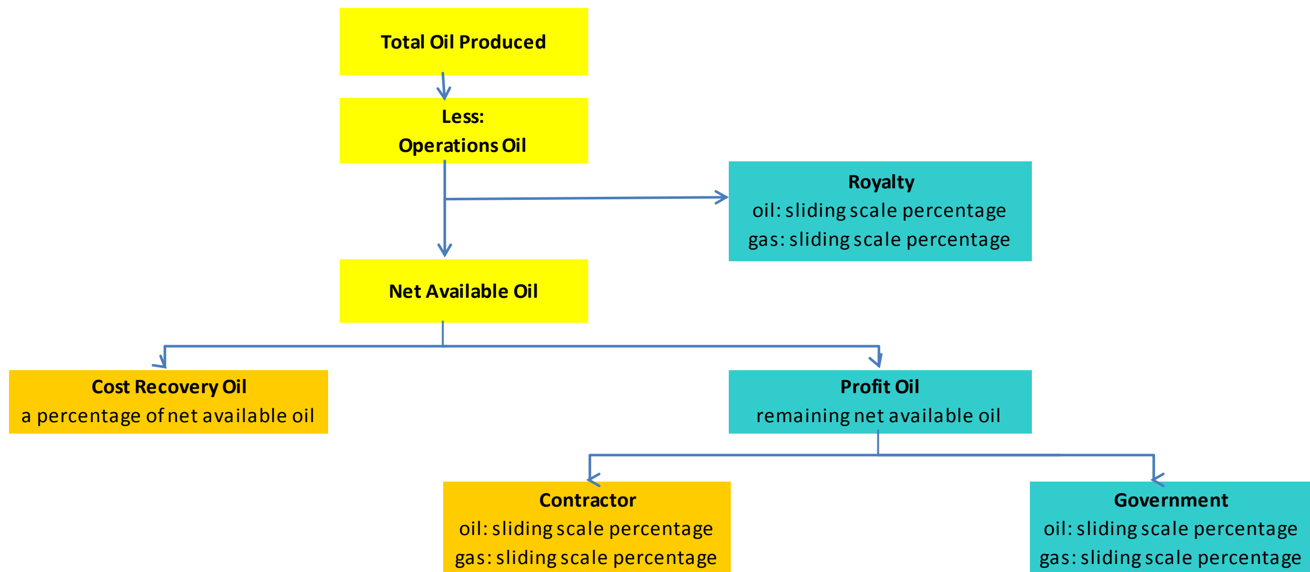
During the first additional exploration period, the Contractor Group is required to acquire an additional 200 kilometers of 2D seismic at a minimum expenditure of $2 million. In addition, the Contractor Group is required to drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8 million. At the end of the first additional exploration period, the Contractor Group must relinquish 45% of the original contract area.

During the second additional exploration period, the Contractor Group is required to acquire an additional 200 kilometers of 2D seismic at a minimum expenditure of $2 million. In addition, the Contractor Group is required drill one exploratory well to a vertical depth of at least 3,000 meters. The minimum required expenditure for the well is $8 million. At the end of the second additional exploration period, the Contractor Group must relinquish the remainder of the original contract area that is not included within an appraisal area or development area.

The Ethiopian Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 15% of the total interest in that development area. The Ethiopian Government may exercise its participation rights within 120 days from the date a development plan is adopted. Upon electing to participate in a development area, the Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the South Omo Block PSC:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Ethiopian Minister of Mines and Energy, based on an increasing sliding scale as the rate of oil and/or gas increases

Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on a sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

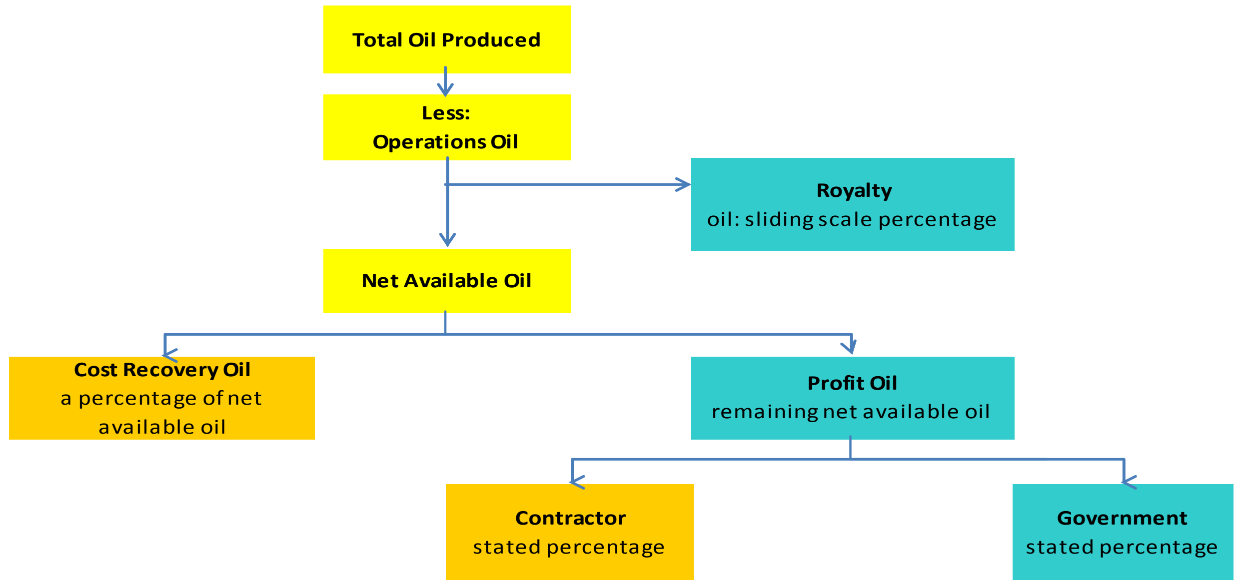
***Dharoor and Nugaal Valley Blocks, Puntland (Somalia) (31% working interest)***
The PSCs covering both the Dharoor Valley Block and the Nugaal Valley Block were amended in December 2009 and January 2011 in order to extend the initial exploration period. These amendments extended the initial exploration expiry date to January 17, 2012. In consideration of these extensions of the initial exploration period, Africa Oil relinquished 50% of the original contract area and agreed to pay a $1 million bonus within 30 days of a commercial discovery in each of the production blocks. Further, the Company agreed to certain enhanced abandonment and environmental safety measures and made payments to the Puntland government, in the aggregate amount of $1,550,000 for the two amendments, for development of infrastructure. Under the amended PSCs, AOC was obligated to spud a minimum of one exploratory well in the Dharoor Valley Exploration Area by July 27, 2011. A second exploratory well was 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 July 2011, the PSC's were further amended 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. The Company agreed to relinquish 15,627 km2 (gross) of the Nugaal Valley Exploration area, perform a surface geochemistry survey in the Nugaal Valley Exploration area, pay the Puntland State of Somalia $1,000,000 in infrastructure and development support fees of which $500,000 has been paid, $250,000 is due on spud of the first well and the remaining is due on completion of the first exploration well.

In February 2012, the Puntland Government granted the Company and extension of the first exploration period expiry date for the Dharoor Valley and Nugaal Valley Exploration areas to October 17, 2012 in order to provide for sufficient time to evaluate drilling results.

A development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted. The development and production period is 20 years with a possible 5 year extension.

The following diagram illustrates the allocation of production under the terms of the Dharoor and Nugaal Valley Block PSCs:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSC. The remaining oil is subject to a royalty, payable to the Government of Puntland, based on an increasing sliding scale as the rate of oil increases.

Up to stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. Profit Oil is between the Contractor Group and the Government based on stated percentages of Profit Oil.

***Blocks 7 and 11 (Mali) (25% working interest)***

Under the original license terms, the initial period of the Mali PSAs expired after four years from the dates of award. In January 2009, the initial period exploration period on Block 7 was extended by two years to July 31, 2012. No other terms were changed.. During 2011, Heritage entered into the second exploration period on Block 11.

The Contractor Group under the Mali PSAs has an option to renew the Mali PSAs twice, each time for a three-year period. Upon each renewal, the block areas will be reduced by at least 25% of the initial areas. Unless a discovery of oil deposits has been notified, the Contractor Group will be required to return their remaining interests to the Mali Government by July 31, 2018 in the case of Block 7 and June 22, 2017 in the case of Block 11.

During the initial exploration period, years 1 through 6, the Contractor Group is required to reinterpret existing data and seismic reprocessing, carry out geological exploration and airborne geophysics surveying, acquire new seismic data in order to determine drill sites on both Blocks 7 and 11, perform an exploratory drill program on Block 7 and drill one exploratory well to a vertical depth of at least 2,000 meters on Block 11. The minimum required expenditures for this period on Block 7 total $11.6 million and on Block 11 total $10.4 million.

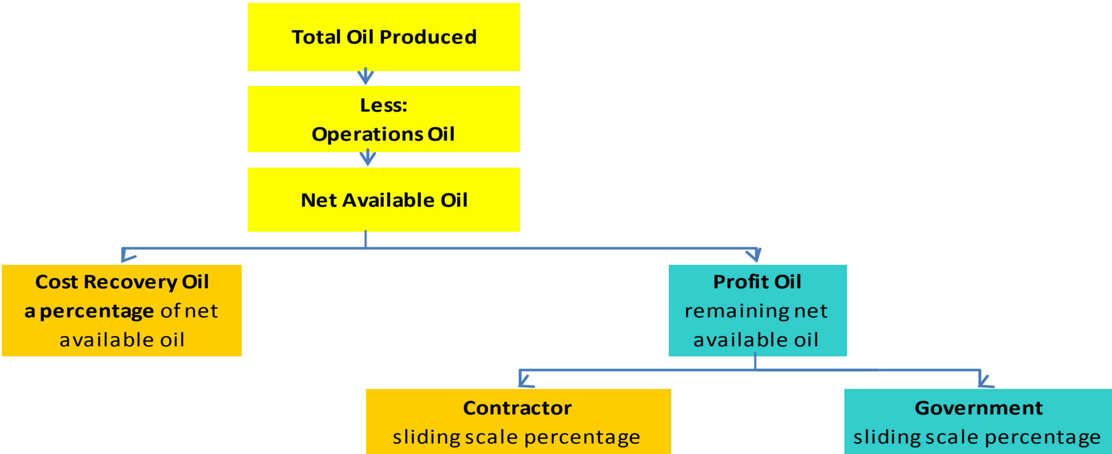
During the second exploration period, years 7 through 9, the Contractor Group is required to drill one exploratory well to a vertical depth of at least 2,000 meters on both Blocks 7 and 11. The minimum required expenditure for each well is $8 million.

During the third exploration period, years 10 through 12, the Contractor Group is required to drill two exploratory wells each to a vertical depth of at least 2,000 meters on each of Blocks 7 and 11. The minimum required expenditure for the well in respect of Block 7 is $15 million and in respect of Block 11 is $14 million.

The Mali Government may elect to participate in any petroleum operations in any development area and acquire an interest of up to 20% of the total interest in that development area. The Mali Government may exercise its participation rights within 180 days from the date a development plan is adopted. Upon electing to participate in a development area, the Mali Government would assume responsibility for its share of costs incurred with respect to the development area.

A 25 year development and production period commences once the Contractor Group has made a commercial discovery and a development plan is adopted.

The following diagram illustrates the allocation of production under the terms of the Block 7 and Block 11 PSCs:




Of the "Total Oil Produced", "Operations Oil" is available to the Contractor Group for operational needs for the work performed under the PSCs. Up to a stated maximum percentage of the "Net Available Oil" is available for cost recovery with the remainder allocated to "Profit Oil". Costs subject to cost recovery include all costs and expenditures incurred by the Contractor Group for exploration, development, production and decommissioning operations, as well as any other applicable costs and expenditures incurred directly or indirectly with these activities. The portion of Profit Oil available to the Contractor Group is based on q sliding scale with the portion allocated to the Contractor Group declining as the volume of Profit Oil increases.

**Disclosure of Reserves Data and Other Oil and Gas Information**

For further information, please refer to Africa Oil's Statement of Reserves Data and Other Oil and Gas Information for fiscal year ended December 31, 2011 (Form NI 51-101F1) and the Report of Management and Directors on Oil and Gas Disclosure (Form NI 51-101F3), filed under the Company's profile on the SEDAR website at www.sedar.com, copies of which are attached hereto as Schedules A and B, respectively.

## RISK FACTORS

The Company's operations are subject to various risks and uncertainties, including, but not limited to, those listed below.

**International Operations**

AOC participates in oil and gas projects located in emerging markets, including Puntland (Somalia), Ethiopia, Kenya and Mali. Oil and gas exploration, development and production activities in these emerging markets are subject to significant political and economic uncertainties that may adversely affect AOC's operations. Uncertainties include, but are not limited to, the risk of war, terrorism, expropriation, nationalization, renegotiation or nullification of existing or future concessions and contracts, the imposition of international sanctions, a change in crude oil or natural gas pricing policies, a change in taxation policies, and the imposition of currency controls. These uncertainties, all of which are beyond AOC's control, could have a material adverse effect on AOC's business, prospects and results of operations. In addition, if legal disputes arise

related to oil and gas concessions acquired by AOC, AOC could be subject to the jurisdiction of courts other than those of Canada. AOC's recourse may be very limited in the event of a breach by a government or government authority of an agreement governing a concession in which AOC acquires an interest. AOC may require licenses or permits from various governmental authorities to carry out future exploration, development and production activities. There can be no assurance that AOC will be able to obtain all necessary licenses and permits when required.

**International Boundary Disputes**

As a result of ongoing political disputes, the legal international boundaries between Somalia (which includes Puntland, a semi-autonomous region within Somalia) and its neighbouring countries are in dispute. For instance, in September 2007, AOC was advised that the Ministry of Water and Mineral Resources of the Republic of Somaliland was claiming ownership of the Nugaal and AhlMedo Valley basins, including some or all of the areas that comprise the Puntland PSA, granted by the Government of Puntland. That claim was repeated in correspondence received by the Company in February 2012. The Republic of Somaliland and Somalia have disputed their respective borders since May 1991 when the Republic of Somaliland was established. As recently as August 2011, there have been armed confrontations at the Somalia / Somaliland border. AOC disputes the claims of the Republic of Somaliland, however, the outcome of this dispute cannot be predicted with any certainty.

**Political Instability**

Through Horn, the Company is highly exposed to significant political risk in Puntland (Somalia). The political climate in Puntland (Somalia) is characterized by strong internal political tension, turmoil and factional fighting. The political tensions sometimes escalate into violence or the threat of violence.

On January 31, 2009, Somalia elected a new President, President Sharif Sheikh Ahmed, who vowed to unify all factions of Somalia and bring peace to neighbouring countries. President Ahmed's mandate was scheduled to expire in mid-2011, however, the Kampala Accord, which extended the mandate for an additional 12 months, was ultimately approved by the Transitional Federal Government (the "TFG") in July 2011. Regardless, Puntland's President Farole, who opened the 26th session of the Puntland Parliament in June 2011, has repudiated the Kampala Accord and has threatened to break from the TFG, claiming it did not represent Puntland in international forums.

Through Horn, the Company continues to work and cooperate with government leaders in Somalia, however, there can be no certainty as to if, or when, the current political instability will be resolved.

**Different Legal System and Litigation**

AOC's oil production and exploration activities are located in countries with legal systems that in various degrees differ from that of Canada. Rules, regulations and legal principles may differ both relating to matters of substantive law and in respect of such matters as court procedure and enforcement. Almost all material production and exploration rights and related contracts of AOC are subject to the national or local laws and jurisdiction of the respective countries in which the operations are carried out. This means that AOC's ability to exercise or enforce its rights and obligations may differ between different countries and also from what would have been the case if such rights and obligations were subject to Canadian law and jurisdiction.

AOC's operations are, to a large extent, subject to various complex laws and regulations as well as detailed provisions in concessions, licenses and agreements that often involve several parties. If AOC were to become involved in legal disputes in order to defend or enforce any of its rights or obligations under such concessions, licenses, agreements or otherwise, such disputes or related litigation may be costly, time consuming and the outcome may be highly uncertain. Even if AOC would ultimately prevail, such disputes and litigation may still have a substantially negative effect on AOC and its operations.

**Financial Statements Prepared on a Going Concern Basis**

AOC's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realize its assets and satisfy its liabilities in the ordinary course of business. AOC's operations to date have been primarily financed by equity financing. AOC's future operations are dependent upon the identification and successful completion of additional equity or debt financing or the achievement of profitable operations. There can be no assurances that AOC will be successful in completing additional financing or achieving profitability. The consolidated financial statements do not give

effect to any adjustments relating to the carrying values and classification of assets and liabilities that would be necessary should AOC be unable to continue as a going concern.

**Shared Ownership and Dependency on Partners**

AOC's operations are, to a significant degree, conducted together with one or more partners through contractual arrangements. In such instances, AOC may be dependent on, or affected by, the due performance of its partners. If a partner fails to perform, AOC may, among other things, risk losing rights or revenues or incur additional obligations or costs in order to itself perform in place of its partners. AOC and its partners may also, from time to time, have different opinions on how to conduct certain operations or on what their respective rights and obligations are under a certain agreement. If a dispute were to arise with one or more partners relating to a project, such dispute may have significant negative effects on AOC's operations relating to such project.

**Uncertainty of Title**

Although AOC conducts title reviews prior to acquiring an interest in a concession, such reviews do not guarantee or certify that an unforeseen defect in the chain of title will not arise that may call into question the Company's interest in the concession. Any uncertainty with respect to one or more of the Company's concession interests could have a material adverse effect on the Company's business, prospects and results of operations.

The Dharoor Valley PSC and the Nugaal Valley PSC are contractual agreements between Canmex II and the Government of Puntland. Puntland is an autonomous region in northeastern Somalia, centered around Garowe, which in 1998 declared itself to be an independent republic of Somalia. Puntland is considered to be part of Somalia. The Puntland PSAs were acknowledged by the TFG, which agreed that they would be upheld within any national framework of mining and petroleum legislation enacted as part of the Somali Unification Process which the TFG was involved in.

**Competing Claims from ConocoPhillips**

In November 2007, the Company was advised that ConocoPhillips, which entity had previously engaged in oil and gas exploration in the Nugaal and Dharoor Valleys, was claiming a continued interest in certain of the concessions that comprise the blocks in which the Company has acquired an interest. ConocoPhillips stated that it had acquired its interest from the Somali Democratic Republic (a name given to Somalia in 1969 by the communist regime of President Barre), that its interests have not been terminated by the Somalia Democratic Republic, and that they have not been relinquished by ConocoPhillips. ConocoPhillips also disputes any suggest that its interests have lapsed.

No such correspondence has been received by the Company since 2007 and the Republic of Somalia does not recognize ConocoPhillips interest.

The Company disputes ConocoPhillip's position in respect of this matter. However, if ConocoPhillips chooses to pursue its claims, the outcome of a dispute or lawsuit cannot be predicted with any certainty.

**Risks Relating to Concessions, Licenses and Contracts**

AOC's operations are based on a relatively limited number of concession agreements, licenses and contracts. The rights and obligations under such concessions, licenses and contracts may be subject to interpretation and could also be affected by, among other things, matters outside the control of AOC. In case of a dispute, it cannot be certain that the view of AOC would prevail or that AOC otherwise could effectively enforce its rights which, in turn, could have significantly negative effects on AOC. Also, if AOC or any of its partners were deemed not to have complied with their duties or obligations under a concession, license or contract, AOC's rights under such concessions, licenses or contracts may be relinquished in whole or in part.

**Competition**

The petroleum industry is intensely competitive in all aspects including the acquisition of oil and gas interests, the marketing of oil and natural gas, and acquiring or gaining access to necessary drilling and other equipment and supplies. AOC competes with numerous other companies in the search for and acquisition of such prospects and in attracting skilled personnel. AOC's competitors include oil companies which have greater financial resources, staff and facilities than those of AOC and its partners. AOC's ability to discover reserves in the future will depend on its ability to successfully explore its present properties, to select and acquire suitable producing properties or prospects on which to conduct future exploration

and to respond in a cost-effective manner to economic and competitive factors that affect the distribution and marketing of oil and natural gas. AOC's ability to successfully bid on and acquire additional property rights, to discover reserves, to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment.

Oil and natural gas producers are also facing increased competition from alternative forms of energy, fuel and related products that could have a material adverse effect on AOC’s business, prospects and results of operations.

**Risks Inherent in Oil and Gas Exploration and Development**

Oil and gas operations involve many risks which, even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of AOC depends on its ability to find, acquire, develop and commercially produce oil and natural gas reserves. No assurance can be given that AOC will be able to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, AOC may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that expenditures made on future exploration by AOC will result in discoveries of oil or natural gas in commercial quantities or that commercial quantities of oil and natural gas will be discovered or acquired by AOC. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

AOC's business is subject to all of the risks and hazards inherent in businesses involved in the exploration for, and the acquisition, development, production and marketing of, oil and natural gas, many of which cannot be overcome even with a combination of experience and knowledge and careful evaluation. The risks and hazards typically associated with oil and gas operations include fire, explosion, blowouts, sour gas releases, pipeline ruptures and oil spills, each of which could result in substantial damage to oil and natural gas wells, production facilities, other property, the environment or personal injury.

**Capital Requirements**

To meet its operating costs and to finance its future acquisition, exploration, development and operating costs, AOC may require financing from external sources, including from the sale of equity and debt securities. There can be no assurance that such financing will be available to AOC or, if available, that it will be offered on terms acceptable to AOC. If additional financing is raised through the issuance of equity or convertible debt securities, control of AOC may change and the interests of shareholders in the net assets of AOC may be diluted. If unable to secure financing on acceptable terms, AOC may have to cancel or postpone certain of its planned exploration and development activities and may not be able to take advantage of acquisition opportunities. If AOC and its partners are unable to complete minimum work obligations on its concessions, the concessions could be relinquished under applicable production sharing or concession agreements

**Environmental Regulation**

Drilling for and production, handling, transporting and disposing of oil and gas and petroleum by-products are subject to extensive regulation under national and local environmental laws, including those of the countries in which AOC currently operates. Environmental regulations may impose, among other things, restrictions, liabilities and obligations in connection

with water and air pollution control, waste management, permitting requirements and restrictions on operations in environmentally sensitive areas. Environmental protection requirements have not, to date, had a significant effect on the capital expenditures, results of operations and competitive position of AOC. However, environmental regulations are expected to become more stringent in the future and costs associated with compliance are expected to increase. Any penalties or other sanctions imposed on AOC for non-compliance with environmental regulations could have a material adverse effect on AOC's business, prospects and results of operations.

**Availability of Equipment and Staff**

AOC's oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment and qualified staff in the particular areas where such activities are or will be conducted. AOC currently leases all the drilling rigs used for its exploration and development activities. Shortages of such equipment or staff may affect the availability of such equipment to AOC and may delay AOC's exploration and development activities and result in lower production.

**Reliance on Operators or Key Employees**

The loss of the services of such key personnel could have a material adverse effect on AOC's business, prospects and results of operations. AOC has not obtained key person insurance in respect of the lives of any key personnel. In addition, competition for qualified personnel in the oil and gas industry is intense and there can be no assurance that AOC will be able to attract and retain the skilled personnel necessary for operation and development of its business. Success of AOC is largely dependent upon the performance of its management and key employees.

**Prices, Markets and Marketing of Crude Oil and Natural Gas**

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of AOC. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices could have an adverse affect on AOC's business and prospects.

**Early Stage of Development**

AOC has conducted oil and gas exploration and development activities for a relatively short period. There is limited financial, operational and other information available with which to evaluate the prospects of AOC. There can be no assurance that AOC's operations will be profitable in the future or will generate sufficient cash flow to satisfy its working capital requirements.

**Risks Relating to Infrastructure**

AOC is dependent on available and functioning infrastructure relating to the properties on which it operates such as roads, power and water supplies, pipelines and gathering systems. If any infrastructure or systems failures occur or do not meet the requirements of AOC, AOC's operations may be significantly hampered which could result in delayed, postponed or cancelled petroleum operations, lower production and sales and/or higher costs. In several areas in which AOC operates, very little infrastructure of any sort that is commonly associated with petroleum operations is in existence.

**Current Global Financial Conditions**

Current global financial conditions have been subject to increased volatility. Numerous financial institutions have declared bankruptcy and others have received capital bail-outs or other relief from government authorities. Access to financing has been negatively impacted by both sub-prime mortgages in the United States and elsewhere and the liquidity crisis resulting from the asset-backed commercial paper market. As a result of these global conditions, AOC is subject to increased counterparty risk and liquidity risk. AOC is exposed to various counterparty risks including, but not limited to: (i) financial institutions that hold AOC's cash and restricted cash; (ii) companies that have payables to AOC; (iii) AOC's insurance providers; and (iv) AOC's lenders. AOC is also exposed to liquidity risks in the event its cash positions decline or become inaccessible for any reason or additional financing is required to advance its projects or growth strategy and appropriate financing is unavailable, or demand for commodities falls. Any of these factors may impact the ability of AOC to obtain loans and other credit facilities in the future and, if obtained, on terms favourable to AOC. If these increased levels of volatility and market turmoil continue, AOC's results of operations and planned growth could be adversely impacted and the trading price of AOC's securities could be adversely affected.

**Conflict of Interests**

Certain directors of AOC are also directors or officers of other companies, including oil and gas companies, the interests of which may, in certain circumstances, come into conflict with those of AOC. If and when a conflict arises with respect to a particular transaction, the affected directors must disclose the conflict and abstain from voting with respect to matters relating to the transaction. All conflicts of interest will be addressed in accordance with the provisions of the BCBCA and other applicable laws.

The BCBCA provides that in the event that a director has a material interest in a contract or proposed contract or agreement that is material to the issuer, the director must disclose his interest in such contract or agreement and refrain from voting on any matter in respect of such contract or agreement, subject to and in accordance with the BCBCA. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the BCBCA.

**Limitation of Legal Remedies**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with various rights and remedies when a reporting issuer's continuous disclosure contains a misrepresentation and ongoing rights to bring actions for civil liability for secondary market disclosure. Under the legislation, the directors would be liable for a misrepresentation. It may be difficult for investors to collect from the directors resident outside Canada on judgments obtained in courts in Canada predicated on the purchaser's statutory rights and on other civil liability provisions of Canadian securities legislation.

**Selling Off of Shares**

To the extent that any issued and outstanding Company Shares are sold into the market, there may be an oversupply of shares and an undersupply of purchasers. If this occurs the market price for the Company Shares may decline significantly and investors may be unable to sell their shares at a profit, or at all.

**Industry Regulatory**

Existing regulations in the oil industry, and changes to such regulations, may present regulatory and economic barriers to the purchase and use of certain products, which may significantly reduce the Company's revenues.

**Litigation**

The Company and/or its directors may be subject to a variety of civil or other legal proceedings, with or without merit.

**Dividends**

To date, the Company has not paid any dividends on its outstanding shares. Any decision to pay dividends on the shares of the Company will be made by its board of directors on the basis of the Company's earnings, financial requirements and other conditions.

**Environmental and Social Policies**

*Environmental Considerations*

The Company's oil and gas operations are located in regions where there are numerous environmental regulations including restrictions on where and when oil and gas operations can occur, regulations on the release of substances into groundwater, atmosphere and surface land and the potential routing of pipelines or location of production facilities. All such regulations are strictly followed. The Company could potentially be liable for contamination on properties acquired and it attempts to mitigate the risk of inheriting environmental liabilities when conducting due diligence on these acquisition opportunities. Breach of environmental regulations in any of the regions in which Africa Oil operates could result in restrictions or cessation of operations and the imposition of fines and penalties. See also "*Risk Factors*."

*Social Policies*
The objective of Africa Oil's corporate responsibility strategy is to address the challenge of sustainability – delivering value to its shareholders, providing economic and social benefits to communities while concurrently minimizing its environmental footprint. The Company views its commitment to corporate responsibility as a strategic advantage that enables it to access and effectively manage new business opportunities. Africa Oil is committed to providing a safe, healthy, and transparent environment for employment, production, and sharing of the economic benefits that flow from its regional presence.

Africa Oil has contractual obligations to support community development initiatives under its PSAs. Through ongoing stakeholder engagement led by dedicated community liaison field officers in each of its exploration theatres, initiatives reflecting local priorities are identified and supported across four thematic areas: access to potable water; food security; health; and education. Africa Oil additionally contributes financial resources to charitable organizations, including the Lundin Foundation, in support of broader national and regional development objectives.

## ITEM 5 CAPITAL STRUCTURE AND DIVIDENDS

The Company's common shares entitle the holders thereof to receive notice of and to attend at all meetings of shareholders, with each share entitling the holder to one vote on any resolution to be passed at such shareholders' meeting. The holders of common shares are also entitled to dividends if, as and when declared by the Board of Directors of the Company. Upon the liquidation, dissolution or winding up of the Company, the holders of the common shares are entitled to receive the remaining assets of the Company available for distribution to the shareholders.

As of December 31, 2011 the Company had an aggregate of 211,413,059 common shares issued and outstanding. The Company has unlimited authorized capital of common shares without par value of which, as at March 23, 2012, 218,664,492 common shares were issued and outstanding as fully paid and non-assessable.

### DIVIDENDS

There are no restrictions which prevent the Company from paying dividends. Africa Oil has not paid dividends to date on its common shares and has no plans to pay dividends in the near future. Any decision to pay dividends in the future will be based on the Company's earnings and financial requirements and other factors which its board of directors may consider appropriate in the circumstances.

## ITEM 6 MARKET FOR SECURITIES

### TRADING PRICE AND VOLUME

The common shares of the Company trade on First North and the Exchange under the trading symbol "AOI". The common shares of the Company commenced trading on First North on September 30, 2010.

The following table sets out the price range for and trading volume of the common shares on the Exchange, on a monthly basis, for the year ended December 31, 2011 as reported by the Exchange.

| Month | High (CAD$) | Low (CAD$) | Volume |
|---|---|---|---|
| January 2011 | 2.20 | 1.81 | 18,969,034 |
| February 2011 | 2.13 | 1.76 | 12,581,765 |
| March 2011 | 2.07 | 1.71 | 32,096,664 |
| April 2011 | 2.28 | 1.78 | 41,944,116 |
| May 2011 | 1.92 | 1.58 | 9,794,721 |
| June 2011 | 1.74 | 1.388 | 7,081,209 |
| July 2011 | 1.805 | 1.44 | 6,605,791 |
| August 2011 | 1.50 | 1.10 | 12,169,625 |
| September 2011 | 1.49 | 1.15 | 8,322,630 |
| October 2011 | 1.68 | 1.17 | 17,127,486 |
| November 2011 | 1.78 | 1.36 | 20,270,376 |
| December 2011 | 1.66 | 1.43 | 6,566,837 |

## ITEM 7 DIRECTORS AND OFFICERS

### NAME, ADDRESS AND OCCUPATION

The table below states the names, province or state and country of residence of each of the directors and executive officers of the Company, the principal occupations in which each has been engaged during the last five years, and the periods during which each has served as a director or executive officer.

| Name, province or state and country of residence | Position(s) Held in the Company | Principal Occupation During the Past Five Years |
|---|---|---|
| **Keith C. Hill**<br>West Vancouver, BC, Canada | Director since October 16, 2006<br>Chief Executive Officer since March 30, 2009<br>President since October 20, 2009 | Currently Chairman of BlackPearl Resources Ltd., ShaMaran Petroleum Corp., Petro Vista Energy Corp. and Horn Petroleum Corporation; director of Tyner Resources Ltd.; director of TAG Oil Ltd.; formerly, President and Chief Executive Officer of Pearl Exploration and Production Ltd. (now BlackPearl Resources Ltd.), Valkryies Petroleum Corp. and Bayou Bend Petroleum (now ShaMaran Petroleum Corp.). |
| **J. Cameron Bailey**<br>Calgary, AB, Canada | Director since May 3, 1994 | Mr. Bailey is currently the President and CEO of Fortress Energy Inc. He is also a director of Phoenix Technology Income Fund, Phoenix Technology Services Inc., PHX Energy Services Corp. and Shamaran Petroleum Corp. Mr. Bailey was previously the Managing Director of Network Capital Inc. and President of Energy Processors Inc. Mr. Bailey also previously held the position of Managing Director of Capital Markets, Peters & Co., a Calgary based investment dealer. |
| **Gary S. Guidry**<br>Calgary, AB, Canada | Director since June 23, 2008 | Currently the President and CEO of Griffiths Energy International; director of TransGlobe Energy Corporation; director of ShaMaran Petroleum Corp.; formerly President and CEO of Orion Oil & Gas Corporation (January 2010 to June 2011) and of Tanganyika Oil Company Ltd. (May 2005 to April 2009). From October 2005 to February 2007, Mr. Guidry was President and CEO of Pearl Exploration and Production Ltd. (now BlackPearl Resources Ltd.) |
| **John H. Craig**<br>Toronto, ON, Canada | Director since June 19, 2009 | Mr. Craig is a practising securities lawyer and a partner of the firm Cassels Brock & Blackwell LLP. He is also currently a director of Lundin Mining Corporation, Sirocco Mining Inc. (formerly Atacama Minerals Corp.), Denison Mines Corp., Etrion Corporation, BlackPearl Resources Ltd., and Corsa Coal Corp. |
| **Bryan M. Benitz**<br>London, UK | Director since September 29, 2009 | Mr. Benitz is Chairman and CEO of Longreach Oil and Gas Ltd., Chairman of Kirrin Resources. Formerly Chairman of Scandinavian Minerals Ltd., and of MagIndustries Corp., and founding director of Tanganyika Oil Company Limited. |
| **Ian Gibbs**<br>Vancouver, BC, Canada | Chief Financial Officer since September 15, 2009 | Mr. Gibbs is currently a director of Fortress Minerals Corp., Horn Petroleum Corp. and Petro Vista Energy Corp. He is also the former Chief Financial Officer of Valkryies Petroleum Corp., Tanganyika Oil Company |

| Name, province or state and country of residence | Position(s) Held in the Company | Principal Occupation During the Past Five Years |
|---|---|---|
| | | Ltd. and Shamaran Petroleum Corp. (formerly, Bayou Bend Petroleum Ltd.). |
| **James Phillips**<br>Addis Ababa, Ethiopia | Chief Operating Officer since March 14, 2011<br><br>Vice President, Exploration since September 15, 2009 | Before joining the Company in 2009, Mr. Phillips was Vice President, Exploration for Lundin Petroleum since 2005. |
| **Paul Martinez**<br>Calgary, AB, Canada | Vice President, Exploration since March 14, 2011 | Before joining the Company in 2011, Mr. Martinez was Director Business Development for Occidental Oil & Gas since 2000. |
| **David Grellman**<br>Addis Ababa, Ethiopia | Vice President, Operations since March 31, 2011 | Before joining the Company in 2011, Mr. Grellman was Manager Exploration Operations for Occidental Oil & Gas since 2005. |

Each director of the Company holds office until the next annual general meeting or until his successor is duly elected or appointed, unless his office is earlier vacated in accordance with the articles of the Company or he becomes disqualified to act as a director.

There are currently four standing committees of the Board; namely, the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee and the Reserves Committee. The following table identifies the members of each of these Committees:

| Audit Committee | Compensation Committee | Corporate Governance and Nominating Committee | Reserves Committee |
|---|---|---|---|
| J. Cameron Bailey (Chair) | J. Cameron Bailey (Chair) | Gary S. Guidry (Chair) | Gary S. Guidry (Chair) |
| Gary S. Guidry | Keith C. Hill | J. Cameron Bailey | Keith C. Hill |
| Bryan M. Benitz | John H. Craig | John H. Craig | Bryan M. Benitz |

**SECURITY HOLDINGS**

As at December 31, 2011, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly or exercise control or direction over 1,078,346 common shares, representing approximately 0.51% of the issued and outstanding common shares of the Company.

**CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

**CEASE TRADE ORDERS**

Other than as disclosed below, no director or officer or person holding a sufficient number of securities of the Company to affect materially the control of the Company, is, or within the past ten years before the date of this Annual Information Form has been, a director or officer of any other issuer that, while such person was acting in that capacity: (i) was the subject of a cease trade or similar order, or an order that denied the other issuer access to any exemptions under Canadian securities legislation, for a period of more than 30 consecutive days; (ii) was subject to an event that resulted in such an order after the person ceased to be a director or officer; (iii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver-manager or trustee appointed to hold its assets; or (iv) was subject to such bankruptcy proceedings within a year of that person ceasing to act in that capacity.

Mr. J. Cameron Bailey is a director and officer of Fortress Energy Inc. ("Fortress"). On March 2, 2011, the Court of Queen's Bench of Alberta granted an order (the "Order") under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") staying all claims and actions against Fortress and its assets and allowing Fortress to prepare a plan of arrangement for its creditors if necessary. Fortress took such step in order to enable Fortress to challenge a reassessment issued by the

Canada Revenue Agency ("CRA"). As a result of the reassessment, if Fortress had not taken any action, it would have been compelled to immediately remit one half of the reassessment to the CRA and Fortress did not have the necessary liquid funds to remit, although Fortress had assets in excess of its liabilities with sufficient liquid assets to pay all other liabilities and trade payables. Fortress believed that the CRA's position was not sustainable and vigorously disputed the CRA's claim. Fortress filed a Notice of Objection to the reassessment and on October 20, 2011 announced that its Notice of Objection was successful, CRA having confirmed there were no taxes payable. As the CRA claim had been vacated and no taxes or penalties were owing Fortress no longer required the protection of the Order under the CCAA and on October 28, 2011 the Order was removed. On March 3, 2011 the TSX suspended trading in the securities of Fortress due to Fortress having been granted a stay under the CCAA. In addition the securities regulatory authorities in Alberta, Ontario and Quebec issued a cease trade order with respect to Fortress for failure to file its annual financial statements for the year ended December 31, 2010 by March 31, 2011. The delay in filing was due to Fortress being granted the CCAA order on March 2, 2011 and the resulting additional time required by its auditors to deliver their audit opinion. The required financial statements and other continuous disclosure documents were filed on April 29, 2011 and the cease trade order was subsequently removed. On September 1, 2010 Fortress closed the sale of substantially all of its oil and gas assets. As a result of the sale Fortress was delisted from the TSX on March 30, 2011 as it no longer met minimum listing requirements.

#### PERSONAL BANKRUPTCIES

During the ten years preceding the date of this AIF, no director, officer or shareholder holding a sufficient number of shares of the Company to affect materially the control of the Company, or a personal holding company of any such person, has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver-manager or trustee appointed to hold his or her assets.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

#### PENALTIES OR SANCTIONS

No director or officer of the Company, or shareholder holding a sufficient number of shares of the Company to materially affect control of the Company, has been the subject of any penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor in making an investment decision.

#### CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation, or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the Business Corporations Act (*British Columbia*) and they will govern themselves in respect thereof to the best of their ability in

accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

## ITEM 8 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

**Legal Proceedings**

Neither the Company nor its material subsidiaries and material properties are currently subject to any material legal proceedings or regulatory actions.

On December 27, 2010, Interstate Petroleum Limited ("IPL"), a Kenyan entity, filed a Notice of Appeal in respect of a ruling by the High Court in Kitale, Kenya dismissing certain court proceedings initiated by IPL. The court proceedings had been initiated by IPL to dispute the administrative process that lead to the issuance of exploration permits in respect of, amongst others, Blocks 10BB, 10BA, 12A and 13T (the "**Blocks**"), and the Company was named as a party to the proceedings.

An application to strike IPL's Notice of Appeal had initially been scheduled for September 23, 2011 but was adjourned to January 31, 2012. The matter did not proceed on that date, however, in response to allegations, made by IPL, of a conflict on the part of one of the judges. The hearing for the Company's striking out application has now been set for May 3, 2012.

Concurrently, a winding-up petition in respect of IPL, which had been filed by the Company in the High Court Registry at Kitale, Kenya had been scheduled to be heard on February 1, 2012. At that hearing, IPL raised a number of objections concerning the petition. On February 16, 2012 the Court ruled in favour of IPL in respect of the objections. A new petition, which addresses the objections raised by IPL, is being prepared for filing in March 2012.

Finally, on January 30, 2012, a Judicial Petition was brought before the High Court of Kenya at Kitale by IPL and certain third parties associated with IPL. Following the hearing, which was held *ex parte*, those parties were granted leave to apply for orders compelling the Company to vacate certain disputed acreage comprising the Blocks and to refrain from carrying on with exploration for crude oil and gas within that acreage. The Company will be notified of, and will attend at, any subsequent hearings in respect of this matter and will request that the proceedings be dismissed as frivolous.

**Regulatory Actions**

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

## ITEM 9 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive director of the Company, or person or company that beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the Company's common shares, nor any associate or affiliate of any such person, has any material interest, director or indirect, in any transaction within the three most recently completed financial years of the Company, or during the current financial year, that has materially affected or will materially affect the Company.

## ITEM 10 TRANSFER AGENT

The transfer agent and registrar for the common shares of the Company in Canada is Computershare Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia. The registrar for the common shares of the Company in Sweden is Euroclear Sweden AB, 103 97 Stockholm, Sweden.

## ITEM 11 MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business or as otherwise disclosed herein, there have been no material contracts entered into by the Company between January 1, 2011 and the date of this AIF, or before January 1, 2011 and that are still in effect.

During the course of the most recently completed financial year, the Company entered into certain amendments to the Centric Arrangement Agreement, an amending agreement in respect of the Convertible Loan, the Lion Energy Arrangement Agreement and certain amendments, the Red Emperor Farmout Amendment, the Tullow Farmout Agreement and the Share Exchange Agreement. For further particulars of these agreements, refer to the section "Three Year History".

Copies of these agreements can be found on www.SEDAR.com.

## ITEM 12 NAMES AND INTERESTS OF EXPERTS

There is no person or company whose profession or business gives authority to a statement made by such person or company and who is named as having prepared or certified a statement, report or valuation described or included in a filing, or referred to in a filing made under NI 51-102 by the Company during the current financial year other than Gaffney Cline & Associates, the Company's independent resource evaluators and PricewaterhouseCoopers LLP, Africa Oil's auditors. None of the employees of Gaffney, Cline & Associates have any registered or beneficial interests, direct or indirect, in any securities or property of Africa Oil or of Africa Oil's associates or affiliates either at the time they prepared the statement, report or valuation prepared by it, at any time thereafter or to be received by them. PricewaterhouseCoopers LLP, the Company's auditors, are independent in accordance with the auditor's rules of professional conduct in Canada.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Africa Oil or any associate or affiliate of Africa Oil.

## ITEM 13 ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's information circular for its most recent annual meeting of securityholders that involved the election of directors.

Additional financial information is provided in the Company's audited consolidated financial statements as at and for the year ended December 31, 2011 and the MD&A.

**SCHEDULE A**

**AFRICA OIL CORP.**

(the "Reporting Issuer" or the "Company")

**FORM NI 51-101F1**
**STATEMENT OF RESERVES DATA AND**
**OTHER OIL AND GAS INFORMATION**
**For fiscal year ended December 31, 2011**

*(This is the form referred to in item 1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Terms for which a meaning is given in NI 51-101 have the same meaning in this Form 51-101F1.)*

**TABLE OF CONTENTS**


| | | |
|---|---|---|
| PART 1 | DATE OF STATEMENT | Page 1 |
| PART 2 | DISCLOSURE OF RESERVES DATA | None – not included |
| PART 3 | PRICING ASSUMPTIONS | None – not included |
| PART 4 | CHANGES IN RESERVES AND FUTURE NET REVENUE | None – not included |
| PART 5 | ADDITIONAL INFORMATION RELATING TO RESERVES DATA | None – not included |
| PART 6 | OTHER OIL AND GAS INFORMATION | Page 1 |
| Form 51-101F2 | Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor | Not required – no reserves |
| Form 51-101F3 | Report of Management and Directors on Oil and Gas Disclosure | Filed separately |


**PART 1 DATE OF STATEMENT**

**Item 1.1 Relevant Dates**

1. The date of this report and statement is: March 23, 2012.
2. The Effective Date of information provided in this statement is as of the Company's most recently completed fiscal year ended: December 31, 2011.

**PART 6 OTHER OIL AND GAS INFORMATION**

**Item 6.1 Oil and Gas Properties and Wells**

As at December 31, 2008, the Company's oil and gas properties were located in the Dharoor and Nugaal Valley, in the State of Puntland in Northern Somalia. The Nugaal and Dharoor Valley blocks offer the potential to explore in basins that are believed to be analogues of the proven and productive Marib-Shawba and Sayun-Masila Basins of Yemen.

Over the course of 2009, the Company acquired additional working interests in concessions referred to as Blocks 2, 6, 7, 8 and the Adigala block located in Ethiopia, and three additional concessions - Blocks 10A, 10BB and Block 9 located in Kenya. The Company relinquished its interests in Block 2 and 6 during 2011.

In Kenya, Blocks 9 and 10A are located in the Anza Graben. This is a Mesozoic basin related to similar Mesozoic basins of southern Sudan (Muglad Basin) where the petroleum system is proven and productive. The Muglad Basin is a potential analogue and provides calibration for the analysis of the prospectivity of these Blocks. A Jurassick carbonate play has also been identified in Block 9. In Block 10BB the Tertiary Play similar to the Albert Graben play of Uganda is the principal objective. Block 10BB holds the only contingent resources currently under license, where the Loperot-1 well tested oil from Tertiary age sandstones.

In Ethiopia, the Ogaden Basin is a proven hydrocarbon basin; however, to date no commercial production has been established. Oil, gas and condensate discoveries indicate that there is a complex petroleum system. The limited available

data indicates (Calub and Hilala Gas discoveries in the Ogaden Basin of Ethiopia) that there is a wide range of potential petroleum type and volumes in this basin. The Adigala Block lies to the north of the Ogaden Basin and field work indicates that a petroleum system similar to that found in Northern Somalia or Yemen may be developed in the Block. Africa Oil has completed the acquisition of an initial seismic campaign in these Blocks

Over the course of 2010, the Company acquired additional working interests in concessions referred to as Blocks 12A and 13T, located in Kenya, and the South Omo and the Rift Valley Blocks, located in Ethiopia. Blocks 12A and 13T are adjacent to the Company's Block 10BB. Existing gravity data on Blocks 12A and 13T suggests that the proven Lokichar basin and other prospective sub-basins and known strong leads in the Block 10BB Tertiary Play may extend onto these new blocks.

The South Omo Block is a highly prospective block in the Omo Rift Valley of south-western Ethiopia. The block is within the Tertiary age East African Rift, just north of Lake Turkana, Kenya and within the same petroleum system as the Company's Kenya Block 10BB.

During 2010, the Company signed a definitive agreement with the Government of Ethiopia to jointly study the Rift Valley Block. The Block is located north of the Company's South Omo Block and encompasses the remainder of the Tertiary age East Africa Rift Trend in Ethiopia. Following the completion of the study obligation associated with the study block, the Company will have the exclusive right to enter into negotiations for a production sharing agreement for all or part of the Rift Valley Block.

During 2011, the Company acquired an interest in Block 10BA in Kenya which is strategically located within the Tertiary aged rift system between Blocks 10BB and South Omo. In addition, the Company acquired and interest in two exploration licenses (Blocks 7 and 11) in Mali. Blocks 7 and 11 are located in the Cretaceous-age Central Africa Rift Trend which contains significant oil accumulations in Chad, Sudan and Niger.

To date, the Company has participated in the drilling of one well in Block 9 - Kenya (see section 6.7 below for additional details). As of the date of this report, the Company had no producing or non-producing oil or gas wells on any of these properties. All concessions are in the exploration stage and located onshore.

### Item 6.2 Properties with No Attributed Reserves

The Company's working interest at December 31, 2011, the Effective Date of this report, in the various concessions is outlined in the table below together with the gross and net acreage of each:

| Region | Production Sharing Contracts | Operator | Current Working Interest [(1)] | Gross Acreage | Net Acreage |
|---|---|---|---|---|---|
| | | | | ($km^2$) | ($km^2$)[(3)] |
| Puntland, Somalia | Dharoor Valley | Africa Oil Corp. | 31% | 14,384 | 4,436 |
| | Nugaal Valley | Africa Oil Corp. | 31% [(2)] | 31,784 | 6,718 |
| Ethiopia | Blocks 7 and 8 | Africa Oil Corp. | 55% | 21,758 | 11,967 |
| | Adigala | Africa Oil Corp. | 50% | 27,193 | 13,597 |
| | South Omo | Tullow | 30% | 30,688 | 9,206 |
| Kenya | Block 10A | Tullow | 30% | 14,597 | 4,379 |
| | Block 10BB | Tullow | 50% | 12,625 | 6,313 |
| | Block 12A | Tullow | 50% | 15,345 | 7,673 |
| | Block13T | Tullow | 50% | 8,415 | 4,208 |
| | Block 9 | Africa Oil Corp. | 100% | 30,054 | 30,054 |
| Mali | Block 7 | Heritage | 25% | 39,804 | 9,951 |
| | Block 11 | Heritage | 25% | 24,600 | 6,150 |

[1] Net Working Interests are subject to back-in rights, if any, of respective governments
[2] Working Interest is subject to the Company fulfilling its sole funding obligation during the exploration period. The Dharoor Valley and Nugaal Valley Production Sharing Contracts (60% working interest) are held by the Company's 51% owned subsidiary; Horn Petroleum Corporation.
[3] Net acreage is calculated by multiplying Gross Acreage by the Current Working Interest.

The principal work commitments, timing of completion and minimum expenditures to be incurred during the current exploration period of each of the respective Production Sharing Contracts are listed in the following tables:

| Region | Concession | Exploration Period and Expiry | Work Commitments | Minimum Expenditures (Gross) (US$) | Relinquishments of Gross Acreage required during 2012 |
|---|---|---|---|---|---|
| **Kenya** | Block 10A | Initial Exploration Phase – October 2012 | · Review, reprocess and interpret existing seismic<br>· Airborne gravity survey<br>· Geologic mapping<br>· 2D seismic (750 km)<br>· Drill one well | 16.25 million<br><br>(note: secured by $731,250 bank guarantee (net)) | 25% of Gross Acreage |
| | Block 10BA | Initial Exploration Phase – April 2013 | · Geological and geophysical and geochemical studies<br>· Review, reprocess and interpret existing seismic<br>· 2D seismic (200km)<br>· Airbourne gravity survey | 3.0 million<br><br>(note: secured by $450,000 bank guarantee (net)) | None |
| | Block 10BB | Initial Exploration Phase – July 2012 | · Review, reprocess and interpret existing seismic<br>· Geological, geophysical and geochemical studies<br>· 2D seismic (600 km)<br>· Drill one well | 12.0 million<br><br>(note: secured by $900,000 bank guarantee(net)) | 25% of Gross Acreage |
| | Block 12A | Initial Exploration Phase – September 2012 | · Review, reprocess and interpret existing seismic<br>· Acquire high density gravity and aeromagnetic data<br>· 2D seismic (500 km) or 3D seismic (100 km2) | 3.6 million<br><br>(note: secured by $270,000 bank guarantee(net) | 25% of Gross Acreage |
| | Block 13T | Initial Exploration Phase – September 2012 | · Review, reprocess and interpret existing seismic<br>· Acquire high density gravity and aeromagnetic data<br>· 2D seismic (500 km) or 3D seismic (100 km2) | 3.65 million<br><br>(note: secured by $273,750 bank guarantee(net)) | 25% of Gross Acreage |
| | Block 9 | First Additional Exploration Phase - December 2013 | · Drill one well | 2.5 million | None |
| **Puntland, Somalia** | Dharoor Valley | Initial Exploration Phase – October 2012 | · Geologic fieldwork<br>· Reprocessing seismic<br>· Drill one well | 5.0 million | None |
| | Nugaal Valley | Initial Exploration Phase – October 2012 | · Geologic fieldwork<br>· Reprocessing seismic<br>· Drill one well | 5.0 million | None |
| **Ethiopia** | Blocks 7 & 8 | Initial Exploration Phase – July 2012 | · Geological and geophysical reprocessing<br>· Geological and geophysical study<br>· Airborne gravity magnetic<br>· 2D seismic (1,250 km)<br>· Drill one well | 17.0 million | 25% of Gross Acreage |
| | Adigala | Initial Exploration Phase – July 2013 | · Geological and geophysical fieldwork<br>· Geological and geophysical study<br>· Full tensor Gravity (7,500 km) | 1.75 million | None |
| | South Omo | Initial Exploration Phase – January 2013 | · Geological and geophysical studies<br>· 2D seismic (400 km)<br>· Drill one well | 14.0 million<br><br>(note: secured by $294,000 bank | None |

| | | | | guarantee(net) | |
|---|---|---|---|---|---|
| Mali | Block 7 | Initial Exploration Phase – July 2012 | · Review, reprocess and interpret existing seismic<br>· 2D seismic<br>· Drill one well | 10.6 million | 25% of Gross Acreage |
| | Block 11 | Second Exploration Phase – July 2014 | · Drill one well | 8.0 million | None |

**Item 6.3 Forward Contracts**

The Company is not party to any agreements relating to the transportation or marketing of oil and gas.

**Item 6.4 Abandonment and Reclamation Costs**

The Company will continue to estimate its liability for abandonment and reclamation costs as exploration and development activities continue. To date, all abandonment and reclamation costs have been expensed as incurred given the limited investment in above surface facilities.

**Item 6.5 Tax Horizon**

The Company was not required to pay income taxes during 2011. Given the Company is in the exploration stage and does not currently have reserves, no reasonable estimate may be made as to when the Company will be required to pay income taxes in the future.

**Item 6.6 Costs Incurred**

The nets costs incurred by the Company in relation to the various geographic areas in which the Company operated during 2011 were as follows:

| Geographic Region | Costs ($US million) | |
|---|---|---|
| | Acquisition, net | Exploration |
| Puntland, Somalia | 0.0 | 14.3 |
| Ethiopia | 0.0 | 6.8 |
| Kenya | 54.9 | 20.2 |
| Mali | 0.0 | 0.0 |

**Item 6.7 Exploration and Development Activities**

As at December 31, 2011, the Company has been engaged in exploration activities aimed at fulfilling work commitments as outlined in the table included in Item 6.2 above. To date, the Company has launched a major exploration initiative throughout its East Africa portfolio which includes at least 7 2D seismic acquisition programs, 6 full tensor gravity surveys, extensive environmental studies, acquisition of high resolution gravity and magnetic data, as well as geochemical surveys. One well (0.2 well (net)) was drilled on Block 9 in Kenya during 2010. The well was drilled to a depth of 5,085 meters. Gas shows and petrophysical analysis of wireline logs indicated multiple gas pay zones totaling approximately 91 meters in Lower Cretaceous sandstones. Preliminary testing on two of these potential gas pay zones was undertaken, with only minimal flow of gas from each zone. Analysis of the test results indicates that neither test was in communication with the extensive fracture network proven by the abundant fluid losses during drilling and the Formation Micro Imaging (FMI) log. The well was plugged and an additional testing program, which may include fracture and acid stimulation, is being considered to assess the production potential of these reservoirs. Studies on commercialization of potential gas are ongoing.

The Company's most important planned oil and gas exploration and development activities consist of geological and geophysical operations and drilling of exploratory wells aimed at fulfilling work commitments as outlined in the table

included in Item 6.3 above. It is anticipated that exploratory drilling activities will be undertaken on the following blocks during 2012:

- Dharoor Valley Block (Puntland (Somalia));
- Nugaal Valley Block (Puntland (Somalia));
- Block 10BB (Kenya);
- Block 10A (Kenya);
- South Omo Block (Ethiopia).

**Item 6.8 Production Estimates**

The Company is unable to estimate production or future net revenue from its oil and gas activities as of December 31, 2011.

**Item 6.9 Production History**

The Company had no oil and gas production history as of December 31, 2011.

# SCHEDULE B

## FORM 51-101F3
### *Report of Management and Directors on Oil and Gas Disclosure*

*(This is the form referred to in item 3 of section 2.1 of National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101"). Terms to which a meaning is ascribed in NI 51-101 have the same meaning in this form.[1] )*

**Report of Management and Directors on Reserves Data and Other Information**

Management of **Africa Oil Corp.** (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. The Company is a reporting issuer involved in oil and gas activities pursuant to NI 51-101; however, as at December 31, 2011, the Company did not have any reserves or related future net revenue from reserves. As a result, no reserves data for the Company has been disclosed as of December 31, 2011.

The Company has not commissioned an independent qualified reserves evaluator to evaluate the Company's reserves data as the Company has no reserves at this time and no report of an independent qualified reserves evaluator will be disclosed by the Company for the period from January 1, 2011 to December 31, 2011.

The Board of Directors of the Company has reviewed the position of the Company as of December 31, 2011 and has determined that, as of that date, the Company has no reserves data.

The Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management of the Company. The Board of Directors has approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing information detailing the Company's oil and gas activities;
(b) the Company not filing Form 51-101F2, which is the report of the independent qualified reserves evaluator on the reserves data because the Company has no reserves; and
(c) the content and filing of this report.

/s/Keith Hill
Keith C. Hill, Chief Executive Officer

/s/Ian Gibbs
Ian Gibbs, Chief Financial Officer

/s/Gary S. Guidry
Gary S. Guidry, Director

/s/Bryan M. Benitz
Bryan M. Benitz, Director

**Date:** March 23, 2012

[1] For the convenience of readers, CSA Staff Notice 51-324 *Glossary to NI 51-101 Standards of Disclosure for Oil and Gas Activities* sets out the meanings of terms that are printed in italics in sections 1 and 2 of this Form or in *NI 51-101*, *Form 51-101F1*, *Form 51-101F2* or Companion Policy 51-101CP.