Africa Oil Corp. 2010 Year End Financial and Operating Results

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VANCOUVER, BRITISH COLUMBIA -- (Marketwire) -- 03/29/11 -- Africa Oil Corp. (TSX VENTURE: AOI) (OMX: AOI) ('Africa Oil' or 'the Company') is pleased to announce its financial and operating results for the twelve months ended December 31, 2010.

Highlights and accomplishments in 2010 included:

- As at December 31, 2010, the Company had cash of $76.1 million and working capital of $71.3 million as compared to cash of $11.1 million and working capital of $12.9 million at December 31, 2009. The Company's liquidity and capital resource position has been dramatically enhanced with the CAD$25 million (gross) proceeds from the non-brokered private placement in July 2010 and the CAD$55.8 million (gross) proceeds from warrants exercised in the fourth quarter of 2010.

- AOC currently has more than sufficient funds to meet its portion of the $163 million expenditure obligations ($43 million net) as per the active work programs approved by the Company's Board of Directors for 2011.

- During August 2010, the Company acquired an 80% participating interest and operatorship of the South Omo Block in Ethiopia. South Omo represents a new opportunity for AOC to secure 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 and Tullow Oil plc's ('Tullow') Uganda discoveries.

- During September 2010, the Company acquired a 100% interest in Blocks 12A and 13T in Kenya. The new contract areas 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 Block 10BB may extend onto these new blocks.

- During December 2010, the Company completed a farmout transaction with Tullow on the South Omo Block in Ethiopia. Subsequent to December 31, 2010, the Company completed the remainder of the farmout transaction with Tullow. Tullow has acquired a 50% interest in, and operatorship of, five of AOC's east African exploration blocks, comprised of four exploration blocks in Kenya and one exploration block in Ethiopia. In order to provide the necessary interest to Tullow, AOC has also amended its existing farmout agreement with Lion Energy Corp. ('Lion'). Under the terms of the Tullow farmout agreement, 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 has also exercised an option to acquire 50% of AOC's interest in, and operatorship of, two additional exploration blocks in Kenya, 12A and 13T.

- The Company, together with its joint venture partner Lion, has entered into the First Additional Exploration Phase under the Block 9 PSC in Kenya. As a result of the withdrawal of its two other joint venture partners, AOC will now hold a 66.7% working interest in the PSC and has been approved by the government as Operator of Block 9. Lion will hold the remaining 33.3%. The First Additional Exploration Phase commenced on December 31, 2010 and will expire on December 31, 2013 with a one well work commitment (minimum depth 1,500 meters).

- During December 2010, AOC signed a definitive agreement with the Government of Ethiopia to jointly study the Rift Valley Block. The Blockis located north of the Company's South Omo Block and encompasses the remainder of the Tertiary age East Africa Rift Trend in Ethiopia.

- The Company continued to actively explore in East Africa:

-- In Block 10BB, the Company has completed the recording of 610km of 2D seismic. The seismic data acquired has been processed. The Company has reprocessed all available vintage seismic data sharpening the imaging and the amplitude response for use in detecting direct hydrocarbon indicators. A surface geochemical survey was completed during the third quarter of 2010, modules were analyzed in order to detect oil and gas seepage from identified prospects and leads on the Block.

-- In Block 10A, Kenya, the Company expects to be completed recording approximately 850km (gross) of 2D seismic by the end of March 2011. Seismic data acquired is currently being processed. The Company has reprocessed all available vintage seismic data with the objective of improving the imaging of the data acquired in the late 1980s. New play concepts are being developed based on the reprocessed data in combination with vintage drilling data

-- In Block 9, Kenya, the CNOOC-operated Bogal-1 exploration well was spud on October 28, 2009. The well reached a total 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 potential gas pay zones has been 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 (FMI) log. The well was plugged pending further analysis of the test results to determine the feasibility of an additional testing program.

-- The Company completed its seismic acquisition program in the Company's Ogaden area of Ethiopia, acquiring 500 km 2D seismic. The new data has been integrated with existing seismic to generate a series of new prospect maps. The Company continues to focus efforts on the large El Kuran prospect in the Blocks 7/8 license.

-- Subsequent to year end, the Company completed the acquisition of Centric Energy Corp. ('Centric'), a publicly traded oil and gas company listed on the TSX Venture Exchange. Pursuant to the acquisition agreement, AOC acquired, by way of a plan of arrangement, all of the issued and outstanding shares of Centric in consideration for 0.3077 AOC shares and CAD$0.0001 for each common share of Centric. The value of consideration paid was estimated at $60.2 million. Centric's primary asset is Block 10BA in Kenya which is strategically located within the highly prospective East African Tertiary Rift System between AOC's Block 10BB and its South Omo Block. Centric and Tullow are joint venture partners on the Block 10BA. In addition, Centric also has a carried 25% interest in Block 7 and Block 11, both located in the Republic of Mali and operated by Heritage Oil Corporation.

-- Subsequent to year end, the Company entered into a letter of intent ('LOI') to acquire all of the issued and outstanding common shares of Lion Energy Corp. ('Lion'), a publicly traded oil and gas company listed on the TSX Venture Exchange. Under the letter of intent, the parties will negotiate and enter into a definitive agreement pursuant to which AOC will acquire Lion, by way of a plan of arrangement. The definitive agreement is currently being negotiated. As per the terms of the letter of intent, AOC is proposing to exchange each share of Lion for 0.2 shares of AOC. Lion currently has 86,118,177 common shares issued and outstanding, 2,580,000 share options with a weighted average exercise price of $0.16/share, and 11,445,000 warrants. It is proposed that each warrant will be exchanged into an equivalent number of warrants of Africa Oil, adjusted for 0.2:1 ratio noted above. Lion is a joint venture partner of AOC in Kenya and Puntland (Somalia), and currently holds the following working interests; 33.3% in Block 9 (Kenya), 10% in Block 10BB (Kenya), and 15% in each of Dharoor Valley and Nugaal Valley (Puntland). In addition to the above properties, Lion estimated that it had cash, cash receivables and tradable securities with an approximate aggregate value of $30 million at the date of signing the LOI.

Keith Hill, President and CEO, commented, 'Africa Oil continued to add highly prospective exploration acreage to its portfolio throughout 2010. Exploration activities continued throughout the year, with multiple 2D seismic acquisition programs completed and one exploratory well drilled. We continued to pursue our leveraged farmout strategy by successfully attracting Tullow, arguably the most successful exploration company in Africa, to a farmin transaction on five of the company's blocks in Kenya and Ethiopia. The Company is very well financed, has a well diversified exploration portfolio and reputable joint venture partners. We are looking forward to the commencement of continuous drilling in 2011.'

2010 Financial and Operating Highlights

Consolidated Statement of Operations and Share Information
(United States Dollars)

For the years ended	December 31, 2010	December 31, 2009
Expenses		
Salaries and benefits	$ 1,369,025	$ 807,376
Stock-based compensation	933,144	1,149,641
Interest and bank charges	122,697	175,534
Travel	714,179	302,845
Management fees	228,542	204,499
Office and general	1,078,274	861,080
Depreciation	76,813	50,165
Professional fees	1,094,765	1,119,532
Stock exchange and filing fees	428,476	53,004
	6,045,915	4,723,676
Other (income) expenses		
Interest and other income	(86,538)	(39,518)
Foreign exchange gain	(1,988,551)	(3,325,758)
Loss and comprehensive loss for the year	(3,970,826)	(1,358,400)
Basic and diluted loss per share	$ (0.05)	$ (0.03)
Weighted average number of shares outstanding for the purpose of calculating loss per share		
Basic	85,164,170	44,895,322
Diluted	85,164,170	44,895,322
Shares outstanding, end of the year	135,806,100	70,205,496

As the Company is in the exploration stage, no oil and gas revenue has been generated to date. Accordingly, the only income reported is interest income on its cash deposits and foreign exchange gains on Canadian dollar cash on hand.

Before foreign exchange gains, the Company incurred a $6.0 million loss for the year ended December 31, 2010 compared to a loss of $4.7 million during the same period in 2009. The increase on a yearly basis can be attributed to increased listing fees combined with increased salary related costs, office costs, and travel associated with the Company's operational expansion. Foreign exchange gains in both 2010 and 2009 were the result of holding Canadian dollars cash associated with equity financings combined with a strengthening Canadian dollar.

Consolidated Balance Sheet
(United States Dollars)

		December 31, 2010		December 31, 2009
ASSETS				
Current assets				
Cash	$	76,125,834	$	11,145,486
Accounts receivable		2,323,208		5,396,253
Prepaid expenses		595,729		508,344
		79,044,771		17,050,083
Long-term assets				
Restricted cash		3,181,500		1,800,000
Other property and equipment		39,621		107,549
Oil and gas interest		95,372,778		75,750,771
		98,593,899		77,658,320
Total assets	$	177,638,670	$	94,708,403
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	7,059,507	$	3,244,871
Current portion of convertible debenture		1,525,447		903,416
		8,584,954		4,148,287
Long-term liabilities				
Convertible debenture		-		1,326,630
		-		1,326,630
Total liabilities		8,584,954		5,474,917
Shareholders' equity				
Share capital		154,820,376		62,712,759
Warrants		2,598,531		11,862,296
Equity portion of convertible debenture		21,578,986		21,578,986
Contributed surplus		4,260,957		3,313,753
Deficit		(14,021,868)		(10,051,042)
Accumulated comprehensive income		(183,266)		(183,266)
Total shareholders' equity		169,053,716		89,233,486
Total liabilities and shareholders' equity	$	177,638,670	$	94,708,403

The increase in total assets from 2009 to 2010 is attributable to the equity financings, expansion of acreage in East Africa (Blocks 12A and 13T (Kenya) and South Omo (Ethiopia)), drilling of Bogal-1 in Block 9, and the seismic acquisition programs on Block 10BB in Kenya and the Ogaden blocks in Ethiopia.

Consolidated Statement of Cash Flows
(United States Dollars)

For the years ended	December 31, 2010	December 31, 2009
Cash flows provided by (used in):		
Operations:		
Loss for the year	$ (3,970,826)	$ (1,358,400)
Item not affecting cash:		
Stock-based compensation	933,144	$ 1,149,641
Depreciation	76,813	$ 50,165
Unrealized foreign exchange gain	(1,968,176)	$ 483,766
Changes in non-cash operating working capital:		
Accounts receivable and prepaid expenses	6,103	$ 259,646
Accounts payable and accrued liabilities	390,822	$ (651,308)
	(4,532,120)	(66,490)
Investing:		
Investment in property and equipment	(8,885)	(157,714)
Investment in oil and gas interests (net)	(15,424,461)	(7,910,460)
Acquisition costs capitalized to oil and gas interests	-	(774,676)
Changes in non-cash investing working capital:		
Accounts receivable and prepaid expenses	2,979,557	(5,793,662)
Accounts payable and accrued liabilities	4,579,401	(2,337,166)
	(7,874,388)	(16,973,678)
Financing:		
Common shares and warrants issued, net of issuance costs	78,387,475	27,308,839
Issuance of cash for bank guarantee	(1,381,500)	-
Repayment of liability portion of convertible debt	(854,296)	(163,000)
Changes in non-cash financing working capital:		
Accounts payable and accrued liabilities	(704,599)	803,452
	75,447,080	27,949,291
Effect of exchange rate changes on cash and cash equivalents denominated in foreign currency	1,939,776	(16,961)
Increase in cash and cash equivalents	64,980,348	10,892,162

The increase in cash in 2010 is indicative of the significant amount of equity financing obtained by the company via the July 2010 non-brokered private placement raising CAD$25 million (gross) and the exercise of warrants which raised CAD$55.8 million (gross).

Consolidated Statement of Shareholders' Equity
(United States Dollars)

		December 31, 2010		December 31, 2009
Share capital:				
Balance, beginning of year	$	62,712,759	$	31,586,737
Private placement, net		23,176,474		17,230,449
Exercise of warrants		65,171,510		-
Conversion of shareholder loan		-		3,765,196
Turkana Acqusition		-		10,130,377
Assignment of Blocks 12A and 13T in Kenya		3,243,470		-
Farmout agreement finder's fees		422,588		-
Exercise of options		93,575		-
Balance, end of year		154,820,376	-	62,712,759
Warrants:				
Balance, beginning of year	$	11,862,296	$	-
Expiration of warrants		(43,795)		-
Exercise of warrants		(10,024,349)		-
Private placement, net		-		10,078,390
Converted loans payable		-		1,783,513
Turkana Acqusition		-		393
Assignment of Blocks 12A and 13T in Kenya		804,379		-
Balance, end of year		2,598,531	-	11,862,296
Equity portion of convertible debenture:				
Balance, beginning of year	$	21,578,986	$	-
Convertible debenture issuance		-		21,578,986
Balance, end of year		21,578,986		21,578,986
Contributed surplus:				
Balance, beginning of year	$	3,313,753	$	2,164,112
Expiration of warrants		43,795		-
Stock based compensation		933,144		1,149,641
Exercise of options		(29,735)		-
Balance, end of year		4,260,957		3,313,753
Deficit:				
Balance, beginning of year	$	(10,051,042)	$	(8,692,642)
Loss for the period		(3,970,826)		(1,358,400)
Balance, end of year		(14,021,868)		(10,051,042)
Accumulated other comprehensive income:				
Balance, beginning of year	$	(183,266)	$	(183,266)

Other comprehensive income		-		-
Balance, end of year		(183,266)		(183,266)
Shareholders' equity	$	169,053,716	$	89,233,486

The Company's consolidated financial statements, notes to the financial statements, management's discussion and analysis and Annual Information Form have been filed on SEDAR (www.sedar.com) and are available on the Company's website (www.africaoilcorp.com). The Annual Information Form includes the Company's reserves and resource data for the period ended December 31, 2010 and other oil and natural gas information prepared in accordance with National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities.

Outlook

AOC and its partners have an aggressive exploration program planned for the next two years, which is anticipated to include seismic and drilling across all play types and geographic areas of operation. The Company enters 2011 in an extremely strong financial position with working capital in excess of $70 million. Additional financing is not required at this time to meet current operational plans.

New discoveries have been announced on all sides of the Company's virtually unexplored land position including the major Tullow Oil plc Albert Graben oil discovery in neighboring Uganda. Similar to the Albert Graben play model, the Company's concessions have older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic show robust leads and prospects throughout the AOC's project areas.

Africa Oil Corp. is a Canadian oil and gas company with assets in Kenya, Ethiopia and Puntland (Somalia). Africa Oil's East African holdings are in within a world-class exploration play fairway with a total gross land package in this prolific region in excess of 350,000 square kilometers. The East African Rift Basin system is one of the last of the great rift basins to be explored. New discoveries have been announced on all sides of Africa Oil's virtually unexplored land position including the major Albert Graben oil discovery in neighbouring Uganda. Similar to the Albert Graben play model, Africa Oil's concessions have older wells, a legacy database, and host numerous oil seeps indicating a proven petroleum system. Good quality existing seismic show robust leads and prospects throughout Africa Oil's project areas. The Company is listed on the TSX Venture Exchange and on First North at NASDAQ OMX-Stockholm under the symbol 'AOI'.

FORWARD-LOOKING STATEMENTS

Certain statements made and information contained herein constitute 'forward-looking information' (within the meaning of applicable Canadian securities legislation). Such statements and information (together, 'forward looking statements') relate to future events or the Company's future performance, business prospects or opportunities. Forward-looking statements include, but are not limited to, statements with respect to estimates of reserves and or resources, future production levels, future capital expenditures and their allocation to exploration and development activities, future drilling and other exploration and development activities, ultimate recovery of reserves or resources and dates by which certain areas will be explored, developed or reach expected operating capacity, that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

All statements other than statements of historical fact may be forward-looking statements. Statements concerning proven and probable reserves and resource estimates may also be deemed to constitute forward-looking statements and reflect conclusions that are based on certain assumptions that the reserves and resources can be economically exploited. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as 'seek', 'anticipate', 'plan', 'continue', 'estimate', 'expect, 'may', 'will', 'project', 'predict', 'potential', 'targeting', 'intend', 'could', 'might', 'should', 'believe' and similar expressions) are not statements of historical fact and may be 'forward-looking statements'. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes that the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. The Company does not intend, and does not assume any obligation, to update these forward-looking statements, except as required by applicable laws. These forward-looking statements involve risks and uncertainties relating to, among other things, changes in oil prices, results of exploration and development activities, uninsured risks, regulatory changes, defects in title, availability of materials and equipment, timeliness of government or other regulatory approvals, actual performance of facilities, availability of financing on reasonable terms, availability of third party service providers, equipment and processes relative to specifications and expectations and unanticipated *environmental impacts on operations. Actual results may differ materially from those expressed or implied by such forward-looking statements.*

ON BEHALF OF THE BOARD

Keith C. Hill
President and CEO

Africa Oil's Certified Advisor on First North is E. Ohman J:or Fondkommission AB.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

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