Africa Opportunity Fund Ltd

30 June 2012

Investment Objective: To earn capital growth and income through value, arbitrage, and special situation investments in the continent of Africa. Portfolio investments will include equity, debt, and other interests in both listed and unlisted assets.

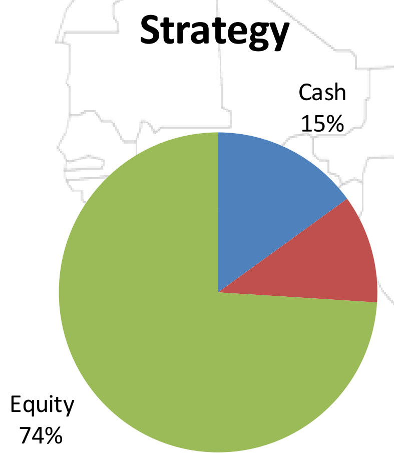
Listing: AOF is traded on the AIM market of the London Stock Exchange.

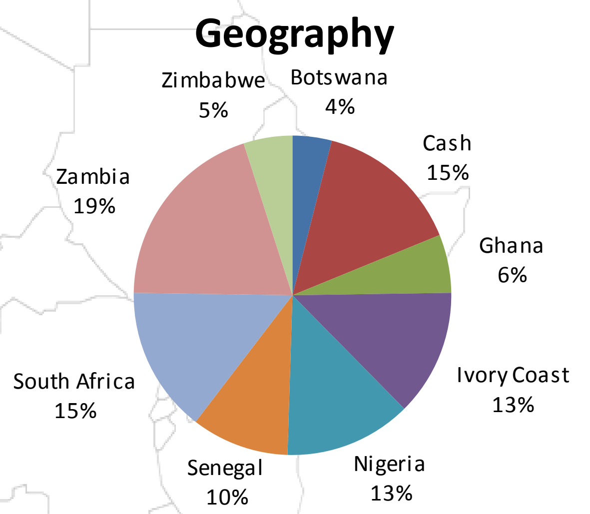
Dividend policy: The Fund will pay a quarterly dividend that in sum will equal 1 year Libor on an annual basis.

Fund Performance (as of 30 June 2012)

NAV per share:	\$0.903	Total Net Assets:	\$38.5 mm
Share price as at 30 June 12:	\$0.786	Market Capitalisation:	\$33.5 mm
Premium/Discount to NAV:	-12.96%	Shares outstanding:	42.6 mm
Current Quarterly Dividend:	\$0.0026		

US\$ NAV Return % (Incl Dividends)	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**FY**
2012	1.8%	0.4%	-0.3%	0.5%	-6.1%	0.8%							-2.7%





Top Ten Holdings	**Description**	**% of NAV**
Shoprite Holdings Ltd.	Largest South African food retailer operating over 1700 stores in 16 countries across Africa, while serving over 14 million shoppers annually	18.1%
Sonatel	Fast growing mobile phone provider in Senegal and neighboring countries	9.7%
Okomu Oil Palm PLC	Nigerian palm oil and rubber plantation operator and processor	7.8%
African Bank Investments Limited	South African consumer finance, furniture and electronic appliances retailing company	7.1%
SAPH	Ivory Coast rubber plantation operator and processor.	6.3%
Sea Trucks Group CB 10% 2015	One of largest and fastest growing oil and gas marine contractors in West Africa	5.1%
Societe des Caoutchoucs de Grand-Bereby	Ivory Coast rubber and palm oil plantation operator and processor	4.9%
Naspers Ltd	Southern Africa's leading television and media company. Its Chinese listed Tencent holding is hedged with a short position, focusing AOF's investment on the Africa broadcast media franchise. The net exposure is 0.6% of NAV	4.8%
Great Basin Gold	Gold mining company developing assets in South Africa and Nevada	4.4%
Tencent Holdings Ltd	Internet, mobile, and telecommunication value-added services provider in China.	-4.2%
TOTAL		*64.0%*

Manager's Commentary

Market Conditions: AOF's NAV fell during Q2 2012. The NAV, including dividends, declined by 4.6%, closing at $0.903 on 30 June. As a reference, in US dollar terms in Q2 2012, the S&P fell 2.8%, South Africa fell 5.4%, Egypt fell 2.4%, Kenya rose 12.6%, and Nigeria rose 2.9%.

Portfolio Highlights: AOF's portfolio fell broadly in sympathy with declines in African and global bourses during Q2. Natural resources suffered disproportionately as fear of a China slowdown took hold in the minds of investors. As a fund**,** which has maintained exposure to commodities almost since inception, AOF in particular, and Africa in general, felt those disproportionate losses. There were three identifiable reasons behind AOF's Q2 losses. First, most natural resource commodity companies, whether producers, developers, or explorers, constituting one third of AOF's portfolio, lost approximately 8% of their initial Q2 2012 market capitalization by the end of Q2. Admittedly, in a few of those cases, as is all too common in the mining industry, the primary reasons for market capitalization losses were idiosyncratic cost overruns and scheduling delays in commencing commercial production of a commodity. AOF's losses were somewhat tempered by some hedges which ameliorated the impact of the resource sector decline on our NAV. On a positive note, AOF tendered its shares of Extract Resources, the owner of the Rossing South uranium deposit, estimated to be the fifth largest such deposit in the world, to China Guangdong Nuclear Power Holding Corp for a modest 11% gain. Acquired 4 months before the occurrence of the Fukushima nuclear tragedy, AOF's Extract shares lost 38% of their value in the wake of that disaster. The positive outcome vindicated our conviction that large and shallow mineral development deposits in Africa have a calculable intrinsic value. We also reduced AOF's base metal exposure during Q2. Second, the pattern of the Ghana Cedi depreciating sharply in an election year, contrary to our expectations based on Ghana's new oilfield proceeds, is repeating itself in 2012, an election year. 6.8% of the Company's March 2012 portfolio was invested in equity securities listed on the Ghana Stock Exchange. Their market value fell by 27.7% in Q2. Ghana's financial authorities have attempted to maintain the external value of the Cedi by raising interest rates sharply past the 20% level, despite Ghana's 10% inflation rate. For example, the discount rate for 182-day Ghana Government treasury bills on 30 March 2012 was 12.6% and 2 year fixed rate note bore an interest rate of 13.6%. By June 29, those rates had risen respectively to 20.4% and 23% while Ghana's inflation rate hovered around 10%. To quote from the IMF's recent 13 July statement on Ghana: "reserve cover has fallen below comfortable levels. Furthermore, spending overruns at the end of 2011, large public wage increases and reemergence of energy subsidies have created the need for corrective action to achieve fiscal targets." Consequently, interest rate sensitive companies, as a general proposition, suffered declines in market capitalization. In the case of the Enterprise Group, price declines were exacerbated by a poor set of financial results in Q1, as its expenses grew at a rapid rate. Fortunately, Enterprise Group continued to generate underwriting profits. Better still, with a Price/Book ratio of 0.59X, a Price/Embedded Value ratio of 0.42X on June 30, and the option of investing in risk-free Ghanaian debt at a 10% real margin or yield, its valuation was a sparkling bargain. Finally, the discount between the Lusaka Stock Exchange price of Shoprite, where AOF holds its Shoprite shares, and its Johannesburg Stock Exchange price widened from 28% at the beginning of 2012 to 42% by the end of Q2. As of 30 June, the book value of AOF's financial liabilities at fair value was $5.36 million.

Portfolio Appraisal Value: As of 30 June, the Manager's appraisal of the economic value of the portfolio was $1.22. The market price of $0.786 on 30 June represents a 36% discount. Note the Appraisal Value is intended to provide a measure of the Manager's long-term view of the attractiveness of AOF's portfolio. It is a subjective estimate, and does not tell when that value will be realized, nor does it guarantee that any security will reach its Appraisal Value.

Outlook: We believe that AOF's portfolio possesses deeply undervalued companies. Given the challenges facing global markets and in particular heavily indebted industrial economies, it is difficult to predict when this value will express itself in AOF's NAV, but we remain excited by the opportunities we are finding for AOF.

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Fund Details

Bloomberg:	AOF LN
Reuters:	AOF.L
Website:	www.africaopportunityfund.com
Listing:	AIM / London Stock Exchange
Structure:	Closed-end
ISIN:	KYG012921048 Euroclear/Clearstream
Inception:	26 July 2007
Domicile:	Cayman Islands

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