African Petroleum Corporation Limited

(ABN 87 125 419 730)

Annual Financial Report for the year ended 31 December 2018

CONTENTS

CORPORATE DIRECTORY

DIRECTORS

David King	Chairman
Jens Pace	Chief Executive Officer
Stephen West	Chief Financial Officer
Anders Bjarne Moe	
Timothy Turner	

COMPANY SECRETARY

Angeline Hicks

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STOCK EXCHANGE LISTING

Oslo Axess
Code: APCL

Your Directors present their report on African Petroleum Corporation Limited ("African Petroleum" or the "Company") for the year ended 31 December 2018.

DIRECTORS

The names of Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Dr David King	Non-Executive Chairman
Mr Jens Pace	Executive Director and Chief Executive Officer
Mr Stephen West	Executive Director and Chief Financial Officer
Mr Bjarne Moe	Non-Executive Director
Mr Timothy Turner	Non-Executive Director
Mr Anthony Wilson	Non-Executive Director, resigned 12 April 2018

COMPANY SECRETARY

Ms Angeline Hicks

PRINCIPAL ACTIVITY

The Company's principal activity during the year was oil and gas exploration.

REVIEW OF OPERATIONS

Arbitration Proceedings – The Gambia

The Company's subsidiary African Petroleum Gambia Limited initiated arbitration proceedings at the International Centre for the Settlement of Investment Disputes ("ICSID") which were registered on 17 October 2017 to protect its interests in the A1 and A4 licences in The Gambia (ICSID case ARB/17/38). Following the constitution of the tribunal on 26 March 2018 and the filing of preliminary objections by the Republic of The Gambia on 25 April 2018, the first session of the tribunal was held on 27 June 2018 which was predominantly to agree procedural matters. On 30 November 2018, the tribunal held a hearing on preliminary objections under the ICSID Arbitation Rule 41(5), and subsequently issued a decision on 31 December 2018. On 28 February 2019, the Company filed with the tribunal a memorial on admissibility, jurisdiction and the merit, a response to the memorial is expected in due course.

The Company remains open to engaging in constructive dialogue with the Gambian authorities, with a view to establishing a satisfactory solution that is in the interests of all parties.

Arbitration Proceedings – Senegal

The Company's subsidiary African Petroleum Senegal Limited registered a request for arbitration proceedings with ICSID on 11 July 2018 (ICSID case ARB/18/24) to protect its interests in the Senegal Offshore Sud Profond ("SOSP") and Rufisque Offshore Profond ("ROP") blocks in Senegal. On 18 December 2018, the Company filed a request for provisional measures with ICSID. Following the constitution of the tribunal on 23 February 2019, the first session of the tribunal was held on 19 March 2019 which was to predominantly agree procedural matters. On 22 March 2019 the tribunal held a hearing on the provisional measures request lodged by the Company. A decision on the provisional measures request is expected in due course.

The Company remains open to engaging in constructive dialogue with the Senegalese authorities through appropriate and official channels, with a view to establishing a satisfactory solution that is in the interests of all parties.

Licence Relinquishment – Sierra Leone

On 22 November 2018, the Company announced the relinquishment of its interests in licenses SL-03-17 and SL-4A-17 with immediate effect. This followed a period of discussion with the Petroleum Directorate of Sierra Leone, during which the parties failed to agree an extension to the licences on suitable terms. The Company was not able to not commit to an ultra-deep water drilling program and accordingly relinquished these licences. After relinquishment, previous exploration commitments required by the licences that had been capitalised, including surface rental, social and training obligations, as well as past signature bonuses have been written off as an impairment expense within the consolidated statement of comprehensive income.

Licence Relinquishment – Côte d'Ivoire

Following the post-well analysis work of the Ayamé-1X exploration well in May 2017, it was concluded that the remaining prospectivity of the CI-513 block did not represent an attractive investment opportunity that would justify entering the next phase of the PSC and associated work programme and financial commitment therein. Subsequently on 8 March 2018, the Company announced the intention to relinquish its interests in licenses CI-509 and CI-513. The previous year's impairment provision for exploration and evaluation assets has been crystallised.

EXPLORATION ACTIVITIES

The Company is an oil and gas exploration group currently focused on exploration offshore West Africa. The Company's assets are located in fast-emerging hydrocarbon basins. The Company has acquired more than 13,400km^2 of 3D seismic data on its existing and former licences and participated in the drilling of four exploration wells in West Africa. African Petroleum is a significant net acreage holder in West Africa with estimated net un-risked mean prospective resources of approximately 4.9 billion barrels. Table 1 below shows a detailed overview of the Company's licence interests.

Table 1: Summary of Licences

Country	Licence	Operator	Working Interest	Grant Date	End Current Phase	Area km^2	Outstanding commitments in current phase
Senegal	Rufisque Offshore Profond	African Petroleum Senegal Limited	90%[1]	Oct 2011	Oct 2015[2]	10,357	One exploration well
Senegal	Senegal Offshore Sud Profond	African Petroleum Senegal Limited	90%[1]	Oct 2011	Dec 2017[2]	5,439	Further geoscience and one contingent exploration well
The Gambia	A1	African Petroleum Gambia Limited	100%[3]	Sep 2006	Sep 2016[4]	1,296	One exploration well to be drilled on either A1 or A4
The Gambia	A4	African Petroleum Gambia Limited	100%[3]	Sep 2006	Sep 2016[4]	1,376	See above

[1] Société des Pétroles du Sénégal has an option to increase its 10% interest to 20% following exploitation authorisation.
[2].These licences are currently in arbitration proceedings with ICSID.
[3] The Gambia National Oil Company has an option to acquire a 10% participating interest in the Licence from the development stage.
[4] These licences are currently in arbitration proceedings with ICSID.

Assuming the successful resolution of the arbitration processes, as part of the Group's business strategy, it is actively seeking partners to farm-in to its licences in order to share the risk and potential reward of the Company's highly prospective assets whilst also renegotiating some terms of licences. The farm-outs will reduce the Company's working interest and is part of a process of maturing the Group's asset portfolio and is initiated to *inter alia* reduce the Group's capital commitments, generate cash sales proceeds for funding of future operations as well as the introduction of technically and operationally competent joint venture partners to the Group's licences.

Senegal

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Senegal Licences and estimates the net unrisked mean prospective oil resources at 1,779MMStb.

The Gambia

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Gambian Licences and estimates the net unrisked mean prospective oil resources at 3,079MMStb.

RESULT

African Petroleum reported a loss after income tax of US$8,412,162 for the year ended 31 December 2018 (2017: US$35,019,552).

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 19 March 2019, the Company announced the proposed combination with PetroNor E&P Ltd ("PetroNor") for an all-share consideration of approximately 816 million shares in African Petroleum (the "Transaction"). PetroNor is a privately owned, Africa focused E&P independent, that holds a 10.5% indirect interest in the PNGF Sud fields and right to negotiate entry into a 14.7% indirect interest in an exploration license covering the PNGF Bis fields located in Congo Brazzaville. The Transaction is subject to shareholder approval, and certain other customary conditions. African Petroleum will at completion of the Transaction change its name to PetroNor E&P Limited.

On 29 March 2019, notice was given that the General Meeting of Shareholders to approve the Transaction will be held on 24 April 2019. On 24 April 2019, the Company announced that all resolutions put forward at the General Meeting of the Company were passed on a show of hands.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The expected results of the Company will vary significantly dependent on the completion of the Transaction with PetroNor. The Transaction is unanimously recommended by the Board of Directors of African Petroleum. However as at the date of this report, the Transaction has not completed.

Assuming that the Transaction is completed successfully, the Company will be transformed from an exploration-focused company into a cashflow generating producer with a significant growth profile. The Transaction provides the Company with diversified, low risk, long life and high-quality producing assets, with current net (working interest) production of approximately 2,300 bbl/d and medium-term exploration upside in a well-established operating jurisdiction

If the Transaction is not completed, the Company will endeavour to complete the arbitration processes and seek to retain its interests in its West African projects. The arbitration processes will take longer than the next twelve months to complete. In the meantime, the Company will continue to attempt to resolve the arbitration processes early via constructive dialogue with the respective Senegalese and Gambian authorities.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the Company's state of affairs during the current year.

INFORMATION ON DIRECTORS

Dr David King	**Chairman**
Qualifications	Dr King graduated from the University of East Anglia with a BSc (Hons) in Class 1 Physics/Mathematics, holds a MSc and D.I.C. in Geophysics from the Imperial College, University of London and a PhD in Seismology from the Australian National University.
Experience	Dr King is a professional geoscientist and has over 30 years' experience in oil and gas and other natural resources industries. He has co-founded, as well as held executive and non-executive board positions with, a number of successful ASX listed oil and gas exploration companies, including Eastern Star Gas Limited, Gas2Grid Limited and Sapex Limited. Dr King is currently non-executive Chairman of ASX-listed biotechnology research and development company Cellmid Ltd and non-executive director of oil and gas companies Galilee Energy Ltd and Tapoil Ltd. He is also a non-executive director (formerly Chairman) of AIM-listed (formerly ASX-listed) Litigation Capital Management Ltd. In a long corporate career, he has also served as Managing Director of ASX listed gold producer North Flinders Mines, and Chief Executive Officer of oil & gas producers Beach Petroleum and Claremont Petroleum. He was more recently Chairman of ASX listed Robust Resources Limited, Chairman of AIM listed Tengri Resources, and non-executive director of ASX listed Republic Gold Limited. From 1974-76, Dr King was a Research Fellow with the Royal Norwegian Council for Scientific and Industrial Research (NTNF), working on the NORSAR seismic array. Dr King is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian Institute of Mining & Metallurgy, a Fellow of the Australian Institute of Geoscientists, a member (and past President) of the Australian Society of Exploration Geophysicists, an active member of the Society of Exploration Geophysicists and a member of the Petroleum Exploration Society of Australia.
Interest in Shares and Options	As at the date of this report, Dr King holds 30,000 shares, 500,000 options with an exercise price of NOK 7.75 and an expiry date of 31 May 2022, and 500,000 options with an exercise price of NOK 1.60 and an expiry date of 31 May 2023.

Jens Pace	**Executive Director and Chief Executive Officer**
Qualifications	Mr Pace holds a BSc in Geology and Oceanography from the University of Wales and an MSc in Geophysics from Imperial College, London
Experience	Mr. Pace has a background in geosciences, and has had a career spanning over 30 years at BP Exploration Operating Company Limited ("BP"), and its heritage company Amoco (UK) Exploration Company. Mr. Pace has held senior positions at BP for over 10 years, gaining exploration and production experience in Africa, namely: Algeria, Angola, Congo, Gabon and Libya. In addition, he has experience in Europe, Russia and Trinidad. He has contributed to a number of BP's exploration discoveries over his career. Most recently, Mr. Pace managed a large and active exploration portfolio for BP in North Africa. In addition to exploration activities, Mr. Pace has gained experience in the areas of field development and as a commercial manager. Mr. Pace joined African Petroleum as Chief Operating Officer in October 2012, and was appointed Chief Executive Officer by the Board in November 2015.
Interest in Shares and Options	As at the date of this report, Mr Pace holds 1,498,938 shares, 200,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 350,000 options with an exercise price of NOK 1.70 and an expiry date of 15 November 2020, 1,000,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020, 1,500,000 options with an exercise price of NOK 7.75 and an expiry date of 31 May 2022, 1,500,000 options with an exercise price of NOK 1.60 and an expiry date of 31 May 2023 and 50,000 performance rights subject to the Company securing a commercial discovery.

Stephen West	**Executive Director and Chief Financial Officer**
Qualifications	Mr West is a qualified Fellow Chartered Accountant (Australia & New Zealand) and a Chartered Accountant (England & Wales) who holds a Bachelor of Commerce (Accounting and Business Law) from Curtin University of Technology in Australia.
Experience	Mr West has over 23 years of financial and corporate experience gained in public practice, oil and gas, mining and investment banking spanning Australia, United Kingdom, Europe, CIS and Africa. During his career Mr. West has held senior positions at Horwath Chartered Accountants, PricewaterhouseCoopers and Barclays Capital. Mr West is currently non-executive Chairman of ASX listed Zeta Petroleum plc (oil and gas exploration and production company).
Interest in Shares and Options	As at the date of this report, Mr West holds 1,377,544 shares, 100,000 options with an exercise price of A$2.40 and an expiry date of 3 June 2019, 200,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 270,000 options with an exercise price of NOK 1.70 and an expiry date of 15 November 2020, 1,000,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020, 1,500,000 options with an exercise price of NOK 7.75 and an expiry date of 31 May 2022 and 1,500,000 options with an exercise price of NOK 1.60 and an expiry date of 31 May 2023. Mr West's shares and some of the options are held in the name of Cresthaven Investments Pty Ltd, a company in which Mr West has an indirect beneficial interest.

Bjarne Moe	**Non-Executive Director**
Qualifications	Degree in Economics from the University of Oslo
Experience	Mr Moe has more than 35 years experience in the oil and gas sector. He started out in the Ministry of Industry and was transferred to the Ministry of Petroleum and Energy when it was established in 1978. In 1988, Mr Moe was appointed Director General and head of the Oil and Gas department. Furthermore, Mr Moe has been a diplomat working for the Ministry of Foreign Affairs and been counsellor at the Norwegian embassy in Washington, D.C. and Mr Moe has further chaired several international commissions for solving questions regarding median line fields, and international gas and oil pipelines. He has also been heading delegations outside of Norway to solve specific questions and been a mediator for unitization of fields etc. Mr Moe has headed several delegations for OECD (IEA) and has been a member of the Petroleum Price board for 15 years. Mr. Moe is currently chairman of Consultor Energy AS, an energy advisory company.
Interest in Shares and Options	As at the date of this report, Mr Moe holds 10,000 shares, 50,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 200,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020, 200,000 options with an exercise price of NOK 7.75 and an expiry date of 31 May 2022 and 200,000 options with an exercise price of NOK 1.60 and an expiry date of 31 May 2023.

Timothy Turner	**Non-Executive Director**
Qualifications	B.Bus, FCPA, CTA, Registered Company Auditor.
Experience	Mr Turner is senior partner and founding partner of the Australian accounting firm, HTG Partners. Mr Turner specialises in domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. Mr. Turner has 25 years experience in new ventures, capital raisings and general business consultancy, in addition to 15 years of experience in ASX listed junior resource based exploration companies. Mr Turner is a Non-Executive Director of ASX listed Cape Lambert Resources Limited and a Non-Executive Director of NSX listed International Petroleum Limited.
Interest in Shares and Options	As at the date of this report, Mr Turner has an interest in 4,167 fully paid ordinary shares and 200,000 options with an exercise price of NOK 7.75 and an expiry date of 31 May 2022 and 200,000 options with an exercise price of NOK 1.60 and an expiry date of 31 May 2023.

Anthony Wilson	**Non-Executive Director (resigned 12 April 2018)**
Qualifications	Fellow of the Institute of Chartered Accountants in England and Wales, and Fellow of the Chartered Institute for Securities and Investment.
Interest in Shares and Options	As at the date of his resignation, Mr Wilson held 10,000 shares, 50,000 options with an exercise price of NOK 4.00 and an expiry date of 3 June 2019, 200,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020 and 200,000 options with an exercise price of NOK 7.75 and an expiry date of 31 May 2022.

COMPANY SECRETARY

Angeline Hicks is a Chartered Accountant with global corporate and financial experience. After gaining her qualifications at Deloitte, Ms Hicks furthered her career in the banking industry in London for eight years, working for investment banks such as Barclays Capital, Credit Suisse and JP Morgan, focusing on managing compliance and corporate and financial reporting. Ms Hicks is an Associate of the Governance Institute of Australia and also performs the role of Company Secretary for companies listed on the Australian Securities Exchange and the National Stock Exchange.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the period each director held office during the financial year and the number of meetings attended by each director is:

Director	Directors' Meetings		Audit Committee Meetings	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**
David King	2	2	1	1
Anders Bjarne Moe	2	2	1	1
Jens Pace	2	2	-	-
Timothy Turner	2	2	1	1
Stephen West	2	2	-	-
Anthony Wilson	1	-	-	-

In addition to meetings of directors held during the year, due to the number and diversified location of the directors, a number of matters are authorised by the board of directors via circulating resolutions. During the current year, three circulating resolutions were authorised by the board of directors. There were no Remuneration Committee or Continuous Disclosure Committee meetings during the year, as any relevant matters were dicussed during the Directors' Meetings.

INDEMNIFYING DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every director, principal executive officer or secretary of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd ("BDO"), as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify BDO during or since the financial year.

OPTIONS

Unissued Shares under Option

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	US$ equivalent Exercise Price at 31 December 2018	Number Under Option
22 April 2019	A$3.00	US$ 2.12	17,501
3 June 2019	A$ 2.40	US$ 1.69	150,000
5 June 2019	A$3.00	US$ 2.12	20,000
15 December 2019	A$3.00	US$ 2.12	16,667
28 April 2020	NOK 4.00	US$ 0.46	1,627,000
15 November 2020	NOK 1.70	US$ 0.20	1,690,000
22 December 2020	NOK 1.70	US$ 0.20	2,900,000
11 January 2022	NOK 2.50	US$ 0.29	213,400
31 May 2022	NOK 7.75	US$ 0.89	6,526,070
2 Jan 2023	NOK 0.90	US$ 0.10	50,000
31 May 2023	NOK 1.60	US$ 0.18	5,900,000
TOTAL			**19,110,638**

Shares issued on the exercise of options

During the current year, no ordinary shares were issued on the exercise of options (2017: 426,667).

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

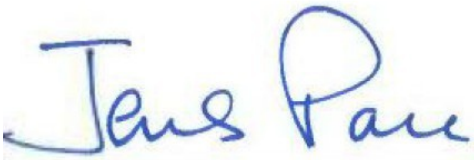
AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2018 has been received and can be found on page 9 of the annual report.

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor's BDO, as per Note 6(d). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

This report is made in accordance with a resolution of the Board of Directors.



Jens Pace
Director
Perth, 25 April 2019

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DECLARATION OF INDEPENDENCE BY PHILLIP MURDOCH TO THE DIRECTORS OF AFRICAN PETROLEUM CORPORATION LIMITED

As lead auditor of African Petroleum Corporation Limited for the year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of African Petroleum Corporation Limited and the entities it controlled during the period.

Phillip Murdoch

Director

BDO Audit (WA) Pty Ltd

Perth, 25 April 2019

The Board of Directors of African Petroleum Corporation Limited are responsible for establishing the corporate governance framework of the Company having regard to the Corporations Act 2001 (Cth) and applicable Listing Rules.

This corporate governance statement summarises the corporate governance practices adopted by the Company.

The current corporate governance plan is posted in a dedicated corporate governance information section of the Company's website at www.africanpetroleum.com.au

Summary of corporate governance practices

The Company's main corporate governance policies and practices are outlined below.

The Board of Directors

The Company's Board of Directors is responsible for overseeing the activities of the Company. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The Board assumes the following responsibilities:

(a) appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
(b) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
(c) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
(d) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
(e) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
(f) approving the annual and half yearly accounts;
(g) approving significant changes to the organisational structure;
(h) approving the issue of any shares, options, equity instruments or other securities in the Company;
(i) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
(j) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
(k) meeting with the external auditor, at their request, without management being present.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

(a) the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and
(b) the principal criterion for the appointment of new Directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. The majority of the Board is to be comprised of non-executive directors and where appropriate, at least 50% of the Board should be independent. Directors of the Company are considered to be independent when they are a non-executive director (i.e. not a member of management and have been for the preceding 3 years), hold less than 5% of the voting shares of the Company and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr J. Pace and Mr. S West are not considered independent.

Non-Executive Chairman Dr D King and Non-Executive Directors Mr B. Moe, Mr T Turner and Mr A. Wilson were considered to have been independent throughout the year, since their appointment or until their resignation (as applicable).

The term in office held by each director in office at the date of this report is as follows:

D. King	5 years 6 months	Chairman
B. Moe	4 years 6 months	Non-Executive Director
J. Pace	3 years 5 months	Executive Director
T. Turner	11 years 9 months	Non-Executive Director
S. West	3 years 5 months	Executive Director
A. Wilson (resigned 12 April 2018)	7 years 10 months	Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Remuneration arrangements

Review of the Company's remuneration policy is delegated to the Remuneration Committee.

The total maximum remuneration of non-executive Directors, which may only be varied by Shareholders in general meeting, is an aggregate amount of US$634,852 (A$900,000) per annum. The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

Performance

Review of the performance of the Board is delegated to the Nomination Committee.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive directors, the Chief Executive Officer, and senior management. Details of these practices are described in the Corporate Governance Plan available on the Company's website. No formal performance evaluation of the Board or individual directors took place during the year.

Code of Conduct

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Directors are subject to additional code of conduct requirements which includes highlighting situations which may constitute a conflict of interest for directors. Directors have a responsibility to avoid any conflict from arising that could compromise their ability to perform their duties impartially. Any actual or potential conflicts of interest must be reported to the Board or superior.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended 31 December 2018 US$	31 December 2017 US$
Continuing operations			
Revenue	**6(a)**	**12**	228,692
Exploration & evaluation expenditure		**82,414**	(9,856,447)
Impairment of exploration and evaluation expenditure	**11**	**(1,704,155)**	(18,367,865)
Consulting expenses		**(3,388,239)**	(1,423,965)
Compliance and regulatory expenses		**(122,754)**	(242,759)
Administration expenses		**(497,451)**	(572,101)
Employee benefits	**6(c)**	**(2,655,457)**	(4,387,472)
Travel expenses		**(160,537)**	(476,776)
Depreciation & amortisation expense		**(4,539)**	(3,387)
Net unrealised gains on fair value of financial liabilities		**-**	77,645
Foreign exchange gain		**38,544**	4,883
Loss from continuing operations before income tax		**(8,412,162)**	(35,019,552)
Income tax expense	**5**	**-**	-
Loss for the year from continuing operations		**(8,412,162)**	(35,019,552)
Other comprehensive losses			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve			
Foreign exchange loss on translation of functional currency to presentation currency		**(77,102)**	(33,930)
Other comprehensive losses for the year, net of tax		**(77,102)**	(33,930)
Total comprehensive loss for the year		**(8,489,264)**	(35,053,482)
Loss for the year is attributable to:			
Non-controlling interest		**(68,175)**	(399,488)
Owners of the parent		**(8,343,987)**	(34,620,064)
		(8,412,162)	(35,019,552)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		**(68,175)**	(399,488)
Owners of the parent		**(8,421,089)**	(34,653,995)
		(8,489,264)	(35,053,482)
Loss per share attributable to members			
Basic and diluted loss per share	**21**	**(5.37) cents**	(24.86) cents

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 31 December 2018 US$**	As at 31 December 2017 US$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	**7**	**6,286,407**	13,186,482
Trade and other receivables	**8**	**119,915**	113,844
Restricted cash	**9**	**902,937**	902,937
Prepayments		**22,919**	125,748
TOTAL CURRENT ASSETS		**7,332,178**	14,329,011
NON CURRENT ASSETS			
Inventories		**-**	1,006,908
Property, plant and equipment	**10**	**7,100**	3,743
Exploration and evaluation expenditure	**11**	**-**	9,107,859
TOTAL NON CURRENT ASSETS		**7,100**	10,118,510
TOTAL ASSETS		**7,339,278**	24,447,521
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	**12**	**3,839,524**	13,288,671
TOTAL CURRENT LIABILITIES		**3,839,524**	13,288,671
TOTAL LIABILITIES		**3,839,524**	13,288,671
NET ASSETS		**3,499,754**	11,158,850
EQUITY			
Issued capital[1]	**13**	**642,740,272**	642,740,272
Reserves[1]	**14**	**22,704,013**	21,950,947
Accumulated losses		**(658, 430,669)**	(650,086,682)
Parent interests		**7,013,616**	14,604,537
Non-controlling interests	**15**	**(3,513,862)**	(3,445,687)
TOTAL EQUITY		**3,499,754**	11,158,850

[1] *The comparative figures have been restated, the adjustments were not considered material*

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital US$	Share-based payment reserve US$	Foreign currency translation reserve US$	Accumulated losses US$	Non-controlling interest US$	Total US$
BALANCE AT 1 JANUARY 2018		**642,740,272**	**34,182,365**	**(12,231,418)**	**(650,086,682)**	**(3,445,687)**	**11,158,850**
Loss for the year		**-**	**-**	**-**	**(8,343,987)**	**(68,175)**	**(8,412,162)**
Other comprehensive income: Foreign currency exchange differences arising on translation from functional currency to presentation currency		**-**	**-**	**(77,102)**	**-**	**-**	**(77,102)**
Total comprehensive loss for the year		**-**	**-**	**(77,102)**	**(8,343,987)**	**(68,175)**	**(8,489,264)**
Share-based payments	**16**	**-**	**830,168**	**-**	**-**	**-**	**830,168**
BALANCE AT 31 DECEMBER 2018		**642,740,272**	**35,012,533**	**(12,308,520)**	**(658,430,669)**	**(3,513,862)**	**3,499,754**
For the year ended 31 December 2017							
BALANCE AT 1 JANUARY 2017		611,455,218	31,579,327	(12,197,488)	(615,466,618)	(3,046,199)	12,324,240
Loss for the year		-	-	-	(34,620,064)	(399,488)	(35,019,552)
Other comprehensive income		-	-	(33,930)	-	-	(33,930)
Total comprehensive loss for the year		-	-	(33,930)	(34,620,064)	(399,488)	(35,053,482)
Issue of capital [1]	**13**	31,093,816	-	-	-	-	31,093,816
Exercise of share options	**13**	191,238	-	-	-	-	191,238
Share-based payments [1]	**16**	-	2,603,038	-	-	-	2,603,038
BALANCE AT 31 DECEMBER 2017 [1]		642,740,272	34,182,365	(12,231,418)	(650,086,682)	(3,445,687)	11,158,850

[1] *The comparative figures have been restated, the adjustments were not considered material*

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended 31 December 2018 US$	31 December 2017 US$
Cash flows from operating activities			
Payments to suppliers and employees		**(6,533,682)**	(22,200,485)
Interest received		**12**	9
Finance costs		**(16,560)**	(29,322)
Other income		-	197,804
Net cash flows used in operating activities	**7**	**(6,550,230)**	(22,031,994)
Cash flows from investing activities			
Proceeds from sale of plant and equipment		**-**	30,879
Payment for plant and equipment		**(7,896)**	(3,026)
Payment for exploration and evaluation activities		**(303,394)**	(1,037,835)
Cash backing security returned		**-**	4,375,000
Cash backing security provided		**-**	(333,844)
Net cash (used in)/from investing activities		**(311,290)**	3,031,174
Cash flows from financing activities			
Proceeds from issue of shares		**-**	33,644,423
Capital raising costs		**-**	(1,852,606)
Proceeds from exercise of share options		-	191,238
Net cash from financing activities		**-**	31,983,055
Net (decrease)/increase in cash and cash equivalents		**(6,861,520)**	12,982,235
Cash and cash equivalents at the beginning of the year		**13,186,482**	233,298
Net foreign exchange differences		**(38,555)**	(29,051)
Cash and cash equivalents at the end of year	**7**	**6,286,407**	13,186,482

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2018 was authorised for issue in accordance with a resolution of the directors on 25 April 2019.

African Petroleum Corporation Limited is a 'for profit entity' and is a company limited by shares incorporated in Australia. Its shares are publicly traded on the Oslo Axess (code: APCL), a regulated market place of the Oslo Stock Exchange, Norway. Details of the principal activities are included in the Director's Report.

2. BASIS OF PREPARATION OF ANNUAL REPORT

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis except for the derivative financial liability, which has been measured at fair value.

The financial report is presented in United States Dollars and all values are rounded to the nearest dollar unless otherwise stated.

Compliance statement

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Going concern

As at 31 December 2018, the Group had net current assets of US$3,492,654 (31 December 2017: US$1,040,340), which includes cash and cash equivalents of US$6,286,407 (31 December 2017: US$13,186,482), and trade and other payables US$3,839,524 (31 December 2017: US$13,288,671).

As at 31 December 2018, trade and other payables included US$1,911,084 for licence commitments in relation to licences that are currently in arbitration. Although disclosed within the financial statements as current liabilities due to the contractual terms of the agreements, Management do not expect to extinguish these liabilities until the arbitration process is successfully completed. The arbitration processes are forecast to take longer than twelve months. The restricted cash balance of US$902,937, can only be utilised towards settlement of these liabilities.

As at the date of the approval, the only active operations of the Group are the ongoing arbitration matters in Senegal and The Gambia. There is significant uncertainty regarding the working capital necessary for the arbitration processes, and the proposed transaction with PetroNor has yet to be complete. The Group's ability to continue as a going concern is dependent on raising further capital.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern, and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business.

Management has several options within its control to mitigate the risk of going concern, including obtaining litigation funding, implementing a reduction of discretionary overheads, completing a transaction such as the transaction proposed with PetroNor, or undertaking an equity raising. Management's preferred option is the proposed transaction with PetroNor as detailed in Note 24. The Transaction was announced by the Company on 19 March 2019 and will significantly change the working capital requirements of the business, plus provide access to additional management skills and cash flow resources.

Management and the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue as a going concern. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the consolidated entity not continue as a going concern.

3. SUMMARY OF ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) New Accounting Standards and Interpretations

New Accounting Standards and Interpretations effective 1 January 2018

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective as of 1 January 2018. The application of these Accounting Standards and Interpretations had no material impact on the Group.

(b) Consolidation

The consolidated financial statements comprise the financial statements of African Petroleum Corporation Limited ("the Company") and its subsidiaries for the year ended 31 December 2018 (together the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(c) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

Operating segments have been identified based on the information available to chief operating decision makers – being the Board and the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

(d) Foreign currency translation

Functional and presentation currency
The Company has elected to use United States Dollars, being the functional currency of all major subsidiaries in the Group, as its presentation currency. Where the functional currencies of entities within the consolidated group differ from United States Dollars, they have been translated into United States Dollars. The functional currency of African Petroleum Corporation Limited is Australian Dollars.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date and any gains or losses are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in the foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Translation of Group Companies' functional currency to presentation currency
On consolidation, the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their income and expenditure are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(f) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(g) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. For each area of interest, expenditure incurred in the acquisition of rights to explore and all costs directly associated with holding the licence such as rental, training and corporate and social responsibility are capitalised as exploration and evaluation intangible assets. Signature bonuses required by licence agreements are capitalised as exploration and evaluation intangible assets. Other costs directly associated with the licence are expensed as incurred.

Exploration, evaluation and development expenditure is recorded at historical cost and allocated to cost pools on an area of interest. Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

i. it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
ii. exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the period in which the decision to abandon the area is made.

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

All capitalised costs are subject to commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of profit or loss and other comprehensive income.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties.

Proceeds from disposal or farm-out transactions of intangible exploration assets are used to reduce the carrying amount of the assets. When proceeds exceed the carrying amount, the difference is recognised as a gain. When the Group disposes of its full interests, gains or losses are recognised in accordance with the policy for recognising gains or losses on sale of plant, property and equipment.

(h) Revenue

Revenue from contracts with customers is recognised when control of the goods and services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Interest

Interest revenue is recognised on a time proportional basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to the net carrying amount of the financial asset.

(i) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the relevant national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(j) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits, which are not due to be settled within 12 months are determined using the projected unit credit method.

(k) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted.

(l) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. Any present obligations where the payment is deemed less than probable but not remote have been disclosed as a contingent liability.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the licences or production sharing contracts. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

(m) Share capital

Contributed equity is recognised at the fair value of the consideration received by the Group, less any capital raising costs in relation to the issue.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(n) Share-based payments

The fair value of shares awarded is measured at the share price on the date the shares are granted. For options awarded, the fair value is measured at grant date using the Black-Scholes model. Shares and options which are subject to vesting conditions, are recognised over the estimated vesting period during which the holder becomes unconditionally entitled to the shares or options.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

(o) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of any one entity and a financial liability or equity instrument of another entity.

i) Financial assets
Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

The Group has not designated any financial assets at fair value through profit or loss.

Financial assets at amortised cost (debt instruments)
The Group measures financial assets at amortised cost if both of the following conditions are met:
- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows

And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Impairment of financial assets
The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

ii) Financial liabilities
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowing, including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement
The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss include derivative financial liabilities, financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 9 are satisfied.

Loans and borrowings
After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

(p) Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Company with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Company recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Company with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Company's share of the net assets of the venture.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Directors evaluate estimates and judgements incorporated in the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future period.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Exploration and evaluation expenditure
Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions listed in Note 3(g) are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. These calculations and reviews require the use of assumptions and judgement. In the case of impairment during the exploration and evaluation phase, fair value less cost to sell is used as the recoverable amount to determine an impairment allowance for exploration and evaluation expenditure assets because the value in use of the assets is nil. The related carrying amounts are disclosed in Note 11.

The value of the Group's interest in exploration expenditure is dependent upon:

- the continuance of the Group's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Upon the farm out of equity of an exploration licence, judgement is required when assessing the recognition of any consideration received. If past exploration and evaluation costs are reimbursed as part of the farm out transaction, the consideration is pro-rated and matched against where the original exploration and evaluation costs have been recognised within the financial statements.

Where a licence has been relinquished Management will make an assessment as to whether any accrued exploration costs are likely to be paid or whether all commitments have been met. Where an outflow of resources is no longer deemed probable on exit but possible a contingent liability will be disclosed. During the year Management have made this assessment and derecognised a number of accrued liabilities and disclosed a contingent liability. See notes 12 and 20 for more information.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees, directors and consultants by reference to the fair value of equity instruments at the date at which they are granted. The fair value of shares awarded is measured using the share price on the date the shares are granted. The fair value of options is determined on grant date using the Black-Scholes model. The related assumptions are detailed in Note 16. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Inventory valuation
The inventory accounting policy requires that the valuation is based on the Net Realisable Value and due to the reduced operations in the industry combined with the specialist nature of some items, there is not a readily active market to provide some valuations. For these items the valuation is based on management's judgement.

5. INCOME TAX

		2018	2017
		US$	US$
(a)	The components of income tax expense comprise:		
	Under provision in prior year	**-**	-
	Current tax	**-**	-
(b)	The prima facie tax on loss from continuing activities before income tax is reconciled to the income tax as follows:		
	Prima facie tax benefit on loss from ordinary activities before income tax at 30% (31 December 2017: 30%)	**2,523,647**	10,505,866
	Foreign tax rate adjustment	**(704,248)**	(3,307,080)
		1,819,399	7,198,786
	Add/(less)		
	Tax effect of		
	- Tax effect of permanent differences	**(238,354)**	(4,322)
	- Unrecognised deferred tax asset attributable to tax losses and temporary differences	**(1,581,045)**	(7,194,464)
	Income tax expense / (benefit)	**-**	-

Deferred tax assets have not been brought to account in respect of tax losses and unrecognised capital allowances because as at 31 December 2018 it is uncertain when future taxable amounts will be available to utilise those temporary differences and losses. As at 31 December 2018, the carried forward gross tax loss is US$188 million (2017: US$601 million).

6. LOSS BEFORE INCOME TAX EXPENSE

	2018 US$	2017 US$
(a) REVENUE		
Interest income	**12**	9
Other revenue	**-**	228,683
	12	228,692
(b) EXPENSES		
Depreciation & amortisation	**4,539**	3,387
Lease rental costs	**261,315**	301,746
Loss on disposal of property, plant & equipment	**-**	-
	265,854	305,133
(c) EMPLOYEE REMUNERATION		
Employee benefits	**914,159**	1,159,903
Director's remuneration	**962,921**	1,495,060
Share based payments (refer to Note 16)	**778,377**	1,732,509
	2,655,457	4,387,472
(d) REMUNERATION OF AUDITORS		
Paid or payable to BDO		
Audit or review of financial reports		
BDO (WA) Pty Ltd	**28,000**	25,200
BDO related practices	**42,000**	112,800
	70,000	138,000
Other non-assurance services		
BDO related practices	**39,417**	15,340
	109,417	153,340
Paid or payable to other audit firms		
Audit or review of financial reports	**-**	18,210
Other non-assurance services	**20,382**	7,019
	20,382	25,229

7. CASH AND CASH EQUIVALENTS

	2018 US$	2017 US$
Cash at bank and on hand	**6,286,407**	13,186,482

Reconciliation of net loss to net cash flows from operating activities

		2018	2017
Loss from ordinary activities		**(8,412,162)**	(35,019,552)
Adjusted for non-cash items:			
Impairment of exploration and evaluation expenditure		**1,704,155**	19,012,665
Depreciation and loss on disposal of property, plant and equipment		**4,539**	3,387
Share based payments		**830,168**	1,905,038
Net foreign exchange differences		**(38,543)**	(4,883)
Gain on disposal of plant property & equipment	**10**	**-**	(30,879)
Fair value movement in financial liability		**-**	(75,218)
Changes in net assets and liabilities, net of effects from acquisition of business combination:			
Decrease in trade and other receivables		**(11,099)**	80,038
Decrease in trade and other payables	**12**	**(627,288)**	(7,902,590)
Net cash used in operating activities		**(6,550,230)**	(22,031,994)

8. TRADE AND OTHER RECEIVABLES

	2018 US$	2017 US$
CURRENT		
Trade receivables	**6,142**	**6,142**
Other receivables	**113,773**	**107,702**
	119,915	**113,844**
Loan receivable from Key Management Personnel [(a)]	**1,501,354**	**1,590,587**
Share-based payment liability	**(1,501,354)**	**(1,590,587)**
	-	**-**
Total trade and other receivables	**119,915**	**113,844**

(a) During 2012 and 2013, US$1,037,994 (£645,359) was loaned to former CEO Karl Thompson and US$630,497 (£390,321) was loaned to Jens Pace to cover tax payable on performance shares awarded to Mr Thompson and Mr Pace. The loans can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within 5 years or from the sale of any shares prior to this time. On 4th April 2018, the board agreed to extend the repayment date by a further 3 years. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loans are discharged and the proceeds are to be applied to discharge the loans. During the period, no interest was charged, so no further impairment was necessary. In previous years, interest was charged on the loans at 4%. The loan agreements were approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loans, the Company will waive the remaining balance of the loans. At 31 December 2018, the performance shares awarded to Mr Thompson have a market value of US$7,987 and the total limited recourse feature of the loan of US$935,878 (2017: US$991,502) has been recognised as a share-based payment liability. At 31 December 2018 the performance shares awarded to Mr Pace have a market value of US$2,227 and the total limited recourse feature of the loan of US$565,476 (2017: US$599,085) has been recognised as a share-based payment liability. During the year, the movement in the limited recourse feature of the loans is due to foreign exchange differences.

For terms and conditions relating to related party receivables, refer to Note 17.

As at 31 December, the ageing analysis of trade receivables is as follows:

		Past due but not impaired				Past due and impaired
	Total US$	**< 30 days**	**30-60 days**	**61-90 days**	**> 90 days**	**Specific**
2018	**6,142**	**-**	**-**	**-**	**6,142**	**-**
2017	6,142	5,000	-	-	1,142	-

See Note 18 on credit risk, which describes how the Company manages and measures the credit quality of its receivables that are neither past due nor impaired.

Other receivables are neither past due or impaired.

9. RESTRICTED CASH

	2018 US$	2017 US$
CURRENT		
Restricted cash	**902,937**	902,937

Restricted cash balances represent cash backed security provided in relation to the Company's obligations required under the exploration licences. The cash will be utilised for training and resources by mutual agreement with the relevant country's government authorities.

10. PROPERTY, PLANT AND EQUIPMENT

	2018 US$	2017 US$
Plant and Equipment		
Cost at beginning of the year	**1,230,544**	1,498,383
Additions at cost	**7,896**	3,026
Disposals	**(762)**	(270,865)
Cost at end of the year	**1,237,678**	1,230,544
Accumulated depreciation at beginning of the year	**(1,226,801)**	(1,494,279)
Depreciation expense	**(4,539)**	(3,387)
Depreciation on disposals	**762**	270,865
Accumulated depreciation at end of the year	**(1,230,578)**	(1,226,801)
Net book value at beginning of the year	**3,743**	4,104
Net book value at end of the year	**7,100**	3,743

11. EXPLORATION AND EVALUATION EXPENDITURE

i. Carrying Value

	2018 US$	2017 US$
Opening balance	**9,107,859**	27,582,689
Exploration expenditure incurred	**303,394**	537,835
Impairment of exploration and evaluation expenditure[1,2,3,4]	**(9,411,253)**	(19,012,665)
	-	9,107,859

[1] An impairment loss of US9,411,253] (2017: Nil) was recognised in respect of exploration and evaluation expenditure in Sierra Leone. This impairment loss amount was determined after consideration of several factors including ongoing discussions with potential partners, current tenure and future exploration commitments. The carrying value of exploration and evaluation of the affected area of interest was written-off to nil in the absence of future expected benefits.

[2] An impairment loss of Nil (2017: US$8,550,000) was recognised in respect of exploration and evaluation expenditure in Cote d'Ivoire. This impairment loss amount was determined after consideration of several factors including ongoing discussions with potential partners, current tenure and future exploration commitments. The carrying value of exploration and evaluation of the affected area of interest was written-off to nil in the absence of future expected benefits.

[3] An impairment loss of Nil (2017: US$10,462,665) was recognised in respect of exploration and evaluation expenditure in Senegal and The Gambia. This impairment loss amount was determined after consideration of several factors including ongoing discussions with potential partners, current tenure and future exploration commitments. The carrying value of exploration and evaluation of the affected area of interest was written-off to nil in the absence of future expected benefits.

[4] Within the statement of comprehensive income, the impairment of evaluation and evaluation expense presents the loss recognised for the Sierra Leone assets net with the US$7,707,097 exploration licence commitments released from other payables as detailed in Note 12.

ii. Licence overview and risk

The Group's exploration and evaluation assets relate to the following licences:

Country	Licence	Carrying value as at 31 December 2018 /USD 000 000	Operator	Working Interest	Grant Date	End Current Phase	Area km[2]	Outstanding commitments in current phase
Senegal	Rufisque Offshore Profond	-	African Petroleum Senegal Limited	90%[4]	Oct 2011	Oct 2015[5]	10,357	One exploration well
Senegal	Senegal Offshore Sud Profond	-	African Petroleum Senegal Limited	90%[4]	Oct 2011	Dec 2017[6]	5,439	Further geoscience and one contingent exploration well
The Gambia	A1	-	African Petroleum Gambia Limited	100%[7]	Sep-2006	Sep 2016[8]	1,296	One exploration well to be drilled on either A1 or A4
The Gambia	A4	-	African Petroleum Gambia Limited	100%[7]	Sep-2006	Sep 2016[8]	1,376	See above

[4] Société des Pétroles du Sénégal has an option to increase its 10% interest to 20% following exploitation authorisation.
[5] The current phase of the ROP licence ended in October 2015; however, the Company has lodged a request for an extension with the Government of Senegal and under the terms of the licence, the block remains active until a termination procedure is enacted by the Republic of Senegal. To date, the Republic of Senegal has not validly enacted such termination procedure.
[6] The current phase of the SOSP licence ended in December 2017; however, the Company lodged an application to enter the second renewal phase of the contract, and also requested to exchange the outstanding well commitment in the current phase for a 3D seismic acquisition programme and transfer this revised outstanding commitment to the second renewal phase.
[7] The Gambia National Oil Company has an option to acquire a 10% participating interest in the Licence from the development stage.
[8] The current phase of the A1 and A4 licences required the Company to drill an exploration well on either of the licences no later than 1 September 2016. The status of these licences is currently in arbitration managed by the International Centre for the Settlement of Investment Disputes ("ICSID").

Accounting estimates and judgements are continually evaluated and are based on other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions that have a significant risk of causing a material adjustment within the next financial year.

The most significant risk currently facing the Group in relation to the carrying value of exploration and evaluation expenditure is that it does not receive approval for its licence extensions and renegotiations for its Gambian and Senegalese projects.

Senegal

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Senegal Licences and estimates the net unrisked mean prospective oil resources at 1,779MMStb.

The Gambia

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Gambian Licences and estimates the net unrisked mean prospective oil resources at 3,079MMStb.

12. TRADE AND OTHER PAYABLES

	2018 US$	2017 US$
Trade payables[1]	**1,837,755**	3,495,837
Accruals	**786,433**	6,516,796
Other payables[2,3]	**1,215,336**	3,276,038
	3,839,524	13,288,671

[1] Trade payables includes US$1,008,147 (2017: US$1,008,147) for licence obligations that are in arbitration as at the date of this report; and are unlikely to be settled until the arbitration is resolved.

[2] Other payables includes US$902,937 (2017: US$902,937 for licence obligations that are in arbitration as at the date of this report; and are unlikely to be settled until the arbitration is resolved, cash classified as restricted cash will be utilised to settle this liability, Note 9.

[3] In 2017, other payables included US$7,707,097 for potential licence commitments on licences that are no longer held by the Company. Although previously recognised within the financial statements due to contractual terms of the agreements prior to their expiry, Management now do not expect a material cash outflow is probable to extinguish these liabilities on a commercial basis. Though as still possible it is disclosed as a contingent liability (Note 20).

13. ISSUED CAPITAL

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid-up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Reconciliation of movement in shares on issue

	2018	2017
	Number of fully paid ordinary shares	
Balance at beginning of the year	**155,466,446**	106,685,114
Issue of shares pursuant to a capital raising	-	43,920,000
Issue of shares to staff and directors	-	4,423,765
Exercise of share options	-	437,567
Balance at end of the year	**155,466,446**	155,466,446

Reconciliation of movements in issued capital

	2018 US$	2017 US$
Balance at beginning of the year	**642,740,272**	611,455,218
Issue of shares pursuant to a capital raising[1,2]	-	33,111,648
Capital raising costs [1,2,3]	-	(2,550,606)
Issue of shares to staff and directors	-	532,776
Exercise of share options	-	191,238
Share capital at end of the year	**642,740,272**	642,740,272

[1] During January 2017, the Company issued 10,670,000 shares at NOK 2.50 each, raising NOK 26,675,000 (US$3,195,988). Costs associated with the capital raising were US$168,612.

[2] During May 2017, the Company issued 33,250,000 shares at NOK 7.75 each, raising NOK 257,687,500 (US$29,915,660). Costs associated with the capital raising were US$2,381,994.

[3] The 2017 comparative figure has been restated, to reflect additional costs of US$698,000 that were settled by the issue of 776,070 options at NOK 7.75 each, this adjustment was not considered material and only affected equity.

Capital Management

Management controls the capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern. Capital is defined as issued share capital.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior reporting period.

Management monitors capital requirements through cash flow forecasting. Management may seek further capital if required through the issue of capital or changes in the capital structure. The Group has no externally imposed capital requirements.

14. RESERVES

Nature and purpose of reserves

Share-based payment reserve
The share based payments reserve records options and share awards recognised as expenses, issued to employees, directors and consultants. Refer to Note 16 for further details. The 2017 comparative figure has been restated, to reflect additional capital raising costs of US$698,000 that were settled by the issue of 776,070 options at NOK 7.75 each, this adjustment was not considered material and only affected equity.

Foreign currency translation reserve
The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency.

Accumulated losses
All other net gains and losses and transactions with owners not recognised elsewhere.

15. NON-CONTROLLING INTEREST

	2018 US$	2017 US$
Non-controlling interests at the beginning of the year	**(3,445,687)**	(3,046,199)
Loss attributable to non-controlling interests	**(68,175)**	(399,488)
Non-controlling interests at the end of the year	**(3,513,862)**	(3,445,687)

Summarised financial information in respect of the subsidiary, African Petroleum Senegal Ltd, that has a 10% non-controlling interest is provided below. The summarised financial information below represents amounts before inter-company eliminations.

	2018 US$	2017 US$
Current assets	**-**	-
Non-current assets	**562,567**	531,576
Current liabilities	**(46,731,684)**	(46,018,943)
Equity attributable to owners of the Company	**(42,655,255)**	(42,041,680)
Non-controlling interests	**(3,513,862)**	(3,445,687)

	2018 US$	2017 US$
Administration expenses	**(197,862)**	(200,721)
Exploration and evaluation expenditure	**(483,890)**	(356,883)
Impairment of exploration and evaluation expenditure	**-**	(3,437,274)
Loss for the year from continuing operations	**(681,752)**	(3,994,878)
Loss attributable to non-controlling interests	**(68,175)**	(399,488)

16. SHARE BASED PAYMENTS

	2018 US$	2017 US$
Share based payment charge for the year [1]	**830,168**	2,532,624

[3] The 2017 comparative figure has been restated, to reflect additional charges of US$698,000 from the issue of 776,070 options at NOK 7.75 each, this adjustment was not considered material and only affected equity.

The following reconciles the outstanding share options granted, exercised and forfeited during the year:

	Number of Options	**Weighted Average Exercise Price A$ / NOK**	**2018 Weighted Average Exercise Price Equivalent USD[2]**	Number of Options[1]	Weighted Average Exercise Price A$ / NOK	2017 Weighted Average Exercise Price Equivalent USD[2]
Balance at beginning of the period	**14,433,200**			8,059,578		
Granted during the year (NOK)	**6,050,000**	**NOK 1.59**	**US$ 0.18**	7,279,470	NOK 7.27	US$ 0.84
Exercised during the year (NOK)	**-**			(426,667)	NOK 3.64	US$ 0.42
Lapsed during the year (A$)	**(270,562)**	**A$ 4.95**	**US$ 3.49**	(479,181)	A$ 13.65	US$ 9.63
Lapsed during the year (NOK)	**(1,002,000)**	**NOK 2.39**	**US$ 0.28**	-		
Forfeited during the year (NOK)	**(100,000)**	**NOK 1.60**	**US$ 0.18**	-		
Balance at end of the year (A$)	**204,168**	**A$ 2.56**	**US$ 1.81**	474,730	A$ 3.92	US$ 2.77
Balance at end of the year (NOK)	**18,906,470**	**NOK 3.96**	**US$ 0.46**	13,958,470	NOK 4.86	US$ 0.56
Total balance at end of the year	**19,110,638**			14,433,200		
Exercisable at end of the year (A$)	**204,168**	**A$ 2.56**	**US$ 1.81**	474,730	A$ 3.92	US$ 2.77
Exercisable at end of the year (NOK)	**16,106,470**	**NOK 4.37**	**US$ 0.50**	13,958,470	NOK 4.86	US$ 0.56
Exercisable at end of the year	**16,310,638**			14,433,200		

[1] The 2017 comparative figure has been restated, to reflect the additional issue of 776,070 options at NOK 7.75 each, this adjustment was not considered material and only affected equity.
[2] The US$ equivalent weighted average exercise price as at 31 December 2018

The share options outstanding at the end of the period had a weighted average remaining contractual life of 1,613 days (2017: 2,020 days).

Options awarded in the current year
During the current year, 6,050,000 unlisted options were issued to staff, directors and consultants of the Company. 5,950,000 unlisted options were subject to vesting conditions dependent on continued employment with the Company for an additional year from the grant date. As at 31 December 2018, 3,150,000 of the unlisted options awarded during the year had vested.

Grant date	**Expiry Date**	**Number of options**	**Expected life of Options (years)**	**Risk Free Rate (%)**	**Volatility (%)**	**Dividend Yield (%)**	**Exercise Price NOK**	**Exercise Price Equivalent US$**	**Fair Value at Grant Date NOK**	**Fair Value at Grant Date US$**
22 Jan 2018	02 Jan 2023	50,000	5	2.62	125	-	0.90	0.10	0.90	0.10
21 May 2018	31 May 2023	6,000,000	5	2.89	125	-	1.60	0.18	1.60	0.18

The Company has used the Black-Scholes methodology for measuring the option pricing.

A total of US$830,168 was recognised for options awarded to staff, directors and consultants of the Company, of this amount US$778,377 has been recognised within the line item “Employee remuneration” within the Statement of Comprehensive Income. US$51,791 has been recognised within the line item “Consulting expenses” within the Statement of Comprehensive Income.

The value of options capitalised during the period was nil (2017: US$698,000).

The options issued to directors, employees and consultants in the prior year are in recognition of services provided and to be provided in the future. Holders of options do not have any voting or dividend rights in relation to the options.

Options forfeited and lapsed during the current year
During the year, 1,373,562 unlisted options lapsed without being exercised:
1,102,000 with various exercise prices between NOK 1.60 and NOK 4.00
270,562 with various exercise prices of between A$ 3.00 and A$ 37.50

17. RELATED PARTY INFORMATION

Corporate Structure
The legal corporate structure of the Group is set out below:

Name	Country of incorporation	% Equity interest 2018	2017
Parent entity: African Petroleum Corporation Limited	Australia		
African Petroleum Corporation Ltd	Cayman Islands	**100%**	100%
African Petroleum Corporation Ltd	United Kingdom	**100%**	100%
African Petroleum Corporation (Services) Ltd	United Kingdom	**100%**	100%
African Petroleum Cote d'Ivoire Ltd	Cayman Islands	**100%**	100%
African Petroleum Cote d'Ivoire SAU	Cote d'Ivoire	**100%**	100%
African Petroleum Drilling Services Ltd	Cayman Islands	**100%**	-
African Petroleum Gambia Ltd	Cayman Islands	**100%**	100%
African Petroleum Limited [1]	United Kingdom	**-**	100%
African Petroleum Senegal SAU	Senegal	**100%**	100%
African Petroleum Senegal Ltd	Cayman Islands	**90%**	90%
African Petroleum (SL) Ltd	Sierra Leone	**99.99%**	99.99%
African Petroleum Sierra Leone Ltd	Cayman Islands	**100%**	100%
APCL Gambia B.V.	Netherlands	**100%**	100%
European Hydrocarbons (SL) Ltd	Cayman Islands	**100%**	-
European Hydrocarbon (SL) Ltd	Sierra Leone	**99.99%**	99.99%
European Hydrocarbons Ltd	Cayman Islands	**100%**	100%
European Hydrocarbons Ltd	United Kingdom	**100%**	100%
Regal Liberia Limited	United Kingdom	**100%**	100%

[1] *During the year subsidiary struck off and dissolved*

(a) Key management personnel

Key management personnel include the Board of Directors as detailed in the Directors' Report, the Company Secretary and the following other key personnel:
Mr Michael Barrett Exploration Director
Mr Christopher Butler Group Financial Controller

Remuneration of key management personnel

2018	Short Term Benefits			Post Employment Benefits[1]	Share-based payments[3]		Total
	Salary and fees	Salary to purchase shares	Other cash benefits[2]		Shares	Options	
	US$	US$	US$	US$	US$	US$	US$
Directors							
D King	12,000	-	-	-	-	84,670	96,670
B Moe	12,000	-	-	-	-	28,037	40,037
J Pace	509,208	-	14,141	-	-	204,535	727,884
T Turner	8,962	-	-	-	-	33,868	42,830
S West	361,087	-	6,015	36,109	-	204,535	607,746
A Wilson	3,400	-	-	-	-	-	3,400
Subtotal	**906,657**	**-**	**20,156**	**36,109**	**-**	**555,645**	**1,518,567**
Key Management							
M Barrett	400,092	-	2,241	-	-	136,356	538,689
C Butler	153,796	-	5,646	15,380	-	54,542	229,364
A Hicks	17,722	-	-	-	-	-	17,722
Subtotal	**571,610**	**-**	**7,887**	**15,380**	**-**	**190,898**	**785,775**
Total	**1,478,267**	**-**	**28,043**	**51,489**	**-**	**746,543**	**2,304,342**

Notes
1. *Post-employment benefits consist of superannuation and pension contributions made by the Group.*
2. *Other cash benefits relate to health insurance benefits.*
3. *Share-based payments represent the value of options and performance shares that have been recognised during the current year.*

2017	Short Term Benefits			Post Employment Benefits[1]	Share-based payments[4]		Total
	Salary and fees	Salary to purchase shares[2]	Other cash benefits[3]		Shares	Options	
	US$	US$	US$	US$	US$	US$	US$
Directors							
D King	9,134	-	-	-	-	131,564	140,698
B Moe	11,081	-	-	-	-	57,144	68,225
J Pace	476,513	342,212	4,819	-	-	410,526	1,234,070
T Turner	9,207	-	-	-	-	52,625	61,832
S West	338,156	260,817	1,281	29,839	-	410,526	1,040,619
A Wilson	12,000	-	-	-	-	55,792	67,792
Subtotal	**856,091**	**603,029**	**6,100**	**29,839**	**-**	**1,118,177**	**2,613,236**
Key Management							
M Barrett	374,117	268,870	3,784	-	-	270,083	916,854
C Butler	156,660	53,958	1,609	13,875	-	80,329	306,431
A Hicks	19,959	-	-	-	-	39,469	59,428
I Philliskirk[5]	-	61,034	-	-	-	21,831	82,865
Subtotal	**550,736**	**383,862**	**5,393**	**13,875**	**-**	**411,712**	**1,365,578**
Total	**1,406,827**	**986,891**	**11,493**	**43,714**	**-**	**1,529,889**	**3,978,814**

Notes

1. *Post-employment benefits consist of superannuation and pension contributions made by the Group.*
2. *Contractual salary that had been withheld from UK staff during the period from December 2015 to April 2017 was finally paid in December 2017. The net amount due to staff was used to purchase shares in the Company at the closing rate of the prior day. The associated payroll taxes were settled in cash post year end.*
3. *Other cash benefits relate to health insurance benefits.*
4. *Share-based payments represent the value of options and performance shares that have been recognised during the current year.*
5. *Mr Philliskirk resigned on 7 September 2016.*

Option Holdings by Directors and other Key Management Personnel

	Balance 1 January 2018	Options acquired	Awarded as remuneration	Options exercised	Net change other	Balance 31 December 2018	Exercisable	Not Exercisable
Directors								
D King	500,000	-	500,000	-	-	1,000,000	1,000,000	-
B Moe	450,000	-	200,000	-	-	650,000	550,000	100,000
J Pace	3,125,000	-	1,500,000	-	(75,000)	4,550,000	3,800,000	750,000
T Turner	200,000	-	200,000	-	-	400,000	400,000	-
S West	3,128,338	-	1,500,000	-	(58,338)	4,570,000	3,820,000	750,000
A Wilson	450,000	-	-	-	(450,000)	-	-	-
Key management personnel								
M Barrett	1,998,331	-	1,000,000	-	(58,331)	2,940,000	2,440,000	500,000
C Butler	440,000	-	400,000	-	(20,000)	820,000	620,000	200,000
A Hicks	150,000	-	-	-	-	150,000	150,000	-
	10,441,669	**-**	**5,300,000**	**-**	**(661,669)**	**15,080,000**	**12,780,000**	**2,300,000**

Share Holdings by Directors and other Key Management Personnel

	Balance 1 January 2018	Shares purchased	Granted as remuneration	On exercise of options	Net change other	Balance 31 December 2018
Directors						
D King	30,000	-	-	-	-	30,000
B Moe	10,000	-	-	-	-	10,000
J Pace	1,498,938	-	-	-	-	1,498,938
T Turner	4,167	-	-	-	-	4,167
S West	1,377,554	-	-	-	-	1,377,554
A Wilson	10,000	-	-	-	(10,000)	-
Key management personnel						
M Barrett	1,151,667	-	-	-	-	1,151,667
C Butler	234,296	-	-	-	-	234,296
A Hicks	-	-	-	-	-	-
	4,316,622	**-**	**-**	**-**	**(10,000)**	**4,306,622**

(b) Transactions and period end balances with related parties:

	2018 US$	2017 US$
Loan receivable from Key Management Personnel	**1,501,354**	1,590,587
Impairment allowance	**(1,501,354)**	(1,590,587)
Total receivables from related parties (Note 8)	**-**	-

Unless otherwise stated, all of the outstanding balances are unsecured, interest free with no specific repayment terms.

(i) During 2012 and 2013, US$1,037,994 (£645,359) was loaned to former CEO Karl Thompson and US$630,497 (£390,321) was loaned to Jens Pace to cover tax payable on performance shares awarded to Mr Thompson and Mr Pace. The loans can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid from the sale of any shares. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loans are discharged and the proceeds are to be applied to discharge the loans. During the period, no interest was recognised on the basis that it was not probable that the amounts would be received, therefore could not be recognised under revenue policy, so no further impairment was necessary. In previous years, interest was charged on the loans at 4%. The loan agreements were approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loans, the Company will waive the remaining balance of the loans. At 31 December 2018, the performance shares awarded to Mr Thompson have a market value of US$7,987 and the total limited recourse feature of the loan of US$935,878 (2017: US$991,502) has been recognised as a share-based payment liability. At 31 December 2018, the performance shares awarded to Mr Pace have a market value of US$2,227 and the total limited recourse feature of the loan of US$565,476 (2017: US$599,085) has been recognised as a share-based payment liability. During the year, the movement in the limited recourse feature of the loans is due to foreign exchange differences.

(ii) As at 31 December, the following amounts were payable to directors of the Company or their nominees:

	2018 US$	2017 US$
Dr King	**3,000**	6,000
Mr Moe	**18,000**	6,000
Mr Pace	**10,476**	12,522
Mr Turner	**776**	859
Mr West	**-**	-
Mr Wilson	**-**	1,000

18. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2018 US$	2017 US$
Financial assets		
Cash and cash equivalents	**6,286,407**	13,186,482
Trade and other receivables	**119,915**	113,844
Restricted cash	**-**	902,937
	6,406,322	14,203,263
Financial liabilities		
Trade and other payables	**3,839,524**	13,288,671

Financial risk management policies

The Company's principal financial instruments comprise receivables, payables and cash and derivatives for financial liabilities.

Risk exposure and responses

The Company manages its exposure to key financial risks, including currency risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security. The Company does not use any form of derivatives to hedge its financial risks. Exposure limits are reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

Treasury risk management

The Board analyses financial risk exposure and evaluates treasury strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Financial risk exposure and management

The main risks the Company is exposed to through its financial instruments, foreign currency risk, equity risk, liquidity risk and credit risk.

Foreign currency risk

The Group does not have a material exposure to changes in foreign exchange rates.

Equity price risk

The Group does not have a material exposure to market price risk arising from uncertainties about the future value of the Group's share price.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

Trade and other payables	0 – 3 months US$	3 – 6 months US$	6 – 12 months US$	1 – 5 years US$	> 5 years US$	Total US$
2018	**3,839,524**	**-**	**-**	**-**	**-**	**3,839,524**
2017	13,288,671	-	-	-	-	13,288,671

To satisfy the commitments and contingencies as detailed in Note 2 and Note 20, the Group will need significant funding to meet its explorations and drilling obligations. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of the Group's various licences when economically recoverable reserves are confirmed. Further details of the Group's liquidity strategies to meet its liquidity requirements are included in Note 2 Going Concern.

Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Company has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company does not have any significant credit risk exposure to any single counter-party.

(i) Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating. As at 31 December 2018, US$6,252,502 is held by by a UK bank with a S&P short term credit rating of A-2.

(ii) Trade and other receivables

Trade and other receivables as at the reporting date mainly comprise GST and short term loans to be refunded to the Company. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. All trade and other receivables as disclosed in Note 8 are not rated by any rating agencies.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

19. SEGMENT INFORMATION

For management purposes, the Group is organised into one main operating segment, which involves exploration for hydrocarbons. All of the Group's activities are interrelated, and discrete financial information is reported to Chief Operating Decision Maker as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Group only has one operating segment being exploration for hydrocarbons.

The analysis of the location of non-current assets is as follows:

	2018 US$	2017 US$
Gambia	**-**	-
Senegal	**2,385**	-
Sierra Leone	**-**	9,107,859
United Kingdom	**4,715**	1,010,651
	7,100	10,118,510

20. COMMITMENTS AND CONTINGENCIES

Commitments

Exploration commitments
The Company has entered into obligations in respect of its exploration projects. Outlined below are the minimum expenditures required as at 31 December are as follows:

	2018 US$	2017 US$
Within one year [1]	**40,000,000**	41,583,021

[1] The commitment in Senegal includes US$40m for an exploration well in each licence, however this assumes that the Company is successful in retaining the legal title for these licences and that the Company then drills these wells with 90% equity.

Office rental commitments
The Company has entered into obligations in respect of office premises. Commitments for the payment of office rental in existence at the reporting date but not recognised as liabilities are as follows:

	2018 US$	2017 US$
Within 1 year	**44,655**	15,820

Contingencies

Withholding Tax
There is a remote risk that the Company may have been required to withhold payment on certain services provided by subcontractors in respect of exploration operation undertaken in previous years. The withheld amounts may have been due to the tax authorities and credited against the subcontractors own income tax liability. Considering the passage of time and the former operations being carried out by a now dormant subsidiary company, the Company has reassessed the possible exposure to the Company as remote and no longer a contingent liability as disclosed in previous years.

Relinquished licence commitments
There is uncertainty on whether some elements of the obligations under the licences that are no longer held by the Company have been extinguished when the licences were relinquished in prior years. The company is however of the view that they no longer believe there is any present obligation with resepct to these liabilities and have therefore reversed these in the financial statements. Management expect to resolve this uncertainty, either by obtaining a legal assessment that all obligations have been settled or through restructuring the group. The maximum exposure for these liabilities is equivalent to the other payable that had been recognised in previous years (Note 12).

21. LOSS PER SHARE

	31 December 2018 US$	31 December 2017 US$
Loss attributable to ordinary shareholders		
Loss from continuing operations attributable to the ordinary equity holders used in calculating basic loss per share	**(8,343,987)**	(34,620,064)
Loss attributable to the ordinary equity holders used in calculating basic loss per share	**(8,343,987)**	(34,620,064)
	Number of shares	
Weighted average number of ordinary shares outstanding during the period used in the calculation of basic and diluted loss per share	**155,466,536**	139,248,783

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted loss per share only to the extent to which they are dilutive. There are 19,110,638 options as at 31 December 2018 (2017: 14,433,200 options). These options have not been included in the determination of basic loss per share because they are considered to be anti-dilutive.

22. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

	31 December 2018 US$	31 December 2017 US$
Statement of financial position		
Current assets	**41,639**	51,306
Non-current assets	**14,622,233**	15,140,000
Total assets	**14,663,872**	15,191,306
Current liabilities	**(246,470)**	(157,296)
Total liabilities	**(246,470)**	(157,296)
Net Assets	**14,417,402**	15,034,009
Shareholders' equity		
Issued capital	**1,039,121,375**	1,039,121,375
Reserves	**(6,191,772)**	(7,142,078)
Accumulated losses	**(1,018,512,201)**	(1,016,945,288)
	14,417,402	15,034,009
Net loss for the year	**(1,566,913)**	(42,118,971)
Total comprehensive loss	**(1,566,913)**	(42,118,971)

b) Guarantees entered into by the parent entity

As at 31 December 2018, the parent entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries (31 December 2017: nil).

23. STANDARDS ISSUED BUT NOT YET EFFECTIVE

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Company for the reporting period ended 31 December 2018 are set out below. The application of these Standards and Interpretations, once effective, will not have any impact on the Company other than disclosure.

Standard / amendment	Effective for annual reporting periods beginning on or after
AASB 16 Leases	1 January 2019
AASB 17 Insurance Contracts	1 January 2021
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128], AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022 (Editorial corrections in AASB 2017-5 apply from 1 January 2018)
AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation	1 January 2019
AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures	1 January 2019
AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle	1 January 2019
AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement	1 January 2019
AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements	1 January 2019
AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business	1 January 2020
AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material	1 January 2020
Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019

24. EVENTS SUBSEQUENT TO REPORTING DATE

On 19 March 2019, the Company announced the proposed combination with PetroNor E&P Ltd (“PetroNor”) for an all-share consideration of c. 816 million shares in African Petroleum (the “Transaction”). PetroNor is a privately owned, Africa focused E&P independent, that holds a 10.5% indirect interest in the PNGF Sud fields (“PNGF Sud”) and right to negotiate entry into a 14.7% indirect interest in an exploration license covering the PNGF Bis fields (“PNGF Bis”) (collectively the “Congo Assets”). The Transaction is subject to shareholder approval, and certain other customary conditions. African Petroleum will at completion of the Transaction change its name to PetroNor E&P Limited (the “Combined Company”).

On 29 March 2019, Notice was given that the General Meeting of Shareholders to approve the Transaction will be held on 24 April 2019. On 24 April 2019, the Company announced that all resolutions put forward at the General Meeting of the Company were passed on a show of hands.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of African Petroleum Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of African Petroleum Corporation Limited for the year ended 31 December 2018 are in accordance with the Corporations Act 2001*,* including:

(i) giving a true and fair view of its financial position as at 31 December 2018 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(iii) complying with International Financial Reporting Standards as disclosed in Note 2.

(b) subject to the achievement of matters disclosed in Note 2 (Going Concern), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2018.

Signed in accordance with a resolution of the Directors:

Jens Pace
Chief Executive Officer

Perth, 25 April 2019

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INDEPENDENT AUDITOR'S REPORT

To the members of African Petroleum Corporation Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of African Petroleum Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Exploration license liabilities

Key audit matter	*How the matter was addressed in our audit*
As described in note 12 and 20 of the financial report, the Group has relinquished a number of its exploration licenses. The Group had previously recognised accrued liabilities for potential estimated costs under the license agreements. Given the relinquishment of these licenses, management has reassessed the Groups obligations under these arrangement and accordingly have derecognized these labilities within the financial statements. Following the Group's reassessment above, a contingent liability has been disclosed in note 20 of the financial statements. Given the judgement involved, this is considered a key audit matter.	Our procedures included, but were not limited to the following: • Reading all correspondence in relation to the relinquishment of the license agreements and assessing management's assessment on the obligation and settlement of the accrued liabilities; • Reading board minutes to assess whether there is any evidence to suggest that the accrued costs are due and payable; • Reviewing legal costs and correspondence to assess whether there is evidence of any disputes arising on the relinquishment from the licenses; and • Assessing the adequacy of the related disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Groups annual report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

BDO

Phillip Murdoch

Director

Perth, 25 April 2019

ADDITIONAL INFORMATION – OSLO AXESS

In compliance with Oslo listing requirements and Section 3-3a of the Norwegian Accounting Act, the following information is provided in addition to the information set-out elsewhere in this Annual Report.

Nature of the business

The principal activity of the Company is oil and gas exploration and is outlined in the Directors Report on page 3.

Working environment

As an operator of offshore concessions, it is the duty of African Petroleum to provide a safe working environment and minimise any adverse impact on the environment. Health, safety, environment and security policies are embedded throughout all of the Company's core operations. In this regard, we strive for continuous improvement as lessons learned from past operations are incorporated into business practices going forward.

During the year ended 31 December 2018 there were no staff injuries or accidents reported, and no illnesses suffered by staff that required extended absences from the workplace.

Workplace equality

African Petroleum is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background. Where possible the Company fills employment positions with local skilled people. During 2018 all staff positions in our West African offices were held by local people.

Proportion of local West African employees:

	Actual	Objective
Organisation as a whole	50%	50%
Board	Nil	10%

African Petroleum's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. In accordance with this policy and Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity which it hopes to achieve over the next five years as positions become vacant and appropriately skilled candidates are available:

Proportion of women

	Actual	Objective
Organisation as a whole	20%	20%
Executive management team	Nil	20%
Board	Nil	20%

As at 27 March 2019, the Company had 3,407 shareholders. The table below shows the 20 largest shareholders in the Company, including those registered in the VPS, as at 27 March 2019.

#	Shareholder	Number of Shares	Per cent
1	Nordnet Bank AB	14,684,291	9.45%
2	Avanza Bank AB	8,059,252	5.18%
3	Nordnet Livsforsikring AS	6,937,727	4.46%
4	Telinet Energi AS	5,602,461	3.60%
5	Danske Bank A/S	3,470,945	2.23%
6	Gekko AS	2,791,789	1.80%
7	Nordea Bank Abp	2,311,235	1.49%
8	Citibank, N.A.	2,282,310	1.47%
9	UBS Switzerland AG	2,273,305	1.46%
10	Ole Andreas Baksaas	2,191,709	1.41%
11	Swedbank AB	2,114,424	1.36%
12	Six Sis AG	1,714,575	1.10%
13	Minh Hoang Pham	1,590,000	1.02%
14	Jens Pace	1,498,938	0.96%
15	Netfonds Livsforsikring AS	1,448,024	0.93%
16	Cresthaven Investments Pty Ltd	1,377,544	0.89%
17	Steinar Grønland	1,353,000	0.87%
18	Michael Barrett	1,151,667	0.74%
19	John Andreas Rognstad	1,150,000	0.74%
20	Clearstream Banking S.A.	1,095,904	0.70%
		65,099,100	
	Others	90,367,346	58.13%
	Total	**155,466,446**	**100.00%**

Impact on the external environment

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

Going concern assumption

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. Further details are provided in Note 2 to the audited financial statements.

Risk assessment

As an exploration company in the oil and gas industry, the Company operates in an inherently risky sector. Oil and gas prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectation of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns. These factors are beyond the control of the Company and may affect the marketability of oil and gas discovered. In addition, the Company is subject to a number of risk factors inherent in the oil and gas upstream industry, including operational and technical risks, reserve and resource estimates, risks of operating in a foreign country (including economic, political, social and environmental risks) and available resources. We recognise these risks and manage our operations in order to minimise our exposure to the extent practical.

Further details on the Company's financial risk management policies are set out in Note 18 to the audited financial statements.

Outlook

The expected results of the Company will vary significantly dependent on the completion of the Transaction with PetroNor (refer to Note 24 to the audited financial statements). Assuming the Transaction is completed, the portfolio will be considerably diversified, whilst simultaneously strengthening the combined company's position with regards to ongoing arbitration and farm-down processes. The combined company will benefit from a proven reserve base generating strong and predictable cash flow and material upside potential from the Congo assets, as well as considerable exploration upside from our existing portfolio.

Further details on the Company's outlook are described in the Directors Report of the annual report.

Rights and obligations of shareholders

In accordance with section 5-8a of the Securities Trading Act, the Company provides the following information:

a. the Company's share capital consists entirely of ordinary shares. Further details are set-out in Note 13 to the audited financial statements. Over 98.08% of the Company's ordinary shares are admitted for trading on the Oslo Axess (Norway);
b. there are no restrictions on the transfer of securities;
c. significant direct and indirect shareholdings are set-out on page 40 of the annual report;
d. no holders of any securities have special control rights;
e. the Company does not operate an employee share scheme;
f. there are no restrictions on voting rights;
g. there are no agreements between shareholders which are known to the Company and which may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC;
h. the Company's Constitution provides that the Board of Directors shall have no fewer than 3 directors and no more than 12 directors. The directors are elected by a general meeting of shareholders by ordinary resolution. Additionally, pursuant to Clause 13.4 of the Constitution, the Board of Directors may at any time appoint a person to be a Director, provided that the maximum number of Directors is not exceeded. Any such Director appointed will hold office until the next general meeting and will be eligible for re-election. At the Company's annual general meeting, one-third of the Directors for the time being, shall retire from office, provided always that no Director except a Managing Director shall hold office for a period in excess of three years without submitting himself for re-election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. A retiring Director is eligible for re-election. In the event of equal voting at a director's meeting, the chairman of the meeting shall have a second or casting vote providing there is more than two directors competent to vote on the question. As the Company is incorporated in Australia, the Australian Corporations Act requires the Company to have at least two directors that reside in Australia.
i. the Company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders;
j. pursuant to section 198A of the Australian Corporations Act, the business of a company is managed by or under the direction of the Board of Directors. Pursuant to Clause 2.2 of the Company's Constitution, the Board of Directors has the power to issue shares;
k. subject to the requirements in the Australian Corporations Act, the Company may purchase its own shares in accordance with the buy-back provisions of the Australian Corporations Act, on such terms and at such times as may be determined by the Directors from time to time and approved by the shareholders as required pursuant to the Australian Corporations Act. The Company is not entitled to hold its own shares, subject to exceptions set out in Section 259A of the Australian Corporations Act. Any shares repurchased by the Company will need to be cancelled;
l. there are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid;
m. there are no agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Corporate governance

The Board of Directors of African Petroleum is committed to administering its corporate governance policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with African Petroleum's needs. Given its Australian domicile and former NSX listing, the Company's corporate governance framework has been constructed in recognition of, and with regard to, the Australian Corporations Act; the ASX Corporate Governance Council's ("CGC") 'Principles of Good Corporate Governance and Best Practice Recommendations' (Recommendations) and CGC published guidelines; and an extensive range of varying legal, regulatory and governance requirements applicable to publicly listed companies in Australia. The Board of Directors supports the principles of effective corporate governance and is committed to adopting high standards of performance and accountability, commensurate with the size of the Company and its available resources. Accordingly, the Board of Directors has adopted corporate governance principles and practices designed to promote responsible management and conduct of the Company's business. The current corporate governance plan adopted by the Company is available on the Company's website at www.africanpetroleum.com.au. The Company is in compliance with the NSX Corporate Governance Principles.

The Companies policies and practice for corporate governance are further outlined in the Company's Corporate Governance Statement on page 10 of the annual report.

REPORTING – PAYMENTS TO GOVERNMENTS STATEMENT

This country-by-country report has been developed to comply with the legal requirements in the Norwegian Security Trading Act ("Verdipapirhandelloven") § 5-5a, valid from 2014. The detailed regulation can be found in the regulation "Forskrift om land-for-land rapportering". In 2018, the Company was engaged in extracting activities encompassed by the legislation above in the following countries: The Gambia, Senegal and Sierra Leone. This report discloses relevant payments to governments for extractive activities in the countries above, in addition to some contextual information as required by the regulation in the "Forskrift om land-for-land rapportering".

BASIS FOR PREPARATION

The report includes direct payments to governments from subsidiaries, joint operations and joint ventures. In some cases, however, certain payments to governments may be made by an operator on behalf of a partnership. This is often the case for area fees. In such cases, the Company will report their paying interest share of the payment made by the operator.

DEFINITIONS

Government - In the context of this report, a government means any national, regional or local authority of a country. It includes a department, agency or undertaking controlled by that authority.

Project - For this reporting a project is defined as an investment in a concession agreement.

Licence fees - Typically levied on the right to use a geographical area for exploration, development and production and include rental fees, area fees, entry fees, severance tax and concession fees and other considerations for licences and/or concessions. Administrative government fees that are not specifically related to the extractive sector, or to access extractive resources, are excluded.

Materiality - As per the "Forskrift om land-for-land rapportering" payments made as a single payment, or as a series of connected payments that equal or exceed Norwegian kroner (NOK) 800.000 during the year are disclosed.

Reporting currency - Payments to governments are converted from the functional currency of each legal entity into the presentation currency, United States Dollars (USD). The payments for entities whose functional currencies are other than USD are converted into USD at the foreign exchange rate at the average annual rate.

PAYMENTS TO GOVERNMENTS AND CONTEXTUAL INFORMATION

The consolidated overview below discloses the sum of the Company's payments to governments in each individual country where extractive activities are performed, per payment type and country/project. As the Group's projects at all at the exploratory stage, there are no taxes, royalties, dividends to currently report.

Payments per project	
Project	**Licence fees /USD**
A1 A4	Nil Nil
Total The Gambia	Nil
ROP SOSP	Nil Nil
Total Senegal	Nil
SL03 SL4A	125,000 294,075
Total Sierra Leone	419,075

Payments per government	
Government	**Licence fees /USD**
Government 1(Federal) Government 2 (Municipality) Government 3 (State owned company)	Nil Nil Nil
Total The Gambia	Nil
Government 1(Federal) Government 2 (Municipality) Government 3 (State owned company)	Nil Nil Nil
Total Senegal	Nil
Government 1(Federal) Government 2 (Municipality) Government 3 (State owned company)	419,075 Nil Nil
Total Sierra Leone	419,075

LEGAL ENTITIES BY COUNTRY

As per the "Forskrift om land-for-land rapportering" it's required that the Company report on certain contextual information at corporate level. This includes information on localization of subsidiary, employees per subsidiary and interests paid to other legal entities within the Group.

Legal corporate structure of the Group during 2018 is set out below:

Name	Country of incorporation	Ownership	Main country of operations	Employees[1]	Interest paid to a group entity
African Petroleum Corporation Ltd	Australia	n/a	United Kingdom	-	-
African Petroleum Corporation (Services) Ltd	United Kingdom	100%	United Kingdom	5	-
African Petroleum Drilling Services Ltd	Cayman Islands	100%	United Kingdom	-	-
African Petroleum Corporation Ltd	United Kingdom	100%	United Kingdom	-	-
African Petroleum Corporation Ltd	Cayman Islands	100%	United Kingdom	-	-
European Hydrocarbons Ltd	Cayman Islands	100%	United Kingdom	-	-
European Hydrocarbons (SL) Ltd	Cayman Islands	100%	United Kingdom	-	-
African Petroleum Liberia Ltd	Cayman Islands	100%	United Kingdom	-	-
Regal Liberia Limited	United Kingdom	100%	United Kingdom	-	-
Total employees in United Kingdom				**5**	**-**
African Petroleum Côte d'Ivoire Ltd	Cayman Islands	100%	Cote d'Ivoire	-	-
African Petroleum Côte d'Ivoire SAU	Cote d'Ivoire	100%	Cote d'Ivoire	-	-
Total employees in Cote d'Ivoire				**-**	**-**
African Petroleum Gambia Ltd	Cayman Islands	100%	The Gambia	2	-
APCL Gambia B.V.	Netherlands	100%	The Gambia	-	-
Total employees in The Gambia				**2**	**-**
African Petroleum Senegal Ltd	Cayman Islands	90%	Senegal	-	-
African Petroleum (Senegal) SAU	Senegal	100%	Senegal	2	-
Total employees in Senegal				**2**	**-**
African Petroleum Sierra Leone Ltd	Cayman Islands	100%	Sierra Leone	-	-
African Petroleum (SL) Ltd	Sierra Leone	99.99%	Sierra Leone	1	-
European Hydrocarbon (SL) Ltd	Sierra Leone	99.99%	Sierra Leone	-	-
European Hydrocarbons Ltd	United Kingdom	100%	Sierra Leone	-	-
Total employees in Sierra Leone				**1**	**-**

[1]Employees number is the average during the year

Responsibility statement

We confirm that:

a. to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the Group taken as a whole; and

b. that the Directors Report together with the Additional Information – Olso Axess includes a fair review of the development and performance of the business and the position of African Petroleum Corporation Limited and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and

c. to the best of our knowledge, the country-by-country report for 2018 has been prepared in accordance with the Norwegian Security Trading Act Section 5-5a."

David King, Chairman of the Board

Bjarne Moe, Director of the Board

Timothy Turner, Director of the Board

Jens Pace, CEO and Executive Director of the Board

Stephen West, CFO and Executive Director of the Board