

23 August 2010
NSX/ASX Announcement

African Petroleum enhances West African O&G portfolio with deal to farm-in to two off-shore Gambian blocks

Key points:

- **African Petroleum enters into agreement with Buried Hill Gambia BV to acquire (via farm-in) a 60% equity interest in two off-shore Gambian exploration licences,**
- **Based on reports from independent oil and gas consultants Senergy (GB) Limited, the directors believe blocks have significant exploration potential, with more than 20 prospects identified,**
- **African Petroleum will assume operatorship of blocks, which cover a combined total area of 2,668 km², and have agreed to pay 80% of the forward costs incurred on the two blocks from execution of the agreement to the end of the initial exploration period,**
- **Government of The Republic of the Gambia has approved the agreement and the extension of the initial exploration period by a further two years (until 31 December 2013).**

African Petroleum Corporation Limited (**NSX: AOQ, ASX: AFQ**) (“African Petroleum” or the “Company”), the West African focused oil and gas exploration company, is pleased to announce that its wholly owned subsidiary, African Petroleum Gambia Limited (“African Petroleum Gambia”), has entered into an agreement with Buried Hill Gambia BV (“Buried Hill”) to acquire, via farm-in, a 60% equity interest in Buried Hill’s two Gambian exploration licences, Alhamdulillah Licence Block A1 and Licence Block A4 (“Licence Blocks”) (“Agreement”).

Under the Agreement, African Petroleum Gambia will assume the operatorship of the Licence Blocks, which cover a combined total area of 2,668km² off-shore Gambia.

The Government of The Republic of the Gambia has approved the Agreement and the extension of the initial exploration period for each of the Licence Blocks by a further two years until 31 December 2013.

To earn the 60% legal and beneficial interest in the Licence Blocks, African Petroleum Gambia must:

- (a) pay 80% of the costs incurred on the Licence Blocks from execution of the Agreement to the end of the initial exploration period (31 December 2013), which shall include the cost of a 3D seismic acquisition programme over the Licence Blocks, the drilling of the first exploration well and all other operational and technical support costs;
- (b) assume responsibility for all of Buried Hill’s corporate licence guarantees, amounting to US\$8 million; and

- (c) pay Buried Hill's data fees payable to the Government of The Republic of the Gambia, amounting to US\$750,000.

In the event that the exploration period is mutually extended beyond 31 December 2013 on either of the Licence Blocks, African Petroleum Gambia must pay 60% of Buried Hill's past costs, which amount to approximately US\$22.9 million.

Senergy (GB) Limited ("Senergy"), an independent oil and gas consultant engaged by the Company, has reviewed the exploration potential of the Licence Blocks and based on its assessment, the directors believe that there is substantial exploration potential with more than 20 prospects identified on the Licence Blocks in five independent play settings, primarily in the lower cretaceous. Oil seep studies and basin modeling indicate that hydrocarbon generation has taken place.

The Alhamdulillah Structure is a four-way dip-closed structure with five stacked reservoir units. The structure covers an area of approximately 24km² over five mapped reservoirs with a gross thickness of 1,000m and a potential resource range of 560-1,000 million barrels ("MMbbls"). Other play types in the Licence Blocks include stratigraphically-trapped fans and slope channel complexes of Turonian-Campanian age, Upper Jurassic and lower Cretaceous karstified reef build-ups and four-way closures and eroded shelf clastics onlapping the shelf edge.

Senergy has indicated that, combined, these provide a total unrisksed, mean recoverable potential for both Licence Blocks in excess of 4,600 MMbbls.

Commenting on the Agreement, Tony Sage, African Petroleum's Chairman said, "This Agreement gives our Company an exciting opportunity to participate in Gambia's offshore potential. This is the first of what we believe will be a number of acquisitions by African Petroleum within the West Africa region, which should place us as the leading exploration company in the area."

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About African Petroleum

African Petroleum Corporation Limited ("African Petroleum" or the "Company") is an oil and gas exploration company.

The Company is currently listed on the Australian Securities Exchange (“ASX”) (ASX: **AFQ**) and the National Stock Exchange of Australia (“NSX”) (NSX: **AOQ**). The Company’s shares are currently only quoted on the NSX.

The Company is focused on the exploration of Blocks 8 and 9 located offshore Liberia, West Africa (“Liberian Blocks”). The Liberian Blocks are prospective oil and gas exploration blocks covering an area of approximately 7,200km². African Petroleum’s subsidiary company, European Hydrocarbons Limited, has exclusive exploration rights to Blocks 8 and 9 until 2016.

The Company intends to review major new oil provinces for potential discoveries. The entry into the farm-in agreement to acquire a 60% equity interest in two off-shore Gambian exploration licences is the first step towards expanding the Company’s exploration acreage and positioning the Company as the leading oil and gas exploration company in the West Africa region.

Website: www.africanpetroleum.com.au