



**African
Petroleum**
CORP LTD

Interim Financial Report for the Third Quarter
2014



Contents

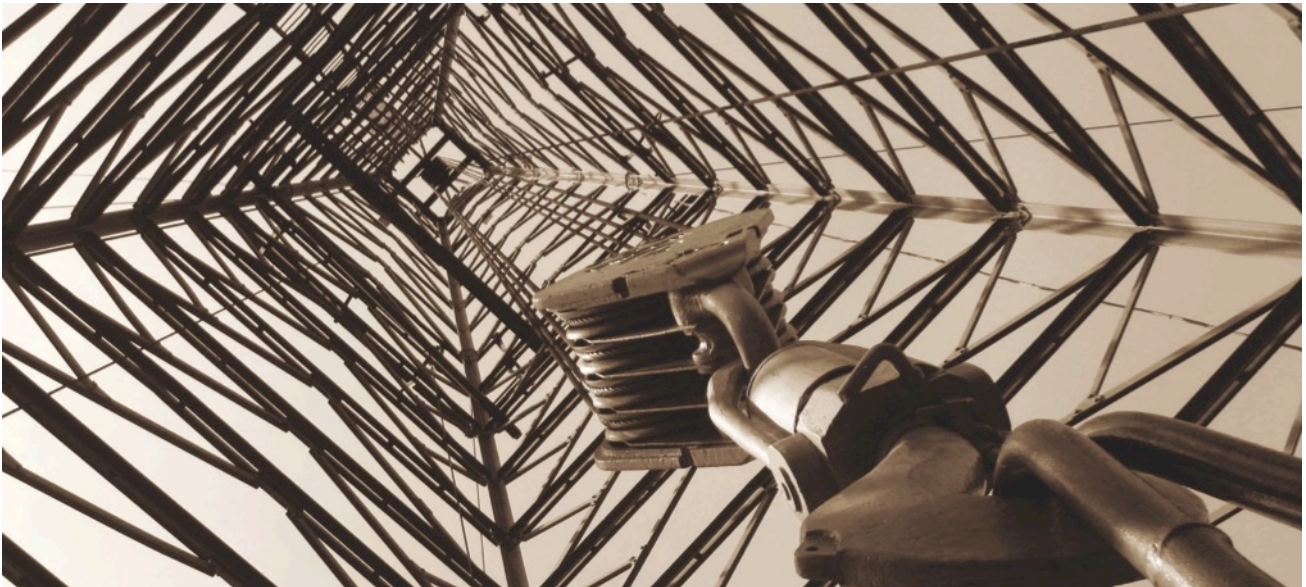
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Three significant discoveries announced in acreage adjacent to African Petroleum Corporation, two of which have stated >1bn bbls of oil in place



Company Highlights

- Three significant discoveries in adjacent acreage in 2014: Saphir-1XB (Total operated) in Côte d'Ivoire, and SNE-1 and FAN-1 (Cairn Energy operated) in Senegal
- Subsequent to quarter end, Gambian licences A1 and A4 have been reinstated on a 100% basis to African Petroleum Corporation through its two wholly owned subsidiaries. The Gambian acreage is on trend with the two discoveries made by Cairn in Senegal and has many analogues
- Agreement, along with Range Resources Limited, to convert International Petroleum Limited loan amounts into fully paid ordinary shares. African Petroleum Corporation is now a 14% equity holder in IPL
- Acquired >1,000km² of high resolution 3D seismic data over SL-4A-10 in Sierra Leone
- Significant progress made with the farm-out process: high level of interest in Liberia, Côte d'Ivoire and Senegal licences from a number of international companies and industry majors
- Agreement to farm-out 10% interest in Block CI-509 on a two-for-one promote basis
- New PSDM data acquired in Côte d'Ivoire and 3D seismic reprocessed for Senegal
- Contract signed with DrillQuip (Europe) Ltd to provide two wellheads for the upcoming Côte d'Ivoire 2015 drilling programme
- ERC Equipoise contracted to update the Company's Competent Persons Report. African Petroleum Corporation expects a significant uplift in the prospective resources number
- 750,000 shares purchased on-market by four Directors during the period
- Due to the recent and significant outbreak of Ebola, African Petroleum Corporation is following Sierra Leone and Liberia government protocol and has consulted with host government officials and NGO's to see how strategic social investments can be leveraged to combat Ebola



About Us

African Petroleum Corporation Limited is a significant net acreage holder in the West African Transform Margin with estimated net unrisked mean prospective resources in excess of 5.2 Bnbbls

African Petroleum Corporation Limited (“African Petroleum Corporation” or the “Company”) is an independent oil and gas exploration company with ten licences in five countries offshore West Africa (Côte d’Ivoire, Liberia, Senegal, Sierra Leone and The Gambia). The Company’s assets are located in fast-emerging hydrocarbon basins, principally the West African Transform Margin, where several discoveries have been made in recent years, including three significant discoveries during 2014 by Total in Côte d’Ivoire and Cairn Energy in Senegal.

African Petroleum Corporation has a real opportunity to become a leading independent exploration company through its highly prospective acreage offshore West Africa.

The Company continues to achieve key operational milestones across its eight licences, having rapidly matured its exploration portfolio by acquiring more than 16,000km² of 3D seismic data and drilling three exploration wells, one of which was a discovery.

African Petroleum Corporation is the largest net acreage holder in the West African Transform Margin, rivaling industry majors such as, Anadarko Petroleum, Chevron Corporation, Exxon Mobil, Total, ENI and Lukoil. The Company has mean prospective oil resources in excess of 5.2 billion barrels, further highlighting the scale of its presence in the region.



CEO Statement

It has been a year of progress for African Petroleum Corporation as we continue to build our reputation as a fast moving explorer in both emerging and frontier basins. Having already achieved a number of significant milestones set out in the strategic objectives for 2014, the Company's focus is to secure long-term partners before the end of the year, and to finalise a drilling programme for 2015.

The Company's acreage has been significantly de-risked in recent months, with Total's discovery in Côte d'Ivoire and Cairn Energy's two discoveries in Senegal. African Petroleum Corporation is in a very strong position going forward. Equally, we remain excited by the potential in both Liberia and Sierra Leone, and are very happy to return to The Gambia. Such moves will be an important step towards our goal to deliver optimum value and return to our stakeholders.

Corporate Update

Farm-out Update

As previously announced, African Petroleum Corporation is seeking strategic partners on its eight licences in Côte d'Ivoire, Liberia, Senegal and Sierra Leone in order to share risk and potential reward of the Company's exploration programme.

On 14 July 2014, African Petroleum Corporation announced that it had entered into an agreement with Buried Hill Africa Limited ("Buried Hill") to farm-out a 10% interest in Block CI-509 offshore Côte d'Ivoire in return for Buried Hill funding 21.1% of the cost of the next exploration well to be drilled on Block CI-509 and an additional cash payment to African Petroleum Corporation representing 10% of past costs incurred. Under the terms of the farm-out agreement, African Petroleum Corporation will continue as Operator on the licence and completion of the farm-out agreement is subject to the satisfaction or waiving of certain conditions precedent.

The Company is pleased to have secured an initial farm-in on Block CI-509. In addition, significant progress has been made on attracting additional farm-out offers. In particular, the Company has received a high level of interest in its Côte d'Ivoire, Liberia and Senegal licences from a number of international companies and industry majors. A number of factors have led to a significant



increase in interest in the Company's licences, primarily, the oil discoveries made by Total in Côte d'Ivoire and the two Cairn Energy discoveries in Senegal. The Company expects this heightened interest to culminate in further farm-in offers in due course.

Board Changes

During the period the Company announced that Non-Executive Director Mr James Smith had stepped down from the Board of Directors, taking effect from 1 August 2014. The Company further announced that Mr Mark Ashurst is assuming the position of Non-Executive Director of the Board, stepping down from his role as Executive Director.

Agreement Signed to Convert Loan Amounts

On 13 August 2014, the Company announced that it had signed agreements with International Petroleum Limited (“IOP”) regarding the conversion of US\$13 million owed by IOP to the Company into fully paid IOP ordinary shares. Following the loan conversion, African Petroleum Corporation holds 233,890,450 ordinary shares in IOP (representing a holding of approximately 14%) and 5 million share options with an exercise price of AU\$0.06 per share.

IOP owns and operates 4 blocks in Niger onshore covering over 70,000km² with a modest work programme of 4 wells, seismic and FTG. IOP is listed on the National Stock Exchange of Australia and had a market capitalisation of A\$71 million prior to suspension of trading in 2013.

Director Share Purchases

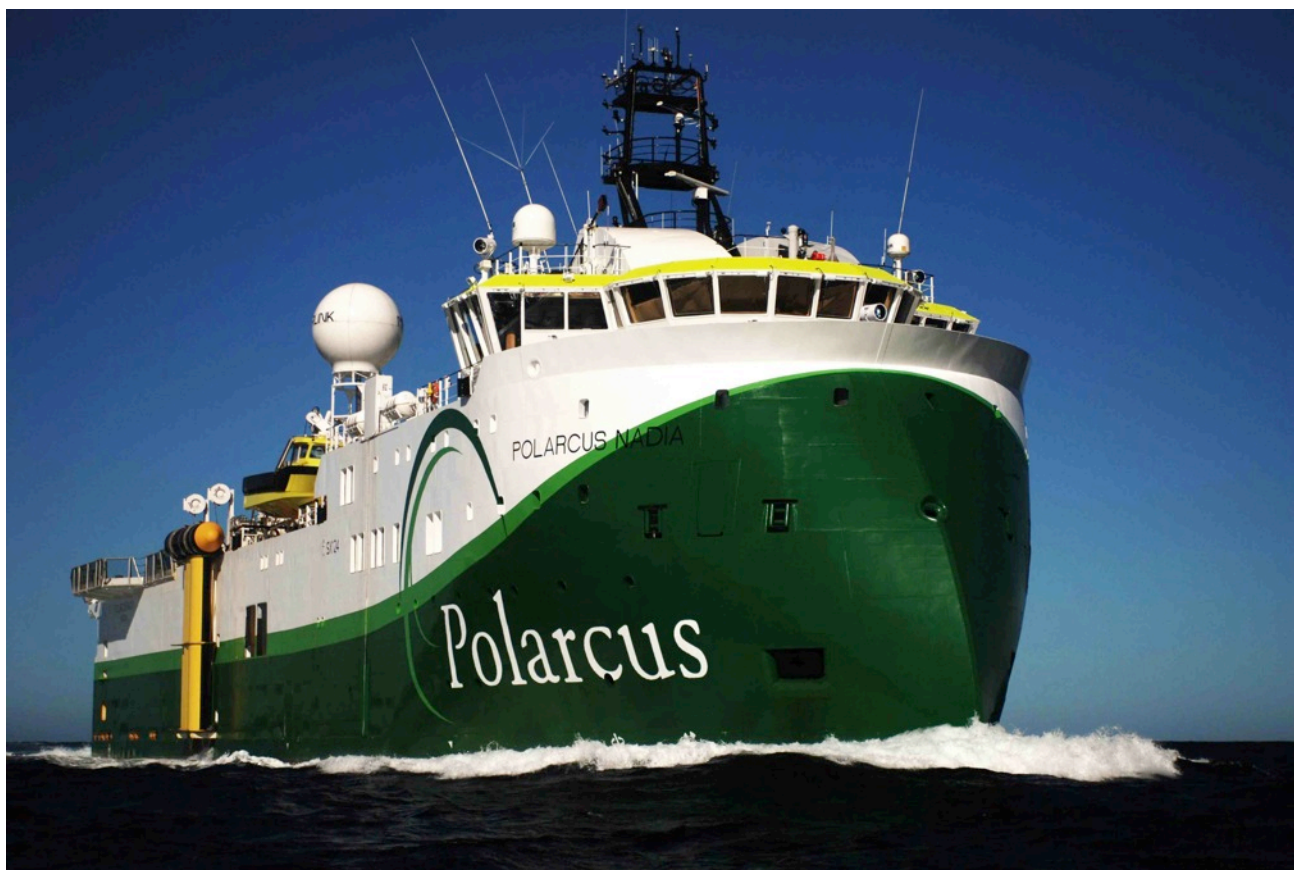
During September 2014, four of the Company’s Board of Directors purchased on market (OAX) a total of 750,000 ordinary shares in the Company.

Operational Update

Seismic Acquisition – Sierra Leone

On 26 August 2014, African Petroleum Corporation commenced the acquisition of approximately 1,000 sq km of 3D seismic data over offshore licence SL-4A-10, Sierra Leone. The 3D seismic survey was undertaken by TGS using the Polarcus ‘Alima’ and was completed in September 2014. An initial version of the data was made available for interpretation in November 2014.

In addition, in September 2014 the Company signed an agreement with Electromagnetic Geoservices (“EMGS”) to acquire a non-exclusive electro magnetic survey over the Company’s Sierra Leone acreage (SL-03 and SL-4A-10). African Petroleum Corporation believes many of the outboard opportunities in the acreage can be derisked further with this technology, the thicker nature of the sands, shallower subsea depths and the absence of salt and carbonates are expected to create fewer false anomalies using this technology. The acquisition is anticipated to commence in H1 2015.



2015 Drilling Programme

In preparation for the Company's Côte d'Ivoire drilling campaign, anticipated to commence in 2015 (subject to finance), the Company signed a contract with DrillQuip (Europe) Limited to provide two SS-15 wellheads. The purchase of these wellheads is a positive step for the Company and a move towards initiating the drilling campaign in African Petroleum Corporation's acreage in Côte d'Ivoire. The Company is in discussions with a number of drilling contractors in advance of securing a rig, with a visible softening in the rig market, African Petroleum Corporation is in a strong position to accelerate activity and drill at a markedly cheaper day rate than seen historically.

Subsequent to quarter end, an Environmental Impact Assessment has been tendered and initiated for the drill activity anticipated to commence in Côte d'Ivoire in Q4 2015.

Acreage Position

Subsequent to quarter end, on 28 November 2014 the Company announced that it had entered into an agreement with The Government of the Republic of The Gambia to reinstate the Company's Alhamdulillah Licence Block A1 and Licence Block A4 (the "Gambian Licences"), and settle all prior issues concerning the Gambian Licences.

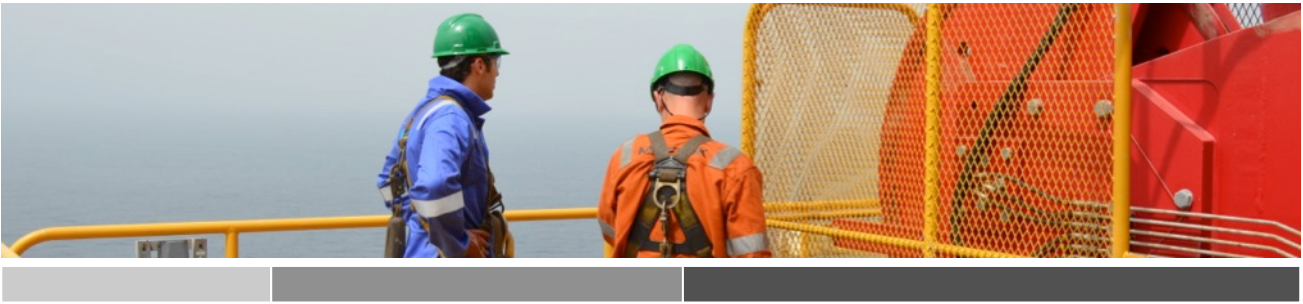
The reinstatement of the Gambian Licences is a significant and positive step for the Company, particularly following the recent oil discoveries made by Cairn in Senegal.

African Petroleum Corporation has also agreed to a revised initial exploration period that will expire on 1 September 2016 in return for a commitment to drill an exploration well on one of the Gambian Licences and reprocess 3D seismic on Licence Block A4 prior to 1 September 2016.

Updated Independent CPR

The Company has contracted ERC Equipoise, the independent Reservoir Evaluation company, to update African Petroleum Corporation's CPR. The updated CPR, anticipated for release in January 2015, will incorporate new reprocessed data on African Petroleum Corporation's Senegal licence Rufisque Offshore Profond and integrate well results of recent nearby discoveries. In the updated CPR, the Company expects to see portfolio updates completed for Liberia, Côte d'Ivoire and Sierra Leone, and with the recent reinstated Gambia licence blocks further volumes will also be added to the portfolio.

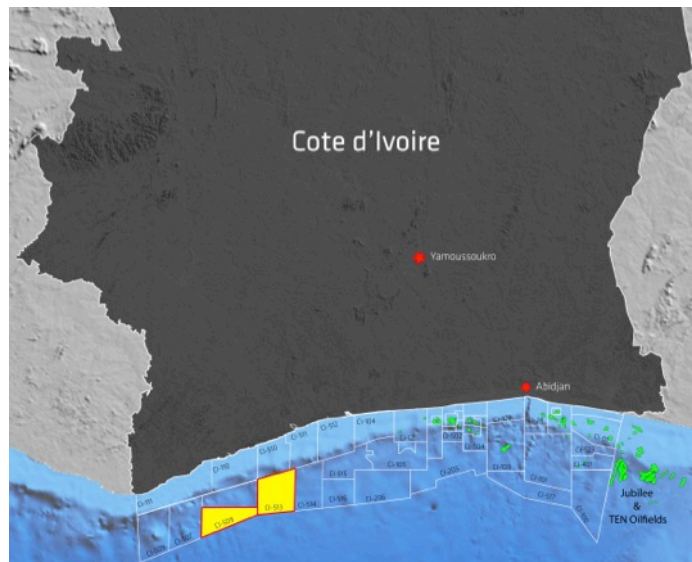




Licence Information

Côte d'Ivoire Project Blocks CI-509 & CI-513

- Water depth: 900-3,150m
- 90% working interest in both blocks
- Combined net acreage 2,284km²
- Significant well campaigns in neighbouring blocks
- In April 2014 Total announced the Saphir-1XB discovery which de-risks our acreage and prospect portfolio by proving oil charge (the earlier pre-drill principal risk)



In April 2014, Total announced a discovery of hydrocarbons in its Saphir-1XB exploration well block CI-514, which is adjacent to African Petroleum Corporation's acreage. Total reported a total of 40 metres of net oil pay and 34° API light oil. This discovery is significant for the Company's acreage as it proves oil charge, the earlier pre-drill principal risk for the area.

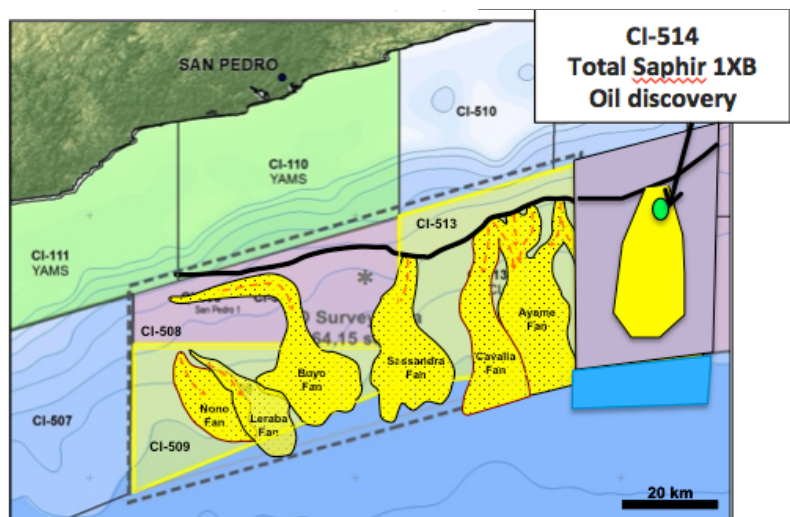
In Côte d'Ivoire, African Petroleum Corporation holds a 90% working interest in offshore licences CI-509 and CI-513 (the "CI Licences"), the remaining 10% is held by Petroci, the National Oil Company of Côte d'Ivoire. The Company was awarded CI-513 in December 2011 and CI-509 in March 2012, with a combined net acreage of 2,284km². In October 2012, the Company acquired 4,200km² of 3D seismic data over the CI Licences, fulfilling the seismic work commitments of the first exploration phase for both licences.

Fast-track 3D seismic data was received in November 2012, while final 3D seismic depth processing of the entire survey was completed in March 2014. Interpretation of the data has identified a number of significant prospects, with net unrisks mean prospective oil resources of 1,560 MMstb (ERC Equipoise, CPR 2014),

These numbers will be updated and upgraded in the new CPR (expected for release Q1 2015) as the new seismic volume and recent Total discovery has changed the view on this portfolio significantly. On 22 April 2014 African Petroleum Corporation announced PSC Amendments to both licences CI-509 and CI-513. The PSC Amendments include an adjustment of the licence periods providing one-year extensions to the first exploration periods of both licences at the expense of the duration of future exploration periods.

The PSC adjustment allows the Company more time for drilling of the first period commitment wells in these blocks. The first exploration period for block CI-509 is extended to March 2016 and block CI-513 has been extended to December 2015.

The Company intends to use some of this additional time to integrate recently completed 3D seismic depth processing into the optimisation of exploration well locations as many new amplitude supported prospects have now arisen from the newly processed PSDM 3D data on trend with the Saphir-1XB Total oil discovery.

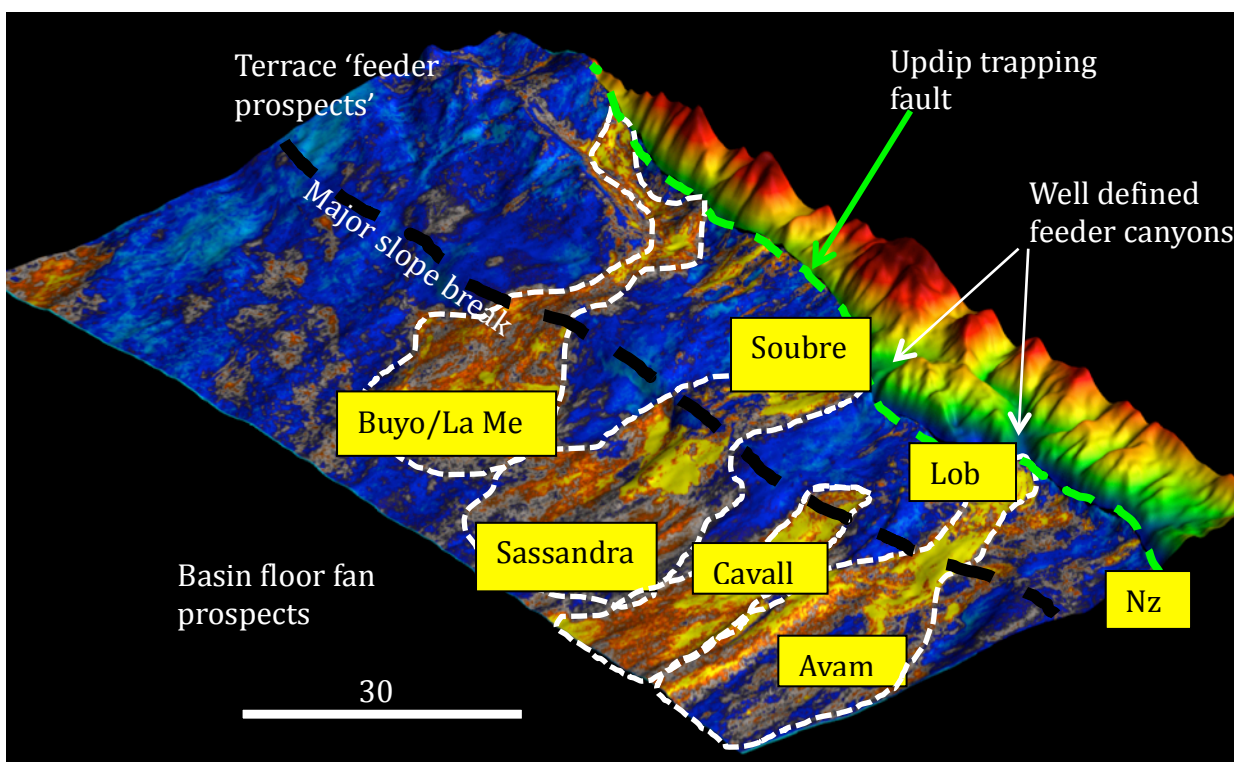


The new PSDM can now be better calibrated to the recent results of Total's oil discovery in CI-514, as African Petroleum Corporation had pre-traded the 3D covering both Total's CI-514 operated acreage and the acreage immediately north of CI-513 and CI-509 held by the Vitol operated group. The CPR will be updated with the incorporation of the new interpretation of the newly processed PSDM.

interest in Block CI-509, in return for Buried Hill funding 21.1% of the cost of the next exploration well to be drilled on the block and an additional cash payment to African Petroleum Corporation representing 10% of past costs incurred ("Farm-out Agreement"). Under the terms of the Farm-out Agreement, African Petroleum Corporation will continue as Operator on the licence. Completion of the Farm-out Agreement is subject to the satisfaction or waiving of certain conditions precedent. African Petroleum Corporation is delighted with this initial farm out, but is seeking additional partners in its Côte d'Ivoire acreage.

The Company also intends to use the additional time from the licence extensions to secure the appropriate sixth generation rig for a wider drilling programme, and build a partnership group to explore in the promising area of the Côte d'Ivoire deep-water margin. African Petroleum Corporation continues to seek strategic partners in its Côte d'Ivoire acreage.

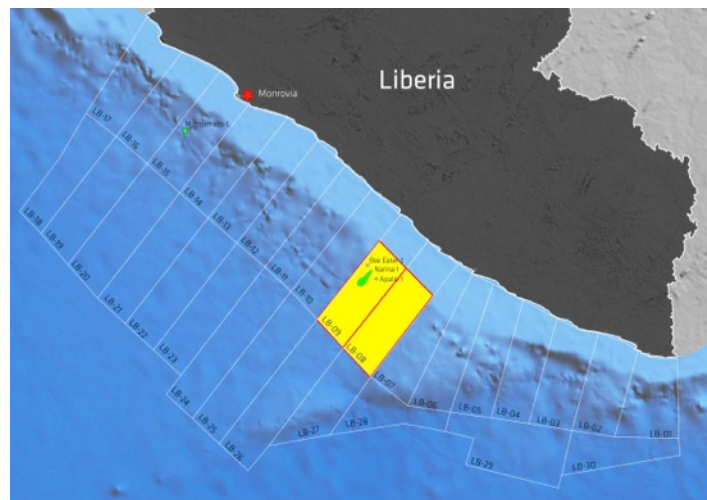
As announced on 14 July 2014, the Company entered into an agreement with Buried Hill Africa Limited ("Buried Hill") to farm-out a 10%



Liberian Project

Blocks LB-08 and LB-09

- Water depth: 900 – 2,800m
- 100% working interest in production sharing contracts LB-08 and LB-09 with a combined net acreage of 5,352km²
- Three wells drilled to date, including the oil discovery at Narina-1
- A number of key prospects identified with net unrisks mean prospective oil resources of 3,230MMstb
- Two-year extension of Liberia licence blocks announced in February 2014



In Liberia, African Petroleum Corporation is both the operator, and holder of a 100% working interest, in production sharing contracts LB-08 and LB-09, which have a combined net acreage of 5,352km². The Company has completed an extensive work programme on its Liberian licences. In 2010, African Petroleum Corporation completed the acquisition and processing of 5,100km² of 3D seismic data over both licences. The interpretation of this data identified numerous prospects and leads in the Upper Cretaceous post rift section and also a number of Cretaceous aged syn-rift opportunities.

African Petroleum Corporation has successfully executed an initial exploration programme in LB-09, with three wells drilled: Apalis-1, Narina-1 and Bee Eater-1. In September 2011, African Petroleum Corporation completed drilling on its first exploration well, Apalis-1, on LB-09. The well encountered oil shows in several geological units including the shallow unlogged (Tertiary-Paleocene) and proved source rock in the Cenomanian. The Narina-1 well was drilled on LB-09 in January 2012 targeting a major Turonian fan system.

The Narina-1 well encountered a total of 32 metres of net oil pay in the primary objective Turonian and underlying Albian reservoirs with no oil water contact observed. African Petroleum Corporation's discovery at Narina-1 was the first to prove a working petroleum system in the central Liberian basin, an extremely positive result for the Company and one that improves the chances of success elsewhere in the area.

The Company drilled its third well, Bee Eater-1, on LB-09 in January 2013. The well tested an up-dip axial section of the Turonian slope fan in which the Company's Narina-1 discovery had been made in 2012. The Bee Eater-1 well encountered a tight reservoir interval, but provided the impetus to integrate the information into a predictive model for improved reservoir in slope fans outboard and down-dip. These new findings have been incorporated into a revised interpretation of the subsurface across the portfolio, with new basin floor fan prospects identified in both blocks.

In September 2013, the Company completed reprocessing of all the 3D seismic data from its Liberian

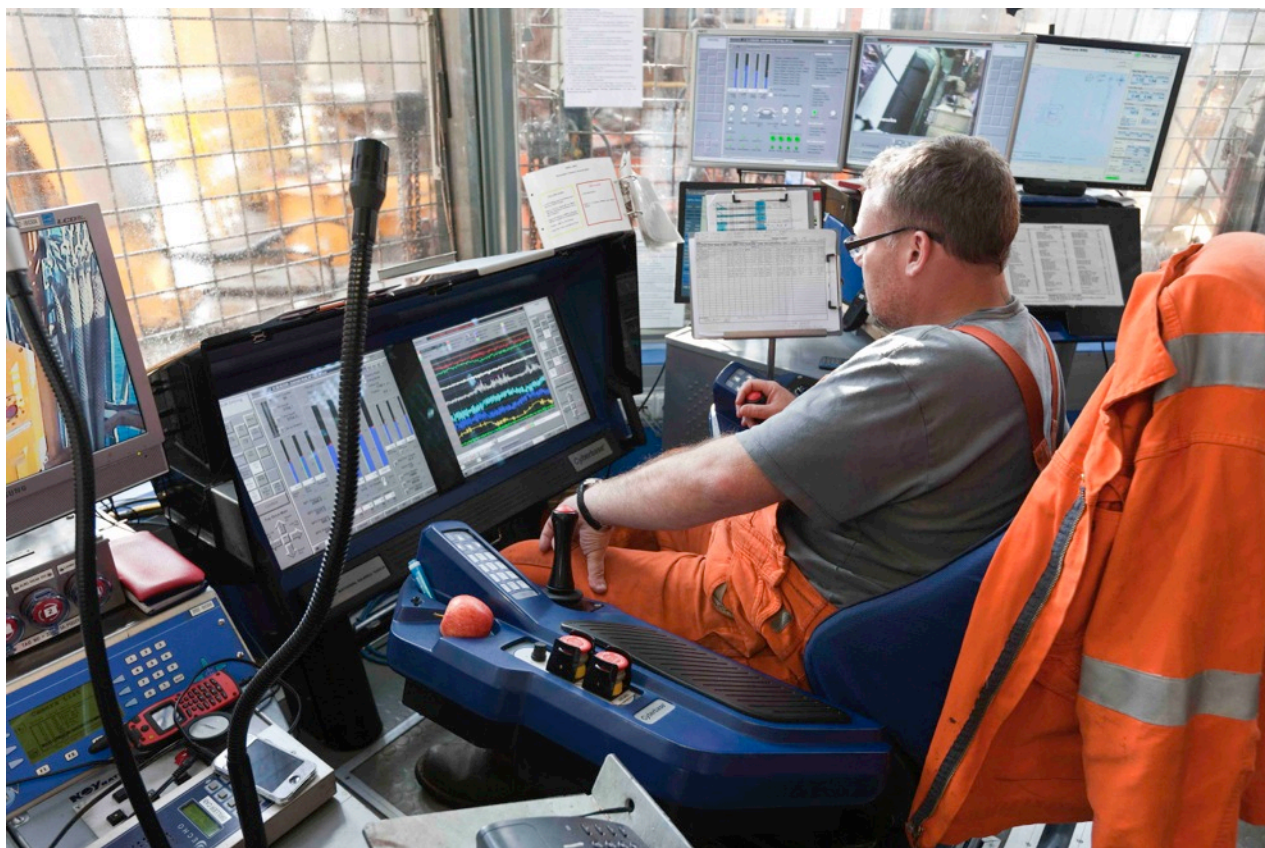


licences to improve image quality and support the maturation of additional prospects and appraisal opportunities. The reprocessing has highlighted that certain areas may benefit from improved seismic imaging and so both further targeted 3D reprocessing and acquisition of new high-resolution 3D seismic are currently being considered for LB-09 to cover two key exploration prospects

(Narina West and Night Heron) near the Narina-1 well. Detailed stratigraphic analysis and reservoir quality prediction from seismic data will assist in the rapid assessment of both Narina West and Night Heron to further de-risk the licence area to enable accurate well positioning and efficient development in the event of appraisal success. The high-resolution 3D seismic survey, should it go ahead, will incorporate lessons learned from seismic reprocessing and will be acquired utilising state of the art technology.

In LB-08, new seismic data is also being considered to cover three prospects (Lovebird, Darter and Turaco) in the Southern corner of the licence area. Encouraging amplitude support for reservoir and potential hydrocarbons exist within the current reprocessed dataset; however, near surface effects (shallow slump zone “mass transport deposit”) degrades seismic data quality. New 3D high-resolution datasets, should they be acquired, will better delineate and further de-risk the prospects prior to drilling. Recent rework by the Company, however, has identified several technology uplifts that can potentially achieve improved seismic imaging through reprocessing the existing 3D seismic data at a much lower cost, both reprocessing and new acquisition are being evaluated ahead of the 2015/2016 work programme.

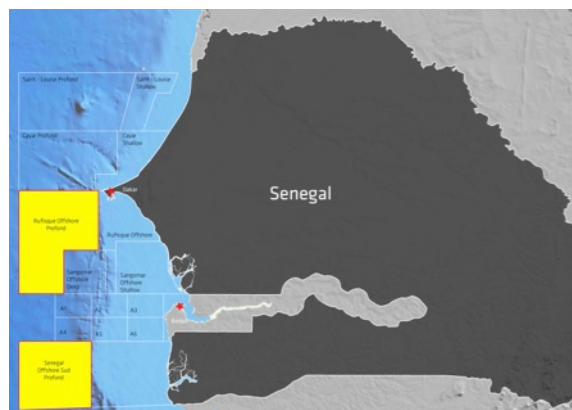
The Company has identified a number of key prospects in the Liberian licences, with net unrisked mean prospective oil resources of 3,230MMstb (ERC Equipoise, CPR 2014). African Petroleum Corporation has monitored the recent results published by Anadarko (with partners Mitsubishi and Repsol) on wells Iroko-1 and Timbo-1, the Company awaits further information from the post-well evaluation. Additionally, the Company awaits results from the Chevron operated well, in licence LB-12, drilled in Q2 2014. African Petroleum Corporation expects this exploration activity in adjacent acreage to de-risk its licences further.



Senegal Project

Rufisque Offshore Profond and Senegal Offshore Sud Profond

- Water depth: 2,000 – 3,500m
- 81% working interest in exploration blocks Rufisque Offshore Profond and Senegal Offshore Sud Profond with a combined net acreage of 14,804km²
- In October 2014, Cairn Energy, with partners ConocoPhillips and FAR, announced a significant discovery in the FAN-1 exploration well offshore Senegal, and in November 2014 the consortium announced a further discovery, which is highly likely to be commercial, at SNE-1
- In August 2014 Kosmos Energy signed a farm-in agreement to acquire a 60% interest in two licences offshore Senegal in return for drilling up to three wells and acquiring approximately 7,000km² of 3D seismic



In August 2014, Kosmos Energy signed a farm-in agreement to acquire a 60% interest in two third party licences offshore Senegal in return for drilling up to three wells and acquiring approximately 7,000km² of 3D seismic. Reuters reported that Kosmos Energy has committed to drill two wells up to a total value of \$240 million, and it will then drill a third well to a value of another \$120 million.

On 7 October 2014, Cairn Energy announced an important and potentially commercial oil discovery offshore Senegal. The FAN-1 exploration well recovered light oil from a series of stacked Cretaceous sandstones, with APIs ranging from 28° up to 41°. Cairn Energy believes that the discovery “may have significant potential as a standalone discovery”.

Cairn Energy drilled a second well, SNE-1, offshore Senegal in 1,100m of water and announced on the 10 November 2014 that they had made an additional discovery. Initial analysis of the well, as reported by Cairn, showed 95m gross oil bearing column with a gas cap. Excellent reservoir sands with net pay of 36m of 32 API oil and a P50 contingent resource of 330 MMbbls. FAR Ltd, Cairn’s partners, have now issued notice of discovery on both wells and reported; “based on preliminary estimates, it [SNE-1] is highly likely to be a commercial discovery”, a significant statement for both African Petroleum Corporation and the country.

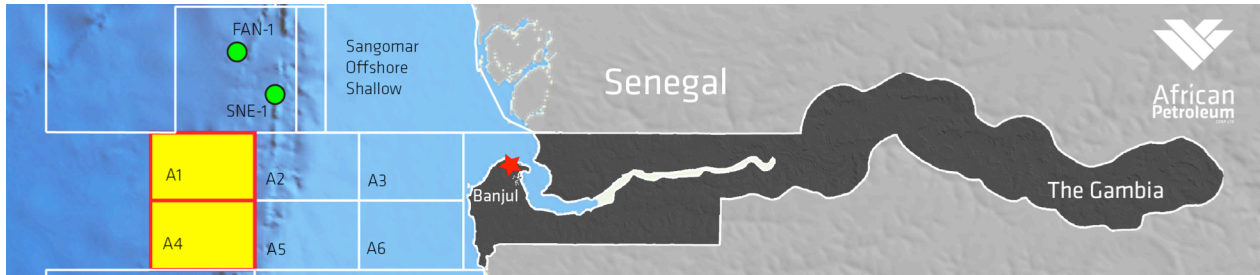
Each of these developments, especially their proximity to the Company’s acreage, provide a very positive context to African Petroleum Corporation’s presence offshore Senegal.

In Senegal, African Petroleum Corporation holds an 81% operated working interest in exploration blocks Rufisque Offshore Profond (“ROP”) and Senegal Offshore Sud Profond (“SOSP”) (together the “Senegal Licences”). The Company’s Senegal Licences are located offshore southern and central Senegal, with a net acreage of 14,804km². To date, the Company has acquired 10,000km² of 2D seismic data over its Senegal Licences and has compiled an extensive regional database. In May 2012, the Company completed a 3,600km² 3D seismic acquisition over the SOSP licence block. In the ROP block an existing seismic dataset (2007 vintage) covers 1,800km² and was purchased from Petrosen.

This base dataset will benefit from reprocessing, which is underway and the final product will be delivered in Q4 2014. Several large Cretaceous turbidite fan ‘leads’ and Albian sand shelf and turbidite fan leads have been identified, these will be matured to prospects when the reprocessed data has been evaluated.

The Gambia

Alhamdulillah Licence Block A1 & Block A4



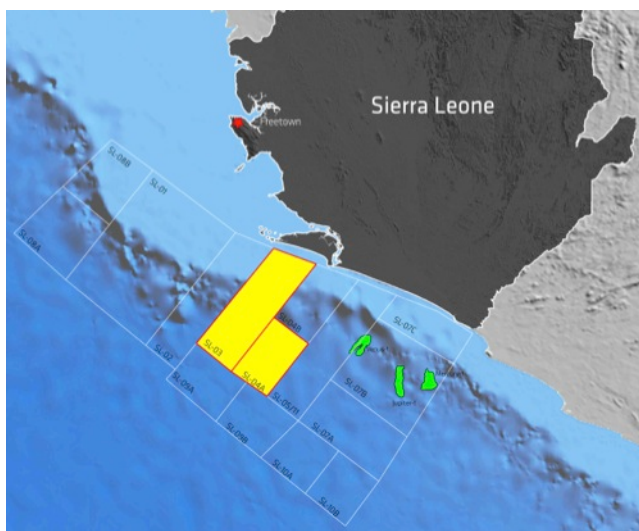
- 100% working interest in licence blocks A1 & A4
- Licence A1 & A4 reinstated to African Petroleum Corporation on 27 November 2014
- Licences covered by 2,500km² 3D seismic data
- Acreage analogous to Senegal licence Sangomar Offshore Deep where Cairn Energy have just announced two oil discoveries

On 27 November 2014, African Petroleum Corporation entered into an agreement with The Government of the Republic of The Gambia to reinstate the Company's Alhamdulillah Licence Block A1 and Licence Block A4 (together the "Gambian Licences") on a 100% interest basis, and settle all prior issues concerning the Gambian Licences. The reinstatement of the Gambian Licences is a significant and positive step for the Company, particularly following the recent oil discoveries made by Cairn Energy in Senegal.

Upon reinstatement, African Petroleum Corporation agreed to a revised initial exploration period that will expire on 1 September 2016 in return for a commitment to drill an exploration well on one of the Gambian Licences and reprocess 3D seismic on Licence Block A4 prior to 1 September 2016.

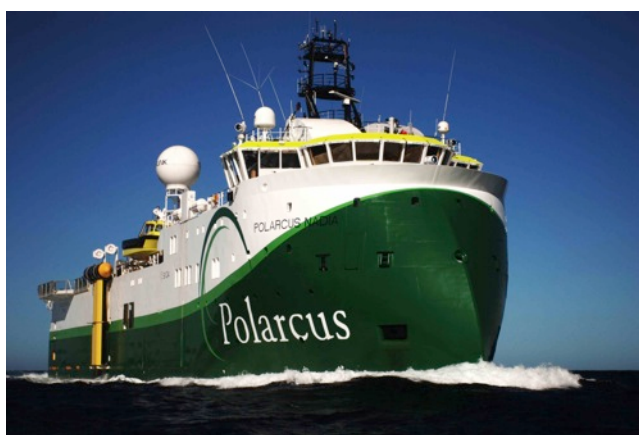
The Company has identified leads and prospects in the Gambian Licences, many of which are on trend with the discoveries made at FAN-1 (announced 7 October 2014) and SNE-1 (announced 10 November 2014) by the Cairn operated group in Senegal.





Sierra Leone Project Blocks SL-03 & SL-4A-10

- Water depth: 2,800 – 3,800m
- 100% working interest in offshore licences SL-03 and SL-4A-10 with combined net acreage of 5,855km²
- Significant 3D and 2D seismic data acquired over the licence area
- A number of key prospects have been identified, one of which has net unrisks mean prospective oil resources of 434MMstb
- Two year extension agreed for the first exploration period in the SL-03 licence
- Acquisition of approximately 1,000km² seismic data over block SL-4A-10 was completed in Q3 2014, fulfilling all licence obligations for the initial Exploration Period
- Vega, a multi billion barrel prospect, has been identified



In Sierra Leone, the Company holds a 100% operated working interest in offshore licences SL-03 and SL-4A-10. African Petroleum Corporation was awarded a 100% interest in SL-03 in April 2010, which is currently in its initial exploration period, while licence SL-4A-10 was awarded as part of

Sierra Leone's third offshore licencing round in 2012 and is also in the initial exploration period. The Company's Sierra Leone licences cover a combined net acreage of 5,855km² and are located to the south of Freetown, offshore Sierra Leone.

Since gaining operatorship of the Sierra Leone licences, African Petroleum Corporation has acquired approximately 2,500km² of 3D seismic data over block SL-03, approximately 1,000km² of 3D seismic data over block SL-4A-10 and 2D seismic data over block SL-4A-10. The Company has already identified a number of key prospects in its Sierra Leone licences, one of which has net unrisks mean prospective oil resources of 434 MMstb (ERC Equipoise, CPR 2014).

In September 2013 the Company received a two year extension to the first exploration period for SL-03, extending the first exploration period on the block to April 2015.

During the quarter, the Company commenced and completed the acquisition of approximately 1,000km² of 3D seismic data on Block SL-4A-10, offshore Sierra Leone utilising funds from the last equity raise. An initial version of the data was delivered for interpretation in November 2014. This seismic acquisition fulfills the remaining obligations in Sierra Leone ahead of the next exploration phase in both blocks.

The Vega prospect, a large amplitude supported dip-closure with a stratigraphic upside at multiple levels has been identified in the outboard. This prospect has Campanian, Turonian, Cenomanian and Albian objectives. Currently, no volumes have been assigned to this large structure in the Company's CPR. Initial work at the Campanian level indicates a class III AVO anomaly of several billion barrels. The prospect lies in water depths ranging between 3,400m and 3,600m; these depths can be drilled by some of the current 6th generation rigs.



Health, Safety, Environment and Security

As an operator of offshore concessions, it is the duty of African Petroleum Corporation 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.

Due to the recent Ebola outbreak in West Africa, African Petroleum Corporation has implemented precautionary measures to ensure the safety of its staff. There have been office closures in Liberia and Sierra Leone, and local staff have been urged to work from home and avoid dangerous regions. Currently, the Company does not have any active operations in Sierra Leone or Liberia until 2016.

On 31 July 2014 Liberia and Sierra Leone declared a State of Emergency, whereby they ordered the closure of schools and markets and the quarantining of affected communities in an attempt to halt the Ebola epidemic. African Petroleum Corporation is following the government protocol and is currently in consultations with host government officials to see how strategic social investments can be leveraged to combat Ebola and has recently donated to the Gbowee Foundation to help them improve the education on the ground through community based organisations to train, trace and find and diagnose people who have come into contact with Ebola. The World Health Organisation (WHO) believes this is one of the best ways to bring an end to the Ebola Virus Disease.

Outlook

The Company continues to build its reputation as a fast moving explorer in both emerging and frontier basins. Having already achieved a number of significant milestones set out in the strategic objectives for 2014, the Company's focus is to secure long-term partners in order to share the risk and potential reward of our low cost exploration programme. Such moves will be a significant step towards African Petroleum Corporation's goal of delivering optimum value and return to our stakeholders.



2014 continues to see significant exploration activity along the West African Transform Margin by majors and independents alike, with a discovery made by Total in Côte d'Ivoire in April 2014, and two oil discoveries announced by Cairn Energy in Senegal in October and November 2014. African Petroleum Corporation is in a good position to learn from these results and leverage from this information effectively.

Principal Risks and Uncertainties

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 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 minimize our exposure to the extent practical.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third quarter of 2014, which has been prepared in accordance with IAS34 Interim Financial Statements, gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD\$ '000s

	Note	Q3 2014 (unaudited)	Q3 2013 (unaudited)	YTD Q3 2014 (unaudited)	YTD Q3 2013 (unaudited)
Revenue	6a	887	754	3,824	1,698
Aircraft expenses		(1,057)	(1,041)	(3,527)	(2,534)
Depreciation expense		(248)	(519)	(771)	(1,450)
Impairment of exploration and evaluation expenditure		434	-	434	-
Impairment of consumable spares		(154)	(2,996)	(154)	(6,610)
Impairment of aircraft		-	-	-	(1,300)
Impairment of related party loans & deposits		382	(1,235)	(266)	(12,374)
Rig demobilisation/cancellation costs		-	-	-	(3,753)
Consulting expense		(1,117)	(1,174)	(4,293)	(5,820)
Compliance and regulatory expenses		(175)	(137)	(709)	(439)
General administration expenses		(238)	(1,145)	(970)	(2,266)
Employee benefits	6b	(2,130)	(2,535)	(5,140)	(8,975)
Travel expenses		(270)	(219)	(922)	(1,074)
Occupancy costs		(334)	81	(807)	(1,635)
Net foreign currency gain/(losses)		(98)	60	205	(846)
Finance costs		(12)	(78)	46	(179)
Other expenses		-	-	(11)	-
Loss from continuing operations before income tax		(4,130)	(10,184)	(13,061)	(47,557)
Income tax expense			-		-
Loss for the period, attributable to the members		(4,130)	(10,184)	(13,061)	(47,557)
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Foreign exchange (loss)/gain on translation of functional currency to presentation currency		-	-	-	169
Other comprehensive (loss)/income for the period, net of tax		-	-	-	169
Total comprehensive loss for the period		(4,130)	(10,184)	(13,061)	(47,388)
Loss for the period is attributable to:					
Non-controlling interest		(19)	188	(17)	(74)
Owners of the parent		(4,111)	(10,372)	(13,044)	(47,483)
		(4,130)	(10,184)	(13,061)	(47,557)
Total comprehensive loss for the period is attributable to:					
Non-controlling interest		(19)	188	(17)	(74)
Owners of the parent		(4,111)	(10,372)	(13,044)	(47,314)
		(4,130)	(10,184)	(13,061)	(47,388)
Basic/diluted loss per share attributable to members (US cents per share)		(0.60)	(1.80)	(2.04)	(8.41)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
USD\$ '000s

	Note	30 September 2014 (unaudited)	31 December 2013 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	5,429	7,914
Trade and other receivables	8	11,807	7,709
Restricted cash	9	12,073	12,074
Prepayments		811	1,266
Total current assets		30,120	28,963
Non-current assets			
Property, plant and equipment		2,530	3,158
Exploration and evaluation expenditure	10	411,434	403,273
Intangible assets		219	352
Total non-current assets		414,183	406,783
Total assets		444,303	435,746
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	600,592	575,912
Reserves	13	16,511	17,282
Accumulated losses		(202,615)	(189,571)
Attributable to equity holders of the parent		414,488	403,623
Non-controlling interests		(278)	(261)
Total equity		414,210	403,362
LIABILITIES			
Current liabilities			
Trade and other payables	11	30,093	32,384
Total current liabilities		30,093	32,384
Total liabilities		30,093	32,384
Total equity and liabilities		444,303	435,746

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
USD\$ '000s

	Note	Ordinary Share capital	Share-based payment reserve	Accumulated losses	Foreign currency translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2013		575,912	25,795	(101,467)	(11,952)	(135)	488,153
Loss for the period		-	-	(47,483)	-	(74)	(47,557)
Other comprehensive income		-	-	-	169	-	169
Total comprehensive loss for the period		-	-	(47,483)	169	(74)	(47,388)
Transactions with owners in their capacity as owners:							
Share-based payments		-	3,168	-	-	-	3,168
Balance at 30 September 2013		575,912	28,963	(148,950)	(11,783)	(209)	443,933
Balance at 1 January 2014		575,912	29,371	(189,571)	(12,089)	(261)	403,362
Loss for the period		-	-	(13,044)	-	(17)	(13,061)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the period		-	-	(13,044)	-	(17)	(13,061)
Transactions with owners in their capacity as owners:							
Issue of capital		26,175	-	-	-	-	26,175
Capital raising costs		(1,495)	-	-	-	-	(1,495)
Share-based payments		-	(771)	-	-	-	(771)
Balance at 30 September 2014		600,592	28,600	(202,615)	(12,089)	(278)	414,210

CONSOLIDATED STATEMENT OF CASH FLOWS
USD\$ '000s

	YTD Q3 2014 (unaudited)	YTD Q3 2013 (unaudited)
Cash flow from operating activities		
Payments to suppliers and employees	(17,350)	(20,837)
Rental income	1,187	876
Interest received	40	140
Finance costs	(70)	-
Net cash flow from operating activities	(16,193)	(19,821)
Cash flow from investing activities		
Payment for plant, equipment and aircraft	(11)	(273)
Proceeds from disposal of plant and equipment	43	-
Payment for investments	(14)	(1,235)
Payment for exploration and evaluation activities	(11,648)	(77,600)
Cash received for sale of consumable spares	-	2,519
Loan repaid by related parties	825	193
Loan to related parties	(308)	-
Cash backing security returned	-	60,433
Net cash flow from investing activities	(11,113)	(15,963)
Cash flow from financing activities		
Proceeds from issue of shares	26,175	-
Capital raising costs	(1,495)	-
Net cash flow from financing activities	24,680	-
Net change in cash and cash equivalents	(2,626)	(35,784)
Cash and cash equivalents at the beginning of the period	7,914	52,599
Net foreign exchange differences	141	268
Cash and cash equivalents at the end of the period	5,429	17,083

Notes to the interim financial report for the third quarter 2014

Note 1 – General and corporate information

These financial statements are the interim financial statements of African Petroleum Corporation Limited (“African Petroleum Corporation”) and its subsidiaries (hereafter “the Company”) for the third quarter of 2014. African Petroleum Corporation is a public limited company incorporated and domiciled in Australia, with its main office located in London, United Kingdom, whose shares are publicly traded on the Oslo Axess, a regulated market place of the Oslo Stock Exchange, Norway and the National Stock Exchange of Australia (“NSX”).

Note 2 – Basis of preparation

This general purpose condensed interim financial report for the quarter ended 30 September 2014 has been prepared in accordance with IAS 34 Interim Financial Reporting and the supplement requirements of the Norwegian Securities Trading Act (Verdipapirhandelloven).

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 31 December 2013 and considered together with any public announcements made by African Petroleum Corporation during the nine months ended 30 September 2014 in accordance with the continuous disclosure obligations of Oslo Axess and the NSX Listing Rules.

The interim financial report is presented in United States Dollars being the functional currency of the Company.

Note 3 – Accounting policies

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2013.

Note 4 – Critical accounting estimates and judgements

The preparation of the interim financial report entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the Company’s accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2013.

Note 5 – Going concern

The interim financial report has 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.

As at 30 September 2014, the Company had net current assets of US\$27,194 (31 December 2013: net current liabilities US\$3,421,121). The cash and restricted cash position at 30 September 2014 was US\$17,502,204 (31 December 2013: US\$19,988,423). However, the ability of the Company to continue as a going concern, including the continuation of its planned exploration and evaluation activities is dependent on the Company executing a strategic transaction such as a farm-out and/or raising additional capital in the short term. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Company will be able to raise additional capital, in order to enable it to meet its obligations as and when they fall due.

Should the Company not achieve the matters set out above, there is uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report. This financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

In the event that the Company is unable to successfully complete a capital raising or execute a strategic transaction in the required timeframe, management will reconsider the carrying value of the exploration and evaluation expenditure as set out in Note 10.

Note 6 – Revenue, income and expenses

	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
a) Revenue				
Bank interest income	27	13	76	180
Other interest income	94	82	645	242
Flight revenue	684	561	2,740	876
Other revenue	82	98	363	400
	887	754	3,824	1,698

	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
	US\$'000	US\$'000	US\$'000	US\$'000
b) Employee benefits				
Employee remuneration	1,534	1,040	3,675	4,526
Director's remuneration	610	757	1,995	2,704
Share-based payments recognised	270	1,648	1,917	3,896
Share-based payments reversed	(284)	(910)	(2,447)	(2,151)
	2,130	2,535	5,140	8,975

Note 7 – Cash and cash equivalents

	30 September 2014	31 December 2013
	US\$'000	US\$'000
Cash at bank and on hand	5,429	7,914
	5,429	7,914

Note 8 – Trade and other receivables

	30 September 2014	31 December 2013
	US\$'000	US\$'000
Trade receivables	3,709	2,109
Loans receivable from related parties ¹	1,996	1,862
Other receivables	6,102	3,738
	11,807	7,709

¹ Further information on loans receivable from related parties:

- a) During 2012, US\$841,994 (£521,252) was loaned to Karl Thompson to cover tax payable on performance shares awarded to Mr Thompson. In January 2013, an additional US\$200,658 (£124,107) was loaned to Mr Thompson to cover an additional 10% tax payable on these performance shares. The loan 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. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US\$11,677 (£7,000) of interest recognised during the current quarter (three months to 30 September 2013: US\$10,401 (£6,726)). The loan agreement was 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 loan, the Company will waive the remaining balance of the loan. The limited recourse feature of the loan has been accounted for as a share based payment and an amount of US\$215,022 has been recognised within the line item "Employee benefits" within the Statement of Comprehensive Income
- b) During 2012, US\$630,497 (£390,321) was loaned to Jens Pace to cover tax payable on performance shares awarded to Mr Pace. The loan 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. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US\$7,099 (£4,230) of interest recognised during the current quarter (three months to 30 September 2013: US\$6,270 (£4,064)). The loan agreement was 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 loan, the Company will waive the remaining balance of the loan. The limited recourse feature of the loan has been accounted for as a share based payment and an amount of US\$55,222 has been recognised within the line item "Employee benefits" within the Statement of Comprehensive Income.
- c) In May 2011, the Company provided a US\$10 million loan facility to a director related entity, International Petroleum Limited ('IOP'). During 2011, the loan facility was fully drawn down. Interest is receivable on amounts drawn down under the facility at the cash rate plus 10% (2013: 4%) in the current period. Interest earned on the facility during the current quarter is US\$94,330 (three months to 30 September 2013: US\$82,194). As at 30 September 2014, the total amount receivable from IOP in relation to this loan facility is US\$11,949,231 (31 December 2013: US\$11,304,365).

As at 30 September 2014, the Company has recognised an impairment provision for the outstanding balance of the IOP loan facility of US\$11,949,194. This impairment loss may be reversed if IOP executes a strategic transaction or a sale of assets, such that their liquidity facilitates repayment of the loan.

- d) In April 2013, IOP granted the Company for a period of 6 months, commencing 17 April 2013, the sole and exclusive right, but not the obligation, to acquire up to 100% of IOP's rights and obligations under the exploration and production sharing contracts for Manga-1, Manga-2, Aborak and Tenere West Blocks in the Republic of Niger.

As a condition of exclusivity, the Company paid a good faith deposit of US\$1,235,000. As the exclusivity period has now expired, IOP is obligated to refund the deposit, without interest, to the Company.

Due to the current financial position of IOP and notwithstanding the security held, the Company has recognised an impairment provision for the outstanding balance of the deposit with IOP of US\$1,235,000. This impairment loss may be reversed if IOP executes a strategic transaction or a sale of assets, such that their liquidity facilitates repayment of the deposit.

- e) In August 2014, the Company signed an agreement with IOP whereby US\$559,090 is to be paid in cash to the Company and the balance of amounts owing to be converted into fully paid ordinary shares in IOP at a price of A\$0.06 per share. As at 30 September 2014, this transaction had not completed.

Note 9 – Restricted cash

	30 September 2014 US\$'000	31 December 2013 US\$'000
Current restricted cash	12,073	12,074
	<u>12,073</u>	<u>12,074</u>

Restricted cash balances represent interest bearing cash backed security provided in relation to the Company's exploration programmes. The security deposits will be released upon achievement of certain drilling milestones. The classification of restricted cash balances as either current or non-current within the Statement of Financial Position is based on management's estimate of the timing of completion of drilling milestones.

Note 10 – Exploration and evaluation expenditure

	30 September 2014 US\$'000	31 December 2013 US\$'000
Acquisition cost at beginning of period (1 January)	403,273	354,823
Exploration expenditure incurred and capitalised during the period	7,727	94,788
Impairment	434	(46,338)
Acquisition cost at end of period	<u>411,434</u>	<u>403,273</u>

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

- the continuance of its 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.

The Directors' assessment of carrying amount was after consideration of prevailing market conditions, previous expenditure carried out and the potential for the discovery of hydrocarbons. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole, or part, of the Company's interests in those areas for an amount at least equal to the carrying value.

Note 11 – Trade and other payables

	30 September 2014 US\$'000	31 December 2013 US\$'000
Trade payables	2,510	6,063
Withholding tax ¹	13,587	13,551
Other payables and accruals ²	12,234	11,279
Share-based payments liability ³	1,762	1,491
	<u>30,093</u>	<u>32,384</u>

¹ An accrual for withholding tax in relation to the Company's exploration activities has been recognised. In certain jurisdictions the Company may be required to withhold payment on services provided by subcontractors. Any such amounts withheld are due to the tax authorities and will be credited against the subcontractors own income tax liability.

² Other payables include amounts accrued for in respect of exploration activities.

³ Share-based payments liability relating to director loans as disclosed in Note 8.

Note 12 – Issued capital

	30 September 2014 No. of shares	31 December 2013 No. of shares
Fully paid ordinary shares	685,857,457	565,144,637
Reconciliation		
Number of outstanding shares at beginning of period (1 January)	565,144,637	565,144,637
Issue of shares pursuant to a capital raising	120,712,820	-
Number of outstanding shares at the end of period	685,857,457	565,144,637

	30 September 2014 US\$'000	31 December 2013 US\$'000
Fully paid ordinary shares	600,607	575,912
Reconciliation		
Amount of outstanding shares at beginning of period (1 January)	575,912	575,912
Issue of shares pursuant to a capital raising	26,175	-
Capital raising cost	(1,495)	-
Amount of outstanding shares at the end of period	600,592	575,912

Note 13 – Reserves

	30 September 2014 US\$'000	31 December 2013 US\$'000
Share-based payments reserve		
At beginning of period (as at 1 January)	29,371	25,795
Share-based payments	(771)	3,576
Total share-based payments reserve	28,600	29,371
Foreign currency translation reserve		
At beginning of period (as at 1 January)	(12,089)	(11,951)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	-	(138)
Total foreign currency translation reserve	(12,089)	(12,089)
Total reserves	16,511	17,282

Note 14 – Business segments

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

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

	30 September 2014	31 December 2013
	US\$'000	US\$'000
Cote d'Ivoire	54,264	51,492
Gambia	-	133
Liberia	291,218	291,029
Senegal	38,714	37,952
Sierra Leone	28,436	24,064
United Kingdom	1,551	2,113
	414,183	406,783

Note 15 – Events after the balance sheet date

On 7 October 2014, 233,890,450 shares with a price of A\$0.06 each and 5,000,000 unlisted options exercisable at A\$0.06 per option on or before 2 October 2016, were issued to the Company by International Petroleum Limited. In addition to issuing the shares and options International Petroleum Limited paid the Company US\$559,090, this combined consideration was in satisfaction of all monies owing.

On 27 November 2014, the Company entered into an agreement with The Government of the Republic of The Gambia to reinstate the Company's Alhamdulillah Licence Block A1 and Licence Block A4 (the "Gambian Licences"), and settle all prior issues concerning the Gambian Licences. As a result of the reinstatement the Company is assessing the carrying value of exploration and evaluation expenditure on the Gambian licences and it is anticipated that impairment losses previously recognised in the 2013 year-end accounts will be reversed prior to the current year-end.

No other event has arisen between 30 September 2014 and the date of this report that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

Note 16 – Commitments and contingencies

Exploration commitments

The Company has entered into obligations in respect of its exploration projects. Outlined below are the minimum expenditures required as at 30 September 2014:

	30 September 2014	31 December 2013
	US\$'000	US\$'000
Within one year	17,261	40,507
After one year but not more than five years	79,644	66,611
More than five years	-	-
	96,905	107,118

Note 17 – Fair values of financial assets and financial liabilities

The carrying values of financial assets and financial liabilities at 30 September 2014 approximates their fair values.

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Stuart Lake - Chief Executive Officer
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Gibril Bangura
Jeffrey Couch
David King
Bjarne Moe
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