Listings: Oslo Bors: "APCL" & NSX: "AOQ"

African Petroleum Corporation Ltd

Interim Financial Report for the Second Quarter

2014

About Us

African Petroleum Corporation Limited ("African Petroleum Corporation" or the "Company") is an independent oil and gas exploration company operating eight licences in four countries offshore West Africa (Côte d'Ivoire, Liberia, Senegal and Sierra Leone). 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.

African Petroleum Corporation has a significant 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 that 15,000km^2 of 3D seismic data and drilling three exploration wells, one of which was a discovery.

African Petroleum Corporation is among the largest net acreage holders in the West African Transform Margin, rivalling industry majors such as Anadarko Petroleum, Chevron Corporation 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.

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2014 Highlights

- In February 2014, the Company announced the appointment of new CEO, Dr Stuart Lake
- Revised Company strategy and repositioned focus, establishing a near, future and long term plan to consolidate its position, mature high potential assets and, assuming success, commercialise and expand
- In February 2014, African Petroleum Corporation announced licence extensions in Sierra Leone and Liberia, and in April 2014 the Company was granted extensions on its Côte d'Ivoire licences thus allowing time to leverage learnings from third party activity in order to build a predictive model pre-drill
- A$20 Million share placement was completed in April 2014
- Updated Competent Persons Report released in April 2014, estimating African Petroleum Corporation's net unrisked mean prospective oil resources in excess of 5.2 billion barrels
- In April 2014, the Company received approval to list on Oslo Axess and in May 2014 completed an IPO raising gross funds of NOK 48.6 million (approximately US$8.2m)
- On 30 May 2014 African Petroleum Corporation completed its first day of trading on Oslo Axess
- Subsequent to half-year end, the Company announced a farm- out in block CI-509 (Côte d'Ivoire), secured a 3D seismic contract on its SL-04A-10 licence (Sierra Leone) and became a significant shareholder in NSX listed International Petroleum Limited
- Additionally, subsequent to half-year end in preparation for the anticipated 2015 drilling campaign, African Petroleum Corporation completed the purchase of well-heads on behalf of the Company's subsidiary African Petroleum Côte d'Ivoire Limited

Primed for Growth

Volume potential

- 5.2 billion barrels net unrisked mean prospective oil resources over a diversified portfolio with discoveries along the margin

Operational Environment

- Favourable low cost deepwater environment with no significant above or below ground hazards

Value

- Seeking partners to share the value and rewards
- "Liquid Rich" prospectivity with excellent terms, high net working interest, and attractive asset valuations

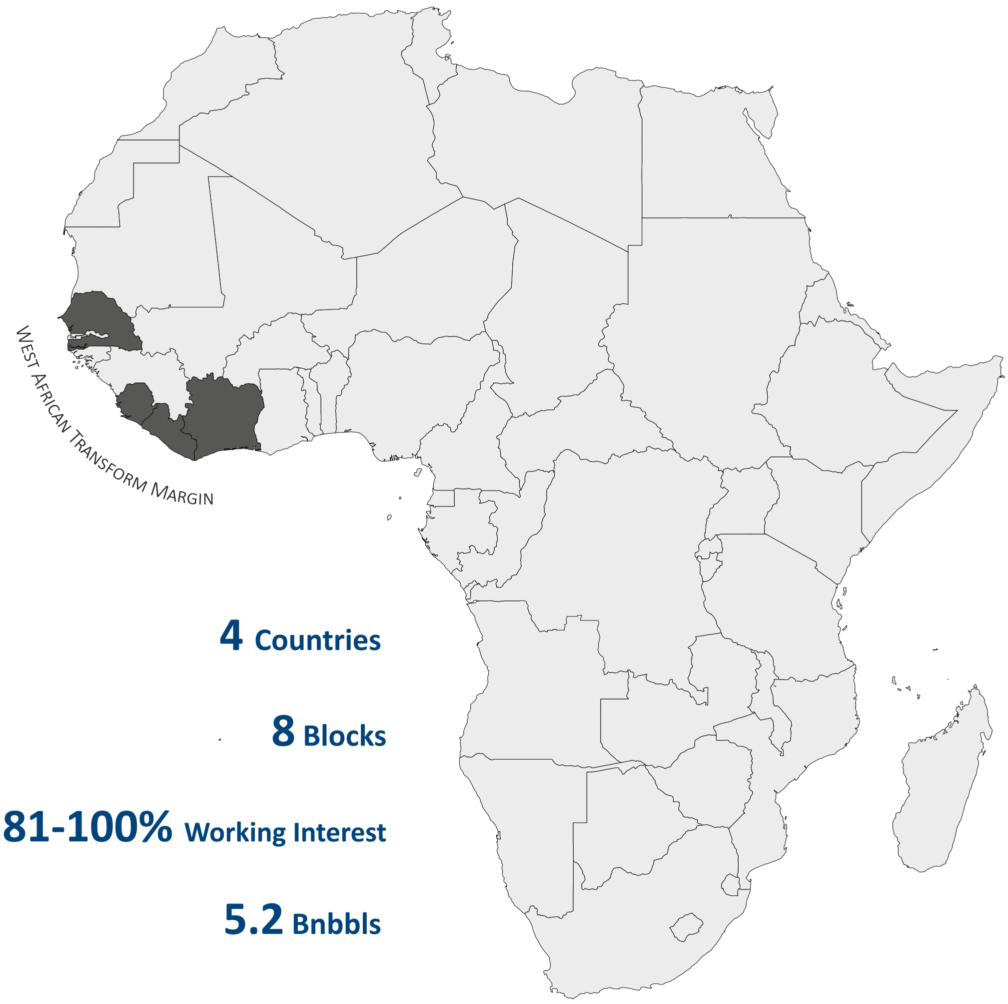
New Wave of Exploration

- Numerous exploration and appraisal wells in neighbouring blocks in 2014, with one discovery already announced by Total in Q2 2014
- Catalyst wells provide potential to de-risk portfolio
- Recent licence extensions provides opportunity to leverage learnings and find partners

CEO Statement

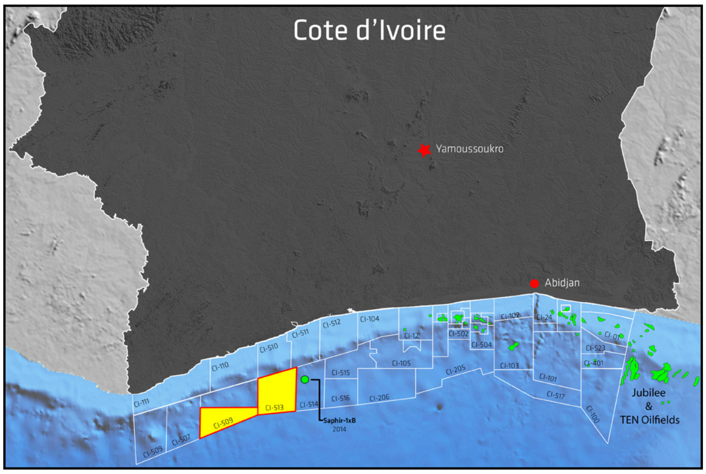
"2014 has proved an exciting time for the Company, having secured a listing on Oslo Axess, licence extensions in Côte d'Ivoire, Sierra Leone and Liberia, raised US$27 million and, subsequent to half-year end, farmed-out 10% of Block CI-509 and signed an agreement to commence 3D seismic in Sierra Leone, it is clear that we have achieved a number of significant objectives this year. The Company is in an excellent position to move into the next phase of delivery and growth, and we anticipate making some significant announcements over the coming six months.

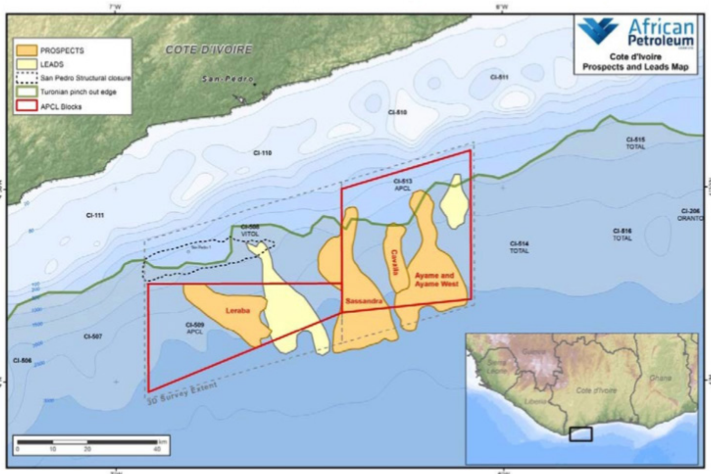
I feel confident, with these important milestones already achieved, African Petroleum Corporation can move forward and unlock the potential of our 5.2 Bnbbls of prospective resources."



Operational Update

Côte d’Ivoire





Licence	APCL WI (%)	Current Status	Remaining Commitments
CI-509	90%	1st Exploration Period	1 Well, March 2016
CI-513	90%	1st Exploration Period	1 Well, December 2015

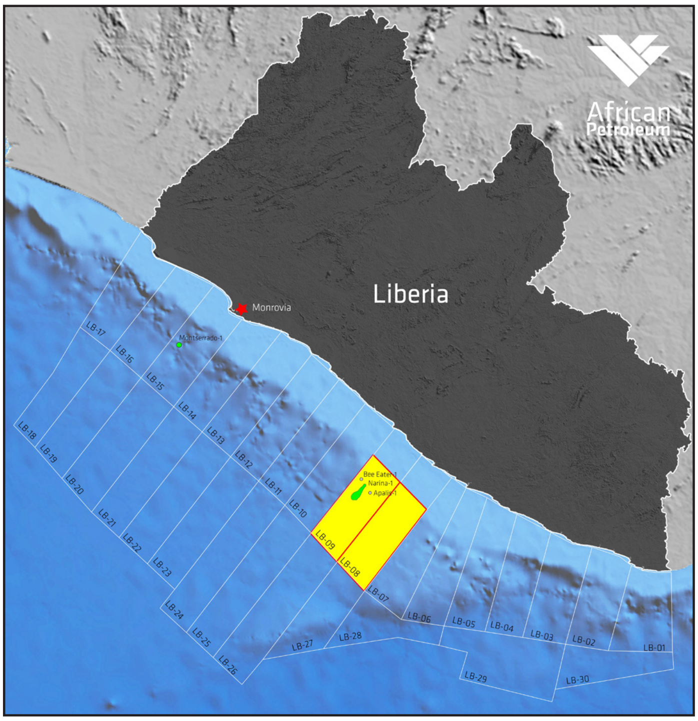
- Water depth: 900 – 3,150m
- 90% working interest in offshore licences CI-513 and CI-509 with combined net acreage of 2,284km^2
- Acquired 4,200km^2 seismic data over Côte d’Ivoire licence blocks
- Key prospects identified with net unrisked mean prospective oil resources of 1,560 MMstb
- Significant well campaigns in neighbouring blocks; Total’s Saphir-1xB discovery in April 2014 de-risks acreage and our prospect portfolio by proving oil charge (the earlier pre-drill principal risk)
- One-year licence extensions on the exploration period granted in April 2014
- Farm-out agreement announced 14 July 2014

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 2,284km^2. In October 2012, the Company acquired 4,200km^2 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 unrisked mean prospective oil resources of 1,560 MMstb (ERC Equipoise, CPR 2014). 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 for one year extensions to the first exploration periods of both licences at the expense of the duration of future exploration periods. This 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 several new amplitude supported prospects have now arisen from the newly processed PSDM 3D data and prior prospects mapped for the 2014 CPR are now being reassessed with the new data.

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 prior to year-end. 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 the Côte d’Ivoire acreage. Significant well campaigns are due to take place offshore Côte d’Ivoire in 2014, with exploration and appraisal wells planned by, amongst others, Vitol, Anadarko and Total. In April 2014, Total announced a discovery of hydrocarbons in block CI-514, adjacent to African Petroleum Corporation’s acreage with 40 metres of net oil pay and 34° API light oil. These catalyst wells provide potential to de-risk the Company’s acreage.

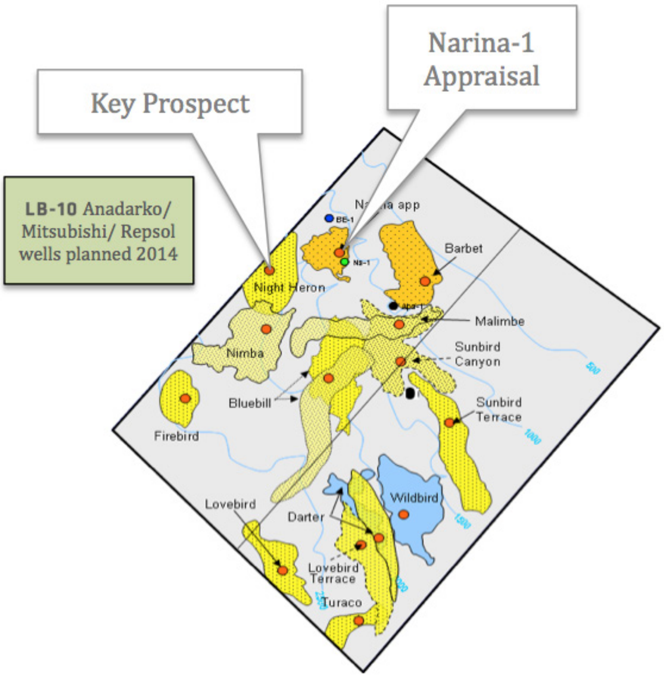
As announced on 14 July 2014, the Company entered into an agreement with Buried Hill Africa Limited (“Buried Hill”) to farm-out a 10% interest in Block CI-509, in return for Buried Hill funding 21.1% of the cost of the next exploration well to be drilled on the block and an additional cash payment to 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 and completion of the Farm-out Agreement is subject to the satisfaction or waiving of certain conditions precedent, which, apart from one pertaining to government approval of the transfer, must be satisfied or waived no later than 1 November 2014 (unless extended in accordance with the Farm-out Agreement).

Liberia



Licence	APCL WI (%)	Current Status	Remaining Commitments
LB-08	100%	2nd Exploration Period	Acquire higher resolution Seismic images Q2 2016
LB-09	100%	2nd Exploration Period	Acquire higher resolution Seismic images Q2 2016

- Water depth: 900 – 2,800m
- 100% working interest in production sharing contracts LB-08 and LB-09 with a combined net acreage of 5,352km^2
- Three wells drilled to date, including the oil discovery at Narina-1
- A number of key prospects identified with net unrisked mean prospective oil resources of 3,230MMstb
- High-resolution 3D seismic data planned to de-risk acreage further
- Announced two-year extension of Liberia licence blocks in February 2014



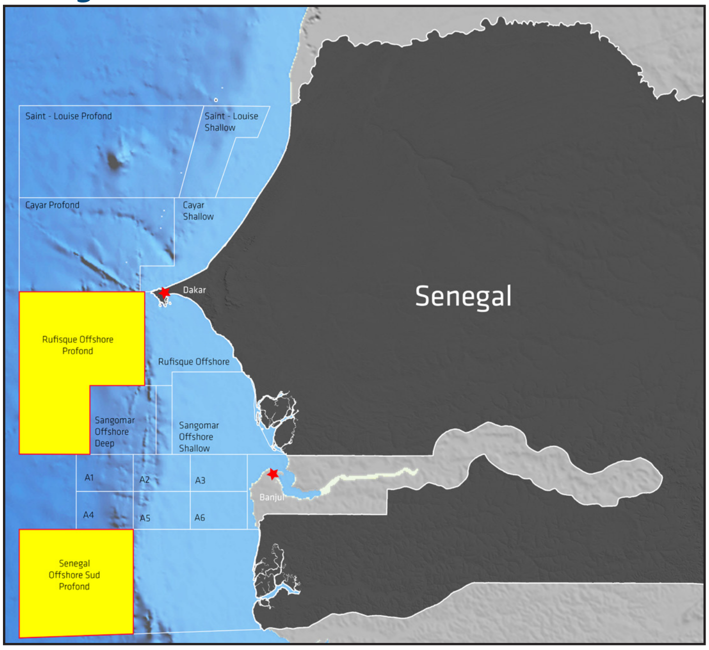
In Liberia, African Petroleum Corporation is the operator and holds a 100% working interest in production sharing contracts LB-08 and LB-09 with combined net acreage of 5,352km^2. The Company has conducted an extensive work programme on its Liberian licences. In 2010, African Petroleum Corporation completed the acquisition and processing of 5,100km^2 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 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 of 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 well encountered a combined total of 32 metres of net oil pay in the primary objective Turonian and underlying Albian reservoirs with no oil water contacts observed. African Petroleum Corporation's discovery at Narina-1 was the first well 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 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. Certain areas may benefit from additional improvement of the seismic image and so currently both 3D reprocessing and acquiring new high-resolution 3D seismic is being considered for LB-09 to cover two key exploration prospects (Narina West and Night Heron) near the Narina-1 well. The high-resolution 3D seismic survey, should it go ahead, will incorporate lessons learned from seismic reprocessing and will be acquired utilising the latest state of the art technology. 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. 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 potentially hydrocarbons exists within the current re-processed dataset. However, near surface effects (shallow slump zone "mass transport deposit") degrades seismic data quality. Investment in both of these 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 achieve potentially the same result through reprocessing the existing 3D seismic data at much lower cost. Accordingly several 3D seismic reprocessing options are being investigated first to see if the technology uplift can be achieved without the need to acquire new higher resolution 3D seismic data – both or either option are subject to the approval of NOCAL.

The Company has identified a number of key prospects in the Liberian licences with net unrisked mean prospective oil resources of 3,230 MMstb (ERC Equipoise, CPR 2014). Anadarko (operator) with partners Cepsa and Mitsubishi plan to drill 2 wells in Q2/Q3 in block 10 (adjacent to the Company's acreage) this year. Again, the results of these wells will have some bearing on the prospectivity of African Petroleum Corporation's acreage.

Senegal



Licence	APCL WI (%)	Current Status	Remaining Commitments
ROP	81%	1st Exploration Period	1 Well Q4 2015
SOSP	81%	1st Exploration Period	Commitments met

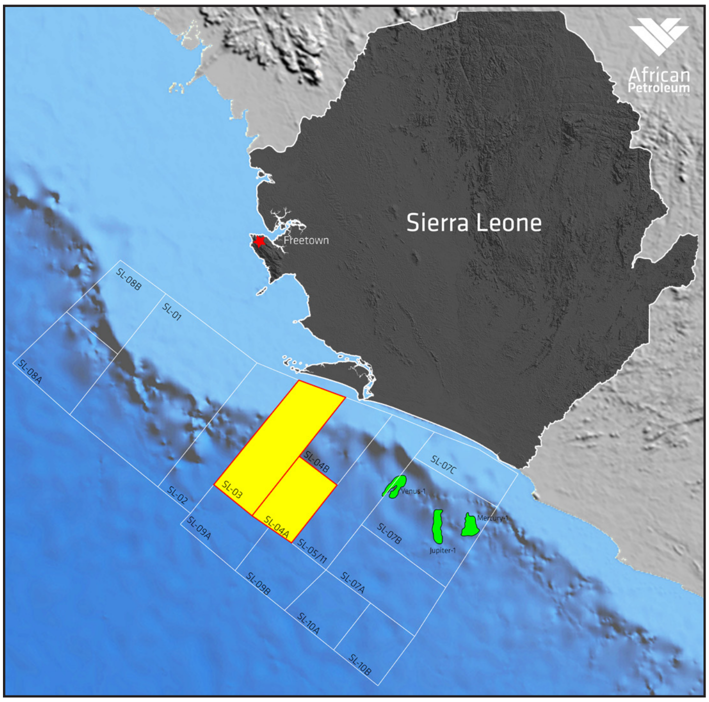
- Water depth: 2,000 - 3,500m
- 81% working interest in exploration blocks Rufisque Offshore Profond and Senegal Offshore Sud Profond with combined net acreage of 14,804km^2
- Extensive regional database is currently being interpreted
- Third party drilling activity will aid in the evaluation of the licences

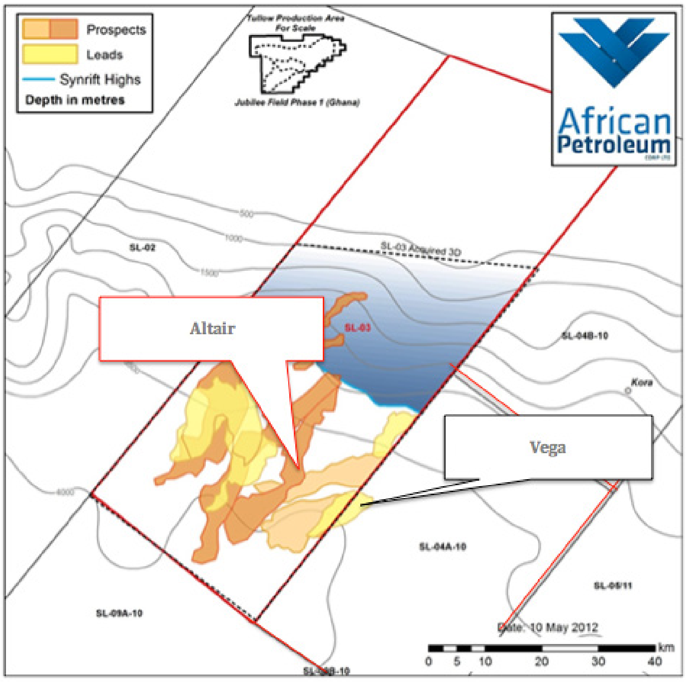
In Senegal, African Petroleum Corporation holds an 81% operated working interest in exploration blocks Rufisque Offshore Profond ("ROP") and Senegal Offshore Sud Profond ("SOSP") (together the "Senegal Licences"). The Company's Senegal Licences are located offshore southern and central Senegal, with a net acreage of 14,804km^2. To date, the Company has acquired 10,000km^2 of 2D seismic data over the Senegal Licences and has compiled an extensive regional database. In May 2012, the Company completed a 3,600km^2 3D seismic data acquisition over the SOSP licence block. In the ROP block an existing 3D seismic dataset (2007 vintage) covers 1,800km^2 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' have been identified, these will be matured to prospects when the reprocessed data has been evaluated. Oil was previously encountered by other operators just to the East in the Rufisque Dome and accordingly the petroleum system is proven in the area. Cairn Energy and Conoco Phillips have commenced a two well drilling campaign offshore Senegal during 2014, and the results from this campaign will aid in the evaluation of the prospectivity of African Petroleum Corporation's Senegal Licences.

Cairn Energy operated block, Sangomar Offshore Deep, commenced its drilling campaign in Q2 2014. The drilling of FAN-1 was delayed due to some necessary rig maintenance, however, the well has now been completed and African Petroleum Corporation Limited anticipates results to be announced in Q3 2014. The results of this well has the potential to further de-risk the Company's acreage.

Sierra Leone





Licence	APCL WI (%)	Current Status	Remaining Commitments
SL-03	100%	1st Exploration Period	No Commitments
SL-4A-10	100%	1st Exploration Period	3D seismic Q3 2015 (currently being acquired)

- Water depth: 2,800 – 3,800m
- 100% working interest in offshore licences SL-03 and SL-4A-10 with combined net acreage of 5,855km^2
- Significant 3D and 2D seismic data acquired over the licence area
- A number of key prospects have been identified, one of which has net unrisked mean prospective oil resources of 434MMstb
- Two year extension agreed for the first exploration period in the SL-03 licence
- Subsequent to half-year end, a contract to acquire >1,000km^2 of 3D seismic data over the SL-4A-10 licence

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 5,855km^2 and are located to the south of Freetown, offshore Sierra Leone.

Since gaining operatorship of the Sierra Leone licences, African Petroleum Corporation has acquired 3D seismic data covering 2,500km^2 on block SL-03 and 2D seismic data over the SL-4A-10 licence and is currently performing extensive geological and geophysical work on both blocks. The Company has already identified a number of key prospects in the Sierra Leone licences, one of which has net unrisked mean prospective oil resources of 434 MMstb (ERC Equipoise, CPR 2014). Following discussions with the Government of Sierra Leone, 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. On SL-4A-10, the Company has interpreted existing 2D seismic and has identified a number of promising prospects for verification. TGS-Nopec acquired a multi-client 3D seismic survey over parts of SL-4A-10 in October 2011, which the Company is considering to licence for further geological and geophysical work.

Subsequent to half-year end, on 11 July 2014 the Company announced that it had signed a contract to acquire more than 1,000km^2 of 3D seismic data on Block SL-4A-10, offshore Sierra Leone. The seismic acquisition over this block commenced in Q3 2014 and will cover the rest of the Vega lead.

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 our 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.

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.

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, expectations 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.

Outlook

The Company continues to work towards building 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 our goal to deliver 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 well results expected from Cairn's exploration well in Senegal and Anadarko's wildcat in Liberia in due course. African Petroleum Corporation is in a good position to learn from these results and leverage from this information effectively.

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half 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.

Approved by the Board of African Petroleum Corporation Limited:

Charles Matthews
Chairman

Stuart Lake
CEO & Executive Director

Mark Ashurst
Non-Executive Director

Gibril Bangura
Non-Executive Director

Jeffrey Couch
Non-Executive Director

David King
Non-Executive Director

Bjarne Moe
Non-Executive Director

Timothy Turner
Non-Executive Director

Anthony Wilson
Non-Executive Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

USD$ '000s	Note	Q2 2014 (unaudited)	Q2 2013 (unaudited)	YTD Q2 2014 (unaudited)	YTD Q2 2013 (unaudited)
Revenue	6a	2,100	1,505	2,937	1,592
Aircraft expenses		(1,635)	(1,298)	(2,471)	(1,705)
Depreciation expense		(265)	(418)	(523)	(931)
Impairment of consumable spares		-	(3,613)	-	(3,613)
Impairment of aircraft		-	-	-	(1,300)
Impairment of related party loans & deposits		(467)	(11,139)	(647)	(11,139)
Rig demobilisation/cancellation costs		-	-	-	(3,753)
Consulting expense		(1,816)	(3,733)	(3,176)	(4,646)
Compliance and regulatory expenses		(265)	(26)	(534)	(302)
General administration expenses		(415)	(347)	(731)	(1,121)
Employee benefits	6b	(1,552)	(4,498)	(3,009)	(8,286)
Travel expenses		(425)	(963)	(652)	(1,617)
Occupancy costs		(259)	(965)	(473)	(1,389)
Net foreign currency gain/(losses)		367	(906)	303	(906)
Finance costs		127	(101)	57	(101)
Other expenses		(11)	-	(11)	-
Loss from continuing operations before income tax		**(4,516)**	**(26,502)**	**(8,930)**	**(39,218)**
Income tax expense		-	-	-	-
Loss for the period, attributable to the members		**(4,516)**	**(26,502)**	**(8,930)**	**(39,218)**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign exchange (loss)/gain on translation of functional currency to presentation currency		(160)	371	-	168
Other comprehensive (loss)/income for the period, net of tax		**(160)**	**371**	**-**	**168**
Total comprehensive loss for the period		**(4,676)**	**(26,131)**	**(8,930)**	**(39,050)**
Loss for the period is attributable to:					
Non-controlling interest		1	(113)	2	(263)
Owners of the parent		(4,517)	(26,389)	(8,932)	(38,955)
		(4,516)	**(26,502)**	**(8,930)**	**(39,218)**
Total comprehensive loss for the period is attributable to:					
Non-controlling interest		1	(113)	2	(263)
Owners of the parent		(4,677)	(26,018)	(8,932)	(38,787)
		(4,676)	**(26,131)**	**(8,930)**	**(39,050)**
Basic/diluted loss per share attributable to members (US cents per share)		(0.73)	(4.69)	(1.45)	(6.90)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD$ '000s	Note	30 June 2014 (unaudited)	31 December 2013 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	16,582	7,914
Trade and other receivables	8	7,353	7,709
Restricted cash	9	12,077	12,074
Prepayments		897	1,266
Total current assets		**36,909**	**28,963**
Non-current assets			
Property, plant and equipment		2,719	3,158
Exploration and evaluation expenditure	10	408,467	403,273
Intangible assets		268	352
Total non-current assets		**411,454**	**406,783**
Total assets		**448,363**	**435,746**
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	600,607	575,912
Reserves	13	16,704	17,282
Accumulated losses		(198,503)	(189,571)
Attributable to equity holders of the parent		**418,808**	**403,623**
Non-controlling interests		(259)	(261)
Total equity		**418,549**	**403,362**
LIABILITIES			
Current liabilities			
Trade and other payables	11	29,814	32,384
Total current liabilities		**29,814**	**32,384**
Total liabilities		**29,814**	**32,384**
Total equity and liabilities		**448,363**	**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	(101,468)	(11,951)	(135)	488,153
Loss for the period		-	-	(38,955)	-	(263)	(39,218)
Other comprehensive income		-	-	-	168	-	168
Total comprehensive loss for the period		**-**	**-**	**(38,955)**	**168**	**(263)**	**(39,050)**
Transactions with owners in their capacity as owners:							
Share-based payments			**2,430**				**2,430**
Balance at 30 June 2013		**575,912**	**28,225**	**(140,423)**	**(11,783)**	**(398)**	**451,533**
Balance at 1 January 2014		**575,912**	**29,371**	**(189,571)**	**(12,089)**	**(261)**	**403,362**
Loss for the period		-	-	(8,932)	-	2	(8,930)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive loss for the period		**-**	**-**	**(8,932)**	**-**	**2**	**(8,930)**
Transactions with owners in their capacity as owners:							
Issue of capital		26,175	-	-	-	-	26,175
Capital raising costs		(1,480)	-	-	-	-	(1,480)
Share-based payments		-	(578)	-	-	-	(578)
Balance at 30 June 2014		**600,607**	**28,793**	**(198,503)**	**(12,089)**	**(259)**	**418,549**

CONSOLIDATED STATEMENT OF CASH FLOWS

USD$ '000s	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Cash flow from operating activities		
Payments to suppliers and employees	(10,388)	(19,075)
Rental income	872	-
Interest received	13	127
Finance costs	(58)	-
Net cash flow from operating activities	**(9,561)**	**(18,948)**
Cash flow from investing activities		
Payment for plant, equipment and aircraft	(1)	(296)
Proceeds from disposal of plant and equipment	43	-
Payment for intangible assets	-	(30)
Payment for investments	-	(1,235)
Payment for exploration and evaluation activities	(6,583)	(69,794)
Loan repaid by related parties	166	194
Loan to related parties	(207)	-
Cash backing security returned	-	49,670
Net cash flow from investing activities	**(6,582)**	**(21,491)**
Cash flow from financing activities		
Proceeds from issue of shares	26,175	-
Capital raising costs	(1,480)	-
Net cash flow from financing activities	**24,695**	**-**
Net change in cash and cash equivalents	**8,552**	**(40,439)**
Cash and cash equivalents at the beginning of the period	**7,914**	**52,599**
Net foreign exchange differences	**116**	**179**
Cash and cash equivalents at the end of the period	**16,582**	**12,339**

Notes to the interim financial report for the second 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 second 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.

Note 2 – Basis of preparation
This general purpose condensed interim financial report for the quarter ended 30 June 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 six months ended 30 June 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.

Note 6 – Revenue, income and expenses

	Q2 2014 (unaudited) US$'000	Q2 2013 (unaudited) US$'000	YTD Q2 2014 (unaudited) US$'000	YTD Q2 2013 (unaudited) US$'000
a) Revenue				
Bank interest income	28	80	49	167
Flight revenue	1,528	315	2,055	315
Other revenue	544	1,110	833	1,110
	2,100	**1,505**	**2,937**	**1,592**

	Q2 2014 (unaudited) US$'000	Q2 2013 (unaudited) US$'000	YTD Q2 2014 (unaudited) US$'000	YTD Q2 2013 (unaudited) US$'000
b) Employee benefits				
Employee remuneration	1,292	2,857	2,141	5,332
Director's remuneration	744	635	1,384	1,948
Share-based payments recognised	1,647	2,247	1,647	2,247
Share-based payments reversed	(2,131)	(1,241)	(2,163)	(1,241)
	1,552	**4,498**	**3,009**	**8,286**

Note 7 – Cash and cash equivalents

	30 June 2014 US$'000	31 December 2013 US$'000
Cash at bank and on hand	16,582	7,914
	16,582	**7,914**

Note 8 – Trade and other receivables

	30 June 2014 US$'000	31 December 2013 US$'000
Trade receivables	2,937	2,109
Loans receivable from related parties [1]	2,030	1,862
Other receivables	2,386	3,738
	7,353	**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$12,819 (£7,128) of interest recognised during the current quarter (three months to 30 June 2013: US$10,073 (£6,587)). 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$55,924 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$7,730 (£4,301) of interest recognised during the current quarter (three months to 30 June 2013: US$6,086 (£3,980)). 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$34,931 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. Under the terms of the facility agreement, the amounts drawn down are required to be repaid in full by the earlier of:

- 31 December 2013;
- receipt by IOP of A$45,000,000 pursuant to the terms of an arrangement with another company; and
- the date IOP completes a raising of funds by way of a public offering in shares in the capital of the borrower on NSX; and
- the date IOP is listed on an alternative stock exchange, as part of a fundraising.

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$466,976 (three months to 30 June 2013: US$159,881). As at 30 June 2014, the total amount receivable from IOP in relation to this loan facility is US$11,804,901 (31 December 2013: US$11,304,365).

As at 30 June 2014, the Company has recognised an impairment provision for the outstanding balance of the IOP loan facility of US$11,804,901. 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.

During the six months ended 30 June 2014, a further US$96,884 (2013: US$379,586) was advanced to IOP to cover employee costs in relation to work on the exploration and production sharing contracts in the Republic of Niger. The Company has recognised an impairment provision for this amount.

Note 9 – Restricted cash

	30 June 2014 US$'000	31 December 2013 US$'000
Current restricted cash	12,077	12,074
	12,077	**12,074**

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 seismic acquisition and drilling milestones.

Note 10 – Exploration and evaluation expenditure

	30 June 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	5,194	94,788
Impairment	-	(46,338)
Acquisition cost at end of period	**408,467**	**403,273**

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 June 2014 US$'000	31 December 2013 US$'000
Trade payables	2,586	6,063
Withholding tax [1]	13,587	13,551
Other payables and accruals [2]	12,059	11,279
Share-based payments liability [3]	1,582	1,491
	29,814	**32,384**

[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 June 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 June 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	(1,480)	-
Amount of outstanding shares at the end of period	**600,607**	**575,912**

Note 13 – Reserves

	30 June 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	(578)	3,576
Total share-based payments reserve	**28,793**	**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	**16,704**	**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 June 2014 US$'000	31 December 2013 US$'000
Cote d'Ivoire	52,829	51,492
Gambia	-	133
Liberia	294,001	291,029
Senegal	38,379	37,952
Sierra Leone	24,510	24,064
United Kingdom	1,735	2,113
	411,454	**406,783**

Note 15 – Events after the balance sheet date

On 11 July 2014, the Company announced that it had signed a contract to acquire more than 1,000km2 of 3D seismic data on Block SL-4A-10, offshore Sierra Leone. The seismic acquisition over this block is expected to commence in Q3 2014.

In July 2014, the Company announced a farm-out agreement with Buried Hill Africa Limited ("Buried Hill") in Block CI-509, Côte d'Ivoire. This farm-out agreement, entitles Buried Hill to a 10% 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 and completion of the Farm-out Agreement is subject to the satisfaction or waiving of certain conditions precedent, which, apart from one pertaining to government approval of the transfer, must be satisfied or waived no later than 1 November 2014 (unless extended in accordance with the Farm-out Agreement).

On the 18 July 2014, the Company announced that Non-Executive Director Mr James Smith had tendered his resignation from the Board of Directors, taking effect from 1 August 2014. Additionally, Mr Mark Ashurst assumed the position of Non-Executive Director of the board, stepping down from his role as Executive Director.

On 31 July 2014, African Petroleum Corporation signed a settlement agreement with International Petroleum Limited ("IOP") regarding repayment of loans made to IOP. On 11 August 2014, IOP announced they are in the process of completing the sale of its Russian assets, following which, IOP will make a cash repayment of US$559,090 to African Petroleum Corporation, all other outstanding monies will convert into fully paid ordinary shares of IOP. African Petroleum Corporation is expected to hold approximately 14% of the enlarged share capital of IOP. In addition, IOP will issue 5 million IOP options to African Petroleum Corporation exercisable at $0.06 with an expiry 24 months from issue date.

On 8 August 2014, African Petroleum Corporation increased its interest in the rights and obligations under the Gambian A1 and A4 licences to 100% (from 60%) through the acquisition of the third party joint venture partner company for a nominal sum, while also fully and finally settling all future claims between the contracting parties relating to the A1 and A4 licences.

No other event has arisen between 30 June 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 June 2014:

	30 June 2014 US$'000	31 December 2013 US$'000
Within one year	13,831	40,507
After one year but not more than five years	90,045	66,611
More than five years	-	-
	103,876	107,118

Note 17 – Fair values of financial assets and financial liabilities

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

DIRECTORS

Charles Matthews - Chairman

Stuart Lake - Chief Executive Officer

Mark Ashurst

Gibril Bangura

Jeffrey Couch

David King

Bjarne Moe

Timothy Turner

Anthony Wilson

COMPANY SECRETARY

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