
AFRICAN PETROLEUM CORPORATION LIMITED

ABN 87 125 419 730

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9.30am (WST)

DATE: 25 November 2010

PLACE: Kailis Bros Fish Market and Café Function Centre
101 Oxford Street
Leederville, Western Australia 6007

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9388 0744.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The annual general meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.30am (WST) on 25 November 2010 at:

Kailis Bros Fish Market and Café Function Centre
101 Oxford Street
Leederville, Western Australia 6007

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- (a) by post to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne Victoria 3001; or
- (b) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (inside Australia), +61 3 9473 2555 (outside Australia),

so that it is received not later than 9.30am (WST) on 23 November 2010.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the annual general meeting of Shareholders will be held at 9.30am (WST) on 25 November 2010 at Kailis Bros Fish Market and Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at 5.00pm (WST) on 23 November 2010.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the period ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the period ended 30 June 2010.”

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – FRANK TIMIS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Frank Timis, a Director who was appointed on 30 June 2010, retires, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – KARL THOMPSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Karl Thompson, a Director who was appointed on 30 June 2010, retires, and being eligible, is re-elected as a Director.”

4. **RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MARK ASHURST**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Mark Ashurst, a Director who was appointed on 30 June 2010, retires, and being eligible, is re-elected as a Director.”

5. **RESOLUTION 5 – RE-ELECTION OF DIRECTOR – GIBRIL BANGURA**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Gibril Bangura, a Director who was appointed on 30 June 2010, retires, and being eligible, is re-elected as a Director.”

6. **RESOLUTION 6 – RE-ELECTION OF DIRECTOR – ALAN WATLING**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Alan Watling, a Director who was appointed on 30 June 2010, retires, and being eligible, is re-elected as a Director.”

7. **RESOLUTION 7 – RE-ELECTION OF DIRECTOR – ANTHONY WILSON**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Anthony Wilson, a Director who was appointed on 30 June 2010, retires, and being eligible, is re-elected as a Director.”

8. **RESOLUTION 8 – RE-ELECTION OF DIRECTOR – JEFFREY COUCH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.4 of the Constitution, NSX Listing Rule 6.47 and for all other purposes, Anthony Wilson, a Director who was appointed on 23 September 2010, retires, and being eligible, is re-elected as a Director.”

9. **RESOLUTION 9 – APPOINTMENT OF DIRECTOR – JAMES SMITH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to and conditional upon the passing of Resolution 12, for the purpose of clause 13.3 of the Constitution and for all other purposes, James Smith being eligible and having consented to act, be appointed as a Director.”

10. RESOLUTION 10 – RE-ELECTION OF DIRECTOR – TIMOTHY TURNER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Timothy Turner, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

11. RESOLUTION 11 – DIRECTORS’ REMUNERATION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.8 of the Constitution and for all other purposes, Shareholders approve the maximum total aggregate fixed sum per annum to be paid to Non-Executive Directors be increased from \$150,000 to \$650,000 to be paid in accordance with the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

12. RESOLUTION 12 – AMENDMENT TO CONSTITUTION – NUMBER OF DIRECTORS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purpose of Section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to amend the Constitution with immediate effect by deleting the numeral “9” in clause 13.1 of the Constitution and replacing it with the numeral “12”.

13. RESOLUTION 13 – AMENDMENT TO CONSTITUTION – PAYMENT OF DIVIDENDS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purpose of Section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to amend the Constitution with immediate effect by:

- (a) deleting clause 21.1 of the Constitution in its entirety and replacing it with the following:*

"21.1 Dividends

Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares."; and

(b) deleting clause 21.3 of the Constitution in its entirety.

14. RESOLUTION 14 – RATIFICATION OF PRIOR ISSUE – CLASS A OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for all purposes, Shareholders ratify the allotment and issue of 1,875,000 Class A Options on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

15. RESOLUTION 15 – ISSUE OF CLASS B OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Class B Options on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

16. RESOLUTION 16 – CHANGE OF AUDITOR

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, in accordance with section 327B of the Corporations Act and for all other purposes, Ernst & Young, having been nominated and having consented in writing to act as auditor of the Company, be appointed as the Company’s auditor to replace Grant Thornton (WA) Partnership with effect on and from the later of the close of this Annual General Meeting, or such other date specified by ASIC.”

Short Explanation: The Company is seeking the approval of Shareholders to change its auditor from Grant Thornton (WA) Partnership to Ernst & Young.

17. RESOLUTION 17 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of NSX Listing Rule 6.25(2)(iv) and for all other purposes, approval is given for the Company to adopt the Employee Share Option Plan on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any Director, other than any Director who is ineligible to participate in the Employee Share Option Plan, and any associates of those directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

18. RESOLUTION 18 – ISSUE OF DIRECTOR OPTIONS – KARL THOMPSON

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,500,000 Director Options to Karl Thompson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Karl Thompson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

19. RESOLUTION 19 – ISSUE OF DIRECTOR OPTIONS – MARK ASHURST

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, N NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,500,000 Director Options to Mark Ashurst (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mark Ashurst (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

20. RESOLUTION 20 – ISSUE OF DIRECTOR OPTIONS – TIMOTHY TURNER

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 500,000 Director Options to Timothy Turner (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Timothy Turner (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

21. RESOLUTION 21 – ISSUE OF DIRECTOR OPTIONS – TONY SAGE

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 2,000,000 Director Options to Tony Sage (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Tony Sage (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

22. RESOLUTION 22 – ISSUE OF DIRECTOR OPTIONS – GIBRIL BANGURA

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to Gibril Bangura (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Gibril Bangura (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

23. RESOLUTION 23 – ISSUE OF DIRECTOR OPTIONS – ALAN WATLING

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to Alan Watling (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Alan Watling (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

24. RESOLUTION 24 – ISSUE OF DIRECTOR OPTIONS – ANTHONY WILSON

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to Anthony Wilson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Anthony Wilson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

25. RESOLUTION 25 – ISSUE OF DIRECTOR OPTIONS – JEFFREY COUCH

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to Jeffrey Couch (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Jeffrey Couch (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

26. RESOLUTION 26 – ISSUE OF DIRECTOR OPTIONS – JAMES SMITH

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to James Smith (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by James Smith (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 20 OCTOBER 2010

BY ORDER OF THE BOARD

**ELOISE VON PUTTKAMMER
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.30am (WST) on 25 November 2010 at Kailis Bros Fish Market and Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

Shareholders should note that pursuant to a deed between the Company and Sarella Investments Limited (an entity controlled by Mr Frank Timis, a Director) (**Sarella**), no votes may be cast at this Annual General Meeting by Sarella in respect of any of the proposed Resolutions. As at the date of this Notice of Meeting, Sarella holds 630,816,987 Shares representing 47.06% of the issued capital of the Company.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the period ended 30 June 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.africanpetroleum.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the period ended 30 June 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3. RESOLUTIONS 2 TO 8 – RE-ELECTION OF DIRECTORS – MESSRS TIMIS, THOMPSON, ASHURST, BANGURA, WATLING, WILSON AND COUCH

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Any Director so appointed holds office only until the next following annual general meeting and is then eligible for re-election.

Messrs Timis, Thompson, Ashurst, Bangura, Watling, Wilson and Couch were each appointed as Directors on 30 June 2010 as part of the acquisition by the Company of African Petroleum Corporation Limited (Cayman). They will each retire in

accordance with clause 13.4 of the Constitution and being eligible, seek re-election. A summary of each of Messrs Timis, Thompson, Ashurst, Bangura, Watling, Wilson and Couch is contained in the 2010 Annual Report.

4. RESOLUTION 9 – APPOINTMENT OF DIRECTOR – JAMES SMITH

Pursuant to clause 13.3 of the Constitution, the Company may elect a person as a Director by resolution passed in general meeting. A Director elected at a general meeting is taken to have been elected with effect immediately after the end of that general meeting unless the resolution by which the Director was appointed or elected specifies a different time.

The Company currently has 9 Directors and the Constitution provides that the number of Directors must not exceed this number. The Company is seeking Shareholder approval pursuant to Resolution 12 to increase the maximum number of Directors to 10.

Therefore, subject to the passing of Resolution 12, pursuant to Resolution 9, James Smith, being a person nominated as a Director in accordance with clause 13.3 of the Constitution seeks election and appointment to the Board with effect immediately after the end of the Meeting.

In accordance with clause 13.3 of the Constitution, a copy of the Nomination and Consent for Candidature for the Office of Director for Mr Smith is set out in Schedule 7.

Set out below is a summary of the experience of Mr Smith:

Mr James Smith is a senior oil and gas executive with a strong earth science background. Mr Smith has over 20 years experience in the oil and gas industry, predominantly in Africa and Middle East exploration. He is currently Vice President Exploration of Orca Exploration Inc., an international oil and gas company listed on the TSX venture exchange. He previously served as New Venture and Project Leader for Chevron Corporation in Africa and the Middle East and more recently was Vice President Exploration of Pan-Ocean Energy Corporation Limited. At Pan-Ocean, he was instrumental in the rapid development of the company's portfolio of onshore and offshore oil assets in Gabon that were sold in 2006. He was a Non-Executive Director of Canoro Resources until 2 July 2010.

5. RESOLUTION 10 – RE-ELECTION OF DIRECTOR – TIMOTHY TURNER

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being, or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Timothy Turner, the Director longest in office since his last election, retires by rotation and seeks re-election. A summary of Mr Timothy Turner is contained in the 2010 Annual Report.

6. RESOLUTION 11 – DIRECTORS’ REMUNERATION

Clause 13.7 of the Constitution requires that the total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of executive Directors) from time to time will not exceed the sum determined by the Shareholders in general meeting and the total aggregate fixed sum will be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal shares.

Resolution 11 seeks Shareholder approval to increase the total aggregate fixed sum per annum to be paid to the Directors by \$500,000 from \$150,000 to \$650,000.

The total aggregate fixed sum per annum has been determined with regard to the number of members of the Board, the size of the Company and the level of experience of the Directors. The previous level of \$150,000 was appropriate when the Company had 3 Directors and considerably fewer assets. The Company now has 10 Directors (subject to Resolutions 9 and 12 being passed), a market capitalisation of over \$1billion and a considerably larger asset base to monitor. Accordingly, the Board considers it appropriate to increase the maximum remuneration payable to non executive Directors as considerably more time is involved in governing the Company and its assets.

The Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

7. RESOLUTION 12 – AMENDMENT TO CONSTITUTION – NUMBER OF DIRECTORS

As set out in Section 4, the Constitution currently provides that the number of Directors must not exceed 9.

With regard to the size and activities of the Company, the current Board consider it appropriate that the maximum number of Directors is increased.

Resolution 12 is a special resolution seeking Shareholder approval to amend the Constitution so that the maximum number of Directors is increased from 9 to 12.

8. RESOLUTION 13 – AMENDMENT TO CONSTITUTION – PAYMENT OF DIVIDENDS

There have been recent changes to the dividend payment provisions of the Corporations Act which came into effect on 28 June 2010. A new section 254T has been included in the Corporations Act which introduces a three tiered test that a company will need to satisfy before paying a dividend. This replaces the previous test that the company may only pay dividends from profits.

The new section 254T provides that a company must not a pay a dividend unless:

- (a) the company’s assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company’s shareholders as a whole; and

- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing constitution of the Company currently reflects the former profit test and restricts the dividend to be paid only out of the profits of the Company.

Accordingly, the Company proposes to:

- (a) delete clause 21.3 in its entirety which currently reads:

"No dividend shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive"; and

- (b) delete clause 2.1 and replace with the following:

"Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend. Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the dividend as declared shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares."

These amendments will allow the Company to pay dividends in accordance with the new position under the Corporations Act.

The Directors consider it appropriate to make these amendments to the Constitution to allow more flexibility in the payment of dividend to Shareholders.

Resolution 13 is a special resolution seeking Shareholder approval so that the recent changes to the dividend payment provisions of the Corporations Act are reflected in the Constitution.

9. RESOLUTION 14 – RATIFICATION OF PRIOR ISSUE – CLASS A OPTIONS

9.1 General

In October 2010, the Company issued 1,875,000 Class A Options to various consultants and employees of the Company in recognition of services provided (or to be provided) to the Company.

The recipients of Class A Options pursuant to this issue were not related parties of the Company.

Resolution 14 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of those Class A Options (**Option Ratification**).

NSX Listing Rule 6.25 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in NSX Listing Rule 6.25 without the requirement to obtain prior Shareholder approval.

9.2 Technical Information

The following information is provided in relation to the Option Ratification:

- (a) a total of 1,875,000 Class A Options were allotted;
- (b) the Class A Options were issued for nil cash consideration;
- (c) the Class A Options were issued on the terms and conditions set out in Schedule 1;
- (d) the Class A Options were allotted and issued to various consultants and employees of the Company none of whom are related parties of the Company; and
- (e) no funds were raised from this issue as the Class A Options were issued to the above parties in recognition of services provided (or to be provided) to the Company.

10. RESOLUTION 15 – ISSUE OF CLASS B OPTIONS

10.1 General

Resolution 15 seeks Shareholder approval for the allotment and issue of 1,000,000 Class B Options (**Option Placement**) to Adrian Robinson who will be engaged by the Company in November 2010 in the position of Exploration Director.

Adrian Robinson is not a related party of the Company.

A summary of NSX Listing Rule 6.25 1 is set out in Section 9.1 above.

The effect of Resolution 15 will be to allow the Directors to issue the Class B Options pursuant to the Option Placement without using the Company's 15% annual placement capacity.

10.2 Technical information

The following information is provided in relation to the Option Placement:

- (a) the maximum number of Class B Options to be granted is 1,000,000;
- (b) the Class B Options will be issued for nil cash consideration;
- (c) the Class B Options will be allotted and issued to Adrian Robinson, who is not a related party of the Company;
- (d) the Class B Options shall vest as follows:
 - (i) 250,000 vest over a 3 year period, with one third vesting on each of the first three anniversaries of the date of commencement of employment of Mr Robinson;
 - (ii) 250,000 vest on completion of drilling of the Company's first well;
 - (iii) 250,000 vest on completion of drilling of the Company's second well; and

- (iv) 250,000 vest on discovery of hydrocarbons in any one of the Company's wells;
- (e) the Class B Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised from the Option Placement as the Class B Options are being issued as part of the incentive package for the engagement of Mr Robinson by the Company.

11. RESOLUTION 16 - CHANGE OF AUDITOR

Grant Thornton (WA) Partnership (**Grant Thornton**) has tendered its resignation as auditor to the Company and it has advised the Company that it has applied to ASIC for consent to resign effective 25 November 2010. It is anticipated that Grant Thornton's resignation will take effect from the later of that date or the date specified by ASIC as the effective date of Grant Thornton's resignation.

The Company proposes, subject to ASIC consenting to the resignation of Grant Thornton, to appoint Ernst & Young as the auditor of the Company. In accordance with Section 328B(1) of the Corporations Act, notice in writing nominating Ernst & Young as auditor has been given to the Company by a Shareholder. A copy of this notice is shown in Schedule 7 to this explanatory memorandum.

The Company's expectation is that ASIC's consent will be forthcoming prior to the date of the Annual General Meeting.

Accordingly, Resolution 16 seeks Shareholder approval to the appointment of Ernst & Young of 11 Mounts Bay Road, Perth, WA 6000, to the office of auditor of the Company. Ernst & Young has consented in writing to its appointment.

If this Resolution is passed, the appointment of Ernst & Young as the Company's auditor will take effect from the later of the close of the Annual General Meeting or the date specified by ASIC as the effective date of Grant Thornton's resignation.

12. RESOLUTION 17 – ADOPTION OF EMPLOYEE SHARE OPTION PLAN

Resolution 17 seeks the approval of Shareholders for the adoption of the Employee Share Option Plan (**ESOP**) to allow the issue of options to acquire Shares (**Options**) under the ESOP as an exception to NSX Listing Rule 6.25 in accordance with the exception set out in NSX Listing Rule 6.25(2)(iv).

If Resolution 17 is passed, the Company will have the ability to issue Options to eligible participants under the ESOP without impacting on the Company's 15% placement capacity under NSX Listing Rule 6.25.

Shareholders should note that no Options have previously been issued under the ESOP and the objective of the ESOP is to attract, motivate and retain key employees and consultants.

It is considered by the Directors that the adoption of the ESOP and the future grant of Options under the ESOP will provide selected eligible participants with the opportunity to participate in the future growth of the Company.

A summary of the terms and conditions of the ESOP is set out in Schedule 6.

13. RESOLUTIONS 18 TO 26 – ISSUE OF DIRECTOR OPTIONS

13.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 10,500,000 Options (**Director Options**) to Messrs Thompson, Ashurst, Turner, Sage, Bangura, Watling, Wilson, Couch and Smith (**Related Parties**) on the terms and conditions set out below.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, NSX Listing Rule 6.44 also requires shareholder approval by special resolution to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in NSX's opinion, such that approval should be obtained unless an exception in NSX Listing Rule 6.44 applies.

The grant of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, Messrs Thompson, Ashurst, Turner, Sage, Bangura, Watling, Wilson, Couch and Smith are (or, in the case of Mr Smith, subject to the passing of Resolutions 9 and 12, will be) related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

13.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 6.44)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and NSX Listing Rule 6.48, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Thompson, Ashurst, Turner, Sage, Bangura, Watling, Wilson, Couch and Smith and they are related parties by virtue of being Directors (or will be a Director in the case of Mr Smith, subject to the passing of Resolutions 9 and 12);
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - (i) 1,500,000 Director Options to Karl Thompson (or his nominee);
 - (ii) 1,500,000 Director Options to Mark Ashurst (or his nominee);
 - (iii) 500,000 Director Options to Timothy Turner (or his nominee);

- (iv) 2,000,000 Director Options to Tony Sage (or his nominee);
 - (v) 1,000,000 Director Options to Gibril Bangura (or his nominee);
 - (vi) 1,000,000 Director Options to Alan Watling (or his nominee);
 - (vii) 1,000,000 Director Options to Anthony Wilson (or his nominee);
 - (viii) 1,000,000 Director Options to Jeffrey Couch (or his nominee); and
 - (ix) 1,000,000 Director Options to James Smith (or his nominee);
- (c) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (d) the terms and conditions of the Director Options are set out in Schedule 3;
- (e) the value of the Director Options and the pricing methodology is set out in Schedule 4;
- (f) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Karl Thompson	Nil	Nil
Mark Ashurst	Nil	Nil
Timothy Turner	271,993	Nil
Tony Sage	10,509,325	Nil
Gibril Bangura	Nil	Nil
Alan Watling	Nil	Nil
Anthony Wilson	Nil	Nil
Jeffrey Couch	443,700	Nil
James Smith	Nil	Nil

- (g) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year ²	Previous Financial Year ¹
Karl Thompson	\$236,339	Not applicable
Mark Ashurst	\$399,931	Not applicable
Timothy Turner	\$24,000	\$48,000
Tony Sage	\$91,667	\$350,000

Gibril Bangura	\$24,000	Not applicable
Alan Watling	\$24,000	Not applicable
Anthony Wilson	\$24,000	Not applicable
Jeffrey Couch	\$12,000	Not applicable
James Smith	\$4,000	Not applicable

Notes:

1. Previous final year represents the fees paid by the Company in the 12 months ended 30 June 2010.
2. The Company has changed its financial year end to 31 December. Consequently the current financial year comprises the 6 month period from 1 July 2010 to 31 December 2010.

- (h) if the Director Options granted to the Related Parties are exercised, a total of 10,500,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 1,340,502,598 to 1,351,002,598 (assuming that no other Options are exercised and no other Shares are issued) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.77%, comprising 0.11% by Karl Thompson, 0.11% by Mark Ashurst and 0.037% by Timothy Turner; 0.148% by Tony Sage; 0.074% by Gibril Bangura; 0.074% by Alan Watling; 0.074% by Anthony Wilson; 0.074% by Jeffrey Couch and 0.074% by James Smith;

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. As at the date of this Notice, the Shares are trading on NSX at a price that is higher than the exercise price of the Director Options and accordingly there is a perceived cost to the Company. However, the exercise price of the Director Options is the same as for the options issued to consultants and employees of the Company and the issue price of the Shares issued as part of the capital raising in June 2010, being the time at which it was resolved to issue the Director Options to the Directors.

- (i) the trading history of the Shares on NSX and ASX in the 12 months before the date of this Notice is set out below:

NSX

	Price	Date
Highest	85 cents	16 September 2010
Lowest	55 cents	30 June 2010 to 5 August 2010
Last	80 cents	19 October 2010

ASX

	Price	Date
Highest	54.5 cents	18 and 19 February 2010
Lowest	13.5 cents	10, 11, 12, 13, 16

		November 2009
Last	47 cents	18 June 2010 ¹

Notes:

^{1.} Date suspended from trading on ASX. The Company remained in suspension until it was delisted from ASX on 3 September 2010.

- (j) the primary purpose of grant of the Director Options to the Directors is in recognition of their involvement in identifying, securing and negotiating significant transactions and to provide cost effective consideration to the Directors for their ongoing commitment and contribution to the Company in their respective roles as Directors. The Board (other than in respect of the relevant Resolution that they have an interest in) considered the extensive experience and reputation of the relevant persons within the industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to the Directors. Additionally, it is noted that the Board resolved to issue the Director Options to the Directors (subject to Shareholder approval) at a time when the Shares were trading at a price equal to the exercise price of the Director Options. In addition, the Board considers the grant of the Director Options to the Directors to be reasonable, given the necessity to attract a high calibre of professional to the Company whilst maintaining the Company's cash reserves;
- (k) the Board acknowledges the grant of Director Options to Messrs Sage, Timis, Turner, Wilson, Bangura, Watling, Couch, Smith is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to these persons reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves; and
- (l) Karl Thompson declines to make a recommendation to Shareholders in relation to Resolution 18 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 18, recommend that Shareholders vote in favour of Resolution 18. The Board (other than Karl Thompson) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (m) Mark Ashurst declines to make a recommendation to Shareholders in relation to Resolution 19 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 19, recommend that Shareholders vote in favour of Resolution 19. The Board (other than Mark Ashurst) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (n) Timothy Turner declines to make a recommendation to Shareholders in relation to Resolution 20 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 20, recommend that Shareholders vote in favour of Resolution 20. The Board (other than Timothy Turner) is not aware of any other information that would be reasonably

required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;

- (o) Tony Sage declines to make a recommendation to Shareholders in relation to Resolution 21 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 21, recommend that Shareholders vote in favour of Resolution 21. The Board (other than Tony Sage) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (p) Gibril Bangura declines to make a recommendation to Shareholders in relation to Resolution 22 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 22, recommend that Shareholders vote in favour of Resolution 22. The Board (other than Gibril Bangura) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (q) Alan Watling declines to make a recommendation to Shareholders in relation to Resolution 23 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 23, recommend that Shareholders vote in favour of Resolution 23. The Board (other than Alan Watling) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (r) Anthony Wilson declines to make a recommendation to Shareholders in relation to Resolution 24 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 24, recommend that Shareholders vote in favour of Resolution 24. The Board (other than Anthony Wilson) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution;
- (s) Jeffrey Couch declines to make a recommendation to Shareholders in relation to Resolution 25 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 25, recommend that Shareholders vote in favour of Resolution 25. The Board (other than Jeffrey Couch) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (t) James Smith declines to make a recommendation to Shareholders in relation to Resolution 26 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 26, recommend that Shareholders vote in favour of Resolution 26. The Board (other than James Smith) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to NSX Listing Rule 6.25 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under NSX Listing Rule 6.44. Accordingly, the issue of Director Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to NSX Listing Rule 6.25.

14. ENQUIRIES

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9388 0744 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that NSX declares is not a business day.

Class A Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Class B Option means an option to acquire a Share with the terms and conditions set out in Schedule 2.

Company means African Petroleum Corporation Limited (ABN 87 125 419 730).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Director Option means an option to acquire a Share granted pursuant to Resolutions 18 to 26 with the terms and conditions set out in Schedule 3.

Directors means the current directors of the Company.

Employee Share Option Plan or **ESOP** means the Employee Share Option Plan to be approved by Shareholders in this Annual General Meeting pursuant to Resolution 17.

Explanatory Statement means the explanatory statement accompanying the Notice.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

NSX means the National Stock Exchange of Australia.

NSX Listing Rules means the Listing Rules of NSX.

Option means a Class A Option or Class B Option, as the context permits.

Optionholder means a holder of an Option or Director Option as the context requires.

Proxy Form means the proxy form accompanying the Notice.

Recognised Stock Exchange means a recognised stock exchange or relevant financial market, the official list upon which the Company's securities may be quoted from time to time.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF CLASS A OPTIONS

The Class A Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
 - (b) The Options will expire at 5.00pm (WST) on 31 July 2013 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of each Option will be \$0.55 (**Exercise Price**).
 - (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
 - (h) The Options are not transferable.
 - (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
 - (j) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
 - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
 - (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.
 - (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE 2 – TERMS AND CONDITIONS OF CLASS B OPTIONS

The Class B Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5.00pm (WST) on that date which is five (5) years after the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.55 (**Exercise Price**).
- (n) The Options shall vest as set out in section 10.2(d).
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE 3 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
 - (b) The Director Options will expire at 5.00pm (WST) on 31 July 2013 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
 - (c) The amount payable upon exercise of each Director Option will be \$0.55 (**Exercise Price**).
 - (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
 - (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
 - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
 - (h) The Director Options are not transferable.
 - (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
 - (j) The Company will not apply for quotation of the Director Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on NSX within 10 Business Days after the date of allotment of those Shares.
 - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
 - (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (m) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

SCHEDULE 4 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 18 to 26 have been valued by management using the theoretical Black & Scholes option model based on the assumptions set out below:

Assumptions:	
Valuation date	5 October 2010
Market price of Shares	70 cents
Exercise price	55 cents
Expiry date	31 July 2013
Risk free interest rate	4.87%
Volatility	125%
Indicative value per Director Option	53 cents
Total Value of Director Options	\$5,578,860
Karl Thompson	\$796,980
Mark Ashurst	\$796,980
Timothy Turner	\$265,660
Tony Sage	\$1,062,640
Gibril Bangura	\$531,320
Alan Watling	\$531,320
Anthony Wilson	\$531,320
Jeffrey Couch	\$531,320
James Smith	\$531,320

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

SCHEDULE 5 – NOTICE OF NOMINATION

6 October 2010

The Company Secretary
African Petroleum Corporation Limited
18 Oxford Close
LEEDERVILLE WA 6007

ERNST & YOUNG AS COMPANY AUDITOR

I, Joe Ariti, being a shareholder of African Petroleum Corporation Limited, hereby nominate Ernst & Young of 11 Mounts Bay Road, Perth, WA 6000, for appointment as auditor of African Petroleum Corporation Limited at its 2010 Annual General Meeting.

I consent to the distribution of a copy of this notice of nomination as an annexure to the Notice of Meeting and Explanatory Statement for the 2010 Annual General Meeting of African Petroleum Corporation Limited as required by section 328B (3) of the Corporations Act.

Yours sincerely



JOE ARITI

SCHEDULE 6 – SUMMARY OF EMPLOYEE SHARE OPTION PLAN TERMS AND CONDITIONS

The Company has established the Employee Share Option Plan (**ESOP**) in order to provide an incentive for employees to participate in the future growth of the Company. The ESOP will be administered in accordance with the ESOP rules, which are summarised below.

Eligibility

The Board may invite full or part time employees and directors of the Company or an associated body corporate of the Company to participate in the Scheme (**Eligible Employee**).

Eligible Employees do not possess any right to participate in the Scheme, as participation is solely determined by the Board.

Offer of Scheme Options

The Scheme will be administered by the Board which may, in its absolute discretion (subject to the Corporations Act, the Listing Rules and the Rules set out in the ESOP), offer Scheme Options to any Eligible Employee from time to time as determined by the Board and, in exercising that discretion, may have regard to some or all of the following considerations:

- (a) the Eligible Employee's length of service with the Company;
- (b) the contribution made by the Eligible Employee to the Company;
- (c) the potential contribution of the Eligible Employee to the Company; or
- (d) any other matter the Board considers relevant.

Number of Scheme Options

The number of Scheme Options to be offered to an Eligible Employee will be determined by the Board in its discretion and in accordance with the rules of the Scheme and applicable law.

Conversion

Each Scheme Option is exercisable into one Share in the Company ranking equally in all respect with the existing issued Shares in the Company.

Consideration

Scheme Options issued under the Scheme will be issued for no consideration unless agreed otherwise.

Exercise price

The exercise price for Scheme Options offered under the Scheme will be determined by the Board.

Exercise of Scheme Options

A participant in the Scheme will be entitled to exercise their Scheme Options in respect of which the exercise conditions have been met provided the Scheme Options have not lapsed and the exercise of the Scheme Options will not result in the Company contravening ASIC Class Order 03/184. A holder may exercise Scheme Options by delivering an exercise

notice to the Company secretary along with the Scheme Options certificate, and paying the applicable exercise price of the Scheme Options multiplied by the number of Scheme Options proposed to be exercised.

Within ten Business Days of receipt of the required items, the Company will, subject to the Listing Rules of the Recognised Stock Exchange, issue to the participant the relevant number of Shares.

Cessation of employment

If the participant in the Scheme ceases to be an employee or director of, the Company or an associated body corporate for any reason (other than by death, permanent disability or permanent retirement from the workforce) prior to the lapse of the Scheme Options, and the exercise conditions attaching to the Scheme Options have been met, the participant will be entitled to exercise their Scheme Options in accordance with the Scheme for a period of up to one month after the date of the cessation event.

Death, permanent disability or retirement

If the participant in the Scheme dies, becomes permanently disabled or permanently retires from the workforce as an employee or director of, or consultant to, the Company prior to the lapse of the Scheme Options, the participant, or the participant's legal personal representative, will be entitled to exercise their Scheme Options in accordance with the Scheme rules for the period commencing on the date of the cessation event and ending on three months of the date of the cessation event.

Lapse of Scheme Options

Scheme Options held by a participant in the Scheme will lapse immediately if:

- (a) the Scheme Options have not been exercised by the date which is five years after the date of issue, or such other date as the Board determines in its discretion at the time of issue of the Scheme Options;
- (b) the exercise conditions attaching to the Scheme Conditions are unable to be met;
or
- (c) the holder ceases to be an employee or director of the Company or an associated body corporate and the deadline set out in the paragraphs above has passed.

Participation in Rights Issues and Bonus Issues

The Scheme Options granted under the Scheme do not give the holder any right to participate in rights issues or bonus issues unless Shares are allotted pursuant to the exercise of the relevant Scheme Options prior to the record date for determining entitlements to such issue. The number of Shares issued on the exercise of Scheme Options will be adjusted for bonus issues made prior to the exercise of the Scheme Options.

Reorganisation

The terms upon which the Scheme Options will be granted will not prevent the Scheme Options being reorganised as required by the Listing Rules of the Recognised Stock Exchange on the reorganisation of the capital of the Company.

Limitation on offers

If the Company makes an offer under the Scheme where:

- (a) the total number of Shares to be received on exercise of Scheme Options the subject of that offer exceeds the limit set out in ASIC Class Order 03/184; or
- (b) the Offer does not otherwise comply with the terms and conditions set out in ASIC Class Order 03/184,

the Company must comply with Chapter 6D of the Corporations Act at the time of that offer.

Overriding Restrictions on Issue and Exercise

Notwithstanding the ESOP or the terms of any Scheme Option, no Scheme Option may be offered, granted or exercised and no Share may be issued under the ESOP:

- (a) if to do so would contravene the Corporations Act, the Listing Rules, any other applicable law or the local laws or customs of an Eligible Employee's country of residence; or
- (b) to related parties of the Company (or a person nominated by the Recognised Stock Exchange) without the approval of Shareholders.

Trigger event

If any of the following events occur:

- (a) the Company is subject to a takeover bid;
- (b) the Company proposes a scheme of arrangement with its members under Part 5.1 of the Corporations Act; or
- (c) a person, or group of associated persons, becomes entitled to sufficient Shares to give him or them the ability, in general meeting, to replace all or a majority of the Board, where such ability was not already held by a person associated with such a person or group of persons,

then the Board may:

- (a) determine that Scheme Options may be exercised at any time from the date of such event so as to permit the holder to participate in the change of control arising from the event; or
- (b) use its reasonable endeavours to procure that an offer is made to holder of Scheme Options on like terms to the terms proposed in such event.

SCHEDULE 7 - NOMINATION AND CONSENT FOR CANDIDATURE FOR THE OFFICE OF A DIRECTOR

NOMINATION FOR CANDIDATURE

Pursuant to clause 13.3 of the Constitution of African Petroleum Corporation Limited (ABN 87 125 419 730) (**Company**), I, Joe Ariti, being a member of the Company, hereby nominate James Smith to the position of director of the Company.




JOE ARITI

Date: 1 October 2010

CONSENT TO NOMINATION FOR CANDIDATURE

Pursuant to clause 13.3 of the Company's Constitution, I, James Smith, hereby consent to the above nomination for candidature as director of the Company in order that I may be considered eligible for election at the general meeting of shareholders of the Company.



JAMES SMITH

Date: 1 October 2010



**African
Petroleum**

ABN 87 125 419 730

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000



000001 000 AOQ
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

For your vote to be effective it must be received by 9:30am (WST) Tuesday 23 November 2010

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report:

www.africanpetroleum.com.au

Update your securityholding, 24 hours a day, 7 days a week:
www.investorcentre.com

Your secure access information is: **SRN/HIN: I9999999999**



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of African Petroleum Corporation Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of African Petroleum Corporation Limited to be held at Kailis Bros Fish Market and Cafe Function Centre, 101 Oxford Street, Leederville, Western Australia on Thursday, 25 November 2010 at 9:30am (WST) and at any adjournment of that meeting.

Important for Items 11, 14, 15 & 17 to 26: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Items 11, 14, 15 & 17 to 26 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 11, 14, 15, & 17 to 26 and your votes will not be counted in computing the required majority if a poll is called on these Items. The Chairman of the Meeting intends to vote undirected proxies in favour of Items 11, 14, 15, & 17 to 26 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain		For	Against	Abstain
Item 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 14 Ratification of Prior Issue - Class A Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2 Re-election of Director - Frank Timis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 15 Issue of Class B Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Director - Karl Thompson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 16 Change of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Re-election of Director - Mark Ashurst	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 17 Adoption of Employee Share Option Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Re-election of Director - Gibril Bangura	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 18 Issue of Director Options - Karl Thompson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Re-election of Director - Alan Watling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 19 Issue of Director Options - Mark Ashurst	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 7 Re-election of Director - Anthony Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 20 Issue of Director Options - Timothy Turner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 8 Re-election of Director - Jeffrey Couch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 21 Issue of Director Options - Tony Sage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 9 Appointment of Director - James Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 22 Issue of Director Options - Gibril Bangura	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 10 Appointment of Director - Timothy Turner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 23 Issue of Director Options - Alan Watling	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 11 Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 24 Issue of Director Options - Anthony Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 12 Amendment to Constitution - Number of Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 25 Issue of Director Options - Jeffrey Couch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 13 Amendment to Constitution - Payment of Dividends	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Item 26 Issue of Director Options - James Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Securityholder 2

Securityholder 3

Sole Director and Sole Company Secretary

Director

Director/Company Secretary

Contact Name

Contact Telephone

Date / /

AOQ

2 3 1 1 1 0 A

Computershare