

1 November 2018

African Petroleum Corporation Limited  
("African Petroleum" or the "Company")

### **Corporate Update**

African Petroleum, an independent oil and gas exploration company with licence interests in offshore West Africa, provides the following corporate update to shareholders:

#### **Senegal**

##### ***ICSID Arbitration***

The Company's subsidiary African Petroleum Senegal Limited registered a request for arbitration proceedings with ICSID on 11 July 2018 (ICSID case ARB/18/24) to protect its interests in the Senegal Offshore Sud Profond ("SOSP") and Rufisque Offshore Profond ("ROP") blocks in Senegal.

In accordance with the ICSID rules the Company (the Claimant) and the Senegalese government (the Respondent) are entitled to each nominate an arbitrator, with a third arbitrator (the President of the tribunal) nominated by the two Claimant/Respondent appointed arbitrators. Once all three arbitrators are appointed the tribunal is formally constituted in accordance with the ICSID Convention.

The Company nominated Mr Emmanuel Gaillard from Shearman & Sterling as an arbitrator and on 4 October 2018 Mr Emmanuel Gaillard accepted his appointment. Following Mr Emmanuel Gaillard's appointment a potential conflict was identified and it was mutually agreed that Mr Emmanuel Gaillard should withdraw his appointment, which he did on 22 October 2018. The Company is now in the process of nominating an alternative arbitrator who is expected to be confirmed shortly.

As at today's date, no arbitrator has been appointed for the Respondent.

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

##### ***Petrosen Tender Process***

On 8 October 2018 the Company provided an update advising that the Company's legal counsel had written to the Senegalese authorities reminding them of African Petroleum's rights under the SOSP production sharing contract (PSC), following a notice issued by Petrosen which stated that it is seeking tenders for two offshore blocks in Senegal, including the SOSP block in which African Petroleum holds a 90% operated working interest.

As at today's date, the Senegalese authorities have not removed the SOSP block from the tender process and accordingly the Company is reviewing its legal options under the PSC and

ICSID rules, including interim measures. Further updates on this matter will be provided in due course.

## **The Gambia**

### ***ICSID Arbitration***

The Company initiated arbitration proceedings at ICSID which were registered on 17 October 2017 to protect its interests in the A1 and A4 licences in The Gambia (ICSID case ARB/17/38). Following the constitution of the tribunal on 26 March 2018 and the filing of preliminary objections by the Republic of The Gambia on 25 April 2018, the first session of the tribunal was held on 27 June 2018 which was predominantly to agree procedural matters. Since this date proceedings have been continuing as expected.

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

## **Sierra Leone**

As announced on 5 December 2017, the Company's wholly owned subsidiaries European Hydrocarbon Limited and African Petroleum Sierra Leone Limited ("Subsidiary Companies") entered into the Second Extension Periods of the SL-03-17 (expiring 23 April 2019) and SL-4A-17 (expiring 17 September 2019) licences respectively and modified the work programmes for both licences during these periods.

In accordance with the modified work programmes, the Subsidiary Companies were required to commit, prior to 1 November 2018, to drilling one exploration well ("Well Commitment") in each licence during the remaining term of the respective licence.

During the past 12 months the Subsidiary Companies have been utilising State owned well and seismic data, together with existing seismic data, to further de-risk the licences, and to host data-rooms and engage in discussions with interested deep water industry players. The agreed work program elements have been completed and the conclusions reviewed with the Petroleum Directorate of Sierra Leone. The work to date has confirmed the Company's positive views on the prospectivity of the licence area. However, due to the ultra-deep water (3,000 – 3,900 metres) setting of these licences it is the considered view of the Company that additional detailed geological and geophysical ("G&G") work is necessary prior to the Subsidiary Companies committing to the drilling of an exploration well.

Following a recent meeting with the Petroleum Directorate in Sierra Leone, the Company has lodged a proposal to the Sierra Leone government for an extension to the Well Commitment and Second Extensions Periods in order to allow additional time for the Subsidiary Companies to complete additional G&G work and commit to the drilling of exploration wells. The Company is awaiting a response from the Sierra Leone government to the proposal and will provide a further update once received.

**Commenting on the update, African Petroleum’s CEO Jens Pace said:**

*“Whilst there are no material updates provided today, we feel that it is appropriate to update our shareholders nonetheless. As we emphasised at the start of our arbitration proceedings, the process is likely to be long and frustrating, with limited information available throughout on account of either lack of material progress or legal sensitivities associated with the process.*

*Two key messages to emphasise at this point are that we remain fully committed to pursuing these proceedings based on our legal positions, and that we know they are in the best interest of the shareholders as we seek to protect value on their behalf. To illustrate the length of the arbitration process, management is hopeful that an award in The Gambia arbitration will be issued in H2’2020, unless a mutually beneficial resolution is agreed before this time.*

*In Sierra Leone, our objective is to continue to progress the licences through technical evaluation and maintain progressive discussions with potential partners interested in sharing the risk and reward of these exciting deep-water blocks. The key takeaway from our technical focus to date is that more work is required before we are in a position to commit to drilling exploration wells. We have recently articulated this message to the relevant authorities and are hopeful that they will recognise this by extending the well commitment periods. This will enable us time to improve the definition of the key prospects to increase the perceived chance of success and expedite the eventual drilling of these wells for the benefit of Sierra Leone’s emerging industry.”*

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**About African Petroleum**

African Petroleum is an independent oil and gas exploration company with licence interests in offshore West Africa (Senegal, The Gambia and Sierra Leone). The Company’s assets are located in proven hydrocarbon basins in the West African Transform Margin and the Atlantic Margin, where several discoveries have been made in recent years.

For more information about African Petroleum, please see [www.africanpetroleum.com.au](http://www.africanpetroleum.com.au)