

**31 January 2012**  
**NSX Announcement**

## **Quarterly Reports**

Please find attached the following reports relating to the quarter ended 31 December 2011:

- Quarterly Disclosure Declaration;
- Quarterly Activities Report; and
- Quarterly Cash Flow.

Yours faithfully  
African Petroleum Corporation Limited

Tony Sage  
**Non-Executive Deputy Chairman**

For further information, please contact:

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**African  
Petroleum**  
CORP LTD

30 January 2012

Mr Ian Craig  
Companies Manager  
National Stock Exchange of Australia Limited  
Level 3, 45 Exhibition Street  
Melbourne  
VIC 3000

Dear Sir

**QUARTERLY DISCLOSURE DECLARATION**

In accordance with the listing conditions imposed by the National Stock Exchange of Australia (**NSX**) on African Petroleum Corporation Limited (**Company**), on behalf of the Board of the Company we declare that the Board has reviewed the operations of the Company and, in the opinion of each member of the Board:

- (a) all matters that require disclosure have been disclosed by the Company in accordance with Listing Rules of the NSX; and
- (b) the market remains fully informed as to the prospects and activities of the Company.

Yours sincerely

Frank Timis  
Non-Executive Chairman

Antony Sage  
Chairman: Continuous Disclosure  
Committee

Karl Thompson  
Chief Executive Officer

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31 January 2012

## **HIGHLIGHTS**

### **CORPORATE**

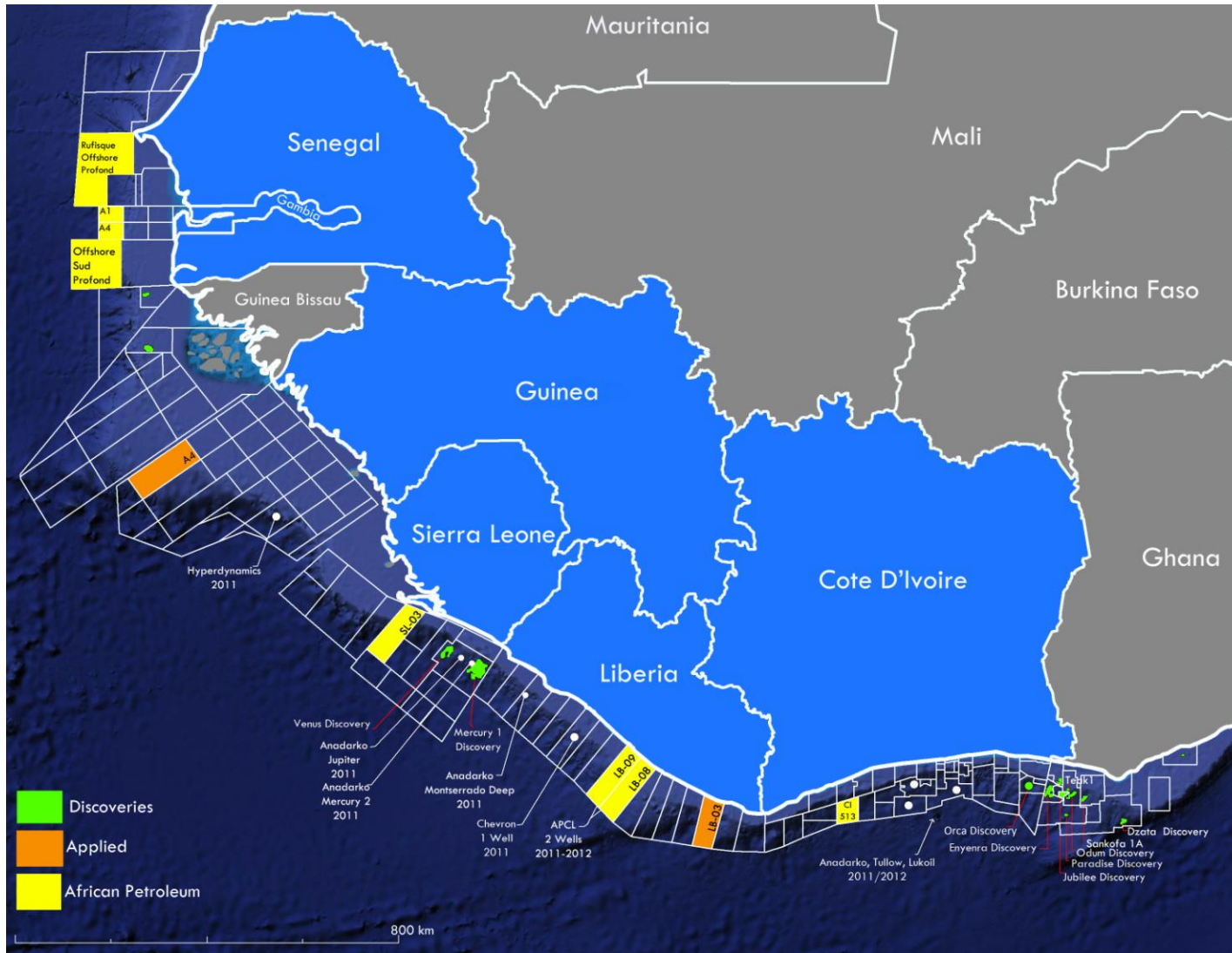
- Approximately US\$204.5 million cash at bank at 31 December 2011.
- In addition, approximately US\$39.3 million held in escrow accounts at 31 December 2011 as security for seismic data acquisition, the Maersk drilling contract and a bank guarantee for the Government of Cote d'Ivoire for the sum of the minimum work exploration programme, in accordance with the Cote d'Ivoire Block CI-513 Production Sharing Contract.

### **OPERATIONS**

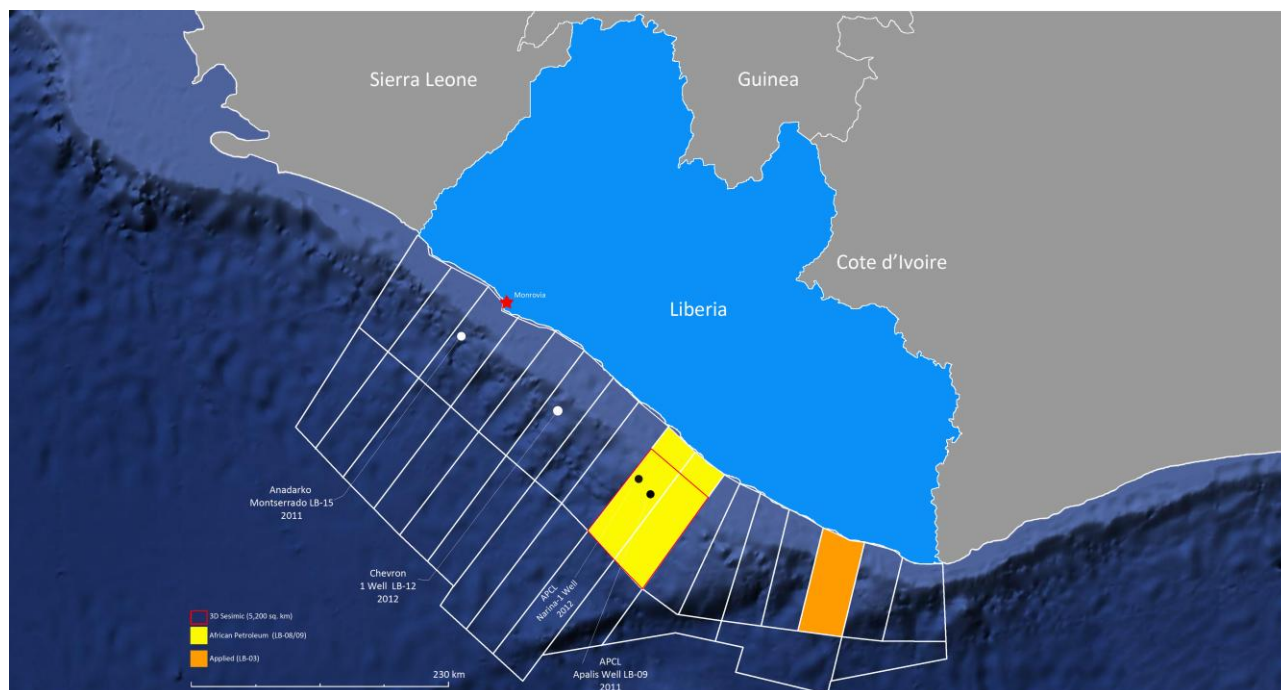
- The Company completed drilling the first well (Apalis-1) in deepwater offshore Liberia in Block LB-09.
- The Company has acquired two new exploration blocks offshore Senegal, Rufisque Offshore Profond and Senegal Sud Offshore Profond, covering 18,277 sq km.
- In January 2012, the Company was awarded a new exploration block offshore Cote d'Ivoire, Block CI-513, covering 1,440 sq km.
- In January 2012, the Company spudded its second well (Narina-1) on Block LB-09, offshore Liberia.
- New business opportunities being reviewed offshore West Africa.

**OPERATIONS**

**Figure 1: Location of African Petroleum’s license blocks and applications, and regional discoveries**



## Liberian Project: Blocks LB-08 and LB-09

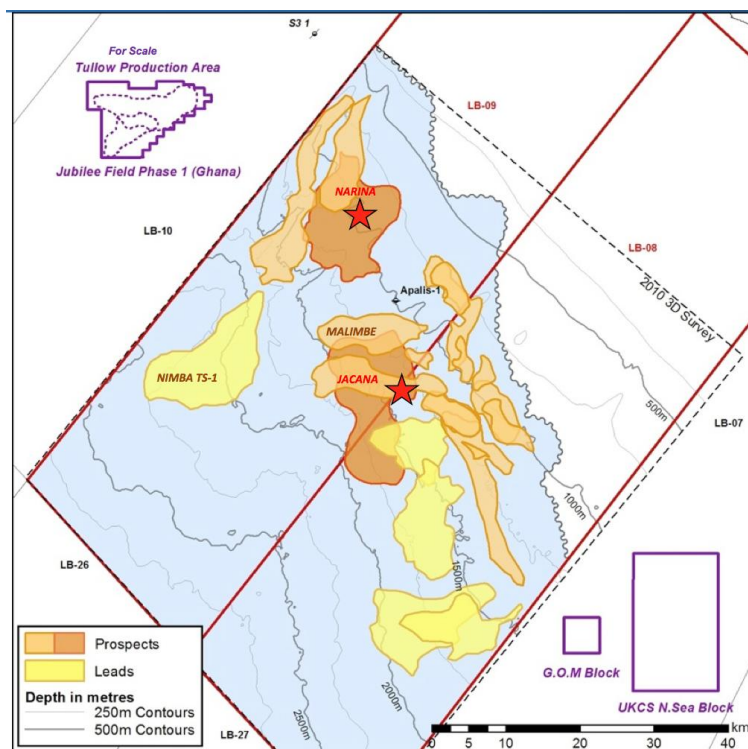


**Figure 2: Location of Liberian Project and nearby oil discoveries**

The Company holds a 100% interest in Blocks LB-08 and LB-09 offshore Liberia (**Liberian Licence Blocks**). The Liberian Licence Blocks are located to the south east of recent Anadarko discoveries Mercury and Venus in Sierra Leone (see Figure 1 and Figure 2).

Major discoveries in Ghana (Jubilee, Tweneboa, Odum, and Enyenra) in the deepwater Cretaceous submarine fans are along trend to African Petroleum's Liberia Project (see Figure 1). The Jubilee field complex of discoveries has a reported gross resource potential of 4 billion barrels recoverable (Tullow Capital Markets presentation, 2010).

African Petroleum completed the acquisition and interpretation of 5,100 sq km of 3D seismic survey over the Liberian Licence Blocks in the second quarter of 2010. An extensive submarine fan system similar to those containing the Mercury, Venus and Jubilee discoveries has been identified on the 3D survey.



**Figure 3: Liberia 08 & 09 prospect portfolio (pre-Apalis well)**

The Company contracted Maersk Drilling for a two well exploration drilling programme, with the option to test both wells using the ultra deepwater semi-submersible, Maersk Deliverer drilling rig.

African Petroleum completed drilling the first well, Apalis-1, in deepwater Liberia in Block LB-09 on 8 September 2011. The results of Apalis-1 confirmed that the Liberian Licence Blocks are located in a prospective oil basin. The geological and geophysical data have confirmed the critical components of a working hydrocarbons system are present and functioning.

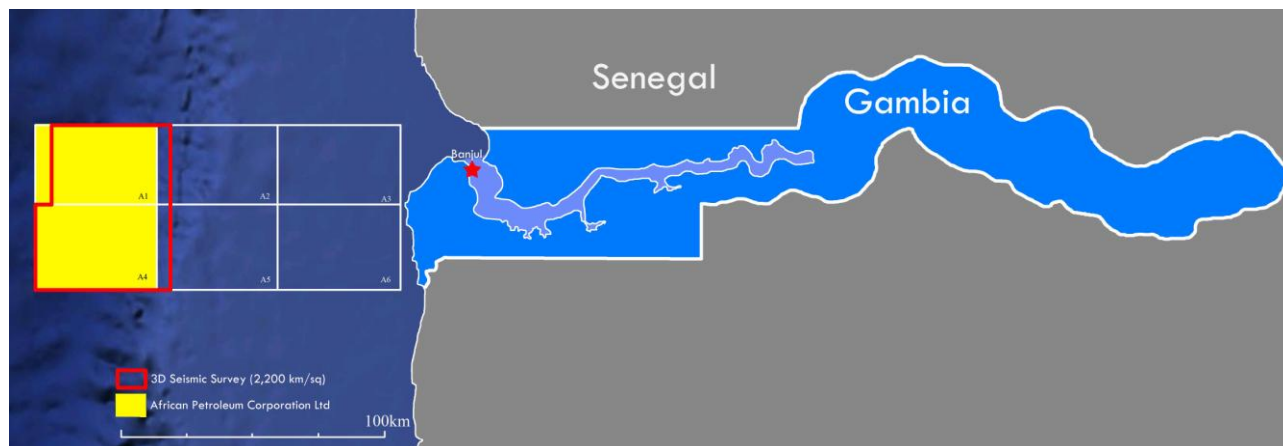
Apalis-1 was drilled in 988 metres of water depth to a total depth of 3,665 metres and encountered oil shows in several geological units including the shallower (Tertiary) and deeper (Cretaceous). Petrophysical analysis indicates the presence of hydrocarbons. The well also confirmed the presence of organic oil prone source rocks confirming that the Liberian Blocks are in an attractive oil basin.

No commercial quality reservoir with hydrocarbons was encountered and consequently no well production test was undertaken. The rig was on contract for 37 days and the well was drilled without any technical problems and the costs were materially under budget. This was the first frontier well in deepwater Liberia and has confirmed to the Company that it is exploring a highly prospective oil basin.

On 6 January 2012, African Petroleum announced that it had commenced drilling its second well, Narina-1, on Block LB-09. Having confirmed a working hydrocarbon system with the first well, the Narina-1 well will target a Turonian prospect similar to discoveries like Jubilee offshore Ghana and Mercury and Venus offshore Sierra Leone. The Company estimates the targeted prospect has potential recoverable oil resources of 500 mmbbls (Mean) to 1200 mmbbls (Upside) for the Turonian reservoir, plus additional potential resources in both shallower and deeper reservoirs.

## Gambian Project: Blocks A1 and A4

African Petroleum has a 60% operating interest in Blocks A1 and A4 offshore The Gambia (**Gambian Licence Blocks**), acquired via a farm-in agreement with Buried Hill Gambia BV. The Gambian Licence Blocks cover a combined total area of 2,668 sq km.



**Figure 4: Location of the Gambian Licence Blocks, offshore The Gambia**

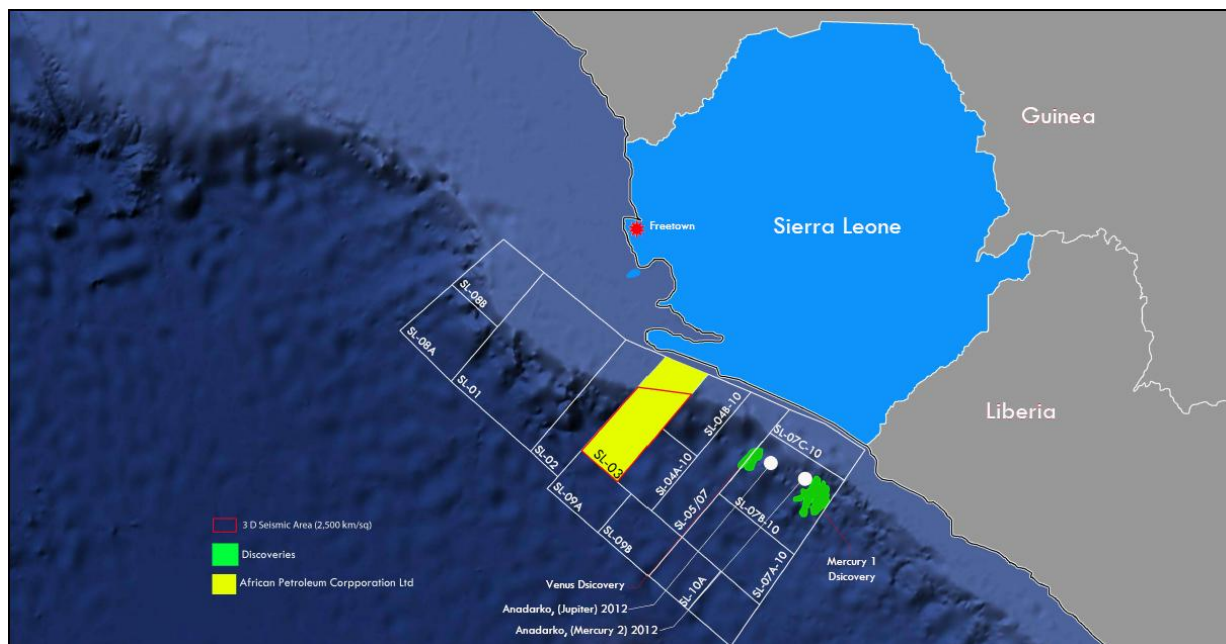
The Company completed the acquisition of 2,500 sq km of 3D data in relation to the Gambian Licence Blocks in December 2010 (area shown in red box on Figure 4). Processed 3D seismic data was received in June 2011 and interpretation is currently underway.

More than 30 exploration prospects and leads have been identified on the Gambian Licence Blocks from the previous Buried Hill 2D and 3D data, including five different play types. The four way dip closed Alhamdulliah structure has been identified, which extends over an area of 24 sq km with five mapped reservoirs and a gross thickness of 1,000m. There are potential mean unrisks recoverable prospective undiscovered resources of approximately 500 Million barrels (Source: ERC Equipoise independent review of African Petroleum resource, April 2011). Other play types in the Gambian Licence Blocks include stratigraphically-trapped fans and slope channel complexes of Turonian-Campanian age, Upper Jurassic and lower Cretaceous karstified reef build-ups and four-way closures and eroded shelf clastics onlapping the shelf edge. Additional 2D seismic data was purchased to provide well-tie information to the adjacent deep corehole DSDP-367 (which has well developed source rock facies) and the recently drilled Kora-1 exploration well drilled by Ophir Energy 150km to the south in the AGC block. The Kora well failed to encounter reservoir facies, and drilled a Stratigraphically older section than anticipated at the Alhamdallullah prospect. Despite the negative results of Kora, it does not downgrade the potential of the Cretaceous fan play in Gambia and adjacent blocks.

The 2011 Gambia 3D seismic interpretation and prospect evaluation that is currently underway is refining the technical analysis, identifying a system of Upper Cretaceous fan systems and will lead to selected prospects and drilling locations. The Company hopes to be in a position to drill in Gambia in the fourth quarter of 2012.

### Sierra Leone Project: Block SL-03

African Petroleum holds a 100% interest in Block SL-03 offshore Sierra Leone. Block SL-03 is 3910 sq km in area, and is situated approximately 90-150 km to the north west of Anadarko's recent Mercury-1 and Venus-1 discoveries.



**Figure 5. Location of the Sierra Leone Licence Block SL-03, offshore Sierra Leone**

African Petroleum is actively exploring for the Cretaceous-age fan systems in SL-03 similar to those found to be hydrocarbon bearing in Venus and Mercury and has identified a number of promising Cretaceous fan leads on the 2D seismic data. The basin modelling indicates that Turonian to Mid Albian source rocks should be mature within and adjacent to Block SL-03.

The acquisition of 2,535 sq km of 3D seismic data in Block SL-03 has been completed successfully by TGS-NOPEC, using the Fugro "Geo Caribbean" vessel. The survey took 60 days in total. TGS-NOPEC is currently processing the 3D seismic data and the Company received a fast-track volume in January 2012. Interpretation has begun on the fast-track volume and the final fully processed 3D data volume is expected from the end of April 2012. The Company hopes to be able to drill a prospect in SL-03 in 2013.



**Cote d'Ivoire Project: Block CI-513**

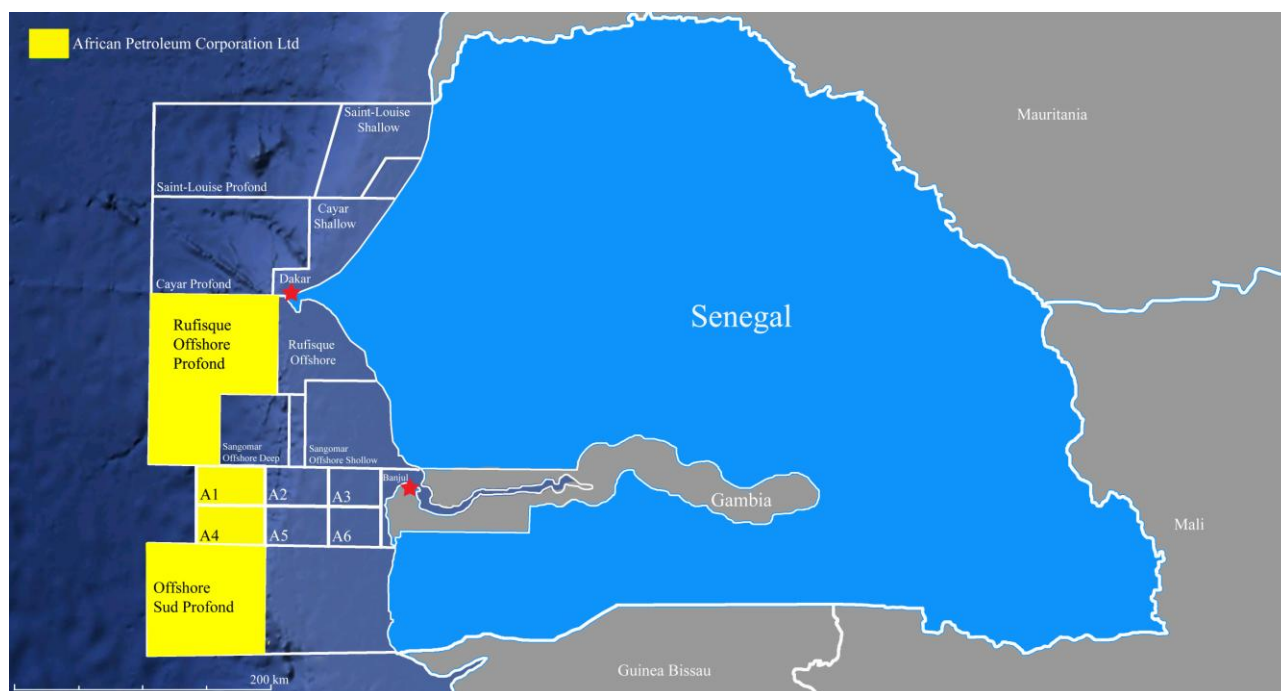
**Figure 6. Location of the Cote d'Ivoire Licence Block CI-513, offshore Cote d'Ivoire**

On 9 January 2012, African Petroleum announced that it had entered into agreement with the Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire ("PETROCI") and the Republic of Côte d'Ivoire to acquire Block CI-513, an exploration permit covering 1,440 sq km offshore the Republic of Cote d'Ivoire (see Figure 6). African Petroleum is the operator with its wholly owned subsidiary African Petroleum Cote d'Ivoire Ltd holding a 90% interest in the Block, the other 10% being owned by PETROCI.

The Company will target deep water Upper Cretaceous submarine fans in Cote d'Ivoire which are considered to have similar high impact potential as discoveries in the Jubilee field, Ghana and Mercury discovery, Sierra Leone.

African Petroleum has purchased a large amount of 2D data and the Company plans to acquire a 3D seismic survey over Block CI-513 in 2012.

## Senegal Project: Rufisque Offshore Profond and Senegal Offshore Sud Profond



**Figure 7. Location of the Senegal Licence Blocks, offshore Senegal**

On 28 November 2011, African Petroleum announced that its wholly owned subsidiary, African Petroleum Senegal Limited, entered into an agreement with the Société des Pétroles du Sénégal (**PetroSen**) and the République du Sénégal to acquire two offshore exploration permits covering two blocks: Rufisque Offshore Profond and Senegal Offshore Sud Profond (the **Senegal Blocks**).

African Petroleum will be the operator with 90% interest in the Senegal Blocks covering a total surface area of 18,277 sq km.

The Company has purchased a large amount of 2D seismic data over both the Senegal Blocks. Following the analysis of the existing 2D data, the Company have contracted Dolphin Geophysical Ltd to acquire 3,600 sq km of 3D seismic data over Senegal Offshore Sud Profond in 2012.

## NEW OPPORTUNITIES

Billion barrel oil fields have been discovered by Anadarko Petroleum Corporation and Tullow Oil plc in the Cretaceous submarine fans offshore West Africa, but it is believed that some of the largest Jubilee-type submarine fans remain undrilled. There are expectations for potential multi billion barrel oil fields in the largest fan systems in Sierra Leone and Liberia. African Petroleum is extending the search for the highest potential Cretaceous submarine fans offshore West Africa. The Company is actively reviewing major new oil provinces for potential discoveries and planning to continue expanding its exploration acreage in order to position itself as the leading oil and gas exploration company in the West African region.

# Quarterly Report

Name of entity

AFRICAN PETROLEUM CORPORATION LIMITED

ABN

87 125 419 730

Quarter ended ("current quarter")

31 December 2011

## Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter US\$'000	Year to date (12 months) US\$'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(1,649)	(5,197)
(b) advertising and marketing	(65)	(201)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(2,069)	(8,917)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	218	1,344
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
(a) Payments for exploration	(54,506)	(114,182)
(b) Payments for business development	(755)	(1,531)
(c) Payments for transaction related costs	-	(806)
(d) Payment for project related travel costs	(1,261)	(5,452)
(e) Other income	-	5,003
<b>Net operating cash flows</b>	<b>(60,087)</b>	<b>(129,939)</b>

		<b>Current quarter US\$'000</b>	<b>Year to date (12 months) US\$'000</b>
1.8	Net operating cash flows (carried forward)	<b>(60,087)</b>	<b>(129,939)</b>
	<b>Cash flows related to investing activities</b>		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	(387)	(4,367)
	(e) other non-current assets (land)	-	(1,056)
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	(10,000)
1.12	Loans repaid by other entities	-	-
1.13	Other – cash backing security provided for bank guarantees	-	(127)
	Other – cash backing security provided for drilling operations & seismic data acquisition	(15,001)	(56,028)
	Other – cash backing security returned	16,919	16,919
	<b>Net investing cash flows</b>	<b>1,531</b>	<b>(54,659)</b>
<b>1.14</b>	<b>Total operating and investing cash flows</b>	<b>(58,556)</b>	<b>(184,598)</b>
	<b>Cash flows related to financing activities</b>		
1.15	Proceeds from issues of shares, options, etc	-	270,549
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other - capital raising costs	(81)	(10,989)
	<b>Net financing cash flows</b>	<b>(81)</b>	<b>259,560</b>
	<b>Net increase (decrease) in cash held</b>	<b>(58,637)</b>	<b>74,962</b>
1.21	Cash at beginning of quarter/year to date	262,649	135,451
1.22	Exchange rate adjustments to item 1.21	134	5
1.23	Exchange rate adjustments impacting cash balances raised during the period	351	(5,921)
<b>1.24</b>	<b>Cash at end of quarter</b>	<b>204,497</b>	<b>204,497</b>

**Payments to directors of the entity and associates of the directors****Payments to related entities of the entity and associates of the related entities**

		Current quarter US\$'000
1.24	Aggregate amount of payments to the parties included in item 1.2	421
1.25	Aggregate amount of loans to the parties included in item 1.11	-

## 1.26 Explanation necessary for an understanding of the transactions

US\$421,115 (net of GST) has been paid to directors during the quarter for the provision of services as directors.

**Non-cash financing and investing activities**

## 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 7 December 2011, 26,500,000 ordinary shares were issued to African Oil Investing SARL ('African Oil') pursuant to the terms of an agreement between the Company and African Oil following the award of two offshore exploration permits in Senegal to the Company (refer NSX Announcement dated 28 November 2011). The shares are subject to a voluntary escrow restriction of 6 months from the date of issue.

## 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

**Financing facilities available**

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available US\$'000	Amount used US\$'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
4.1 Cash on hand and at bank	199,245	257,641
4.2 Deposits at call	5,252	5,008
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>204,497</b>	<b>262,649</b>

## Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to NSX.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Claire Tolcon  
Company Secretary

Date: 31 January 2012

## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** NSX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.