African Petroleum announces combination with PetroNor E&P and transformation into a material full cycle oil and gas company

London, 19 March 2019

Extended notice: African Petroleum Corporation Limited (the "**Company**", "**African Petroleum**", with OSE ticker: "**APCL**") is pleased to announce that the Company has entered into an agreement to combine with PetroNor E&P Ltd ("**PetroNor**") for an all-share consideration of c. 816 million shares in African Petroleum (the "**Transaction**"). PetroNor is a privately owned, Africa focused E&P independent, that holds a 10.5% indirect interest in the PNGF Sud fields ("**PNGF Sud**") and right to negotiate entry into a 14.7% indirect interest in an exploration license covering the PNGF Bis fields ("**PNGF Bis**") (collectively the "**Congo Assets**"). Subject to shareholder approval, and certain other customary conditions, African Petroleum will at completion of the Transaction change its name to PetroNor E&P Limited (the "**Combined Company**").

The Transaction is recommended unanimously by the Board of Directors of African Petroleum and all members of African Petroleum's Board of Directors and executive management holding shares in the Company have provided their pre-commitment to vote for the Transaction in a general meeting expected to be held in April 2019 (the "**EGM**").

Transaction highlights

- The Company will combine with PetroNor for an all-share consideration of c. 816 million shares in African Petroleum
- The existing African Petroleum shareholders will receive one for one (c. 155 million) warrants to preserve potential upside from the Company's existing exploration portfolio in The Gambia and Senegal
- The Transaction transforms the Company from an exploration-focused player into a cash-flow generating producer with a significant growth profile
- The Transaction provides the Company with diversified, low risk, long life and high-quality producing assets, with current net (working interest) production of c. 2,300 bbl/d and medium-term exploration upside in a well-established operating jurisdiction
- During 2018, PetroNor generated a post-tax asset cash flow (pre SG&A) of USD 17m based on an average net (working interest) production of 2,127 bbl/d
- Strengthened ability to preserve and develop the Company's portfolio in The Gambia and Senegal through access to PetroNor's existing cash,future cash flow and assets with additional debt capacity
- Subject to shareholder approval and satisfaction of all conditions precedent, the Transaction is expected to close by end of April 2019
- This is the first step in a renewed strategic focus for the Company that will aim to steadily build and increase its reserve base while using free cash flow to pursue defined exploration targets in selected and highly prospective basins. The PetroNor team has extensive experience doing business in Africa, which, together with African Petroleum's public platform, will be used to grow the Company into a leading African focused E&P independent

Jens Pace, CEO of African Petroleum and proposed CEO of the Combined Company, commented:

"This is a truly transformative transaction that diversifies our portfolio considerably whilst simultaneously strengthening our position with regards to ongoing arbitration and farm-down processes. We have been proactively seeking opportunities to diversify our footprint away from pure-exploration, and this proposed combination with PetroNor delivers all the criteria we sought. The combined company will benefit from a proven reserve base generating strong and predictable cash flow and material upside potential from the Congo assets, as well as considerable exploration upside from our existing portfolio. We believe that this proposed transaction is undoubtedly in the best interest of our shareholders as it will help protect value from our existing portfolio and provide a much stronger platform from which we can deliver long-term value."

Transformational acquisition of producing assets

Through the Transaction, African Petroleum will acquire diversified, low risk, long life and high quality producing assets with competitive unit costs. PNGF Sud is operated by Perenco, a well-regarded, efficient operator, who is also expected to become the operator of PNGF Bis. The Transaction will transform the Company from a pure-play exploration company into a full cycle E&P company with material reserves, cash flow and significant upside potential.

The Congo Assets, which are located in shallow waters offshore Congo (Brazzaville), have estimated net 2P reserves of 8.5 mmbbl and net production of approximately 2,300 bbl/d from four fields currently in production, in addition to net 2C contingent resources of 7.6 mmbbl as at 1 January 2019. In addition to the Congo Assets, PetroNor is in negotiations regarding the acquisition of a producing asset offshore Nigeria with significant upside potential from contingent resources to be developed. Should the Nigeria acquisition materialize, further information will be provided in due course.

With the continued uncertainty related to African Petroleum's licenses in The Gambia and Senegal (the "**Existing Assets**"), the Transaction will bring much needed stability and downside protection to the Company, while maintaining substantial upside potential towards the Existing Assets. Additionally, through the improved financial strength as well as additional competence, contacts and resources brought to African Petroleum by PetroNor, the Transaction is expected to have a positive impact on African Petroleum's ongoing arbitration and farm-down processes related to the Existing Assets. Furthermore, following the Transaction, the Combined Company will generate substantial free cash flow that can be reinvested into value accretive growth, including, but not limited to, the Existing Assets. Potential upside from the exploration portfolio is preserved through issuance of c. 155m warrants to the existing African Petroleum shareholders.

About PetroNor

PetroNor is a privately held, Africa focused E&P independent, which is owned 50% by Petromal Sole Proprietorship LLC ("**Petromal**") (economic benefit interest 45.572%) and 50% by NOR Energy AS ("**NOR Energy**") (economic benefit interest 54.428%). Petromal is the oil and gas arm of National Holding L.L.C., one of Abu Dhabi's leading investment groups with interests in industrial, investment, property, general trading and the oil & gas industry. NOR Energy is a privately owned oil company with its history from the North Sea and Africa.

PetroNor holds a 10.5% indirect interest in PNGF Sud and has a right under the umbrella agreement related to PNGF Sud, to in good faith negotiate with the Republic of Congo an entry into a 14.7% indirect interest in PNGF Bis. Following finalisation of license terms for PNGF Bis, the Combined Company intends to enter into a production sharing contract for this license, with Perenco as the operator.

PetroNor was incorporated in Cyprus as a limited liability Company on 3 April 2017. PetroNor has twelve employees. The Board of Directors of PetroNor consists of Eyas Alhomouz as Chairman (CEO of Petromal), Knut Søvold, Gerhard Ludvigsen and Hawary Marshad.

As of 31 December 2018, PetroNor is estimated to have cash and cash equivalents of USD 6.5 million and debt of USD 10 million. The debt carries an interest rate of 1-month LIBOR +10%, has a maturity date of May 2020 and amortizes in monthly instalments.

The Congo Assets

The Congo Assets are located approximately 25km off the coast of Pointe Noire in water depths of 80-100 metres. PetroNor, through its subsidiary Hemla E&P Congo ("**HEPCO**") participated in the 2016 tender process with the Congo Ministry of Petroleum for participation in the PNGF Sud license (brown field), and was as of 1 January 2017 awarded a 20% working interest (net 10.5% to PetroNor) and a right to negotiate an entry into an exploration license for the PNGF Bis fields (28% working interest – 14.7% net to PetroNor). Perenco is the operator and largest license holder in PNGF Sud and is expected to become the operator and largest license holder of PNGF Bis, subject to the conclusion of the license negotiations.

PNGF Sud

Based on a competent persons report with effective date 1 January 2018 and prepared by AGR Petroleum Services in October 2018, PNGF Sud is estimated to hold net 2P reserves as at 1 January 2019 of 8.5 mmbbl (adjusted for 2018 production of 0.8 mmbbl) and 2C contingent resources of 3.4 mmbbl.

Initially discovered in 1979, PNGF Sud commenced production in 1987 and is currently producing c. 21,600 bbl/d gross from four oil fields; Tchibouela, Tchendo, Tchibeli and Litanzi. Following the entry of the new license group in 2017, significant operational improvements have been made, increasing gross production from c. 15,000 bbl/d in January 2017 to today's level, and reducing operating costs from circa 26 USD/bbl to current level of less than 11 USD/bbl. The production increase has mainly been driven by work-overs of existing wells and been achieved by minor investments of USD 30 million gross. Through further work-overs, surface and process improvements and infill drilling, gross production from PNGF Sud is expected to continue to grow in the coming years.

The PNGF Sud fields are developed with seven wellhead platforms and currently produce from more than 50 active production wells, with oil exported via the onshore Djeno terminal (Tchibouela, Tchendo and Tchibeli) and the Nkossa FPSO (Litanzi). With its long production history, substantial well count and extensive infrastructure, PNGF Sud offers well diversified and low risk production and reserves with low break-even.

PNGF Bis

Through an umbrella agreement associated with the PNGF Sud license, the PNGF Sud license partnership has the right to, in good faith, negotiate with the Republic of Congo, license terms to enter into PNGF Bis, where PetroNor is expected to have a 14.7% indirect interest (i.e. its pro-rata share of participants in the license negotiations). Following finalization of license terms for PNGF Bis, the Combined Company intends to enter into the license. PNGF Bis is located to the west of PNGF Sud and contains two undeveloped discoveries, Loussima and Loussima SW, discovered in 1985 and 1987/1991 respectively. Loussima SW is estimated to hold net 2C contingent resources of 4.2 mmbbl.

Early production from PNGF Bis is targeted through an extended test production of Loussima SW, estimated to commence in 2020 through the use of an existing mobile offshore production unit. At an estimated gross capex of USD 37 million and 1.9 mmbbl gross recoverable resources, the PNGF Bis test production is expected to both generate positive stand-alone economics and substantially de-risk a full field development. Further development of PNGF Bis is conditional upon the results of the test production, but based on current estimates, economics are very robust with estimated gross 2C resources of 29 mmbbl and expected capex of less than 10 USD/bbl.

Field	License	Production start	Produced, mmbbl	2P reserves, mmbbl	2C resources, mmbbl	Current prod. bbl/d	Producing wells
Tchibouela	PNGF Sud	1987	318	47.9	12.0	12,500	34
Tchibouela East		1998	14	TBA	TBA	*To be resumed in 2019*	TBA
Tchendo		1991	69	19.2	10.8	4,700	16
Tchibeli		2000	27	10.9	6.7	3,000	3
Litanzi		2006	9	3.2	2.6	1,400	1
Loussima SW	PNGF Bis	TBA			28.9		
Loussima		TBA			TBA		

As per 1.1.2019 – CPR by AGR Petroleum Services, reserves and resources per 1.1.2018 adjusted for 2018 production

Key financial information

The table below sets forth key financial information (unaudited) for PetroNor E&P Ltd on a consolidated basis for the financial year ended 31 December 2017 and 2018.

Selected consolidated financial information PetroNor Ltd

	Twelve months period ended 31 December	
	2018 (USDm)	**2017 (USDm)**
	Unaudited	*Unaudited*
Total revenue	101.1	68.4
Operating profit	50.9	34.8
Net profit	16.9	11.0
Non-controlling interests	*9.2*	*5.2*
Majority interests	*7.8*	*5.8*
Cash flow from operating activities	21.0	14.3
Working capital changes	(22.0)	1.2
Net cash from operating activities	(1.1)	15.5
Net cash from investment activities	(4.0)	(7.5)
Net cash from financing activities	5.0	0.1
Change in cash and cash equivalents	(0.1)	8.1
Total assets	56.9	34.8
Total equity	26.3	11.5

Corporate update African Petroleum

As of 1 March 2019, African Petroleum had a cash balance of USD 5.3 million (30 June 2018: USD 9.4 million). The cash burn rate since 30 June 2018 has been affected by certain non-recurring costs and is not reflective of the Company's expected burn rate going forward.

The Combined Company

The Combined Company's vision is to be a full-cycle, Africa focused E&P company focusing on producing assets with upside and development of stranded assets, combined with targeted high impact exploration. The Combined Company will aim to steadily build and increase its reserve base and production while using free cash flow to pursue defined exploration targets in selected and highly prospective basins with a view to delivering significant value to its shareholders from high impact wells. With the enhanced financial strength, the Combined Company seeks to rigorously protect its position in The Gambia and Senegal through reinstatement of its licenses and subsequent farm-outs to ensure drilling of wells without exposing the balance sheet of the Combined Company.

Transaction details and consideration

The Transaction is structured as a sale to African Petroleum of all issued and outstanding shares in PetroNor against a consideration in the form of 816,198,842 shares in African Petroleum (the "**Base Consideration**"). As part of the relative values applied for the Transaction, existing shareholders of PetroNor will be entitled to receive the accrued dividends related to the financial year 2018.

In conjunction with the Transaction, existing shareholders of African Petroleum as of the date of the EGM, as reflected in the shareholder register on a customary T+2 basis ("**Record Date**"), will, subject to approval by the EGM, receive one (1) warrant per existing share held in the Company, in total 155,466,446 warrants (the "**APCL Warrants**"). Key information regarding the record date for the right to receive APCL Warrants will be provided as soon as this is available, and no later than at the time of the notice of the EGM.

The APCL Warrants will vest upon (x) either (a) the reinstatement of the A1 and A4 licenses in Gambia or (b) the reinstatement of the SOSP license in Senegal, whichever comes first, and (y) a farm-in agreement to such license(s) being signed and legally binding, where the Company will be fully carried for the current phase work program under the license(s), on commercially acceptable terms approved by the Company Board (the "**APCL Warrants Vesting Event**"). The APCL Warrants will lapse without compensation to the holder(s) if the APCL Warrants Vesting Event has not occurred by 31 December 2019. The APCL Warrants will not be listed or tradable and shares issued pursuant to the APCL Warrants will not be listed or tradable until the APCL Warrants Vesting Event has occurred and the APCL Warrants have been exercised accordingly.

Additionally, PetroNor shareholders (being Nor Energy and Petromal) will receive in total 155,466,446 warrants related to a business development opportunity offshore Nigeria which is in advanced phase of negotiations (the "**PetroNor Warrants**"). The PetroNor Warrants will vest upon (x) a signed acquisition/farm-in agreement for a gas asset in Nigeria, and (y) a signed and legally binding gas offtake agreement relating to the gas from such asset, both agreements on commercially acceptable terms approved by the Company Board (the "**PetroNor Warrants Vesting Event**"). The PetroNor Warrants will lapse without compensation to the holder(s) if the PetroNor Warrants Vesting Event has not occurred by 31 December 2019. The PetroNor Warrants will not be listed or tradable and shares issued pursuant to the PetroNor Warrants will not be listed or tradable until the PetroNor Warrants Vesting Event has occurred and the PetroNor Warrants have been exercised accordingly.

In addition, 15,740,000 existing options issued to Board, management and consultants of African Petroleum will be replaced with 8,513,848 new performance options with the same vesting conditions as the APCL Warrants (the "**APCL Replacement Performance Options**").

Following the Transaction, African Petroleum will have a total of 971,665,288 outstanding shares and 322,817,378 warrants and options, whereof existing shareholders of African Petroleum will hold 155,466,446 outstanding shares and 155,466,446 warrants, and existing African Petroleum Board, management and consultants will hold 8,513,848 APCL Replacement Performance Options. Prior to the exercise of any warrants, existing shareholders of APCL will hold 16% of the shares of the Company and existing shareholders of PetroNor will hold 84% of the shares.

The below table sets out the warrants and options which will be in issue in the Combined Company as per completion of the Transaction:

Expiry Date	Exercise Price (NOK – unless otherwise noted)	Number	Vesting conditions	Holders
22 Apr 2019	A$3.00	17,501	None	Former employees
3 Jun 2019	A$2.40	50,000	None	Former employees
5 Jun 2019	A$3.00	20,000	None	Former employees
15 Dec 2019	A$3.00	16,667	None	Former employees
28 Apr 2020	4.00	987,000	None	Former employees
15 Nov 2020	1.70	190,000	None	Former employees
22 Dec 2020	1.70	700,000	None	Former employees
11 Jan 2022	2.50	213,400	None	Company brokers
31 May 2022	7.75	1,176,070	None	Company brokers
31 Dec 2019	0.00	155,466,446	PetroNor Warrants Vesting Event	Nor Energy and Petromal
31 Dec 2019	0.00	155,466,446	APCL Warrants Vesting Event	Pre-existing African Petroleum shareholders
31 Dec 2019	0.00	8,513,848	APCL Warrants Vesting Event	African Petroleum Board, management and consultants
TOTAL		**322,817,378**		

Post exercise of all warrants and options (excluding options under any employee incentive program which is expected to be proposed for approval by the shareholders post-closing of the Transaction), existing shareholders and option holders of APCL will hold ~24.9% of the shares of the Company and existing shareholders of PetroNor will hold ~75.1%. Following completion of the transaction, a new incentive program for management and employees will be established.

In connection with the Transaction, each of NOR Energy, Petromal as well as the CEO and CFO of African Petroleum have undertaken a six month lock-up on customary terms for all of their shares to the benefit of the Combined Company.

Other than the granting of the PetroNor Warrants and Performance Warrants, no agreements have or will be entered into in connection with the transaction for the benefit of the Company's senior employees or members of the board of directors or for the senior employees or board of directors of PetroNor.

Timing and conditions precedent

The Company has commenced the process to obtain an independent expert report (the "**Expert Report**") as required pursuant to the Australian Corporations Act, following which the Company will summon the EGM in order to obtain the approvals required for consummation of the Transaction. The Expert Report will be attached to the calling notice for the EGM. The shareholders' approval required will include an approval in accordance with s611 item 7 of the Australian Corporations Act of 2001 to permit the acquisition of a controlling stake in the Company. As an Australian domiciled company subject to take-over regulations which conflicts with the Norwegian take-over regulations as set out in chapter 6 of the Norwegian Securities Trading Act, African Petroleum has been granted an exemption from the Norwegian take-over rules from the Oslo Stock Exchange. Consequently, the Transaction will not trigger a mandatory offer pursuant to the Norwegian take-over rules.

The Transaction is subject to customary closing conditions, including:

- Approval by the shareholders of African Petroleum eligible to vote at the EGM with requisite majority (greater than 50% of shareholders voting at the EGM), including approval of the acquisition of a relevant interest in the Company by Petromal and NOR Energy and issuance of the warrants;
- A confirmation by the Oslo Stock Exchange that the listing status of African Petroleum will be maintained following completion of the Transaction;
- No Material Adverse Effect with respect to PetroNor or its business having occurred; and
- No Material Adverse Effect with respect to African Petroleum having occurred.

Subject to completion of all conditions precedent, the parties expect that the Transaction will complete by end of April 2019. The Transaction is subject to a six month long stop date from the date of signing of the Agreement.

Organizational changes

Following completion of the Transaction, the parties have agreed that Jens Pace will continue as the Chief Executive Officer, Stephen West will continue as the Chief Financial Officer and Michael Barrett will continue as Exploration Director. The co-founders of PetroNor, Knut Søvold and Gerhard Ludvigsen, will become Chief Operating Officer and Business Development Manager respectively, and Claus Frimann-Dahl will be appointed Chief Technical Officer.

Furthermore, it will be proposed to the shareholders of African Petroleum that Eyas Alhomouz (representing Petromal), Knut Søvold (representing NOR Energy) and Joseph Iskander (representing Petromal) be appointed directors of the Combined Company. Further, it is proposed that on his appointment to the Board of Directors, Eyas Alhomouz will assume the role of Chairman. Jens Pace, Stephen West, Bjarne Moe, David King, and Timothy Turner will remain board members following completion of the Transaction. Further details about the new directors will be provided in the notice of the EGM.

The Transaction will trigger requirements pursuant to Oslo Børs' Continuing Obligations to provide an Information Document, which will include pro forma financial information. The Information Document will be published prior to completion of the Transaction, and in no event later than 30 Oslo Børs' trading days after the date of the EGM. It is, however, expected that the Information Document will be published prior to the EGM.

A corporate presentation is available on African Petroleum's website http://www.africanpetroleum.com.au/ and the CPR prepared by AGR Petroleum Services will be available upon request. African Petroleum will hold a press conference at 16.30 CET today at Felix Konferansesenter, Bryggetorget 3, 0250 Oslo. The presentation can also be viewed at the following website: http://webtv.hegnar.no/presentation.php?webcastId=97819344. Following the press conference, a recording of the press conference will be made be available on African Petroleum's website http://www.africanpetroleum.com.au/

This announcement is made pursuant to section 5-12 of the Securities Trading Act as well as section 3.4 of the Continuing Obligations for companies listed on Oslo Stock Exchange and Oslo Axess.

Pareto Securities AS acts as Financial Advisor and Arntzen de Besche Advokatfirma AS acts as legal advisor to African Petroleum in relation to the Transaction. Arctic Securities AS acts as Financial Advisor and Advokatfirmaet Schjødt AS acts as legal advisor to PetroNor in relation to the Transaction.

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About African Petroleum

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

For more information about African Petroleum, please see www.africanpetroleum.com.au

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