African Petroleum Corporation Limited

(ABN 87 125 419 730)

Half-year Financial Report for the Period Ended 30 June 2012

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CORPORATE DIRECTORY

DIRECTORS

Frank Timis - Chairman
Antony Sage – Deputy Chairman
Karl Thompson – Chief Executive Officer
Mark Ashurst – Chief Financial Officer
Gibril Bangura
Jeffrey Couch
James Smith
Timothy Turner
Alan Watling
Anthony Wilson

COMPANY SECRETARY

Claire Tolcon

PRINCIPAL & REGISTERED OFFICE

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AUDITORS

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SHARE REGISTRAR

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STOCK EXCHANGE LISTING

National Stock Exchange of Australia
Code: AOQ

Your Directors present their report on African Petroleum Corporation Limited ("African Petroleum" or the "Company") for the half-year ended 30 June 2012.

OFFICERS

Directors

The names of Directors in office during the half-year and up until the date of this report are set out below.

Directors were in office for this entire period unless otherwise stated.

Mr Frank Timis	Non-Executive Chairman
Mr Antony Sage	Non-Executive Deputy Chairman
Mr Karl Thompson	Executive Director and Chief Executive Officer
Mr Mark Ashurst	Executive Director and Chief Financial Officer
Mr Gibril Bangura	Non-Executive Director
Mr Jeffrey Couch	Non-Executive Director
Mr James Smith	Non-Executive Director
Mr Timothy Turner	Non-Executive Director
Mr Alan Watling	Non-Executive Director
Mr Anthony Wilson	Non-Executive Director

Company Secretary

Ms Claire Tolcon

PRINCIPAL ACTIVITIES

The Company's principal activity is oil and gas exploration.

REVIEW OF OPERATIONS

CORPORATE

Release of escrowed shares

On 30 June 2012, 633,035,487 shares were released from escrow, and are now freely tradable (30 June 2011: 273,214,564).

Removal of listing conditions

On 22 June 2012, the NSX removed nine out of ten of the conditions that were imposed on the Company upon it being admitted onto the official list of the NSX. The remaining condition is that the Company lodge quarterly activities and cash flow reports.

Director options

On 25 May 2012, shareholder approval was obtained to modify the expiry date of all Director held options from 31 July 2013 to 31 July 2017.

OPERATIONS

Liberian Project
The Company (through its wholly owned subsidiary European Hydrocarbons Limited) holds a 100% interest in Blocks LB-08 and LB-09 offshore Liberia (**Liberian Licence Blocks**).

African Petroleum completed the acquisition of 5,100 sq km of 3D seismic data over the Liberian Licence Blocks in mid-2010. Seismic interpretation revealed an extensive submarine fan system, similar to those containing the Jubilee Field in Ghana, and the Jupiter, Mercury and Venus discoveries in Sierra Leone, has been identified on Blocks LB-08 and LB-09. The evaluation of the 3D seismic data identified more than 40 similar prospects and leads in the Upper Cretaceous section.

The Company contracted Maersk Drilling in 2010 for an initial two well programme in Liberia, utilising the "Maersk Deliverer" semi-submersible drilling rig.

In September 2011, the Company completed drilling its first well (Apalis-1) at Block LB-09, offshore Liberia. Apalis-1 was drilled to a depth of 3,665 metres and encountered oil shows in several geological units, including the shallower (Tertiary) and deeper (Cretaceous) and petrophysical analysis indicated the presence of hydrocarbons. The results of Apalis-1 confirmed that Blocks LB-08 and LB-09 are located in a prospective oil basin. The geological and geophysical data confirmed the critical components of a working hydrocarbon system.

Having confirmed a working hydrocarbon system with Apalis-1, the Company spudded its second well (Narina-1), on Block LB-09 in January 2012. The well was drilled to a total depth of 4,850 metres in a water depth of 1,143 metres, taking 43 days to completion.

In February 2012, a significant oil discovery was announced at the Narina-1 well. The well found a total of 32 metres (105 feet) of net oil pay in two zones: 21 metres (69 feet) in the Turonian; and 11 metres (36 feet) in the Albian. Good quality oil was found in each the Turonian and the Albian reservoirs of 37 degrees API and 44 degrees API, respectively. Hydrocarbon shows were encountered over a 170 metre interval in the Turonian and no oil water contact was found.

The Narina discovery confirms the prospectivity of these highly successful West African exploration plays on the Liberia Licence Blocks. Oil was found in good quality reservoirs in a Turonian submarine fan system extending across a prospective area of 250 sq km. In addition, excellent quality oil was found in the Albian sands nearby to a very large Albian submarine fan prospect. In the shallower Campanian, Santonian and Coniacian horizons, 216 metres (709 feet) of excellent quality net reservoir sands were encountered, which significantly reduces the risk in a number of large prospects at these levels covering up to 500 plus sq km, which the directors believe to be oil bearing in the region.

In March 2012, the Company entered into a contract with Ocean Rig UDW, for a two well programme with the option for a third well, to continue its drilling programme in the Liberian Licence Blocks and within the Company's other licence blocks. The programme will be completed using the "Eirik Raude", a 5th generation deep water semi-submersible drilling rig.

Gambian Project
African Petroleum Gambia Ltd 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.

The Company completed the acquisition of 2,500 sq km of 3D data in relation to the Gambian Licence Blocks in December 2010. Processed 3D seismic data was received in June 2011 and interpretation is on-going.

More than 30 exploration prospects and leads have been identified on the Gambian Licence Blocks, including five different play types. The four way dip closed Alhamdullilah structure has been confirmed, which extends over an area of 24 sq km with five mapped reservoirs and a gross thickness of 1,000 metres. There are potential mean unrisked recoverable prospective undiscovered resources of approximately 500 Million barrels (Source: ERC Equipoise independent review of African Petroleum resource, March 2011).[1]

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.

Upper Cretaceous fan systems and other prospects have been identified, selected and ranked. The Company is now planning to drill the Alhamdullilah prospect in late 2012 or early 2013, and may utilise one of the slots on the Eirik Raude drilling rig for this purpose.

Sierra Leone Project
African Petroleum holds a 100% interest in Block SL-03 offshore Sierra Leone. Block SL-03 is 3,135 sq km in area, and is situated approximately 90-150 km to the north west of Anadarko's Mercury, Jupiter and Venus discoveries.

The acquisition of 2,535 sq km of 3D seismic data in Block SL-03 was completed by TGS in September 2011, and an initial fast track 3D volume was received in January 2012 for interpretation. The prospective Cretaceous-age fan systems extend into Block SL-03, and the Company has identified a number of promising prospects for verification on the final 3D data, expected in September 2012. The Company hopes to be ready to drill a prospect in Block SL-03 in early 2014.

In June 2012, the Company was provisionally awarded Block SL 4A-10, together with Kosmos Energy LLC (a partner in the Jubilee field development in Ghana) in the Sierra Leone third offshore licensing round. The application was filed on 30 March 2012. The award is subject to further negotiations.

Cote d'Ivoire Project
African Petroleum Cote D'Ivoire Ltd holds a 90% operating interest in Exploration Blocks CI-509 and CI-513, offshore western Cote d'Ivoire (together, the Cote d'Ivoire Blocks). The remaining 10% carried interest is held by Petroci (the National Oil Company of Cote d'Ivoire). Block CI-509 covers 1,091 sq km and Block CI-509 covers 1,440 sq km.

The Company will again focus on targeting deepwater Upper Cretaceous submarine fans in Cote d'Ivoire which are considered to have similar high impact potential as discoveries in the Jubilee field. The existing 2D seismic dataset shows encouraging leads and prospects over the two blocks, and the recent discovery at Paon-1 (Tullow, June 2012), in the central Ivorian offshore, has confirmed the viability of the play in western Cote D'Ivoire.

African Petroleum contracted with BGP Marine (Prospector PTE Ltd) for the acquisition of a 4,200 sq km 3D seismic survey over Blocks CI-513, CI-509 and CI-508. The acquisition commenced in April 2012, using the 10-streamer vessel "BGP Prospector", and the CI-513 survey was completed in mid-July 2012. The vessel continued directly onto the CI-508 & CI-509 survey, which is expected to be completed in early October 2012. The CI-508 survey is being acquired by APCL on behalf of Vitol CDI Limited and partners in CI-508, and is subject to a cost sharing agreement executed in June 2012, whereby all seismic acquisition and processing costs are shared on an equal basis.

[1] It should be noted that the potential resources are all seismic features which have not been penetrated by any wells. It should be clearly understood that the potential resources are undiscovered and the project is an exploration play. There is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, may not be economically viable or technically feasible to produce from any discovered resources.

Following delivery and interpretation of 3D data in late 2012, the Company is planning to drill a well in CI-513 in late 2013.

Senegal Project

African Petroleum Senegal Ltd holds a 90% operated interest in Exploration Blocks Rufisque Offshore Profond and Senegal Offshore Sud Profond (the **Senegal Blocks**), offshore southern and central Senegal. The remaining 10% carried interest is held by Petrosen (the National Oil Company of Senegal). The Senegal Blocks cover a total surface area of 18,277 sq km.

The Company has licensed over 10,000 km of 2D seismic data over the Senegal Blocks to compile an extensive regional database. In May 2012, Dolphin Geophysical completed a 3,600 sq km 3D seismic survey over Senegal Offshore Sud Profond. Initial fast-track data was received in house in July 2012, and prospects are currently being analysed. In June 2012, Fugro Seismic Imaging were contracted to reprocess the existing 1500 sq km 3D seismic survey over Rufisque Offshore Profonde, with results expected in mid-2013. The Company hopes to be in a position to drill a well in Senegal in 2014.

Subsequent Events

On 16 July 2012, the Company announced that African Petroleum had entered into a Memorandum of Understanding (MOU) with PetroChina International Investment Company Limited ("PetroChina"), a subsidiary of China National Petroleum Corporation. The MOU gave PetroChina an exclusive period to agree an investment in up to 20% of Liberia Block LB-09 and up to 20% in one or more of the Company's other exploration Blocks. This exclusive period expired on 31 August 2012. Notwithstanding, the Company is continuing its negotiations in good faith with PetroChina in a positive manner regarding the parameters of an investment in the Company's projects. Any investment made by PetroChina will be at a value to be agreed and will be subject to receiving appropriate governmental, regulatory and other third party consents.

On 30 July 2012, the Company completed a share placement to institutions and sophisticated investors of 62,963,000 fully paid ordinary shares at an issue price of A$1.35 per share, raising A$85,000,050 (US$88,016,083) before costs. Capital raising costs amounted to US$3,839,319.

The Company intends to use the funds raised from the placement to contract an additional oil rig. This has been conditionally contracted and it is currently expected to drill a further well in Block LB-09, offshore Liberia, in the fourth quarter 2012. This well is planned to be drilled ahead of the previous contracted two well programme with the Eirik Raude, due at the end of 2012.

No other event has arisen between 30 June 2012 and the date of this report that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

Result

African Petroleum reported a loss after income tax of US$20,432,024 for the half-year ended 30 June 2012 (30 June 2011: loss of US$13,718,327).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 30 June 2012 has been received and can be found on page 8 of the half-year report.

NON AUDIT SERVICES

No non-audit services were provided by the Company's auditors, Ernst & Young, during the half-year ended 30 June 2012.

This report is made in accordance with a resolution of the Board of Directors.

Antony Sage
Deputy Chairman **Perth, 7 September 2012**

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Auditor's Independence Declaration to the Directors of African Petroleum Corporation Limited

In relation to our review of the financial report of African Petroleum Corporation Limited for the Half-year ended 30 June 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
7 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 US$	30 June 2011 US$
Continuing Operations			
Revenue	**3(a)**	**2,505,665**	1,615,694
Other income	**5**	**125,000**	250,000
Depreciation expense		**(617,279)**	(237,642)
Consulting expenses		**(1,936,855)**	(1,720,763)
Compliance and regulatory expenses		**(177,968)**	(111,865)
Administration expenses		**(2,263,725)**	(1,118,992)
Employee remuneration	**3(b)**	**(9,399,078)**	(8,611,488)
Travel costs		**(4,067,493)**	(2,082,015)
Occupancy costs		**(1,327,505)**	(400,801)
Foreign currency (losses) / gains		**(3,266,790)**	511,184
Loss on derivative contracts		**-**	(1,811,639)
Finance costs		**(5,996)**	-
Loss from continuing operations before income tax		**(20,432,024)**	(13,718,327)
Income tax expense		**-**	-
Loss for the period, attributable to the members		**(20,432,024)**	(13,718,327)
Other comprehensive income			
Foreign exchange gain / (loss) on translation of functional currency to presentation currency		**3,070,729**	(5,379,773)
Other comprehensive income / (loss) for the period, net of tax		**3,070,729**	(5,379,773)
Total comprehensive loss for the period		**(17,361,295)**	(19,098,100)
Loss for the period is attributable to:			
Non-controlling interest		**(67,306)**	-
Owners of the parent		**(20,364,718)**	(13,718,327)
		(20,432,024)	(13,718,327)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		**(67,306)**	-
Owners of the parent		**(17,293,989)**	(19,098,100)
		(17,361,295)	(19,098,100)
EPS attributable to members			
Basic/diluted (loss) per share		**(1.25) cents**	(0.97) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	30 June 2012 US$	31 December 2011 US$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	**4**	**34,874,422**	204,529,028
Trade and Other Receivables	**5**	**20,420,879**	11,708,489
Restricted Cash	**6**	**72,541,923**	28,087,489
Prepayments		**2,712,308**	7,725,138
TOTAL CURRENT ASSETS		**130,549,532**	252,050,144
NON CURRENT ASSETS			
Property, Plant and Equipment		**7,452,466**	6,062,331
Restricted Cash	**6**	**22,500,000**	11,250,614
Exploration and Evaluation Expenditure	**7**	**271,557,748**	173,899,527
Trade and Other Receivables	**5**	**50,135**	4,454,203
TOTAL NON CURRENT ASSETS		**301,560,349**	195,666,675
TOTAL ASSETS		**432,109,881**	447,716,819
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	**8**	**8,095,113**	21,521,453
Provisions	**9**	**7,240,000**	-
TOTAL CURRENT LIABILITIES		**15,335,113**	21,521,453
TOTAL LIABILITIES		**15,335,113**	21,521,453
NET ASSETS		**416,774,768**	426,195,366
EQUITY			
Issued Capital	**10**	**490,204,835**	488,152,298
Reserves	**11**	**8,172,398**	(786,491)
Accumulated losses		**(81,550,133)**	(61,185,415)
Parent interests		**416,827,100**	426,180,392
Non-controlling interests		**(52,332)**	14,974
TOTAL EQUITY		**416,774,768**	426,195,366

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Note	Ordinary Share Capital US$	Share-based Payment Reserve US$	Accumulated Losses US$	Foreign Currency Translation Reserve US$	Non-controlling Interest US$	Total US$
AT 1 JANUARY 2012		**488,152,298**	**15,370,398**	**(61,185,415)**	**(16,156,889)**	**14,974**	**426,195,366**
Loss for the period				**(20,364,718)**		**(67,306)**	**(20,432,024)**
Other comprehensive losses					**3,070,729**		**3,070,729**
Total comprehensive loss for the period				**(20,364,718)**	**3,070,729**	**(67,306)**	**(17,361,295)**
Transactions with owners in their capacity as owners:							
Share-based payments	**3,11**		**5,888,160**				**5,888,160**
Options exercised	**10**	**2,052,537**					**2,052,537**
BALANCE AT 30 JUNE 2012		**490,204,835**	**21,258,558**	**(81,550,133)**	**(13,086,160)**	**(52,332)**	**416,774,768**
AT 1 JANUARY 2011		211,596,478	7,593,509	(42,186,907)	(2,130,276)	36,005	174,908,809
Loss for the period		-	-	(13,718,327)	-	-	(13,718,327)
Other comprehensive losses		-	-	-	(5,379,773)	-	(5,379,773)
Total comprehensive loss for the period		-	-	(13,718,327)	(5,379,773)	-	(19,098,100)
Transactions with owners in their capacity as owners:							
Shares issued pursuant to a capital raising	**10**	270,549,011	-	-	-	-	270,549,011
Share issue costs		(10,908,081)	-	-	-	-	(10,908,081)
Share-based payments	**3**	5,811,989	6,446,412	-	-	-	12,258,401
BALANCE AT 30 JUNE 2011		477,049,397	14,039,921	(55,905,234)	(7,510,049)	36,005	427,710,040

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2012

	Note	30 June 2012 US$	30 June 2011 US$
Cash Flows from Operating Activities			
Payments to suppliers and employees		**(12,775,622)**	(9,091,811)
Interest received		**373,797**	593,258
Net cash flows used in operating activities		**(12,401,825)**	(8,498,553)
Cash Flows from Investing Activities			
Payment for plant and equipment		**(1,787,839)**	(3,783,673)
Payment for land		**(225,733)**	(1,000,000)
Payment for exploration and evaluation activities		**(101,580,819)**	(29,598,928)
Loan advanced to related party		**(67,718)**	(7,600,000)
Loan repaid by related party		**40,408**	-
Cash backing security provided for drilling operations		**(79,874,690)**	(37,063,731)
Cash backing security returned		**24,172,050**	-
Net cash used in investing activities		**(159,324,341)**	(79,046,332)
Cash Flows from Financing Activities			
Proceeds from issue of shares from capital raising		**-**	270,549,011
Capital raising costs		**-**	(10,908,081)
Proceeds from exercise of options		**2,052,537**	-
Net cash from financing activities		**2,052,537**	259,640,930
Net (decrease) / increase in Cash and Cash Equivalents		**(169,673,629)**	172,096,045
Cash and Cash Equivalents at the beginning of the reporting period		**204,529,028**	135,451,410
Net foreign exchange differences		**19,023**	(5,620,758)
Cash and Cash Equivalents at the end of the reporting period	**4**	**34,874,422**	301,926,697

1. CORPORATE INFORMATION

The financial report of African Petroleum Corporation Limited and its subsidiaries (together the 'Company') for the half-year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 7 September 2012.

African Petroleum Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia.

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose condensed financial report for the half-year ended 30 June 2012 has been prepared in accordance with AASB 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and the Corporations Act 2011.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 31 December 2011 and considered together with any public announcements made by African Petroleum Corporation Limited during the half-year ended 30 June 2012 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The financial report is presented in United States Dollars.

Significant Accounting Policies

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2011.

Changes in accounting policies

From 1 January 2012, the Company has adopted all the Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2012. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company.

The Company has not elected to early adopt any new standards or amendments.

3. REVENUE, INCOME AND EXPENSES

	Note	For the 6 months ended 30 June 2012 US$	2011 US$
(a) REVENUE			
Bank interest income		**373,451**	1,138,513
Other interest income	**5**	**169,603**	38,511
Flight revenue[1]		**1,849,640**	240,600
Other revenue		**112,971**	198,070
		2,505,665	1,615,694

[1] During the prior year, the Company purchased a corporate jet. The jet is leased to related parties and generated US$1,849,640 external revenue for the half-year ended 30 June 2012 (30 June 2011: US$240,600).

	For the 6 months ended 30 June 2012 US$	2011 US$
(b) EMPLOYEE REMUNERATION		
Employee benefits	**(2,582,690)**	(1,407,837)
Director's remuneration	**(928,228)**	(757,239)
Share-based payments	**(5,888,160)**	(6,446,412)
	(9,399,078)	(8,611,488)

Share-based payments comprise of the issue of unlisted options and performance shares. The options have been valued using the Black-Scholes option pricing model and an amount of US$5,888,160 has been recognised within the line item "Employee remuneration" in the Statement of Comprehensive Income (30 June 2011: US$3,603,355).

In the prior year, 6,550,000 performance shares were awarded to Karl Thompson. On 18 August 2011, 3,275,000 fully paid ordinary shares were issued to Karl Thompson following the spudding of the Company's first off-shore well, pursuant to the terms of his employment contract. The remaining 3,275,000 performance shares will be issued to Karl Thompson when the Company secures a commercial discovery. As at 30 June 2012, this performance milestone has not yet occurred. No amount has been recognised in respect of these performance shares for the current period (30 June 2011: US$2,843,057).

During the current period the following options were issued:

No. of options	Exercise Price A$	Expiry Date	Fair Value at Grant Date A$	Fair Value at Grant Date US$
900,000	0.30	17 January 2017	0.35	0.36
250,000	0.30	17 January 2017	0.47	0.51
200,000	1.00	17 January 2017	1.31	1.39
400,000	1.00	17 January 2017	1.36	1.44
300,000	1.00	17 January 2017	1.25	1.25
400,000	0.30	17 January 2017	1.42	1.52
600,000	1.25	17 January 2017	1.17	1.14
400,000	1.00	17 January 2017	1.75	1.85
125,000	0.55	26 March 2017	1.52	1.60
50,000	0.30	26 March 2017	0.64	0.69
60,000	1.00	26 March 2017	1.80	1.89
150,000	0.55	26 March 2017	1.86	1.95
250,000	1.00	31 July 2017	1.28	1.25

During the prior period the following options were issued:

No. of options	Exercise Price A$	Expiry Date	Fair Value at Grant Date A$	Fair Value at Grant Date US$
440,000	0.55	16 March 2011	0.79	0.79
440,000	0.55	16 March 2011	0.81	0.80
200,000	0.50	31 July 2013	0.79	0.79
3,000,000	0.55	31 July 2013	0.76	0.80
150,000	1.00	3 June 2014	0.75	0.79
100,000	0.55	3 June 2014	0.58	0.62
200,000	0.55	3 June 2014	0.84	0.87
1,000,000	0.55	27 June 2016	0.73	0.76

4. CASH AND CASH EQUIVALENTS

	30 June 2012 US$	31 December 2011 US$
Cash at bank and on hand	**29,487,938**	199,276,799
Term deposits	**5,386,484**	5,252,229
	34,874,422	204,529,028

5. TRADE AND OTHER RECEIVABLES

	30 June 2012	31 December 2011
	US$	US$
Current		
GST / VAT Recoverable	**6,166,592**	-
Loan receivable from related party [1]	**10,729,812**	10,435,209
Other receivables	**3,524,475**	1,273,280
	20,420,879	11,708,489
Non Current		
GST / VAT Recoverable	**-**	4,430,187
Other receivables	**50,135**	24,016
	50,135	4,454,203

[1] In May 2011, the Company provided a US$10 million loan facility to a director related entity. During 2011, the loan facility was fully drawn down. Under the terms of the facility agreement, the amounts drawn down are required to be repaid in full by 31 March 2013.

Interest is receivable on amounts drawn down under the facility at the cash rate plus 3%. The facility is secured by a fixed and floating charge. Interest earned on the facility for the half-year ended 30 June 2012 is US$169,603 (30 June 2011: US$38,511). The Company is also entitled to a commitment fee of US$250,000 for the provision of the facility and a further US$125,000 for extension of the repayment date.

6. RESTRICTED CASH

	30 June 2012	31 December 2011
	US$	US$
Current		
Restricted cash	**72,541,923**	28,087,489
Non Current		
Restricted cash	**22,500,000**	11,250,614
	95,041,923	39,338,103

Restricted cash balances represent cash backing security provided in relation to the Company's exploration programs. The security deposits will be released upon completion of exploration works such as seismic data acquisition, and on achievement of certain drilling milestones. The classification of restricted cash balances as either current or non-current within the consolidated Statement of Financial Position is based on management's estimate of the timing of completion of seismic acquisition and drilling milestones.

7. EXPLORATION & EVALUATION EXPENDITURE

	30 June 2012 US$	31 December 2011 US$
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases	**271,557,748**	173,899,527

	For the 6 months ended 30 June 2012 US$	For the 12 months ended 31 December 2011 US$
Reconciliation		
Opening balance	**173,899,527**	52,199,175
Exploration expenditure incurred	**97,658,221**	113,172,171
Exploration expenditure - recouped	**-**	(5,000,000)
Issue of shares to acquire exploration assets	**-**	13,528,181
	271,557,748	173,899,527

8. TRADE AND OTHER PAYABLES

	30 June 2012 US$	31 December 2011 US$
Trade payables	**5,369,835**	11,402,224
Other payables and accruals	**2,725,278**	10,119,229
	8,095,113	21,521,453

9. PROVISIONS

	30 June 2012 US$	31 December 2011 US$
Provision for withholding tax payable [1]	**7,240,000**	-
	7,240,000	-

[1] A provision for withholding tax in relation to the Company's exploration activities as been recognised in the current period. The Company is required to withhold payment on services provided by subcontractors. This amount is due to the tax authorities and will be credited against the subcontractors own income tax liability.

10. ISSUED CAPITAL

	30 June 2012 US$	31 December 2011 US$
Fully paid ordinary shares	**490,204,835**	488,152,298

	For the 6 months ended 30 June 2012 US$	For the 12 months ended 31 December 2011 US$
Reconciliation		
Fair value of issued share capital at beginning of period	**488,152,298**	211,596,478
Issue of shares pursuant to capital raising[1]	**-**	270,549,011
Share issue costs[1]	**-**	(10,988,851)
Issue of shares pursuant to share based payment arrangements	**-**	16,995,660
Exercise of options	**2,052,537**	-
Fair value of issued share capital at end of period	**490,204,835**	488,152,298

[1] During the prior year, the Company issued 250,000,000 shares at A$1.00 each, raising A$250,000,000 which equated to US$270,549,011. Costs associated with the capital raising were US$10,988,851.

11. RESERVES

	For the 6 months ended 30 June 2012 US$	For the 12 months ended 31 December 2011 US$
Share based payments reserve		
At beginning of reporting period	**15,370,398**	7,593,509
Issue of options and performance shares pursuant to share based payment arrangements	**5,888,160**	7,776,889
At reporting date	**21,258,558**	15,370,398
Foreign currency translation reserve		
At beginning of reporting period	**(16,156,889)**	(2,130,276)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	**3,070,729**	(14,026,613)
At reporting date	**(13,086,160)**	(16,156,889)
Total reserves	**8,172,398**	(786,491)

12. SEGMENT INFORMATION

The operating segments are identified by management based on the business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues.

The Company only has one operating segment being exploration for hydrocarbons.

The analysis of the location of non-current assets is as follows:

	30 June 2012 US$	31 December 2011 US$
Australia	**1,404**	1,562
United Kingdom	**5,695,916**	9,103,068
Ghana	**53,198**	40,885
Sierra Leone	**18,275,402**	17,599,782
Gambia	**26,715,483**	23,259,227
Liberia	**173,675,942**	112,426,885
Cote d'Ivoire	**44,419,882**	16,430,895
Senegal	**32,644,215**	16,706,683
Other	**78,907**	97,688
	301,560,349	195,666,675

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 July 2012, the Company announced that African Petroleum had entered into a Memorandum of Understanding (MOU) with PetroChina International Investment Company Limited ("PetroChina"), a subsidiary of China National Petroleum Corporation. The MOU gave PetroChina an exclusive period to agree an investment in up to 20% of Liberia Block LB-09 and up to 20% in one or more of the Company's other exploration Blocks. This exclusive period expired on 31 August 2012. Notwithstanding, the Company is continuing its negotiations in good faith with PetroChina in a positive manner regarding the parameters of an investment in the Company's projects. Any investment made by PetroChina will be at a value to be agreed and will be subject to receiving appropriate governmental, regulatory and other third party consents.

On 30 July 2012, the Company completed a share placement to institutions and sophisticated investors of 62,963,000 fully paid ordinary shares at an issue price of A$1.35 per share, raising A$85,000,050 (US$88,016,083) before costs. Capital raising costs amounted to US$3,839,319.

The Company intends to use the funds raised from the placement to contract an additional oil rig. This has been conditionally contracted and it is currently expected to drill a further well in Block LB-09, offshore Liberia, in the fourth quarter 2012. This well is planned to be drilled ahead of the previous contracted two well programme with the Eirik Raude, due at the end of 2012.

No other event has arisen between 30 June 2012 and the date of this report that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

14. COMMITMENTS AND CONTINGENCIES

There are no changes to the commitments and contingencies disclosed in the most recent annual financial report.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of African Petroleum Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of African Petroleum Corporation Limited for the period ended 30 June 2012 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 30 June 2012 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Antony Sage
Deputy Chairman

Perth, 7 September 2012

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Independent review report to members of African Petroleum Corporation Limited

To the members of African Petroleum Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of African Petroleum Corporation Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of African Petroleum Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of African Petroleum Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
7 September 2012

FORM: Half yearly report

Name of *issuer*

AFRICAN PETROLEUM CORPORATION LIMITED

ACN or ARBN	Half yearly	Preliminary final	Half-year ended ('Current period')
125 419 730	X		30 June 2012

The results for the current period are for the half year ended 30 June 2012. The results for the comparative period are for the half year ended 30 June 2011.

Results for announcement to the market
Extracts from this statement for announcement to the market *(see note 1)*.

				$US'000
Revenue	up	55%	to	2,506
Profit (loss) for the period	up	49%	to	(20,432)
Profit (loss) for the period attributable to security holders	up	48%	to	(20,365)

Income Distributions	Current period	Previous corresponding period
N/A	N/A	N/A

Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

N/A

Earnings per *Security*

Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:

Current period

Loss for the period attributable to members: $20,432,024

Weighted average number of shares on issue: 1,629,066,055

Previous corresponding period

Loss for the period: $13,718,327

Weighted average number of shares on issue: 1,415,187,681

Income distributions

Date the income distribution is payable	N/A
Record date to determine entitlements to the income distribution (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)	N/A

The distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices to the distribution plans	N/A

Any other disclosures in relation to distributions

N/A

Distributions paid or provided for on all *securities*

(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)

	Current period - US$'000	Previous corresponding period - US$'000	Franking rate applicable
Distributions paid or provided for during the reporting period			
Current year interim	N/A	N/A	N/A
Previous year final	N/A	N/A	N/A

Distributions per *security*
(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)

	Current year	Previous year	Franking rate applicable
Distributions paid or provided for during the reporting period			
Current year interim	N/A	N/A	N/A
Previous year final	N/A	N/A	N/A

Details of aggregate share of profits (losses) of associates and joint venture entities

(equity method)

(under AASB 128: Investments in Associates paragraph Aus 37.1 and AASB 131: Interests in Joint Ventures paragraph Aus 57.3)

Name of associate or joint venture entity	Joint venture with Buried Hill BV [1]
Reporting entities percentage holding	60%

		Current period - US$'000	Previous corresponding period - US$'000
15.1	Profit (loss) before income tax	-	-
15.2	Income tax	-	-
15.3	**Profit (loss) after tax**	-	-
15.4	Impairment losses	-	-
15.5	Reversals of impairment losses	-	-
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7	**Share of net profit (loss) of associates and joint venture entities**	-	-

[1] During the current period the Joint Venture with Buried Hill BV did not report a profit or loss. All exploration costs incurred during the period have been capitalised.

Control gained over entities having material effect
(*See note 8*)

Name of *issuer* (or *group*)	N/A

	US$'000
Consolidated profit (loss) after tax of the *issuer* (or *group*) since the date in the current period on which control was acquired	N/A
Date from which profit (loss) in *item 16.2* has been calculated	N/A
Profit (loss) after tax of the *issuer* (or *group*) for the whole of the previous corresponding period	N/A

Loss of control of entities having material effect
(See note 8)

17.1	Name of *issuer* (or *group*)	N/A

		US$'000
17.2	Consolidated profit (loss) after tax of the entity (or *group*) for the current period to the date of loss of control	N/A
17.3	Date from which the profit (loss) in *item 17.2* has been calculated	N/A
17.4	Consolidated profit (loss) after tax of the entity (or *group*) while controlled during the whole of the previous corresponding period	N/A
17.5	Contribution to consolidated profit (loss) from sale of interest leading to loss of control	N/A

Material interests in entities which are not controlled entities
The economic entity has an interest (that is material to it) in the following entities.

	Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss)	
Equity accounted associated entities	Current period	Previous corresponding period	Current period - US$'000	Previous corresponding period - US$'000
			Equity accounted	
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A
Other material interests			Non equity accounted	
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
Total	N/A	N/A	N/A	N/A

NTA Backing

	Current period	Previous corresponding period
Net tangible asset backing per ordinary *security*	8.93 cents	22.45 cents

International Financial Reporting Standards

Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.

N/A

Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.

N/A

An *issuer* shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. *(as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

N/A

Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year *(as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

N/A

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

N/A

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

N/A

Compliance statement

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

   Identify other standards used: N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.

3. This statement does/does not* *(delete one)* give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

☐	The financial statements have been audited.	√	The financial statements have been subject to review by a registered auditor (or overseas equivalent).
☐	The financial statements are in the process of being audited or subject to review.	☐	The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/does not have* (*delete one*) a formally constituted audit committee.

Sign here: .... Date: 7 September 2012

(Company secretary)

Print name: Claire Tolcon

Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.

2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.

3. **Consolidated statement of financial performance**

   Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*

   Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5.* Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).

4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9.*

5. **Consolidated statement of financial position**

   Format The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting, and AASB 101: Presentation of Financial Statements.* Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

   Basis of revaluation If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment.* If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.

6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements. Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107.*

7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security.*

8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit

(loss) after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.

10. **Rounding of figures** This statement anticipates that the information required is given to the nearest $1,000. However, an *issuer* may report exact figures, if the $A'000 headings are amended. If an *issuer* qualifies under *ASIC* Class Order 98/0100 dated 15 July 2004, it may report to the nearest million dollars, or to the nearest $100,000, if the $A'000 headings are amended.

11. **Comparative figures** Comparative figures are to be presented in accordance with *AASB 101: Presentation of Financial Statements* or *AASB 134: Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.

12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the *ASIC* under the *Corporations Act* must also be given to the *Exchange.* For example, a *directors*' report and declaration, if lodged with the *ASIC*, must be given to the *Exchange.*

13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.

14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.

15. **Details of expenses** *AASB 101: Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange. Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

    The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

    Relevant items *AASB 101: Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant,* as defined in *AASB 101,* in explaining the financial performance of the *issuer.* There is an equivalent requirement in *AASB 134: Interim Financial Reporting.* For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange.*

16. **Dollars** If reporting is not in A$, all references to $A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.

17. **Discontinuing operations** Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with *AASB 5: Non-current Assets for Sale and Discontinued Operations* In any case, the information may be provided as an attachment to this Appendix 3.