African Petroleum Corporation Limited

(ABN 87 125 419 730)

Half-year Financial Report for the Period Ended 30 June 2013

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CORPORATE DIRECTORY

DIRECTORS

Frank Timis - Chairman
Antony Sage – Deputy Chairman *(resigned 30 June 2013)*
Karl Thompson – Chief Executive Officer
Mark Ashurst – Chief Financial Officer
Gibril Bangura
Jeffrey Couch
James Smith
Timothy Turner
Alan Watling *(resigned 1 July 2013)*
Anthony Wilson
David King *(appointed 1 July 2013)*

COMPANY SECRETARY

Claire Tolcon

REGISTERED OFFICE

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AUDITORS

Ernst & Young
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Telephone: +61 (0) 8 9429 2222
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SHARE REGISTER

Computershare Investor Services Pty Ltd
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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 2013.

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 *(resigned 30 June 2013)*
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 *(resigned 1 July 2013)*
Mr Anthony Wilson	Non-Executive Director
Dr David King	Non-Executive Director *(appointed 1 July 2013)*

Company Secretary

Ms Claire Tolcon

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

CORPORATE

Intention to seek ASX Listing

The Company is intending to seek a listing on the official list of the Australian Securities Exchange ("ASX"). Admission to ASX is subject to the Company satisfying the relevant ASX listing requirements. Subject to ASX admission being granted, the Company would then de-list from NSX.

Board restructure

On 30 June 2013, Antony Sage resigned as Non-Executive Deputy Chairman.

On 1 July 2013, Mr Alan Watling resigned as Non-Executive Director.

On 1 July 2013, Dr David King was appointed Non-Executive Director. Dr King is a professional geoscientist and has over 30 years' experience in oil and gas and other natural resources industries. He has co-founded, as well as held executive and non-executive board positions with, a number of successful ASX listed oil and gas exploration companies, including Eastern Star Gas Limited, Gas2Grid Limited and Sapex Limited. He is a Fellow at the Australian Institute of Company Directors, the Australian Institute of Geoscientists, and Australian Institute of Mining & Metallurgy and a Chartered Professional (Management). Dr King has an MSc in Geophysics from Imperial College, London, and a PhD in Seismology from the Australian National University, Canberra.

Dr King is currently non-executive Chairman of two ASX listed companies; gold exploration company Robust Resources Limited, and biotechnology research and development company, Cellmid Limited. He is also a non-executive director of ASX listed Republic Gold Limited, a gold exploration and development company with assets in Mozambique, and a Director of unlisted Shale Oil/Gas explorer Tamboran Resources. In a long corporate career, he has also served as Managing Director of ASX listed gold producer North Flinders Mines, and CEO of Oil/Gas producers Beach Petroleum and Claremont Petroleum.

Modification of options
On 11 April 2013, 8,916,524 unlisted options exercisable at A$0.55 per option with an expiry date of 30 June 2013 were modified whereby the expiry date was extended for a further 2 years, to 30 June 2015.

Also on this date, 2,500,000 unlisted options with an expiry date of 30 June 2013 were modified with the expiry date being extended to 10 April 2015. Of these options, 1,000,000 are exercisable at A$1.25 per option; 500,000 exercisable at A$1.50 per option; 500,000 exercisable at A$1.75 per option and 500,000 exercisable at $2.00 per option. These options will vest on reaching the exercise price(s) for a minimum of ten trading days in a particular month. The options that have not vested at any time shall automatically vest upon a change of control in sale of more than 50% of issued share capital (fully diluted) of the Company.

Lapse of options
On 15 March 2013, 391,667 unlisted options exercisable at A$0.30 per option lapsed.

On 26 June 2013, 1,540,000 unlisted options exercisable at A$0.30 per option lapsed.

OPERATIONS

Liberian Project
African Petroleum holds a 100 per cent interest in Blocks LB-08 and LB-09, located offshore Liberia ("Liberian Project" or "Blocks LB-08 and LB-09") and covering a combined surface area of 5,351 sq km.

In 2010, African Petroleum completed the acquisition and interpretation of 5,100 sq km of 3D seismic survey over Blocks LB-08 and LB-09. In September 2011, the Company announced that it had completed drilling African Petroleum's first well (Apalis-1) on Block LB-09, offshore Liberia. Apalis-1 encountered oil shows in several geological units including the shallower (Tertiary) and deeper (Cretaceous) and petrophysical analysis indicated the presence of hydrocarbons and source rock intervals. 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 Narina-1, its second well on Block LB-09 in January 2012. The well was targeting a major Turonian fan system.

In February 2012, African Petroleum announced an oil discovery at Narina-1. The well encountered 21 metres of net oil pay in the Turonian (38 degree API) and 11 metres of net oil pay in the Albian (44 degree API) with no oil water contacts.

The Narina discovery confirmed the prospectivity of the "Narina/Bee Eater fan system" which extends over a large area. The Bee Eater-1 well was planned to further explore this system, drilling within the fan feeder system. The Company spudded its third well, Bee Eater-1 in January 2013. In February 2013, the Company announced a discovery at Bee Eater-1. Oil bearing Turonian sandstone was found, but reservoir permeabilities over the hydrocarbon bearing section of the well were lower than anticipated, possibly due to the well position within a feeder 'by-pass' zone. Bee Eater-1 was additionally designed to target the potential of two deeper prospective zones in the Cenomanian and Albian. Oil bearing sandstone was encountered in both zones, and no oil water contacts or water bearing sands were found, permeabilities were again low. No oil samples or pressure information was recovered due to low permeability.

Post-well studies to integrate results from the Bee Eater-1 are almost complete. Remapping of the 3D seismic data is being finalised for the Campanian interval. Additional prospectivity has been identified in the Turonian interval, post Bee Eater-1. This prospect is included in the June 2013 ERC Equipoise Competent Persons Report and is called 'Night Heron'. The reprocessed CGGV data will be utilized to further refine the risk and volumetric assessment of identified leads and prospects. Several attractive prospects have been matured in LB-08 as drilling candidates for 2014, while farm-out discussions are on-going with several companies. Drilling is anticipated in neighbouring LB-10, operated by Anadarko Petroleum Corporation at the end of 2013 or early 2014.

Cote d'Ivoire Project
African Petroleum Côte d'Ivoire Limited holds a 90 per cent operating interest in two blocks offshore western Côte d'Ivoire. The remaining 10 per cent carried interest is held by the national oil company of Côte d'Ivoire, Petroci. Block CI-509 covers 1,091 sq km and Block CI-513 covers 1,440 sq km, with a combined surface area of 2,531 sq km. Both blocks are currently in their first exploration period.

African Petroleum acquired a 4,200 sq km proprietary 3D seismic survey over Blocks CI-513, CI-509 and neighbouring Block CI-508 between April and October 2012, using the "BGP Prospector". The fast-track 3D seismic data was received in November 2012 and final 3D seismic processing for the entire survey was completed in June 2013. The acquisition and processing of the 3D seismic data over Block CI-508 is being completed on behalf of Vitol E&P and co-ventures, subject to a cost sharing agreement.

The 3D seismic data shows encouraging submarine fan leads and prospects over Blocks CI-513 and CI-509 and has confirmed the presence of major turbidite fan systems. These prospects will be matured during 2013, and the Company currently plans to drill one well on each Block, 'Ayame' in CI-513 and 'Leraba' in CI-509, during 2014.

Gambian Project
African Petroleum holds a 60 per cent operating interest in Blocks A1 and A4, covering a combined total area of 2,668 sq km, offshore The Gambia. The remaining 40 per cent interest is held by Buried Hill Gambia BV. Both blocks are currently in their first exploration period.

The Company completed the acquisition of 2,500 sq km of 3D seismic data over Blocks A1 and A4 in December 2010. The processed 3D seismic data was received in June 2011 which has enabled identification of exploration prospects and leads in five different play types. The four-way dip closed Alhamdulilah 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.

Following the acquisition of the 3D seismic data, detailed mapping of the Alhamdulilah prospect has been completed, targeting a series of stacked submarine fan complexes. A well location (AH-1) has been agreed with partners and well planning has been completed. The AH-1 well location is in 2,300 metres of water. The planned maximum total depth for the well is 6,300 metres though it may be less than this in the event that the primary reservoirs are wet. The Company is currently seeking an extension on the licence first exploration period to allow the AH-1 well to be drilled during 2014.

Other play types in Blocks A1 and A4 include stratigraphically-trapped fans and slope channel complexes of Albian-Cenomanian age, Upper Jurassic and lower Cretaceous karstified platform limestones and possible reef build-ups, and overlying shallow water clastic reservoirs. The M closure is being matured as a prospect to the East of Alhamdulilah and gives a potential alternative to AH-1 at lower cost. Volumetric estimates for this prospect are modest as only one potential reservoir zone has been evaluated. Further technical evaluation of carbonate margin prospects is underway. The Company sees increasing interest in the carbonate/clastic play as drilling activity commences offshore Morocco. Success there will heighten interest in the southerly extension of this playtype.

Senegal Project
African Petroleum Senegal Limited holds a 90 per cent operating interest in exploration Blocks Rufisque Offshore Profond ("ROP") and Senegal Offshore Sud Profond ("SOSP"), the remaining 10 per cent carried interest being held by Petrosen, the national oil company of Senegal. The Blocks are located offshore southern and central Senegal and cover a combined surface area of 18,277 sq km. Both blocks were awarded in October 2011 and are currently in the first exploration period.

African Petroleum has licensed over 10,000 km of 2D seismic data over both of the Senegal Blocks to compile an extensive regional database. In May 2012, the Company completed a 3,600 sq km 3D seismic data acquisition over the SOSP block. Fast-track 3D seismic data was received in July 2012, and initial prospects and leads have been identified. Interpretation of 1,500 sq km of 3D data over the ROP Block received in February 2013 is on-going. The entire trend is being evaluated from ROP in the North to SOSP in the South. Cairn Energy PLC and FAR Limited are planning to drill two wells in 2014 in the Sangomar Block. Results from these wells will have an impact on the play risk in African Petroleum's Blocks. A PSDM is required to fully evaluate the carbonate margin prospectivity, but deepwater fan systems are well defined on the high quality 3D seismic data.

Sierra Leone Project
African Petroleum holds 100 per cent interest in Blocks SL-03 and SL-4A-10, offshore Sierra Leone. The Company was awarded the Block SL-03, which covers 3,860 sq km., in February 2011. The acquisition of an extensive 3D seismic survey covering approximately 2,500 sq km was completed by TGS-Nopec in September 2011 and a fast-track volume was received in January 2012. The Company has completed an initial prospectivity assessment on the fast-track volume and have identified Turonian to Campanian-aged prospective channel systems, located 70-100 km west of the Jupiter, Mercury and Venus discoveries. Of these the 'Altair' prospect has undergone technical maturation for the June 2013 ERC Equipoise CPR. Further mapping of Turonian and Santonian geobodies up into shallower water has also been carried out. A key offset well is planned for SL-05, operated by Lukoil OAO.

Block SL-4A-10 covers 1,995 sq km and was awarded as part of Sierra Leone's third offshore licencing round in 2012. The Company has already identified a number of promising prospects for verification on the licensed 2D seismic data. The multi-client 3D seismic data that was acquired by TGS-Nopec over part of Block SL-4A-10 in October 2011 will shortly be licensed by the Company. Both blocks are currently in their first exploration period.

Subsequent Events
On 1 July 2013 Mr Alan Watling resigned as Non-Executive Director and Dr David King was appointed Non-Executive Director.

On 18 July 2013, 856,666 unlisted options exercisable at A$0.30 per option on or before 17 January 2017; and 250,000 unlisted options exercisable at A$1.25 per option on or before 8 January 2018 lapsed as a result of the holders ceasing to be employed with the Company.

During August 2013, US$10.5 million has been released from restricted cash to unrestricted cash.

The Company it is continuing to proceed with seeking a listing on the official list of the Australian Securities Exchange ("ASX"). As part of the listing on ASX, and conditional on proceeding with the listing application, the Board of the Company will be restructured and comprise the following:

- Charles Matthews – Independent Non-Executive Chairman;
- Karl Thompson – Chief Executive Officer and Executive Director;
- Mark Ashurst – Chief Financial Officer and Executive Director;
- Gibril Bangura – Non-Executive Director;
- Jeffrey Couch – Independent Non-Executive Director;
- Gordon Grieve – Independent Non-Executive Director;
- David King – Independent Non-Executive Director;
- James Smith – Independent Non-Executive Director; and
- Anthony Wilson – Independent Non-Executive Director.

Mr Frank Timis will resign as Non-Executive Chairman of the Company and assume the role of president of the Executive Committee of the Company which is a committee formed to support and advise the Board, implement Board strategy and to exercise the executive powers of the Company.

Charles Matthews
Mr Matthews has over 10 years experience in chairman and director positions, having been on the board of number of listed manufacturing and technology companies, including FTSE 250 LSE listed company FKI Plc. He has previously held senior management positions at Cosworth Group, Rolls Royce and Bentley Motor Cars, and has served as a Member of the Vickers Group Executive Board.

He is currently Chairman of LSE listed Porvair Plc, a specialist filtration technologies business in the aerospace and general engineering sectors. Mr Matthews holds a BSc in Geography and Oceanography from the University of Wales, as well as an MBA from Cranfield Business School and a Strategic Marketing qualification from Harvard Business School.

Gordon Grieve

Mr Grieve is currently Piper Alderman's Chairman of Partners and has been a partner in the Corporate and Commercial Litigation areas of the firm since 1991. As part of Gordon's senior corporate M&A role, Gordon heads up the firm's Energy and Resources group.

Gordon has high level experience in both the private and public sectors across all facets of major corporate transactions and commercial litigation. He advises on corporate governance and compliance issues, company takeovers and schemes of arrangement. Gordon has appeared in and instructed in large scale commercial litigation in New South Wales, Queensland, Victoria and South Australia. He has acted successfully in a number of defences of high profile white collar crime prosecutions in respect to the Corporations Act.

Previously Gordon was the Commissioner for Corporate Affairs in South Australia, and until 1999 he was the Deputy Chairman of the Brisbane-based Australian Financial Institution Commission before its functions were transferred to APRA.

Gordon was recognised as one of Australia's top 50 lawyers in the November 2011 edition of Corporate INTL and is listed as a leading Dispute Resolution lawyer in Chambers Asia-Pacific.

Admission to ASX is subject to the Company satisfying the relevant ASX listing requirements. Subject to ASX admission being granted, the Company would then de-list from NSX. The Company will keep shareholders informed of further developments.

No other event has arisen between 30 June 2013 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$39,218,470 for the half-year ended 30 June 2013 (30 June 2012: loss of US$20,432,024).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 30 June 2013 has been received and can be found on page 8 of the half-year report.

NON AUDIT SERVICES

The Company's auditors, Ernst & Young have provided services in relation to the Company's plans to seek a listing on the ASX. No other non-audit services were provided by the Company's auditors, Ernst & Young, during the half-year ended 30 June 2013.

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

Karl Thompson
Chief Executive Officer

13 September 2013

Building a better
working world

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

In relation to our audit of the financial report of African Petroleum Corporation Limited and its controlled entities for the half-year ended 30 June 2013, 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
13 September 2013

DL:DR:AFRICAN PETROLEUM:029

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	30 June 2013 US$	30 June 2012 US$
Revenue	**3(a)**	**1,492,049**	2,505,665
Other income	**5**	**100,000**	125,000
Cost of sales		**(1,705,227)**	(2,173,112)
Depreciation expense		**(931,470)**	(617,279)
Impairment of consumable spares	**8**	**(3,613,181)**	-
Impairment of aircraft	**7**	**(1,300,000)**	-
Impairment of related party loan		**(11,139,343)**	
Rig demobilisation/cancellation costs	**9**	**(3,753,407)**	-
Consulting expenses	**3(c)**	**(4,645,946)**	(1,936,855)
Compliance and regulatory expenses		**(301,646)**	(177,968)
Administration expenses		**(1,121,156)**	(2,263,725)
Employee benefits	**3(b)**	**(8,285,646)**	(9,399,078)
Travel costs		**(1,617,282)**	(1,894,381)
Occupancy costs		**(1,388,854)**	(1,327,505)
Foreign currency losses		**(906,111)**	(3,266,790)
Finance costs		**(101,250)**	(5,996)
Loss before income tax		**(39,218,470)**	(20,432,024)
Income tax expense		**-**	-
Loss for the period, attributable to the members		**(39,218,470)**	(20,432,024)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve			
Foreign exchange gain on translation of functional currency to presentation currency		**168,093**	3,070,729
Items that will not be reclassified to profit or loss:			
-		**-**	-
Other comprehensive income / (loss) for the period, net of tax		**168,093**	3,070,729
Total comprehensive loss for the period		**(39,050,377)**	**(17,361,295)**
Loss for the period is attributable to:			
Non-controlling interest		**(262,517)**	(67,306)
Owners of the parent		**(38,955,953)**	(20,364,718)
		(39,218,470)	(20,432,024)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		**(262,517)**	(67,306)
Owners of the parent		**(38,787,860)**	(17,293,989)
		(39,050,377)	(17,361,295)
EPS attributable to members			
Basic/diluted loss per share		**(2.30) cents**	(1.25) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2013 US$	31 December 2012 US$
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	**4**	**12,338,795**	52,598,909
Trade and Other Receivables	**5**	**8,368,361**	16,505,979
Restricted Cash	**6**	**10,670,217**	50,113,629
Prepayments		**2,231,028**	10,303,371
TOTAL CURRENT ASSETS		**33,608,401**	129,521,888
NON CURRENT ASSETS			
Property, Plant and Equipment	**7**	**4,524,925**	6,609,006
Restricted Cash	**6**	**12,000,000**	22,500,000
Exploration and Evaluation Expenditure	**8**	**437,832,519**	354,822,592
Intangible Assets		**414,129**	384,172
TOTAL NON CURRENT ASSETS		**454,771,573**	384,315,770
TOTAL ASSETS		**488,379,974**	513,837,658
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	**9**	**36,846,969**	25,684,709
TOTAL CURRENT LIABILITIES		**36,846,969**	25,684,709
TOTAL LIABILITIES		**36,846,969**	25,684,709
NET ASSETS		**451,533,005**	488,152,949
EQUITY			
Issued Capital	**10**	**575,911,770**	575,911,770
Reserves	**11**	**16,442,054**	13,843,528
Accumulated losses		**(140,423,498)**	(101,467,545)
Attributable to equity holders of the parent		**451,930,326**	488,287,753
Non-controlling interests		**(397,321)**	(134,804)
TOTAL EQUITY		**451,533,005**	488,152,949

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 2013		**575,911,770**	**25,794,821**	**(101,467,545)**	**(11,951,293)**	**(134,804)**	**488,152,949**
Loss for the period		**-**	**-**	**(38,955,953)**	**-**	**(262,517)**	**(39,218,470)**
Other comprehensive losses		**-**	**-**	**-**	**168,093**	**-**	**168,093**
Total comprehensive loss for the period		**-**	**-**	**(38,955,953)**	**168,093**	**(262,517)**	**(39,050,377)**
Transactions with owners in their capacity as owners:							
Share-based payments	**3,11**	**-**	**2,430,433**	**-**	**-**	**-**	**2,430,433**
BALANCE AT 30 JUNE 2013		**575,911,770**	**28,225,254**	**(140,423,498)**	**(11,783,200)**	**(397,321)**	**451,533,005**
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		-	5,888,160	-	-	-	5,888,160
Exercise of options		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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	30 June 2013 US$	30 June 2012 US$
Cash Flows from Operating Activities			
Payments to suppliers and employees		**(19,074,634)**	**(12,775,622)**
Interest received		**127,243**	**373,797**
Net cash flows used in operating activities		**(18,947,391)**	**(12,401,825)**
Cash Flows from Investing Activities			
Payment for plant and equipment		**(295,647)**	**(1,787,839)**
Payment for land		**-**	**(225,733)**
Payment for intangible assets		**(29,957)**	**-**
Payment for exploration and evaluation activities		**(69,794,581)**	**(101,580,819)**
Payment of deposit to related party	**5**	**(1,235,000)**	**-**
Loan advanced to related party		**-**	**(67,718)**
Loan repaid by related party		**193,472**	**40,408**
Cash backing security provided for drilling operations		**-**	**(79,874,690)**
Cash backing security returned		**49,670,278**	**24,172,050**
Net cash used in investing activities		**(21,491,435)**	**(159,324,341)**
Cash Flows from Financing Activities			
Proceeds from exercise of options		**-**	**2,052,537**
Net cash from financing activities		**-**	**2,052,537**
Net decrease in Cash and Cash Equivalents		**(40,438,826)**	**(169,673,629)**
Cash and Cash Equivalents at the beginning of the reporting period		**52,598,909**	**204,529,028**
Net foreign exchange differences		**178,712**	**19,023**
Cash and Cash Equivalents at the end of the reporting period	**4**	**12,338,795**	**34,874,422**

1. CORPORATE INFORMATION

The financial report of African Petroleum Corporation Limited and its subsidiaries (together the 'Company') for the half-year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 13 September 2013.

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 2013 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 2012 and considered together with any public announcements made by African Petroleum Corporation Limited during the half-year ended 30 June 2013 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The financial report is presented in United States Dollars.

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2013, the Company had net current liabilities of US$3,238,568 (31 December 2012: US$103,837,179). The cash and restricted cash position at 30 June 2013 was US$35,009,012 (31 December 2012: US$125,212,538). However, the ability of the Company to continue as a going concern, including the continuation of its planned exploration and evaluation activities is dependent on the Company raising additional capital within the next 12 months or executing a strategic transaction such as a farm-out. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Company will be able to raise additional capital, in order to enable it to meet its obligations as and when they fall due. Additional capital will be raised by way of either a share placement or strategic transaction, such as a farm-in on one of the Company's exploration projects.

Should the Company not achieve the matters set out above, there is uncertainty whether it would continue as a going concern and therefore whether it would realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in this financial report. This financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts or to the amounts or classifications of liabilities that might be necessary should the Company not be able to continue as a going concern.

In the event that the Company is unable to successfully complete a capital raising or execute a strategic transaction in the required timeframe, management will reconsider the carrying value of the exploration and evaluation expenditure as set out in Note 8.

Significant Accounting Policies

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2012 except for the adoption of new standards and interpretations noted below.

Changes in accounting policies

The Company has adopted all new and amended Standards and Interpretations effective from 1 January 2013, including:

- AASB 10 *Consolidated Financial Statements*
- AASB 11 *Joint Arrangements*
- AASB 12 *Disclosure of Interests in Other Entities*
- AASB 13 *Fair Value Measurement*
- AASB 19 *Employee Benefits*
- AASB 2012-2 Amendments to Australian Accounting Standards – *Disclosures – Offsetting Financial Assets and Liabilities*
- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039

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 or amended standards and interpretations issued but not yet effective.

3. REVENUE, INCOME AND EXPENSES

	Note	For the 6 months ended 30 June 2013 US$	2012 US$
(a) REVENUE			
Bank interest income		**166,923**	373,451
Other interest income	5	**159,881**	169,603
Flight revenue[1]		**314,535**	1,849,640
Other revenue		**850,710**	112,971
		1,492,049	2,505,665

[1] During 2011, the Company purchased a corporate jet. The jet is leased to related parties and generated US$314,535 external revenue for the half-year ended 30 June 2013 (30 June 2012: US$1,849,640).

	For the 6 months ended 30 June 2013 US$	2012 US$
(b) EMPLOYEE BENEFITS		
Employee benefits	**(5,331,747)**	(2,582,690)
Director’s remuneration	**(1,947,378)**	(928,228)
Share-based payments recognised	**(2,247,442)**	(5,888,160)
Share-based payments reversed	**1,240,921**	-
	(8,285,646)	(9,399,078)

During the current period, no options have been issued to directors, employees and consultants of the Company (30 June 2012: 4,085,000 unlisted options). US$2,247,442 has been recognised within the line item “Employee remuneration” in the Statement of Comprehensive Income in relation to awards issued in prior periods (30 June 2012: US$5,888,160).

An expense of US$1,240,921 has also been reversed within the line item "Employee remuneration" in recognition of unvested options that have been forfeited as a result of the holders ceasing to be employed with the Company as at the end of the current period (30 June 2012: nil).

The following options have been forfeited as a result of the holders ceasing to be employed with the Company as at the end of the current period:

No. of options	Exercise Price A$	Expiry Date
391,667	0.30	15 March 2013
1,540,000	0.30	26 June 2013

In October 2012, 1,000,000 ordinary shares were awarded to Jens Pace, Chief Operating Officer upon commencement with the Company, pursuant to the terms of his employment contract. No amount has been recognised in the current period with respect to these shares. Jens Pace was also awarded 1,500,000 performance shares which will vest upon the Company securing a commercial discovery. As at 30 June 2013, this performance milestone has not yet occurred. No amount has been recognised in respect of these performance shares for the current period.

In May 2011, 6,550,000 performance shares were awarded to Karl Thompson, Executive Director and Chief Executive Officer. On 18 August 2011, 3,275,000 fully paid ordinary shares vested 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 vest when the Company secures a commercial discovery. As at 30 June 2013, this performance milestone has not yet occurred. No amount has been recognised in respect of these performance shares for the current period (30 June 2012: nil).

(c) CONSULTANCY EXPENSE

On 11 April 2013, 8,916,524 unlisted options exercisable at A$0.55 per option with an expiry date of 30 June 2013 were modified whereby the expiry date was extended for a further 2 years, to 30 June 2015. US$978,487 has been recognised as an accounting expense within the line item "Consultancy expense" with in relation to the modification of these options.

Also on this date, 2,500,000 unlisted options with an expiry date of 30 June 2013 were modified with the expiry date being extended to 10 April 2015. Of these options, 1,000,000 are exercisable at A$1.25 per option; 500,000 exercisable at A$1.50 per option; 500,000 exercisable at A$1.75 per option and 500,000 exercisable at $2.00 per option. These options will vest on reaching the exercise price(s) for a minimum of ten trading days in a particular month. The options that have not vested at any time shall automatically vest upon a change of control in sale of more than 50% of issued share capital (fully diluted) of the Company. US$1,482,331 has been recognised as an accounting expense within the line item "Consultancy expense" in relation to these options.

4. CASH AND CASH EQUIVALENTS

	30 June 2013 US$	31 December 2012 US$
Cash at bank and on hand	**12,338,795**	46,957,077
Term deposits	**-**	5,641,832
	12,338,795	52,598,909

5. TRADE AND OTHER RECEIVABLES

	30 June 2013	31 December 2012
	US$	US$
Current		
Trade receivables	**5,127,978**	1,261,060
Loans receivable from related parties [1]	**1,692,708**	12,623,041
Deposit with related party [2]	**1,235,000**	-
Other receivables	**312,675**	2,621,878
	8,368,361	16,505,979

[1] In May 2011, the Company provided a US$10 million loan facility to a director related entity, International Petroleum Limited ('IPL'). 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 the earlier of:

- 31 December 2013;
- receipt by IPL of A$45,000,000 pursuant to the terms of an arrangement with another company;
- the date IPL completes a raising of funds by way of a public offering in shares in the capital of the borrower on NSX; and
- the date IPL is listed on an alternative stock exchange, as part of a fundraising.

Interest is receivable on amounts drawn down under the facility at the cash rate plus 3%. Interest earned on the facility for the half-year ended 30 June 2013 is US$159,881 (30 June 2012: US$169,603). The Company is also entitled to a commitment fee of US$250,000 for the provision of the facility and a further US$225,000 for extension of the repayment date, of which US$100,000 has been recognised in the current period (30 June 2012: US$125,000). As at 30 June 2013, the total amount receivable from IPL in relation to this loan facility is US$11,139,343 (31 December 2012: US$10,879,462)

In order to secure the payment and performance of its obligations, IPL has agreed to assign and charge in favour of the Company the following collateral:

- all allocations and distributions of income, cash flow and profits and payments arising from IPL's right, title and interest in production sharing contracts (Contracts) between the Republic of Niger and IOP over the four petroleum licence blocks known as Manga 1, Manga 2, Aorak and Tenere Ouest; and
- rights to receive all proceeds from the sale or transfer of IPL's interest in the Contracts.

The Company continues to review this facility and notes that in July 2013, IPL announced the potential sale of its Russian assets for cash consideration. However, due to the current financial position of IPL and notwithstanding the security held, the Company has considered it prudent to recognise an impairment provision for the outstanding balance of the IPL loan facility of US$11,139,343. This impairment loss may be reversed if IPL executes a strategic transaction or a sale of assets, such that their liquidity facilitates repayment of the loan.

During the prior year, US$841,994 (£521,252) was loaned to Karl Thompson to cover tax payable on performance shares awarded to Mr Thompson. In January 2013, an additional US$200,658 (£124,107) was loaned to Mr Thompson to cover an additional 10% tax payable on these performance shares. The loan can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within 5 years or from the sale of any shares prior to this time. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged or the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US$19,324 (£12,618) of interest recognised during the current period (year ended 31 December 2012: US$11,221 (£6,946)). The Loan Agreement was approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loan, the Company will waive the remaining balance of the loan. This arrangement has been accounted for as a share-based payment.

During the prior year, US$630,497 (£390,321) was loaned to Jens Pace to cover tax payable on performance shares awarded to Mr Pace. The loan can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within 5 years or from the sale of any shares prior to this time. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged or the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US$12,076 (£7,878) of interest recognised during the current period (year ended 31 December 2012: US$5,752 (£3,561)). The Loan Agreement was approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loan, the Company will waive the remaining balance of the loan. This arrangement has been accounted for as a share-based payment.

[2] Further, IPL has granted the Company for a period of 6 months, commencing 17 April 2013, the sole and exclusive right, but not the obligation, to acquire up to 100% of IPL's rights and obligations under the exploration and production sharing contracts for Manga-1, Manga-2, Aborak and Tenere West Blocks in the Republic Niger (Niger Contracts).

During the exclusivity period:

- IPL agrees not to enter into any contracts, agreements or arrangements regarding IPL's interest in the Niger Contracts; and
- the parties must negotiate in good faith a definitive purchase and sale agreement and other related transaction documentation (Transaction).

As a condition of exclusivity, the Company has paid a good faith deposit of US$1,235,000. IPL may use the deposit to pay for IPL's costs related to its obligations under the Niger Contracts.

If the agreement is terminated without entering into the Transaction, IPL must refund the deposit, without interest, to the Company. If, prior to termination of the agreement the parties enter into a transaction. IPL may retain the deposit and credit it against the purchase price agreed by the parties in the transaction documents.

6. RESTRICTED CASH

	30 June 2013	**31 December 2012**
	US$	**US$**
Current		
Restricted cash	**10,670,217**	50,113,629
Non Current		
Restricted cash	**12,000,000**	22,500,000
	22,670,217	72,613,629

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

7. PROPERTY, PLANT & EQUIPMENT

The impairment charge of US$1,300,000 for the current period relates to the write down of the Company's aircraft, to a recoverable value of US$1,494,718, based on an independent expert assessment of current market value. The write down is associated with the decline in use of the aircraft in the current period. The Company's aircraft is included within the non-current assets held in the United Kingdom, per Note 12, Segment information.

8. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2013 US$	31 December 2012 US$
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases	**437,832,519**	354,822,592

	For the 6 months ended 30 June 2013 US$	For the 12 months ended 31 December 2012 US$
Reconciliation		
Opening balance	**354,822,592**	173,899,527
Exploration expenditure incurred	**86,623,108**	180,923,065
Impairment [1]	**(3,613,181)**	-
	437,832,519	354,822,592

[1] During the current period an impairment loss of US$3,613,181 has been recognised in respect of consumable spares sold in August 2013.

9. TRADE AND OTHER PAYABLES

	30 June 2013 US$	31 December 2012 US$
Trade payables	**3,306,987**	4,114,090
Withholding tax [1]	**16,834,024**	10,508,920
Other payables and accruals [2]	**15,669,052**	11,061,699
Share-based payments liability [3]	**1,036,906**	-
	36,846,969	25,684,709

[1] An accrual for withholding tax in relation to the Company's exploration activities has been recognised. 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.

[2] Other payables include amounts accrued for in respect of seismic data interpretation and drilling costs, and also US$3,753,407 in recognition of a claim in relation to drilling operations settled in July 2013 with consumable spares.

[3] Share-based payments liability relating to director loans as disclosed in Note 5.

10. ISSUED CAPITAL

	30 June 2013 US$	31 December 2012 US$
Fully paid ordinary shares	**575,911,770**	575,911,770

	For the 6 months ended 30 June 2013 US$	For the 12 months ended 31 December 2012 US$
Reconciliation		
Fair value of issued share capital at beginning of period	**575,911,770**	488,152,298
Issue of shares pursuant to capital raising [1]	**-**	88,016,083
Capital raising costs [1]	**-**	(3,839,319)
Issue of shares pursuant to share-based payment arrangements	**-**	1,246,320
Issue of shares on the exercise of options	**-**	2,336,388
Fair value of issued share capital at end of period	**575,911,770**	575,911,770

[1] During the prior period (July 2012), the Company issued 62,963,000 shares at A$1.35 each, raising A$85,000,050 which equated to US$88,016,083. Costs associated with the capital raising were US$3,839,319.

11. RESERVES

	For the 6 months ended 30 June 2013 US$	For the 12 months ended 31 December 2012 US$
Share-based payments reserve		
At beginning of reporting period	**25,794,821**	15,370,398
Share-based payments	**3,671,354**	10,424,423
Reversal of share-based payments expense as a result of holders ceasing to be employed by the Company	**(1,240,921)**	-
At reporting date	**28,225,254**	25,794,821
Foreign currency translation reserve		
At beginning of reporting period	**(11,951,293)**	(16,156,889)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	**168,093**	4,205,596
At reporting date	**(11,783,200)**	(11,951,293)
Total reserves	**16,442,054**	13,843,528

12. SEGMENT INFORMATION

For management purposes, the Group is organised into one main operating segment, which involves exploration for hydrocarbons. All of the Group's activities are interrelated, and discrete financial information is reported to the Board (Chief Operating Decision Makers) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

The Consolidated Entity only has one operating segment being exploration for hydrocarbons.

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

	30 June 2013	**31 December 2012**
	US$	**US$**
Australia	**632**	1,289
United Kingdom	**3,140,492**	4,413,623
Ghana	**19,077**	42,421
Sierra Leone	**23,388,010**	23,597,948
Gambia	**32,136,719**	28,378,936
Liberia	**300,450,679**	226,788,421
Cote d'Ivoire	**58,255,982**	65,832,588
Senegal	**37,365,529**	35,191,236
Other	**14,453**	69,308
	454,771,573	384,315,770

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 July 2013, Mr Alan Watling resigned as Non-Executive Director and Dr David King was appointed Non-Executive Director.

On 18 July 2013, 856,666 unlisted options exercisable at A$0.30 per option on or before 17 January 2017; and 250,000 unlisted options exercisable at A$1.25 per option on or before 8 January 2018 lapsed as a result of the holders ceasing to be employed with the Company.

During August 2013, US$10.5 million has been released from restricted cash to unrestricted cash.

The Company is continuing to proceed with seeking a listing on the official list of the Australian Securities Exchange ("ASX"). As part of the listing on ASX, and conditional on proceeding with the listing application, the Board of the Company will be restructured and comprise the following:

- Charles Matthews – Independent Non-Executive Chairman;
- Karl Thompson – Chief Executive Officer and Executive Director;
- Mark Ashurst – Chief Financial Officer and Executive Director;
- Gibril Bangura – Non-Executive Director;
- Jeffrey Couch – Independent Non-Executive Director;
- Gordon Grieve – Independent Non-Executive Director;
- David King – Independent Non-Executive Director;
- James Smith – Independent Non-Executive Director; and
- Anthony Wilson – Independent Non-Executive Director.

Mr Frank Timis will resign as Non-Executive Chairman of the Company and assume the role of president of the Executive Committee of the Company which is a committee formed to support and advise the Board, implement Board strategy and to exercise the executive powers of the Company.

Admission to ASX is subject to the Company satisfying the relevant ASX listing requirements. Subject to ASX admission being granted, the Company would then de-list from NSX. The Company will keep shareholders informed of further developments.

No other event has arisen between 30 June 2013 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 disclosed in the most recent annual financial report.

Gambian Project (joint venture)

In the event that the Company elects to enter into the First Extension Exploration Period, the Company will be required to pay 60% of its joint venture partner's past costs, which amount to approximately US$22.9 million.

15. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities at 30 June 2013 approximates their fair values.

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 2013 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 30 June 2013 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) subject to the achievement of the matters disclosed in Note 2 (Going Concern), 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:

Karl Thompson

Karl Thompson
Chief Executive Officer

13 September 2013

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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 2013, 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 2013 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.

Building a better working world

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 2013 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*.

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 2. As a result of the matters discussed, there is material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
Perth
13 September 2013

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