

African Petroleum Corporation Limited

(ABN 87 125 419 730)

*Annual Financial Report
for the year ended
31 December 2015*

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DIRECTORS

Charles Matthews, Chairman
Jens Pace, Chief Executive Officer (appointed a director on 18 November 2015)
Dr David King
Anders Bjarne Moe
Timothy Turner
Stephen West, Chief Financial Officer (appointed a director on 18 November 2015)
Anthony Wilson

COMPANY SECRETARY

Angeline Hicks

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STOCK EXCHANGE LISTING

Oslo Axess
Code: APCL

Open Market, Frankfurt Stock Exchange
Code: A1C1G9

DIRECTORS' REPORT

Your Directors present their report on African Petroleum Corporation Limited ("African Petroleum" or the "Company") for the year ended 31 December 2015.

DIRECTORS

The names of Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Charles Matthews	Chairman
Mr Jens Pace	Executive Director and Chief Executive Officer, appointed a director on 18 November 2015
Mr Stephen West	Executive Director and Chief Financial Officer, appointed a director on 18 November 2015
Dr David King	Non-Executive Director
Mr Bjarne Moe	Non-Executive Director
Mr Timothy Turner	Non-Executive Director
Mr Anthony Wilson	Non-Executive Director
Dr Stuart Lake	Executive Director and Chief Executive Officer, resigned 30 September 2015
Mr Mark Ashurst	Non-Executive Director, resigned 18 November 2015
Mr Gibril Bangura	Non-Executive Director, resigned 30 November 2015
Mr Jeffrey Couch	Non-Executive Director, resigned 30 November 2015

COMPANY SECRETARY

Ms Angeline Hicks

PRINCIPAL ACTIVITY

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

REVIEW OF OPERATIONS**CORPORATE*****Fundraising – US\$12.3 million Private Placement***

On 10 February 2015, African Petroleum announced the successful allocation of a private placement raising NOK 95,106,200 (approximately US\$12.3 million) in gross proceeds through the allocation of 271,732,000 new ordinary shares ("Offer Shares") at a subscription price of NOK 0.35 per share (on a pre-consolidation basis). Each applicant in the private placement was entitled to be allocated one share option for every two shares allocated in the private placement corresponding to a total allocation of up to 135,866,000 share options (on a pre-consolidation basis).

Completion of the private placement was conditional upon (i) the relevant corporate resolutions required to implement the private placement being made by the Company, including the approval of the private placement by shareholders of the Company in a general meeting held on 16 March 2015; (ii) the Company receiving full payment for the Offer Shares on the due date for payment; (iii) any regulatory approvals and filings required in connection with the issuance of the Offer Shares, including but not limited to an approval from the Australian Foreign Investment Review Board if applicable and (iv) the approval by the Financial Supervisory Authority of Norway of a prospectus prepared in accordance with the Norwegian Securities Trading Act Chapter 7 for admission to listing of the Offer Shares on Oslo Axess.

All of these completion conditions were fulfilled, and on 18 March 2015 the Company announced the issue of the 271,732,000 new ordinary shares and 135,866,000 share options that were allocated in the private placement (on a pre-consolidation basis). The share options have an exercise price of NOK 0.75 (on a pre-consolidation basis) and expire on 17 March 2017.

Fundraising – US\$0.5 million Repair Offering

On 10 February 2015, African Petroleum announced its intention to launch a subsequent repair offering. The intention of the repair offering was to allow the Company's supportive retail shareholders an opportunity to participate in a raise on the same terms as the recent private placement.

The application period under the subsequent repair offering commenced on 17 March 2015 and closed on 1 April 2015 raising a total of NOK 4,061,516 (approximately US\$0.5 million). On 16 April 2015 the Company announced the issue of an additional 11,604,331 new shares and 5,802,150 share options (exercise price of NOK 0.75 and expiring on 17 March 2017) that were allocated to investors who participated in the repair offering (on a pre-consolidation basis).

Additional Listing

On 11 June 2015, African Petroleum announced that the shares of the Company were listed on the Open Market (Regulated Unofficial Market) of the Frankfurt Stock Exchange under the WKN (German securities identification code) A1C1G9.

The Company Directors believe that a listing on the Open Market may result in African Petroleum's shares obtaining an additional trading avenue with possible benefits of enhancing share liquidity. This listing will facilitate easier access to trading in the Company's shares by retail investors in Germany and Switzerland where the Company believes there is interest from retail investors.

Share Consolidation

On 21 October 2015 the Company held a General Meeting of shareholders to consider, and if thought fit, pass a resolution to consolidate the issued capital of the Company on the basis that:

DIRECTORS' REPORT

- a) every ten (10) shares be consolidated into one (1) share; and
- b) every ten (10) options be consolidated into one (1) option and the exercise price of each option be amended in inverse proportion to this ratio.

The resolution was passed at the General Meeting on a show of hands and the capital consolidation was subsequently implemented, reducing the shares on issue from 969,193,788 shares to 96,919,844 shares.

Fundraising – US\$2.0 million Private Placement

In October 2015 African Petroleum completed a private placement to certain existing and new investors raising NOK 16,476,293 (approximately US\$2 million) through the issue of 9,691,937 new fully paid ordinary shares at a price of NOK 1.70 per share. The proceeds from the private placement was used to strengthen the Company's balance sheet and liquidity position, to fund the Company's ongoing working capital and for general corporate purposes.

Board Restructure and Appointment of New Chief Executive Officer

On 18 November 2015 it was announced that Mr Jens Pace and Mr Stephen West were appointed to the Board of the Company as Executive Directors, and that Mr Mark Ashurst had resigned from the Board as a Non-Executive Director. In addition, on 30 November 2015 it was announced that Mr Gibril Bangura and Mr Jeffrey Couch had resigned from the Board as Non-Executive Directors.

African Petroleum continues its activities with a highly experienced Board of Directors, which is now more streamlined to reflect the size of the Company and the current challenging market conditions.

NSX De-Listing

On 22 September 2015, the Company announced that it had elected to voluntarily de-list from the National Stock of Exchange of Australia ("NSX"). The decision to delist from the NSX was principally as a result of limited trading liquidity on the exchange compared with the Oslo Axess exchange, where African Petroleum has had its primary listing since May 2014.

In accordance with the special resolution passed at the Company's General Meeting held on 21 December 2015, the Company's shares were voluntarily suspended from quotation on the NSX, prior to being removed from the CHESSE sub-register on 31 December 2015 and being formally de-listed from the NSX before open of trading on 4 January 2016.

Cost-Cutting Initiative

During the year, in line with current industry practice the Company has remained focused on maintaining reduced overhead costs across the business. Significant cost savings have recently been implemented by reducing staff headcount, reducing salaries of remaining staff by 20-45%, streamlining the Board, reducing directors' fees and by voluntarily de-listing the Company's shares from the NSX. The Company continues to act prudently in light of current challenging market conditions.

Change in Accounting Policy – Exploration and Evaluation Expenditure

During the fourth quarter, the Company changed its accounting policy for exploration and evaluation expenditure. This is further described in Note 4.

OPERATIONAL UPDATES**Farm-Out Update**

African Petroleum continues to seek strategic partners on its licences in Côte d'Ivoire, Liberia, Senegal, The Gambia and Sierra Leone in order to share risk and the potential reward of the Company's exploration programme, and to fund a high impact exploration drilling campaign. After successfully bringing Ophir Energy plc in as a partner on the Company's CI-513 licence area in Côte d'Ivoire, the Company's current focus is to farm out the Company's assets in The Gambia and Senegal as ongoing discussions mature with key potential partners. The quality of the Company's acreage, coupled with the high level of equity interest held in the licences, provides management with confidence that agreements will be concluded in due course.

Côte d'Ivoire

On 29 June 2015 African Petroleum announced that it had signed a binding joint bidding agreement ("JBA") with a London listed oil and gas company to provide a framework for the incoming party to secure a 45% operated interest in a Production Sharing Contract ("PSC") covering the Company's CI-513 licence area in Côte d'Ivoire. In accordance with the terms of the JBA, Ophir Energy contributed US\$16.9 million towards African Petroleum's historical investment in 3D seismic and the transaction costs. In addition, Ophir Energy will contribute an additional 10% (over and above their participating interest share) towards the drilling of the first exploration well to be drilled on the block.

On 21 December 2015 the Company announced that it had entered into a new PSC with Ophir Energy plc covering the Company's CI-513 licence area in Côte d'Ivoire.

In accordance with the terms of the new PSC, Ophir Energy holds a 45% interest and is Operator, African Petroleum holds a 45% interest and Petroci (the National Oil Company of Côte d'Ivoire) holds a 10% carried interest. The new PSC incorporates adjustments to fiscal terms and holding costs agreed with the Government of Côte d'Ivoire that reflect the current commodity price environment and outlook for development of the deepwater prospects identified through interpretation of the Company's 3D seismic. The agreement has resulted in an extension to the previous minimum work commitments on the block and now requires that an exploration well be drilled within two years of the effective date of the new PSC. On 16 March 2016 the new PSC was signed by all parties and deemed effective.

DIRECTORS' REPORT***The Gambia & Senegal***

The Company is in advanced farm-out discussions with several interested parties across the Company's Gambia and Senegal assets. This part of the Atlantic Margin has become highly active with the recent exploration success of third party operators, namely Cairn Energy in Senegal and Kosmos in Senegal and Mauritania. A significant level of activity in the region is ongoing as Cairn Energy and its partners commenced a multi-well exploration and appraisal drilling programme across their Senegal acreage in December 2015, with the first appraisal well SNE-2 being announced a success in January 2016. In addition, Kosmos extended their Mauritania drilling campaign further south and commenced drilling in Senegal in December 2015 to follow-up their significant Tortue gas discovery with exploration and appraisal drilling, and announced the Guembeul-1 exploration well made a significant gas discovery in January 2016.

African Petroleum's data room schedule remains active with a high calibre of industry companies continuing to view the data. A number of these parties have confirmed their interest in pursuing a transaction and have initiated detailed due diligence. The Company seeks to attract binding offers as soon as possible. Further announcements on progress will be made in due course.

Licence Amendments – Sierra Leone

On 2 December 2015 the Company announced that its wholly owned subsidiary European Hydrocarbons Limited ("EHL") had entered into the First Extension Period on the SL-03 licence, offshore Sierra Leone. The expiry date of the First Extension Period is 23 April 2017.

The initial exploration period on the SL-03 licence expired on 23 April 2015 with EHL fulfilling all obligations, including the acquisition of 2,500 km² 3D seismic. In April 2015 EHL gave notice to the Sierra Leone Petroleum Directorate of its intention to enter into the First Extension Period on the SL-03 licence and this has recently been approved. In accordance with the requirements of the petroleum licence agreement, EHL has relinquished 50% of the SL-03 licence area, reducing the licence area from 3,860 km² to 1,930 km².

Contemporaneously with the approval of the entry into the First Extension Period, the Petroleum Directorate agreed to modify the work programme, minimum expenditure requirements and social obligations ("Licence Amendments") in favour of EHL during the First Extension Period on the licence. The Licence Amendments are subject to ratification by the Parliament of Sierra Leone.

Detailed mapping of 3D seismic has identified a number of prospects. The Altair Channel is the most easterly of these and exhibits a high amplitude seismic expression within a stratigraphic trap. Independently assessed by ERC Equipoise, the estimated net unrisksed mean prospective oil resources attributable to the Altair prospect is 434MMstb. The forward programme provides an opportunity to analyse the seismic data fully prior to making a commitment to drill an exploration well.

EXPLORATION ACTIVITIES

The Group is an oil and gas exploration group currently focused on exploration offshore West Africa. The Company's assets are located in fast-emerging hydrocarbon basins, where several discoveries have been made in recent years, including significant discoveries by Total in Côte d'Ivoire, Cairn Energy in Senegal and by Kosmos Energy in Senegal and Mauritania.

The Company has acquired more than 18,500km² of 3D seismic data and drilled three exploration wells, one of which was an oil discovery at Narina-1 in Liberia. African Petroleum is the largest net acreage holder in the West African Transform Margin, alongside industry majors such as Anadarko Petroleum, Chevron Corporation, ExxonMobil and Total. Table 1 below shows a detailed overview of the Group's licence interests.

DIRECTORS' REPORT

Table 1: Summary of Licences

Country	Licence	Operator	Working Interest	Grant Date	Start Current Phase	End Current Phase	Area km ²	Outstanding commitments in current phase
Liberia	LB-08	European Hydrocarbons Limited	100%	Jun 2005	Jun 2012	Jun 2016	2,717	None
Liberia	LB-09	European Hydrocarbons Limited	100%	Jun 2005	Jun 2012	Jun 2016	2,634	None
Côte d'Ivoire	CI-513	African Petroleum Cote d'Ivoire Limited ¹	90% ¹	Dec 2011 ¹	Dec 2011 ¹	Dec 2015 ¹	1,446	One exploration well
Côte d'Ivoire	CI-509	African Petroleum Cote d'Ivoire Limited	90%	Mar 2012	Mar 2012	Mar 2016 ²	1,091	One exploration well
Senegal	Rufisque Offshore Profond	African Petroleum Senegal Limited	90%	Oct 2011	Oct 2011	Oct 2015 ²	10,357	One exploration well
Senegal	Senegal Offshore Sud Profond	African Petroleum Senegal Limited	90%	Oct 2011	Oct 2014	Dec 2017	7,920	One contingent exploration well ³
Sierra Leone	SL-03	European Hydrocarbons Limited	100%	Apr 2010	Apr 2015	Apr 2017	1,930	One contingent exploration well
Sierra Leone	SL-4A-10	African Petroleum Senegal Limited	100%	Sep 2012	Sep 2012	Sep 2015 ²	1,995	One contingent exploration well
The Gambia	A1	African Petroleum Gambia Limited	100%	Sep-2006	Nov 2014	Sep 2016	1,300	One exploration well to be drilled on either A1 or A4
The Gambia	A4	African Petroleum Gambia Limited	100%	Sep-2006	Nov 2014	Sep 2016	1,380	See above

¹On 21 December 2015 the Group entered into a new PSC covering the CI-513 licence area which became effective on 16 March 2016 when all government ministerial signatures had been obtained. Under the new PSC Ophir Energy holds a 45% operated interest, the Group holds a 45% non-operated interest and Petroci holds a 10% carried interest. The current phase of the new PSC ends in March 2018.

²Management notes that although the date of the end of the current phase has passed the Group is in negotiations to continue the licences.

³The company is required to drill one exploration well, if it elects before mid-June 2016 to continue into the second part of the current exploration phase.

As part of the Group's business strategy, it is actively seeking partners to farm-in to its licences in order to share the risk and potential reward of the Company's highly prospective assets. The farm-outs will reduce the Company's working interest and is part of a process of maturing the Group's asset portfolio and is initiated to *inter alia* reduce the Group's capital commitments, generate cash sales proceeds for funding of future operations as well as the introduction of technically and operationally competent joint venture partners to the Group's licences.

Liberia

African Petroleum, through its wholly owned subsidiary European Hydrocarbons Limited, is both operator and holder of a 100% working interest in production sharing contracts LB-08 and LB-09 (the "Liberian Licences"), which have a combined net acreage of 5,350km². The Company has completed an extensive work programme on its Liberian Licences with 5,100km² of 3D seismic acquired, three wells successfully drilled, including the discovery at Narina-1, and identified key prospects.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Liberian Licences and estimates the net unrisks mean prospective oil resources at 4,192MMStb.

Côte d'Ivoire

In Côte d'Ivoire as at 31 December 2015, African Petroleum held:

- 90% working interest in offshore licence CI-509, with the remaining 10% held by Petroci, the National Oil Company of Côte d'Ivoire. The Company was awarded CI-509 in March 2012; and
- 90% working interest in offshore licence CI-513, with the remaining 10% held by Petroci, awarded in December 2011.

On 21 December 2015 the Group entered into a new PSC covering the CI-513 licence area which became effective on 16 March 2016 when all government ministerial signatures had been obtained. Under the new PSC Ophir Energy holds a 45% operated interest, the Group holds a 45% non-operated interest and Petroci holds a 10% carried interest. The current phase of the new PSC ends in March 2018.

The two licence interests (referred to as the "Côte d'Ivoire Licences") have a combined net acreage of 2,283km².

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Côte d'Ivoire Licences and estimates the net unrisks mean prospective oil resources at 2,130MMStb.

Senegal

In Senegal, African Petroleum Senegal Limited holds a 90% operated working interest in exploration blocks Rufisque Offshore Profond ("ROP") and Senegal Offshore Sud Profond ("SOSP") (together the "Senegal Licences"). The National Oil Company Petrosen, holds the remaining 10% equity. The Company's Senegal Licences are located offshore southern and central Senegal, with a net acreage of 14,216km².

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Senegal Licences and estimates the net unrisks mean prospective oil resources at 1,779MMSStb.

The Gambia

African Petroleum holds a 100% operated working interest in offshore licences A1 and A4 (the "Gambian Licences"), with a combined net acreage of 2,672km². The Company has completed a 3D seismic survey with data covering 2,500km² and has found a number of analogous leads and prospects in its acreage to that of the recent SNE-1, SNE-2 and FAN-1 discoveries made by Cairn Energy in Senegal.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Gambian Licences and estimates the net unrisks mean prospective oil resources at 3,079MMSStb.

Sierra Leone

In Sierra Leone, the Company holds a 100% operated working interest in offshore licences SL-03 and SL-4A-10 (the "Sierra Leone Licences"). African Petroleum was awarded a 100% interest in SL-03 in April 2010, while licence SL-4A-10 was awarded as part of Sierra Leone's third offshore licencing round in 2012. The Company's Sierra Leone Licences cover a combined net acreage of 3,925km² and are located to the south of Freetown, offshore Sierra Leone.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Sierra Leone Licences and estimates the net unrisks mean prospective oil resources at 1,354MMSStb.

RESULT

African Petroleum reported a loss after income tax of US\$31,230,096 for the year ended 31 December 2015 (2014: loss of US\$27,325,462 (restated)).

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 16 March 2016, the Company announced that the new Production Sharing Contract ("PSC") that the Group had entered into with Ophir Energy plc on 21 December 2015 covering the Company's CI-513 licence area in Côte d'Ivoire became effective when all government ministerial signatures had been obtained. In accordance with the agreement with Ophir Energy they made a contribution of US\$16.9 million towards African Petroleum's back costs in relation to the block and now hold a 45% operated interest in the PSC. African Petroleum holds a 45% non-operated interest and Petroci (the National Oil Company of Côte d'Ivoire) holds a 10% carried interest in the PSC. Part of the proceeds received were used to settle outstanding liabilities and meet new obligations under the new PSC such as licence fees, guarantees and a signature bonus.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

As discussed in detail under the Operational Update and Exploration Activities the Company will endeavour to continue its exploration activities and meet its obligations with respect to its interests in its West African projects.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the Company's state of affairs during the current year.

INFORMATION ON DIRECTORS

Charles Matthews	Chairman
Qualifications	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.
Experience	Mr Matthews has over 10 years' experience in chairman and director positions, having been on the board of a 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.

DIRECTORS' REPORT

Interest in Shares and Options	As at the date of this report, Mr Matthews holds 166,667 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 500,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020 and 10,000 shares.
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Jens Pace	Executive Director and Chief Executive Officer , appointed a director on 18 November 2015
Qualifications	Mr Pace holds a BSc in Geology and Oceanography from the University of Wales and an MSc in Geophysics from Imperial College, London
Experience	Mr Pace is a geoscientist, who prior to joining African Petroleum in 2012 had a career at BP Exploration Operating Company Limited ("BP"), and its heritage company Amoco (UK) Exploration Company, spanning over 30 years. Mr Pace has held senior positions at BP for over 10 years, gaining substantial exploration and production experience in Africa, namely Algeria, Angola, Congo, Gabon and Libya, having also experience in Europe, Russia and Trinidad. He has contributed to a number of BP's exploration discoveries over his career, and has managed an active exploration portfolio for BP in Africa.
Interest in Shares and Options	As at the date of this report, Mr Pace holds 16,667 options with an exercise price of A\$30.00 and an expiry date of 8 January 2018, 58,334 options with an exercise price of A\$3.00 and an expiry date of 22 November 2018, 200,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 350,000 options with an exercise price of NOK 1.70 and an expiry date of 15 November 2020, 1,000,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020, 33,334 shares and 50,000 performance rights subject to the Company securing a commercial discovery.

Stephen West	Executive Director and Chief Financial Officer , appointed a director on 18 November 2015
Qualifications	Mr West is a qualified Chartered Accountant who holds a Bachelor of Commerce (Accounting and Business Law) from Curtin University of Technology in Australia.
Experience	Mr West has over 22 years of financial and corporate experience gained in public practice, oil and gas, mining and investment banking spanning Australia, United Kingdom, Europe, CIS and Africa. Mr West is currently a non-executive director of ASX listed Apollo Consolidated Limited (a mining exploration company with permits in Australia and Cote d'Ivoire) and Zeta Petroleum plc (a oil and gas exploration and production company with permits in Romania).
Interest in Shares and Options	As at the date of this report, Mr West holds 58,334 options with an exercise price of A\$3.00 and an expiry date of 22 November 2018, 100,000 options with an exercise price of A\$2.40 and an expiry date of 3 June 2019, 200,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 270,000 options with an exercise price of NOK 1.70 and an expiry date of 15 November 2020, 1,000,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020, 130,425 options with an exercise price of NOK 7.50 and an expiry date of 17 March 2017 and 260,850 shares. Mr West's shares and some of the options are held in the name of Cresthaven Investments Pty Ltd, a company in which Mr West has an indirect beneficial interest.

Dr David King	Non-Executive Director
Qualifications	MSc in Geophysics from Imperial College, London, PhD in Seismology from the Australian National University, Canberra.
Experience	Dr David 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 three successful ASX listed oil and gas exploration companies (Eastern Star Gas Limited, Sapex Limited, and Gas2Grid Limited). Dr King is currently non-executive Chairman of two ASX listed companies: oil and gas exploration company Galilee Energy Limited, and biotechnology research and development company, Cellmid Limited. He is also a non-executive Director of unlisted shale oil & gas explorer Tamboran Resources Limited. 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. He was more recently Chairman of ASX Robust Resources Limited, Chairman of AIM Listed Tengri Resources, and Non-Executive Director of ASX listed Republic Gold Limited.
Interest in Shares and Options	As at the date of this report, Dr King holds 30,000 shares.

Bjarne Moe	Non-Executive Director
Qualifications	Degree in Economics from the University of Oslo
Experience	Mr Moe has more than 35 years experience. He started out in the Ministry of Industry and was transferred to the Ministry of Petroleum and Energy when it was established in 1978. In 1988, Mr Moe was appointed Director General and head of the Oil and Gas department. Furthermore, Mr Moe has been a diplomat working for the Ministry of Foreign Affairs and been counsellor at the Norwegian embassy in Washington, D.C. and Mr Moe has further chaired several international commissions for solving questions regarding median line fields, and international gas and oil pipelines. He has also been heading delegations outside of Norway to solve specific questions and been a mediator for unitization of fields etc. Mr Moe has headed several delegations for OECD (IEA) and has been a member of the Petroleum Price board for 15 years. Since July 2011, Mr Moe has been a partner at Ricardo Corporate Finance AS. The company is specialising in financial structuring and is also an advisor to the oil and gas industry and has several large, international companies as clients. Mr. Moe is currently chairman of Consultor Energy AS, an energy advisory company.

DIRECTORS' REPORT

Interest in Shares and Options	As at the date of this report, Mr Moe holds 50,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 200,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020 and 10,000 shares.
Timothy Turner	Non-Executive Director
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor, Fellow of CPA Australia and a Fellow of the Taxation Institute of Australia.
Experience	Mr Turner is senior partner with accounting firm, Hewitt Turner & Gelevitis. Mr Turner specialises in domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. Mr Turner also has in excess of 22 years' experience in new ventures, capital raisings and general business consultancy. Mr Turner is also a Non-Executive Director of ASX listed entities Cape Lambert Resources Limited and Legacy Iron Limited and a Non-Executive Director of NSX listed International Petroleum Limited.
Interest in Shares and Options	As at the date of this report, Mr Turner has an interest in 4,167 fully paid ordinary shares and 16,667 options with an exercise price of A\$16.50 and an expiry date of 31 July 2017.
Anthony Wilson	Non-Executive Director
Qualifications	Fellow of the Institute of Chartered Accountants in England and Wales, and Fellow of the Chartered Institute for Securities and Investment.
Experience	Mr Wilson has had a long career in a number of senior financial positions. Having qualified as a Chartered Accountant, Mr Wilson initially became a partner in general practice before moving into the investment banking sector initially with Wedd Durlacher Mordaunt & Co, the stockjobber, and then with BZW, the investment banking division of Barclays. Mr Wilson was Finance Director for BZW Securities and BZW Asset Management over a period of 10 years. Following BZW, Mr Wilson held various senior management roles, including as a director for DAKS Simpson Group plc and as a Non-Executive Director for Panceltica Holdings plc.
Interest in Shares and Options	As at the date of this report, Mr Wilson holds 50,000 options with an exercise price of NOK 4.00 and an expiry date of 3 June 2019, 200,000 options with an exercise price of NOK 1.70 and an expiry date of 22 December 2020 and 10,000 shares.
Dr Stuart Lake	Executive Director and Chief Executive Officer , resigned 30 September 2015
Qualifications	Dr Lake holds a BSc Hons in Geology from the University of Wales and a PhD in Geology from the University of Durham, England supervised by Professor J. F. Dewey.
Experience	Dr Lake has over 28 years of experience in a wide variety of roles in international oil and gas companies including the Hess Corporation, four years in the Apache Corporation overseeing Global New Ventures and later Exploration/Exploitation activity in Argentina and over 19 years in Shell, where he was Vice President Exploration for Shell, Russia and held a wide variety of positions in both Exploration and Production throughout the world.
Interest in Shares and Options	As at the date of resignation, Dr Lake held 500,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020, 130,425 options with an exercise price of NOK 7.50 and an expiry date of 17 March 2017, 500,000 performance rights subject to various vesting conditions and 285,850 shares.
Mark Ashurst	Non-Executive Director , resigned 18 November 2015
Qualifications	BA (Hons) Law; Barrister; Fellow of the Institute of Chartered Accountants in England and Wales.
Experience	Mr Ashurst graduated from Sheffield University with a degree in law and is a qualified Barrister and Chartered Accountant. He is a Fellow of the Institute of Chartered Accountants in England and Wales. Mr Ashurst has been employed as a senior investment banker with a broad range of corporate finance and broking skills gained from over 20 years in the City of London. Institutions Mr Ashurst has worked for include BZW, Hoare Govett and Canaccord Adams. He has advised both UK and overseas listed companies and has significant expertise in Initial Public Offerings, fund raising and mergers and acquisitions.
Interest in Shares and Options	As at the date of resignation, Mr Ashurst held 100,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020.
Gibril Bangura	Non-Executive Director , resigned 30 November 2015
Qualifications	Arts and Business Management, Junior College Atlanta.
Experience	Mr Bangura is an Executive Director of African Minerals Limited and the General Manager of all of African Mineral Limited's Sierra Leone subsidiaries. He is the former Financial Controller of Regent Star International, and Deputy General Manager and Director of Bond Tak Mining Company.
Interest in Shares and Options	As at the date of resignation, Mr Bangura held 50,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020.

DIRECTORS' REPORT

Jeffrey Couch	Non-Executive Director , resigned 30 November 2015
Qualifications	Bachelor of Law
Experience	Mr Jeffrey Couch is Co-head of I&CB and Head of Metals & Mining EMEA for BMO Capital Markets, a leading North American financial services provider. Previously, he was Head of Business Development and M&A at Eurasian Natural Resources Corporation PLC. He has over 15 years of investment banking and capital markets experience having worked for Kleinwort Benson, Citigroup (Salomon Brothers) and Credit Suisse. He has extensive experience in the natural resources sector having advised and raised capital for clients globally, with a particular focus in emerging markets and Africa.
Interest in Shares and Options	As at the date of resignation, Mr Couch held 50,000 options with an exercise price of NOK 4.00 and an expiry date of 28 April 2020 and 14,790 shares.

COMPANY SECRETARY

Angeline Hicks is a Chartered Accountant with global corporate and financial experience. After gaining her qualifications at Deloitte, Ms Hicks furthered her career in the banking industry in London for eight years, working for investment banks such as Barclays Capital, Credit Suisse and JP Morgan, focusing on managing compliance and corporate and financial reporting. Ms Hicks is an Associate of the Governance Institute of Australia and also performs the role of Company Secretary for companies listed on the Australian Securities Exchange and the National Stock Exchange.

MEETINGS OF DIRECTORS

The number of directors' meetings (including committees) held during the period each director held office during the financial year and the number of meetings attended by each director is:

Director	Directors' Meetings		Audit Committee Meetings		Continuous Disclosure Committee Meetings		Remuneration Committee Meetings	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mark Ashurst ¹	3	3	-	-	-	-	-	-
Gibril Bangura ²	4	1	-	-	-	-	-	-
Jeffrey Couch ²	4	2	3	1	-	-	-	-
David King	4	3	-	-	-	-	-	-
Stuart Lake ³	3	3	-	-	-	-	-	-
Charles Matthews	4	4	3	3	-	-	-	-
Anders Bjarne Moe	4	4	-	-	-	-	-	-
Jens Pace ⁴	1	1	-	-	-	-	-	-
Timothy Turner	4	2	-	-	-	-	-	-
Stephen West ⁵	1	1	-	-	-	-	-	-
Anthony Wilson	4	4	3	3	-	-	-	-

¹Mr Ashurst resigned Non-Executive Director 18 November 2015.

²Mr Bangura and Mr Couch resigned as Non-Executive Directors on 30 November 2015.

³Mr Lake resigned as Executive Director and Chief Executive Officer on 30 September 2015.

⁴Mr Pace was appointed Executive Director on 18 November 2015.

⁵Mr West was appointed Executive Director on 18 November 2015.

In addition to meetings of directors held during the year, due to the number and diversified location of the directors, a number of matters are authorised by the board of directors via circulating resolutions. During the current year, 1 circulating resolution was authorised by the board of directors.

INDEMNIFYING DIRECTORS AND OFFICERS

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001, every director, principal executive officer or secretary of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

OPTIONS*Unissued Shares under Option*

At the date of this report unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price¹	US\$ equivalent Exercise Price at 31 December 2015	Number Under Option¹
30 June 2016	A\$2.50	US\$1.82	33,334
30 June 2016	A\$3.00	US\$2.19	16,667
30 June 2016	A\$3.50	US\$2.55	16,667
30 June 2016	A\$4.00	US\$2.92	16,667
8 August 2016	A\$3.00	US\$2.19	10,000
8 August 2016	A\$9.00	US\$6.57	10,000
17 January 2017	A\$9.00	US\$6.57	223,452
17 January 2017	A\$30.00	US\$21.90	13,058
17 January 2017	A\$37.50	US\$27.37	2,501
27 March 2017	A\$9.00	US\$6.57	334
27 March 2017	A\$16.50	US\$12.04	9,167
27 March 2017	A\$30.00	US\$21.90	667
31 July 2017	A\$16.50	US\$12.04	240,002
8 January 2018	A\$30.00	US\$21.90	16,667
8 January 2018	A\$37.50	US\$27.37	2,223
15 November 2018	NOK 1.70	US\$0.19	502,000
21 November 2018	A\$3.00	US\$2.19	58,334
22 November 2018	A\$3.00	US\$2.19	135,004
22 November 2018	A\$3.00	US\$2.19	58,334
22 April 2019	A\$3.00	US\$2.19	17,501
5 June 2019	A\$3.00	US\$2.19	60,000
3 June 2019	NOK 2.40	US\$0.27	150,000
15 December 2019	A\$3.00	US\$2.19	50,000
28 April 2018	NOK 4.00	US\$0.45	300,000
28 April 2020	NOK 4.00	US\$0.45	966,667
28 April 2020	NOK 4.00	US\$0.45	867,000
15 November 2020	NOK 1.70	US\$0.19	1,750,000
22 December 2020	NOK 1.70	US\$0.19	2,900,000
12 January 2018	NOK1.70	US\$0.19	200,000
12 January 2021	NOK 1.70	US\$0.19	250,000
17 March 2017	NOK 7.50	US\$0.85	13,586,600
17 March 2017	NOK 7.50	US\$0.85	580,215
TOTAL			23,043,061

¹The consolidation of issued capital has been reflected on the options issued prior to 21 October 2015.

Shares issued on the exercise of options

During the current year no ordinary shares were issued on the exercise of options (2014: Nil).

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the year ended 31 December 2015 has been received and can be found on page 13 of the annual report.

NON-AUDIT SERVICES

Non-audit services were provided by the entity's auditor's Ernst & Young, as per Note 7(e). The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

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

A handwritten signature in blue ink that reads "Jens Pace". The signature is written in a cursive style with a long horizontal stroke at the end.

Jens Pace
Director

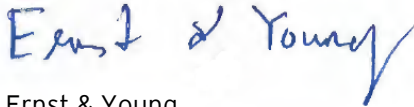
London, 29 April 2016

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

As lead auditor for the audit of African Petroleum Corporation Limited for the financial year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of African Petroleum Corporation Limited and the entities it controlled during the financial year.



Ernst & Young



V L Hoang
Partner
29 April 2016

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of African Petroleum Corporation Limited are responsible for establishing the corporate governance framework of the Company having regard to the Corporations Act 2001 (Cth) and applicable Listing Rules.

This corporate governance statement summarises the corporate governance practices adopted by the Company.

The current corporate governance plan is posted in a dedicated corporate governance information section of the Company's website at www.africanpetroleum.com.au

Summary of corporate governance practices

The Company's main corporate governance policies and practices are outlined below.

The Board of Directors

The Company's Board of Directors is responsible for overseeing the activities of the Company. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The Board assumes the following responsibilities:

- (a) appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- (b) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (c) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (d) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (e) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- (f) approving the annual, half yearly and quarterly accounts;
- (g) approving significant changes to the organisational structure;
- (h) approving the issue of any shares, options, equity instruments or other securities in the Company;
- (i) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- (j) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- (k) meeting with the external auditor, at their request, without management being present.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and
- (b) the principal criterion for the appointment of new Directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. The majority of the Board is to be comprised of non-executive directors and where appropriate, at least 50% of the Board should be independent. Directors of the Company are considered to be independent when they are a non-executive director (i.e. not a member of management and have been for the preceding 3 years), hold less than 5% of the voting shares of the Company and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr M Ashurst, Mr G. Bangura, Dr S. Lake, Mr J. Pace, Mr T. Turner and Mr. S West are not considered independent.

Chairman Mr C. Matthews and Non-Executive Directors Mr J. Couch, Dr D. King, Mr B. Moe and Mr A. Wilson were considered to have been independent throughout the year, since their appointment or until their resignation (as applicable).

The term in office held by each director in office at the date of this report is as follows:

D. King	2 year 6 months		Non-Executive Director
C. Matthews	2 year 3 months		Chairman
B. Moe	1 year 6 months		Non-Executive Director
J. Pace	5 months	(appointed 18 November 2015)	Executive Director
T. Turner	8 years 9 months		Non-Executive Director
S. West	5 months	(appointed 18 November 2015)	Executive Director
A. Wilson	5 years 10 months		Non-Executive Director

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

Remuneration arrangements

Review of the Company's remuneration policy is delegated to the Remuneration Committee.

The total maximum remuneration of non-executive Directors, which may only be varied by Shareholders in general meeting, is an aggregate amount of US\$734,058 (A\$900,000) per annum. The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

Performance

Review of the performance of the Board is delegated to the Nomination Committee.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive directors, the Chief Executive Officer, and senior management. Details of these practices are described in the Corporate Governance Plan available on the Company's website. No formal performance evaluation of the Board or individual directors took place during the year.

Code of Conduct

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Directors are subject to additional code of conduct requirements which includes highlighting situations which may constitute a conflict of interest for directors. Directors have a responsibility to avoid any conflict from arising that could compromise their ability to perform their duties impartially. Any actual or potential conflicts of interest must be reported to the Board or superior.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	For the year ended	
		31 December 2015 US\$	Restated 31 December 2014 US\$
Continuing operations			
Revenue	7(a)	454,975	5,623,389
Exploration & evaluation expenditure		(6,837,484)	(7,798,085)
Aircraft expenses	7(b)	(444,094)	(4,850,534)
Depreciation & amortisation expense	7(c)	(455,629)	(1,016,247)
Impairment of exploration and evaluation expenditure	15	(13,698,154)	-
Impairment of consumable spares and advances to suppliers	12	(1,497,111)	-
Loss from disposal of freehold land	14	(856,158)	-
Impairment of aircraft	13	(429,110)	-
Loss on disposal of consumable spares		-	43,800
Impairment of related party loans & deposits	9	(62,648)	(1,694,484)
Consulting expenses		(2,853,020)	(5,781,225)
Compliance and regulatory expenses		(371,500)	(831,067)
Administration expenses		(1,300,467)	(2,202,006)
Employee benefits	7(d)	(4,571,413)	(7,645,453)
Travel expenses		(575,338)	(1,211,481)
Net unrealised gains on fair value of financial liabilities	23	2,561,298	-
Foreign exchange gain/(loss)		(294,243)	37,931
Loss from continuing operations before income tax		(31,230,096)	(27,325,462)
Income tax expense	6	-	-
Loss for the year from continuing operations		(31,230,096)	(27,325,462)
Other comprehensive gains			
<i>Items that may be reclassified to profit or loss:</i>			
Foreign currency translation reserve			
Foreign exchange gain on translation of functional currency to presentation currency	18	108,171	-
Other comprehensive gains for the year, net of tax		108,171	-
Total comprehensive loss for the year		(31,121,925)	(27,325,462)
Loss for the year is attributable to:			
Non-controlling interest		(123,243)	(104,892)
Owners of the parent		(31,106,853)	(27,220,570)
		(31,230,096)	(27,325,462)
Total comprehensive loss for the year is attributable to:			
Non-controlling interest		(123,243)	(104,892)
Owners of the parent		(30,998,682)	(27,220,570)
		(31,121,925)	(27,325,462)
Loss per share attributable to members			
Basic/diluted loss per share	27	(31.81) cents	(38.88) cents

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at		
	Note	31 December 2015 US\$	31 December 2014 US\$	Restated 1 January 2014 US\$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	8	607,512	3,869,086	7,914,218
Trade and other receivables	9	187,756	3,426,097	6,217,940
Restricted cash	10	12,569,093	12,069,899	12,074,205
Prepayments	11	157,027	735,958	1,265,752
Inventories	12	-	279,289	875,221
		13,521,388	20,380,329	28,347,336
Non-current asset held for sale	13	501,925	931,035	-
TOTAL CURRENT ASSETS		14,023,313	21,311,364	28,347,336
NON CURRENT ASSETS				
Inventories	12	1,006,908	-	-
Property, plant and equipment	14(a)	9,753	1,407,270	3,157,835
Exploration and evaluation expenditure	15	37,583,467	43,417,128	34,890,072
Intangible Assets	14(b)	-	169,744	352,158
TOTAL NON CURRENT ASSETS		38,600,128	44,994,142	38,400,065
TOTAL ASSETS		52,623,441	66,305,506	66,747,401
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	16	37,705,406	32,876,491	30,893,236
Financial liabilities	23	447,438	-	-
TOTAL CURRENT LIABILITIES		38,152,844	32,876,491	30,893,236
TOTAL LIABILITIES		38,152,844	32,876,491	30,893,236
NET ASSETS		14,470,597	33,429,015	35,854,165
EQUITY				
Issued capital	17	611,439,967	600,591,811	575,911,770
Reserves	18	18,925,831	17,502,309	17,282,038
Accumulated losses	19	(612,905,662)	(581,798,809)	(554,578,239)
Parent interests		17,460,138	36,295,311	38,615,569
Non-controlling interests	20	(2,989,539)	(2,866,296)	(2,761,404)
TOTAL EQUITY		14,470,597	33,429,015	35,854,165

The accompanying notes form part of these financial statements

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\$
BALANCE AT 1 JANUARY 2015		600,591,811	29,591,502	(581,798,809)	(12,089,193)	(2,866,296)	33,429,015
Loss for the year	19,20	-	-	(31,106,853)	-	(123,243)	(31,230,096)
Other comprehensive income:							
Foreign currency exchange differences arising on translation from functional currency to presentation currency		-	-	-	108,171	-	108,171
Total comprehensive loss for the year		-	-	(31,106,853)	108,171	(123,243)	(31,121,925)
Issue of share capital	17	10,848,156	-	-	-	-	10,848,156
Share-based payments	18	-	1,315,351	-	-	-	1,315,351
BALANCE AT 31 DECEMBER 2015		611,439,967	30,906,853	(612,905,662)	(11,981,022)	(2,989,539)	14,470,597
For the year ended 31 December 2014 (Restated)							
BALANCE AT 1 JANUARY 2014 – as previously stated		575,911,770	29,371,231	(189,570,901)	(12,089,193)	(261,232)	403,361,675
Change in accounting policy	4	-	-	(365,007,338)	-	(2,500,172)	(367,507,510)
BALANCE AT 1 JANUARY 2014 - restated		575,911,770	29,371,231	(554,578,239)	(12,089,193)	(2,761,404)	35,854,165
Loss for the year	19,20	-	-	(27,220,570)	-	(104,892)	(27,325,462)
Other comprehensive income:							
Total comprehensive loss for the year		-	-	(27,220,570)	-	(104,892)	(27,325,462)
Issue of share capital	17	24,680,041	-	-	-	-	24,680,041
Share-based payments	18	-	220,271	-	-	-	220,271
BALANCE AT 31 DECEMBER 2014		600,591,811	29,591,502	(581,798,809)	(12,089,193)	(2,866,296)	33,429,015

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the year ended	
		31 December 2015 US\$	Restated 31 December 2014 US\$
Cash flows from operating activities			
Payments to suppliers and employees		(11,053,979)	(30,237,199)
Rental income		-	3,532,681
Interest received		49,695	31,136
Finance costs		(167,561)	(137,194)
Other income		72,922	-
Net cash flows used in operating activities	8(b)	(11,098,923)	(26,810,576)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		57,000	42,500
Payment for plant, equipment and aircraft		(2,252)	(15,667)
Proceeds from the disposal of freehold land		200,000	-
Payment for exploration and evaluation activities		(5,731,049)	(2,757,278)
Loan to related parties		-	(362,750)
Loan repaid by related parties		-	939,277
Cash backing security returned		616,017	-
Cash backing security provided		(1,115,850)	-
Acquisition of a subsidiary, net of cash acquired		-	(14,283)
Net cash used in investing activities		(5,976,134)	(2,168,201)
Cash flows from financing activities			
Proceeds from issue of shares		14,067,499	26,175,122
Capital raising costs		(210,430)	(1,495,081)
Net cash from financing activities		13,857,069	24,680,041
Net decrease in cash and cash equivalents		(3,217,988)	(4,298,736)
Cash and cash equivalents at the beginning of the year		3,869,086	7,914,218
Net foreign exchange differences		(43,586)	253,604
Cash and cash equivalents at the end of year	8(a)	607,512	3,869,086

The accompanying notes form part of these financial statements.

1. CORPORATE INFORMATION

The financial report of the Company and its subsidiaries (together the “Consolidated Entity”) for the year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 29 April 2016.

African Petroleum Corporation Limited is a ‘for profit entity’ and is a company limited by shares incorporated in Australia. Its shares are publicly traded on the Oslo Axess (code: APCL), a regulated market place of the Oslo Stock Exchange, Norway, and on the Open Market (Regulated Unofficial Market) of the Frankfurt Stock Exchange under the WKN (German securities identification code) A1C1G9. Details of the principle activities are included in the director’s report.

2. BASIS OF PREPARATION OF ANNUAL REPORT

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has been prepared on a historical cost basis except for the derivative financial liability, which has been measured at fair value.

The financial report is presented in United States Dollars and all values are rounded to the nearest dollar unless otherwise stated.

Compliance statement

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 31 December 2015, the Consolidated Entity had net current liabilities of US\$24,129,531 (31 December 2014: US\$11,565,127). The restricted cash position at 31 December 2015 was US\$12,569,093 (31 December 2014: US\$12,069,899), and the cash position at 31 December 2015 was US\$607,512 (31 December 2014: US\$3,869,086).

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue as a going concern. In forming this view, the directors have considered the Group’s current position and funding objectives. The Group’s funding objectives includes:

Short-term cash requirements

- Deferral of creditor repayments: the Consolidated Entity has been in negotiation with certain creditors to revise payment amounts and terms
- Farm-out arrangement: the Consolidated Entity is progressing with negotiations with third parties relating to farm-out agreements and expects to receive sufficient working capital, through the reimbursement of past costs, to enable it to meet its immediate operating commitments. As further disclosed in note 26, the Consolidated Entity was subsequently successful in a farm out negotiation with Ophir Energy Plc.

There are a number of inherent uncertainties relating to the completion of the funding objectives as listed above, including but not limited to:

- i. creditors not agreeing to revise payment amounts and terms and filing legal claims to recover the amounts owed to them; and
- ii. unfavourable market conditions resulting in difficulties in achieving farm-out arrangements in the time-frame required.

In the event that the above funding options do not result in the receipt of cash in the short term, the Consolidated Entity would need to seek alternative sources of funding to meet its immediate operating obligations.

Longer term funding

In addition to the immediate cash requirement of the Consolidated Entity, the ability to continue its operations is dependent on the Consolidated Entity completing further farm-out transactions on one or more of its exploration licences in Senegal and The Gambia and/or the raising of funds through the issue of equity to meet working capital requirements and the minimum exploration commitment as per Note 25.

Should the Consolidated Entity not complete the raising of funds as outlined above in short-term cash requirements and longer term funding, there is significant uncertainty as to 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 Consolidated Entity not be able to continue as a going concern.

3. SUMMARY OF ACCOUNTING POLICIES

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) New Accounting Standards and Interpretations*New Accounting Standards and Interpretations effective 1 January 2015*

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective as of 1 January 2015. The application of these Accounting Standards and Interpretations had no material impact on the Group.

Accounting Standards and interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the reporting period ended 31 December 2015 are set out below. The new Standards and Interpretations effective 1 January 2016 are not expected to have a significant impact on the Group. The Group is still in the process of determining the impact of other new Standards and Interpretations.

Reference	Title	Summary	Application date of standard	Application date for Consolidated Entity
AASB 9	Financial Instruments	<p>AASB 9 (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.</p> <p>AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.</p> <p>Classification and measurement AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities.</p> <p>The main changes are described below.</p> <p>Financial assets</p> <p>a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</p> <p>b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <p>c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</p> <p>Financial liabilities Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option.</p> <p>Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> ▶ The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ▶ The remaining change is presented in profit or loss <p>AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.</p>	1 January 2018	1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		<p>Impairment The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.</p> <p>Hedge accounting Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.</p> <p>Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.</p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.</p> <p>AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.</p>		
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]	<p>AASB 2014-3 amends AASB 11 Joint Arrangements to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. The amendments require:</p> <p>(a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11</p> <p>(b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations This Standard also makes an editorial correction to AASB 11.</p>	1 January 2016	1 January 2016
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle	<p>The subjects of the principal amendments to the Standards are set out below:</p> <p><i>AASB 5 Non-current Assets Held for Sale and Discontinued Operations:</i></p> <ul style="list-style-type: none"> Changes in methods of disposal – where an entity reclassifies an asset (or disposal group) directly from being held for distribution to being held for sale (or visa versa), an entity shall not follow the guidance in paragraphs 27–29 to account for this change. <p><i>AASB 7 Financial Instruments: Disclosures:</i></p> <ul style="list-style-type: none"> Servicing contracts - clarifies how an entity should apply the guidance in paragraph 42C of AASB 7 to a servicing contract to decide whether a servicing contract is 'continuing involvement' for the purposes of applying the disclosure requirements in paragraphs 42E–42H of AASB 7. Applicability of the amendments to AASB 7 to condensed interim financial statements - clarify that the additional disclosure required by the amendments to AASB 7 Disclosure–Offsetting Financial Assets and Financial Liabilities is not specifically required for all interim periods. However, the additional disclosure is required to be given in condensed interim financial statements that are prepared in accordance with AASB 134 Interim Financial Reporting when its inclusion would be required by the requirements of AASB 134. <p><i>AASB 119 Employee Benefits:</i></p> <ul style="list-style-type: none"> Discount rate: regional market issue - clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability. 	1 January 2016	1 January 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

		<p>Further it clarifies that the depth of the market for high quality corporate bonds should be assessed at the currency level.</p> <p><i>AASB 134 Interim Financial Reporting:</i></p> <ul style="list-style-type: none"> • Disclosure of information 'elsewhere in the interim financial report' - amends AASB 134 to clarify the meaning of disclosure of information 'elsewhere in the interim financial report' and to require the inclusion of a cross-reference from the interim financial statements to the location of this information. 		
AASB 2015-2	<p>Amendments to Australian Accounting Standards – Disclosure Initiative:</p> <p>Amendments to AASB 101</p>	<p>The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in the financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. The amendments also clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures.</p>	1 January 2016	1 January 2016
AASB 2015-3	<p>Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality</p>	<p>The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards.</p>	1 July 2015	1 January 2016
AASB 15	<p>Revenue from Contracts with Customers</p>	<p>AASB 15 Revenue from Contracts with Customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from Contracts with Customers issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB).</p> <p>AASB 15 specifies the accounting treatment for revenue arising from contracts with customers (except for contracts within the scope of other accounting standards such as leases or financial instruments). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:</p> <ol style="list-style-type: none"> Step 1: Identify the contract(s) with a customer Step 2: Identify the performance obligations in the contract Step 3: Determine the transaction price Step 4: Allocate the transaction price to the performance obligations in the contract Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation <p>AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.</p> <p>AASB 2014-5 incorporates the consequential amendments to a number Australian Accounting Standards (including Interpretations) arising from the issuance of AASB 15.</p>	1 January 2018	1 January 2018

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AASB 16	Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting</p> <ul style="list-style-type: none"> • Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. • A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. • Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. • AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting</p> <ul style="list-style-type: none"> • AASB 16 substantially carries forward the lessor accounting requirements in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. • AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes: (a) AASB 117 Leases; (b) IFRIC 4 Determining whether an Arrangement contains a Lease; (c) SIC-15 Operating Leases—Incentives; and (d) SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p> <p>The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16.</p>	1 January 2019	1 January 2019

(b) Consolidation

The consolidated financial statements comprise the financial statements of African Petroleum Corporation Limited (“the Company”) and its subsidiaries for the year ended 31 December 2015 (together the Group).

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(c) Segment reporting

An operating segment is a component of an entity that engages in 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.

Operating segments have been identified based on the information available to chief operating decision makers – being the Board and the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

(d) Foreign currency translation*Functional and presentation currency*

The Company has elected to use United States Dollars, being the functional currency of all major subsidiaries in the Group, as its presentation currency. Where the functional currencies of entities within the consolidated group differ from United States Dollars, they have been translated into United States Dollars. The functional currency of African Petroleum Corporation Limited is Australian Dollars.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in the foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Translation of Group Companies' functional currency to presentation currency

On consolidation, the assets and liabilities of foreign operations are translated into United States Dollars at the rate of exchange prevailing at the reporting date and their income and expenditure are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the Statement of Financial Position.

(f) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an on-going basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due to it according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the amount expected to be received. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration expenses in the Statement of Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**(g) Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method.

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment 20% - 33%
- Aircraft 10%

Gains and proceeds on disposals are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income.

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss as the expense category that is consistent with the function of the intangible assets.

(i) Exploration and evaluation expenditure (refer to note 4 for further information on the change in accounting policy)

Exploration and evaluation activity involves the search for hydrocarbon resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. For each area of interest, expenditure incurred in the acquisition of rights to explore and all costs directly associated with holding the licence such as rental, training and corporate and social responsibility are capitalised as exploration and evaluation intangible assets. Signature bonuses required by licence agreements are capitalised as exploration and evaluation intangible assets. Other costs directly associated with the licence are expensed as incurred.

Exploration, evaluation and development expenditure is recorded at historical cost and allocated to cost pools on an area of interest. Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

- (i) it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- (ii) exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit in the period in which the decision to abandon the area is made.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

All capitalised costs are subject to commercial and management review, as well as review for indicators of impairment at least once a year. This is to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off through the statement of profit or loss and other comprehensive income.

When proved reserves of oil and natural gas are identified and development is sanctioned by management, the relevant capitalised expenditure is first assessed for impairment and (if required) any impairment loss is recognised, then the remaining balance is transferred to oil and gas properties.

(j) Revenue

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax / or Value Added Tax paid to taxation authorities.

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. The Consolidated Entity bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Interest

Interest revenue is recognised on a time proportional basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to the net carrying amount of the financial asset.

Rental income

Rental income arises from leasing the corporate aircraft and is accounted for on an accrual basis.

(k) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the relevant national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(l) Other taxes

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, taxation authorities is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the sales tax component of cash flows arising from investing and financing activities, which is recoverable from, or payable to taxation authorities are classified as operating cash flows.

(m) Earnings per share

- (i) Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members for the reporting period, after excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares of the Company, adjusted for any bonus elements in ordinary shares issued during the year.
- (ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits, which are not due to be settled within 12 months are determined using the projected unit credit method.

(o) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Consolidated Entity prior to the reporting date that are unpaid at the reporting date and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Costs of site restoration are provided from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on a discounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

(q) Contributed equity

Contributed equity is recognised at the fair value of the consideration received by the Consolidated Entity, less any capital raising costs in relation to the issue.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Share-based payments

The fair value of shares awarded is measured at the share price on the date the shares are granted. For options awarded, the fair value is measured at grant date using the Black-Scholes model. Shares and options which are subject to vesting conditions, are recognised over the estimated vesting period during which the holder becomes unconditionally entitled to the shares or options.

When the terms of an equity-settled award are modified, the minimum expense recognised is the expense had the terms had not been modified, if the original terms of the award are met. An additional expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

(s) Business Combinations

The acquisition method of accounting is used to account for all business combinations. The consideration transferred as business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling shareholders' interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Entity's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

Any contingent consideration to be transferred by the acquiree will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

(t) Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups that are expected to be recovered primarily through a sale transaction rather than through continuing use are classified as held for sale and measured at the lower of their carrying amounts and fair values less cost to sell. They are not depreciated or amortised. To be classified as held for sale, an asset or a disposal group must be available for immediate sale in its present condition and its sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write-down of the asset to its fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent impairment gains or losses on remeasurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale or distribution, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss

(u) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of any one entity and a financial liability or equity instrument of another entity.

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, Available for sale ('AFS') financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial assets are recognised initially at fair value plus, in the case of financial assets not subsequently measured at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

For purposes of subsequent measure, financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purposes of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an internal part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. This category generally applies to trade and other receivables. For more information on receivables, refer to Note 9.

AFS financial assets include equity investments and debt securities. Equity investment classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial assets are subsequently measured at fair value with unrealised gains or losses recognised as OCI and credited in the AFS reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income in the statement of profit or loss, or the investment is determined to be impaired when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss in finance costs. Interest earned while holding AFS financial assets is reported as interest income using the method in the statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principle payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowing, including bank overdrafts, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include derivative financial liabilities, financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by AASB 139. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in AASB 139 are satisfied.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(v) Joint arrangements

Joint arrangements are arrangements of which two or more parties have joint control. Joint control is the contractual agreed sharing of control of the arrangement which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

To the extent the joint arrangement provides the Company with rights to the individual assets and obligations arising from the joint arrangement, the arrangement is classified as a joint operation and as such, the Company recognises its:

- Assets, including its share of any assets held jointly;
- Liabilities, including its share of any liabilities incurred jointly;
- Revenue from the sale of its share of the output arising from the joint operation;
- Share of revenue from the sale of the output by the joint operation; and
- Expenses, including its share of any expenses incurred jointly.

To the extent the joint arrangement provides the Company with rights to the net assets of the arrangement, the investment is classified as a joint venture and accounted for using the equity method. Under the equity method, the cost of the investment is adjusted by the post-acquisition changes in the Company's share of the net assets of the venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4. CHANGE IN ACCOUNTING POLICY**Capitalisation of exploration and evaluation expenditure**

Following the Group's announcement on 22 September 2015 to voluntarily de-list from the National Stock Exchange of Australia, the Consolidated Entity re-assessed its policy for accounting for exploration and evaluation expenditure.

The Consolidated Entity's previous accounting policy was that once the legal right to explore has been acquired, all costs directly associated with an exploration well were capitalised as exploration and evaluation intangible assets. This included seismic data acquisition, seismic interpretation, geological & geophysical studies and technical time writing.

The Consolidated Entity's new accounting policy is that for each area of interest, expenditure incurred in the acquisition of rights to explore and all costs directly associated with holding the licence such as rental, training and corporate and social responsibility are capitalised as exploration and evaluation intangible assets. Signature bonuses required by licence agreements are capitalised as exploration and evaluation intangible assets. Other costs directly associated with the licence are expensed as incurred.

Management considers that the new policy provides more relevant and no less reliable information because it is more aligned to other exploration companies listed on Oslo Axess, thereby aiding the understanding and comparison of the financial statements for users. The new policy has been applied prospectively and the comparatives restated accordingly. It is impracticable to determine the impact on the current financial year.

The impact of this change in accounting policy is reflected below:

Impact on the consolidated statement of financial position (increase/ (decrease))

	31 December 2014	1 January 2014
	US\$	US\$
Exploration and evaluation expenditure	(352,630,367)	(367,507,510)
Accumulated losses	(350,090,995)	(365,007,338)
Non-controlling interests	(2,539,372)	(2,500,172)

Impact on statement of profit or loss (increase/(decrease) in profit)

	31 December 2014
	US\$
Exploration and evaluation expenditure	(7,798,085)
Impairment of exploration and evaluation expenditure	22,675,228
	<u>14,877,143</u>

The cash flows related to exploration and evaluation costs previously classified as investing activities have been restated and recognised as Payments to suppliers and employees within operating activities. The restatement increased Payments to suppliers and employees (operating activities) by \$12,097,094 and reduced the payments for exploration and evaluation activities (investing activities) by the same amount for the year ended 31 December 2014.

The effect of these changes in exploration and evaluation expenditures has been reflected in the opening equity positions of each respective period. Basic and diluted earnings per share for the year ended 31 December 2014 have been restated from (64.63) cents to (38.88) cents.

5. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The Directors evaluate estimates and judgements incorporated in the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future period.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Exploration and evaluation expenditure

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions listed in Note 3(i) are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. These calculations and reviews require the use of assumptions and judgement. In the case of impairment during the exploration and evaluation phase, fair value less cost to sell is used as the recoverable amount to determine an impairment allowance for exploration and evaluation expenditure assets because the value in use of the assets is nil. The related carrying amounts are disclosed in Note 15.

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- the continuance of the Consolidated Entity's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

Share-based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees, directors and consultants by reference to the fair value of equity instruments at the date at which they are granted. The fair value of shares awarded is measured using the share price on the date the shares are granted. The fair value of options is determined on grant date using the Black-Scholes model. The related assumptions are detailed in Note 21. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Income taxes

The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Consolidated Entity has not recognised any deferred tax assets relating to carried forward tax losses or temporary differences as there is no certainty that sufficient future taxable incomes will be generated to utilise such losses and temporary differences. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Withholding taxes

The Consolidated Entity is subject to withholding taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. The Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the withholding tax provision in the period in which such determination is made.

Impairment of investments and related party receivables

The Consolidated Entity, at each reporting date, whether there is objective evidence that an investment or related party receivable is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset has impacted on the estimated future cash flows of the investment or the related party receivable that can be reliably estimated. Evidence of impairment may include indications that the related party is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Refer to notes 9 and 22 for details of related party loans impaired during the year.

6. INCOME TAX

	2015 US\$	Restated 2014 US\$
(a) The components of income tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
	-	-
(b) The prima facie tax on loss from continuing activities before income tax is reconciled to the income tax as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (31 December 2014: 30%)	9,369,029	8,197,639
Foreign tax rate adjustment	(3,142,190)	(414,900)
	6,226,839	7,782,739
Add/(less)		
Tax effect of		
- Tax effect of permanent differences	(10,372)	(80,890)
- Unrecognised deferred tax asset attributable to tax losses and temporary differences	(6,216,467)	(7,701,849)
Income tax expense / (benefit)	-	-

Deferred tax assets have not been brought to account in respect of tax losses and temporary differences because as at 31 December 2015 it is uncertain when future taxable amounts will be available to utilise those temporary differences and losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. LOSS BEFORE INCOME TAX EXPENSE

	2015 US\$	Restated 2014 US\$
(a) REVENUE		
Interest income	84,700	748,760
Rental income ¹	-	3,918,997
Other revenue	370,275	955,632
	<u>454,975</u>	<u>5,623,389</u>
(b) AIRCRAFT EXPENSES		
	<u>444,094</u>	<u>4,850,534</u>
(c) EXPENSES		
Depreciation & amortisation	455,629	1,016,247
Lease rental costs	504,933	771,324
Loss on disposal of property, plant & equipment	56,597	15,077
	<u>1,017,159</u>	<u>1,802,648</u>
(d) EMPLOYEE REMUNERATION		
Employee benefits expensed	2,104,196	4,296,794
Director's remuneration expensed	1,140,208	3,056,966
Share based payments expensed (refer to note 21)	1,327,009	291,693
	<u>4,571,413</u>	<u>7,645,453</u>
(e) REMUNERATION OF AUDITORS		
Paid or payable to Ernst & Young		
Audit or review of financial reports		
Ernst & Young Australia	66,778	104,366
Ernst & Young related practices	204,044	299,305
Other non-assurance services	77,051	88,241
	<u>347,873</u>	<u>491,912</u>

¹During 2011, the Consolidated Entity purchased a corporate aircraft. The aircraft was leased to related parties and generated US\$3,918,997 external revenue for the prior year. The aircraft was sold on 8 March 2016, see note 13 for details.

8. CASH AND CASH EQUIVALENTS

	2015 US\$	Restated 2014 US\$
Cash at bank and on hand	607,512	3,869,086
	<u>607,512</u>	<u>3,869,086</u>

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the reporting date as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2015 US\$	Restated 2014 US\$
Cash and cash equivalents	<u>607,512</u>	<u>3,869,086</u>
(b) Reconciliation of net loss to net cash flows from operating activities		
Loss from ordinary activities	(31,230,096)	(27,325,462)
<i>Adjusted for non-cash items:</i>		
Depreciation and loss on disposal of property, plant and equipment	471,688	1,017,610
Impairment of aircraft	13 429,110	-
Share based payments	1,315,351	220,271
Net foreign exchange differences	638	(249,297)
Impairment of related party loans & deposits	62,648	1,429,204
Interest & foreign exchange on related party loans	76,299	(407,101)
Loss on disposal of freehold land	14 856,158	-
Impairment of exploration and evaluation expenditure	15 13,698,154	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Changes in net assets and liabilities, net of effects from acquisition of business combination:

Decrease in trade and other receivables	3,773,082	1,068,645
(Increase)/decrease in inventories	(727,619)	595,932
Increase/(decrease) in trade and other payables	175,664	(3,160,378)
Net cash used in operating activities	(11,098,923)	(26,810,576)

(c) Non-Cash Activities

Other than the share based payments disclosed in note 21, no other significant non-cash investing or financing transactions occurred during the year ended 31 December 2015.

9. TRADE AND OTHER RECEIVABLES

	2015 US\$	Restated 2014 US\$
CURRENT		
Trade receivables from related parties ^(d)	1,258,837	2,966,891
Loan receivable from related parties	62,648	-
Other receivables	187,756	1,747,414
	<u>1,509,241</u>	<u>4,714,305</u>
Impairment allowance ^(a)	(1,321,485)	(1,429,204)
	<u>187,756</u>	<u>3,285,101</u>
Loan receivable from Key Management Personnel ^{(b)(c)}	1,745,189	1,759,333
Share-based payment liability	(1,745,189)	(1,618,337)
	<u>-</u>	<u>140,996</u>
Total trade and other receivables	<u>187,756</u>	<u>3,426,097</u>

(a) On 1 December 2014, African Minerals Limited ('AML') and its subsidiaries announced that the Tonkolili Iron Ore Project had been placed in care and maintenance due to insufficient working capital being available and an inability to secure additional short term funding. On 26 March 2015, AML appointed administrators and on 20 April 2015, 75% of former AML subsidiary Tonkolili Iron Ore (SL) Ltd ('TIO') was sold to Shandong Iron and Steel. The Company continues to pursue TIO for repayment of the debts owed; however, the Company considers it prudent to continue to recognise an impairment allowance for the outstanding balance of US\$1,258,837. This impairment loss may be reversed if AML secures additional funding that facilitates the repayment of the outstanding balance.

(b) During 2012, 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 and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4%. 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. At 31 December 2015 the performance shares have a market value of US\$1,665 and the total limited recourse feature of the loan of US\$657,315 (2014 US\$614,633) has been recognised as a share-based payment liability.

(c) During 2012 and 2013, US\$1,037,994 (£645,359) was loaned to Karl Thompson to cover tax payable on performance shares awarded to Mr Thompson. 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 and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4%. 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. At 31 December 2015 the performance shares have a market value of US\$5,458 and the total limited recourse feature of the loan of US\$1,087,874 (2014 US\$1,003,973) has been recognised as a share-based payment liability.

(d) For terms and conditions relating to related party receivables, refer to Note 22(e).

Reconciliation of impairment allowance

	2015 US\$	2014 US\$
Balance at beginning of the year	(1,429,204)	-
Additions	(62,648)	(1,429,204)
Write offs	170,367	-
Balance at end of the year	<u>(1,321,485)</u>	<u>(1,429,204)</u>

As at 31 December, the ageing analysis of trade receivables and loan receivable from related parties are as follows:

	Total US\$	Past due but not impaired				Past due and impaired
		< 30 days	30-60 days	61-90 days	> 90 days	Specific
2015	1,321,485	-	-	-	-	1,321,485
2014	2,966,891	200,786	159,663	-	1,177,238	1,429,204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

See Note 23 on credit risk, which describes how the Company manages and measures the credit quality of its receivables that are neither past due nor impaired.

Other receivables are neither past due or impaired.

10. RESTRICTED CASH

	2015 US\$	Restated 2014 US\$
CURRENT		
Restricted cash	<u>12,569,093</u>	<u>12,069,899</u>

Restricted cash balances represent interest bearing cash backed 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 and settlement of outstanding liabilities under licences.

11. PREPAYMENTS

	2015 US\$	Restated 2014 US\$
Prepayments	<u>157,027</u>	<u>735,958</u>

12. INVENTORIES

	2015 US\$	Restated 2014 US\$
Consumable spares at net realisable value – Current	<u>-</u>	<u>279,289</u>
Consumable spares at net realisable value – Non-current	<u>1,006,908</u>	<u>-</u>

During the financial year, the Company cancelled certain contracts to acquire consumables. This resulted in a write off of related advances to suppliers amounting to US\$546,527. In addition, the Company has also recognised a net realisable value allowance of US\$950,583 for its existing consumables.

13. NON-CURRENT ASSET HELD FOR SALE

On 12 December 2014, the Company agreed to the immediate sale of the corporate aircraft. On 6 January 2015, the Company entered into an agreement to sell the corporate aircraft to the Timis Corporation, by 6 June 2015 the Company had not received payment and the agreement was terminated. On 8 March 2016, the Company transferred ownership of the corporate aircraft to DA International Air Support Limited, in settlement of outstanding fees that DA International claims against the aircraft (including fees allegedly incurred over the period the aircraft was transferred to Timis Corporation, 6 January to 6 June 2015).

The corporate aircraft was classified as held for sale with a carrying amount at 31 December 2015 of US\$501,925 (2014: US\$931,035), with an accumulated impairment of US\$2,136,949 (2014: US\$1,707,839). The fair value was determined based on estimated market value (level 3 fair value). An additional impairment charge of \$429,110 was recognised during the financial year.

14. FIXED ASSETS**14(a). PROPERTY, PLANT AND EQUIPMENT**

	Freehold land US\$	Plant & equipment US\$	TOTAL US\$
31 December 2015			
Cost	-	2,028,607	2,028,607
Accumulated depreciation and impairment	-	(2,018,854)	(2,018,854)
	<u>-</u>	<u>9,753</u>	<u>9,753</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2014

Cost	1,056,158	3,041,717	4,097,875
Accumulated depreciation and impairment	-	(2,690,605)	(2,690,605)
	<u>1,056,158</u>	<u>351,112</u>	<u>1,407,270</u>

(i) Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the year presented are set out below.

	2015	Restated
	US\$	2014
		US\$
Freehold land		
Balance at beginning of the year	1,056,158	1,056,158
Disposal ¹	(1,056,158)	-
Balance at end of the year	<u>-</u>	<u>1,056,158</u>
¹ During the year, the land was disposed of for US\$200,000 resulting in a loss from disposal of \$856,158		
Plant and Equipment		
Balance at beginning of the year	351,112	1,021,677
Additions at cost	2,252	33,879
Depreciation expense	(327,552)	(684,869)
Disposals	(16,059)	(19,575)
Balance at end of the year	<u>9,753</u>	<u>351,112</u>
Aircraft		
Balance at beginning of the year	-	1,080,000
Depreciation expense	-	(148,965)
Transfer to non-current asset held for sale	-	(931,035)
Balance at end of the year	<u>-</u>	<u>-</u>
Total property, plant and equipment	<u>9,753</u>	<u>1,407,270</u>

14(b). INTANGIBLE ASSETS

	2015	Restated
	US\$	2014
		US\$
Intangible Assets		
Balance at beginning of the year	169,744	352,158
Transfer	-	-
Additions at cost	-	-
Amortisation expense	(169,744)	(182,414)
Balance at end of the year	<u>-</u>	<u>169,744</u>
Total intangible assets	<u>-</u>	<u>169,744</u>

15. EXPLORATION AND EVALUATION EXPENDITURE

	2015	Restated
	US\$	2014
		US\$
Costs carried forward in respect of areas of interest in exploration and evaluation phases	37,583,467	43,417,128
Reconciliation		
Opening balance	43,417,128	34,890,072
Exploration expenditure incurred	7,864,493	8,527,056
Impairment of exploration and evaluation expenditure ¹	(13,698,154)	-
	<u>37,583,467</u>	<u>43,417,128</u>

¹ In 2015 an impairment loss of US\$13,698,154 was recognised in respect of exploration and evaluation expenditure in Cote d'Ivoire. This impairment loss amount was determined after consideration of several factors including ongoing discussions with potential partners, current tenure and future exploration commitments. The carrying value of exploration and evaluation of the affected area of interest was written-off to nil in the absence of future expected benefits.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated entity's exploration and evaluation assets relate to the following licences:

Country	Licence	Operator	Working Interest	Grant Date	Start Current Phase	End Current Phase	Area km ²	Outstanding commitments in current phase
Liberia	LB-08	European Hydrocarbons Limited	100%	Jun 2005	Jun 2012	Jun 2016	2,717	None ⁶
Liberia	LB-09	European Hydrocarbons Limited	100%	Jun 2005	Jun 2012	Jun 2016	2,634	None ⁶
Côte d'Ivoire	CI-513 ⁷	African Petroleum Cote d'Ivoire Limited	90% ¹	Dec 2011	Dec 2011	Dec 2015	1,446	One exploration well
Côte d'Ivoire	CI-509 ⁸	African Petroleum Cote d'Ivoire Limited	90% ¹	Mar 2012	Mar 2012	Mar 2016	1,091	One exploration well
Senegal	Rufisque Offshore Profond ⁸	African Petroleum Senegal Limited	90% ⁴	Oct 2011	Oct 2011	Oct 2015 ⁵	10,357	One exploration well
Senegal	Senegal Offshore Sud Profond	African Petroleum Senegal Limited	90% ⁴	Oct 2011	Oct 2014	Dec 2017	7,920	One contingent exploration well ⁹
Sierra Leone	SL-03	European Hydrocarbons Limited	100% ²	Apr 2010	Apr 2015	Apr 2017	1,930	One contingent exploration well
Sierra Leone	SL-4A-10 ⁸	African Petroleum Senegal Limited	100% ³	Sep 2012	Sep 2012	Sep 2015	1,995	One contingent exploration well
The Gambia	A1	African Petroleum Gambia Limited	100% ⁵	Sep-2006	Nov 2014	Sep 2016	1,300	One exploration well to be drilled on either A1 or A4
The Gambia	A4	African Petroleum Gambia Limited	100% ⁵	Sep-2006	Nov 2014	Sep 2016	1,380	See above

¹ Société Nationale d'Opérations Pétrolières de la Côte d'Ivoire has an option to increase its 10% interest to 20% following exclusive exploitation authorisation.

² The State of Sierra Leone has a 10% carried interest from the development stage.

³ The State of Sierra Leone has a 10% carried interest from the development stage with an option to increase with another 5% participating interest.

⁴ Société des Pétroles du Sénégal has an option to increase its 10% interest to 20% following exploitation authorisation.

⁵ The Gambia National Oil Company has an option to acquire a 10% participating interest in the Licence from the development stage.

⁶ The consolidated entity is working with NOCAL to outline strategy for additional 3D seismic acquisition

⁷ On 21 December 2015 the Group entered into a new PSC covering the CI-513 licence area which became effective on 16 March 2016 when all government ministerial signatures had been obtained. Under the new PSC Ophir Energy holds a 45% operated interest, the Group holds a 45% non-operated interest and Petroci holds a 10% carried interest. The current phase of the new PSC ends in March 2018.

⁸ Management notes that although the date of the end of the current phase has passed the Group is in negotiations to continue the licences. Based on the discussion to date, Management expect that these licences will be renewed in the near future.

⁹ The Company is required to drill one exploration well, if it elects before mid-June 2016 to continue into the second part of the current exploration phase.

The consolidated entity's accounting policy in relation to Exploration and Evaluation expenditure is described under Note 3(i). Expenditure on an area of interest is capitalised and carried forward where rights to tenure of the area of interest are current and:

- it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure.

At 31 December 2015, the Directors had performed an assessment of licences to determine whether the respective capitalised exploration and evaluation costs continued to meet the criteria outlined above. The assessment resulted in a write-off of US\$13,698,154 in relation to a licence where the rights to tenure were close to ending and it is unlikely for the Consolidated Entity to be able to complete the outstanding obligation within the remaining time. For the remaining licences, the Directors were satisfied that all the above requirements were met. In particular, the Directors were satisfied that:

- The rights to tenure of these licences were current. The consolidated entity actively monitored the conditions of these licences to ensure full compliance. For licences with near-term expiry dates and significant outstanding exploration and drilling obligations

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Gambia, Sierra Leone, Senegal and Côte d'Ivoire), the Directors had been working with relevant regulatory bodies for an extension and at the same time seeking farm-in partners to share future exploration and drilling obligations. With recent significant oil discoveries in the region, the Directors were confident that the consolidated entity would be able to find farm-in partners to meet obligations under these licences.

- Active and significant operations in relation to these licences are planned into the future as per the consolidated entity's exploration budget. The consolidated entity's significant exploration commitments would be met through a combination of additional funding from farm-in partners and capital raisings.
- Exploration activities on these licences had not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Management also noted that the oil and gas prices have continued their downward trends. Substantial or prolonged decline in oil and gas prices could have a material adverse effect on the Group's future operations and financial condition, especially its ability to attract investors in the short-term. Subject to other factors, this may make it more difficult for the consolidated entity to meet its obligations on these licences by the due dates.

The terms of the consolidated entity's exploration licences include minimum investment work programs which must be met in order for the consolidated entity to maintain its licences. For certain licences held by the Consolidated Entity, the minimum investment work programs require material investments during a relatively short period of time, including drilling of exploration wells in 2016 and 2017.

Based on the consolidated entity's current cash balances, the consolidated entity will not be in a position to finance its participation in a material portion of the minimum investment requirements under the Licences, without completing one or more farm-out transactions or other significant funding during 2016.

As at 31 December 2015 management estimates that the consolidated entity has minimum investment requirements in relation to the current phases of its licences, with gross aggregate minimum investment requirements (excluding contingent wells) totalling US\$ 120 million. These commitments are to drill up to three wells, including but not limited to, one well on the ROP licence in Senegal; one well on the CI-509 licence in Côte d'Ivoire by March 2016; and one well on either of the A1 or A4 licences in The Gambia by September 2016. Should the consolidated entity not be able to meet any minimum investment work program requirements or be unable to renegotiate the minimum investment work program requirements, the consolidated entity faces a risk of termination or non-extension of its existing licence interests, as well as the risk of having to make payments under the guarantees provided in respect of the relevant licences. Inability to meet minimum investment work program requirements may further give rise to liabilities towards governments and licence partners. There can be no assurance that the consolidated entity will successfully obtain extensions on the terms of its licenses, or complete farm-outs, or that the consolidated entity will be able to meet minimum investment work program requirements. The non-occurrence of any such event may have a material adverse effect on the consolidated entity's business, results of operation, prospects and liquidity.

Dependency on farm-outs

To date the consolidated entity has acquired and maintained a high working interest in all of its licences, most of which are owned with 100 per cent working interest or as an exclusive partner to domestic national oil companies. Going forward the consolidated entity seeks to fund a material portion of its operations through farm-outs of parts of its licence interests to industry partners. A key merit of the farm-out strategy is to introduce additional technical competence from industry partners in the evaluation and development of the consolidated entity's licence interests. In addition, the consolidated entity targets to reduce its cost of operations to preserve its cash balances and diversify its exploration risk. The Group is depending on farm-outs of one or more of its licences and/or raising additional equity, in order to be able to meet its outstanding work commitments in the current exploration periods in certain of its licences.

There can be no assurance that the consolidated entity will be able to obtain further farm-outs in time or at all to meet the minimum work commitments on its Licences and this may in turn have a material adverse effect on the consolidated entity, its financial condition, cash flow, prospects and/or operations.

Approvals, permits and licences

Under applicable laws and regulations in the countries where the consolidated entity operates, currently being Côte d'Ivoire, Liberia, Senegal, Sierra Leone and The Gambia, the consolidated entity will be required to renew its licences with respect to exploration activities. In addition, the consolidated entity would be required, subject to commercial petroleum discoveries being made, to apply for exclusive exploitation authorisations.

If any of these exploration and production licences are not renewed or granted or exclusive exploitation authorisations are not obtained, the consolidated entity would be required to cease operations of the affected well or production facility. The loss of some or all of the consolidated entity's licences may have a material adverse effect on the consolidated entity's financial condition, business, cash flow, prospects and/or results.

Risks relating to the price of oil and gas

The value of the consolidated entity's assets and the profitability of the consolidated entity's operations will depend on the market price of oil and gas, which fluctuates. The economics of production from some of the consolidated entity's assets may change as a result of lower prices, which could result in a significant reduction in the volumes of the consolidated entity's estimated resources if some are no longer economically viable to develop. Such fluctuations could materially affect the consolidated entity's financial condition, business, prospects, cash flow and/or results.

Substantial or prolonged decline in oil and gas prices could have a material adverse effect on the consolidated entity's future operations and financial condition. Future prices cannot be predicted with any degree of certainty.

If any of these risks actually occur, individually or together with other circumstances, the consolidated entity's business, financial position, cash flow and operating results could be materially and adversely affected, which may cause the carrying value of its exploration and evaluation assets to not be fully recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors believe that they will be successful in obtaining appropriate regulatory approval for licence extensions and be able to raise sufficient capital, through farm-outs and equity issuances, to meet the consolidated entity's various drilling and exploration commitments within the timeframe stipulated under licences.

16. TRADE AND OTHER PAYABLES

	2015	Restated 2014
	US\$	US\$
Trade payables ¹	7,350,462	3,492,322
Withholding tax ²	13,586,973	13,586,809
Other payables ³	16,767,971	15,797,360
	37,705,406	32,876,491

¹ Trade payables includes US\$300,486 (2014 US\$252,594) payable to related parties as detailed in note 22.

² An accrual for withholding tax in relation to the Company's exploration activities has been recognised in the current and prior year. The Company may be required to withhold payment on certain services provided by subcontractors. This amount may be due to the tax authorities and will be credited against the subcontractors own income tax liability.

³ Other payables include amounts accrued for licence rental, training and corporate social responsibility obligations.

17. ISSUED CAPITAL

	2015	Restated 2014
	US\$	US\$
Fully paid ordinary shares	611,439,967	600,591,811

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held and in proportion to the amount paid up on the shares held.

At shareholders' meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Reconciliation of movement in shares on issue

	2015	2014
	Number of fully paid ordinary shares	
Balance at beginning of the year	685,857,457	1,695,433,051
Issue of shares pursuant to a capital raising (pre-consolidation) ²	283,336,330	120,712,820
Share consolidation ¹	(872,273,943)	(1,130,288,414)
Issue of shares pursuant to a capital raising (post-consolidation) ²	9,691,937	-
Balance at end of the year	106,611,781	685,857,457

Reconciliation of movements in issued capital

	2015	Restated 2014
	US\$	US\$
Balance at beginning of the year	600,591,811	575,911,770
Issue of shares pursuant to a capital raising	11,793,987	26,175,122
Capital raising costs	(945,831)	(1,495,081)
Share capital at end of the year	611,439,967	600,591,811

¹ On 26 October 2015, the Company consolidated every ten shares into one. On 3 February 2014, the Company consolidated every three shares into one.

² During the current year, the Company issued 28,333,633 shares at NOK 3.50 each (283,336,330 shares at NOK 0.35 each on a pre-consolidation basis) and granted 14,166,815 options with an exercise price of NOK 7.50 each (141,668,150 options with an exercise price of NOK 0.75 each on a pre-consolidation basis), raising NOK 99,167,716 (US\$12,791,142). Costs associated with the capital raising were US\$881,742. The initial fair value of the options granted was US\$3,008,912 and has been recognised as a financial liability (Note 23). The remainder of US\$9,782,230 represents the notional value of the shares issued and is recognised as equity. Also during the year, the Company issued a further 9,691,937 shares (post consolidation) at NOK 1.70 each, raising NOK 16,476,293 (US\$ 2,011,757). Costs associated with the capital raising were US\$ 64,089.

³ During the prior year, the Company issued 12,071,282 shares at A\$2.40 each (120,712,820 shares at A\$0.24 each on a pre-consolidation basis), raising A\$28,783,995 (US\$26,175,121). Costs associated with the capital raising were US\$1,495,081.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Capital Management

Management controls the capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern. Capital is defined as issued share capital.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior reporting period.

Management monitors capital requirements through cash flow forecasting. Management may seek further capital if required through the issue of capital or changes in the capital structure.

The Consolidated Entity has no externally imposed capital requirements.

18. RESERVES

	2015 US\$	Restated 2014 US\$
Share-based payment reserve		
Balance at beginning of the year	29,591,502	29,371,231
Issue of options pursuant to share based payment arrangements	1,315,351	220,271
Balance at end of the year	30,906,853	29,591,502
Foreign currency translation reserve		
Balance at beginning of the year	(12,089,193)	(12,089,193)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	108,171	-
Balance at end of the year	(11,981,022)	(12,089,193)
Total reserves	18,925,831	17,502,309

Nature and purpose of reserves*Share-based payment reserve*

The share based payments reserve records options and share awards recognised as expenses, issued to employees, directors and consultants. Refer to Note 21 for further details.

Foreign currency translation reserve

The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency.

19. ACCUMULATED LOSSES

	2015 US\$	Restated 2014 US\$
Accumulated losses at beginning of the year	(581,798,809)	(554,578,239)
Loss attributable to the members of the entity	(31,106,853)	(27,220,570)
Accumulated losses at end of the year	(612,905,662)	(581,798,809)

20. NON-CONTROLLING INTEREST

	2015 US\$	Restated 2014 US\$
Non-controlling interests at the beginning of the year	(2,866,296)	(2,761,404)
Loss attributable to non-controlling interests	(123,243)	(104,892)
Non-controlling interests at the end of the year	(2,989,539)	(2,866,296)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Summarised financial information in respect of the subsidiary, African Petroleum Senegal Ltd, that has a 10% non-controlling interest is provided below. The summarised financial information below represents amounts before inter-company eliminations.

	2015	Restated
	US\$	2014
		US\$
Current assets	554,500	732,313
Non-current assets	3,200,362	2,526,185
Current liabilities	(44,680,474)	(43,014,308)
Equity attributable to owners of the Company	(37,936,345)	(36,853,447)
Non-controlling interests	(2,989,540)	(2,902,362)

	2015	Restated
	US\$	2014
		US\$
Revenue	169,052	58,706
Administration expenses	(265,993)	(301,111)
Exploration expenses	(1,133,531)	(769,242)
Other expenses	(1,960)	139,866
Loss for the year from continuing operations	(1,232,432)	(871,781)
Loss attributable to non-controlling interests	(123,243)	(87,178)

21. SHARE BASED PAYMENTS

	2015	Restated
	US\$	2014
		US\$
Performance shares	158,564	814,972
Forfeiture of performance shares	(595,634)	(2,162,573)
Options	1,564,932	1,512,094
Non-recourse loan	199,147	127,200
Total share-based payments expense	1,327,009	291,693

All equity related awards presented below are on a post consolidation basis.

Shares**Non-recourse loans**

During the current year, an amount of US\$199,147 (2014: US\$127,200) has been recognised within the line item "Employee remuneration" within the Statement of Comprehensive Income in relation to loans made to Mr Thompson, a former Executive Director of the Company, and Mr Pace to cover tax payable on performance shares awarded to them. During 2012, loans were provided to Mr Thompson and Mr Pace to cover tax payable on performance shares awarded. The loans can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within five 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 loans are discharged and the proceeds are to be applied to discharge the loans. Interest is charged on the loans at 4% per annum. The loan agreements were 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 loans, the Company will waive the remaining balance of the loans. As at 31 December 2015, the Company has provided in full for the loans and associated interest, as the share price would be insufficient to cover the loans.

Shares awarded in the current year

On 16 March 2015, 200,000 performance shares were awarded to Dr Lake, former Chief Executive Officer. The fair value of the share-based payment was US\$243,588 (NOK 700,000). The fair value was determined from the share price on the award date being NOK 0.35 (US\$0.043).

The shares were to be issued in two tranches of 100,000 shares, each time the following achievement was met: the completion of a significant sale or farm in of assets of the Company (where "significant" is an amount greater than US\$25million) (the "Milestone"). The Remuneration Committee was to determine the satisfaction of a Milestone.

As a result of Dr Lake's resignation on 30 September 2015, no amount has been recognised in the current year in relation to these performance shares.

Shares awarded in prior years

During 2014, 500,000 performance shares were awarded to Dr Lake, former Chief Executive Officer upon commencement with the Company, in line with the terms of his employment contract. The fair value of the share based payment was US\$1,252,530 (A\$1,350,000). The fair value was determined from the share price on the award date being A\$0.27 (US\$0.25). The shares will be issued in five tranches of 100,000 shares, each time one of the following achievements are met:

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- a) a discovery of oil or gas by the Company; or
 b) the completion of a significant sale or farm in of assets of the Company, (together the "Milestones").

The Remuneration Committee determines the satisfaction of a Milestone.

During the year ended 31 December 2015, a value of US\$595,634 has been reversed in relation to these performance shares within the line item "Employee remuneration" within the Statement of Comprehensive Income, as a result of Dr Lake's resignation on 30 September 2015 (2014: expense of US\$595,634).

During 2012, 50,000 performance shares were awarded to Mr Pace which will vest upon the Company securing a commercial discovery. The fair value of the shares at grant date was US\$1,867,554 (A\$1,800,000). The fair value was determined from the share price on the award date being A\$36.0 (US\$37.4). As at 31 December 2015, this performance milestone has not yet occurred. US\$158,564 has been recognised in the current year in relation to these awards within the line item "Employee remuneration" within the Statement of Comprehensive Income (2014: US\$219,338).

During 2011, 218,333 performance shares were awarded to Mr Thompson, a former Executive Director. On 18 August 2011, 109,167 fully paid ordinary shares were issued to Mr Thompson following the spudding of the Company's first off-shore well, pursuant to the terms of his employment contract. The fair value of the share based payment was US\$3,467,480 (A\$3,275,000). The fair value was determined from the share price on the award date being A\$30.0 (US\$31.8). The remaining 109,167 performance shares were to be issued to Mr Thompson when the Company secures a commercial discovery. A value of US\$2,162,573 has been reversed in relation to these performance shares as within the line item "Employee remuneration" within the Statement of Comprehensive Income, as a result of Mr Thompson's resignation on 1 February 2014.

Options

Options awarded in the current year

During the current year, 6,442,334 unlisted options have been issued to directors, employees and consultants of the Company (2014: 9,491,666 unlisted options on a pre-consolidation basis). 4,217,000 unlisted options are subject to vesting conditions where the options will vest evenly over three tranches, as long as the employee continues to be employed by the Company. The tranches related to the rendering of services to the Company. 400,000 unlisted options are subject to vesting conditions where the options will vest upon completion of a significant asset sale or farm-in. 1,825,334 unlisted options were not subject to any vesting conditions and vested immediately. A total of US\$1,564,932 has been recognised for the current year in relation to awards issued in the current and prior years (2014: US\$1,512,094). Of this amount US\$1,564,932 has been recognised within the line item "Employee remuneration" within the Statement of Comprehensive Income (2014: US\$1,512,094).

Grant date	Number of options	Exercise Price A\$ / NOK	Expiry Date	Fair Value at Grant Date A\$ / NOK	Fair Value at Grant Date US\$
28 Apr 2015	33,333	A\$2.50 ¹	30 Jun 2016	A\$0.19	0.15
28 Apr 2015	16,667	A\$3.00 ²	30 Jun 2016	A\$0.16	0.13
28 Apr 2015	16,667	A\$3.50 ³	30 Jun 2016	A\$0.14	0.11
28 Apr 2015	16,667	A\$4.00 ⁴	30 Jun 2016	A\$0.12	0.09
28 Apr 2015	300,000	NOK 4.00 ⁵	28 Apr 2018	NOK 2.66	0.34
28 Apr 2015	867,000	NOK 4.00 ⁵	28 Apr 2020	NOK 3.11	0.40
15 Nov 2015	502,000	NOK 1.70 ⁶	15 Nov 2018	NOK 1.23	0.14
15 Nov 2015	1,790,000	NOK 1.70 ⁶	15 Nov 2020	NOK 1.43	0.16
15 Nov 2015	2,900,000	NOK 1.70 ⁶	22 Dec 2020	NOK 1.27	0.15
	6,442,334				

¹ The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$1.82

² The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$2.19

³ The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$2.55

⁴ The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$2.92, these options were not subject to any vesting conditions.

⁵ The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$0.45

⁶ The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$0.19

The weighted average fair value of the options granted during the current year is A\$3.10 (US\$2.33) for those options with an AUD exercise price, and NOK 2.12 (US\$0.26) for those options with a NOK exercise price (2014: A\$2.50 (US\$2.26)). Options were priced using the Black-Scholes option pricing model. Expected volatility used is 125% and is based on the historical volatility. No allowance has been made for the effects of early exercise.

The value of options capitalised during the period was nil (2014: nil).

The options issued to directors, employees and consultants in the current year are in recognition of services provided and to be provided in the future. Holders of options do not have any voting or dividend rights in relation to the options.

Options awarded in the prior year

During the prior year, 949,167 (9,491,666 on a pre-consolidation basis) unlisted options were issued to directors, employees and consultants of the Company. 826,667 (8,266,667 on a pre-consolidation basis) unlisted options are subject to vesting conditions where the options will vest

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evenly over three tranches, as long as the employee continues to be employed by the Company. The tranches related to the rendering of services to the Company. 122,500 (1,224,999 on a pre-consolidation basis) unlisted options were not subject to any vesting conditions and vested immediately.

Grant date	Number of options	Exercise Price A\$	Expiry Date	Fair Value at Grant Date A\$	Fair Value at Grant Date US\$
2 Apr 2014	666,667	2.40 ¹	22 Apr 2019	2.40	2.20
2 Apr 2014	17,499 ³	3.00 ²	22 Apr 2019	2.40	2.20
6 May 2014	60,000	3.00 ²	5 Jun 2019	2.20	2.20
30 May 2014	100,000 ³	2.40 ¹	3 Jun 2019	2.30	2.20
16 Jun 2014	50,000	2.40 ¹	16 Jun 2019	1.90	1.80
15 Aug 2014	5,000 ³	3.00 ²	8 Aug 2016	0.80	0.70
15 Dec 2014	50,000	3.00 ²	15 Dec 2019	0.70	0.60
	949,167				

¹ The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$1.75

² The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$2.19

³ These options were not subject to any vesting conditions.

Options forfeited during the current year

During the current year, 25,833 unlisted options with various exercise prices of between A\$3.00 and A\$9.00 lapsed upon resignation of certain employees of the Company.

Options forfeited in the prior year

In the prior year, 16,666 unlisted options with various exercise prices of between A\$3.00 and A\$12.50 lapsed upon resignation of certain employees of the Company. An expense of US\$96,397 has been reversed within the line item "Employee remuneration" in the Statement of Comprehensive Income, 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 prior year.

Options cancelled and replaced in the current year

On 28 April 2015, 966,667 fully vested Directors options were cancelled and replaced with 966,667 options. The options are subject to vesting conditions where the options will vest evenly over three tranches, as long as the employee continues to be employed by the Company. The tranches relate to the rendering of services to Company. The exercise price of the options was reduced to NOK 4.00 and the various vesting condition and expiry dates were extended to 28 April 2020. An amount of US\$863,899 has been recognised in respect of the 966,667 original options for the current year and an amount of US\$148,134 has been recognised in respect of the 966,667 replacement options for the current year, both within the line item "Employee remuneration" in the Statement of Comprehensive Income.

Options cancelled and replaced in the prior year

On 30 May 2014, 225,000 fully vested Directors options were cancelled and replaced with 300,000 options. The options are subject to vesting conditions where the options will vest evenly over three tranches, as long as the employee continues to be employed by the Company. The tranches relate to the rendering of services to Company. The exercise price of the options was reduced to A\$2.40 and the various vesting condition and expiry dates were extended to 3 June 2019. The fair value of the 225,000 original options was already fully expensed in prior years. An amount of US\$223,910 has been recognised in respect of the 300,000 replacement options for the prior year within the line item "Employee remuneration" in the Statement of Comprehensive Income.

Of the total 23,043,061 options outstanding at 31 December 2015, the following shows the model inputs for the options granted for remuneration to directors, employees and consultants to the company:

Expiry Date	Exercise Price A\$ / NOK ¹	Number Under Option ¹	Dividend Yield (%)	Risk Free Rate (%)	Expected life of Options (years)	Share price at grant date A\$ ¹ / NOK	Share price at grant date US\$ ¹
30 June 2016	A\$2.50 ²	33,334	-	2.08	1	A\$0.08	0.06
30 June 2016	A\$3.00 ³	16,667	-	2.08	1	A\$0.08	0.06
30 June 2016	A\$3.50 ⁴	16,667	-	2.08	1	A\$0.08	0.06
30 June 2016	A\$4.00 ⁵	16,667	-	2.08	1	A\$0.08	0.06
8 August 2016	A\$3.00 ³	10,000	-	2.90	1	A\$0.16	0.15
8 August 2016	A\$9.00 ⁶	10,000	-	2.90	1	A\$0.16	0.15
17 January 2017	A\$9.00 ⁶	223,452	-	3.23-3.93	2	A\$0.90-A\$4.53	0.90-4.86
17 January 2017	A\$30.00 ⁷	13,058	-	2.77-3.90	2	A\$4.35-A\$5.88	4.56-6.21
17 January 2017	A\$37.50 ⁸	2,501	-	2.26-2.40	2	A\$4.14-A\$4.17	4.05-4.23
27 March 2017	A\$9.00 ⁶	334	-	3.59	2	A\$2.10	2.25
27 March 2017	A\$16.50 ⁹	9,167	-	3.89-3.90	2	A\$4.95-A\$6.00	5.19-6.27
27 March 2017	A\$30.00 ⁷	667	-	3.89	2	A\$6.00	6.30
31 July 2017	A\$16.50 ⁹	240,002	-	2.61	2	A\$4.35	4.23

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Expiry Date	Exercise Price A\$ / NOK ¹	Number Under Option ¹	Dividend Yield (%)	Risk Free Rate (%)	Expected life of Options (years)	Share price at grant date A\$ ¹ / NOK	Share price at grant date US\$ ¹
8 January 2018	A\$30.00 ⁷	16,667	-	2.48	3	A\$3.75	3.78
8 January 2018	A\$37.50 ⁸	2,223	-	2.38-2.51	3	A\$3.75	3.78-3.84
15 November 2018	NOK 1.70 ¹⁰	502,000	-	2.38	3	NOK 1.69	0.19
21 November 2018	A\$3.00 ³	58,334	-	3.28	3	A\$0.36	0.33
22 November 2018	A\$3.00 ³	135,004	-	3.28	3	A\$0.45	0.42
22 November 2018	A\$3.00 ³	58,334	-	3.23	3	A\$0.45	0.42
22 April 2019	A\$3.00 ³	17,501	-	3.05	4	A\$0.28	0.28
5 June 2019	A\$3.00 ³	60,000	-	3.26	4	A\$0.26	0.24
3 June 2019	NOK 2.40 ¹¹	150,000	-	3.13	4	A\$0.27	0.21
15 December 2019	A\$3.00 ³	50,000	-	2.42	4	A\$0.10	0.08
28 April 2018	NOK 4.00 ¹²	300,000	-	2.08	3	NOK 0.37	0.05
28 April 2020	NOK 4.00 ¹²	966,667	-	1.99	5	NOK 0.40	0.05
28 April 2020	NOK 4.00 ¹²	867,000	-	2.08	5	NOK 0.37	0.05
15 November 2020	NOK 1.70 ¹⁰	1,790,000	-	2.38	5	NOK 1.69	0.19
22 December 2020	NOK 1.70 ¹⁰	2,900,000	-	2.22	5	NOK 1.52	0.17
TOTAL		8,466,246					

¹ The consolidation of issued capital has been reflected on the options issued prior to 21 October 2015

² The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$1.82

³ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$2.19

⁴ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$2.55

⁵ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$2.92

⁶ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$6.57

⁷ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$21.90

⁸ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$27.37

⁹ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$12.04

¹⁰ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$0.19

¹¹ The equivalent US\$ exercise price per option at 31 December 2014 is equal to US\$0.27

¹² The equivalent US\$ exercise price per option at 31 December 2015 is equal to US\$0.45

The following reconciles the outstanding share options granted, exercised and forfeited during the year:

	2015		2014	
	Number of Options	Weighted Average Exercise Price A\$ / NOK ¹	Number of Options ¹	Weighted Average Exercise Price A\$ ¹
Balance at beginning of the period	2,418,607	A\$13.80 ²	1,411,106	A\$14.70
Granted during the year (A\$)	83,334	A\$3.10 ³	949,166	A\$2.5
Granted during the year (NOK)	6,359,000	NOK 2.12 ⁴	-	-
Exercised during the year	-	-	-	-
Cancelled during the year (A\$)	(966,667)	A\$2.41 ⁵	(225,000)	A\$17.00
Lapsed during the year (A\$)	(368,862)	A\$23.07 ⁶	-	-
Replacement options granted (A\$)	-	-	300,000	A\$2.40
Replacement options granted (NOK)	966,667	NOK 4.00 ⁷	-	-
Forfeited during the year (A\$)	(25,833)	A\$4.35 ⁸	(16,666)	A\$2.50
Balance at end of the year (A\$)	1,140,579	A\$8.81 ⁹	2,418,607	A\$8.40
Balance at end of the year (NOK)	7,325,667	NOK 2.37 ¹⁰	-	-
Total balance at end of the year	8,466,246 ¹³		2,418,607	
Exercisable at end of the year (A\$)	900,000	A\$9.22 ¹¹	1,214,718	A\$13.80
Exercisable at end of the year (NOK)	2,333,445	NOK 2.58 ¹²	-	-
Exercisable at end of the year	3,233,465 ¹⁴		1,214,718	

The share options outstanding at the end of the period had a weighted average exercise price of A\$9.22 for those options with an exercise price in AUD and NOK 2.58 for those options with an exercise price in NOK (2014: A\$8.40) and the weighted average remaining contractual life was 1,541 days (2014: 1,186 days).

¹ The consolidation of issued capital has been reflected on the options issued prior to 21 October 2015

² The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$10.07

³ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$2.26

⁴ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$0.24

⁵ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$1.76

⁶ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$16.84

⁷ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$0.45

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

⁸ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$3.17

⁹ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$6.43

¹⁰ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$0.27

¹¹ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$6.73

¹² The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$0.20

¹³ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$1.10

¹⁴ The US\$ equivalent weighted average exercise price as at 31 December 2015 is equal to US\$2.08

22. RELATED PARTY INFORMATION

(a) Ultimate parent

African Petroleum Corporation Limited is the ultimate Australian parent entity and the ultimate parent of the Consolidated Entity from a legal perspective.

(b) Corporate Structure

The legal corporate structure of the Consolidated Entity is set out below:

Name	Country of incorporation	% Equity interest	
		2015	2014
Parent entity: African Petroleum Corporation Limited	Australia		
African Petroleum Corporation Ltd	Cayman Islands	100%	100%
European Hydrocarbons Ltd	Cayman Islands	100%	100%
African Petroleum Liberia Ltd	Cayman Islands	100%	100%
African Petroleum Sierra Leone Ltd	Cayman Islands	100%	100%
African Petroleum Senegal Ltd	Cayman Islands	90%	90%
African Petroleum Gambia Ltd	Cayman Islands	100%	100%
African Petroleum Cote d'Ivoire Ltd	Cayman Islands	100%	100%
African Petroleum CI-513 Ltd	Cayman Islands	100%	-
African Petroleum (SL) Limited	Sierra Leone	99.99%	99.99%
European Hydrocarbon (SL) Limited	Sierra Leone	99.99%	99.99%
African Petroleum Liberia Limited	Liberia	100%	100%
African Petroleum Cote d'Ivoire SAU	Cote d'Ivoire	100%	100%
African Petroleum Corporation (Services) Limited	United Kingdom	100%	100%
European Hydrocarbons Limited	United Kingdom	100%	100%
Regal Liberia Limited	United Kingdom	100%	100%
African Petroleum Limited	United Kingdom	100%	100%
African Petroleum Corporation Limited	United Kingdom	100%	100%
African Petroleum (Senegal) SAU	Senegal	100%	100%
APCL Gambia B.V.	Netherlands	100%	100%

(c) Key management personnel

Key management personnel include the Board of Directors as detailed in the Directors Report, the Company Secretary and the following other key personnel:

Mr Michael Barrett Exploration Director
Mr Ian Philliskirk Group General Counsel

(d) Remuneration of key management personnel

	2015			Post Employment Benefits ¹	Share-based payments ³			Total
	Salary and fees	Other cash benefits ²	Cash bonus		Shares	Options	Other ⁴	
Directors								
M Ashurst ⁶	76,156	-	-	5,437	-	143,731	-	225,324
G Bangura ⁷	20,008	-	-	-	-	75,810	-	95,818
J Couch ⁸	20,017	-	-	-	-	70,678	-	90,695
D King	44,018	-	-	-	-	-	-	44,018
S Lake ⁹	917,763	75,954	37,088 ⁵	91,698	(595,634)	497,321	-	1,024,190
C Matthews	90,154	-	-	-	-	116,904	-	207,058

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2015	Short Term Benefits			Post Employment Benefits ¹	Share-based payments ³			Total
	Salary and fees	Other cash benefits ²	Cash bonus		Shares	Options	Other ⁴	
	US\$	US\$	US\$		US\$	US\$	US\$	
B Moe	24,094	-	-	-	-	53,926	-	78,020
J Pace ¹⁰	456,213	6,970	-	45,679	158,564	125,915	32,799	826,140
T Turner	22,660	-	-	-	-	-	-	22,660
S West ¹¹	368,266	6,435	246,470	34,215	-	141,724	-	797,110
A Wilson	42,360	-	-	-	-	72,922	-	115,282
Total	2,081,709	89,359	283,558	177,029	(437,070)	1,298,931	32,799	3,526,315
Key Management								
M Barrett	339,955	12,275	-	54,537	-	114,616	-	521,383
A Hicks	20,378	-	-	-	-	-	-	20,378
I Philliskirk	305,556	10,010	-	35,586	-	60,280	-	411,432
Total	2,747,598	111,644	283,558	267,152	(437,070)	1,473,827	32,799	4,479,508

Notes

- Post-employment benefits consist of superannuation and pension contributions made by the Consolidated Entity.
- Other cash benefits relate to health insurance benefits.
- Share-based payments represent the value of options and performance shares that have been recognised during the current year.
- Relates to a non-recourse loan Mr Pace granted on 9 October 2013 and accounted for as a share-based payment.
- Cash bonuses relate to sign-on bonus due on S. Lake's first anniversary of employment for 50% of his basic salary.
- Mr Ashurst resigned as Non-Executive Director on 18 November 2015.
- Mr Bangura resigned as Non-Executive Director on 30 November 2015.
- Mr Couch resigned as Non-Executive Director on 30 November 2015.
- Dr Lake resigned as Chief Executive Officer and Executive Director on 30 September 2015.
- Mr Pace was appointed Executive Director on 18 November 2015.
- Mr West was appointed Executive Director on 18 November 2015. Mr West invested 100% of the net cash bonus amount to purchase shares in the Company at a price of NOK 3.50 per share.

2014	Short Term Benefits			Post Employment Benefits ¹	Share-based payments			Total
	Salary and fees	Other cash bonus	Cash bonus		Shares ⁶	Options	Other	
	US\$	US\$	US\$		US\$	US\$	US\$	
Directors								
M Ashurst ⁸	462,679	30,650	-	69,061	-	74,636	-	637,026
G Bangura	46,273	-	-	-	-	37,318	-	83,591
J Couch	43,754	-	-	-	-	37,318	-	81,072
D King	64,985	-	-	-	-	-	-	64,985
S Lake ⁹	909,016	76,355	427,130 ³	86,012	595,634	607,323	-	2,701,470
C Matthews	219,432	-	-	-	-	245,877	-	465,309
B Moe ¹⁰	19,576	-	-	-	-	28,551	-	48,127
J Smith ¹¹	37,008	-	-	-	-	107,635	-	144,643
K Thompson ¹²	60,456	11,055	-	6,045	(2,162,573) ¹³	-	8,984	(2,076,033)
T Turner	39,387	-	-	-	-	-	-	39,387
A Wilson	60,394	-	-	-	-	37,318	-	97,712
Total	1,962,960	118,060	427,130	161,118	(1,566,939)	1,175,976	8,984	2,287,289
Key Management								
A Hicks ¹⁴	12,429	-	-	-	-	-	-	12,429
M Barrett	388,213	2,208	178,091 ⁴	68,767	-	87,407	-	724,686
J Pace	520,094	7,832	226,661 ⁴	52,009	219,338	(72,781)	9,437	962,590
I Philliskirk ¹⁵	15,639	-	15,639 ⁵	-	-	814	-	32,092
C Tolcon ¹⁶	44,753	-	-	-	-	5,420	-	50,173
S West	396,582	5,283	-	39,658	-	299,293	-	740,816
Total	3,340,670	133,383	847,521	321,552	(1,347,601)	1,496,129	18,421	4,810,075

Notes

- Post-employment benefits consist of superannuation and pension contributions made by the Consolidated Entity.
- Other cash benefits relate to rental assistance and health insurance benefits.
- Cash bonuses relate to sign-on bonus due on S. Lake's first anniversary of employment for 50% of his basic salary. The amount is unpaid at 31 December 2014.
- Cash bonuses relate to Key management retention bonuses. As at 31 December 2014 50% of the retention bonuses are still payable.
- Cash bonus relates to a sign-on bonus.
- Share-based payments represent the value of options and performance shares that have been recognised during the current year.
- Relates to non-recourse loans to Mr Thompson granted in two instalments (6 September 2012 and 30 January 2013) and to Mr Pace granted on 9 October 2013 and accounted for as a share-based payment. See Note 21 to the Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- ⁸ Mr Ashurst resigned as Executive Director and was appointed as a Non-Executive Director on 1 August 2014.
- ⁹ Dr Stuart Lake was appointed Chief Executive Officer and Executive Director on 1 February 2014.
- ¹⁰ Mr Moe was appointed as a Non-Executive Director on 16 June 2014.
- ¹¹ Mr Smith resigned as Non-Executive Director on 1 August 2014. The Board resolved for Mr Smith to retain his unvested options upon resignation. Salary and fees includes US\$26,268 (A\$28,000) non-executive director fees and US\$10,740 as payment for consulting services provided by Mr Smith to the Company.
- ¹² Mr Thompson resigned as Executive Director and Chief Executive Officer on 1 February 2014.
- ¹³ All unvested Performance Shares held by Mr Thompson were recognised as a reversal of share based payments through Employee Remuneration within the Statement of Comprehensive Income.
- ¹⁴ Ms Hicks was appointed Company Secretary on 6 June 2014.
- ¹⁵ Mr Philliskirk was appointed Group General Counsel on 15 December 2014.
- ¹⁶ Ms Tolcon resigned as Company Secretary on 6 June 2014.

Option Holdings by Directors and other Key Management Personnel (Post consolidation)

	Balance 1 January 2015	Options acquired	Awarded as remuneration	Options exercised	Net change other	Balance 31 December 2015	Exercisable	Not Exercisable
Directors								
M Ashurst ¹	100,000	-	-	-	(100,000)	-	-	-
G Bangura ²	50,000	-	-	-	(50,000)	-	-	-
J Couch ²	50,000	-	-	-	(50,000)	-	-	-
D King	-	-	-	-	-	-	-	-
S Lake ³	500,000	130,425	-	-	(630,425)	-	-	-
C Matthews	166,667	-	500,000	-	-	666,667	111,112	555,555
B Moe	50,000	-	200,000	-	-	250,000	16,667	233,333
J Pace ⁴	75,000	-	1,550,000	-	-	1,625,000	505,555	1,119,445
T Turner	16,667	-	-	-	-	16,667	16,667	-
S West ⁵	158,333	130,425	1,470,000	-	-	1,758,758	572,648	1,186,111
A Wilson	50,000	-	200,000	-	-	250,000	50,000	200,000
Key management personnel								
A Hicks	-	-	-	-	-	-	-	-
M Barrett	115,833	-	940,000	-	-	1,055,833	436,390	619,443
I Philliskirk	50,000	-	310,000	-	-	360,000	36,667	323,333
	1,382,500	260,850	5,170,000	-	(830,425)	5,982,925	1,745,706	4,237,220

¹ Mr Ashurst resigned Non-Executive Director on 18 November 2015.

² Mr Bangura and Mr Couch resigned as Non-Executive Directors on 30 November 2015.

³ Dr Lake resigned as Executive Director and Chief Executive Officer on 30 September 2015

⁴ Mr Pace was appointed Executive Director and Chief Executive Officer on 18 November 2015.

⁵ Mr West was appointed Executive Director on 18 November 2015.

Share Holdings by Directors and other Key Management Personnel (Post consolidation)

	Balance 1 January 2015	Balance held on appointment	Shares purchased	Granted as remuneration	On exercise of options	Net change other	Balance 31 December 2015
Directors							
M Ashurst ¹	-	-	-	-	-	-	-
G Bangura ²	-	-	-	-	-	-	-
J Couch ²	14,790	-	-	-	-	(14,790)	-
D King	30,000	-	-	-	-	-	30,000
S Lake ³	25,000	-	260,850	-	-	(285,850)	-
C Matthews	10,000	-	-	-	-	-	10,000
B Moe	10,000	-	-	-	-	-	10,000
J Pace ⁴	33,334	-	-	-	-	-	33,334
T Turner	4,167	-	-	-	-	-	4,167
S West ⁵	-	-	260,850	-	-	-	260,850
A Wilson	10,000	-	-	-	-	-	10,000
Key management personnel							
A Hicks	-	-	-	-	-	-	-
M Barrett	-	-	-	-	-	-	-
I Philliskirk	-	-	-	-	-	-	-
	137,291	-	521,700	-	-	(300,640)	358,351

¹ Mr Ashurst resigned Non-Executive Director on 18 November 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- ² Mr Bangura and Mr Couch resigned as Non-Executive Directors on 30 November 2015.
³ Dr Lake resigned as Executive Director and Chief Executive Officer on 30 September 2015
⁴ Mr Pace was appointed Executive Director and Chief Executive Officer on 18 November 2015.
⁵ Mr West was appointed Executive Director on 18 November 2015.

(e) Transactions and period end balances with related parties:

	2015 US\$	Restated 2014 US\$
African Minerals Limited and its subsidiaries	1,258,837	1,429,205
Pan African Minerals Limited and its subsidiaries	62,648	1,292,793
International Petroleum Limited and its subsidiaries	-	242,553
The Timis Corporation	-	90,089
The Timis Trust	-	(87,749)
	1,321,485	2,966,891
Impairment allowance	(1,321,485)	(1,429,204)
Total receivables from related parties (Note 9)	-	1,537,687

Unless otherwise stated, all of the outstanding balances are unsecured, interest free with no specific repayment terms.

- (i) During the year Nil was paid, or was due and payable by African Minerals Limited ('AML') and its subsidiaries for rental of the Company's corporate aircraft (2014: US\$1,353,003). The charge was determined based on the actual direct outgoing cash costs incurred on the aircraft while used by AML, plus a third of the actual indirect cash costs during the period 1 January 2014 to 31 October 2014, from this point the indirect cash costs were charged to Timis Mining Corporation. As at 31 December 2015 US\$1,258,837 was outstanding (2014: US\$1,429,205). Mr Timis and Mr Bangura are directors of AML. On 26 March 2015, AML appointed administrators and on 20 April 2015, 75% of former AML subsidiary Tonkolili Iron Ore (SL) Ltd ('TIO') was sold to Shandong Iron and Steel. The Company continues to pursue TIO for repayment of the debts owed; however, the Company considers it prudent to continue to recognise an impairment allowance for the outstanding balance of US\$1,258,837. This impairment loss may be reversed if AML secures additional funding that facilitates the repayment of the outstanding balance.
- (ii) During the current year first quarter US\$61,988 was paid by the Group on the behalf of PAM and its subsidiaries to cover PAM's employment costs and petty cash advances (2014 full year: US\$459,941). As at 31 December 2015 US\$62,648 was outstanding (2014: US\$70,883). The advance is interest free and on demand with no contractual terms. During the current year, a provision was recognised for US\$62,648 due to the long term ageing of outstanding items still unrecovered as at 31 December 2015.
- (iii) During the year Nil was paid, or was due and payable by Pan African Minerals Limited ('PAM') and its subsidiaries (2014: US\$1,672,999) for rental of the Company's corporate aircraft. As at 31 December 2015 Nil was outstanding (2014: \$1,034,223). Mr Timis, Mr Bangura and Mr Ashurst are directors of PAM. The balance has since been repaid. The charge was determined based on the actual direct outgoing cash costs incurred on the aircraft while used by PAM, plus a third of the actual indirect cash costs over the period.
- (iv) During the year Nil was paid, or was due and payable by IPL and its subsidiaries (2014: 264,949) for rental of the Company's corporate aircraft. As at 31 December 2015 Nil amount was outstanding (2014: 224,969). Mr Turner is a director of IPL. The recoverable amount was determined based on the actual direct outgoing cash costs incurred on the aircraft while used by IPL, plus a margin of US\$3,000 per flying hour as a contribution towards the actual indirect cash cost during the year. US\$2,000 of this margin was subsequently refunded to the two other related parties that otherwise share the total indirect costs during the period.
- (v) During the year Nil was advanced to IPL and its subsidiaries to cover employee costs in relation to work on the exploration and production sharing contracts in the republic of Niger (2014: US\$96,844). In the prior year, the Company had recognised an impairment provision for the total amount of US\$476,430. On 12 September 2014, IPL repaid the total outstanding balance. The impairment expense was reversed in 2014. During the year Nil was paid on their behalf to cover travel costs in relation to work on the exploration and production sharing contracts in the republic of Niger (2014: 64,923). In the prior year, US\$76,464 was recharged to IPL for these expenses in line with the Company's recharge of services policy. As at 31 December 2015 Nil was outstanding (2014: \$17,584).
- (vi) During the year US\$43,636 was paid on behalf of PAM and its subsidiaries to cover IT costs in relation to the service they share with the Company in London (2014: US\$144,770). US\$48,000 (2014: US\$159,687) was recharged to PAM for these expenses in line with the Company's recharge of services policy and based on PAM's actual share of the total usage plus 10%. Nil was recharged to PAM for the supply of employment services during the year (2014: \$15,000). As at 31 December 2015 US\$111,676 was outstanding (2014: \$187,687). During the year a provision of US\$111,676 was recognised due to the long term ageing of outstanding items unrecovered, and no further IT services have been provided to PAM since July 2015.
- (vii) During the year US\$39,196 was paid, or was due and payable from Timis Corporation for the sale of a motor vehicle. As at 31 December 2015 Nil was outstanding. Mr Timis is a significant indirect shareholder of the Timis Corporation and the Company.
- (viii) During the year US\$1,222 (2014: US\$26,831) of travel expenses was paid which related to the personal use of the Company car by Mr Timis. Mr Timis is a significant indirect shareholder of the Company. As at 31 December 2015 Nil was receivable (2014: US\$25,553). The advance is interest free and on demand with no contractual terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2015 US\$	Restated 2014 US\$
African Minerals Limited and its subsidiaries	284,237	252,594
Cape Lambert Resources Limited	9,612	-
Timis Mining Corporation and its subsidiaries	6,637	-
Total trade payables to related parties (Note 16)	300,486	252,594

(ix) An aggregate amount of US\$8,738 was payable to Cape Lambert Resources Limited ('Cape Lambert'), for occupancy costs in the first quarter of 2015 (2014: US\$32,581). The occupancy costs represents the Group's share of the overall office floor space. Mr Turner is a director of Cape Lambert. The Company moved out of these premises in March 2015. As at 31 December 2015, US\$9,612 was outstanding and due to Cape Lambert

(x) During the year Nil was paid, or was due and payable to AML and its subsidiaries for office rental costs (2014 US\$537,535). The rental fees were determined based on a monthly rate of GBP£20,000 representing the Group's share of the overall office floor space. As at 31 December 2015 US\$284,237 (£192,000) was outstanding (2014: US\$312,775 (£192,000)). The Company moved out of these premises in March 2015.

(xi) During the year Nil was paid, or was due and payable by Timis Mining Corporation Ltd ("TMC") and its subsidiaries (2014: US\$529,834) for rental of the Company's corporate aircraft. As at 31 December 2015 US\$6,637 was payable to TMC for refund of overpayment (2014: \$Nil). The recoverable amount was determined based on the actual direct outgoing cash costs incurred on the aircraft while used by TMC, plus a third of the actual indirect cash costs over the period. Mr Timis is a significant indirect shareholder of TMC and the Company.

(xii) As at 31 December, the following amounts were payable to directors of the Company or their nominees:

	2015 US\$	Restated 2014 US\$
Mr Moe	43,670	19,576
Dr King	39,442	26,509
CRMS which is an entity controlled by Mr Turner	7,646	-
Mr Bangura	13,658	-
Mr Wilson	6,917	-
Mr Ashurst	14,809	-

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	2015 US\$	Restated 2014 US\$
Financial assets		
Cash and cash equivalents	607,512	3,869,086
Trade and other receivables	187,756	3,426,097
Restricted cash	12,569,093	12,069,899
	13,364,361	19,365,082
Financial liabilities		
Trade and other payables	24,118,433	19,289,682
Financial liabilities	447,438	-
	24,565,871	19,289,682

Financial risk management policies

The Company's principal financial instruments comprise receivables, payables and cash.

Risk exposure and responses

The Company manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Company's financial risk management policy. The objective of the policy is to support the delivery of the Company's financial targets while protecting future financial security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company does not use any form of derivatives to hedge its financial risks. Exposure limits are reviewed by management on a continuous basis. The Company does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Company through regular reviews of the risks.

Treasury risk management

The Board analyses financial risk exposure and evaluates treasury strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Financial risk exposure and management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, equity risk, liquidity risk and credit risk.

Interest rate risk

The Company is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Company does not use derivatives to mitigate these exposures.

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2015	Restated
	US\$	2014
		US\$
Financial assets		
Cash and cash equivalents	607,512	3,869,086
Loan receivable from Key Management Personnel	-	175,933
Restricted cash	569,093	69,899
	1,176,605	4,114,918

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss.

The following sensitivity analysis is based on interest rate risk exposure in existence at the reporting date.

At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit		Other comprehensive income	
	higher / (lower)		higher / (lower)	
	2015	2014	2015	2014
	US\$	US\$	US\$	US\$
Consolidated Entity				
+1% 100 basis points (2014: 100 basis points)	11,766	38,691	-	-
-1% 100 basis points (2014: 100 basis points)	(11,766)	(38,691)	-	-

The movements in profit are due to higher / lower interest earned from variable rate cash balances. A sensitivity analysis of 100 basis points has been used as this is considered reasonable given the current level of the USD interest rate (2014: 100 basis points).

Foreign currency risk

The Company is exposed to currency risk on purchases and lending that are denominated in a currency other than the respective functional currencies of the entities making up the Consolidated Entity, which is primarily the United States Dollar (US\$). The Company has not entered into any derivative financial instrument to hedge such transactions.

As a result of subsidiaries whose functional currency is United States Dollars, the Company's statement of financial performance can be affected significantly by movements in the US\$/£ exchange rates. As a result of the parent entity whose functional currency is in Australian Dollars, the Company's statement of financial performance can be affected significantly by movements in the US\$/A\$ exchange rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At reporting date, the Consolidated Entity had the following exposure to United States Dollars and Great British Pounds that is not designated in cash flow hedges:

	2015	Restated 2014
	US\$	US\$
Financial assets		
Cash and cash equivalents – US\$ (Parent entity)	502	4,836
Cash and cash equivalents - £ (subsidiaries)	30,015	477,903
Loan receivable – US\$ (Parent entity)	-	-

The following sensitivity is based on the foreign currency risk exposures in existence at reporting date.

At reporting date, had the exchange rates moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2015 US\$	2014 US\$	2015 US\$	2014 US\$
Consolidated Entity				
US\$ to A\$ + 10% (2014: 10%)	50	484	-	-
US\$ to A\$ - 10% (2014: 10%)	(50)	(484)	-	-
US\$ to £ + 10% (2014: 10%)	3,002	47,790	-	-
US\$ to £ - 10% (2014: 10%)	(3,002)	(47,790)	-	-

A sensitivity analysis of 10% has been used as this is considered reasonable given the anticipated fluctuations in the exchange rates. The same analysis has been used for 2014.

Foreign currency risk on options

The Company is exposed to currency risk on the grant of options that are denominated in a currency other than the respective functional currencies of the entities making up the Consolidated Entity.

At reporting date, had the NOK/AUD exchange rate moved by 10%, with all other variables held constant, post tax profit would have been affected by approximately \$58,000.

Equity price risk

The derivative financial liability is susceptible to market price risk arising from uncertainties about the future value of the Group's share price.

At the reporting date, the exposure to equity price risk is limited to the derivative financial liability.

At the reporting date, the fair value of the derivative liability is \$447,438. An increase or decrease of 10% in the share price of the Group would have an impact of approximately \$91,000 on the Statement of Comprehensive Income.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Company manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Company does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

	0 – 3 months	3 – 6 months	6 – 12 months	1 – 5 years	Greater than 5 years	Total
	US\$	US\$	US\$	US\$	US\$	US\$
2015						
Trade and other payables	24,118,433	-	-	-	-	24,118,433
Financial liabilities	447,438	-	-	-	-	447,438
2014						
Trade and other payables	5,434,898	500,000	13,354,784	-	-	19,289,682
Financial liabilities	-	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As disclosed in Note 25 Commitments and contingencies, the Group will need significant funding to meet its explorations and drilling obligations. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of the Group's various licences when economically recoverable reserves are confirmed. Further details of the Group's liquidity strategies to meet its liquidity requirements are included in Note 2 Going Concern.

Credit risk

Credit risk arises from the financial assets of the Consolidated Entity, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Consolidated Entity's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Company has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company does not have any significant credit risk exposure to any single counter-party.

(i) Cash and cash equivalents

The Company limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables

Trade and other receivables as at the reporting date mainly comprise GST and short term loans to be refunded to the Company. The Directors consider that the carrying amount of trade and other receivables approximates their fair value. All trade and other receivables as disclosed in Note 9 are not rated by any rating agencies.

The Company has established an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Refer to Note 9 for aging profile.

Fair value

During the period the Company granted 14,166,815 options at an exercise price of NOK7.50 (on a post-consolidation basis) to the participants of the fundraising (Note 17), the options expire on 17 March 2017. As the options may be settled in exchange for a variable amount of cash when expressed in AUD (the functional currency of the parent entity), a financial liability has been recognised. The decrease in the fair value of the derivative liability from initial recognition of \$2,561,298 was recognised as Net unrealised gain on fair value of financial liabilities in the current financial year.

Financial liabilities

	2015	Restated
	US\$	2014
		US\$
Options granted in NOK	447,438	-

The fair value of the options has been calculated using the Black-Scholes model. The decrease in the fair value of the financial liabilities from initial recognition of US\$2,561,298 was recognised as a gain for the current financial year. The following assumptions were used in the determination of the fair value of the options:

	31 December 2015		On initial recognition	
	Tranche 1	Tranche 2	Tranche 1	Tranche 2
Number of options (post consolidation)	13,586,600	580,215	13,586,600	580,215
Risk free rate	3.05%	3.05%	3.05%	3.05%
Expected life of options	1.22 years	1.22 years	2.00 years	2.00 years
Share price at grant	NOK3.60	NOK3.40	NOK3.60	NOK3.40
Share price	NOK1.60	NOK1.60	NOK1.60	NOK1.60
Volatility	125%	125%	125%	125%

The fair value of the options has been estimated using market observable inputs and as such is categorised as Level 2 in the fair value hierarchy.

The net fair value of all other financial assets and liabilities approximates their carrying values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. 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 Chief Operating Decision Maker 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.

During the current year there was no rental income, however in the prior year three customers make up 90% of rental revenue.

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

	2015 US\$	Restated 2014 US\$
Australia	-	-
Côte d'Ivoire	14,001,617	23,633,144
Gambia	3,544,384	528,072
Liberia	8,308,792	7,306,800
Senegal	3,200,362	2,623,933
Sierra Leone	8,529,929	10,468,614
United Kingdom	1,015,044	433,579
	38,600,128	44,994,142

25. COMMITMENTS AND CONTINGENCIES**Exploration commitments**

The Company has entered into obligations in respect of its exploration projects. Outlined below are the minimum expenditures required as at 31 December are as follows:

	2015 US\$	2014 US\$
Within one year	76,202,565	54,924,240
After one year but not more than five years	2,656,308	40,532,753
More than five years	-	-
	78,858,873	95,456,993

Office rental commitments

The Company has entered into obligations in respect of office premises. Commitments for the payment of office rental in existence at the reporting date but not recognised as liabilities are as follows:

	2015 US\$	2014 US\$
Within 1 year	55,592	-
Later than 1 year and not later than 5 years	-	-
Later than 5 years	-	-
	55,592	-

26. EVENTS SUBSEQUENT TO REPORTING DATE

On 16 March 2016, the Company announced that the new Production Sharing Contract ("PSC") that the Group had entered into with Ophir Energy plc on 21 December 2015 covering the Company's CI-513 licence area in Côte d'Ivoire became effective when all government ministerial signatures had been obtained. In accordance with the agreement with Ophir Energy they made a contribution of US\$16.9 million towards African Petroleum's back costs in relation to the block and now hold a 45% operated interest in the PSC. African Petroleum holds a 45% non-operated interest and Petroci (the National Oil Company of Côte d'Ivoire) holds a 10% carried interest in the PSC. Part of the proceed was used to settle the outstanding liabilities and met new obligations under the new PSC such as licence fee, guarantee and signature bonus.

There are no other subsequent events that would materially affect the Company's operations and financial performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. LOSS PER SHARE

	31 December 2015 US\$	Restated 31 December 2014 US\$
(a) Basic loss per share		
Overall operations	(31.81) cents	(38.88) cents
(b) Diluted loss per share		
Overall operations	(31.81) cents	(38.88) cents
(c) Reconciliation of loss used in calculating loss per share		
Loss from continuing operations attributable to the ordinary equity holders used in calculating basic loss per share	(31,106,853)	(27,220,570)
Loss attributable to the ordinary equity holders used in calculating basic loss per share	(31,106,853)	(27,220,570)
(d) Weighted average number of ordinary shares outstanding during the period used in the calculation of basic loss per share	97,774,419	70,010,963
(e) Weighted average number of ordinary shares outstanding during the period used in the calculation of dilutive loss per share	97,774,419	70,010,963

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted loss per share only to the extent to which they are dilutive. There are 22,633,061 options as at 31 December 2015 (2014: 2,418,607 options). These options have not been included in the determination of basic loss per share because they are considered to be anti-dilutive.

Due to the share issue at a discount price as disclosed in note 17, the number of shares used for the loss per share calculation in 2014 and in subsequent loss per share calculations was adjusted using an adjustment factor of 1.07 times. The comparative was further adjusted for the 10:1 share consolidation during the financial year.

28. PARENT ENTITY FINANCIAL INFORMATION

a) Summary financial information

The individual financial statements of the parent entity show the following aggregate amounts:

	31 December 2015 US\$	31 December 2014 US\$
Statement of financial position		
Current assets	1,657	84,164
Non-current assets	20,363,641	41,123,285
Total assets	20,365,298	41,207,449
Current liabilities	(864,711)	(148,067)
Total liabilities	(864,711)	(148,067)
Net Assets	19,500,587	41,059,382
Shareholders' equity		
Issued capital	1,007,123,071	996,274,914
Reserves	(11,565,779)	(10,012,597)
Accumulated losses	(976,056,705)	(945,202,935)
	19,500,587	41,059,382
Net loss for the year	(30,853,770)	(945,451,084)
Total comprehensive loss	(30,853,770)	(945,451,084)

b) Guarantees entered into by the parent entity

The parent entity has not provided any financial guarantees in respect of bank overdrafts and loans of subsidiaries during the current year (31 December 2014: nil).

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 year ended 31 December 2015 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of its financial position as at 31 December 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
 - (b) subject to the achievement of 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.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the year ended 31 December 2015.

Signed in accordance with a resolution of the Directors:



Jens Pace
Chief Executive Officer

London, 29 April 2016

Independent auditor's report to the members of African Petroleum Corporation Limited

Report on the financial report

We have audited the accompanying financial report of African Petroleum Corporation Limited, which comprises the statement of financial position as at 31 December 2015, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

- a. the financial report of African Petroleum Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the year ended on that date;
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Emphasis of matter

Without qualifying our opinion, we draw attention to the following:

- Note 2 to the financial report details the conditions that indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.
- Note 15 Exploration and Evaluation Expenditure sets out the Directors' judgements, which form the basis by which the consolidated entity's exploration and evaluation licenses are carried at \$37,583,467 in the Statement of Financial Position at 31 December 2015. The Directors have formed their judgment on the basis that, amongst other criteria, active and significant operations in relation to these licences are planned into the future. The active and significant operations to be undertaken are dependent on the on-going plan to seek licence extensions from regulatory bodies, additional funding from farm-out partners and capital raisings. Without extensions to the licences to allow further studies to be completed and/or additional funding via farm-out or capital raisings to meet the consolidated entity's exploration and drilling obligations, the consolidated entity may be required to either relinquish or sell licences and in such circumstances may not be able to realise the carrying value of the Exploration and Evaluation Expenditure as at 31 December 2015.



Ernst & Young



V L Hoang
Partner
Perth
29 April 2016

UNAUDITED ADDITIONAL SHAREHOLDER INFORMATION**ADDITIONAL INFORMATION – OSLO AXESS**

In compliance with Oslo listing requirements and Section 3-3a of the Norwegian Accounting Act, the following information is provided in addition to the information set-out elsewhere in this Annual Report.

Nature of the business

The principal activity of the Company is oil and gas exploration and is outlined in the Directors Report on page 3.

Working environment

As an operator of offshore concessions, it is the duty of African Petroleum to provide a safe working environment and minimise any adverse impact on the environment. Health, safety, environment and security policies are embedded throughout all of the Company's core operations. In this regard, we strive for continuous improvement as lessons learned from past operations are incorporated into business practices going forward.

During the year ended 31 December 2015 there were no staff injuries or accidents reported, and no illnesses suffered by staff that required extended absences from the workplace.

Workplace equality

African Petroleum is committed to workplace diversity which includes but is not limited to gender, age, ethnicity and cultural background. Where possible the Company fills employment positions with local skilled people. During 2015 all staff positions in our West African offices were held by local people.

Proportion of local West African employees:

	Actual	Objective
Organisation as a whole	63%	50%
Board	11%	10%

African Petroleum's Diversity Policy defines initiatives which assist the Company in maintaining and improving the diversity of its workforce. In accordance with this policy and Corporate Governance Principles, the Board has established the following objectives in relation to gender diversity which it hopes to achieve over the next five years as positions become vacant and appropriately skilled candidates are available:

Proportion of women

	Actual	Objective
Organisation as a whole	10%	20%
Executive management team	Nil	20%
Board	Nil	20%

Significant direct and indirect shareholdings as at 31 March 2016

	Shareholder	Shares	%
1	Sarella Investments Limited	25,284,633	23.72
2	M&G Investment Mgt	15,981,017	14.99
3	Capital Research Global Investors	6,442,536	6.04
4	Henderson Global Investors	5,570,000	5.22
5	Telinet Energi AS	5,325,884	5.00
6	Gekko AS	3,554,856	3.33
7	Banque Heritage	2,872,074	2.69
8	Mirabaud & Cie Banquiers Prives	2,388,985	2.24
9	Dundee Securities	2,345,356	2.20
10	Artemis Investment Mgt	1,900,106	1.78
11	Banca Credinvest	1,496,191	1.40
12	Windrush Holdings SA	1,348,750	1.27
13	FirstEnergy Capital	1,322,319	1.24
14	Nordnet Bank	1,217,239	1.14
15	Mirabaud Asset Mgt	1,189,449	1.12

Impact on the external environment

The Company is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work. There have been no significant known breaches of the Company's exploration license conditions or any environmental regulations to which it is subject.

UNAUDITED ADDITIONAL SHAREHOLDER INFORMATION**Going concern assumption**

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. Further details are provided in Note 2 to the audited financial statements.

Risk assessment

As an exploration company in the oil and gas industry, the Company operates in an inherently risky sector. Oil and gas prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectation of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns. These factors are beyond the control of the Company and may affect the marketability of oil and gas discovered. In addition, the Company is subject to a number of risk factors inherent in the oil and gas upstream industry, including operational and technical risks, reserve and resource estimates, risks of operating in a foreign country (including economic, political, social and environmental risks) and available resources. We recognise these risks and manage our operations in order to minimise our exposure to the extent practical.

Further details on the Company's financial risk management policies are set out in Note 23 to the audited financial statements.

Outlook

The priority for the next two years is to progress and unlock the high potential in the Company's West African assets through leveraging technology to de-risk ahead of the drill bit and, subject to finalising finance, through drilling key exploration wells with strategic partners. By obtaining partners to farm-in to the Company's acreage, where the Company holds high working interest positions of between 90-100%, the Company will mitigate its risk and financial exposure whilst also enabling the Company to crystallise value for its shareholders.

Further details on the Company's outlook are described in the Directors Report of the annual report.

Rights and obligations of shareholders

In accordance with section 5-8a of the Securities Trading Act, the Company provides the following information:

- a. the Company's share capital consists entirely of ordinary shares. Further details are set-out in Note 17 to the audited financial statements. Over 94.29% of the Company's ordinary shares are admitted for trading on the Oslo Axess (Norway);
- b. there are no restrictions on the transfer of securities;
- c. significant direct and indirect shareholdings are set-out on page 59 of the annual report;
- d. no holders of any securities have special control rights;
- e. the Company does not operate an employee share scheme;
- f. there are no restrictions on voting rights;
- g. there are no agreements between shareholders which are known to the Company and which may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC;
- h. the Company's Constitution provides that the Board of Directors shall have no fewer than 3 directors and no more than 12 directors. The directors are elected by a general meeting of shareholders by ordinary resolution. Additionally, pursuant to Clause 13.4 of the Constitution, the Board of Directors may at any time appoint a person to be a Director, provided that the maximum number of Directors is not exceeded. Any such Director appointed will hold office until the next general meeting and will be eligible for re-election. At the Company's annual general meeting, one-third of the Directors for the time being, shall retire from office, provided always that no Director except a Managing Director shall hold office for a period in excess of three years without submitting himself for re-election. The Directors to retire at an annual general meeting are those who have been longest in office since their last election. A retiring Director is eligible for re-election. In the event of equal voting at a director's meeting, the chairman of the meeting shall have a second or casting vote providing there is more than two directors competent to vote on the question. As the Company is incorporated in Australia, the Australian Corporations Act requires the Company to have at least two directors that reside in Australia.
- i. the Company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders;
- j. pursuant to section 198A of the Australian Corporations Act, the business of a company is managed by or under the direction of the Board of Directors. Pursuant to Clause 2.2 of the Company's Constitution, the Board of Directors has the power to issue shares;
- k. subject to the requirements in the Australian Corporations Act, the Company may purchase its own shares in accordance with the buy-back provisions of the Australian Corporations Act, on such terms and at such times as may be determined by the Directors from time to time and approved by the shareholders as required pursuant to the Australian Corporations Act. The Company is not entitled to hold its own shares, subject to exceptions set out in Section 259A of the Australian Corporations Act. Any shares repurchased by the Company will need to be cancelled;
- l. there are no significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid;
- m. there are no agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Corporate governance

The Board of Directors of African Petroleum is committed to administering its corporate governance policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with African Petroleum's needs. Given its Australian domicile and former NSX listing, the Company's corporate governance framework has been constructed in recognition of, and with regard to, the Australian Corporations Act; the ASX Corporate Governance Council's ("CGC") 'Principles of Good Corporate Governance and Best Practice Recommendations' (Recommendations) and CGC published guidelines; and an extensive range of varying legal, regulatory and governance requirements applicable to publicly listed companies in Australia. The Board of Directors supports the principles of effective corporate governance and is committed to adopting high standards of performance and accountability, commensurate with the size of the Company and its available resources. Accordingly, the Board of Directors has adopted corporate governance principles and practices designed to promote responsible management and conduct of the Company's business. The current corporate governance plan adopted by the Company is available on the Company's website at www.africanpetroleum.com.au. The Company is in compliance with the NSX Corporate Governance Principles.

UNAUDITED ADDITIONAL SHAREHOLDER INFORMATION

The Companies policies and practice for corporate governance are further outlined in the Company's Corporate Governance Statement on page 14 of the annual report.

REPORTING – PAYMENTS TO GOVERNMENTS STATEMENT

This country-by-country report has been developed to comply with the legal requirements in the Norwegian Security Trading Act ("Verdipapirhandelloven") § 5-5a, valid from 2014. The detailed regulation can be found in the regulation "Forskrift om land-for-land rapportering". In 2015, the Company was engaged in extracting activities encompassed by the legislation above in the following countries: Cote d'Ivoire, The Gambia, Liberia, Senegal and Sierra Leone. This report discloses relevant payments to governments for extractive activities in the countries above, in addition to some contextual information as required by the regulation in the "Forskrift om land-for-land rapportering".

BASIS FOR PREPARATION

The report includes direct payments to governments from subsidiaries, joint operations and joint ventures. In some cases, however, certain payments to governments may be made by the operator on behalf of a partnership. This is often the case for area fees. In such cases, APCL will report the full payment made by APCL on behalf of partners when APCL is the operator.

DEFINITIONS

Government - In the context of this report, a government means any national, regional or local authority of a country. It includes a department, agency or undertaking controlled by that authority.

Project - For this reporting a project is defined as an investment in a concession agreement.

Licence fees - Typically levied on the right to use a geographical area for exploration, development and production and include rental fees, area fees, entry fees, severance tax and concession fees and other considerations for licences and/or concessions. Administrative government fees that are not specifically related to the extractive sector, or to access extractive resources, are excluded.

Materiality - As per the "Forskrift om land-for-land rapportering" payments made as a single payment, or as a series of connected payments that equal or exceed Norwegian kroner (NOK) 800.000 during the year are disclosed.

Reporting currency - Payments to governments are converted from the functional currency of each legal entity into the presentation currency, United States Dollars (USD). The payments for entities whose functional currencies are other than USD are converted into USD at the foreign exchange rate at the average annual rate.

PAYMENTS TO GOVERNMENTS AND CONTEXTUAL INFORMATION

The consolidated overview below discloses the sum of company's payments to governments in each individual country where extractive activities are performed, per payment type and country/project. As the group's projects at all at the exploratory stage, there are no taxes, royalties, dividends to currently report.

Payments per project	
Project	Licence fees /USD
CI509	461,852
CI513	538,148
Total Cote d'Ivoire	1,000,000
A01	1,979,520
A04	982,000
Total The Gambia	2,961,520
LB08	150,000
LB09	150,000
Total Liberia	300,000
ROP	51,785
SOSP	-
Total Senegal	51,785
SL03	-
SL04A-10	-
Total Sierra Leone	-

Payments per government	
Government	Licence fees /USD
Government 1(Federal)	1,000,000
Government 2 (Municipality)	-
Government 3 (State owned company)	-
Total Cote d'Ivoire	1,000,000
Government 1(Federal)	2,961,520
Government 2 (Municipality)	-
Government 3 (State owned company)	-
Total The Gambia	2,961,520
Government 1(Federal)	-
Government 2 (Municipality)	-
Government 3 (State owned company)	300,000
Total Liberia	300,000
Government 1(Federal)	-
Government 2 (Municipality)	-
Government 3 (State owned company)	51,785
Total Senegal	51,785
Government 1(Federal)	-
Government 2 (Municipality)	-
Government 3 (State owned company)	-
Total Sierra Leone	-

UNAUDITED ADDITIONAL SHAREHOLDER INFORMATION**LEGAL ENTITIES BY COUNTRY**

As per the "Forskrift om land-for-land rapportering" it's required that the Company report on certain contextual information at corporate level. This includes information on localization of subsidiary, employees per subsidiary and interests paid to other legal entities within the group.

Legal corporate structure of the Consolidated Entity during 2015 is set out below:

Name	Country of incorporation	Ownership	Employees ¹	Interest paid to a group entity
African Petroleum Corporation Limited	Australia	n/a	-	-
Total Australia			-	-
African Petroleum Corporation Ltd	Cayman Islands	100%	-	-
European Hydrocarbons Ltd	Cayman Islands	100%	-	-
African Petroleum CI-513 Ltd	Cayman Islands	100%	-	-
African Petroleum Liberia Ltd	Cayman Islands	100%	-	-
African Petroleum Sierra Leone Ltd	Cayman Islands	100%	-	-
African Petroleum Senegal Ltd	Cayman Islands	90%	-	-
African Petroleum Gambia Ltd	Cayman Islands	100%	-	-
African Petroleum Cote d'Ivoire Ltd	Cayman Islands	100%	-	-
Total Cayman Islands			-	-
African Petroleum Cote d'Ivoire SAU	Cote d'Ivoire	100%	2	-
Total Cote d'Ivoire			2	-
African Petroleum Liberia Limited	Liberia	100%	4	-
Total Liberia			4	-
APCL Gambia B.V.	Netherlands	100%	-	-
Total Netherlands			-	-
African Petroleum (Senegal) SAU	Senegal	100%	3	-
Total Senegal			3	-
African Petroleum (SL) Limited	Sierra Leone	99.99%	17	-
European Hydrocarbon (SL) Limited	Sierra Leone	99.99%	-	-
Total Sierra Leone			17	-
African Petroleum Corporation (Services) Limited	United Kingdom	100%	15	-
European Hydrocarbons Limited	United Kingdom	100%	-	-
Regal Liberia Limited	United Kingdom	100%	-	-
African Petroleum Limited	United Kingdom	100%	-	-
African Petroleum Corporation Limited	United Kingdom	100%	-	-
Total United Kingdom			15	-

¹Employees number is the average during the year

UNAUDITED ADDITIONAL SHAREHOLDER INFORMATION

Responsibility statement

We confirm that:

- a. to the best of our knowledge, the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the Group taken as a whole; and
- b. that the Directors Report together with the Additional Information – Olso Axess includes a fair review of the development and performance of the business and the position of African Petroleum Corporation Limited and the Group taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- c. to the best of our knowledge, the country-by-country report for 2015 has been prepared in accordance with the Norwegian Security Trading Act Section 5-5a.”



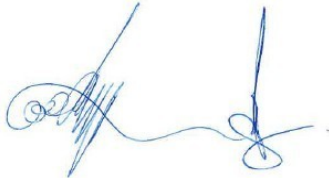
Charles Matthews, Chairman of the Board



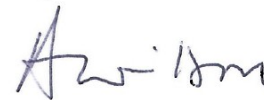
David King, Director of the Board



Bjarne Moe, Director of the Board



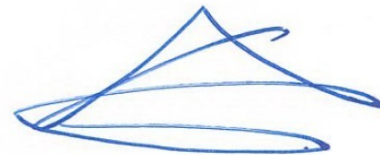
Timothy Turner, Director of the Board



Anthony Wilson, Director of the Board



Jens Pace, CEO and Executive Director of the Board



Stephen West, CFO and Executive Director of the Board