



**African
Petroleum**
CORP LTD



African Petroleum Corporation Ltd
Interim Financial Report for the First Quarter

2014

About Us

African Petroleum Corporation Limited is an independent oil and gas exploration company operating eight licences in four countries offshore West Africa (Côte d'Ivoire, Liberia, Senegal and Sierra Leone). The Company's assets are located in fast-emerging hydrocarbon basins, principally the West African Transform Margin, where several discoveries have been made in recent years.

African Petroleum Corporation has a significant opportunity to become a leading independent exploration company through its highly prospective acreage offshore West Africa. The Company continues to achieve key operational milestones across its four licences, rapidly maturing its exploration portfolio, acquiring more than 15,000km² of 3D seismic data and drilling three exploration wells, one of which was a discovery.

African Petroleum Corporation is among the largest net acreage holders in the West African Transform Margin, rivalling industry majors such as Anadarko Petroleum, Chevron Corporation and Lukoil. The Company has mean prospective oil resources in excess of 5.2 billion barrels, further highlighting the scale of its presence in the region.

2014 Highlights

- In February 2014, African Petroleum Corporation announced the appointment of a new Chief Executive Officer, Dr. Stuart Lake who joins us from Hess Corporation
- Additionally, in February, the Company was granted extensions on Licence Blocks in Sierra Leone and Liberia
- In March 2014, the first tranche of a A\$20 Million share placement was completed and an updated Competent Persons Report estimated African Petroleum Corporation's net unrisks mean of prospective oil resources in excess of 5.2 billion barrels
- In April 2014, the Company completed the second tranche of a A\$20 Million share placement and announced it was seeking to list on the Oslo Stock Exchange
- Additionally, in April 2014, African Petroleum Corporation was granted an extension on its licences CI-509 and CI-513 in Côte d'Ivoire
- In April 2014, the Company received approval from the Oslo Stock Exchange to list on the Oslo Axess
- In May 2014 the Company completed an IPO on Oslo Axess raising gross funds of NOK 48.6 million (approximately US\$8.2m)

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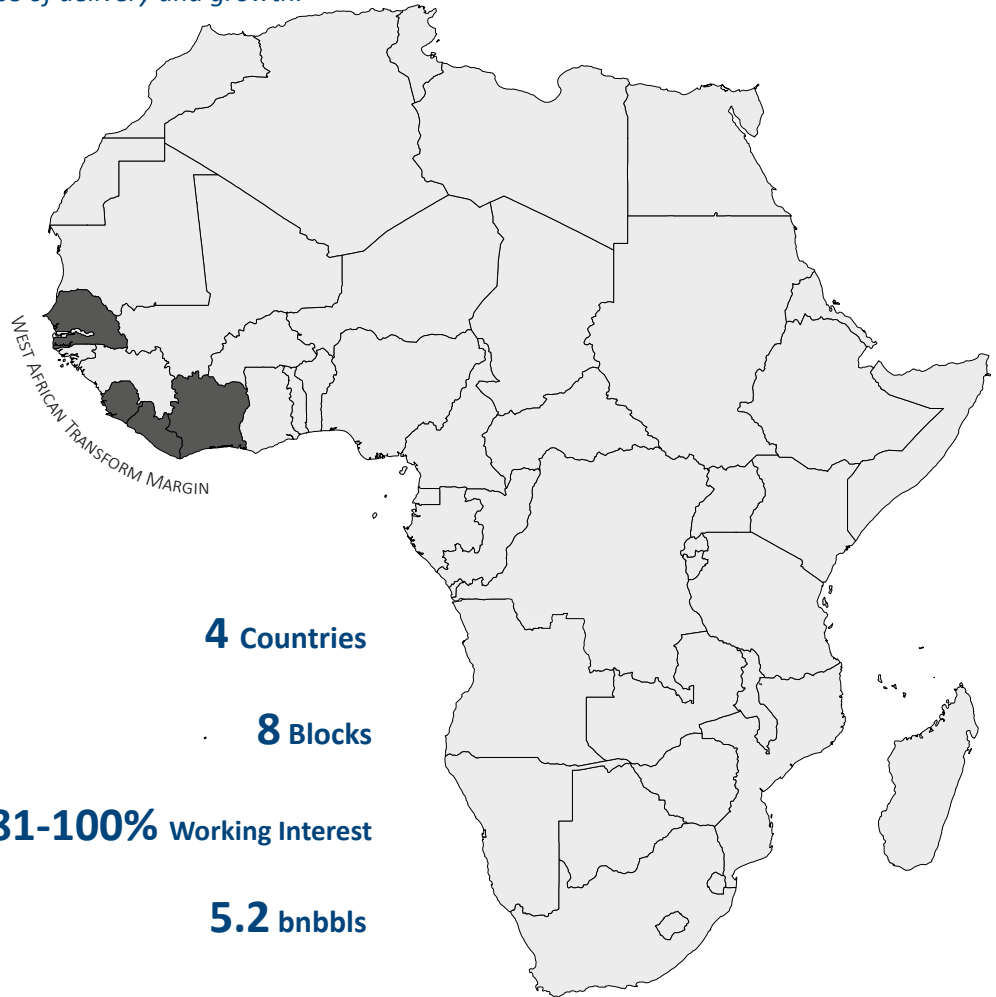
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CEO Statement

“This is an exciting time for the Company with several key milestones achieved already this year. 2014 has seen extensions granted in Liberia, Côte d’Ivoire, and Sierra Leone, a capital raising of A\$20 Million and approval to list on the Oslo Axess. African Petroleum Corporation is in a strong position as we prepare for a drilling campaign in 2015 that will look to unlock the potential in our West African assets and move into the next phase of delivery and growth.”



PRIMED FOR GROWTH

VOLUME POTENTIAL

- > 5.2 billion barrels net unrisked mean prospective oil resources over a diversified portfolio with discoveries along the margin

OPERATIONAL ENVIRONMENT

- > Favourable low cost deepwater environment with no significant above or below ground hazards

VALUE

- > Seeking partners to share the value and rewards
- > “Liquid Rich” prospectivity with excellent terms, high net working interest, and attractive asset valuations

NEW WAVE OF EXPLORATION

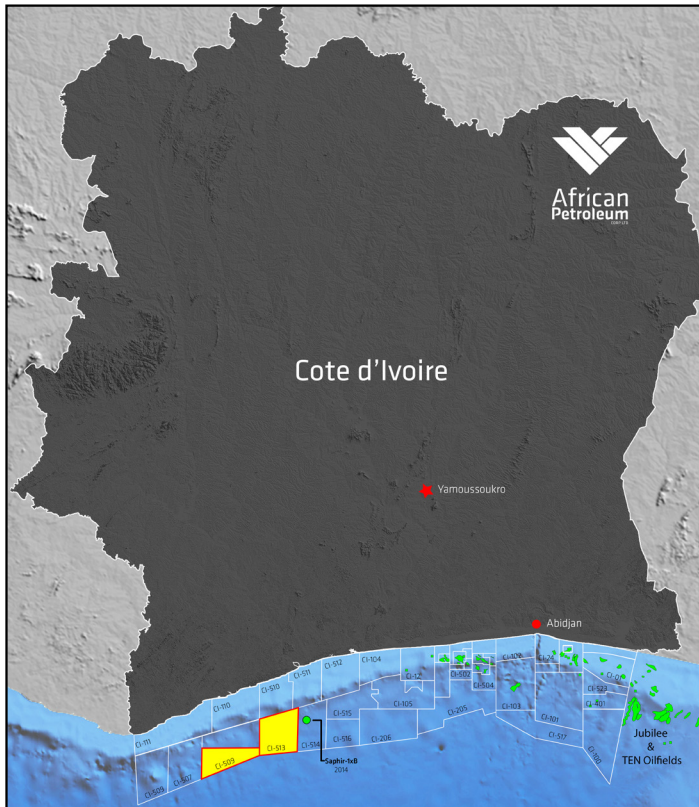
- > Numerous exploration and appraisal wells in neighbouring blocks in 2014
- > Catalyst wells provide potential to de-risk portfolio
- > Recent licence extensions provides opportunity to leverage learnings and find partners

Statement of Responsibility

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first quarter of 2014, which has been prepared in accordance with IAS 34 Interim Financial Statements, gives a true and fair view of the Company’s consolidated assets, liabilities, financial position and results of operations, and that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

Operational Update

Côte d'Ivoire



- Water depth: 900 – 3,150m
- 90% working interest in offshore licences CI-509 and CI-513 with combined net acreage of 2,284Km²
- Acquired 4,200Km² seismic data over Côte d'Ivoire licence blocks
- Key prospects identified with net unrisks mean prospective oil resources of 1,560 MMstb
- Significant well campaigns in neighbouring blocks; the Saphir-1xB discovery de-risks acreage and our prospect portfolio by proving oil charge (the earlier pre drill principal risk)
- One year licence extensions on the exploration period granted in April 2014

In Côte d'Ivoire, African Petroleum Corporation holds a 90% working interest in offshore licences CI-509 and CI-513 (the "CI Licences"), the remaining 10% is held by Petroci the national oil company of Côte d'Ivoire. The Company was awarded CI-513 in December 2011 and CI-509 in March 2012, with a combined net acreage of 2,284Km².

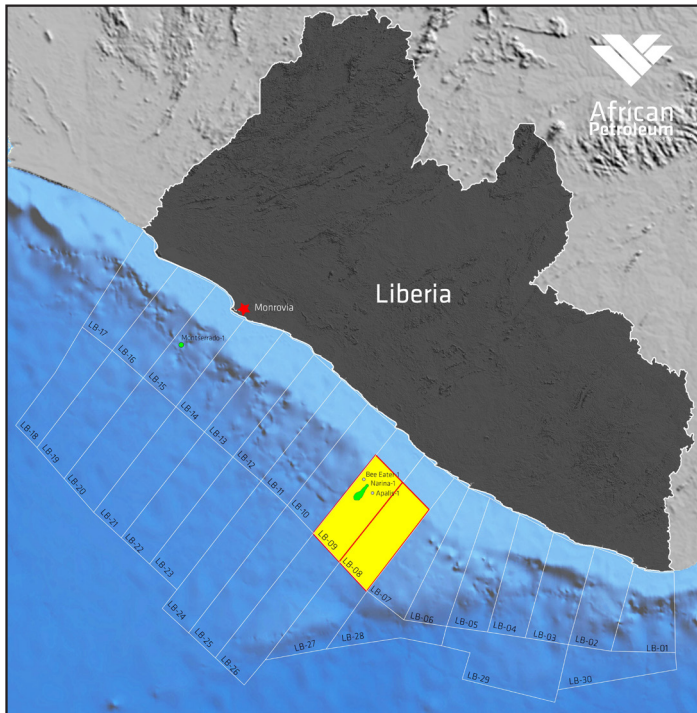
In October 2012, the Company acquired 4,200Km² of 3D seismic data over the CI Licences, fulfilling the seismic work commitments of the first exploration phase for both licences. Fast-track 3D

seismic data was received in November 2012, while final 3D seismic depth processing of the entire survey was completed in March 2014. Interpretation of the data has identified a number of significant prospects, with net unrisks mean prospective oil resources of 1,560 MMstb (ERC Equipoise, CPR 2014).

African Petroleum Corporation is actively seeking strategic partners in the Côte d'Ivoire acreage. Significant well campaigns are due to take place offshore Côte d'Ivoire in 2014, with exploration and appraisal wells planned by, amongst others, Vitol, Anadarko and Total. In April 2014, Total announced a discovery of hydrocarbons in block CI-514, adjacent to African Petroleum Corporation's acreage with 40 meters of net oil pay and 34° API light oil. These catalyst wells provide potential to de-risk the Company's acreage.

On 22 April 2014 African Petroleum Corporation announced PSC Amendments to both licences CI-509 and CI-513. The PSC Amendments include an adjustment of the licence periods providing for one-year extensions to the first exploration periods of both licences at the expense of the duration of future exploration periods. This adjustment allows the Company more time for drilling of the first period commitment wells in these blocks. The first exploration period for block CI-509 is extended to March 2016 and block CI-513 has been extended to December 2015. The Company intends to use some of this additional time to integrate recently completed 3D seismic depth processing into the optimisation of exploration well locations as several new amplitude supported prospects have now arisen from the newly processed PSDM 3D data and prior prospects mapped for the 2014 CPR are now being reassessed with the new data. The new PSDM can now be better calibrated to the recent results of Total's oil discovery in CI 514, as African Petroleum Corporation had pre traded the 3D covering both Total's CI 514 operated acreage and the acreage immediately north of CI 513 and CI 509 held by the Vitol operated group. The CPR will be updated with the incorporation of the new interpretation off the new PSDM prior to year end. The Company also intends to use the additional time from the licence extensions to secure the appropriate sixth generation rig for a wider drilling programme, and build a partnership group to explore in the promising area of the Côte d'Ivoire deep-water margin.

Liberia



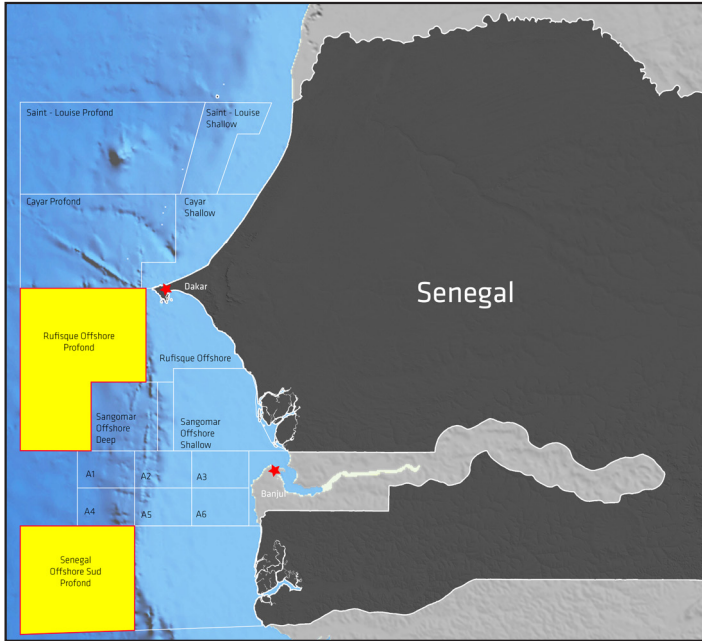
- Water depth: 900 – 2,800m
- 100% working interest in production sharing contracts LB-08 and LB-09 with a combined net acreage of 5,352Km²
- Three wells drilled to date, including the oil discovery at Narina-1
- A number of key prospects identified with net unrisked mean prospective oil resources of 3,230MMstb
- High-resolution 3D seismic data planned to de-risk acreage further
- Announced two year extension of Liberia licence blocks in February 2014

In Liberia, African Petroleum Corporation is the operator and holds a 100% working interest in production sharing contracts LB-08 and LB-09 with combined net acreage of 5,352Km². The Company has conducted an extensive work programme on its Liberian licences. In 2010, African Petroleum Corporation completed the acquisition and processing of 5,100Km² of 3D seismic data over both licences. The interpretation of this data identified numerous prospects and leads in the Upper Cretaceous post rift section and also a number of Cretaceous aged syn-rift opportunities.

African Petroleum Corporation has successfully executed an exploration programme in LB-09, with three wells drilled; Apalis-1, Narina-1 and Bee Eater-1. In September 2011, African Petroleum Corporation completed drilling of its first exploration well, Apalis-1, on LB-09. The well encountered oil shows in several geological units including the shallow unlogged (Tertiary-Paleocene) and proved source rock in the Cenomanian. The Narina-1 well was drilled on LB-09 in January 2012 targeting a major Turonian fan system. The well encountered a combined total of 32 metres of net oil pay in the primary objective Turonian and underlying Albian reservoirs with no oil water contacts observed. African Petroleum Corporation's discovery at Narina-1 was the first well to prove a working petroleum system in the central Liberian basin, an extremely positive result for the Company and one that improves the chances of success elsewhere in the area. The Company drilled its third well, Bee Eater-1, on LB-09 in January 2013. The well tested an up-dip axial section of the Turonian slope fan in which the Company's Narina-1 discovery has been made in 2012. The Bee Eater-1 well encountered a tight reservoir interval but provided the impetus to integrate the information into a predictive model for improved reservoir in slope fans outboard and down-dip. These new findings have been incorporated into a revised interpretation of the subsurface across the portfolio, with new basin floor fan prospects identified.

In September 2013, the Company completed reprocessing of all the 3D seismic data from its Liberian licences to improve image quality and support the maturation of additional prospects and appraisal opportunities. Certain areas would benefit from additional improvement of the seismic image and so currently both 3D reprocessing and acquiring new high-resolution 3D seismic is being considered for LB-09 to cover two key exploration prospects (Narina West and Night Heron) near the Narina-1 well. The high-resolution 3D seismic survey, should it go ahead, will incorporate lessons learned from seismic reprocessing and will be acquired utilising the latest state of the art technology. Detailed stratigraphic analysis and reservoir quality prediction from seismic data will assist in the rapid assessment of both Narina West and Night Heron to further de-risk the licence area to enable accurate well positioning and efficient development in the event of appraisal success. In LB-08, new seismic data is also being considered to cover three prospects (Lovebird, Darter and Turaco) in the Southern corner of the licence area. Encouraging amplitude support for reservoir and potentially hydrocarbons exists within the current re-processed dataset. However, near surface effects (shallow slump zone "mass transport deposit") degrades seismic data quality. Investment in both of these new 3D high resolution datasets, should they be acquired, will better delineate and further de-risk the prospects prior to drilling, however recent rework by the Company has identified several technology uplifts that can achieve potentially the same result through reprocessing the existing 3D seismic data at much lower cost, thus several 3D seismic reprocessing options are being investigated first to see if the uplift can be achieved without the need to acquire new higher resolution 3D seismic data – both or either option are subject to the approval of NOCAL. The Company has identified a number of key prospects in the Liberian licences with net unrisked mean prospective oil resources of 3,230 MMstb (ERC Equipoise, CPR 2014). Anadarko (operator) with partners Cepsa and Mitsubishi plan to drill 2 wells in Q2/Q3 in block 10 (adjacent to the Company's acreage) this year. Again, the results of these wells will have some bearing on the prospectivity of African Petroleum Corporation's acreage.

Senegal

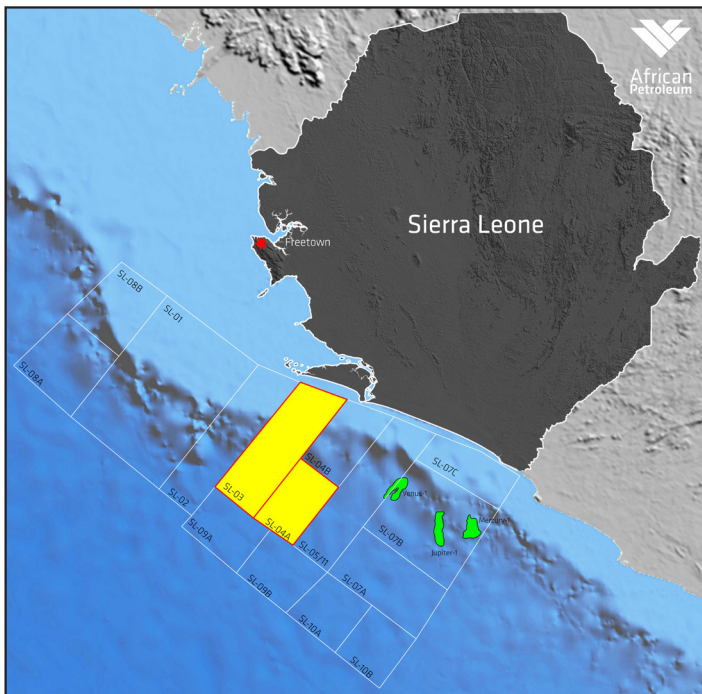


- Water depth: 2,000 - 3,500m
- 81% working interest in exploration blocks Rufisque Offshore Profond and Senegal Offshore Sud Profond with combined net acreage of 14,804Km²
- Extensive regional database is currently being interpreted
- Third party drilling activity will aid in the evaluation of the licences

In Senegal, African Petroleum Corporation holds an 81% operated working interest in exploration blocks Rufisque Offshore Profond (“ROP”) and Senegal Offshore Sud Profond (“SOSP”) (together the “Senegal Licences”). The Company’s Senegal licences are located offshore southern and central Senegal, with a net acreage of 14,804Km². To date, the Company has acquired 10,000Km² of 2D seismic data over the Senegal Licences and has compiled an extensive regional database. In May 2012, the Company completed a 3,600Km² 3D seismic data acquisition over the SOSP licence block. In the ROP block an existing 3D seismic data (2007 vintage) covers 1800km² and was purchased from Petrosen. This base dataset will benefit from reprocessing, which is underway

and the final product will be delivered in Q4 2014. Several large Cretaceous turbidite fan ‘leads’ have been identified, these will be matured to prospects when the reprocessed data has been evaluated. Oil was encountered just to the East in the Rufisque Dome and accordingly the petroleum system is proven in the area. Cairn Energy and Conoco Phillips have commenced a two well drilling campaign offshore Senegal during 2014, and the results from this campaign will aid in the evaluation of the prospectivity of African Petroleum Corporation’s Senegal Licences.

Sierra Leone



- Water depth: 2,800 – 3,800m
- 100% working interest in offshore licences SL-03 and SL-4A-10 with combined net acreage of 5,855Km²
- Significant 3D and 2D seismic data acquired over the licence area
- A number of key prospects have been identified, one of which has net unrisks mean prospective oil resources of 434MMstb
- Two-year extension agreed for the first exploration period in the SL-03 Licence

In Sierra Leone, the Company holds 100% operated working interest in offshore licences SL-03 and SL-4A-10. African Petroleum Corporation was awarded a 100% interest in SL-03 in April 2010, which is currently in its initial exploration period, while licence SL-4A-10 was awarded as part of Sierra Leone’s third offshore licencing round in 2012 and is also in the initial exploration period. The Company’s Sierra Leone licences cover a combined net acreage of 5,855Km² and are located to the south of Freetown, offshore Sierra Leone.

Since gaining operatorship of the Sierra Leone licences, African Petroleum Corporation has acquired 3D seismic data covering 2,500km² on block SL-03 and 2D seismic data over the SL-4A-10 licence and is currently performing extensive geological and geophysical work on both blocks. The Company has already identified a number of key prospects in the Sierra Leone licences, one of which has net unrisks mean prospective oil resources of 434 MMstb (ERC Equipoise, CPR 2014). Following discussions with the Government of Sierra Leone, in September 2013, the Company received a two-year extension to the first exploration period for SL-03, extending the first exploration period on the block to April 2015. On SL-4A-10, the Company has interpreted existing 2D seismic and has identified a number of promising prospects for verification. TGS-Nopec acquired a multi-client 3D seismic survey over parts of SL-4A-10 in October 2011, which the Company is considering to licence for further geological and

geophysical work. The Company intends to acquire a 3D survey of approximately 1,500km² over SL-04-10 during 2014 to cover the rest of the Vega lead thus fulfilling the remaining licence obligations in Sierra Leone.

Health, Safety and Environment

As an operator of offshore concessions, it is the duty of African Petroleum Corporation to provide a safe working environment and minimize any adverse impact on the environment. HSE is 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.

Outlook

Over the forthcoming year, the Company will work towards building on its reputation as a fast moving explorer in both emerging and frontier basins. The Company will work towards securing long-term strategic partners, firming up the funding base and executing a safe and low cost exploration programme in 2015. Such moves will be a significant step towards our goal to deliver the highest value and return to all our stakeholders.

With significant drilling activity taking place in adjacent acreage by majors, extensions granted over much of our acreage, an IPO completed and the first day of trading on the Oslo Axess anticipated for 30 May 2014, the Company is in an excellent position to unlock the prospective resources of our assets and mitigate risk.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		Q1 2014	Q1 2013	YTD Q1 2014	YTD Q1 2013
USD\$ '000s		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	6a	836	87	836	87
Depreciation expense		(258)	(514)	(258)	(514)
Consulting expense		(1,360)	(913)	(1,360)	(913)
Compliance and regulatory expenses		(269)	(276)	(269)	(276)
General administration expenses		(316)	(774)	(316)	(774)
Aircraft expenses		(834)	(408)	(834)	(408)
Impairment of aircraft		-	(1,300)	-	(1,300)
Impairment of related party loans & deposits		(180)	-	(180)	-
Rig demobilisation/cancellation costs		-	(3,753)	-	(3,753)
Travel expenses		(227)	(654)	(227)	(654)
Occupancy costs		(213)	(424)	(213)	(424)
Employee remuneration	6b	(1,458)	(3,787)	(1,458)	(3,787)
Net foreign currency losses		(65)	(1)	(65)	(1)
Finance costs		(69)	-	(69)	-
Other expenses		(1)	-	(1)	-
Loss from continuing operations before income tax		(4,414)	(12,717)	(4,414)	(12,717)
Income tax expense		-	-	-	-
Loss for the period, attributable to the members		(4,414)	(12,717)	(4,414)	(12,717)
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss:					
Foreign exchange gain/(loss) on translation of functional currency		158	(203)	158	(203)
Other comprehensive income/(loss) for the period, net of tax		158	(203)	158	(203)
Total comprehensive loss for the period		(4,256)	(12,920)	(4,256)	(12,920)
Loss for the period is attributable to:					
Non-controlling interest		1	(150)	1	(150)
Owners of the parent		(4,415)	(12,567)	(4,415)	(12,567)
		(4,414)	(12,717)	(4,414)	(12,717)
Total comprehensive loss for the period is attributable to:					
Non-controlling interest		1	(150)	1	(150)
Owners of the parent		(4,257)	(12,770)	(4,257)	(12,770)
		(4,256)	(12,920)	(4,256)	(12,920)
Basic/diluted loss per share attributable to members (US dollars)		(3.15)	(9.13)	(3.15)	(9.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

USD\$ '000s	Note	31-Mar-14 (Unaudited)	31-Dec-13 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	7,935	7,914
Trade and other receivables	8	6,510	7,709
Restricted cash	9	12,075	12,074
Prepayments		642	1,266
Total current assets		27,162	28,963
Non-current assets			
Property, plant and equipment		3,249	3,510
Restricted cash	9	-	-
Exploration and evaluation expenditure	10	406,468	403,273
Total non-current assets		409,717	406,783
Total assets		436,879	435,746
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	583,630	575,912
Reserves	13	17,438	17,282
Accumulated losses		(193,985)	(189,571)
Attributable to equity holders of the parent		407,083	403,623
Non-controlling interests		(260)	(261)
Total equity		406,823	403,362
LIABILITIES			
Current liabilities			
Trade and other payables	11	30,056	32,384
Total current liabilities		30,056	32,384
Total liabilities		30,056	32,384
Total equity and liabilities		436,879	435,746

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

USD\$ '000s	Note	Ordinary Share capital	Share-based payment reserve	Accumulated losses	Foreign currency translation reserve	Non-controlling interest	Total equity
Equity at 1 January 2013		575,912	25,795	(101,468)	(11,951)	(135)	488,153
Loss for the period		-	-	(12,717)	-	(150)	(12,867)
Other comprehensive losses		-	-	-	203	-	203
Equity at 31 March 2013		575,912	25,795	(114,185)	(11,748)	(285)	475,489
Equity at 1 April 2013		575,912	25,795	(114,185)	(11,748)	(285)	475,489
Loss for the period		-	-	(75,386)	-	24	(75,362)
Other comprehensive losses		-	-	-	(341)	-	(341)
Total comprehensive loss for the period		-	-	(75,386)	(341)	24	(75,703)
Transactions with owners in their capacity as owners:							
Issue of capital		-	-	-	-	-	-
Share-based payments		-	3,576	-	-	-	3,576
Equity at 31 December 2013		575,912	29,371	(189,571)	(12,089)	(261)	403,362
Equity at 1 January 2014		575,912	29,371	(189,571)	(12,089)	(261)	403,362
Loss for the period		-	-	(4,414)	-	1	(4,413)
Other comprehensive losses		-	-	-	156	-	156
Total comprehensive loss for the period		-	-	(4,414)	156	1	(4,257)
Transactions with owners in their capacity as owners:							
Issue of capital		7,718	-	-	-	-	7,718
Equity at 31 March 2014		583,630	29,371	(193,985)	(11,933)	(260)	406,823

CONSOLIDATED STATEMENT OF CASH FLOWS

USD\$ '000s	YTD Q1 2014 (Unaudited)	YTD Q1 2013 (Unaudited)
Cash flow from operating activities		
Payments to suppliers and employees	(5,054)	(6,303)
Rental income	599	-
Interest received	3	89
Finance costs	(34)	-
Net cash flow from operating activities	(4,486)	(6,214)
Cash flow from investing activities		
Payment for plant, equipment and aircraft	(15)	(296)
Proceeds from disposal of plant and equipment	43	
Payment for exploration and evaluation activities	(3,437)	(63,348)
Loan repaid by related parties	113	184
Loan to related parties	(108)	-
Cash backing security returned	-	39,506
Net cash flow from investing activities	(3,404)	(23,954)
Cash flow from financing activities		
Proceeds from issue of shares	7,959	-
Capital raising costs	(241)	-
Net cash flow from financing activities	7,718	-
Net change in cash and cash equivalents	(172)	(30,168)
Cash and cash equivalents at the beginning of the period	7,914	52,599
Net foreign exchange differences	193	(13)
Cash and cash equivalents at the end of the period	7,935	22,418

Notes to the interim financial report for the first quarter 2014

Note 1 – General and corporate information

These financial statements are the interim financial statements of African Petroleum Corporation Limited (“African Petroleum Corporation”) and its subsidiaries (hereafter “the Company”) for the first quarter of 2014. African Petroleum Corporation is a public limited company incorporated and domiciled in Australia, with its main office located in London, United Kingdom, whose shares are publicly traded on the National Stock Exchange of Australia and will be traded on the Oslo Axess from 30 May 2014.

Note 2 – Basis of preparation

This general purpose condensed interim financial report for the quarter ended 31 March 2014 has been prepared in accordance with IAS 34 Interim Financial Reporting and the supplement requirements of the Norwegian Securities Trading Act (Verdipapirhandelloven).

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

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 31 December 2013 and considered together with any public announcements made by African Petroleum Corporation during the three months ended 31 March 2014 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

The interim financial report is presented in United States Dollars.

Note 3 – Accounting policies

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2013.

Note 4 – Critical accounting estimates and judgements

The preparation of the interim financial report entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the Company’s accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2013.

Note 5 – Going concern

The interim financial report has 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.

Note 6 – Revenue, income and expenses

	Q1 2014 (Unaudited) US\$'000	Q1 2013 (Unaudited) US\$'000	YTD Q1 2014 (Unaudited) US\$'000	YTD Q1 2013 (Unaudited) US\$'000
a) Revenue				
Bank interest income	21	87	21	87
Flight revenue	527	-	527	-
Other revenue	288	-	288	-
	836	87	836	87

	Q1 2014 (Unaudited) US\$'000	Q1 2013 (Unaudited) US\$'000	YTD Q1 2014 (Unaudited) US\$'000	YTD Q1 2013 (Unaudited) US\$'000
a) Employee remuneration				
Employee benefits	849	2,475	849	2,475
Directors' remuneration	640	1,312	640	1,312
Share-based payments recognised	-	-	-	-
Share-based payments reversed	(31)	-	(31)	-
	1,458	3,787	1,458	3,787

Note 7 – Cash and cash equivalents

	31-Mar-14 US\$'000	31-Dec-13 US\$'000
Cash at bank and on hand	7,935	7,914
	7,935	7,914

Note 8 – Trade and other receivables

	31-Mar-14 US\$'000	31-Dec-13 US\$'000
Trade receivables	2,504	2,109
Loans receivable from related parties ¹	1,875	1,862
Other receivables	2,131	3,738
	6,510	7,709

¹During 2012, US\$841,994 (£521,252) was loaned to Karl Thompson to cover tax payable on performance shares awarded to Mr Thompson. In January 2013, an additional US\$200,658 (£124,107) was loaned to Mr Thompson to cover an additional 10% tax payable on these performance shares. The loan can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within 5 years or from the sale of any shares prior to this time. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US\$11,147 (£6,714) of interest recognised during the current quarter (31 March 2013: US\$9,888 (£6,441)). The Loan Agreement was approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loan, the Company will waive the remaining balance of the loan. This arrangement has been accounted for as a share-based payment.

During 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% with US\$6,736 (£4,056) of interest recognised during the current quarter (31 March 2013: US\$5,990 (£3,898)). The loan agreement was approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loan, the Company will waive the remaining balance of the loan. This arrangement has been accounted for as a share-based payment.

Note 9 – Restricted cash

	31-Mar-14	31-Dec-13
	US\$'000	US\$'000
Current restricted cash	12,075	12,074
	12,075	12,074

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.

Note 10 – Exploration and evaluation expenditure

	31-Mar-14	31-Dec-13
	US\$'000	US\$'000
Acquisition cost at beginning of period (1 January)	403,273	354,823
Exploration expenditure incurred and capitalised during the period	3,195	94,788
Impairment	-	(46,338)
Acquisition cost at end of period	406,468	403,273

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

- the continuance of its 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.

Note 11 – Trade and other payables

	31-Mar-14	31-Dec-13
	US\$'000	US\$'000
Trade payables	3,671	6,063
Withholding tax ¹	13,551	13,551
Other payables and accruals ²	11,374	11,279
Share-based payments liability ³	1,460	1,491
	30,056	32,384

¹An accrual for withholding tax in relation to the Company's exploration activities has been recognised. In certain jurisdictions the Company may be required to withhold payment on services provided by subcontractors. Any such amounts withheld are due to the tax authorities and will be credited against the subcontractors own income tax liability.

²Other payables include amounts accrued for in respect of seismic data interpretation and exploration activities

³Share-based payments liability relating to director loans as disclosed in Note 8.

Note 12 – Issued capital

	31-Mar-14	31-Dec-13
	No. of shares	No. of shares
Fully paid ordinary shares	568,996,637	565,144,637
Reconciliation		
Number of outstanding shares at beginning of period (1 January)	565,144,637	565,144,637
Issue of shares pursuant to a capital raising	3,852,000	-
Issue of shares pursuant to share based payment arrangements	-	-
Issue of shares on the exercise of options	-	-
Number of outstanding shares at the end of period	568,996,637	565,144,637

	31-Mar-14 US\$'000	31-Dec-13 US\$'000
Fully paid ordinary shares	583,630	575,912
Reconciliation		
Amount of outstanding shares at beginning of period (1 January)	575,912	575,912
Issue of shares pursuant to a capital raising	7,959	-
Capital raising cost	(241)	-
Issue of shares pursuant to share based payment arrangements	-	-
Issue of shares on the exercise of options	-	-
Amount of outstanding shares at the end of period	583,630	575,912

Note 13 – Reserves

	31-Mar-14 US\$'000	31-Dec-13 US\$'000
Share-based payments reserve		
At beginning of period (as at 1 January)	29,371	25,795
Share-based payments	-	3,576
Total share-based payments reserve	29,371	29,371
Foreign currency translation reserve		
At beginning of period (as at 1 January)	(12,089)	(11,951)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	156	(138)
Total foreign currency translation reserve	(11,933)	(12,089)
Total reserves	17,438	17,282

Note 14 – Business segments

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

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

Countries	31-Mar-14	31-Dec-13
	US\$'000	US\$'000
Liberia	293,256	291,029
Côte d'Ivoire	51,334	51,492
Senegal	38,556	37,952
Sierra Leone	24,510	24,064
United Kingdom	1,928	2,113
Other	133	133
	409,717	406,783

Note 15 – Events after the balance sheet date

A\$20 Million Share Placement

On 24 February 2014, the Company announced it had received firm commitments for a placing of 83,334,000 new fully paid ordinary shares ("Placing Shares") at A\$0.24 per Share with institutional and sophisticated investors, to raise a total of A\$20,000,160 before costs ("Placing"). The Placing took place in two tranches with the first tranche of 37,852,000 Placing Shares issued on 4 March 2014 and the second tranche of 45,482,000 Placing Shares issued on 8 April 2014.

Côte d'Ivoire Licence Extensions

On 22 April 2014, the Company announced that African Petroleum Côte d'Ivoire Limited, a wholly owned subsidiary of African Petroleum Corporation Limited, and the Government of Côte d'Ivoire had agreed amendments to the Production Sharing Contracts related to Blocks CI-509 and CI-513 (the "PSC Amendments"). The PSC Amendments include an adjustment to the licence periods providing for one year extensions to the first exploration periods of both licences at the expense of the duration of future exploration periods. This adjustment allows the Company additional time for drilling of the first period commitment wells in these blocks up to March 2016, in respect of CI-509, and up to December 2015 for CI-513.

Listing Approval from Oslo Stock Exchange

On 30 April 2014 the Board of Directors of Oslo Børs resolved to admit the shares in African Petroleum Corporation to listing on Oslo Axess, a regulated market place under the Oslo Stock Exchange.

On 9 May 2014 African Petroleum Corporation resolved to launch an initial public offering (the "Offering") of the Company's shares on Oslo Axess. On 21 May 2014 the Company successfully completed the Offering raising NOK 48.6 million (approximately US\$8.2 million) and has fulfilled the conditions for listing as determined by the Board of Oslo Børs on 30 April 2014.

Note 16 – 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 March 2014 and 31 December 2013:

	31-Mar-14 US\$	31-Dec-13 US\$
Within one year	5,710,427	40,507,191
After one year but not more than five years	100,323,675	66,610,540
More than five years	-	-
	106,034,102	107,117,731

Note 17 – Fair values of financial assets and financial liabilities

The carrying values of financial assets and financial liabilities at 31 March 2014 approximates their fair values.

Information on African Petroleum Corporation Limited

DIRECTORS

Charles Matthews - Chairman

Stuart Lake – Chief Executive Officer

Mark Ashurst – Executive Director

Gibril Bangura

Jeffrey Couch

David King

James Smith

Timothy Turner

Anthony Wilson

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