



**African
Petroleum**
CORP LTD

Interim Financial Report for the
Second Quarter 2016





African Petroleum Corporation Limited

Interim Financial Report for the Second Quarter 2016

HIGHLIGHTS

- Further to the completion of the transaction with Ophir Energy on the CI-513 licence in Côte d'Ivoire in March 2016, the Company (45% interest) has been working with Ophir Energy on preliminary planning for an exploration well to be drilled in 2017.
- The Company is actively engaged in discussions with a number of governments regarding possible licence extensions and amendments to existing and future work obligations. Concurrently, the Company remains in farm-out negotiations with several potential farm-in partners for certain licences across the portfolio, including The Gambia and Senegal.
- Post period end, the Company announced that it has signed a Letter of Intent with an undisclosed International E&P company with respect to Licences A1 and A4, offshore The Gambia.
- Mr Charles Matthews, Non-Executive Chairman, retired as Chairman and Non-Executive Director in order to pursue other business interests. Dr David King assumed the position of Non-Executive Chairman.
- Post completion of the CI-513 transaction, payments were made during the second quarter in respect of outstanding training and resource fees on the licence (US\$7.5m), signature bonus (US\$0.9m) and bank guarantee (US\$4.4m) to maintain the CI-513 licence in good standing.
- Approximately US\$1.6 million cash at bank as at 30 June 2016, together with US\$10.9 million restricted cash.
- The Company has continued to operate with a reduced running cost base (implemented in late 2015).

COMPANY BACKGROUND

African Petroleum, listed on the Oslo Axess (APCL) and the Open Market of the Frankfurt Stock Exchange (A1C1G9), is an independent oil and gas exploration company led by an experienced Board and management team, with substantial experience in oil and gas exploration, appraisal, development and production. The Company is a significant net acreage holder in West Africa with estimated net unrisked mean prospective oil resources in excess of 11.6 billion barrels.

African Petroleum has equity interests in 10 licences across five countries offshore West Africa (Côte d'Ivoire, Liberia, Senegal, The Gambia and Sierra Leone). The Company's assets are located in proven 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.



CEO STATEMENT



“The successful completion of the transaction with Ophir Energy in Côte d’Ivoire marks a positive start to the year for African Petroleum. The deal supports our view that an industry appetite still exists for high quality exploration opportunities despite the challenging market conditions. Indeed the associated reduction in costs across the sector in this market supports the case for exploration while work programmes can be conducted with much greater efficiency than in the recent past. Furthermore, the award of this new PSC at the end of the first period of our previous PSC demonstrates that agreements can be reached with governments on licence extensions and amendments in order to support continued activity and long-term investment.

Encouraged by this result, the Company’s focus is on replicating this outcome across the rest of our portfolio. We are engaged in discussions with potential partners, and with the governments of Senegal and The Gambia, to align our ambitions and to support exploration in our licenced acreage position in this prospective region. Based on a shared objective of moving forward to drill the high quality prospects the Company has identified through substantial technical work and historic investment, we are confident of concluding additional transactions in the near future.”

OPERATIONAL & CORPORATE UPDATE

FARM OUT PROCESS

African Petroleum seeks to build on the success of attracting Ophir Energy plc as a partner on the CI-513 Licence in Côte d’Ivoire by forming other strategic partnerships to explore the Company’s blocks in Côte d’Ivoire, Liberia, Senegal, The Gambia, and Sierra Leone. The strategy, supported by detailed technical work and prospect definition, is to use the significant equity held in this prospective portfolio to fund a high impact exploration drilling campaign. The industry interest in The Gambia and Senegal licences in particular, due to the regional context of hydrocarbon discoveries being made in adjacent blocks in this part of the Atlantic Margin, provides management with confidence that agreements will be concluded in due course.

Côte d’Ivoire

On 16 March 2016, the Company announced that the new a new Production Sharing Contract (“PSC”) with Ophir Energy plc covering the Company’s CI-513 licence area in Côte d’Ivoire became effective.

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 signing of the new PSC.

African Petroleum and Ophir Energy are now working towards the drilling of an exploration well on CI-513 in 2017. 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.

The Gambia & Senegal

The Company is continuing advanced farm-out discussions with several interested parties across the Company's Gambia and Senegal assets. These farm-out discussions are being conducted in conjunction with meetings and discussions with the Governments of The Gambia and Senegal with a view of aligning the requirements of the potential incoming partners with the respective licence terms and obligations.

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 Energy 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 three appraisal wells SNE-2, SNE-3 and SNE-4 being announced as successful in January 2016, March 2016 and May 2016 respectively. In addition, Kosmos Energy extended their Mauritania drilling campaign further south and commenced drilling in Senegal in December 2015. This has led to a string of very successful drilling programmes by Kosmos Energy through the first half of the year, including significant gas discoveries at Tortue, Geumbeul-1 and Ternanga-1, and the successful appraisal well at Ahmeyim-2.

Although African Petroleum was unable to deliver on a farm-out transaction in The Gambia or Senegal in H1 2016 due to the challenging market conditions for exploration activity and the prolonged nature of discussions with potential partners and governments, the Company remains confident that current advanced discussions can yield farm-outs in due course. Further announcements will be made when appropriate.

Post period end, the Company announced that that it had signed a Letter of Intent ("LOI") with an undisclosed International E&P company with respect to Licences A1 and A4, offshore The Gambia. The LOI represents a non-binding commercial proposal regarding the possible acquisition of interests in Licences A1 and A4 where African Petroleum holds 100% operated working interest in both blocks. The proposal set forth within the LOI is conditional upon African Petroleum confirming the extension of the exploration periods of both licences by at least 12 months by the Government of The Gambia, and is subject to ongoing due diligence and commercial negotiations.

BOARD RE-STRUCTURE

On 23 May 2016 it was announced that Mr Charles Matthews, Non-Executive Chairman, had retired as Chairman and Non-Executive Director in order to pursue other business interests. Dr David King, who was serving as a Non-Executive Director of the Company since July 2013, assumed the position of Non-Executive Chairman, effective from the retirement of Mr Matthews.

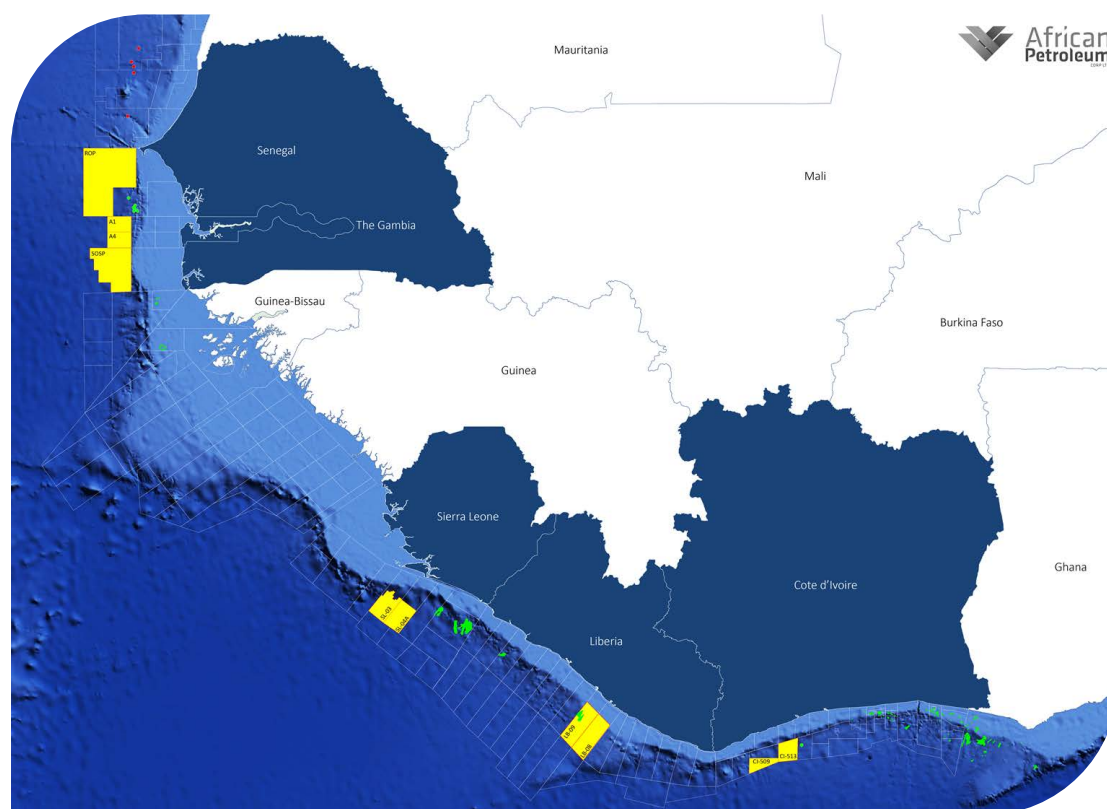
Dr King is a professional geoscientist and has over 35 years of experience in oil and gas and other natural resources industries. He holds an MSc in Geophysics from Imperial College, London, and a PhD in Seismology from the Australian National University, Canberra. After starting a career in academia, including 2 years as Research Fellow at the Norwegian Seismic

Array facility at Kjeller, Dr King worked in oil and gas exploration across a broad range of geographies. He co-founded, as well as held executive and non-executive board positions with, a number of successful ASX listed oil and gas exploration companies, including Eastern Star Gas Limited, Gas2Grid Limited and Sapex Limited. He has also served as Managing Director of ASX listed gold producer North Flinders Mines, CEO of oil & gas producers Beach Petroleum and Claremont Petroleum, and Chairman of Robust Resources Ltd. 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.

LICENCE PHASES

African Petroleum is actively engaged in discussions with a number of governments regarding possible licence extensions and amendments to existing and future work obligations. The Company maintains strong relationships with host governments founded upon recognition of the Company's efforts to progress the exploration of these licences. Based on the dialogue experienced to date with the governments of Senegal, The Gambia, Côte d'Ivoire, Liberia and Sierra Leone, we are confident that we will achieve outcomes that are mutually beneficial for our host countries, potential industry partners and African Petroleum. Please refer to the next section "Licence Information" for further information on specific licences.

LICENCE INFORMATION



Côte d'Ivoire: Blocks CI-509 & CI-513

In Côte d'Ivoire, African Petroleum holds:

- i) 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
- ii) 45% non-operated interest in offshore licence CI-513, with a 45% operated interest held by Ophir Energy plc and the remaining 10% held by Petroci. A new PSC for CI-513 was signed in December 2015 and became effective in March 2016.

The two licence interests have a combined net acreage of 1,633km².

The current phase of licence CI-509 ended in March 2016; however, the Company has not received a formal notice of termination and the Company remains in positive dialogue regarding the proposed suspension of the licence to enable sufficient time for a regional technical study and the introduction of a new partner by the Company, at which point it is anticipated the licence will be renewed.

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 unrisked mean prospective oil resources at 1,273MMStb (adjusted for Ophir Energy's 45% interest in CI-513).

Senegal: Rufisque Offshore Profond & Senegal Offshore Sud Profond

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”). 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.

The current phase of the ROP licence ended in October 2015; however, the Company has lodged a request for an extension with the Government of Senegal and remains in positive dialogue regarding this extension request.

The Company was required to elect whether to continue with the current phase of the SOSP licence in June 2016 by committing to the drilling of an exploration well; however, the Company has not elected to commit to the drilling of the exploration well and has entered into dialogue regarding the possible amendment of this licence commitment.

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 1,779MMStb.

The Gambia: Blocks A1 & A4

African Petroleum holds a 100% operated working interest in offshore licences A1 and A4, 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 and FAN-1 discoveries and the SNE-2, SNE-3 and SNE-4 successful appraisal wells drilled by Cairn Energy in Senegal.

The A1 and A4 licences currently require the Company to drill an exploration well on either of the licences no later than 1 September 2016. The Company is unable to meet this drilling commitment and is in positive dialogue with the Government of The Gambia regarding an extension of this licence commitment.

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 3,079MMStb.

Liberia: Blocks LB-08 & LB-09

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, 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.

The current phase of licences LB-08 and LB-09 ended in June 2016; however, the Company has not received formal notice of termination and the Company remains in dialogue with the Government of Liberia regarding a proposal involving the extension of these licences.

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.

Sierra Leone: Blocks SL-03 & SL-4A-10

In Sierra Leone, the Company holds a 100% operated working interest in offshore licences SL-03 and SL-4A-10. 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.

The current phase of the SL-4A-10 licence ended in September 2015; however, the Company is continuing discussions with the Government of Sierra Leone to proceed into the First Extension Period of the SL-4A-10 licence, having fulfilled the commitment to acquire 3D seismic over the licence.

Post period end, in August 2016 the Company received formal ratification from the authorities in Sierra Leone for the entry into the First Extension Period on the SL-03 licence. As previously announced in December 2015, the Petroleum Directorate agreed to modify the work programme, minimum expenditure requirements and social obligations in favour of the Company during the First Extension Period on the licence.

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

HEALTH, SAFETY, ENVIRONMENT AND SECURITY

As an operator of offshore concessions, it is the duty of African Petroleum to provide a safe working environment and minimize 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 learnt from past operations are incorporated into business practices going forward.

PRINCIPAL RISKS AND UNCERTAINTIES

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 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.

OUTLOOK

Whilst the Company acknowledges that the term of certain assets in our portfolio has technically expired, we reiterate that we have not received formal termination of any of our licences and therefore retain an equity interest in ten licences in five countries offshore West Africa, including the CI-513 licence in Côte d'Ivoire with our new partner Ophir Energy. Furthermore, we are maintaining regular dialogue with the relevant authorities in each of our countries of operation who acknowledge African Petroleum's efforts to progress the licences through significant technical work and substantial historic investment, against the backdrop of challenging market conditions that have impacted the Company's ability to farm-out the licences and complete the required work commitments in the associated timeframes.

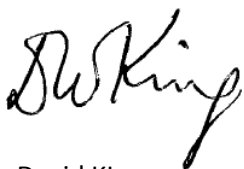
The ongoing dialogue we are having with governments and potential partners across our asset base gives us confidence that mutually beneficial farm-out agreements will be made in the near term, thereby allowing us to recommence and progress our activity across the portfolio. Separately, we are excited by the technical work that we are doing with our partners Ophir Energy on CI-513 and look forward to the firm catalyst of exploration drilling in 2017.

STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the condensed set of financial statements for the first half of 2016, which has been prepared in accordance with IAS34 Interim Financial Statements, provides a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the management report

includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

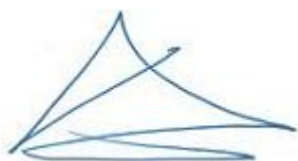
Approved by the Board of African Petroleum Corporation Limited:



David King
Chairman



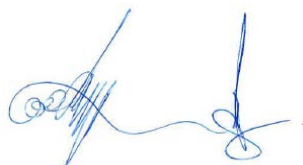
Jens Pace
CEO & Executive Director



Stephen West
CFO & Executive Director



Bjarne Moe
Non-Executive Director



Timothy Turner
Non-Executive Director



Anthony Wilson
Non-Executive Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

US\$ '000s	Note	Q2 2016 (unaudited)	Restated Q2 2015 (unaudited)	YTD Q2 2016 (unaudited)	Restated YTD Q2 2015 (unaudited)
Revenue		7	257	9	350
Exploration & evaluation expenditure		138	(4,604)	(278)	(5,444)
Net gain on farm-out of exploration & evaluation expenditure		-	-	6,900	-
Aircraft expenses		(6)	117	(7)	85
Depreciation expense		(1)	(165)	(3)	(347)
Impairment of exploration & evaluation expenditure		(302)	-	(302)	-
Impairment of consumable spares		-	(331)	-	(331)
Impairment of freehold land		-	(856)	-	(856)
Consulting expense		(260)	(1,122)	(516)	(1,937)
Compliance and regulatory expenses		(107)	(77)	(120)	(161)
General administration expenses		(206)	(594)	(396)	(976)
Employee remuneration	6	(820)	(2,360)	(1,199)	(3,601)
Travel expenses		(65)	(188)	(97)	(338)
Unrealised gain / (loss) on fair value of financial liabilities		363	772	(376)	772
Net foreign currency gains		141	(201)	58	(322)
Profit/(loss) from continuing operations before income tax		(1,118)	(9,352)	3,673	(13,106)
Income tax expense		-	-	-	-
Profit/(loss) for the period, attributable to the members		(1,118)	(9,352)	3,673	(13,106)
Other comprehensive profits					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Foreign exchange gain on translation of functional currency to presentation currency		-	(198)	-	7
Other comprehensive profits/(losses) for the period, net of tax		-	(198)	-	7
Total comprehensive profit/(loss) for the period		(1,118)	(9,550)	3,673	(13,099)
Profit/(loss) for the period is attributable to:					
Non-controlling interest		(1)	(15)	(2)	(49)
Owners of the parent		(1,117)	(9,337)	3,675	(13,057)
		(1,118)	(9,352)	3,673	(13,106)
Total comprehensive profit/(loss) for the period is attributable to:					
Non-controlling interest		(1)	(15)	(2)	(49)
Owners of the parent		(1,117)	(9,535)	3,675	(13,050)
		(1,118)	(9,550)	3,673	(13,099)
Basic/diluted profit/(loss) per share attributable to members (US cents per share) (post-consolidation basis)		(1.0)	(8.9)	3.4	(12.2)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US\$ '000s	Note	30 Jun 2016 (unaudited)	31 Dec 2015 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	1,587	608
Trade and other receivables	8	213	188
Restricted cash	9	10,944	12,569
Prepayments		156	156
		12,900	13,521
Assets held for distribution		-	502
Total current assets		12,900	14,023
Non-current assets			
Inventories		1,007	1,007
Property, plant and equipment		6	10
Exploration and evaluation expenditure	10	37,234	37,583
Total non-current assets		38,247	38,600
Total assets		51,147	52,623
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	611,455	611,440
Reserves	13	19,448	18,926
Accumulated losses		(609,231)	(612,906)
Attributable to equity holders of the parent		21,672	17,460
Non-controlling interests		(2,991)	(2,989)
Total equity		18,681	14,471
LIABILITIES			
Current liabilities			
Trade and other payables	11	31,594	37,705
Financial liabilities	14	872	447
Total current liabilities		32,466	38,152
Total liabilities		32,466	38,152
Total equity and liabilities		51,147	52,623

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US\$ '000s YTD Q2 2016 (unaudited)	Ordinary Share capital	Share- based payment reserve	Accumulated losses	Foreign currency translation reserve	Non- controlling interest	Total equity
Balance at 1 January 2016	611,440	30,907	(612,906)	(11,981)	(2,989)	14,471
Profit/(loss) for the period	-	-	3,675	-	(2)	3,673
Other comprehensive profit	-	-	-	-	-	-
Total comprehensive profit/(loss) for the period	-	-	3,675	-	(2)	3,673
Transactions with owners in their capacity as owners:						
Issue of capital	-	-	-	-	-	-
Exercise of share options	15	-	-	-	-	15
Share-based payments	-	522	-	-	-	522
Fair value recognition of options	-	-	-	-	-	-
Balance at 30 June 2016	611,455	31,429	(609,231)	(11,981)	(2,991)	18,681

CONSOLIDATED STATEMENT OF CASH FLOWS

US\$ '000s	YTD Q2 2016 (unaudited)
Cash Flows from Operating Activities	
Payments to suppliers and employees	(3,263)
Other income	-
Interest received	7
Finance costs	(29)
Net cash flows used in operating activities	(3,285)
Cash Flows from Investing Activities	
Payment for plant and equipment	(4)
Proceeds from disposal of plant and equipment	2
Proceeds from farm out of exploration and evaluation activities	16,900
Payment for exploration and evaluation activities	(14,391)
Increase in cash backing security for exploration and evaluation activities	(4,375)
Return of cash backing security for exploration and evaluation activities	6,000
Net cash used in investing activities	4,132
Cash Flows from Financing Activities	
Exercise of share options	15
Net cash from financing activities	15
Net increase in Cash and Cash Equivalents	862
Cash and Cash Equivalents at the beginning of the reporting period	608
Net foreign exchange differences	117
Cash and Cash Equivalents at the end of the reporting period	1,587

NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 1 - GENERAL AND CORPORATE INFORMATION

These financial statements are the interim financial statements of African Petroleum Corporation Limited (“African Petroleum”) and its subsidiaries (hereafter “the Company”) for the second quarter of 2016. African Petroleum 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 Oslo Axess, a regulated market place of the Oslo Stock Exchange, Norway.

NOTE 2 - BASIS OF PREPARATION

This general purpose condensed interim financial report for the quarter ended 30 June 2016 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 2015 and considered together with any public announcements made by African Petroleum during the period ended 30 June 2016 in accordance with the continuous disclosure obligations of Oslo Axess.

The interim financial report is presented in United States Dollars being the functional currency of the Company.

NOTE 3 - ACCOUNTING POLICIES

Except for the change explained below, the accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2015.

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 2015.

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.

As at 30 June 2016, the Company had net current liabilities of US\$19.6 million (31 December 2015: US\$24.1 million). The restricted cash position at 30 June 2016 was US\$10.9 million (31 December 2015: US\$12.6 million), and the cash position at 30 June 2016 was US\$1.6 million (31 December 2015: US\$0.6 million).

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:

NOTES TO THE INTERIM FINANCIAL REPORT*Short-term cash requirements*

- Deferral of creditor repayments: the Company has been in negotiation with certain creditors to revise payment amounts and terms
- Farm-out arrangement: the Company 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.

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

- creditors not agreeing to revise payment amounts and terms and filing legal claims to recover the amounts owed to them; and
- 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 Company 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 Company, the ability to continue its operations is dependent on the Company 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 16.

Should the Company 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 Company not be able to continue as a going concern.

NOTE 6 - REVENUE, INCOME AND EXPENSES

	Q2 2016 (unaudited) US\$'000	Q2 2015 (unaudited) US\$'000	YTD Q2 2016 (unaudited) US\$'000	YTD Q2 2015 (unaudited) US\$'000
Employee remuneration expense				
Employee remuneration	152	571	258	1,470
Director's remuneration	166	379	439	721
Share-based payments	502	1,410	502	1,410
	820	2,360	1,199	3,601

NOTE 7 - CASH AND CASH EQUIVALENTS

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Cash at bank and on hand	1,587	608
	1,587	608

NOTES TO THE INTERIM FINANCIAL REPORT**NOTE 8 - TRADE AND OTHER RECEIVABLES**

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Trade receivables from related parties	1,259	1,259
Loan receivable from related parties	62	62
Other receivables	213	188
	1,534	1,509
Impairment allowance ^a	(1,321)	(1,321)
	213	188
Loan receivable from Key Management Personnel	1,745	1,745
Share-based payment liability	(1,745)	(1,745)
	-	-
Total trade and other receivables	213	188

(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.

NOTE 9 - RESTRICTED CASH

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Current restricted cash	10,944	12,569
	10,944	12,569

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.

NOTE 10 - EXPLORATION AND EVALUATION EXPENDITURE

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Acquisition cost at beginning of period (1 January)	37,583	43,417
Exploration expenditure incurred	9,953	7,864
Exploration expenditure farmed-out	(10,000)	-
Impairment of exploration and evaluation expenditure	(302)	(13,698)
Costs carried forward in respect of areas of interest in exploration and evaluation phases	37,234	37,583

NOTES TO THE INTERIM FINANCIAL REPORT**NOTE 11 - TRADE AND OTHER PAYABLES**

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Trade payables	7,643	7,350
Withholding tax ¹	13,573	13,587
Other payables and accruals ²	10,378	16,768
	31,594	37,705

¹ An 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.

² Other payables include amounts accrued for in respect of exploration activities.

NOTE 12 - ISSUED CAPITAL

	30 Jun 2016 No. of shares	31 Dec 2015 No. of shares
Fully paid ordinary shares	106,685,114	106,611,781
Reconciliation		
Number of outstanding shares at beginning of period (1 January)	106,611,781	685,857,457
Issue of shares pursuant to capital raising prior to share consolidation	-	283,336,330
Consolidation of shares	-	(872,273,943)
Issue of shares pursuant to capital raising post share consolidation	-	9,691,937
Issue of shares pursuant to exercise of options	73,333	-
Number of outstanding shares at the end of period	106,685,114	106,611,781
	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Amount of outstanding shares at beginning of period (1 January)	611,440	600,592
Issue of shares pursuant to a capital raising	-	11,794
Capital raising cost	-	(946)
Issue of shares pursuant to exercise of options	15	-
Amount of outstanding shares at the end of period	611,455	611,440

NOTES TO THE INTERIM FINANCIAL REPORT**NOTE 13 - RESERVES**

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Share-based payments reserve		
At beginning of period (as at 1 January)	30,907	29,592
Issue of options pursuant to share based payment arrangements	522	1,315
Total share-based payments reserve	31,429	30,907
Foreign currency translation reserve		
At beginning of period (as at 1 January)	(11,981)	(12,089)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	-	108
Total foreign currency translation reserve	(11,981)	(11,981)
Total reserves	19,448	18,926

NOTE 14 - FAIR VALUES OF FINANCIAL LIABILITIES

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Options granted in NOK	872	447

NOTE 15 - 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:

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Côte d'Ivoire	11,333	14,002
The Gambia	4,908	3,544
Liberia	8,764	8,309
Senegal	3,321	3,200
Sierra Leone	8,910	8,530
United Kingdom	1,011	1,015
	38,247	38,600

NOTES TO THE INTERIM FINANCIAL REPORT**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 30 June 2016 and 31 December 2015:

	30 Jun 2016 US\$'000	31 Dec 2015 US\$'000
Within one year	56,796	76,203
After one year but not more than five years	16,850	2,656
More than five years	-	-
	73,646	78,859

NOTE 17 - EVENTS AFTER THE BALANCE SHEET DATE

No event has arisen between 30 June 2016 and the date of this report that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

INFORMATION ON AFRICAN PETROLEUM CORPORATION LIMITED

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Jens Pace – Chief Executive Officer
Stephen West – Chief Financial Officer
Bjarne Moe
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Open Market, Frankfurt Stock Exchange
Code: A1C1G9