



**African  
Petroleum**  
CORP LTD

**ABN 87 125 419 730**

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## **NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 9:00am (WST)

**DATE:** 25 May 2012

**PLACE:** Kailis Bros Fish Market & Café Function Centre  
101 Oxford Street  
Leederville WA 6007

**This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.**

**Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9388 0744.**

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

### VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9:00am (WST) on 25 May 2012 at:

Kailis Bros Fish Market & Café Function Centre  
101 Oxford Street  
Leederville WA 6007

### YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

### VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- (a) by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, 3001; or
- (b) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia),

so that it is received not later than 9:00am (WST) on 23 May 2012.

**Proxy Forms received later than this time will be invalid. Enquiries in respect of the proxy form should be made on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).**

**Recent Changes to Proxy Voting** New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- (a) if the proxy votes, they must cast all directed proxies as directed; and

- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

***Proxy vote if appointment specifies way to vote***

Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

***Transfer of non chair proxy to chair in certain circumstances***

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
  - (i) the proxy is not recorded as attending the meeting; or
  - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

# NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 9:00am (WST) on 25 May 2012 at Kailis Bros Fish Market & Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at opening of business on 24 May 2012.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

## AGENDA

### ORDINARY BUSINESS

### FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the period ended 31 December 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

## RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company’s annual financial report for the period ended 31 December 2011.”*

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

**Voting Prohibition Statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub paragraphs (a) or (b) above.

## **RESOLUTION 2 – RE-ELECTION OF DIRECTOR – FRANK TIMIS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, Frank Timis, a Director, retires, and being eligible, is re-elected as a Director.”*

## **RESOLUTION 3 – RE-ELECTION OF DIRECTOR – TIMOTHY TURNER**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Tony Sage, a Director, retires, and being eligible, is re-elected as a Director.”*

## **RESOLUTION 4 – RE-ELECTION OF DIRECTOR – JAMES SMITH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, James Smith, a Director, retires, and being eligible, is re-elected as a Director.”*

## **RESOLUTION 5 – RE-ELECTION OF DIRECTOR – ANTHONY WILSON**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Anthony Wilson, a Director, retires, and being eligible, is re-elected as a Director.”*

## **RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES TO AFRICAN OIL INVESTING SARL**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for all purposes Shareholders ratify the allotment and issue of 26,500,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE - OPTIONS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for all purposes Shareholders ratify the allotment and issue of 15,785,000 Options on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## **RESOLUTION 8 – INCREASE IN DIRECTOR REMUNERATION**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purposes of clause 13.8 of the Constitution and for all other purposes, Shareholders approve the maximum total aggregate fixed sum per annum to be paid to Non-Executive Directors be increased from A\$650,000 to A\$900,000 to be paid in accordance with the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a Director and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (b) the vote is not cast on behalf of a person described in sub paragraphs (a) or (b) above.

## **RESOLUTION 9 – AMENDMENT OF THE TERMS OF THE DIRECTOR OPTIONS**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for all purposes, approval is given for the variation of the terms of the Director Options to extend the expiry date of the Director Options from 31 July 2013 to 31 July 2017 on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any of the Directors and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## RESOLUTION 10 – ISSUE OF OPTIONS TO MR JAMES SMITH

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of NSX Listing Rules 6.25 and 6.44 and for all other purposes, approval is given for the Directors to allot and issue 250,000 Director Options to James Smith (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by James Smith (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:** A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (c) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (d) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (d) the vote is not cast on behalf of a person described in sub paragraphs (a) or (b) above.

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**DATED: 20 APRIL 2012**

**BY ORDER OF THE BOARD**



**CLAIRE TOLCON  
COMPANY SECRETARY**

# EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9:00am (WST) on 25 May 2012 at Kailis Bros Fish Market & Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

## 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the period ended 31 December 2011 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report on its website at [www.africanpetroleum.com.au](http://www.africanpetroleum.com.au).

## 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the period ended 31 December 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

### Voting Exclusion and Proxy Restrictions

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice of Meeting.

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or any Closely Related Party of that member as your proxy to vote on this Resolution 1, you must direct the proxy how they are to vote. Where you do not direct the Chair, or another member of Key Management Personnel whose remuneration details are included in the Remuneration Report or Closely Related Party of that member on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.



### **3. RESOLUTION 2 – RE-ELECTION OF MR FRANK TIMIS AS DIRECTOR**

Mr Timis was appointed a Director on 30 June 2010 as part of the acquisition by the Company of African Petroleum Corporation Limited (Cayman). As announced to NSX on 26 November 2010, Mr Timis with the approval of the NSX, was appointed as Non-Executive Chairman of the Company subject to the following conditions:

- (a) the quarterly declaration certificates issued by the Company stating that the Board has reviewed the Company's operations and declares that, in their opinion there are no issues that require additional disclosure and that the market is fully informed about the Company's prospects and activities, are signed not only by the Company's Chairman and Chief Executive Officer but also by the Chairman of the Company's Continuous Disclosure Committee (Mr Tony Sage); and
- (b) for the time Frank Timis is Chairman of the Company, he must retire and offer himself for re-election to the Board at each annual general meeting of the Company, in the same manner as if retiring by rotation.

In accordance with the conditions imposed by NSX in approving Frank Timis as Non-Executive Chairman of the Company, Mr Frank Timis retires and seeks re-election as Director (and Non Executive Chairman) of the Company.

A summary of the profile of Mr Timis is contained in the 2011 Annual Report.

### **4. RESOLUTIONS 3, 4 AND 5 – RE-ELECTION OF DIRECTORS**

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Messrs Timothy Turner, James Smith and Anthony Wilson, retire by rotation and seek re-election.

A summary of the profile of each of Messrs Timothy Turner, James Smith and Anthony Wilson are contained in the 2011 Annual Report.

## **5. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES**

### **5.1 General**

As announced to NSX on 8 December 2011, the Company issued 26,500,000 Shares to African Oil Investing SARL (**African Oil**) (or its nominee) in accordance with the terms of an agreement between the Company and African Oil following the award of two offshore exploration permits in Senegal to the Company. The Shares are subject to a voluntary escrow restriction of 6 months from the date of issue.

Resolution 6 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of the 26,500,000 Shares to African Oil (**Share Ratification**).

NSX Listing Rule 6.25 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

By ratifying the issue of Shares to African Oil, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in NSX Listing Rule 6.25 without the requirement to obtain prior Shareholder approval.

### **5.2 Technical Information**

The following information is provided in relation to the Share Ratification:

- (a) 26,500,000 Shares were issued on 8 December 2011;
- (b) the Shares were issued for nil cash consideration as they were issued pursuant to the terms of a contract between the Company and African Oil in consideration for the provision of services by African Oil to the Company;
- (c) the Shares to be issued will be all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares, albeit they are subject to a voluntary escrow restriction of 6 months from the date of issue;
- (d) the Shares were allotted and issued to African Oil (or its nominee) which is not a related party of the Company; and
- (e) no funds were raised pursuant to the issue of Shares as they were issued pursuant to a contract between the Company and African Oil for services performed by African Oil to the Company.

## **6. RESOLUTION 7 – RATIFICATION OF ISSUE OF OPTIONS**

### **6.1 General**

Since the Company's Annual General Meeting held in May 2011, the Company issued a total of 15,785,000 Options to consultants and employees of the Company as part of their contracts with the Company. Of the 15,785,000 Options, 6,705,000 Options were replacement options in place of 6,705,000 Options that were cancelled in January 2012.

None of the recipients of the 15,785,000 Options were related parties of the Company.

Resolution 7 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of those Options (**Option Ratification**).

A summary of NSX Listing Rule 6.25 is set out in Section 5.1.

By ratifying the issue of options, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in NSX Listing Rule 6.25 without the requirement to obtain prior Shareholder approval.

## **6.2 Technical Information**

The following information is provided in respect of the Option Ratification:

- (a) 15,785,000 Options were issued since the last Annual General Meeting that seek ratification under this resolution;
- (b) the Options were issued for nil cash consideration as they were issued to employees and consultants pursuant to their contracts with the Company. None of the recipients were related parties of the Company;
- (c) the Options were issued on the terms set out in Schedule 1 to the Explanatory Statement; and
- (d) no funds were raised from the issue of Options as they were issued to employees and contractors of the Company pursuant to contracts with the Company.

## **7. RESOLUTION 8 - INCREASE IN DIRECTOR REMUNERATION**

Clause 13.7 of the Constitution requires that the total aggregate fixed sum per annum to be paid to the Directors (excluding salaries of executive Directors) from time to time will not exceed the sum determined by the Shareholders in general meeting and the total aggregate fixed sum will be divided between the Directors as the Directors shall determine and, in default of agreement between them, then in equal shares.

Resolution 8 seeks Shareholder approval to increase the total aggregate fixed sum per annum to be paid to the Directors by A\$250,000 from \$650,000 to A\$900,000.

The total aggregate fixed sum per annum has been determined with regard to the number of members of the Board, the size of the Company and the level of experience of the Directors. The Company has 10 Directors, a market capitalisation of over \$2.5billion and an expanding asset base, including taking an asset into production, to monitor. Accordingly, the Board considers it appropriate to increase the maximum remuneration payable to non executive Directors as considerably more time is involved in governing the Company and its assets.

The Directors believe that this level of remuneration is in line with corporate remuneration of similar companies.

## **8. RESOLUTION 9 - VARIATION OF THE TERMS OF THE DIRECTOR OPTIONS**

The Company seeks Shareholder approval for the term of the Director Options to be extended from 31 July 2013 to 31 July 2017. All other terms of the Director Options would remain the same.

This will align the term of the Director Options with the executive Options on issue. Shareholders should note that the exercise price of the Director Options will remain the same.

The Board does not consider that the proposed change is a financial benefit and therefore approval pursuant to Part 2E of the Corporations Act is not required. However, Shareholder approval is sought to vary the expiry date of the Director Options as required by NSX as also given each of the Directors have a personal interest in the outcome of the Resolution.

Accordingly, none of the Directors, or their associates, will vote on this Resolution.

## **9. RESOLUTION 10 - ISSUE OF DIRECTOR OPTIONS – JAMES SMITH**

### **9.1 General**

The Board has resolved, subject to Shareholder approval, to issue 250,000 Director Options exercisable at \$1.00 per Director Option, to Mr James Smith in recognition for him agreeing to work closely with the Company's technical team in locating the drill location for the Company's second well over a period of three months.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, NSX Listing Rule 6.44 also requires shareholder approval by special resolution to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in NSX's opinion, such that approval should be obtained unless an exception in NSX Listing Rule 6.44 applies.

The grant of the Director Options to James Smith requires the Company to obtain Shareholder approval under NSX Listing Rule 6.44 because, as a Director, James Smith is a related party of the Company.

The grant of Director Options to James Smith constitutes a 'financial benefit' as defined in the Corporations Act. Accordingly, the proposed grant of Director Options to James Smith will constitute the provision of a financial benefit to a related party of the Company.

It is the view of the directors (with James Smith abstaining) that the exception under section 211(1) of the Corporations Act (reasonable remuneration benefits) applies to the grant of the Director Options to James Smith. Accordingly, the Directors (with James Smith abstaining) have determined not to seek shareholder approval under section 208 of the Corporations Act.

## **Proxy Restrictions**

Note that a voting exclusion applies to Resolution 11 in the terms set out in the Notice of Meeting. Shareholders are urged to carefully read the proxy form and provide a direction to the proxy on how to vote on this Resolution.

## **9.2 Shareholder Approval (Listing Rule 6.44)**

Pursuant to and in accordance with the requirements of NSX Listing Rule 6.44, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related party is James Smith and he is a related party by virtue of being a Director;
- (b) the maximum number of Director Options to be granted to James Smith is 250,000 Director Options exercisable at \$1.00 per Director Option;
- (c) the Director Options will be granted to James Smith no later than 1 month after the date of the Meeting and it is anticipated the Director Options will be issued on one date;
- (d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 2; and
- (f) the Board acknowledges the grant of Director Options to James Smith is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to James Smith is reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, and considers it appropriate for his remuneration to include an equity component and has formed the view that the value and quantum of the Director Options are not excessive nor unusual for a company of the Company's size.

## **10. ENQUIRIES**

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9388 0744 if they have any queries in respect of the matters set out in these documents.

## GLOSSARY

**2011 Annual Report** means the Company's annual financial statements for the period ended 31 December 2011.

**A\$** means Australian dollars.

**Annual General Meeting or Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities and Investments Commission.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that NSX declares is not a business day.

**Closely Related Party** of a member of the Key Management Personnel, a spouse or child of the member; a child of the member's spouse; a dependent of the member or the member's spouse; anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity; a company the member controls; or a person prescribed by the *Corporations Regulations 2001 (Cth)*.

**Company** means African Petroleum Corporation Limited (ACN 125 419 730).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the current directors of the Company.

**Director Options** means the options proposed to be issued on the terms set out in Schedule 2.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Key Management Personnel** has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

**Notice or Notice of Meeting or Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

**NSX** means the National Stock Exchange of Australia Limited.

**NSX Listing Rules** means the Listing Rules of NSX.

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Placement** means the placement of Shares referred to in Section 5.1.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's Report section of the Company's annual financial report for the year ended 31 December 2011.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.

## SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

The Options that were issued since the 2010 Annual General Meeting were issued on the same terms and conditions other than exercise price, expiry date and vesting conditions. Outlined below is a summary of the terms and conditions of the Options that were issued, followed by a table showing the exercise price, expiry date and vesting conditions of the Options that were issued:

- (a) Each Option gives the Optionholder the right to subscribe for one Share.
- (b) The Options will expire at 5:00pm (WST) 5 years from the date of issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) If a vesting condition is not satisfied within a prescribed time frame, it will automatically lapse.
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

**(Exercise Notice).**

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) The Options are not transferable.
- (i) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.



- (m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

OPTIONS	EXERCISE PRICE	ISSUE DATE	EXPIRY DATE	VESTING CONDITION
150,000	\$1.00 each	3 June 2011	1 June 2014	N/A
200,000	\$0.55 each	3 June 2011	1 June 2014	N/A
100,000	\$0.55 each	15 June 2011	3 June 2014	N/A
1,000,000	\$0.55 each	4 July 2011	27 June 2016	<ul style="list-style-type: none"> <li>• 25% (250,000) Options will vest over a three year basis, one third on each anniversary from the Optionholder's start date (27 June 2011), on the assumption the Optionholder remains employed by the Company during the applicable period (<b>First Option</b>);</li> <li>• 25% (250,000) Options will vest following the completion of the first well, currently scheduled to commence drilling in or around July 2011 (<b>Second Option</b>);</li> <li>• 25% (250,000) Options will vest following the completion of the second well (<b>Third Option</b>); and</li> <li>• 25% (250,000) Options will vest in the event of a discovery of hydrocarbons in any one of the Company's wells drilled in 2011 or later, if drilling is delayed for valid internal or external reasons (<b>Fourth Option</b>).</li> </ul>
1,000,000	\$0.55 each	20 September 2011	5 September 2016	<ul style="list-style-type: none"> <li>• 25% (250,000) Options will vest over a three year basis, one third on each anniversary from the Optionholder's start date (5 September 2011), on the assumption the Optionholder remains employed by the Company during the applicable period (<b>First Option</b>);</li> <li>• 25% (250,000) Options will vest following the completion of the second well (<b>Second Option</b>);</li> <li>• 25% (250,000) Options will vest following the successful completion of either a new ventures transaction which brings material additional new acreage into the APCL group's portfolio or a commercial transaction, such as a farm-in Joint Venture Agreement on one or more of the APCL group's assets, which is of material commercial benefit to the group (<b>Third Option</b>); and</li> </ul>

OPTIONS	EXERCISE PRICE	ISSUE DATE	EXPIRY DATE	VESTING CONDITION
				<ul style="list-style-type: none"> <li>25% (250,000) Options will vest in the event of a discovery of hydrocarbons in any one of the Company's wells drilled within 18 months of the Optionholder's start date or later, if drilling is delayed for valid internal or external reasons (<b>Fourth Option</b>).</li> </ul>
500,000	\$0.55 each	7 December 2011	3 January 2016	<ul style="list-style-type: none"> <li>25% (125,000) Options will be exercisable over a three year basis, one third on each anniversary from the Optionholder's start date (3 January 2011), on the assumption the Optionholder remains employed by the Company during the applicable period (<b>First Tranche</b>);</li> <li>25% (125,000) Options will be exercisable following the completion of the first well (<b>Second Tranche</b>);</li> <li>25% (125,000) Options will be exercisable following the completion of the second well (<b>Third Tranche</b>); and</li> <li>25% (125,000) Options will be exercisable in the event of a discovery of hydrocarbons in any one of the Company's wells drilled in 2011 or later, if drilling is delayed for valid internal or external reasons (<b>Fourth Tranche</b>).</li> </ul>
10,300,000*	\$0.30 each	17 January 2012	17 January 2017	<ul style="list-style-type: none"> <li>10 optionholders holding a total of 2,175,000 Options did not have vesting terms attached to their Options.</li> <li>10 optionholders holding a total of 8,125,000 Options had vesting terms attached to their Options. The vesting terms were the same vesting terms attached to the Options that were cancelled.</li> </ul>
2,150,000	\$0.30 each	9 February 2012	17 January 2017	The Options will vest in the holder as long as the holder is employed by the Company or providing services to the Company and the Company makes a commercial discovery of hydrocarbons in any one of the Company's wells.
60,000	\$1.00 each	27 March 2012	27 March 2017	The Options will vest in the holder as long as the holder is employed by the Company or providing services to the Company and the Options will vest in the holder over a three year basis such that one third (being 20,000 Options) will vest on each anniversary from the Optionholder's start date (16 February 2012).

OPTIONS	EXERCISE PRICE	ISSUE DATE	EXPIRY DATE	VESTING CONDITION
50,000	\$0.30 each	27 March 2012	27 March 2017	<ul style="list-style-type: none"> <li>• 30,000 Options will be exercisable over a three year basis, one third on each anniversary from the Optionholder's start date (<b>First Tranche</b>); and</li> <li>• 20,000 Options will be exercisable in the event of a commercial discovery of hydrocarbons in any one of the Company's wells spudded from the Optionholder's start date (<b>Second Tranche</b>).</li> </ul>
275,000	\$0.55 each	27 March 2012	27 March 2017	N/A

**Note:**

\* 6,705,000 of these Options were replacement options of 6,705,000 Options that were cancelled on 17 January 2012.

## SCHEDULE 2 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
- (b) The Director Options will expire at 5.00pm (WST) on 31 July 2017 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Director Option will be \$1.00 (**Exercise Price**).
- (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
  - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
  - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

**(Exercise Notice).**

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (h) The Director Options are not transferable.
- (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (j) The Company will not apply for quotation of the Director Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on NSX within 10 Business Days after the date of allotment of those Shares.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (m) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.