



**African  
Petroleum**  
CORP LTD

Interim Financial Report for the  
Third Quarter 2016





## African Petroleum Corporation Limited

### Interim Financial Report for the Third Quarter 2016

#### HIGHLIGHTS

- During the quarter the Company continued working with Ophir Energy and Petroci on planning for the first exploration well to be drilled on the CI-513 licence (Company 45%, Ophir Energy (Operator) 45%, Petroci 10%) in Côte d'Ivoire in Q2 2017.
- The CI-513 exploration well will be targeting the Ayame West prospect with a gross mean prospective resource of 350 million barrels (ERC Equipoise CPR).
- On 31 August 2016 the Company announced that it had signed a Letter of Intent with an undisclosed International E&P company with respect to Licences A1 and A4, offshore The Gambia.
- On 4 August 2016 the Company announced that further to the announcement on 2 December 2015, the Company's wholly owned subsidiary European Hydrocarbons Limited's ("EHL") had 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, the Petroleum Directorate agreed to modify the work programme, minimum expenditure requirements and social obligations in favour of EHL during the First Extension Period on the licence.
- The Company is continuing discussions with the Senegalese and Gambian 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 Côte d'Ivoire, The Gambia and Senegal.
- Post period end, the Company announced that Liberian production sharing contracts LB-08 and LB-09 ("PSCs") had expired and will not be extended. The Company had been in discussions with the relevant Liberian authorities regarding the possible amendment of terms and extension of these PSCs to enable the Company additional time to attract an industry partner whilst not enduring costly work commitments; however, agreement could not be reached.
- Post period end, the Company reached agreement with the Government of Sierra Leone to proceed into the First Extension Period of the SL-4A-10 licence and to modify the work programme, minimum expenditure requirements and social obligations in favour of the Company during the First Extension Period on the licence.
- Approximately US\$0.7 million cash at bank as at 30 September 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 7.4 billion barrels.

African Petroleum has equity interests in 8 licences across four countries offshore West Africa (Côte d'Ivoire, 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 and Anadarko in Côte d'Ivoire, Cairn Energy in Senegal and by Kosmos Energy in Senegal and Mauritania.

The Company has acquired more than 13,400km<sup>2</sup> of 3D seismic data on its existing licences and drilled three exploration wells in West Africa.



## CEO STATEMENT



*“The Company continues to make headway with the negotiations with our host governments and potential partners, albeit progress has been slower than we anticipated as a result of the challenging market backdrop for exploration activities. We were pleased to have signed a Letter of Intent (“LOI”) with a highly credible industry partner for our licences in The Gambia which further demonstrates to the industry and market our ability to attract partners for our licences. We now hope to convert this LOI into a formal agreement, subject to the Government of The Gambia providing the amendments for the licences upon which this provisional agreement is based.*

*On the operational side, we are working closely with our partner Ophir Energy as we plan our high impact exploration well on the CI-513 licence in Côte d’Ivoire which we expect to be drilled in Q2 next year. The well, which lies in relatively close proximity to discoveries made by Total and Anadarko, has the potential to be completely transformational for African Petroleum and we are excited to have a firm operational catalyst on the near horizon. The licence continues to attract industry interest and the Company may consider farming down its equity interest further in order to mitigate our cost exposure whilst still retaining a material interest in the upside potential of this high impact well.*

*Post period end, we exited our licences in Liberia after taking the decision that our efforts and resources were best deployed in the licences within our portfolio that continue to attract the most industry interest due to the proximity to proven world class commercial discoveries. The near term priority will be conclusion of negotiations in Senegal and The Gambia and we hope to reach a positive outcome in the coming weeks and months.”*

## 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, 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 Côte d’Ivoire, 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

Further to the announcement on 16 March 2016 that the new Production Sharing Contract (“PSC”) with Ophir Energy plc covering the Company’s CI-513 licence area in Côte d’Ivoire became effective, the Company and Ophir Energy have been working on planning for the first exploration well to be drilled in Q2 2017. It is expected that the CI-513 exploration well will be targeting the Ayame West prospect with a gross mean prospective resource of 350 million barrels. Due to the proximity of recent discoveries made by Total and Anadarko, the short time frame to drilling and the material prospect size, the Company is in discussions

with several companies who have expressed interest in farming in to the CI-513 licence. The Company is in active discussions with these companies.

### **The Gambia & Senegal**

The Company is continuing 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.

On 31 August 2016 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.

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.

Despite 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.

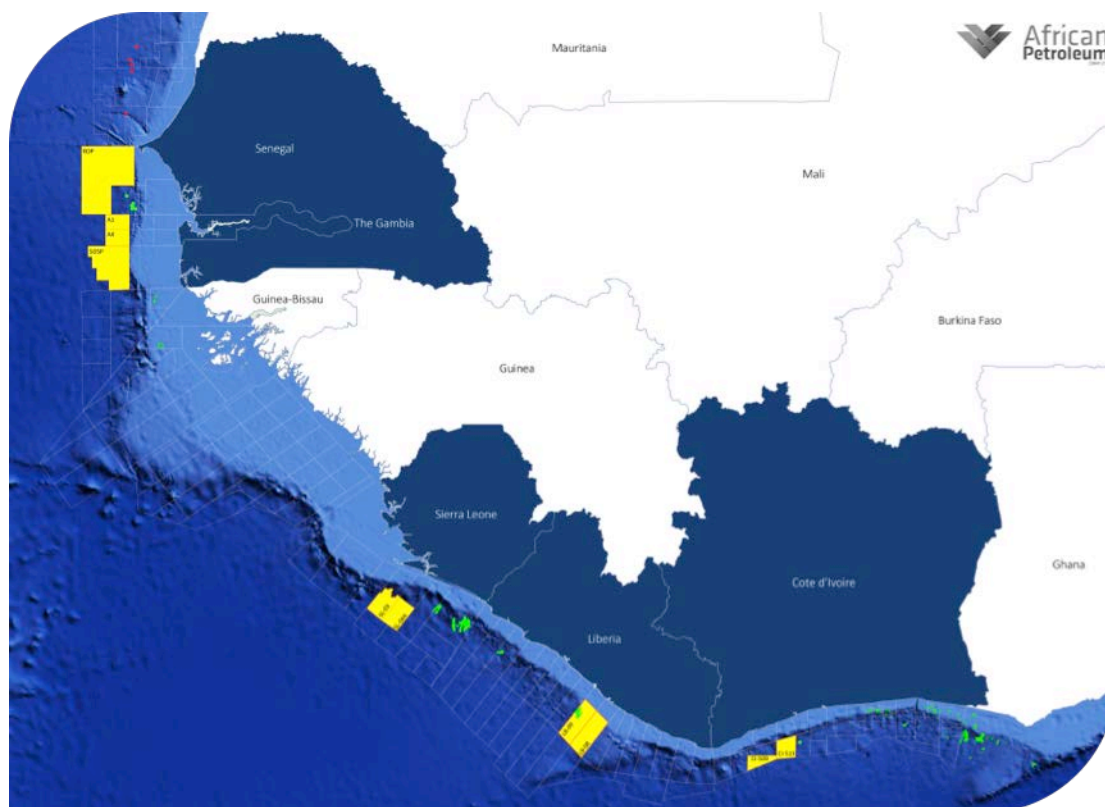
### **LICENCE PHASES**

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 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.

Post period end, the Company announced that Liberian production sharing contracts LB-08 and LB-09 (“PSCs”) had expired and will not be extended. The Company had been in discussions with the relevant Liberian authorities regarding the possible amendment of terms and extension of these PSCs to enable the Company additional time to attract an industry partner whilst not enduring costly work commitments; however, agreement could not be reached.

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 1,633km<sup>2</sup>.

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 14,216km<sup>2</sup>.

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 unrisksed 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 2,672km<sup>2</sup>. The Company has completed a 3D seismic survey with data covering 2,500km<sup>2</sup> 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 required the Company to drill an exploration well on either of the licences no later than 1 September 2016. The Company was 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 unrisksed mean prospective oil resources at 3,079MMStb.

### **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 3,925km<sup>2</sup> and are located to the south of Freetown, offshore Sierra Leone.

On 4 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.

The current phase of the SL-4A-10 licence ended in September 2015, having fulfilled the commitment to acquire 3D seismic over the licence. Post period end, the Company reached agreement with the Government of Sierra Leone to proceed into the First Extension Period



of the SL-4A-10 licence and 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 unrisks mean prospective oil resources at 1,354MMStb.

**Liberia: Blocks LB-08 & LB-09**

African Petroleum, through its wholly owned subsidiary European Hydrocarbons Limited, held a 100% working interest in production sharing contracts LB-08 and LB-09 ("PSCs").

Post period end, the Company announced that the PSCs had expired and will not be extended. The Company had been in discussions with the relevant Liberian authorities regarding the possible amendment of terms and extension of these PSCs to enable the Company additional time to attract an industry partner whilst not enduring costly work commitments; however, agreement could not be reached.

## **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**

We are pleased to have a firm operational catalyst on the horizon in the form of the high impact exploration well that we will be drilling with our partner Ophir Energy next year on licence CI-513 in Côte d'Ivoire. Due to the high level of industry interest that we continue to receive for this licence, the Board is considering its options with regards to minimising its cost exposure to the well by farming down further equity interest. In any event, we will retain a material interest in a near term, high impact well, the prospectivity of which has the potential to be truly transformational for African Petroleum.

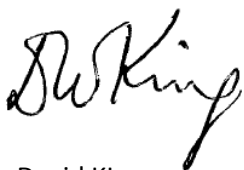
The market backdrop for exploration activities remains challenging; however, we have confidence in the world class acreage within our portfolio and the strength of our relationships with our host governments and leading industry players with whom we maintain progressive dialogue.

We continue to focus on our dual objectives of obtaining licence extensions and formalising partnerships. The outcome of these two objectives are largely intertwined which adds to the complexity of our ongoing negotiations, however we are encouraged by the dialogue that we are having with the relevant authorities and potential industry partners and hope to formalise agreements in due course.

## **STATEMENT OF RESPONSIBILITY**

We confirm that, to the best of our knowledge, the condensed set of financial statements for the third quarter 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**



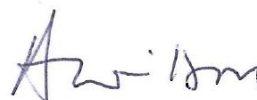
Stephen West  
**CFO & Executive Director**



Bjarne Moe  
**Non-Executive Director**



Timothy Turner  
**Non-Executive Director**



Anthony Wilson  
**Non-Executive Director**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

US\$ '000s	Note	Q3 2016 (unaudited)	Restated Q3 2015 (unaudited)	YTD Q3 2016 (unaudited)	Restated YTD Q3 2015 (unaudited)
Revenue		-	58	9	408
Exploration & evaluation expenditure		<b>(3,230)</b>	(696)	<b>(3,508)</b>	(6,140)
Net gain on farm-out of exploration & evaluation expenditure		-	-	<b>6,900</b>	-
Aircraft expenses		-	(27)	-	58
Depreciation expense		<b>(1)</b>	(82)	<b>(3)</b>	(429)
Impairment of exploration & evaluation expenditure		<b>4,606</b>	-	<b>4,305</b>	-
Impairment of consumable spares		-	-	-	(331)
Impairment of freehold land		-	-	-	(856)
Consulting expense		<b>(155)</b>	(393)	<b>(671)</b>	(2,330)
Compliance and regulatory expenses		<b>(92)</b>	(96)	<b>(212)</b>	(257)
General administration expenses		<b>(193)</b>	69	<b>(597)</b>	(908)
Employee remuneration	6	<b>(322)</b>	(1,480)	<b>(1,521)</b>	(5,081)
Travel expenses		<b>(59)</b>	(206)	<b>(156)</b>	(544)
Unrealised gain / (loss) on fair value of financial liabilities		<b>343</b>	-	<b>(34)</b>	772
Net foreign currency (loss) / gain		<b>(84)</b>	(67)	<b>(26)</b>	(389)
<b>Profit/(loss) from continuing operations before income tax</b>		<b>813</b>	(2,920)	<b>4,486</b>	(16,027)
Income tax expense		-	-	-	-
<b>Profit/(loss) for the period, attributable to the members</b>		<b>813</b>	(2,920)	<b>4,486</b>	(16,027)
<b>Other comprehensive profits</b>					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Foreign exchange gain on translation of functional currency to presentation currency		<b>26</b>	-	<b>26</b>	7
<b>Other comprehensive profits/(losses) for the period, net of tax</b>		<b>26</b>	-	<b>26</b>	<b>7</b>
<b>Total comprehensive profit/(loss) for the period</b>		<b>839</b>	(2,920)	<b>4,512</b>	(16,020)
Profit/(loss) for the period is attributable to:					
Non-controlling interest		-	(15)	<b>(2)</b>	(64)
Owners of the parent		<b>813</b>	(2,905)	<b>4,488</b>	(15,963)
		<b>813</b>	(2,920)	<b>4,486</b>	(16,027)
Total comprehensive profit/(loss) for the period is attributable to:					
Non-controlling interest		-	(15)	<b>(2)</b>	(64)
Owners of the parent		<b>839</b>	(2,905)	<b>4,514</b>	(15,956)
		<b>839</b>	(2,920)	<b>4,512</b>	(16,020)
Basic profit/(loss) per share attributable to members (US cents per share) (post-consolidation basis)		<b>0.8</b>	(2.7)	<b>4.2</b>	(15.0)
Diluted profit/(loss) per share attributable to members (US cents per share) (post-consolidation basis)		<b>0.6</b>	(2.7)	<b>3.5</b>	(15.0)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

US\$ '000s	Note	30 Sep 2016 (unaudited)	31 Dec 2015 (audited)
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	731	608
Trade and other receivables	8	178	188
Restricted cash	9	10,944	12,569
Prepayments		109	156
		<b>11,962</b>	13,521
Assets held for distribution		-	502
<b>Total current assets</b>		<b>11,962</b>	14,023
<b>Non-current assets</b>			
Inventories		1,007	1,007
Property, plant and equipment		5	10
Exploration and evaluation expenditure	10	26,390	37,583
<b>Total non-current assets</b>		<b>27,402</b>	38,600
<b>Total assets</b>		<b>39,364</b>	52,623
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	12	611,455	611,440
Reserves	13	19,474	18,926
Accumulated losses		(608,418)	(612,906)
<b>Attributable to equity holders of the parent</b>		<b>22,511</b>	17,460
<b>Non-controlling interests</b>		<b>(2,991)</b>	(2,989)
<b>Total equity</b>		<b>19,520</b>	14,471
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	19,300	37,705
Financial liabilities	14	544	447
<b>Total current liabilities</b>		<b>19,844</b>	38,152
<b>Total liabilities</b>		<b>19,844</b>	38,152
<b>Total equity and liabilities</b>		<b>39,364</b>	52,623

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

US\$ '000s YTD Q3 2016 (unaudited)	Ordinary Share capital	Share- based payment reserve	Accumulated losses	Foreign currency translation reserve	Non- controlling interest	Total equity
<b>Balance at 1 January 2016</b>	<b>611,440</b>	<b>30,907</b>	<b>(612,906)</b>	<b>(11,981)</b>	<b>(2,989)</b>	<b>14,471</b>
Profit/(loss) for the period	-	-	4,488	-	(2)	4,486
Other comprehensive profit	-	-	-	26	-	26
<b>Total comprehensive profit/(loss) for the period</b>	-	-	<b>4,488</b>	<b>26</b>	<b>(2)</b>	<b>4,512</b>
<b>Transactions with owners in their capacity as owners:</b>						
Issue of capital	-	-	-	-	-	-
Exercise of share options	15	-	-	-	-	15
Share-based payments	-	522	-	-	-	522
Fair value recognition of options	-	-	-	-	-	-
<b>Balance at 30 September 2016</b>	<b>611,455</b>	<b>31,429</b>	<b>(608,418)</b>	<b>(11,955)</b>	<b>(2,991)</b>	<b>19,520</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

US\$ '000s	YTD Q3 2016 (unaudited)
<b>Cash Flows from Operating Activities</b>	
Payments to suppliers and employees	(4,156)
Interest received	7
Finance costs	(33)
<b>Net cash flows used in operating activities</b>	<b>(4,182)</b>
<b>Cash Flows from Investing Activities</b>	
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	(14,344)
Increase in cash backing security for exploration and evaluation activities	(4,375)
Return of cash backing security for exploration and evaluation activities	6,000
<b>Net cash used in investing activities</b>	<b>4,179</b>
<b>Cash Flows from Financing Activities</b>	
Exercise of share options	15
<b>Net cash from financing activities</b>	<b>15</b>
<b>Net increase in Cash and Cash Equivalents</b>	<b>12</b>
Cash and Cash Equivalents at the beginning of the reporting period	608
Net foreign exchange differences	111
<b>Cash and Cash Equivalents at the end of the reporting period</b>	<b>731</b>

## **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 third 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 September 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 September 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**

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 September 2016, the Company had net current liabilities of US\$7.9 million (31 December 2015: US\$24.1 million). The restricted cash position at 30 September 2016 was US\$10.9 million (31 December 2015: US\$12.6 million), and the cash position at 30 September 2016 was US\$0.7 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 and governments 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**

	<b>Q3 2016</b> <b>(unaudited)</b> <b>US\$'000</b>	Q3 2015 (unaudited) US\$'000	<b>YTD Q3 2016</b> <b>(unaudited)</b> <b>US\$'000</b>	YTD Q3 2015 (unaudited) US\$'000
<b>Employee remuneration expense</b>				
Employee remuneration	<b>133</b>	1,111	<b>391</b>	2,581
Director's remuneration	<b>189</b>	284	<b>628</b>	1,005
Share-based payments	-	85	<b>502</b>	1,495
	<b>322</b>	1,480	<b>1,521</b>	5,081

**NOTE 7 - CASH AND CASH EQUIVALENTS**

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Cash at bank and on hand	<b>731</b>	608
	<b>731</b>	608

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

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Trade receivables from related parties	<b>1,147</b>	1,259
Loan receivable from related parties	-	62
Other receivables	<b>178</b>	188
	<b>1,325</b>	1,509
Impairment allowance <sup>a</sup>	<b>(1,147)</b>	(1,321)
	<b>178</b>	188
Loan receivable from Key Management Personnel	<b>1,530</b>	1,745
Share-based payment liability	<b>(1,530)</b>	(1,745)
	-	-
Total trade and other receivables	<b>178</b>	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. This impairment loss may be reversed if AML secures additional funding that facilitates the repayment of the outstanding balance.

**NOTE 9 - RESTRICTED CASH**

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Current restricted cash	<b>10,944</b>	12,569
	<b>10,944</b>	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**

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Acquisition cost at beginning of period (1 January)	<b>37,583</b>	43,417
Exploration expenditure incurred	<b>4,445</b>	7,864
Exploration expenditure farmed-out	<b>(7,000)</b>	-
Impairment of exploration and evaluation expenditure	<b>(8,638)</b>	(13,698)
Costs carried forward in respect of areas of interest in exploration and evaluation phases	<b>26,390</b>	37,583

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

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Trade payables	9,155	7,350
Withholding tax <sup>1</sup>	-	13,587
Other payables and accruals <sup>2</sup>	<b>10,145</b>	16,768
	<b>19,300</b>	37,705

<sup>1</sup>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.

<sup>2</sup>Other payables include amounts accrued for in respect of exploration activities.

**NOTE 12 - ISSUED CAPITAL**

	<b>30 Sep 2016</b> <b>No. of shares</b>	31 Dec 2015 No. of shares
Fully paid ordinary shares	<b>106,685,114</b>	106,611,781

**Reconciliation**

Number of outstanding shares at beginning of period (1 January)	<b>106,611,781</b>	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	<b>73,333</b>	-
Number of outstanding shares at the end of period	<b>106,685,114</b>	106,611,781

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Amount of outstanding shares at beginning of period (1 January)	<b>611,440</b>	600,592
Issue of shares pursuant to a capital raising	-	11,794
Capital raising cost	-	(946)
Issue of shares pursuant to exercise of options	<b>15</b>	-
Amount of outstanding shares at the end of period	<b>611,455</b>	611,440

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

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
<b>Share-based payments reserve</b>		
At beginning of period (as at 1 January)	<b>30,907</b>	29,592
Issue of options pursuant to share based payment arrangements	<b>522</b>	1,315
Total share-based payments reserve	<b>31,429</b>	30,907
<b>Foreign currency translation reserve</b>		
At beginning of period (as at 1 January)	<b>(11,981)</b>	(12,089)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	<b>26</b>	108
Total foreign currency translation reserve	<b>(11,955)</b>	(11,981)
Total reserves	<b>19,474</b>	18,926

**NOTE 14 - FAIR VALUES OF FINANCIAL LIABILITIES**

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Options granted in NOK	<b>544</b>	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:

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Côte d'Ivoire	<b>8,226</b>	14,002
The Gambia	<b>5,381</b>	3,544
Liberia	-	8,309
Senegal	<b>3,748</b>	3,200
Sierra Leone	<b>9,036</b>	8,530
United Kingdom	<b>1,011</b>	1,015
	<b>27,402</b>	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 September 2016 and 31 December 2015:

	<b>30 Sep 2016</b> <b>US\$'000</b>	31 Dec 2015 US\$'000
Within one year	<b>30,265</b>	76,203
After one year but not more than five years	<b>15,525</b>	2,656
More than five years	-	-
	<b>45,790</b>	<b>78,859</b>

**NOTE 17 - EVENTS AFTER THE BALANCE SHEET DATE**

On 23 November 2016 the Company announced that the production sharing contracts for blocks LB-08 and LB-09 in Liberia ("PSCs") had expired and will not be extended. The Company had been in discussions with the relevant Liberian authorities regarding the possible amendment of terms and extension of these PSCs to enable the Company additional time to attract an industry partner whilst not enduring costly work commitments; however, agreement could not be reached.

On 23 November 2016 the Company reached agreement with the Government of Sierra Leone to proceed into the First Extension Period of the SL-4A-10 licence and to modify the work programme, minimum expenditure requirements and social obligations in favour of the Company during the First Extension Period on the licence.

No other event has arisen between 30 September 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

### ***DIRECTORS***

David King – Chairman  
Jens Pace – Chief Executive Officer  
Stephen West – Chief Financial Officer  
Bjarne Moe  
Timothy Turner  
Anthony Wilson

### ***COMPANY SECRETARY***

Angeline Hicks

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### ***STOCK EXCHANGE LISTINGS***

Oslo Axess  
Code: APCL

Open Market, Frankfurt Stock Exchange  
Code: A1C1G9