African Petroleum Corporation Limited

(ABN 87 125 419 730)

Half-year Financial Report for the Period Ended 30 June 2014

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CORPORATE DIRECTORY

DIRECTORS

Charles Matthews - Chairman
Stuart Lake – Chief Executive Officer
Mark Ashurst
Gibril Bangura
Jeffrey Couch
David King
Bjarne Moe
Timothy Turner
Anthony Wilson

COMPANY SECRETARY
Angeline Hicks

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STOCK EXCHANGE LISTING

Oslo Axess
Code: APCL

National Stock Exchange of Australia
Code: AOQ

DIRECTORS' REPORT

Your Directors present their report on African Petroleum Corporation Limited ("African Petroleum Corporation" or the "Company") for the half-year ended 30 June 2014.

OFFICERS

Directors
The names of Directors in office during the half-year and up until the date of this report are set out below.

Directors were in office for this entire period unless otherwise stated.

Mr Charles Matthews	Non-Executive Chairman
Dr Stuart Lake	Executive and Chief Executive Officer *(appointed 1 February 2014)*
Mr Karl Thompson	Executive Director and Chief Executive Officer *(resigned 1 February 2014)*
Mr Mark Ashurst	Non-Executive Director (*resigned as Executive Director 1 August 2014)*
Mr Gibril Bangura	Non-Executive Director
Mr Jeffrey Couch	Non-Executive Director
Dr David King	Non-Executive Director
Mr Bjarne Moe	Non-Executive Director *(appointed 16 June 2014)*
Mr James Smith	Non-Executive Director *(resigned 1 August 2014)*
Mr Timothy Turner	Non-Executive Director
Mr Anthony Wilson	Non-Executive Director

Company Secretary

Ms Angeline Hicks	*(appointed 6 June 2014)*
Ms Claire Tolcon	*(resigned 6 June 2014)*

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

CORPORATE

Board Changes

Following the strengthening of the Board in 2013 with the appointment of David King as Non-Executive Director in July 2013 and Charles Matthews as Chairman in October 2013, African Petroleum Corporation announced the appointment of Dr Stuart Lake as CEO on 3 February 2014. Dr Lake has over 27 years of experience in a wide variety of roles in international oil and gas companies including the Hess Corporation, four years in the Apache Corporation overseeing Global New Ventures and later exploration activity in Argentina and over 19 years in Shell, where he was Vice President Exploration for Shell, Russia and held a wide variety of positions in both Exploration and Production throughout the world.

Most recently, Dr Lake spent over four years at Hess Corporation. As Vice President of Exploration, he was directly responsible for Exploration New Ventures globally, re-establishing a proactive basin master approach to Exploration New Ventures that led to significant strategic partnerships, and secured Hess a competitive position enabling Hess's entry into Kurdistan and other positions in West Africa and the Gulf of Mexico. Prior to that, he was vice President Exploration for Europe, Africa, Middle East, Russia and South America directing more than 30 discoveries in Russia and leading the highly successful exploration campaign in Ghana that resulted in seven consecutive hydrocarbon discoveries and the subsequent submission of the appraisal plans for those discoveries.

Dr Lake has demonstrated himself to be a proven oil finder, maintaining a high 85% geological success rate in all three companies, based on drilling over 300 wells in 11 countries over his 27 year career. He has a BSc Hons in Geology from the University of Wales and a PhD in Geology from the University of Durham, England supervised by Professor J. F. Dewey. Dr Lake also remains on the Advisory Board of the Energy and Geoscience Institute (E.G.I.) at the University of Utah.

In June 2014, African Petroleum Corporation strengthened its Board further with the appointment of Mr Bjarne Moe as a Norwegian based independent director. Mr Moe has over 35 years' experience in the oil and gas industry including being the former Director General of the Oil and Gas Department of the Ministry of

Petroleum, Norway. Since 2011, Mr Moe has been an advisor to the oil and gas industry and has had several large, international companies as clients. Mr Moe was also appointed as a member of the Company's Continuous Disclosure Committee.

Share Consolidation

On 3 February 2014, the Company completed a consolidation of the issued capital of the Company, being every three shares consolidated into one share, and every three options being consolidated into one option, the exercise price of each option being amended in inverse proportion to this ratio.

A$20 Million Share Placement

On 24 February 2014, the Company announced it had received firm commitments for a placing of 83,334,000 new fully paid ordinary shares ("Placing Shares") at A$0.24 per Share with institutional and sophisticated investors, to raise a total of A$20,000,160 (US$18,054,722) before costs ("Placing"). The Placing took place in two tranches with the first tranche of 37,852,000 Placing Shares issued on 4 March 2014 and the second tranche of 45,482,000 Placing Shares issued on 8 April 2014.

Listing Oslo Axess

On 24 February the Company announced its intention to seek a potential listing on a recognised European stock exchange and on 1 May 2014 where the Company announced it had received approval to list on Oslo Axess, a regulated market of the Oslo Stock Exchange. On 28 May 2014, the Company successfully completed an initial public offering ("IPO") and listing of the Company's shares on the Oslo Axess with the first day of trading on 30 May 2014 under the ticker symbol "APCL". The IPO raised gross funds of NOK 48.6 million (approximately US$8.2 million) through the issue of 37,378,820 fully paid ordinary shares at an issue price of NOK1.30 (approximately A$0.24) per share.

OPERATIONS

PSC Amendments Côte d'Ivoire

In April 2014, African Petroleum Corporation and the Government of Côte d'Ivoire agreed amendments to the Production Sharing Contracts related to Blocks CI-509 and CI-513 ("PSC Amendments"). The PSC Amendments include an adjustment of the licence periods providing for a one year extension to the first exploration periods of both licences at the expense of the duration of future exploration periods. The adjustment allows the Company more time for drilling of the first period commitment wells in these blocks up to March 2016, in respect of CI-509, and up to December 2015 in respect of CI-513. The Company intends to use some of this additional time to integrate recently completed 3D seismic depth processing into the optimisation of exploration well locations, secure the appropriate sixth generation rig for a wider drilling programme, and build a partnership group to explore in the promising area of the Côte d'Ivoire deep-water margin.

The Gambia

On 8 January 2014, the Company announced that its wholly owned subsidiary African Petroleum Gambia Limited ("AP Gambia") had received from The Republic of The Gambia notification of the purported termination of AP Gambia's exploration licences over Blocks A1 and A4. AP Gambia disputes the Government's actions, which AP Gambia considers are in breach of its licence obligations. Disputes under the licences are subject to resolution by confidential arbitration at the International Centre for the Settlement of Investment Disputes ("ICSID") and on 14 March 2014 the Company announced that AP Gambia had lodged Requests for Arbitration with ICSID in relation to the purported termination of the exploration licences over Blocks A1 and A4.

Updated Competent Persons Report

In March 2014, African Petroleum Corporation announced that it received an update on its prospective petroleum resources on its West African licences.

The Company engaged ERC Equipoise Ltd ("ERCE") to prepare an updated assessment of the prospectivity of the petroleum exploration interests of the Company and its associated companies in Blocks LB-08 and LB-09 (offshore Liberia), Licences CI-509 and CI-513 (offshore Côte d'Ivoire) and Block SL-03 (offshore Sierra

Leone) and to prepare estimates of the prospective petroleum resources using information and data available up to 31 December 2013. The updated Competent Persons Report estimates net unrisked mean prospective resources in excess of 5.2 MMstb.

Strategy Update

Following the appointment of Dr Stuart Lake as the Company's new CEO in February 2014, the Board of African Petroleum Corporation undertook a review of the Company's strategy. The new strategy, implemented in March 2014, has seen African Petroleum Corporation move towards achieving its 12 month objective to consolidate its position as a leading West African focused oil and gas exploration company. African Petroleum Corporation has achieved significant milestones in the first half of 2014, and continues to do so as we move into the second half of 2014.

Subsequent Events

On 11 July 2014, the Company announced that it had signed a contract to acquire more than 1,000km2 of 3D seismic data on Block SL-4A-10, offshore Sierra Leone. The seismic acquisition over this block is expected to commence in Q3 2014.

In July 2014, the Company announced a farm-out agreement with Buried Hill Africa Limited ("Buried Hill") in Block CI-509, Côte d'Ivoire. This farm-out agreement, entitles Buried Hill to a 10% interest in Block CI-509 in return for Buried Hill funding 21.1% of the cost of the next exploration well to be drilled on the block and an additional cash payment to African Petroleum Corporation representing 10% of past costs incurred ("Farm-out Agreement"). Under the terms of the Farm-out Agreement, African Petroleum Corporation will continue as Operator on the licence and completion of the Farm-out Agreement is subject to the satisfaction or waiving of certain conditions precedent, which, apart from one pertaining to government approval of the transfer, must be satisfied or waived no later than 1 November 2014 (unless extended in accordance with the Farm-out Agreement).

On the 18 July 2014, the Company announced that Non-Executive Director Mr James Smith had tendered his resignation from the Board of Directors, taking effect from 1 August 2014. Additionally, Mr Mark Ashurst assumed the position of Non-Executive Director of the board, stepping down from his role as Executive Director.

On 31 July 2014, African Petroleum Corporation signed a settlement agreement with International Petroleum Limited ("IOP") regarding repayment of loans made to IOP. On 11 August 2014, IOP announced they are in the process of completing the sale of its Russian assets, following which, IOP will make a cash repayment of US$559,090 to African Petroleum Corporation, all other outstanding monies will convert into fully paid ordinary shares of IOP. African Petroleum Corporation is expected to hold approximately 14% of the enlarged share capital of IOP. In addition, IOP will issue 5 million IOP options to African Petroleum Corporation exercisable at $0.06 with an expiry 24 months from issue date.

On 8 August 2014, African Petroleum Corporation increased its interest in the rights and obligations under the Gambian A1 and A4 licences to 100% (from 60%) through the acquisition of the third party joint venture partner company for a nominal sum, while also fully and finally settling all future claims between the contracting parties relating to the A1 and A4 licences.

No other event has arisen between 30 June 2014 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.

Result

African Petroleum reported a loss after income tax of US$8,929,780 for the half-year ended 30 June 2014 (30 June 2013: loss of US$39,218,470).

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration for the half-year ended 30 June 2014 has been received and can be found on page 7 of the half-year report.

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

Stuart Lake
Chief Executive Officer **29 August 2014**

Building a better working world

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

In relation to our review of the financial report of African Petroleum Corporation Limited for the half-year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

D S Lewsen
Partner
29 August 2014

DL:DR:AFRICAN PETROLEUM:045

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	30 June 2014 US$	30 June 2013 US$
Revenue	3(a)	**2,936,706**	1,592,049
Aircraft expenses		**(2,470,424)**	(1,705,227)
Depreciation expense		**(522,877)**	(931,470)
Impairment of consumable spares	8	**-**	(3,613,181)
Impairment of aircraft		**-**	(1,300,000)
Impairment of related party loan		**(647,420)**	(11,139,343)
Rig demobilisation/cancellation costs		**-**	(3,753,407)
Consulting expenses	3(c)	**(3,175,902)**	(4,645,946)
Compliance and regulatory expenses		**(533,903)**	(301,646)
Administration expenses		**(731,165)**	(1,121,156)
Employee benefits	3(b)	**(3,009,500)**	(8,285,646)
Travel costs		**(651,520)**	(1,617,282)
Occupancy costs		**(473,125)**	(1,388,854)
Foreign currency gains/(losses)		**302,850**	(906,111)
Finance costs		**57,462**	(101,250)
Other expenses		**(10,962)**	-
Loss before income tax		**(8,929,780)**	(39,218,470)
Income tax expense		**-**	-
Loss for the period, attributable to the members		**(8,929,780)**	(39,218,470)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign currency translation reserve			
Foreign exchange gain on translation of functional currency to presentation currency		**-**	168,093
Other comprehensive income for the period, net of tax		**-**	168,093
Total comprehensive loss for the period		**(8,929,780)**	(39,050,377)
Loss for the period is attributable to:			
Non-controlling interest		**2,548**	(262,517)
Owners of the parent		**(8,932,328)**	(38,955,953)
		(8,929,780)	(39,218,470)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		**2,548**	(262,517)
Owners of the parent		**(8,932,328)**	(38,787,860)
		(8,929,780)	(39,050,377)
EPS attributable to members			
Basic/diluted loss per share		**(1.45) cents**	(6.90) [1] cents

[1] Prior period Basic/diluted loss per share has been restated to reflect a 3:1 share consolidation on 3 February 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2014	31 December 2013
		US$	**US$**
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	**4**	**16,582,382**	7,914,218
Trade and Other Receivables	**5**	**7,352,815**	7,709,077
Restricted Cash	**6**	**12,076,626**	12,074,205
Prepayments		**896,656**	1,265,752
TOTAL CURRENT ASSETS		**36,908,479**	28,963,252
NON CURRENT ASSETS			
Property, Plant and Equipment	**7**	**2,719,472**	3,157,835
Exploration and Evaluation Expenditure	**8**	**408,467,019**	403,272,803
Intangible Assets		**268,346**	352,158
TOTAL NON CURRENT ASSETS		**411,454,837**	406,782,796
TOTAL ASSETS		**448,363,316**	435,746,048
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	**9**	**29,814,190**	32,384,373
TOTAL CURRENT LIABILITIES		**29,814,190**	32,384,373
TOTAL LIABILITIES		**29,814,190**	32,384,373
NET ASSETS		**418,549,126**	403,361,675
EQUITY			
Issued Capital	**10**	**600,607,027**	575,911,770
Reserves	**11**	**16,704,012**	17,282,038
Accumulated losses		**(198,503,229)**	(189,570,901)
Attributable to equity holders of the parent		**418,807,810**	403,622,907
Non-controlling interests		**(258,684)**	(261,232)
TOTAL EQUITY		**418,549,126**	403,361,675

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Ordinary Share Capital US$	Share-based Payment Reserve US$	Accumulated Losses US$	Foreign Currency Translation Reserve US$	Non-controlling Interest US$	Total US$
AT 1 JANUARY 2014		**575,911,770**	**29,371,231**	**(189,570,901)**	**(12,089,193)**	**(261,232)**	**403,361,675**
Loss for the period		**-**	**-**	**(8,932,328)**	**-**	**2,548**	**(8,929,780)**
Total comprehensive loss for the period		**-**	**-**	**(8,932,328)**	**-**	**2,548**	**(8,929,780)**
Transactions with owners in their capacity as owners:							
Issue of capital	**10**	**26,175,121**					**26,175,121**
Capital raising costs	**10**	**(1,479,864)**					**(1,479,864)**
Share-based payments	**3,11**	**-**	**(578,026)**	**-**	**-**	**-**	**(578,026)**
BALANCE AT 30 JUNE 2014		**600,607,027**	**28,793,205**	**(198,503,229)**	**(12,089,193)**	**(258,684)**	**418,549,126**
AT 1 JANUARY 2013		575,911,770	25,794,821	(101,467,545)	(11,951,293)	(134,804)	488,152,949
Loss for the period		-	-	(38,955,953)	-	(262,517)	(39,218,470)
Other comprehensive income		-	-	-	168,093	-	168,093
Total comprehensive loss for the period		-	-	(38,955,953)	168,093	(262,517)	(39,050,377)
Transactions with owners in their capacity as owners:							
Share-based payments		-	2,430,433	-	-	-	2,430,433
BALANCE AT 30 JUNE 2013		575,911,770	28,225,254	(140,423,498)	(11,783,200)	(397,321)	451,533,005

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	30 June 2014 US$	30 June 2013 US$
Cash Flows from Operating Activities			
Payments to suppliers and employees		**(10,388,236)**	(19,074,634)
Rental income		**872,456**	-
Interest received		**12,869**	127,243
Finance costs		**(58,103)**	-
Net cash flows used in operating activities		**(9,561,014)**	(18,947,391)
Cash Flows from Investing Activities			
Payment for plant and equipment		**(696)**	(295,647)
Proceeds from disposal of plant and equipment		**42,500**	-
Payment for intangible assets		**-**	(29,957)
Payment for exploration and evaluation activities		**(6,582,531)**	(69,794,581)
Payment of deposit to related party	**5**	**-**	(1,235,000)
Loan to related party		**(207,462)**	-
Loan repaid by related party		**166,056**	193,472
Cash backing security returned		**-**	49,670,278
Net cash used in investing activities		**(6,582,133)**	(21,491,435)
Cash Flows from Financing Activities			
Proceeds from issue of shares		**26,175,121**	-
Capital raising costs		**(1,479,864)**	-
Net cash from financing activities		**24,695,257**	-
Net increase/(decrease) in Cash and Cash Equivalents		**8,552,110**	(40,438,826)
Cash and Cash Equivalents at the beginning of the reporting period		**7,914,218**	52,598,909
Net foreign exchange differences		**116,054**	178,712
Cash and Cash Equivalents at the end of the reporting period	**4**	**16,582,382**	12,338,795

1. CORPORATE INFORMATION

The financial report of African Petroleum Corporation Limited and its subsidiaries (together the 'Company') for the half-year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 29 August 2014.

African Petroleum Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the National Stock Exchange of Australia and the Oslo Axess, a regulated market place of the Oslo Stock Exchange, Norway.

2. BASIS OF PREPARATION OF HALF-YEAR REPORT

This general purpose condensed financial report for the half-year ended 30 June 2014 has been prepared in accordance with AASB 134 Interim Financial Reporting, IAS 34 Interim Financial Reporting and the Corporations Act 2011.

The half-year 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 half-year financial report be read in conjunction with the annual report for the year ended 31 December 2013 and considered together with any public announcements made by African Petroleum Corporation Limited during the half-year ended 30 June 2014 in accordance with the continuous disclosure obligations of Oslo Axess and the NSX Listing Rules.

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

Going Concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

As at 30 June 2014, the Company had net current assets of US$7,094,289 (31 December 2013: net current liabilities of US$3,421,121). The cash and restricted cash position at 30 June 2014 was US$28,659,008 (31 December 2013: US$19,988,423). However, the ability of the Company to continue as a going concern, including the continuation of its planned exploration and evaluation activities is dependent on the Company executing a strategic transaction such as a farm-out or raising additional capital within the next 12 months. At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Company will be able to raise additional capital, in order to enable it to meet its obligations as and when they fall due. The Company intends to raise additional capital by way of either a share placement or strategic transaction, such as a farm-in on one of the Company's exploration projects.

Should the Company not achieve the matters set out above, there is uncertainty 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.

In the event that the Company is unable to successfully complete a capital raising or execute a strategic transaction in the required timeframe, management will reconsider the carrying value of the exploration and evaluation expenditure as set out in Note 8.

Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2013, except for the adoption of new standards and interpretations noted below.

- AASB 1053 Application of Tiers of Australian Accounting Standards
- AASB 2011-4 Amendments to Australian Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)
- Interpretation 21 Levies
- AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 1031 Materiality

Adoption of these Standards and Interpretations did not have any impact on the financial position or performance of the Company.

The Company has not elected to early adopt any new or amended standards and interpretations issued but not yet effective.

3. REVENUE, INCOME AND EXPENSES

	Note	For the 6 months ended 30 June 2014 US$	2013 US$
(a) REVENUE			
Bank interest income		**49,296**	166,923
Other interest income	5	**550,536**	159,881
Flight revenue[1]		**2,055,266**	314,535
Other revenue		**281,608**	950,710
		2,936,706	1,592,049

[1] During 2011, the Company purchased a corporate aircraft. The aircraft is leased to related parties and generated US$2,055,266 external revenue for the half-year ended 30 June 2014 (30 June 2013: US$314,535).

	For the 6 months ended 30 June 2014 US$	2013 US$
(b) EMPLOYEE BENEFITS		
Employee remuneration	**(2,140,810)**	(5,331,747)
Director's remuneration	**(1,384,205)**	(1,947,378)
Share-based payments recognised	**(1,647,058)**	(2,247,442)
Share-based payments reversed	**2,162,573**	1,240,921
	(3,009,500)	(8,285,646)

Options

During the current period, 11,441,666 unlisted options have been issued to directors, employees and consultants of the Company (30 June 2013: no unlisted options were issued). US$955,120 has been recognised within the line item "Employee benefits" in the Statement of Comprehensive Income in relation to awards issued during the current and prior periods (30 June 2013: US$2,247,442).

During the prior period, an expense of US$1,240,921 has also been reversed within the line item "Employee benefits" in recognition of unvested options that have been forfeited as a result of the holders ceasing to be employed with the Company.

Performance Shares

On 30 May 2014, 5,000,000 performance shares were awarded to Dr Stuart Lake, Executive Director and Chief Executive Officer. The performance shares will be issued in 5 tranches of 1,000,000 shares upon achievement of either of the following:

- the finding of oil or gas by the Company or any company in its group (or any joint ventures any of them are a party to) that can be proven to flow either via MDTs, DSTs or cased hole tests and will require further appraisal either with 3D seismic or a well; or
- completion of a significant sale or farm in of assets of the Company (or its subsidiaries)*

*"Significant" means a sale or farm out of the Company's assets, or a farm in acquiring an interest in a licence which would include but not be limited to:

- any sale of assets by the Company where the consideration received for such sale is worth in excess of US$60 million; and
- any farm in or farm out which involves the Company acquiring or assigning to a third party an interest in a licence where the consideration is worth in excess of US$60 million.

As at 30 June 2014, none of the performance milestones had occurred. An expense of US$601,083 has been recognised within the line item "Employee benefits" in recognition of the unvested performance shares during the current period.

In May 2011, 3,275,000 performance shares were awarded to Karl Thompson, former Executive Director and Chief Executive Officer, to vest upon the Company securing a commercial discovery. On 1 February 2014, Mr Thompson resigned from the Company. An expense of US$2,162,573 has been reversed within the line item "Employee benefits" in recognition of unvested performance shares that have been forfeited as a result of Mr Thompson ceasing to be employed with the Company as at the end of the current period.

(c) CONSULTANCY EXPENSE

Options

On 11 April 2013, 8,916,524 unlisted options exercisable at A$0.55 per option with an expiry date of 30 June 2013 were modified whereby the expiry date was extended for a further 2 years, to 30 June 2015. US$978,487 has been recognised in the prior period as an accounting expense within the line item "Consultancy expense" in relation to the modification of these options.

Also on this date, 2,500,000 unlisted options with an expiry date of 30 June 2013 were modified with the expiry date being extended to 10 April 2015. Of these options, 1,000,000 are exercisable at A$1.25 per option; 500,000 exercisable at A$1.50 per option; 500,000 exercisable at A$1.75 per option and 500,000 exercisable at $2.00 per option. These options will vest on reaching the exercise price(s) for a minimum of ten trading days in a particular month. The options that have not vested at any time shall automatically vest upon a change of control in sale of more than 50% of issued share capital (fully diluted) of the Company. US$28,346 has been recognised as an accounting expense within the line item "Consultancy expense" in relation to these options (2013: US$1,482,331).

4. CASH AND CASH EQUIVALENTS

	30 June 2014 US$	31 December 2013 US$
Cash at bank and on hand	**16,582,382**	7,914,218
	16,582,382	7,914,218

5. TRADE AND OTHER RECEIVABLES

	30 June 2014 US$	31 December 2013 US$
Current		
Trade receivables	**2,937,220**	2,109,039
Loans receivable from related parties [1]	**2,029,411**	1,862,157
Other receivables	**2,386,184**	3,737,881
	7,352,815	7,709,077

[1] Further information on loans receivable from related parties:

a) During 2012, US$841,994 (£521,252) was loaned to Karl Thompson to cover tax payable on performance shares awarded to Mr Thompson. In January 2013, an additional US$200,658 (£124,107) was loaned to Mr Thompson to cover an additional 10% tax payable on these performance shares. The loan can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within 5 years or from the sale of any shares prior to this time. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US$22,707 (£13,569) of interest recognised during the current period (six months to 30 June 2013: US$19,324 (£12,618)). The loan agreement was approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loan, the Company will waive the remaining balance of the loan. The limited recourse feature of the loan has been accounted for as a share based payment and an amount of US$55,924 has been recognised within the line item "Employee benefits" within the Statement of Comprehensive Income.

b) During 2012, US$630,497 (£390,321) was loaned to Jens Pace to cover tax payable on performance shares awarded to Mr Pace. The loan can only be used for the payment of the relevant tax (upon presentation of the tax amount) and must be repaid within 5 years or from the sale of any shares prior to this time. The shares are subject to a voluntary escrow, whereby the shares cannot be sold or transferred until the loan is discharged and the proceeds are to be applied to discharge the loan. Interest is charged on the loan at 4% with US$13,720 (£8,199) of interest recognised during the current period (six months to 30 June 2013: US$12,076 (£7,878)). The loan agreement was approved by the Board of Directors as being on arm's length terms. If prior to the repayment date the proceeds from the sale of the performance shares are insufficient in total to cover the loan, the Company will waive the remaining balance of the loan. The limited recourse feature of the loan has been accounted for as a share based payment and an amount of US$34,931 has been recognised within the line item "Employee benefits" within the Statement of Comprehensive Income.

c) In May 2011, the Company provided a US$10 million loan facility to a director related entity, International Petroleum Limited ('IOP'). During 2011, the loan facility was fully drawn down. Under the terms of the facility agreement, the amounts drawn down are required to be repaid in full by the earlier of:

- 31 December 2013;
- receipt by IOP of A$45,000,000 pursuant to the terms of an arrangement with another company;
- the date IOP completes a raising of funds by way of a public offering in shares in the capital of the borrower on NSX; and
- the date IOP is listed on an alternative stock exchange, as part of a fundraising.

Interest is receivable on amounts drawn down under the facility at the cash rate plus 10% in the current period. Interest earned on the facility for the current year is US$500,536 (six months to 30 June 2013: US$159,881). As at 30 June 2014, the total amount receivable from IOP in relation to this loan facility is US$11,804,901 (31 December 2013: US$11,304,365).

As at 30 June 2014, the Company has recognised an impairment provision for the outstanding balance of the IOP loan facility of US$11,804,901. This impairment loss may be reversed if IOP executes a strategic transaction or a sale of assets, such that their liquidity facilitates repayment of the loan.

d) In the prior period, IOP granted the Company for a period of 6 months, commencing 17 April 2013, the sole and exclusive right, but not the obligation, to acquire up to 100% of IOP's rights and obligations under the exploration and production sharing contracts for Manga-1, Manga-2, Aborak and Tenere West Blocks in the Republic of Niger.

As a condition of exclusivity, the Company paid a good faith deposit of US$1,235,000. As the exclusivity period has now expired, IOP is obligated to refund the deposit, without interest, to the Company.

Due to the current financial position of IOP and notwithstanding the security held, the Company has recognised an impairment provision for the outstanding balance of the deposit with IOP of US$1,235,000. This impairment loss may be reversed if IOP executes a strategic transaction or a sale of assets, such that their liquidity facilitates repayment of the deposit.

During the period ended 30 June 2014, a further US$96,884 (2013: US$379,586) was advanced to IOP to cover employee costs in relation to work on the exploration and production sharing contracts in the Republic of Niger. The Company has recognised an impairment provision for this amount.

6. RESTRICTED CASH

	30 June 2014 US$	31 December 2013 US$
Current		
Restricted cash	**12,076,626**	12,074,205
	12,076,626	12,074,205

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.

7. PROPERTY, PLANT & EQUIPMENT

	Freehold land US$	Plant & equipment US$	Aircraft US$	TOTAL US$
30 June 2014				
Cost	**1,056,158**	**3,032,076**	**3,626,192**	**7,714,426**
Accumulated depreciation and impairment	**-**	**(2,379,796)**	**(2,615,158)**	**(4,994,954)**
	1,056,158	**652,280**	**1,011,034**	**2,719,472**
31 December 2013				
Cost	1,056,158	3,107,470	3,626,191	7,789,819
Accumulated depreciation and impairment	-	(2,085,793)	(2,546,191)	(4,631,984)
	1,056,158	1,021,677	1,080,000	3,157,835

8. EXPLORATION AND EVALUATION EXPENDITURE

	30 June 2014	31 December 2013
	US$	US$
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases	**408,467,019**	403,272,803

	For the 6 months ended 30 June 2013	For the 12 months ended 31 December 2013
	US$	US$
Reconciliation		
Opening balance	**403,272,803**	354,822,592
Exploration expenditure incurred	**5,194,216**	94,788,410
Impairment of exploration and evaluation expenditure	**-**	(31,220,749)
Impairment of consumable spares	**-**	(3,840,625)
Consumable spares disposed of on the settlement of a claim	**-**	(3,753,407)
Disposal of consumable spares	**-**	(7,523,418)
	408,467,019	403,272,803

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

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

The Directors' assessment of carrying amount was after consideration of prevailing market conditions, previous expenditure carried out and the potential for the discovery of hydrocarbons. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole, or part, of the Company's interests in those areas for an amount at least equal to the carrying value.

9. TRADE AND OTHER PAYABLES

	30 June 2014	31 December 2013
	US$	US$
Trade payables	**2,586,779**	6,062,585
Withholding tax [1]	**13,586,641**	13,551,667
Other payables and accruals [2]	**12,058,778**	11,278,984
Share-based payments liability [3]	**1,581,992**	1,491,137
	29,814,190	32,384,373

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

[2] Other payables include amounts accrued for in respect of seismic data interpretation and drilling costs.

[3] Share-based payments liability relating to Director loans as disclosed in Note 5.

10. ISSUED CAPITAL

	30 June 2014 US$	31 December 2013 US$
Fully paid ordinary shares	**600,607,027**	**575,911,770**

	For the 6 months ended 30 June 2014 US$	For the 12 months ended 31 December 2013 US$
Reconciliation		
Fair value of issued share capital at beginning of period	**575,911,770**	**575,911,770**
Issue of shares pursuant to capital raising [1]	**26,175,121**	-
Capital raising costs [1]	**(1,479,864)**	-
Fair value of issued share capital at end of period	**600,607,027**	**575,911,770**

[1] During the current period, the Company issued 120,712,820 shares at approximately A$0.24 each, raising A$28,783,995 (US$26,175,121). Costs associated with the capital raising were US$1,479,864.

On 3 February 2014, the Company completed a consolidation of the issued capital of the Company, being every three shares consolidated into one share, and every three options being consolidated into one option, the exercise price of each option being amended in inverse proportion to this ratio.

11. RESERVES

	For the 6 months ended 30 June 2014 US$	For the 12 months ended 31 December 2013 US$
Share-based payments reserve		
At beginning of reporting period	**29,371,231**	25,794,821
Share-based payments	**(578,026)**	3,576,410
At reporting date	**28,793,205**	29,371,231
Foreign currency translation reserve		
At beginning of reporting period	**(12,089,193)**	(11,951,293)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	**-**	(137,900)
At reporting date	**(12,089,193)**	(12,089,193)
Total reserves	**16,704,012**	17,282,038

12. SEGMENT INFORMATION

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

The Company only has one operating segment being exploration for hydrocarbons.

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

	30 June 2014 US$	31 December 2013 US$
Côte d'Ivoire	**52,828,904**	51,492,185
Gambia	**-**	133,053
Liberia	**294,000,898**	291,028,434
Senegal	**38,379,419**	37,951,679
Sierra Leone	**24,510,585**	24,064,321
United Kingdom	**1,735,031**	2,113,124
Other	-	-
	411,454,837	406,782,796

13. EVENTS SUBSEQUENT TO REPORTING DATE

On 11 July 2014, the Company announced that it had signed a contract to acquire more than 1,000km2 of 3D seismic data on Block SL-4A-10, offshore Sierra Leone. The seismic acquisition over this block is expected to commence in Q3 2014.

In July 2014, the Company announced a farm-out agreement with Buried Hill Africa Limited ("Buried Hill") in Block CI-509, Côte d'Ivoire. This farm-out agreement, entitles Buried Hill to a 10% interest in Block CI-509 in return for Buried Hill funding 21.1% of the cost of the next exploration well to be drilled on the block and an additional cash payment to African Petroleum Corporation representing 10% of past costs incurred ("Farm-out Agreement"). Under the terms of the Farm-out Agreement, African Petroleum Corporation will continue as Operator on the licence and completion of the Farm-out Agreement is subject to the satisfaction or waiving of certain conditions precedent, which, apart from one pertaining to government approval of the transfer, must be satisfied or waived no later than 1 November 2014 (unless extended in accordance with the Farm-out Agreement).

On the 18 July 2014, the Company announced that Non-Executive Director Mr James Smith had tendered his resignation from the Board of Directors, taking effect from 1 August 2014. Additionally, Mr Mark Ashurst assumed the position of Non-Executive Director of the board, stepping down from his role as Executive Director.

On 31 July 2014, African Petroleum Corporation signed a settlement agreement with International Petroleum Limited ("IOP") regarding repayment of loans made to IOP. On 11 August 2014, IOP announced they are in the process of completing the sale of its Russian assets, following which, IOP will make a cash repayment of US$559,090 to African Petroleum Corporation, all other outstanding monies will convert into fully paid ordinary shares of IOP. African Petroleum Corporation is expected to hold approximately 14% of the enlarged share capital of IOP. In addition, IOP will issue 5 million IOP options to African Petroleum Corporation exercisable at $0.06 with an expiry 24 months from issue date.

On 8 August 2014, African Petroleum Corporation increased its interest in the rights and obligations under the Gambian A1 and A4 licences to 100% (from 60%) through the acquisition of the third party joint venture partner company for a nominal sum, while also fully and finally settling all future claims between the contracting parties relating to the A1 and A4 licences.

No other event has arisen between 30 June 2014 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.

14. 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 2014:

	30 June 2014 US$	31 December 2013 US$
Within one year	**13,830,427**	40,507,191
After one year but not more than five years	**90,045,379**	66,610,540
More than five years	**-**	-
	103,875,806	107,117,731

15. FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The carrying values of financial assets and liabilities at 30 June 2014 approximates to their fair values.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of African Petroleum Corporation Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of African Petroleum Corporation Limited for the period ended 30 June 2014 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of its financial position as at 30 June 2014 and of its performance for the period ended on that date; and

(ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*

(b) subject to the achievement of the matters disclosed in Note 2 (Going Concern), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Stuart Lake
Chief Executive Officer

29 August 2014

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Independent review report to members of African Petroleum Corporation Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of African Petroleum Corporation Limited, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of African Petroleum Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of African Petroleum Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2 in the financial report. The conditions as set forth in Note 2 indicate the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern and therefore, the company may be unable to realise its assets and discharge its liabilities in the normal course of business.

Ernst & Young

Ernst & Young

Lewsen

D S Lewsen
Partner
Perth
29 August 2014