

**27 October 2011**  
**NSX Announcement**

## **Quarterly Reports**

Please find attached the following reports relating to the quarter ended 30 September 2011:

- Quarterly Disclosure Declaration;
- Quarterly Activities Report; and
- Quarterly Cash Flow.

Yours faithfully  
African Petroleum Corporation Limited

Tony Sage  
**Non-Executive Deputy Chairman**

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Investor Relations  
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Ph: +61 8 9388 0744



27 October 2011

Mr Ian Craig  
Companies Manager  
National Stock Exchange of Australia Limited  
Level 3, 45 Exhibition Street  
Melbourne  
VIC 3000

Dear Sir

**QUARTERLY DISCLOSURE DECLARATION**

In accordance with the listing conditions imposed by the National Stock Exchange of Australia (**NSX**) on African Petroleum Corporation Limited (**Company**), on behalf of the Board of the Company we declare that the Board has reviewed the operations of the Company and, in the opinion of each member of the Board:

- (a) all matters that require disclosure have been disclosed by the Company in accordance with Listing Rules of the NSX; and
- (b) the market remains fully informed as to the prospects and activities of the Company.

Yours sincerely

Handwritten signatures of Frank Timis and Antony Sage in blue ink.

Frank Timis  
Non-Executive Chairman

Antony Sage  
Chairman: Continuous Disclosure  
Committee

Handwritten signature of Karl Thompson in blue ink.

Karl Thompson  
Chief Executive Officer

27 October 2011

## **HIGHLIGHTS**

### **CORPORATE**

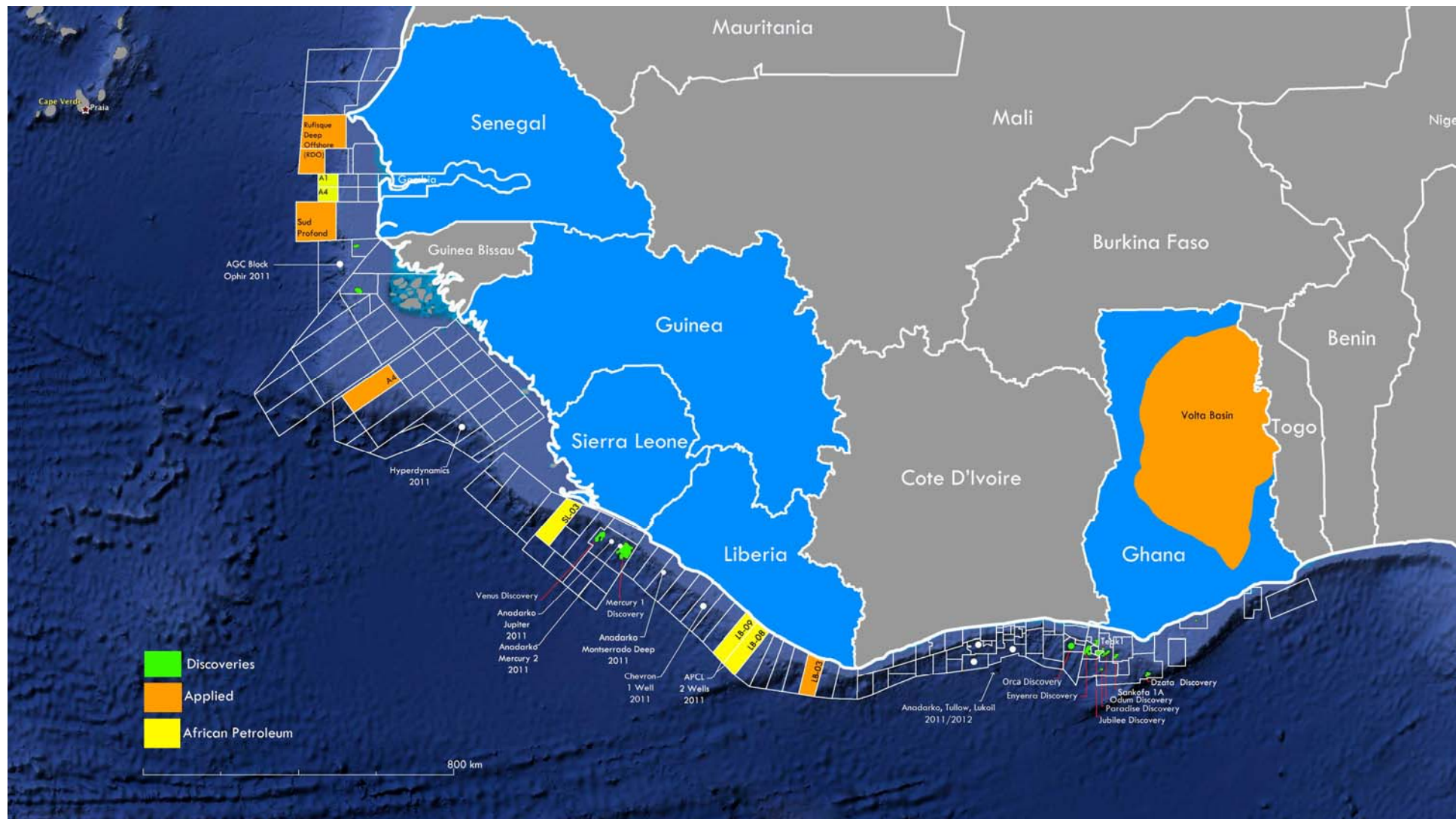
- Approximately US\$ 263 million cash at bank at 30 September 2011.
- In addition, approximately US\$ 41 million held in escrow accounts at 30 September 2011 as security for seismic data acquisition and the Maersk drilling contract.

### **OPERATIONS**

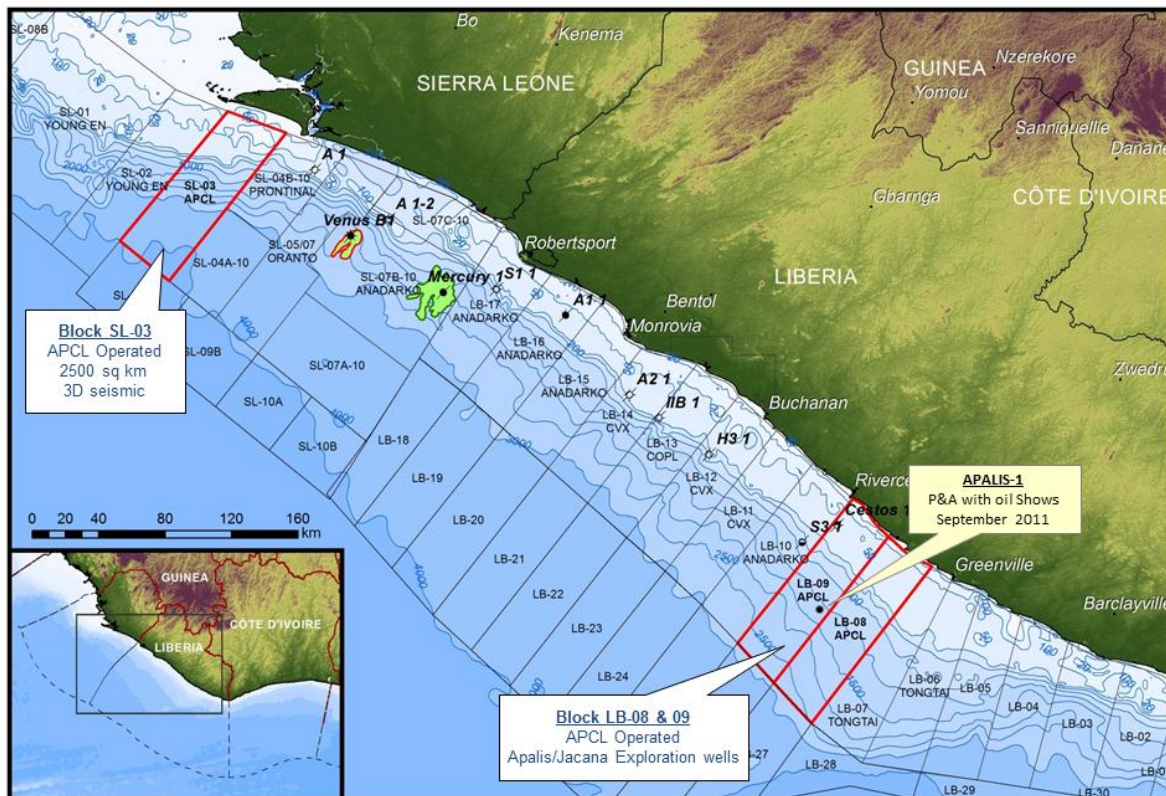
- African Petroleum completed drilling the first well (Apalis-1) in deepwater offshore Liberia in Block LB-09.
- The Company has completed the acquisition of 2,500 sq km of 3D seismic data at Block SL-03, offshore Sierra Leone.
- New business opportunities being reviewed offshore West Africa.

**OPERATIONS**

**Figure 1: Location of African Petroleum’s license blocks and applications, and regional discoveries**



**Liberian Project: Blocks LB-08 and LB-09**



**Figure 2: Location of Liberian Project and nearby oil discoveries**

The Company holds a 100% interest in Blocks LB-08 and LB-09 offshore Liberia (**Liberian Licence Blocks**). The Liberian Licence Blocks are located to the south east of recent Anadarko discoveries Mercury and Venus in Sierra Leone (see Figure 1 and Figure 2).

Major discoveries in Ghana (Jubilee, Tweneboa, Odum, and Enyenra) in the deepwater Cretaceous submarine fans are along trend to African Petroleum’s Liberia Project (see Figure 1). The Jubilee field complex of discoveries has a reported gross resource potential of 4 billion barrels recoverable (Tullow Capital Markets presentation, 2010).

African Petroleum completed the acquisition and interpretation of 5,100 sq km of 3D seismic survey over the Liberian Licence Blocks. An extensive submarine fan system similar to those containing the Mercury, Venus and Jubilee discoveries has been identified on the 3D survey.

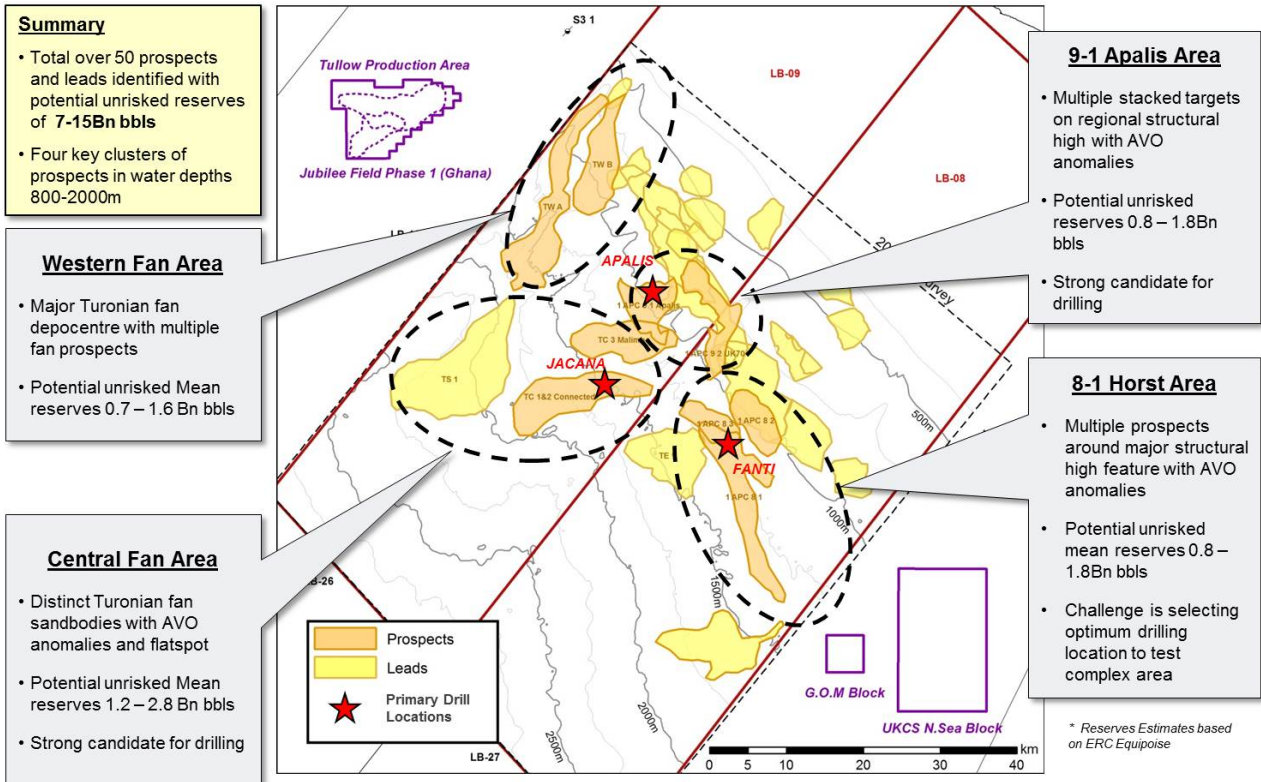


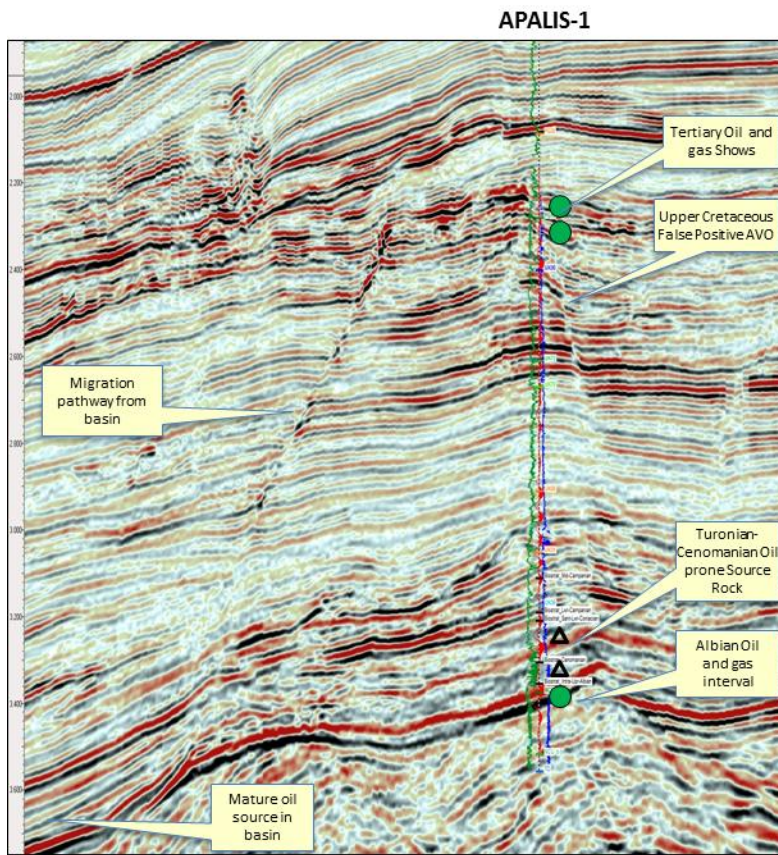
Figure 3: Liberia 08 & 09 prospect portfolio (pre-Apalis well)

The Company contracted Maersk Drilling for a two well exploration drilling programme, with the option to test both wells using the ultra deepwater semi-submersible, Maersk Deliverer drilling rig.

African Petroleum completed drilling the first well, Apalis-1, in deepwater Liberia in Block LB-09 on 8 September 2011. The results of Apalis-1 confirm that the Liberian Licence Blocks are located in a prospective oil basin. The geological and geophysical data have confirmed the critical components of a working hydrocarbons system are present and functioning.

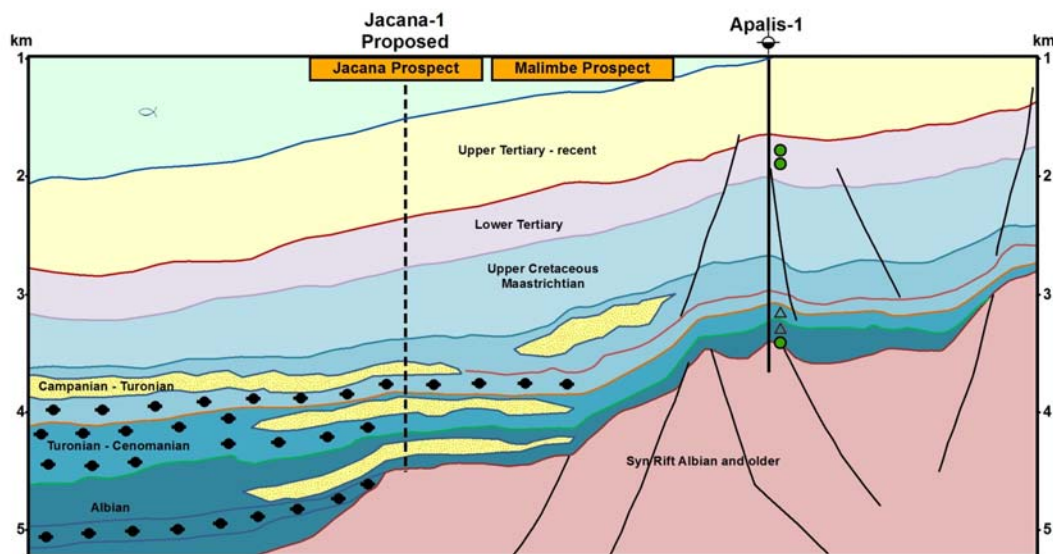
Apalis-1 was drilled in 988 metres of water depth to a total depth of 3,665 metres and encountered oil shows in several geological units including the shallower (Tertiary) and deeper (Cretaceous). Petrophysical analysis indicates the presence of hydrocarbons. The well also confirmed the presence of organic oil prone source rocks confirming that the Liberian Blocks are in an attractive oil basin.

No commercial quality reservoir with hydrocarbons was encountered and consequently no well production test was undertaken. The rig was on contract for 37 days and the well was drilled without any technical problems and the costs were materially under budget. This was the first frontier well in deepwater Liberia and has confirmed that the Company is exploring a highly prospective oil basin.



**Figure 4: Apalis Well Summary seismic section**

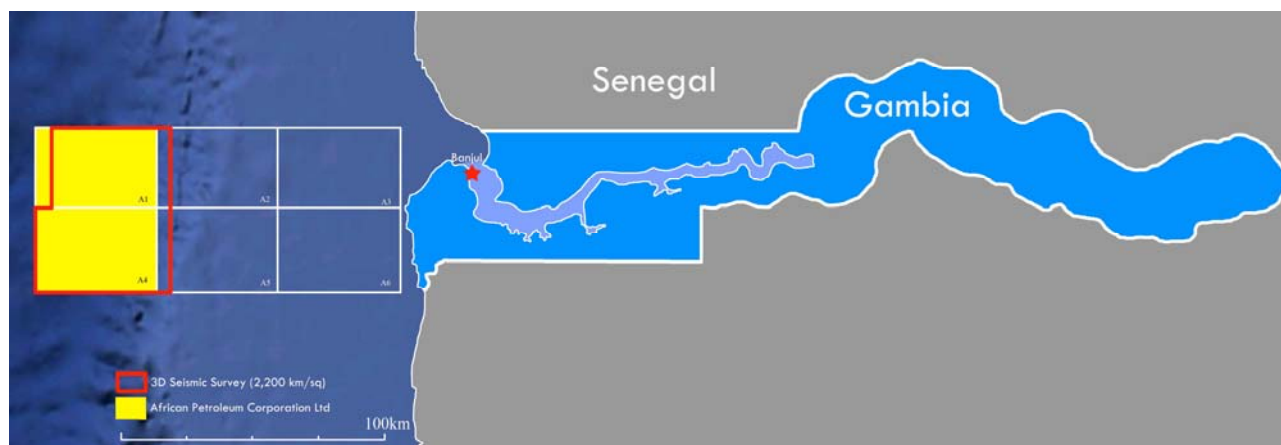
African Petroleum is now accelerating a multi well drilling programme on the 25+ exploration prospects identified on the Liberian Licence Blocks and using the data acquired from drilling Apalis-1 , to drill the next well during the 4<sup>th</sup> quarter 2011 and the 1<sup>st</sup> quarter 2012. Having confirmed a working hydrocarbon system with the first well, the forward exploration programme will focus on the deeper basinal zone where improved reservoir quality is anticipated in the well-developed Cretaceous fan system. The next well is likely to be on the Jacana prospect in 1500m water depth, however alternative locations are also under consideration.



**Figure 5: Liberia Blocks 8 & 9 Cretaceous fan prospects and Jacana well location**

## Gambian Project: Blocks A1 and A4

African Petroleum has a 60% operating interest in Blocks A1 and A4 offshore The Gambia (**Gambian Licence Blocks**), acquired via a farm-in agreement with Buried Hill Gambia BV. The Gambian Licence Blocks cover a combined total area of 2,668 sq km.



**Figure 6: Location of the Gambian Licence Blocks, offshore The Gambia**

The Company completed the acquisition of 2,500 sq km of 3D data in relation to the Gambian Licence Blocks in December 2010 (area shown in red box on Figure 6). Processed 3D seismic data was received in June 2011 and interpretation is currently underway.

More than 30 exploration prospects and leads have been identified on the Gambian Licence Blocks from the previous Buried Hill 2D and 3D data, including five different play types (see Figure 7). The four way dip closed Alhamdulliah structure has been identified, which extends over an area of 24 sq km with five mapped reservoirs and a gross thickness of 1,000m. There are potential mean unrisked recoverable resources of approximately 500 Million barrels (Source: ERC Equipoise independent review of African Petroleum resource, April 2011). Other play types in the Gambian Licence Blocks include stratigraphically-trapped fans and slope channel complexes of Turonian-Campanian age, Upper Jurassic and lower Cretaceous karstified reef build-ups and four-way closures and eroded shelf clastics onlapping the shelf edge. Figure 8 shows a 3D seismic view of the cretaceous fans adjacent to the carbonate platform in Blocks A1 & A4, with clear drape of the fans over the Alhamdullilah structure.

Additional 2D seismic data was purchased to provide well-tie information to the adjacent deep corehole DSDP-367 (which has well developed source rock facies) and the recently drilled Kora-1 exploration well drilled by Ophir Energy 150km to the south in the AGC block. The Kora well failed to encounter reservoir facies, and drilled a Stratigraphically older section than anticipated at the Alhamdallulah prospect. Despite the negative results of Kora, it does not downgrade the potential of the Cretaceous fan play in Gambia and adjacent blocks.

The 2011 Gambia 3D seismic interpretation and prospect evaluation that is currently underway is refining the technical analysis, identifying a system of Upper Cretaceous fan systems and will lead to selected prospects and drilling locations. The Company hopes to be in a position to drill in Gambia in 2012.





# Gambia Blocks A1 & A4 Prospects and Leads

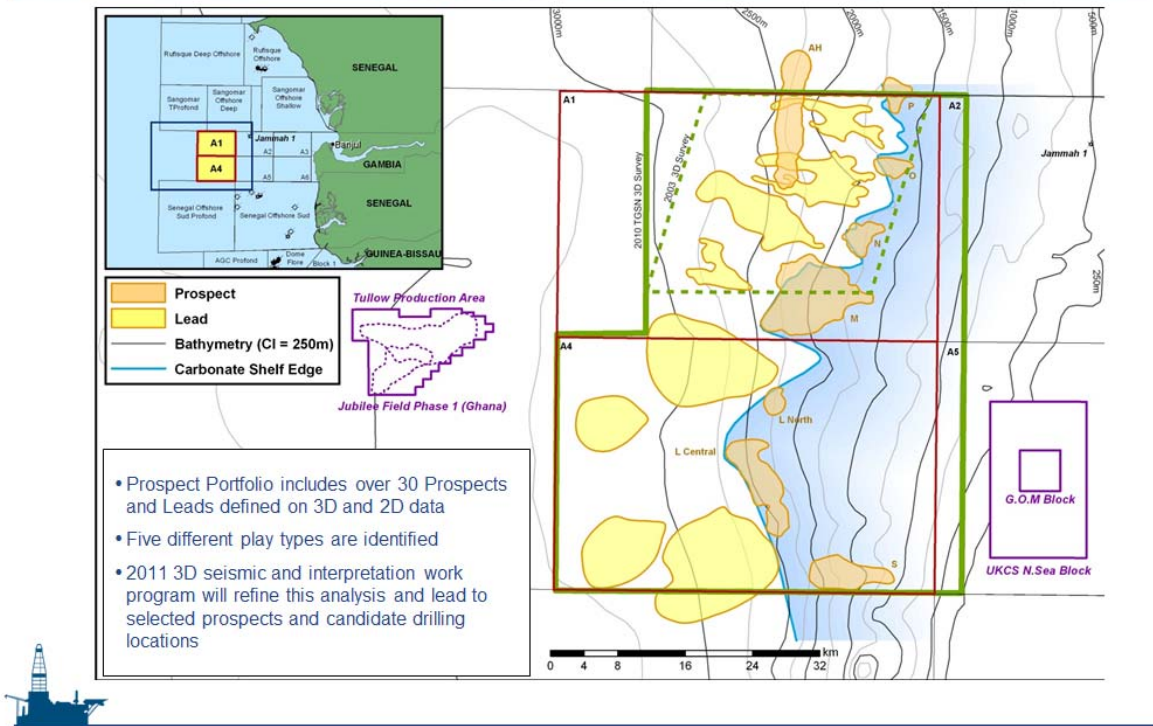


Figure 7: Gambia Prospect Montage

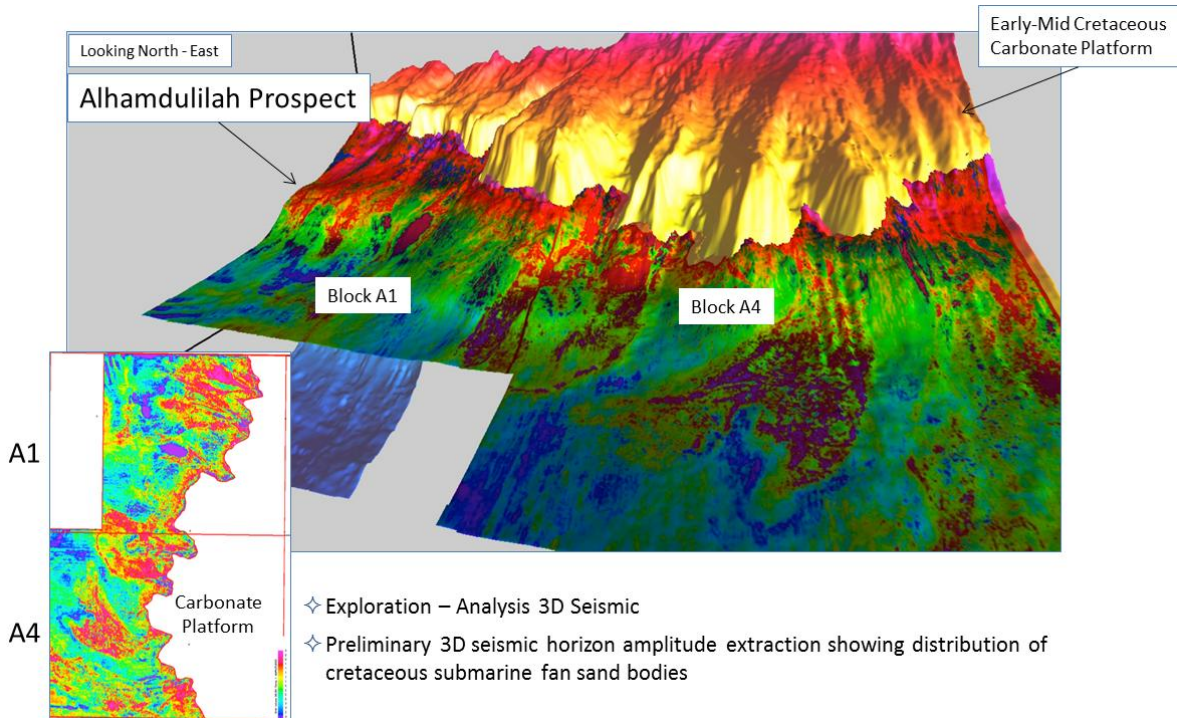
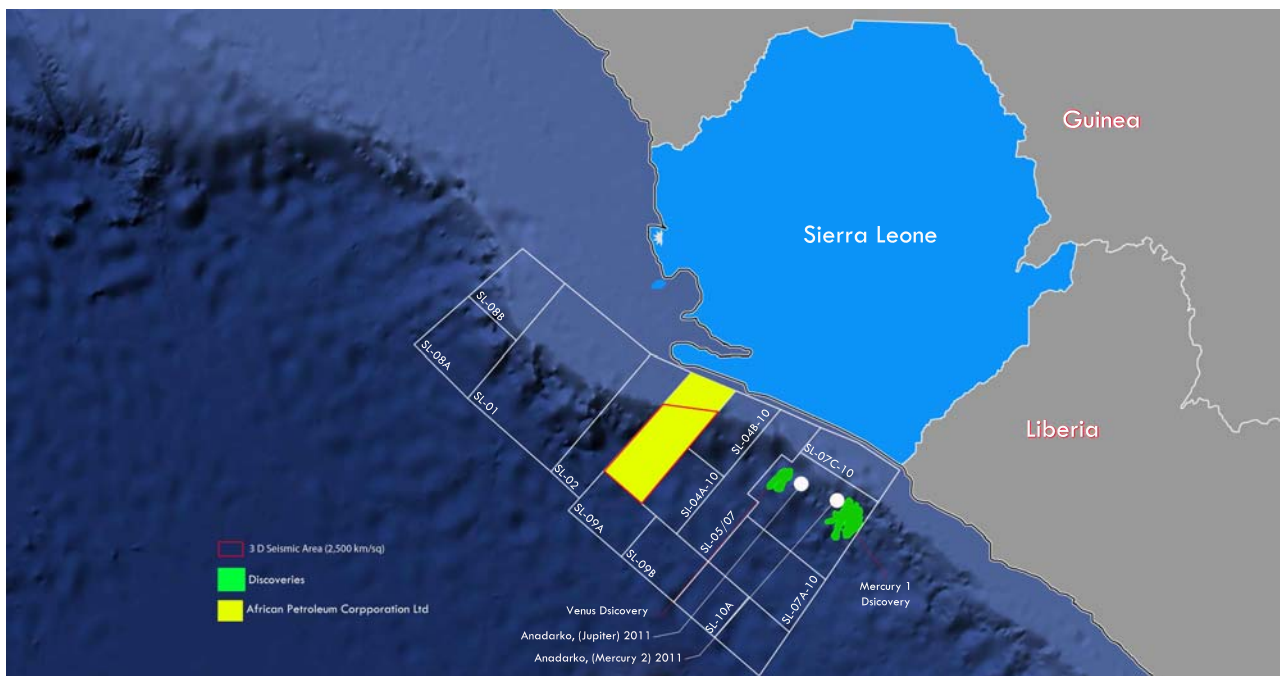


Figure 8: 3D Seismic view of Gambia cretaceous fan prospects in Blocks A1 & A4

### Sierra Leone Project: Block SL-03

African Petroleum holds a 100% interest in Block SL-03 offshore Sierra Leone (**Sierra Leone Licence Block**). The Sierra Leone Licence Block is 3910 sq km in area, and is situated approximately 90-150 km to the north west of Anadarko's recent Mercury-1 and Venus-1 discoveries, (Figure 9).



**Figure 9. Location of the Sierra Leone Licence Block, offshore Sierra Leone**

African Petroleum is actively exploring for the Cretaceous-age fan systems in SL-03 similar to those found to be hydrocarbon bearing in Venus and Mercury and has identified a number of promising Cretaceous fan leads on the 2D seismic data (Figures 10 and 11). The basin modelling indicates that Turonian to Mid Albian source rocks should be mature within and adjacent to the Sierra Leone Licence Block.

The acquisition of 2,535 sq km of 3D seismic data in Block SL-03 has been completed successfully by TGS-NOPEC, using the Fugro "Geo Caribbean" vessel. The survey took 60 days in total. TGS-NOPEC are currently processing the 3D seismic data and a fast-track volume is expected by January. The Company hopes to be able to drill a prospect in SL-03 in 2013.



## Block SL-03 Turonian Lead

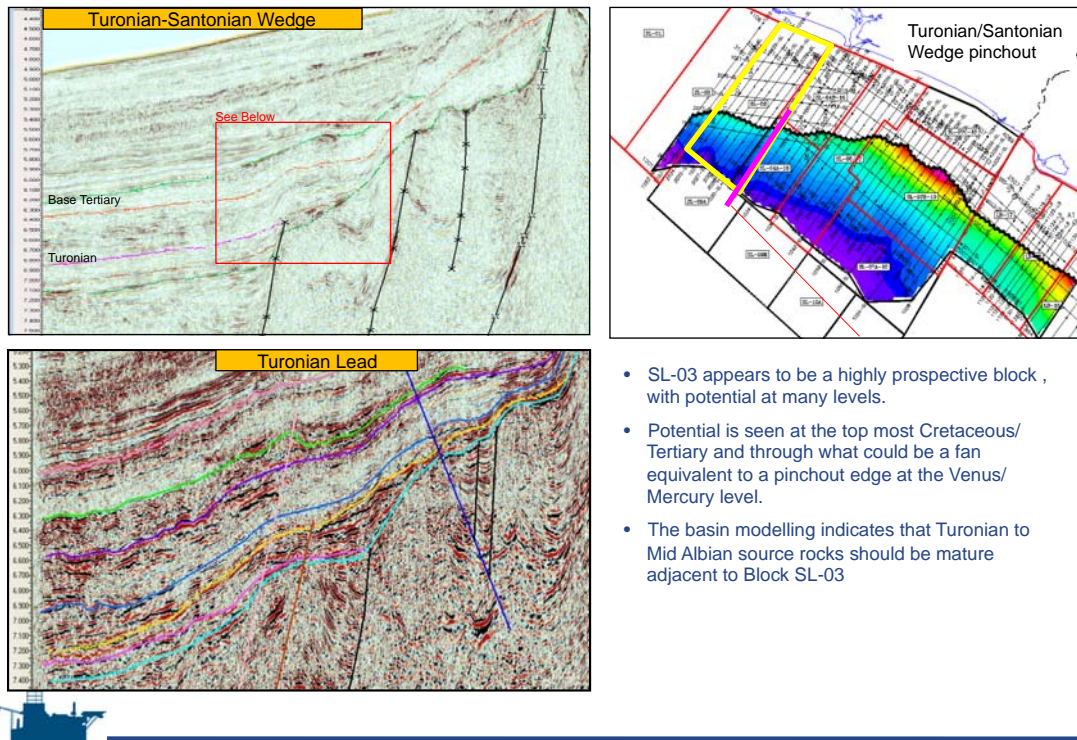


Figure 11: Prospect Montage for Block SL-03 Turonian Lead (2D seismic data)

### NEW OPPORTUNITIES

Billion barrel oil fields have been discovered by Anadarko and Tullow in the Cretaceous submarine fans offshore West Africa, but it is believed that some of the largest Jubilee-type submarine fans remain undrilled. There are expectations for potential multi billion barrel oil fields in the largest fan systems in Sierra Leone and Liberia. African Petroleum is extending the search for the highest potential Cretaceous submarine fans offshore West Africa. The Company is actively reviewing major new oil provinces for potential discoveries and planning to expand its exploration acreage in order to position itself as the leading oil and gas exploration company in the West African region.

# Quarterly Report

Name of entity

AFRICAN PETROLEUM CORPORATION LIMITED

ABN

87 125 419 730

Quarter ended ("current quarter")

30 September 2011

## Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter US\$'000	Year to date (9 months) US\$'000
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) staff costs	(1,390)	(3,548)
(b) advertising and marketing	(65)	(136)
(c) research and development	-	-
(d) leased assets	-	-
(e) other working capital	(2,576)	(6,848)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	558	1,126
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
(a) Payments for exploration	(30,183)	(59,675)
(b) Payments for business development	(497)	(777)
(c) Payments for transaction related costs	(250)	(806)
(d) Payment for project related travel costs	(2,201)	(4,191)
(e) Other income	5,003	5,003
<b>Net operating cash flows</b>	<b>(31,601)</b>	<b>(69,852)</b>

	<b>Current quarter US\$'000</b>	<b>Year to date (9 months) US\$'000</b>
1.8	<b>(31,601)</b>	<b>(69,852)</b>
1.9	<b>Cash flows related to investing activities</b>	
	Payment for acquisition of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	(3,980)
	(e) other non-current assets	(1,056)
1.10	Proceeds from disposal of:	
	(a) businesses (item 5)	-
	(b) equity investments	-
	(c) intellectual property	-
	(d) physical non-current assets	-
	(e) other non-current assets	-
1.11	Loans to other entities	(10,000)
1.12	Loans repaid by other entities	-
1.13	Other – cash backing security provided for bank guarantees	(127)
	Other – cash backing security provided for drilling operations	(40,026)
	Other – cash backing security provided for seismic data acquisition	(1,001)
	<b>Net investing cash flows</b>	<b>(56,190)</b>
1.14	<b>Total operating and investing cash flows</b>	<b>(126,042)</b>
1.15	<b>Cash flows related to financing activities</b>	
	Proceeds from issues of shares, options, etc (net of capital raising costs)	
	-	259,641
1.16	Proceeds from sale of forfeited shares	-
1.17	Proceeds from borrowings	-
1.18	Repayment of borrowings	-
1.19	Dividends paid	-
1.20	Other (provide details if material)	-
	<b>Net financing cash flows</b>	<b>259,641</b>
	<b>Net increase (decrease) in cash held</b>	<b>133,599</b>
1.21	Cash at beginning of quarter/year to date	135,451
1.22	Exchange rate adjustments to item 1.21	(129)
1.23	Exchange rate adjustments impacting cash balances raised during the period	(6,272)
1.24	<b>Cash at end of quarter</b>	<b>262,649</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter US\$'000
1.24	Aggregate amount of payments to the parties included in item 1.2	320
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

US\$320,079 (net of GST) has been paid to directors during the quarter for the provision of services as directors.
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**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A
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2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A
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**Financing facilities available**

*Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).*

		Amount available US\$'000	Amount used US\$'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
4.1 Cash on hand and at bank	257,641	187,237
4.2 Deposits at call	5,008	114,678
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>262,649</b>	<b>301,915</b>

## Acquisitions and disposals of business entities

		Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to NSX.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Claire Tolcon  
Company Secretary

Date: 27 October 2011



## Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 1026: Statement of Cash Flows* apply to this report except for the paragraphs of the Standard set out below.
  - 6.2 - reconciliation of cash flows arising from operating activities to operating profit or loss
  - 9.2 - itemised disclosure relating to acquisitions
  - 9.4 - itemised disclosure relating to disposals
  - 12.1(a) - policy for classification of cash items
  - 12.3 - disclosure of restrictions on use of cash
  - 13.1 - comparative information
3. **Accounting Standards.** NSX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.