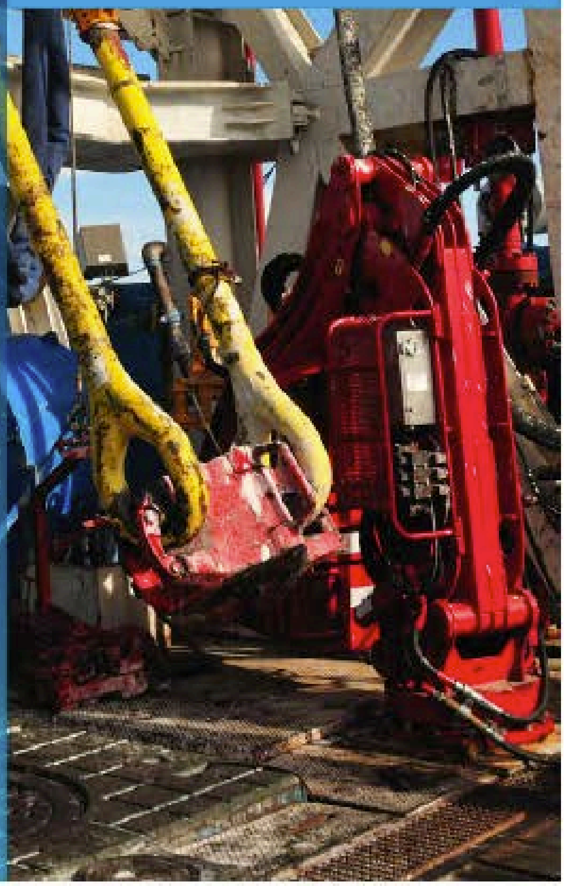
African Petroleum CORP LTD

Interim Financial Report for the Fourth Quarter 2016



HIGHLIGHTS

- During the quarter the Company continued working with Ophir Energy and Petroci on planning for the first exploration well (Ayame-1X) to be drilled on the CI-513 licence (Company 45%, Ophir Energy (Operator) 45%, Petroci 10%) in Côte d'Ivoire in Q2 2017.
- The Ayame-1X exploration well will be targeting the Ayame West prospect with a gross mean prospective resource of 350 million barrels (ERC Equipoise CPR).
- Post period end, Ophir Energy (Operator) signed a drilling rig contract for the Seadrill West Saturn sixth generation drillship with drilling of the Ayame-1X exploration well commencing in May 2017.
- 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.
- On 23 November 2016 the Company announced that Liberian production sharing contracts LB-08 and LB-09 had expired and will not be extended.
- 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.
- Post period end, the Company appointed BDO Audit (WA) Pty Ltd, a member firm of BDO International Ltd, to replace Ernst & Young as auditor of the Company.
- Post period end, at the invitation of the incoming government a delegation from the Company travelled to The Gambia to attend the 52nd Independence Anniversary Celebrations and Inauguration of His Excellency Mr Adama Barrow, President of the Republic of The Gambia, and to hold a private meeting with President Barrow.
- Approximately US$0.2 million cash at bank as at 31 December 2016, together with US$10.9 million restricted cash.
- Post period end, the Company completed a private placement to raise NOK 26,675,000 (approximately US$3.1 million) (before costs) through the issue of 10,670,000 new fully paid ordinary shares at a price of NOK 2.50 per share.
- 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^2 of 3D seismic data on its existing licences and drilled three exploration wells in West Africa.

CEO STATEMENT

"The Company has entered 2017 with a strong momentum driven by some important corporate and operational milestones achieved last year. We have successfully rationalised our portfolio through the relinquishment of our licences in Liberia as we focus our efforts and resources on the licences where we see the most potential for value creation. In this regard, we have made considerable progress in our negotiations with the governments of Senegal and The Gambia to reach an accord on the terms and subsequent extension of our highly prospective licences in these countries. Our negotiations in The Gambia were somewhat delayed in the run-up to the country's election however we have made considerable progress in building a relationship with the new administration and are encouraged by the initial dialogue that we have had to date.

We remain in positive and progressive negotiations with several potential farm-in partners for certain licences across the portfolio, including Côte d'Ivoire, The Gambia and Senegal. Whilst we have an existing LOI in place with a highly credible industry player for our licences in The Gambia, we continue to entertain discussions with all potential partners across our entire portfolio to ensure we obtain the best possible deals on behalf of our shareholders. The general sector sentiment towards exploration activity in our region of focus improved markedly in the second half of 2016 as the oil price stabilised and we have subsequently reinitiated dialogue with a number of industry players who are once again showing strong interest in our acreage.

In May of this year, we will return to exploration drilling as we drill the first exploration well on CI-513 alongside our partner Ophir. This highly prospective well has generated a lot of industry interest and we continue to evaluate our options with regards to a potential farm-out of our equity in the licence in return for funding our share of the well. In any event, we will retain a material interest in a well that has the potential to be truly transformational for African Petroleum in the success case.

In conclusion, we are excited by the near term catalyst of the exploration well and are also highly encouraged by the continued dialogue that we are having with our host governments and potential industry partners, all against an improving sector backdrop. Whilst the pace in getting to this point has been frustratingly slow as a result of the challenges faced by the wider industry in the last couple of years, we have made significant progress in laying the foundation for growth and believe that we are well placed to achieve numerous operational and corporate objectives in the coming year."

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. The CI-513 exploration well (Ayame-1X) 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 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 potential incoming partners with the respective licence terms and obligations.

Post period end, in February 2017, a delegation from the Company travelled to The Gambia to attend the 52nd Independence Anniversary Celebrations and Inauguration of His Excellency Mr Adama Barrow, President of the Republic of The Gambia, and to hold a private meeting with President Barrow.

Figure 1 - African Petroleum delegation meeting President Barrow in The Gambia, 19 February 2017

The Company has signed a non-exclusive Letter of Intent ("LOI") with an undisclosed International E&P company with respect to Licences A1 and A4, offshore The Gambia (announced 31 August 2016). 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 subject to ongoing due diligence and commercial negotiations. In the meantime, the Company is in active discussions with other interested companies.

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 2016, including significant gas discoveries at Tortue, Geumbeul-1 and Ternanga-1, and the successful appraisal well at Ahmeyim-2. In December 2016 Kosmos announced a farm-out to BP for $916 million in fixed consideration and up to $2 billion in variable consideration.

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.

On 23 November 2016 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.

PRIVATE PLACEMENT

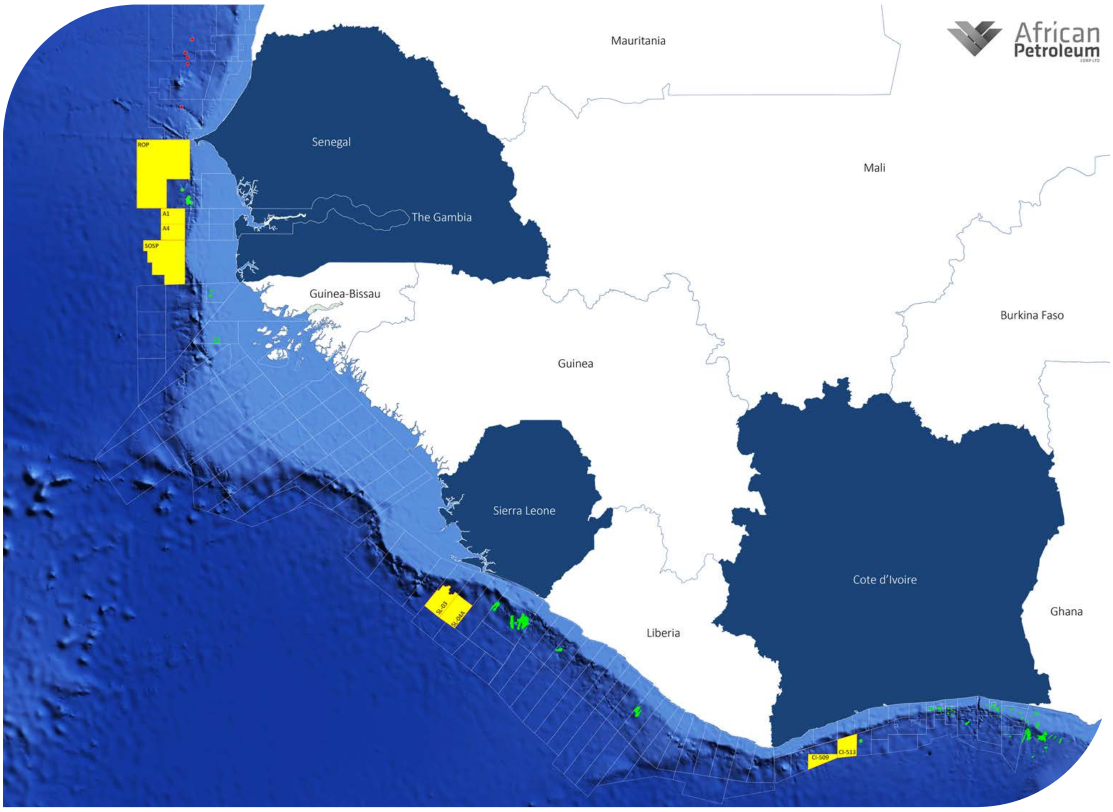
Post period end, on 23 January 2017 the Company completed a private placement to certain existing and new investors to raise NOK 26,675,000 (approximately US$3.1 million) (before costs) through the issue of 10,670,000 new fully paid ordinary shares at a price of NOK 2.50

per share. Proceeds from the private placement will be used to strengthen the Company's balance sheet and liquidity position, to fund the Company's ongoing working capital and for general corporate purposes.

CHANGE IN AUDITOR

Post period end, on 19 January 2017 the Company appointed BDO Audit (WA) Pty Ltd ("BDO"), a member firm of BDO International Ltd, as auditor of the Company. BDO were selected to replace Ernst & Young as the Company's auditors for the financial year ending 31 December 2016 and subsequent financial years on the basis that BDO are more aligned to the Company's current operations and to the Company's continued strategy to reduce corporate costs.

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^2.

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.

On 14 July 2014 the Company signed an agreement to farm-out 10% of CI-509 to Buried Hill Africa Limited, subject to certain conditions precedent. As at the date of this report the conditions precedent had not been satisfied.

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^2.

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 unrisked 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^2. The Company has completed a 3D seismic survey with data covering 2,500km^2 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 current phase of 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 the transfer of the outstanding drilling commitment into the next phase and entry into the next phase of the licences.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Gambian Licences and estimates the net unrisked 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^2 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. 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.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company's Sierra Leone licences and estimates the net unrisked 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").

On 23 November 2016 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

African Petroleum is entering an exciting period as we count down to the drilling of our exploration well on licence CI-513 in Côte d'Ivoire in May. This highly prospective well, which lies in close proximity to large commercial discoveries, continues to attract industry interest and as a result the Company is considering a number of options with regards to potentially farming down further equity in the licence in return for funding our share of the well. In the event of a further farm-out, we will retain an appropriate level of exposure to ensure a transformational impact in the success case.

The general sector outlook has improved dramatically since the oil price rebounded from a low of US$27 per barrel in early 2016 and stabilised at a level where the industry is becoming more active in exploration. Based on the dialogue that we are having with industry players, many of whom have recently reinitiated dialogue as a result of the improving climate, we are witnessing an increased appetite for exploration activity in our region of focus. As such, we are optimistic that our discussions with host governments and potential industry partners will culminate in a positive outcome for the Company in the near future.

STATEMENT OF RESPONSIBILITY

We confirm that, to the best of our knowledge, the condensed set of financial statements for the fourth 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	Q4 2016 (unaudited)	Q4 2015 (unaudited)	YTD Q4 2016 (unaudited)	YTD Q4 2015 (audited)
Revenue		**201**	47	**210**	455
Exploration & evaluation expenditure		**(6,703)**	(2,030)	**(10,211)**	(6,837)
Net gain on farm-out of exploration & evaluation expenditure		**-**	-	**6,900**	-
Aircraft expenses		**-**	(502)	**(9)**	(444)
Depreciation expense		**(1)**	(27)	**(4)**	(456)
Impairment of exploration & evaluation expenditure		**-**	(13,698)	**4,305**	(13,698)
Impairment of consumable spares		**-**	(1,166)	**-**	(1,497)
Loss from disposal of freehold land		**-**	-	**-**	(856)
Impairment of aircraft		**-**	-	**-**	(429)
Impairment of related party loans & deposits		**-**	(63)	**-**	(63)
Consulting expense		**(190)**	(523)	**(861)**	(2,853)
Compliance and regulatory expenses		**49**	(114)	**(163)**	(372)
General administration expenses		**(137)**	(392)	**(725)**	(1,301)
Employee remuneration	6	**(925)**	510	**(2,446)**	(4,571)
Travel expenses		**(105)**	(31)	**(260)**	(575)
Unrealised gain / (loss) on fair value of financial liabilities		**444**	1,839	**411**	2,561
Net foreign currency (loss) / gain		**(594)**	95	**(620)**	(294)
Loss from continuing operations before income tax		**(7,961)**	(16,055)	**(3,473)**	(31,230)
Income tax expense		(8)	-	(8)	-
Loss for the period, attributable to the members		**(7,969)**	(16,055)	**(3,481)**	(31,230)
Other comprehensive profits					
Items that may be subsequently reclassified to profit or loss:					
Foreign exchange gain on translation of functional currency to presentation currency		**727**	108	**702**	108
Other comprehensive profits/(losses) for the period, net of tax		**727**	108	**702**	**108**
Total comprehensive profit/(loss) for the period		**(7,242)**	(15,947)	**(2,779)**	(31,122)
Profit/(loss) for the period is attributable to:					
Non-controlling interest		**(55)**	(39)	**(57)**	(123)
Owners of the parent		**(7,914)**	(16,016)	**(3,424)**	(31,107)
		(7,969)	(16,055)	**(3,481)**	(31,230)
Total comprehensive profit/(loss) for the period is attributable to:					
Non-controlling interest		**(55)**	(39)	**(57)**	(123)
Owners of the parent		**(7,187)**	(15,908)	**(2,722)**	(30,999)
		(7,242)	(15,947)	**(2,779)**	(31,122)
Basic/diluted loss per share attributable to members (US cents per share) (post-consolidation basis)		**(7.42)**	(16.19)	**(3.21)**	(31.81)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

US$ '000s	Note	31 Dec 2016 (unaudited)	31 Dec 2015 (audited)
ASSETS			
Current assets			
Cash and cash equivalents	7	**235**	608
Trade and other receivables	8	**199**	188
Restricted cash	9	**10,944**	12,569
Prepayments		**120**	156
		11,498	13,521
Assets held for distribution		**-**	502
Total current assets		**11,498**	14,023
Non-current assets			
Inventories		**1,007**	1,007
Property, plant and equipment		**4**	10
Exploration and evaluation expenditure	10	**26,903**	37,583
Total non-current assets		**27,914**	38,600
Total assets		**39,412**	52,623
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	**611,455**	611,440
Reserves	13	**20,300**	18,926
Accumulated losses		**(616,330)**	(612,906)
Attributable to equity holders of the parent		**15,425**	17,460
Non-controlling interests		**(3,046)**	(2,989)
Total equity		**12,379**	14,471
LIABILITIES			
Current liabilities			
Trade and other payables	11	**26,958**	37,705
Financial liabilities	14	**75**	447
Total current liabilities		**27,033**	38,152
Total liabilities		**27,033**	38,152
Total equity and liabilities		**39,412**	52,623

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

US$ '000s YTD Q4 2016 (unaudited)	Ordinary Share capital	Share-based payment reserve	Accumulated losses	Foreign currency translation reserve	Non-controlling interest	Total equity
Balance at 1 January 2016	611,440	30,907	(612,906)	(11,981)	(2,989)	**14,471**
Profit/(loss) for the period	-	-	(3,424)	-	(57)	**(3,481)**
Other comprehensive profit	-	-	-	702	-	**702**
Total comprehensive profit/(loss) for the period	**-**	**-**	**(3,424)**	**702**	**(57)**	**(2,779)**
Transactions with owners in their capacity as owners:						
Exercise of share options	15	-	-	-	-	**15**
Share-based payments	-	672	-	-	-	**672**
Balance at 31 December 2016	**611,455**	**31,579**	**(616,330)**	**(11,279)**	**(3,046)**	**12,379**

CONSOLIDATED STATEMENT OF CASH FLOWS

US$ '000s	**YTD Q4 2016 (unaudited)**
Cash Flows from Operating Activities	
Payments to suppliers and employees	(4,108)
Other income	173
Interest received	7
Finance costs	(37)
Net cash flows used in operating activities	**(3,965)**
Cash Flows from Investing Activities	
Payment for plant and equipment	(4)
Proceeds from disposal of plant and equipment	2
Proceeds from farm out of exploration and evaluation activities	16,900
Payment for exploration and evaluation activities	(14,858)
Increase in cash backing security for exploration and evaluation activities	(4,375)
Return of cash backing security for exploration and evaluation activities	6,000
Net cash used in investing activities	**3,665**
Cash Flows from Financing Activities	
Exercise of share options	15
Net cash from financing activities	**15**
Net increase in Cash and Cash Equivalents	**(285)**
Cash and Cash Equivalents at the beginning of the reporting period	608
Net foreign exchange differences	(88)
Cash and Cash Equivalents at the end of the reporting period	**235**

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 fourth 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 31 December 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 31 December 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 31 December 2016, the Company had net current liabilities of US$15.5 million (31 December 2015: US$24.1 million). The restricted cash position at 31 December 2016 was US$10.9 million (31 December 2015: US$12.6 million), and the cash position at 31 December 2016 was US$0.2 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:

i. creditors not agreeing to revise payment amounts and terms and filing legal claims to recover the amounts owed to them; and

ii. 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

	Q4 2016 (unaudited) US$'000	Q4 2015 (unaudited) US$'000	**YTD Q4 2016 (unaudited) US$'000**	YTD Q4 2015 (audited) US$'000
Employee remuneration expense				
Employee remuneration	**787**	(477)	**1,178**	2,104
Director's remuneration	**(82)**	135	**546**	1,140
Share-based payments	**220**	(168)	**722**	1,327
	925	(510)	**2,446**	4,571

NOTE 7 - CASH AND CASH EQUIVALENTS

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Cash at bank and on hand	**235**	608
	235	608

NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 8 - TRADE AND OTHER RECEIVABLES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Trade receivables	**74**	-
Trade receivables from related parties	**1,147**	1,259
Loan receivable from related parties	**-**	62
Other receivables	**125**	188
	1,346	1,509
Impairment allowance[a]	**(1,147)**	(1,321)
	199	188
Loan receivable from Key Management Personnel	**1,455**	1,745
Share-based payment liability	**(1,455)**	(1,745)
	-	-
Total trade and other receivables	**199**	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

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

Restricted cash balances represent interest bearing cash backed security provided in relation to the Company's exploration programmes. The security deposits will be released upon achievement of certain drilling milestones. The classification of restricted cash balances as either current or non-current within the Statement of Financial Position is based on management's estimate of the timing of completion of seismic acquisition and drilling milestones and settlement of outstanding liabilities under licences.

NOTE 10 - EXPLORATION AND EVALUATION EXPENDITURE

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Acquisition cost at beginning of period (1 January)	**37,583**	43,417
Exploration expenditure incurred	**4,958**	7,864
Exploration expenditure farmed-out	**(7,000)**	-
Impairment of exploration and evaluation expenditure	**(8,638)**	(13,698)
Costs carried forward in respect of areas of interest in exploration and evaluation phases	**26,903**	37,583

NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 11 - TRADE AND OTHER PAYABLES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Trade payables	**10,754**	7,350
Withholding tax [1]	**-**	13,587
Other payables and accruals [2]	**16,204**	16,768
	26,958	37,705

[1] An accrual for withholding tax in relation to the Company's exploration activities has been recognised. In certain jurisdictions the Company may be required to withhold payment on services provided by subcontractors. Any such amounts withheld are due to the tax authorities and will be credited against the subcontractors own income tax liability.

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

NOTE 12 - ISSUED CAPITAL

	31 Dec 2016 No. of shares	31 Dec 2015 No. of shares
Fully paid ordinary shares	**106,685,114**	106,611,781
Reconciliation		
Number of outstanding shares at beginning of period (1 January)	**106,611,781**	685,857,457
Issue of shares pursuant to capital raising prior to share consolidation	**-**	283,336,330
Consolidation of shares	**-**	(872,273,943)
Issue of shares pursuant to capital raising post share consolidation	**-**	9,691,937
Issue of shares pursuant to exercise of options	**73,333**	-
Number of outstanding shares at the end of period	**106,685,114**	106,611,781

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

NOTES TO THE INTERIM FINANCIAL REPORT

NOTE 13 - RESERVES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Share-based payments reserve		
At beginning of period (as at 1 January)	**30,907**	29,592
Issue of options pursuant to share based payment arrangements	**672**	1,315
Total share-based payments reserve	**31,579**	30,907
Foreign currency translation reserve		
At beginning of period (as at 1 January)	**(11,981)**	(12,089)
Foreign currency exchange differences arising on translation of functional currency to presentation currency	**702**	108
Total foreign currency translation reserve	**(11,279)**	(11,981)
Total reserves	**20,300**	18,926

NOTE 14 - FAIR VALUES OF FINANCIAL LIABILITIES

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Options granted in NOK	**75**	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:

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Côte d'Ivoire	**8,226**	14,002
The Gambia	**5,381**	3,544
Liberia	**-**	8,309
Senegal	**3,900**	3,200
Sierra Leone	**9,397**	8,530
United Kingdom	**1,010**	1,015
	27,914	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 31 December 2016 and 31 December 2015:

	31 Dec 2016 US$'000	31 Dec 2015 US$'000
Within one year	**29,939**	76,203
After one year but not more than five years	**14,650**	2,656
More than five years	**-**	-
	44,589	78,859

NOTE 17 - EVENTS AFTER THE BALANCE SHEET DATE

On 19 January 2017 the Company appointed BDO Audit (WA) Pty Ltd ("BDO"), a member firm of BDO International Ltd, as auditor of the Company. BDO were selected to replace Ernst & Young as the Company's auditors for the financial year ending 31 December 2016 and subsequent financial years on the basis that BDO are more aligned to the Company's current operations and to the Company's continued strategy to reduce corporate costs.

On 23 January 2017 the Company completed a private placement to certain existing and new investors to raise NOK 26,675,000 (approximately US$3.1 million) (before costs) through the issue of 10,670,000 new fully paid ordinary shares at a price of NOK 2.50 per share.

No other event has arisen between 31 December 2016 and the date of this report that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

INFORMATION ON AFRICAN PETROLEUM CORPORATION LIMITED

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

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Code: APCL

Open Market, Frankfurt Stock Exchange
Code: A1C1G9