

*African Petroleum Corporation  
Limited*

(ABN 87 125 419 730)

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*Half-year Financial Report  
for the Period Ended  
30 June 2011*

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**CORPORATE DIRECTORY**

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***DIRECTORS***

Frank Timis - Chairman  
Antony Sage – Deputy Chairman  
Karl Thompson – Chief Executive Officer  
Mark Ashurst – Chief Financial Officer  
Gibril Bangura  
Jeffrey Couch  
James Smith  
Timothy Turner  
Alan Watling  
Anthony Wilson

***COMPANY SECRETARY***

Claire Tolcon

***PRINCIPAL & REGISTERED OFFICE***

18 Oxford Close  
Leederville Western Australia 6007  
Telephone: +61 (0) 8 9388 0744  
Facsimile: +61 (0) 8 9382 1411

***AUDITORS***

Ernst & Young  
11 Mounts Bay Road  
Perth Western Australia 6000  
Telephone: +61 (0) 8 9429 2222  
Facsimile: +61 (0) 8 9429 2436

***SHARE REGISTRAR***

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
Perth Western Australia 6000  
Telephone: +61 (0) 8 9332 2000  
Facsimile: +61 (0) 8 9323 2033

***STOCK EXCHANGE LISTING***

National Stock Exchange of Australia  
***Code: AOQ***

**DIRECTORS' REPORT**

Your Directors present their report on African Petroleum Corporation Limited ("African Petroleum" or the "Company") for the half-year ended 30 June 2011.

**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 Frank Timis	Non-Executive Chairman
Mr Antony Sage	Non-Executive Deputy Chairman
Mr Karl Thompson	Executive Director and Chief Executive Officer
Mr Mark Ashurst	Executive Director and Chief Financial Officer
Mr Gibril Bangura	Non-Executive Director
Mr Jeffrey Couch	Non-Executive Director
Mr James Smith	Non-Executive Director
Mr Timothy Turner	Non-Executive Director
Mr Alan Watling	Non-Executive Director
Mr Anthony Wilson	Non-Executive Director

**Company Secretary**

Ms Claire Tolcon

**PRINCIPAL ACTIVITIES**

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

**REVIEW OF OPERATIONS****CORPORATE****Placement**

During the half-year, the Company completed a placement of 250,000,000 fully paid ordinary shares at A\$1.00 per share raising A\$250,000,000 which equated to US\$270,549,013 before placement costs. Placement costs amounted to US\$10,908,079.

The Company intends to use the funds raised from the placement:

- (a) to drill up to 4 additional wells;
- (b) to acquire further acreage in offshore West Africa;
- (c) to undertake additional 3D seismic, initially focusing on Block SL-03 offshore Sierra Leone; and
- (d) for additional working capital.

**Release of Escrowed Shares**

Pursuant to the rules of the National Stock Exchange of Australia ('NSX'), the vendors of African Petroleum Corporation Limited (Cayman Islands) who sold their shares to the Company in return for shares in the Company, were subject to restriction agreements, escrowing their shares for a period of 12 months from the date of listing of the Company on NSX. On 30 June 2011, 273,214,564 shares were released from escrow, and are now freely tradable. A further 633,035,487 shares remain subject to escrow until 30 June 2012.

**DIRECTORS' REPORT**

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**OPERATIONS*****Liberian Project***

The Company holds a 100% interest in Blocks LB-08 and LB-09 offshore Liberia ('Liberian Project' or 'Blocks LB-08 and LB-09'). Blocks LB-08 and LB-09 are located to the south east of recent Anadarko discoveries Mercury and Venus Discoveries in Sierra Leone. Major discoveries in Ghana (Jubilee, Tweneboa, Odum and Enyenra) are located to the south east of Blocks LB-08 and LB-09. The Jubilee Field complex of discoveries has a reported resource potential of 4 billion barrels recoverable (Tullow Capital Markets presentation 2010). In Liberia, previous exploration drilling during the 1970's and 1980's included six wells with oil shows on the shallow water shelf area. To date, there have been no deepwater wells offshore Liberia targeting the Cretaceous sands found in the Mercury, Venus and Jubilee discoveries.

African Petroleum has completed the acquisition and interpretation of 5,100 sq km of 3D seismic survey over Blocks LB-08 and LB-09, which targeted the Cretaceous submarine fan system previously identified from the 2D seismic survey data. An extensive submarine fan system similar to those containing the Mercury, Venus and Jubilee discoveries has been identified on Blocks LB-08 and LB-09.

The evaluation of the 3D seismic data has identified more than 40 prospects and leads in the Upper Cretaceous section, some of which are similar to the recent Anadarko Petroleum Corporation discoveries at Mercury and Venus, immediately to the north west of the Liberian Project. A detailed assessment of the Company's prospective resources at Blocks LB-08 and LB-09 was carried out in April 2011 by specialist advisors ERCE Equipoise Limited (ERCE) to industry standard classification and reporting.

ERCE has independently evaluated 21 prospective reservoir layers in eight of the most technically progressed prospect clusters out of the identified prospects at Blocks LB-08 and LB-09. ERCE estimates the best (P50), unrisks recoverable resources at approximately 1.4 billion stock tank barrels (stb) with an upside potential (P10), unrisks recoverable resources of approximately 5.3 billion stb<sup>1</sup>. Additionally, the mean unrisks resources are estimated at approximately 2.4 billion stb<sup>1</sup>.

The Company has contracted Maersk Drilling for a two well programme at Blocks LB-08 and LB-09, with the option to test both wells. The two well programme is being completed using the ultra deepwater semi-submersible, Maersk Deliverer drilling rig. The Maersk Deliverer is the third in a series of three state-of-the-art newbuild ultra deepwater development semi-submersibles in Maersk Drilling's fleet and is capable of drilling in water depths of up to 3,000 meters.

Subsequent to the half-year end, the Company commenced drilling the 'Apalis-1' Prospect on Block LB-09 in Liberia. Drilling of the well was completed in September 2011. The results of Apalis-1 confirm Blocks LB-08 and LB-09 are located in a prospective oil basin. The geological and geophysical data have confirmed the critical components of a working hydrocarbon system are present and functioning. Apalis-1 was drilled to a depth of 3,665 metres and encountered oil shows in several geological units including the shallower (Tertiary) and deeper (Cretaceous), and petrophysical analysis indicates the presence of hydrocarbons. The well also confirmed the presence of organic oil prone source rocks, confirming that Blocks LB-08 and LB-09 are in an attractive oil basin. No commercial quality reservoir with hydrocarbons was encountered and consequently no well production tests have been undertaken.

The Company is now accelerating a multi-well drilling program on the 25+ prospects identified on Blocks LB-08 and LB-09 and are planning to drill the next well during the 4<sup>th</sup> quarter 2011 and the 1<sup>st</sup> quarter 2012.

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<sup>1</sup> It should be noted that the potential resources are all seismic features which have not been penetrated by any wells. It should be clearly understood that the potential resources are undiscovered and the project is an exploration play. There is no certainty that any portion of the undiscovered resources will be discovered and that, if discovered, may not be economically viable or technically feasible to produce from any discovered resources.

**DIRECTORS' REPORT**

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**Gambian Project**

The Company, through its wholly owned subsidiary, African Petroleum Gambia Limited ('African Petroleum Gambia'), holds a 60% equity interest in two off-shore Gambian exploration licences, Block A1 and Block A4 the 'Gambian Licence Blocks').

African Petroleum Gambia acquired the equity interest in the Gambian Licence Blocks via a farm-in agreement with Buried Hill Gambia BV and has assumed the operatorship of the Gambian Licence Blocks, which cover a combined total area of 2,668km<sup>2</sup>, off-shore 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. The 3D data has been processed and interpretation of the data 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 seismic data, including five different play types. 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 recoverable resources of approximately 500 Million barrels (Source: ERCE's 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. The interpretation of the newly acquired 3D data will refine this analysis and lead to selected prospects and candidate drilling locations. The Company hopes to be in a position to drill in The Gambia in 2012.

**Sierra Leone Project**

The Company holds a 100% interest in Block SL-03, offshore Sierra Leone. Block SL-03 is a 3,135 sq km area that was awarded to the Company (subject to formal ratification) on 23 April 2010. The formal ratification by the Sierra Leonean parliament took place in February 2011. Block SL-03 is situated approximately 150 km from Anadarko's recent Mercury-1 discovery at block SL-07B-10 and 85 km from the 2009 Venus discovery, both offshore Sierra Leone. Anadarko announced on 15 November 2010 that it had encountered approximately 135 net feet of oil pay in two Cretaceous-age fan systems in the Mercury discovery.

The Company is actively exploring SL-03 for the Cretaceous-age fan systems 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. The Geo-Caribbean 3D Seismic Vessel has been contracted to undertake a 2,500 sq km 3D seismic survey on Block SL-03, which is currently underway.

**Subsequent Events**

On 8 August 2011, the Company commenced drilling its first exploration well (Apalis-1) in Liberia with the Maersk Deliverer semi-submersible deepwater drilling rig.

On 18 August 2011, 3,275,000 ordinary shares were awarded to Karl Thompson, Chief Executive Officer ('CEO') in line with the terms of his employment contract, following the spudding of the Company's first offshore well.

On 8 September 2011, the Company announced that it had completed drilling Apalis-1 at Block LB-09, offshore Liberia. The results of Apalis-1 confirm Blocks LB-08 and LB-09 are located in a prospective oil basin. The geological and geophysical data have confirmed the critical components of a working hydrocarbon system are present and functioning. Apalis-1 was drilled to a depth of 3,665 metres and encountered oil shows in several geological units. No commercial quality reservoir with hydrocarbons was encountered and consequently no well production tests have been undertaken.

**Result**

African Petroleum reported a loss after income tax of US\$13,718,327 for the half-year ended 30 June 2011 (30 June 2010: loss of US\$22,117,578).

**DIRECTORS' REPORT**

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**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the half-year ended 30 June 2011 has been received and can be found on page 7 of the half-year report.

**NON AUDIT SERVICES**

No non-audit services were provided by the Company's auditors, Ernst & Young, during the half-year ended 30 June 2011.

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

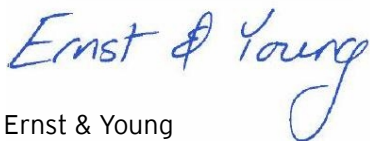


Antony Sage  
Director

**Perth, 13 September 2011**

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

In relation to our review of the financial report of African Petroleum Corporation Limited for the half-year ended 30 June 2011, 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'D S Lewsen'.

D S Lewsen  
Partner  
Perth  
13 September 2011



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENED 30 JUNE 2011**

		Consolidated	
	Note	30 June 2011	30 June 2010
		US\$	US\$
<b>Continuing Operations</b>			
Revenue	3	1,615,694	617
Realised foreign currency gains		475,604	-
Discount on acquisition		-	278,928
Other income	5	250,000	-
Depreciation expense		(237,642)	-
Consulting expenses		(1,720,763)	(2,647,332)
Compliance and regulatory expenses		(111,865)	(32,400)
Administration expenses		(1,118,992)	(310,433)
Share-based payments	3	(6,446,412)	-
Employee benefits		(1,407,837)	(173,901)
Travel costs		(2,082,015)	(97,032)
Directors' remuneration		(757,239)	(615,529)
Occupancy costs		(400,801)	-
Unrealised foreign currency gain / (losses)		35,580	(160,166)
Loss on derivative contracts	8	(1,811,639)	-
Impairment of Goodwill		-	(18,360,330)
<b>Loss from continuing operations before income tax</b>		<b>(13,718,327)</b>	<b>(22,117,578)</b>
Income tax expense		-	-
<b>Loss for the period, attributable to the members</b>		<b>(13,718,327)</b>	<b>(22,117,578)</b>
<b>Other comprehensive income</b>			
Foreign exchange loss on translation of functional currency to presentation currency		(5,379,773)	(204,962)
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>(5,379,773)</b>	<b>(204,962)</b>
<b>Total comprehensive loss for the period</b>		<b>(19,098,100)</b>	<b>(22,322,540)</b>
Loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(13,718,327)	(22,117,578)
		<b>(13,718,327)</b>	<b>(22,117,578)</b>
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		-	-
Owners of the parent		(19,098,100)	(22,322,540)
		<b>(19,098,100)</b>	<b>(22,322,540)</b>
<b>EPS attributable to members</b>			
Basic/diluted (loss) per share		(0.97)	(2.84)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	Note	Consolidated	
		30 June 2011 US\$	31 December 2010 US\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	4	301,926,697	135,451,410
Trade and Other Receivables	5	12,121,873	1,976,185
Restricted Deposits		36,936,624	-
Inventories		8,733,353	-
Prepayments		2,739,865	913,478
<b>TOTAL CURRENT ASSETS</b>		<b>362,458,412</b>	<b>138,341,073</b>
<b>NON CURRENT ASSETS</b>			
Plant and Equipment		4,716,143	551,324
Restricted Deposits		244,706	117,599
Trade and Other Receivables		240,994	-
Freehold Land	6	1,000,000	-
Exploration and Evaluation Expenditure	7	69,240,874	52,199,175
<b>TOTAL NON CURRENT ASSETS</b>		<b>75,442,717</b>	<b>52,868,098</b>
<b>TOTAL ASSETS</b>		<b>437,901,129</b>	<b>191,209,171</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables		8,379,535	16,300,362
Derivative Financial Instruments	8	1,811,639	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>10,191,174</b>	<b>16,300,362</b>
<b>TOTAL LIABILITIES</b>		<b>10,191,174</b>	<b>16,300,362</b>
<b>NET ASSETS</b>		<b>427,709,955</b>	<b>174,908,809</b>
<b>EQUITY</b>			
Issued Capital	9	477,049,312	211,596,478
Reserves	10	6,529,872	5,463,233
Accumulated losses		(55,905,234)	(42,186,907)
<b>Parent interests</b>		<b>427,673,950</b>	<b>174,872,804</b>
<b>Non-controlling interests</b>		<b>36,005</b>	<b>36,005</b>
<b>TOTAL EQUITY</b>		<b>427,709,955</b>	<b>174,908,809</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

	Note	Ordinary Share Capital US\$	Share-based payment reserve US\$	Accumulated Losses US\$	Consolidated Foreign currency translation Reserve US\$	Non- controlling interest US\$	Total US\$
<b>AT 1 JANUARY 2011</b>		211,596,478	7,593,509	(42,186,907)	(2,130,276)	36,005	174,908,809
Loss for the period		-	-	(13,718,327)	-	-	(13,718,327)
Other comprehensive losses		-	-	-	(5,379,773)	-	(5,379,773)
<b>Total comprehensive loss for the period</b>		-	-	(13,718,327)	(5,379,773)	-	(19,098,100)
<b>Transactions with owners in their capacity as owners:</b>							
Shares issued pursuant to a capital raising		270,549,013	-	-	-	-	270,549,013
Share issue costs		(10,908,079)	-	-	-	-	(10,908,079)
Share-based payments	3	5,811,900	6,446,412	-	-	-	12,258,312
<b>BALANCE AT 30 JUNE 2011</b>		<b>477,049,312</b>	<b>14,039,921</b>	<b>(55,905,234)</b>	<b>(7,510,049)</b>	<b>36,005</b>	<b>427,709,955</b>
<b>AT 1 JANUARY 2010</b>		10,638,529	-	(5,545,237)	(515,959)	-	4,577,333
Loss for the period		-	-	(22,117,578)	-	-	(22,117,578)
Other comprehensive income		-	-	-	204,962	-	204,962
<b>Total comprehensive loss for the period</b>		-	-	(22,117,578)	204,962	-	(21,912,616)
<b>Transactions with owners in their capacity as owners:</b>							
Fair value of shares transferred under reverse acquisition accounting		198,714,922	-	-	-	-	198,714,922
Non-controlling interest recognised during the period		-	-	-	-	34,595	34,595
<b>BALANCE AT 30 JUNE 2010</b>		<b>209,353,451</b>	<b>-</b>	<b>(27,662,815)</b>	<b>(310,997)</b>	<b>34,595</b>	<b>181,414,234</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 30 JUNE 2011**

	Note	Consolidated	
		30 June 2011 US\$	30 June 2010 US\$
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees		(9,091,811)	(3,826,019)
Interest received		593,258	-
<b>Net cash flows used in operating activities</b>		<b>(8,498,553)</b>	<b>(3,826,019)</b>
<b>Cash Flows from Investing Activities</b>			
Payment for plant and equipment		(3,783,673)	(19,759)
Payment for land	6	(1,000,000)	-
Cash balances acquired on acquisition of controlled entities		-	181,343,555
Payment for exploration and evaluation activities		(29,598,928)	(2,008,422)
Loan advanced	5	(7,600,000)	-
Cash backing security provided for drilling operations		(37,063,731)	-
<b>Net cash (used in) / from investing activities</b>		<b>(79,046,332)</b>	<b>179,315,374</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from borrowings		-	372,466
Proceeds from issue of shares (net of costs)		259,640,930	-
<b>Net cash from financing activities</b>		<b>259,640,930</b>	<b>372,466</b>
<b>Net increase in Cash and Cash Equivalents</b>		<b>172,096,045</b>	<b>175,861,821</b>
<b>Cash and Cash Equivalents at the beginning of the reporting period</b>		<b>135,451,410</b>	<b>4,967,742</b>
Net foreign exchange differences		(5,620,758)	-
<b>Cash and Cash Equivalents at the end of the reporting period</b>	4	<b>301,926,697</b>	<b>180,829,563</b>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

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**1. CORPORATE INFORMATION**

The financial report of African Petroleum Corporation Limited and its subsidiaries (together the 'Consolidated Entity') for the half-year ended 30 June 2011 was authorised for issue in accordance with a resolution of the directors on 13 September 2011.

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.

**2. BASIS OF PREPARATION OF HALF-YEAR REPORT**

This general purpose condensed financial report for the half-year ended 30 June 2011 has been prepared in accordance with AASB 134 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 consolidated entity 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 2010 and considered together with any public announcements made by African Petroleum Corporation Limited during the half-year ended 30 June 2011 in accordance with the continuous disclosure obligations of the NSX Listing Rules.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The financial report is presented in United States Dollars.

**Comparative financial information**

The financial information in the half-year financial report for the period ended 30 June 2010 which was previously presented in Australian dollars, has been presented in United States dollars following the change in presentation currency as adopted in the most recent annual financial report. On 28 June 2010, African Petroleum Corporation Limited ('African Petroleum' or the 'Company') completed the acquisition of 100% of Cayman Islands incorporated African Petroleum Corporation Limited ('APCL'). In accordance with AASB 3 'Business Combinations', APCL was deemed to be the accounting acquirer in the business combination. Consequently, the transaction was accounted for as a reverse acquisition.

On 29 January 2010, European Hydrocarbons Limited ("EHL") became a legal subsidiary of APCL. However, this business combination is also required to be accounted for as a reverse acquisition.

Consequently, EHL is regarded as the parent entity of both APCL and African Petroleum for accounting purposes. Accordingly, the consolidated financial statements for the period ended 30 June 2010 were prepared as a continuation of the business and operations of EHL. EHL, as the deemed acquirer, accounted for the acquisition of African Petroleum from 28 June 2010.

**Significant Accounting Policies**

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2010.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

**3. REVENUE, INCOME AND EXPENSES**

	Consolidated	
	30 June 2011	30 June 2010
	US\$	US\$
<b>(a) REVENUE</b>		
Bank interest income	1,138,513	617
Other interest income	38,511	-
Flight revenue <sup>1</sup>	240,600	-
Other revenue	198,070	-
	<b>1,615,694</b>	617

<sup>1</sup> During September 2010, the Consolidated Entity purchased a corporate jet. The jet is leased to related parties and generated US\$240,600 external revenue for the half-year ended 30 June 2011.

	Consolidated	
	30 June 2011	30 June 2010
	US\$	US\$
<b>(b) EXPENSES</b>		
Share based payments	(6,446,412)	-

Share based payments comprise of the issue of unlisted options and performance shares. The options have been valued using the Black-Scholes option pricing model and an amount of US\$3,603,355 has been recognised within the line item “Share based payments” in the Statement of Comprehensive Income. The performance shares awarded during the current period have been valued using the share price on grant date. The issue of the shares is subject to various service and performance conditions. None of the shares had been issued as at 30 June 2011. An amount of US\$2,843,057 has been recognised within the line item “Share based payments” in the Statement of Comprehensive Income.

During the period the following options were issued:

No. of options	Grant Date	Exercise Price	Expiry Date	Fair Value at	Fair Value at
				Grant Date	Grant Date
		A\$		A\$	US\$
<b>440,000</b>	13 January 2011	A\$0.55	16 March 2011	A\$0.79	U\$0.79
<b>440,000</b>	13 January 2011	A\$0.55	16 March 2011	A\$0.81	U\$0.80
<b>200,000</b>	19 January 2011	A\$0.50	31 July 2013	A\$0.79	U\$0.79
<b>150,000</b>	13 April 2011	A\$1.00	3 June 2014	A\$0.75	U\$0.79
<b>100,000</b>	13 June 2011	A\$0.55	3 June 2014	A\$0.58	U\$0.62
<b>200,000</b>	1 April 2011	A\$0.55	3 June 2014	A\$0.84	U\$0.87
<b>1,000,000</b>	23 June 2011	A\$0.55	27 June 2016	A\$0.73	U\$0.76
<b>3,000,000</b>	27 May 2011	A\$0.55	31 July 2013	A\$0.76	U\$0.80

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

**4. CASH AND CASH EQUIVALENTS**

	<b>Consolidated</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>US\$</b>	<b>US\$</b>
Cash at bank and on hand	187,237,172	11,746,979
Term deposits	114,689,525	123,704,431
<b>Cash and cash equivalents</b>	<b>301,926,697</b>	135,451,410

**5. TRADE AND OTHER RECEIVABLES**

	<b>Consolidated</b>	
	<b>30 June 2011</b>	<b>31 December 2010</b>
	<b>US\$</b>	<b>US\$</b>
GST / VAT Receivable	3,244,029	1,127,985
Commitment fee receivable	250,000	-
Loan receivable (a)	7,638,511	-
Bank interest receivable	594,390	10,190
Other receivables	394,943	838,010
<b>Trade and other receivables</b>	<b>12,121,873</b>	1,976,185

- (a) During the half-year, the Company has provided a US\$10 million loan facility to a director related entity. As at 30 June 2011, US\$7.6 million has been drawn down from the standby facility, leaving US\$2.4m available to be drawn down.

The amount drawn down under the facility is expected to be repaid by 1 June 2012.

Interest is receivable on amounts drawn down under the facility at the cash rate plus 3%. The Facility is secured by a fixed and floating charge. Interest earned on the facility for the half-year ended 30 June 2011 is US\$38,511. The Company is also entitled to a US\$250,000 commitment fee for the provision of the facility.

**6. FREEHOLD LAND**

In April 2011, the Company acquired freehold land in Freetown, Sierra Leone for US\$1 million.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

**7. EXPLORATION & EVALUATION EXPENDITURE**

	Consolidated	
	30 June 2011	31 December 2010
	US\$	US\$
Costs carried forward in respect of areas of interest in:		
- Exploration and evaluation phases	<b>69,240,874</b>	52,199,175
Reconciliation		
Exploration and evaluation phases		
Opening balance	<b>52,199,175</b>	27,948,672
Exploration expenditure incurred	<b>23,939,583</b>	24,368,548
Exploration expenditure transfer to inventory	<b>(6,897,884)</b>	(118,045)
	<b>69,240,874</b>	52,199,175

**8. DERIVATIVE FINANCIAL INSTRUMENTS**

In the current period, the Consolidated Entity has entered into forward currency contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are fair valued with all movements in fair value recognised in profit and loss in the period they occur. The net fair value loss on foreign currency derivatives during the current period was US\$1,811,639.

**9. ISSUED CAPITAL**

	Consolidated	
	30 June 2011	31 December 2010
	US\$	US\$
Fully paid ordinary shares	<b>477,049,312</b>	211,596,478
Fair value of issued share capital at beginning of period	<b>211,596,478</b>	209,353,451
Exercise of options	-	2,243,027
Issue of shares pursuant to capital raising <sup>1</sup>	<b>270,549,013</b>	-
Share issue costs <sup>1</sup>	<b>(10,908,079)</b>	-
Share based payments	<b>5,811,900</b>	-
Fair value of issued share capital at end of period	<b>477,049,312</b>	211,596,478

<sup>1</sup> During the half-year, the Company issued 250,000,000 shares at A\$1 each, raising A\$250,000,000 which equated to US\$270,549,013. Costs associated with the capital raising were US\$10,908,079.



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

**10. RESERVES**

	Consolidated	
	30 June 2011	31 December 2010
	US\$	US\$
<b>Share based payments reserve</b>		
At beginning of reporting period	7,593,509	-
Consideration options	3,603,355	7,593,509
Performance shares	2,843,057	-
<b>At reporting date</b>	<b>14,039,921</b>	<b>7,593,509</b>
<b>Foreign currency translation reserve</b>		
At beginning of reporting period	(2,130,276)	(310,997)
Movement due to translation of functional currency to presentation currency	(5,379,773)	(1,819,279)
<b>At reporting date</b>	<b>(7,510,049)</b>	<b>(2,130,276)</b>
<b>Total reserves</b>	<b>6,529,872</b>	<b>5,463,233</b>

**11. SEGMENT INFORMATION**

The operating segments are identified by management based on the business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segments and assess their performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues.

The Consolidated Entity only has one operating segment being exploration for hydrocarbons.

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

	Consolidated	
	30 June 2011	31 December 2010
	US\$	US\$
<b>Australia</b>	1,833	1,950
<b>United Kingdom</b>	4,271,702	510,811
<b>Ghana</b>	65,192	45,403
<b>Sierra Leone</b>	3,486,592	2,286,887
<b>Gambia</b>	19,732,751	10,426,376
<b>Liberia</b>	47,826,962	39,596,671
<b>Other</b>	57,685	-
	<b>75,442,717</b>	<b>52,868,098</b>

**12. SUBSIDIARIES**

A subsidiary, African Petroleum Cote d'Ivoire Ltd, was incorporated in the Cayman Islands on 26 May 2011 and included in the Consolidated Entity in the current period.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 2011**

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**13. EVENTS SUBSEQUENT TO REPORTING DATE**

On 8 August 2011, the Company commenced drilling its first exploration well (Aaplis-1) in Liberia with the Maersk Deliverer semi-submersible deepwater drilling rig.

On 18 August 2011, 3,275,000 ordinary shares were awarded to Karl Thompson, Chief Executive Officer ('CEO') in line with the terms of his employment contract, following the spudding of the Company's first offshore well.

On 8 September 2011, the Company announced that it had completed drilling Apalis-1 to a depth of 3,665 metres. The results of Apalis-1 confirm Blocks LB-08 and LB-09 are located in a prospective oil basin. The geological and geophysical data have confirmed the critical components of a working hydrocarbon system are present and functioning. Apalis-1 was drilled to a depth of 3,665 metres and encountered oil shows in several geological units. No commercial quality reservoir with hydrocarbons were encountered and consequently no well production tests have been undertaken.

No other event has arisen between 30 June 2011 and the date of this report that would be likely to materially affect the operations of the Consolidated Entity or its state of affairs which have not otherwise been disclosed in this financial report.

**14. COMMITMENTS AND CONTINGENCIES**

There are no changes to the commitments and contingencies disclosed in the most recent annual financial report.

**DIRECTORS' DECLARATION**

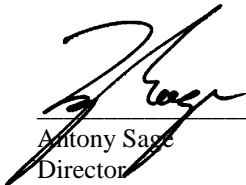
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In accordance with a resolution of the directors of African Petroleum Corporation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of African Petroleum Corporation Limited for the period ended 30 June 2011 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of its financial position as at 30 June 2011 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) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



\_\_\_\_\_  
Antony Sage  
Director

**Perth, 13 September 2011**

## 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 2011, 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 2011 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.

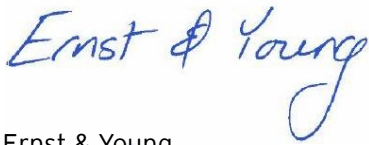
### Independence

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 2011 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*.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'D S Lewsen'.

D S Lewsen  
Partner  
Perth  
13 September 2011

# FORM: Half yearly report

Name of issuer

AFRICAN PETROLEUM CORPORATION LIMITED

ACN or ARBN

Half yearly

Preliminary  
final

Half-year ended ('Current period')

125 419 730

X

30 June 2011

## For announcement to the market

Extracts from this statement for announcement to the market (see note 1).

					\$US'000
Revenue	up	261,763%	to		1,616
Profit (loss) for the period	down	39%	to		(13,718)
Profit (loss) for the period attributable to security holders	down	39%	to		(13,718)
Income Distributions		Current period	Previous corresponding period		
N/A		N/A	N/A		
Short details of any bonus or cash issue or other item(s) of importance not previously released to the market:					
N/A					

**Reconciliation of cash provided by operating activities to profit or loss**

	Current period US\$'000	Previous corresponding period US\$'000
<b>Loss</b>	<b>(13,718)</b>	<b>(22,118)</b>
Adjustments for:		
Depreciation	238	-
Sharebased payments expense	6,446	-
Loss on derivative contracts	1,812	
Excess of purchase consideration written off	-	18,360
Discount on acquisition of controlled entity	-	(279)
Increase/decrease in trade and other receivables	(2,538)	(218)
Increase/decrease in trade and other payables	831	429
Increase/decrease in prepayments	(1,570)	
<b>Net cash from operating activities</b>	<b>(8,499)</b>	<b>(3,826)</b>

	Current period	Previous corresponding period
<b>Profit before tax / revenue</b>		
Consolidated profit (loss) before tax as a percentage of revenue	(849)%	N/A – nominal revenue
<b>Profit after tax / equity interests</b>		
Consolidated profit (loss) after tax attributable to security holders as a percentage of equity (similarly attributable) at the end of the period	(3)%	(12)%

**Earnings per Security**

*Provide details of basic and fully diluted EPS in accordance with paragraph 70 and Aus 70.1 of AASB 133: Earnings per Share below:*

**Current period**

Loss for the period: \$13,718,327

Weighted average number of shares on issue: 1,415,187,681

**Previous corresponding period**

Loss for the period: \$22,117,578

Weighted average number of shares on issue: 778,053,955

The weighted average number of shares on issue was calculated by adding together the weighted average number of ordinary shares on issue by APCL from 1 January 2010 to 28 June 2010 and the weighted average number of ordinary shares on issue by African Petroleum from 28 June 2010 to 30 June 2010.

**Income distributions**

Date the income distribution is payable

N/A

Record date to determine entitlements to the income distribution (i.e. on the basis of registrable transfers received up to 5.00 pm if paper based, or by 'End of Day' if a proper ASTC/CHESS transfer)

N/A

The distribution plans shown below are in operation.

N/A

The last date(s) for receipt of election notices to the distribution plans

N/A



Any other disclosures in relation to distributions

N/A

**Distributions paid or provided for on all securities**

*(as per paragraph Aus126.4 AASB 101: Presentation of Financial Statements)*

	Current period - US\$'000	Previous corresponding period - US\$'000	Franking rate applicable
<b>Distributions paid or provided for during the reporting period</b>			
Current year interim	N/A	N/A	N/A
Previous year final	N/A	N/A	N/A

**Distributions per security**

*(as per paragraph Aus126.4 of AASB 101: Presentation of Financial Statements)*

	Current year	Previous year	Franking rate applicable
<b>Distributions paid or provided for during the reporting period</b>			
Current year interim	N/A	N/A	N/A
Previous year final	N/A	N/A	N/A

## Movements in Equity

(as per paragraph 97 of AASB 101: Financial Statement Presentation)

	Number	Paid-up value US\$	Current period – US\$'000	Previous corresponding period – Number
<b>Preference securities</b>				
<i>(description)</i>				
Balance at start of period	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A
a) Decreases through returns of capital, buybacks etc.	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A
<b>Ordinary securities</b>				
<i>(fully paid ordinary shares)</i>				
Balance at start of period	<b>1,340,502,598</b>		<b>211,596</b>	<b>1,328,002,598</b>
a) Increases through issues pursuant to capital raising	<b>250,000,000</b>	<b>US\$1.04</b>	<b>259,641</b>	-
b) Increases through issues - other	<b>6,500,000</b>	<b>US\$0.89</b>	<b>5,812</b>	-
c) Exercise of options	-	-	-	<b>12,500,000</b>
Balance at end of period	<b>1,597,002,598</b>		<b>477,049</b>	<b>1,340,502,598</b>
<b>Convertible Debt Securities</b>				
<i>(description &amp; conversion factor)</i>				
Balance at start of period	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A
b) Decreases through maturity, converted.	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A

	<b>Number issued</b>	<b>Number listed</b>	<b>Paid-up value (cents)</b>	<b>Current period – US\$'000</b>	<b>Previous corresponding period – Number</b>
<b>Options</b>					
Balance at start of period	<b>25,483,826</b>	-		<b>7,594</b>	<b>24,608,826</b>
Issued during period	<b>5,530,000</b>	-	-	<b>3,603</b>	<b>13,375,000</b>
Exercised during period	-	-	-	-	<b>(12,500,000)</b>
Expired during period	-	-	-	-	
Balance at end of period	<b>31,013,826</b>	-		<b>11,197</b>	<b>25,483,826</b>
<b>Debentures</b>					
<i>(description)</i>					
Balance at start of period	N/A	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A	N/A
b) Decreases through maturity, converted	N/A	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A	N/A
<b>Unsecured Notes</b>					
<i>(description)</i>					
Balance at start of period	N/A	N/A	N/A	N/A	N/A
a) Increases through issues	N/A	N/A	N/A	N/A	N/A
b) Decreases through maturity, converted	N/A	N/A	N/A	N/A	N/A
Balance at end of period	N/A	N/A	N/A	N/A	N/A
<b>Total Securities</b>	<b>1,628,016,424</b>	<b>1,597,002,598</b>			<b>1,365,986,424</b>

#### **Details of aggregate share of profits (losses) of associates and joint venture entities**

*(equity method)*

*(under AASB 128: Investments in Associates paragraph Aus 37.1 and AASB 131: Interests in Joint Ventures paragraph Aus 57.3)*

Name of associate or joint venture entity

Joint Venture with Buried Hill BV

Reporting entities percentage holding

60%

		Current period - US\$'000	Previous corresponding period - US\$'000
15.1	Profit (loss) before income tax	-	-
15.2	Income tax	-	-
15.3	<b>Profit (loss) after tax</b>	-	-
15.4	Impairment losses	-	-
15.5	Reversals of impairment losses	-	-
15.6	Share of non-capital expenditure contracted for (excluding the supply of inventories)	-	-
15.7	<b>Share of net profit (loss) of associates and joint venture entities</b>	- <sup>1</sup>	-

<sup>1</sup>During the current period the Joint Venture with Buried Hill BV did not report a profit or loss. All exploration costs incurred during the period have been capitalised.

**Control gained over entities having material effect**

(See note 8)

Name of *issuer* (or *group*)

N/A

Consolidated profit (loss) after tax of the *issuer* (or *group*) since the date in the current period on which control was acquired

US\$'000

N/A

Date from which profit (loss) in *item 16.2* has been calculated

N/A

Profit (loss) after tax of the *issuer* (or *group*) for the whole of the previous corresponding period

N/A



**Loss of control of entities having material effect**

(See note 8)

17.1 Name of *issuer* (or *group*) N/A

		US\$'000
17.2	Consolidated profit (loss) after tax of the entity (or <i>group</i> ) for the current period to the date of loss of control	N/A
17.3	Date from which the profit (loss) in <i>item 17.2</i> has been calculated	N/A
17.4	Consolidated profit (loss) after tax of the entity (or <i>group</i> ) while controlled during the whole of the previous corresponding period	N/A
17.5	Contribution to consolidated profit (loss) from sale of interest leading to loss of control	N/A

**Material interests in entities which are not controlled entities**

*The economic entity has an interest (that is material to it) in the following entities.*

	Percentage of ownership interest (ordinary securities, units etc) held at end of period or date of disposal		Contribution to profit (loss)	
	Current period	Previous corresponding period	Current period - US\$'000	Previous corresponding period - US\$'000
<b>Equity accounted associated entities</b>			<i>Equity accounted</i>	
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A
<b>Other material interests</b>			<i>Non equity accounted</i>	
	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A
<b>Total</b>	N/A	N/A	N/A	N/A

### **NTA Backing**

	Current period	Previous corresponding period
Net tangible asset backing per ordinary <i>security</i>	22.45 cents	9.15 cents

### **Non-cash financing and investing activities**

*Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.*

N/A

### **International Financial Reporting Standards**

*Under paragraph 39 of AASB 1: First –time Adoption of Australian Equivalents to International Financial Reporting Standards, an entity's first Australian-equivalents-to-IFRS's financial report shall include reconciliations of its equity and profit or loss under previous GAAP to its equity and profit or loss under Australian equivalents to IFRS's. See IG63 in the appendix to AASB 1 for guidance.*

N/A

*Under paragraph 4.2 of AASB 1047: Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards, an entity must disclose any known or reliably estimable information about the impacts on the financial report had it been prepared using the Australian equivalents to IFRSs or if the aforementioned impacts are not known or reliably estimable, a statement to that effect.*

N/A

*An issuer shall explain how the transition from previous GAAP to Australian equivalents to IFRS' affected its reported financial position, financial performance and cash flows. (as per paragraph 38 of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards)*

N/A

*Revisions in estimates of amounts reported in previous periods. For half yearly reports the nature and amount of revisions in estimates of amounts reported in previous annual reports if those revisions have a material effect in this half year (as per paragraph 16(d) of AASB 134: Interim Financial Reporting)*

N/A

The nature and amount of items affecting assets, liabilities, equity, profit or loss, or cash flows that are unusual because of their nature, size or incidence *(as per paragraph 16(c) of AASB 134: Interim Financial Reporting)*

N/A

Effect of changes in the composition of the entity during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinued operations *(as per paragraph 16(i) of AASB 134: Interim Financial Reporting)*

N/A



**Compliance statement**

1. This statement has been prepared under accounting policies which comply with accounting standards as defined in the *Corporations Act* or other standards acceptable to the Exchange (see note 13).

Identify other standards used

N/A

2. This statement, and the financial statements under the *Corporations Act* (if separate), use the same accounting policies.
3. This statement does/does not\* (*delete one*) give a true and fair view of the matters disclosed (see note 2).

4. This statement is based on financial statements to which one of the following applies:

The financial statements have been audited.

The financial statements have been subject to review by a registered auditor (or overseas equivalent).

The financial statements are in the process of being audited or subject to review.

The financial statements have *not* yet been audited or reviewed.

5. If the accounts have been or are being audited or subject to review and the audit report is not attached, details of any qualifications are attached/will follow immediately they are available\* (*delete one*). (*Half yearly statement only - the audit report must be attached to this statement if the statement is to satisfy the requirements of the Corporations Act.*)

6. The *issuer* has/does not have\* (*delete one*) a formally constituted audit committee.

Sign here: ..... Date: 13 September 2011

(Director/Company secretary)

Print name: ..... ANTONY SAGE

## Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show the amount of the change up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section. *Issuers* are encouraged to attach notes or fuller explanations of any significant changes to any of the items in page 1. The area at the end of the announcement section can be used to provide a cross reference to any such attachment.
2. **True and fair view** If this statement does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the *issuer* must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated statement of financial performance**
  - Item 1.1 The definition of "revenue" is set out in *AASB 118: Revenue*
  - Item 1.6 This item refers to the total tax attributable to the amount shown in *item 1.5*. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as expenses from ordinary activities (eg. fringe benefits tax).
4. **Income tax** If the amount provided for income tax in this statement differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the issuer must explain in a note the major items responsible for the difference and their amounts. The rate of tax applicable to the franking amount per dividend should be inserted in the heading for the column "Franking rate applicable" for items in *section 9*.
5. **Consolidated statement of financial position**

**Format** The format of the consolidated statement of financial position should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 134: Interim Financial Reporting*, and *AASB 101: Presentation of Financial Statements*. Banking institutions, trusts and financial institutions may substitute a clear liquidity ranking for the Current/Non-Current classification.

**Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last annual report, the *issuer* must describe the basis of revaluation adopted. The description must meet the requirements of *AASB 116: Property, Plant and Equipment*. If the *issuer* has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required.
6. **Consolidated statement of cash flows** For definitions of "cash" and other terms used in this statement see *AASB 107: Cash Flow Statements*. *Issuers* should follow the form as closely as possible, but variations are permitted if the *directors* (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 107*.
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the ordinary *securities* (i.e. all liabilities, preference shares, outside equity interests, etc). Mining *issuers* are *not* required to state a net tangible asset backing per ordinary *security*.
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the *issuer's* consolidated operating profit



(loss) after tax by more than 5% compared to the previous corresponding period.

9. **Equity accounting** If an *issuer* adopts equity accounting, no comparative equity accounting figures are required in the first period following its adoption.
10. **Rounding of figures** This statement anticipates that the information required is given to the nearest \$1,000. However, an *issuer* may report exact figures, if the \$A'000 headings are amended. If an *issuer* qualifies under ASIC Class Order 98/0100 dated 15 July 2004, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A'000 headings are amended.
11. **Comparative figures** Comparative figures are to be presented in accordance with AASB 101: *Presentation of Financial Statements* or AASB 134: *Interim Financial Reporting* as appropriate and are the unadjusted figures from the last annual or half year report as appropriate. However, if the previously reported figures are adjusted to achieve greater comparability, in accordance with an accounting standard or other reason, a note explaining the adjustment must be included with this statement. If no adjustment is made despite a lack of comparability, a note explaining the position should be attached.
12. **Additional information** An *issuer* may disclose additional information about any matter, and must do so if the information is material to an understanding of the financial statements. The information may be an expansion of the material contained in this statement, or contained in a note attached to the statement. The requirement under the listing rules for an *issuer* to complete this statement does not prevent the *issuer* issuing statements more frequently. Additional material lodged with the ASIC under the *Corporations Act* must also be given to the *Exchange*. For example, a *directors'* report and declaration, if lodged with the ASIC, must be given to the *Exchange*.
13. **Accounting Standards** the *Exchange* will accept, for example, the use of International Accounting Standards for *foreign issuers*. If the standards used do not address a topic, the Australian standard on that topic (if one exists) must be complied with.
14. **Borrowing corporations** This statement may be able to be used by an *issuer* required to comply with the *Corporations Act* as part of its half yearly financial statements if prepared in accordance with Australian Accounting Standards.
15. **Details of expenses** AASB 101: *Presentation of Financial Statements* requires disclosure of expenses according to either their nature or function. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*. *Issuers* must disclose details of expenses using the layout (by nature or function) employed in their accounts.

The information in *items 7.1 - 7.2* may be provided in an attachment to Appendix 3

**Relevant items** AASB 101: *Presentation of Financial Statements* requires the separate disclosure of specific revenues and expenses which are of a size, nature or incidence that disclosure is *relevant*, as defined in AASB 101, in explaining the financial performance of the *issuer*. There is an equivalent requirement in AASB 134: *Interim Financial Reporting*. For foreign entities, there are similar requirements in other accounting standards accepted by the *Exchange*.

16. **Dollars** If reporting is not in A\$, all references to \$A must be changed to the reporting currency. If reporting is not in thousands of dollars, all references to "000" must be changed to the reporting value.
17. **Discontinuing operations**

Entities must either provide a description of any significant activities or events relating to discontinuing operations equivalent to that required by *paragraph 7.5 (g) of AASB 134: Interim Financial Reporting*, or, the details of discontinuing operations they are required to disclose in their accounts in accordance with AASB 5: *Non-current Assets for Sale and Discontinued*

*Operations*

In any case, the information may be provided as an attachment to this Appendix 3