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**AFRICAN PETROLEUM CORPORATION LIMITED**

**ABN 87 125 419 730**

**NOTICE OF ANNUAL GENERAL MEETING**

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**TIME:** 9:30am (WST)

**DATE:** 27 May 2011

**PLACE:** Kailis Bros Fish Market & Café Function Centre  
101 Oxford Street  
Leederville WA 6007

***This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.***

***Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9388 0744.***

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## TIME AND PLACE OF MEETING AND HOW TO VOTE

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### VENUE

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The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 9.30am (WST) on 27 May 2011 at:

Kailis Bros Fish Market & Café Function Centre  
101 Oxford Street  
Leederville WA 6007

### YOUR VOTE IS IMPORTANT

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The business of the Annual General Meeting affects your shareholding and your vote is important.

### VOTING IN PERSON

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To vote in person, attend the Annual General Meeting on the date and at the place set out above.

### VOTING BY PROXY

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To vote by proxy, please complete and sign the enclosed Proxy Form and return:

- (a) by post to Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne, Victoria, 3001;
- (b) by facsimile to Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (within Australia) and +61 3 9473 2555 (outside Australia); or
- (c) for Intermediary Online Subscribers Only, Subscribers Only (Custodians), by [www.intermediaryonline.com](http://www.intermediaryonline.com),

so that it is received not later than 9.30am (WST) on 25 May 2011.

**Proxy Forms received later than this time will be invalid. Enquiries in respect of the proxy form should be made on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside Australia).**

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## NOTICE OF ANNUAL GENERAL MEETING

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Notice is given that the Annual General Meeting of Shareholders will be held at 9.30am (WST) on 27 May 2011 at Kailis Bros Fish Market & Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

The Explanatory Statement provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders at opening of business on 26 May 2011.

Terms and abbreviations used in this Notice of Meeting are defined in the Glossary.

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### AGENDA

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#### ORDINARY BUSINESS

##### Financial Statements and Reports

To receive and consider the annual financial report of the Company for the period ended 31 December 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

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#### 1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

*“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the period ended 31 December 2010.”*

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#### 2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – FRANK TIMIS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, Frank Timis, a Director, retires, and being eligible, is re-elected as a Director.”*

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#### 3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – TONY SAGE

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Tony Sage, a Director, retires, and being eligible, is re-elected as a Director.”*

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#### 4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – ALAN WATLING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Alan Watling, a Director, retires, and being eligible, is re-elected as a Director.”*

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**5. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – JEFFREY COUCH**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of clause 13.2 of the Constitution and for all other purposes, Jeffrey Couch, a Director, retires, and being eligible, is re-elected as a Director.”*

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**6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for all purposes Shareholders ratify the allotment and issue of 193,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – PLACEMENT – SHARES**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of NSX Listing Rule 6.25 and for all other purposes, approval is given for the Directors to allot and issue up to 57,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**8. RESOLUTION 8 – ISSUE OF DIRECTOR OPTIONS – MARK ASHURST**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rule 6.44 and for all other purposes, approval is given for the Directors to allot and issue 1,000,000 Director Options to Mark Ashurst (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Mark Ashurst (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy

for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**9. RESOLUTION 9 – ISSUE OF DIRECTOR OPTIONS AND SHARES – KARL THOMPSON**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purposes of Section 208 of the Corporations Act, NSX Listing Rule 6.44 and for all other purposes, approval is given for the Directors to allot and issue 2,000,000 Director Options and up to 6,550,000 Shares upon the satisfaction of certain milestones to Karl Thompson (or his nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast on this Resolution by Karl Thompson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**10. RESOLUTION 10 – AMENDMENT OF CONSTITUTION**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, for the purpose of Section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to amend the Constitution with immediate effect by deleting clause 15.3 in its entirety and replacing it with the following:*

**15.3 Quorum**

*No business shall be transacted at any meeting of Directors unless a quorum is present, comprising half the number of Directors currently appointed to the Board and no less than 2 Directors (**Quorum**) present in person, or by instantaneous communication device, notwithstanding that less than the Quorum may be permitted to vote on any particular resolution or resolutions at that meeting for any reason whatsoever. Where a Quorum cannot be established for the consideration of a particular matter at a meeting of Directors, one or more of the Directors may call a general meeting of the Company to deal with the matter.”*

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**DATED: 14 APRIL 2011**

**BY ORDER OF THE BOARD**



**CLAIRE TOLCON  
COMPANY SECRETARY**

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## **EXPLANATORY STATEMENT**

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This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 9.30am (WST) on 27 May 2011 at Kailis Bros Fish Market & Café Function Centre, 101 Oxford Street, Leederville, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

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### **1. FINANCIAL STATEMENTS AND REPORTS**

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the period ended 31 December 2010 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report on its website at [www.africanpetroleum.com.au](http://www.africanpetroleum.com.au).

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### **2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the period ended 31 December 2010.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

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### **3. RESOLUTION 2 – RE-ELECTION OF MR FRANK TIMIS AS DIRECTOR**

Mr Timis was appointed a Director on 30 June 2010 as part of the acquisition by the Company of African Petroleum Corporation Limited (Cayman). As announced to NSX on 26 November 2011, Mr Timis with the approval of the NSX, was appointed as Non-Executive Chairman of the Company subject to the following conditions:

- (a) the quarterly declaration certificates issued by the Company stating that the Board has reviewed the Company's operations and declares that, in their opinion there are no issues that require additional disclosure and that the market is fully informed about the Company's prospects and activities, are signed not only by the Company's Chairman and Chief Executive Officer but also by the Chairman of the Company's Continuous Disclosure Committee; and
- (b) for the time Frank Timis is Chairman of the Company, he must retire and offer himself for re-election to the Board at each annual general meeting of the Company, in the same manner as if retiring by rotation.

In accordance with the conditions imposed by NSX in approving Frank Timis as Non-Executive Chairman of the Company, Mr Frank Timis retires and seeks re-election as Director (and Non Executive Chairman) of the Company.

A summary of the profile of Mr Timis is contained in the 2010 Annual Report.

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#### **4. RESOLUTIONS 3, 4 AND 5 – RE-ELECTION OF DIRECTORS**

Clause 13.2 of the Constitution requires that at the Company's annual general meeting in every year, one-third of the Directors for the time being or, if their number is not a multiple of 3, then the number nearest one-third (rounded upwards in case of doubt), shall retire from office, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Messrs Tony Sage, Alan Watling and Jeffrey Couch, retire by rotation and seek re-election.

A summary of the profile of each of Messrs Tony Sage, Alan Watling and Jeffrey Couch are contained in the 2010 Annual Report.

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#### **5. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES**

##### **5.1 General**

As announced to NSX on 13 April 2011, the Company received firm commitments from institutions and sophisticated investors to raise a total of A\$250,000,000 by way of a placement of 250,000,000 Shares at A\$1.00 per Share (**Placement**).

193,000,000 Shares from the Placement will be issued within the Company's 15% capacity before the date of the Meeting and the remaining 57,000,000 Shares will be issued upon receipt of Shareholder approval (Resolution 7).

None of the subscribers pursuant to the Placement were related parties of the Company.

Resolution 6 seeks Shareholder ratification pursuant to NSX Listing Rule 6.25 for the issue of the first tranche of the Placement, being 193,000,000 Shares (**Share Ratification**).

NSX Listing Rule 6.25 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in NSX Listing Rule 6.25 without the requirement to obtain prior Shareholder approval.

##### **5.2 Technical information**

The following information is provided in relation to the Share Ratification:

- (a) 193,000,000 Shares will be allotted and issued prior to the date of the Meeting, and scheduled for 21 April 2011;

- (b) the issue price will be A\$1.00 per Share;
- (c) the Shares to be issued will be all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares will be allotted and issued to institutions and sophisticated investors, none of whom are related parties of the Company; and
- (e) the funds raised from the Placement will be used:
  - (i) to drill up to 4 additional wells;
  - (ii) to acquire further acreage in offshore West Africa;
  - (iii) to undertake additional 3D seismic, initially focusing on Block SL-03 offshore Sierra Leone; and
  - (iv) for additional working capital.

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## **6. RESOLUTION 7 – PLACEMENT - SHARES**

### **6.1 General**

The second tranche of the Placement (as referred to in Section 5.1), relates to firm commitments from institutions and sophisticated investors for the issue of 57,000,000 Shares at A\$1.00 per Share subject to the receipt of Shareholder approval.

Accordingly, Resolution 7 seeks Shareholder approval for the allotment and issue of 57,000,000 Shares at an issue price of A\$1.00 per Share to raise A\$57,000,000 (**Share Placement**).

None of the subscribers pursuant to this issue are related parties of the Company.

A summary of NSX Listing Rule 6.25 is set out in Section 5.1 above.

The effect of Resolution 7 will be to allow the Directors to issue the Shares pursuant to the Share Placement.

### **6.2 Technical information**

The following information is provided in relation to the Share Placement:

- (a) the maximum number of Shares to be issued is 57,000,000;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting and it is intended that allotment will occur on the same date;
- (c) the issue price will be A\$1.00 per Share;
- (d) the Shares will be allotted and issued to institutions and sophisticated investors who provided firm commitments under the Placement to the Company, none of whom are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the funds raised from the Share Placement for the purposes set out in Section 5.2(e).



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## 7. RESOLUTIONS 8 AND 9 – ISSUE OF DIRECTOR OPTIONS AND SHARES – MARK ASHURST AND KARL THOMPSON

### 7.1 General

Each of Mr Mark Ashurst and Mr Karl Thompson (**Related Parties**) entered into agreements with the Company in October 2010 for their appointment as Chief Financial Officer and Chief Executive Officer respectively. The remuneration for each of Mr Mark Ashurst and Mr Karl Thompson was split into a cash component and an equity component (subject to receipt of necessary Shareholder approvals) to align each of Related Parties' interest with that of the Company.

The Board considered it usual practice for the executive's remuneration to have a cash component and an equity component. Further it was deemed appropriate that the securities issued to the Related Parties to reflect the issue price of Shares issued pursuant to the placement in June 2010 because that was the time at which each of Mr Ashurst and Thompson were appointed to their respective roles in the Company, but the terms of the contract had not been finalised at that time. It was also agreed that the options be on the same terms as the options issued to Directors in June 2010 and November 2010.

Specifically, the executive component of the Related Parties' contracts with the Company provide for the issue of the following securities:

- (a) Mr Mark Ashurst – 1,000,000 Director Options; and
- (b) Mr Karl Thompson – 2,000,000 Director Options and up to 6,550,000 Shares upon the achievement of the following milestones:
  - (i) 3,275,000 Shares upon the spudding of the Company's first offshore well; and
  - (ii) 3,275,000 Shares upon the Company securing a commercial discovery,

(together, the **Incentive Shares**).

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, NSX Listing Rule 6.44 also requires shareholder approval by way of a special resolution to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in NSX's opinion, such that approval should be obtained unless an exception in NSX Listing Rule 6.44 applies.

The grant of the Director Options and the Incentive Shares to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options and Incentive Shares constitutes giving a financial benefit and as Directors, Messrs Ashurst and Thompson are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options and Incentive Shares to the Related Parties.

## 7.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 6.44)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and NSX Listing Rule 6.48, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related parties are Messrs Ashurst and Thompson and they are related parties by virtue of being Directors;
- (b) the maximum number of Director Options and Incentive Shares (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
  - (i) 1,000,000 Director Options to Mr Mark Ashurst (or his nominee); and
  - (ii) 2,000,000 Director Options and up to 6,550,000 Incentive Shares to Mr Karl Thompson (or his nominee);
- (c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the Meeting and it is anticipated the Director Options will be issued on one date. The Incentive Shares will not be issued unless and until the milestones referred to in Section 7.1 are achieved;
- (d) the Director Options and Incentive Shares will be granted for nil cash consideration, accordingly no funds will be raised. The Director Options and Incentive Shares are being issued as part of each Directors' remuneration package pursuant to their agreement with the Company;
- (e) the terms and conditions of the Director Options are set out in Schedule 1;
- (f) the Incentive Shares when issued will rank equally with existing Shares on issue;
- (g) the value of the Director Options and the pricing methodology is set out in Schedule 2. The Incentive Shares will only be issued upon satisfaction of the milestones referred to in section 7.1. Based on the closing price of the Shares as at 13 April 2011 (\$1.00), the Incentive Shares would be worth \$6,550,000.
- (h) the relevant interests of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mark Ashurst	Nil	1,500,000 <sup>1</sup>
Karl Thompson	Nil	1,500,000 <sup>2</sup>

<sup>1</sup> Options exercisable at A\$0.55 each on or before 31 July 2013.

<sup>2</sup> Options exercisable at A\$0.55 each on or before 31 July 2013.

- (i) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

<b>Related Party</b>	<b>Current Financial Year<sup>1, 2</sup></b>	<b>Previous Financial Year<sup>3</sup></b>
Mark Ashurst	£150,000	US\$118,964
Karl Thompson	£350,000	US\$237,278

**Notes:**

1. The Company has changed its year end to 31 December and this is the first Annual General Meeting with the new balance date. The current Financial Year relates to the period 1 January 2011 to 31 December 2011 and the previous Financial Year relates to the period 1 July 2010 to 31 December 2010.
2. Based on the exchange rate as at 21 April 2011 (being £1: AUD\$1.52987) £150,000 = AUD\$229,480 and £350,000 = AUD\$535,488.
3. Based on the exchange rate as at 21 April 2011 (being US\$1: AUD\$0.930705) US\$118,964 = AUD\$110,720 and US\$237,278 = AUD\$220,835.

- (j) if the Director Options granted to the Related Parties are exercised, a total of 3,000,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 1,597,002,598 to 1,600,002,598 (assuming that no other Options are exercised and no other Shares are issued other than all Shares under the Placement) with the effect that the shareholding of existing Shareholders would be diluted by an aggregate of 0.187%, comprising 0.06% by Mark Ashurst and 0.12% by Karl Thompson.

If the Incentive Shares are issued to Mr Karl Thompson a further 6,550,000 Shares will be allotted and issued and the number of Shares will increase to 1,606,552,598 with the effect that the shareholding of existing Shareholders would be diluted by an additional 0.4%.

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on NSX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company (where the share price (at the date of the notice) is trading on NSX above the exercise price of the options).

As at the date of this Notice of Meeting the Shares are trading on NSX at a price greater than the exercise price of the Director Options. The Board resolved to issue the Director Options, subject to Shareholder approval, on the same terms and conditions as those issued to Directors in June 2010 and November 2010. Each of Mr Ashurst and Thompson were appointed to their executive positions on 30 June 2010 however the terms of their contract were not finalised until October 2010. Although the Shares were trading at between A\$0.60 and A\$0.80 in October 2010 it was agreed by the Board it was appropriate the Options reflect the terms issued to Directors in June 2010 and November 2010 as that is when each of the Related Parties assumed their executive position.

As noted above, the Incentive Shares will not be issued unless the milestones referred to in clause 7.1 which align to Shareholders' interest are achieved.

- (k) the trading history of the Shares on NSX since listing on NSX on 30 June 2010 is set out below:

	<b>Price</b>	<b>Date</b>
Highest	A\$1.05	4 & 7 April 2011
Lowest	A\$0.60	5, 10 & 26 August 2010 and 2 September 2010
Last	A\$1.00	13 April 2011

- (l) the primary purpose of the grant of Director Options to each of Mark Ashurst and Karl Thompson and the Incentive Shares to Karl Thompson, both executive directors of the Company, is to provide a market linked incentive package and for the future performance by each of them in their respective roles. The Board (other than each of Mark Ashurst and Karl Thompson) considered the extensive experience and reputation of each of Mark Ashurst and Karl Thompson within the oil and gas exploration industry, the current market price of Shares and current market practices when determining the number and exercise price of the Director Options to be issued to Messrs Ashurst and Thompson and the Incentive Shares to Mr Thompson. In addition, the Board considers the grant of the Director Options to Messrs Ashurst and Thompson and the Incentive Shares to Mr Thompson to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. If the Director Options and Incentive Shares are not issued, the Company could remunerate the executives for additional amounts. However, the Board considers it reasonable for the remuneration of the 2 executives to have a cash component and an equity component to further align the Related Parties' interests with Shareholders and maintain a strong cash position for the Company.

As outlined above, there are alternate options available in respect of the grant of the Director Options and Incentive Shares in respect of remunerating the executive Directors. Accordingly, Shareholders should consider the above matters carefully before deciding how to vote on these Resolutions.

- (m) Mr Mark Ashurst declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board (other than Mark Ashurst) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution; and
- (n) Mr Karl Thompson declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9. The Board (other than Karl Thompson) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to NSX Listing Rule 6.25 is not required in order to allocate the Director Options and Incentive Shares to the Related Parties as approval is being obtained under NSX Listing Rule 6.44. Accordingly, the allocation of Director Options and Incentive Shares to the Related Parties will not be included in the 15%

calculation of the Company's annual placement capacity pursuant to NSX Listing Rule 6.25.

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**8. RESOLUTION 10 – AMENDMENT OF THE CONSTITUTION**

Clause 15.3 of the Constitution currently provides that the quorum for a Directors meeting is 2 Directors present in person or by instantaneous communication device. The Board currently comprises 10 Directors and accordingly, the Board now considers it appropriate to amend the quorum for Board Meetings to be such number equal to 50% of the number of Directors on the Board at the time of the Meeting (and being no less than two Directors).

Resolution 11 is a special resolution seeking Shareholder approval to amend clause 15.3 of the Constitution from a quorum requirement of 2 Directors to such number equal to 50% of the Directors on the Board at the relevant time (and no less than two).

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**9. ENQUIRIES**

Shareholders are requested to contact the Company Secretary on (+ 61 8) 9388 0744 if they have any queries in respect of the matters set out in these documents.

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## GLOSSARY

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**2010 Annual Report** means the Company's annual financial statements for the period ended 31 December 2010.

**A\$** means Australian dollars.

**Annual General Meeting** or **Meeting** means the meeting convened by the Notice.

**ASIC** means the Australian Securities and Investments Commission.

**Board** means the current board of directors of the Company.

**Business Day** means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that NSX declares is not a business day.

**Company** means African Petroleum Corporation Limited (ACN 125 419 730).

**Constitution** means the Company's constitution.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director Option** means an Option granted pursuant to Resolutions 8 and 9 with the terms and conditions set out in Schedule 1.

**Directors** means the current directors of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

**Incentive Shares** means Shares that will be issued to Karl Thompson on achievement of the milestones referred to in Section 7.1.

**Notice** or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

**NSX** means the National Stock Exchange of Australia Limited.

**NSX Listing Rules** means the Listing Rules of NSX.

**Optionholder** means a holder of an Option or Director Option as the context requires.

**Placement** means the placement of Shares referred to in Section 5.1.

**Proxy Form** means the proxy form accompanying the Notice.

**Resolutions** means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a holder of a Share.

**WST** means Western Standard Time as observed in Perth, Western Australia.

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## SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

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The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share.
  - (b) The Director Options will expire at 5.00pm (WST) on 31 July 2013 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
  - (c) The amount payable upon exercise of each Director Option will be A\$0.55 (**Exercise Price**).
  - (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
  - (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
    - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
    - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;
- (Exercise Notice).**
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
  - (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
  - (h) The Director Options are not transferable.
  - (i) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
  - (j) The Company will not apply for quotation of the Director Options on NSX. However, The Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on NSX within 10 Business Days after the date of allotment of those Shares.
  - (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the NSX Listing Rules at the time of the reconstruction.
  - (l) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.

- (m) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.



## SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 8 and 9, have been valued by management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

<b>Assumptions:</b>			
Valuation date	12 April 2011		
Market price of Shares	A\$1.02		
Exercise price	A\$0.55		
Expiry date	31 July 2013		
Risk free interest rate	5.01%		
Volatility	100%	125%	150%
<b>Indicative value per Director Option</b>	A\$0.719	A\$0.787	A\$0.845
<b>Total Value of Director Options</b>	A\$2,156,961	A\$2,359,929	A\$2,534,931
- Mark Ashurst	A\$718,987	A\$786,643	A\$844,977
- Karl Thompson	A\$1,437,974	A\$1,573,286	A\$1,689,954

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.