

Interim Financial Report
for the First Half 2019





African Petroleum Corporation Limited

Interim Financial Report for the First Half 2019

Company Background

African Petroleum, listed on the Oslo Axess (APCL), is an independent oil and gas exploration company led by an experienced Board and management team, with significant experience in oil and gas exploration, appraisal, development and production. The Company holds acreage in West Africa with estimated net unrisked mean prospective recoverable oil resources in excess of 4.9 billion barrels.

African Petroleum has equity interests in four licences across two countries offshore West Africa (Senegal and The Gambia). The Company's assets are located in proven hydrocarbon basins, where several material discoveries have been made in recent years.

The Company has acquired more than 13,400km² of 3D seismic data and has participated in the drilling of four exploration wells in West Africa.

CEO statement



It is anticipated that this will be the last report we issue as African Petroleum Corporation Limited. The first half of the year can be defined as a period in which we laid the solid foundations for transformative growth in the form of our pending combination with PetroNor E&P. Completion of that deal has taken longer than we had originally anticipated however we, and our future colleagues at PetroNor, continue to maintain close alignment as we work to complete the transaction by the end of August 2019. Collectively we have been formulating the various strategies that will be employed to drive shareholder value so that we can move swiftly to deliver positive outcomes upon completion. These strategies include ways to leverage our enhanced scale and profile to deliver satisfactory outcomes with regards to the ongoing arbitrations, extract maximum

value from PetroNor's existing portfolio that continues to perform well, and explore business development opportunities in line with the growth strategy set out at the time of announcing the proposed merger. The delay to the completion has not been time wasted as we have made good headway in regard to these items. Whilst we appreciate concern with regards to the conditional warrant timeframe associated with the merger, we reassure shareholders that the work we have done to date with PetroNor supports our view that the timeframe remains realistic. Based on our latest dialogue with stakeholders, we believe that we remain on track to complete the combination within the timeframe of August 2019.

Operational & corporate update

ARBITRATION

The Gambia

The International Centre for the Settlement of Investment Disputes ("ICSID") arbitration proceedings initiated by the Company to protect its interests in the A1 and A4 licences in The Gambia are continuing, with the following recent developments:

- In February 2019, the Company filed a memorial on admissibility, jurisdiction and the merits.
- In July 2019, the Republic of The Gambia filed a counter-memorial on admissibility, jurisdiction and the merits.

Further procedural details may be viewed at the ICSID website: <https://icsid.worldbank.org/en/>

The Company remains open to engaging in constructive dialogue with the Gambian authorities, with a view to establishing a satisfactory solution that is in the interests of all parties.

Senegal

The Company's subsidiary African Petroleum Senegal Limited lodged Request for Arbitration documents with ICSID in June 2018 in order to protect its interests in the ROP and SOSP blocks in Senegal. The arbitration proceedings are continuing with the following recent developments:

- In early January 2019, the Republic of Senegal filed observations on the Company's request for provisional measures; and filed a request for provisional measures.
- On 23 January 2019, the Tribunal was constituted in accordance with Article 37(2)(a) of the ICSID Convention.
- In March 2019, the Tribunal held a hearing on provisional measures in Paris.
- During April 2019, the Tribunal issued two procedural orders, the first on procedural matters, the second concerning provisional measures.
- In July 2019, the Company filed a memorial on the merits.

Further procedural details may be viewed at the ICSID website: <https://icsid.worldbank.org/en/>

The Company remains open to engaging in constructive dialogue with the Senegalese authorities through appropriate and official channels, with a view to establishing a satisfactory solution that is in the interests of all parties.

PORPOSED MERGER

Petronor E&P Limited

On 19 March 2019, the Company announced its intention to combine with PetroNor E&P Ltd ("PetroNor") for an all-share consideration of c. 816 million shares in African Petroleum. The existing African Petroleum shareholders will receive one for one (c. 155 million) warrants to preserve some potential upside from the Company's existing exploration portfolio in The Gambia and Senegal. The proposed transaction transforms the Company from an exploration-focused player into a cash-flow generating producer with a significant growth profile.

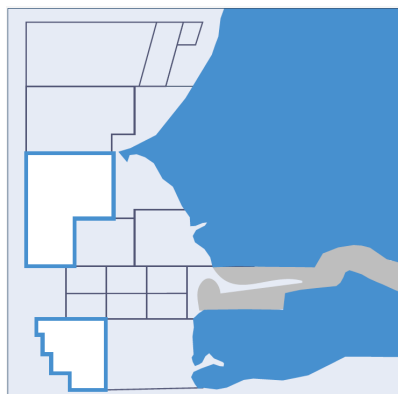
In June 2019, the Company announced that significant progress had been made towards fulfilment of conditions required for completion; however, a number of key documents required by the Oslo Børs in order to confirm that the listing status of the combined company will be maintained were still being finalised.

As at the date of this report, the Company expects to complete the proposed transaction with PetroNor shortly.

Licence information

Senegal:

Blocks ROP & SOSP



In Senegal, African Petroleum Senegal Limited holds a 90% operated working interest in exploration blocks Rufisque Offshore Profond (“ROP”) and Senegal Offshore Sud Profond (“SOSP”). The National Oil Company Petrosen, holds the remaining 10% equity. The Company’s Senegal production sharing contracts (“PSC”) are located offshore southern and central Senegal, with a net acreage of 14,216km².

Both licences are positioned in a high potential exploration area, as demonstrated by third party oil discoveries and successful appraisal wells drilled in the adjacent acreage by Cairn Energy.

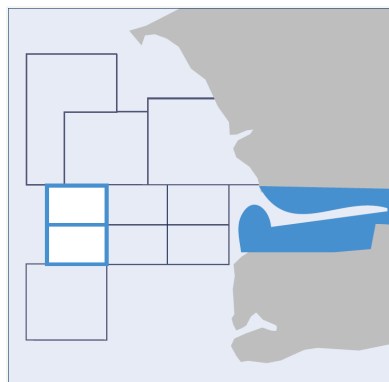
The Company has licensed over 10,000km² of 2D seismic data and 5,100km² 3D seismic data over both licences.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company’s Senegal PSCs and estimates the net unrisks mean prospective recoverable oil resources at 1,779MMStb.

The Group is currently in dispute with the Senegalese government regarding the status of the ROP and SOSP licences and ICSID arbitration proceedings have been initiated.

The Gambia:

Blocks A1 & A4



African Petroleum holds a 100% operated working interest in offshore licences A1 and A4, with a combined net acreage of 2,672km². The Company has completed a 3D seismic survey with data covering 2,500km² and has found a number of analogous leads and prospects in its acreage to that of the recent SNE and FAN discoveries drilled by Cairn Energy in Senegal.

Independent petroleum consultant ERC Equipoise prepared an assessment of prospective oil resources attributable to the Company’s Gambian licences and estimates the net unrisks mean prospective recoverable oil resources at 3,079MMStb.

The Group is currently in dispute with the Gambian government regarding the status of the A1 and A4 licences and ICSID arbitration proceedings have been initiated.

Health, safety, environment and security

As an operator of offshore concessions, it is the duty of African Petroleum to provide a safe working environment and minimise any adverse impact on the environment. Health, safety, environment and security policies are embedded throughout all of the Company’s core operations. In this regard, we strive for continuous improvement as lessons learnt from past operations are incorporated into business practices going forward.

Principal risks and uncertainties

As an exploration company in the oil and gas industry, the Company operates in an inherently risky sector. Oil and gas prices are subject to volatile price changes from a variety of factors, including international economic and political trends, expectation of inflation, global and regional demand, currency exchange fluctuations, interest rates and global or regional consumption patterns. These factors are beyond control of the Company and may affect the marketability

of oil and gas discovered. In addition, the Company is subject to a number of risk factors inherent in the oil and gas upstream industry, including operational and technical risks, reserve and resource estimates, risks of operating in a foreign country (including economic, political, social and environmental risks) and available resources. We recognise these risks and manage our operations in order to minimise our exposure.

Outlook

African Petroleum's near-term outlook will be dictated by events that are ultimately outside of the control of the Company. The Board remains open to constructive dialogue with the various authorities in the hope that all parties can agree a mutually beneficial outcome that avoids prolonged and costly legal proceedings. We are however preparing ourselves to maintain the full course of proceedings and have the financial strength to see them through to the end if required. At this point in the proceedings it is impossible to predict potential outcomes and timings, but the Board maintains full confidence in our legal position and continues to work tirelessly to ensure we protect value on behalf of our shareholders.

Statement of responsibility

We confirm that, to the best of our knowledge, the condensed set of unaudited financial statements for the first half of 2019, which has been prepared in accordance with IAS34 Interim Financial Statements, provides a true and fair view of the Company's consolidated assets, liabilities, financial position and results of operations, and that the management report includes a fair review of the information required under the Norwegian Securities Trading Act section 5-6 fourth paragraph.

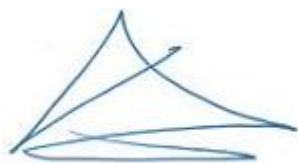
Approved by the Board of African Petroleum Corporation Limited:



David King
Non-Executive Chairman



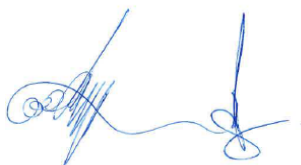
Jens Pace
CEO & Executive Director



Stephen West
CFO & Executive Director



Bjarne Moe
Non-Executive Director



Timothy Turner
Non-Executive Director

Consolidated statement of comprehensive income

US\$ '000s	Note	H1 2019 (unaudited)	H1 2018 (unaudited)
Continuing operations			
Revenue		-	-
Exploration & evaluation expenditure		(52)	(457)
Consulting expense		(2,520)	(1,188)
Compliance and regulatory expenses		(96)	(101)
Administration expenses		(212)	(235)
Employee benefits	6	(891)	(1,528)
Travel expenses		(58)	(48)
Depreciation expense		(2)	(1)
Unrealised loss on fair value of financial liabilities		-	-
Foreign exchange gain / (loss)		28	(31)
Loss from continuing operations before income tax		(3,803)	(3,589)
Income tax expense		-	-
Loss for the period from continuing		(3,803)	(3,589)
Other comprehensive gains			
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Foreign currency translation reserve			
Foreign exchange profit/(loss) on translation of functional currency to presentation currency		-	2
Other comprehensive profits for the period, net of tax		-	2
Total comprehensive loss for the period		(3,803)	(3,587)
Loss for the period is attributable to:			
Non-controlling interest		(75)	(20)
Owners of the parent		(3,728)	(3,569)
		(3,803)	(3,589)
Total comprehensive loss for the period is attributable to:			
Non-controlling interest		(75)	(20)
Owners of the parent		(3,728)	(3,567)
		(3,803)	(3,587)
Loss per share attributable to members			
Basic and diluted loss per share (US cents per share)		(2.40)	(2.37)

Consolidated statement of financial position

US\$ '000s	Note	30 Jun 2019 (unaudited)	31 Dec 2018 (audited)
Assets			
Current assets			
Cash and cash equivalents		1,690	6,286
Trade and other receivables	7	94	120
Restricted cash	8	903	903
Prepayments		18	23
Total current assets		2,705	7,332
Non-current assets			
Property, plant and equipment		7	7
Exploration and evaluation expenditure	9	-	-
Total non-current assets		7	7
Total assets		2,712	7,339
Liabilities			
Current liabilities			
Trade payables	10	1,411	1,838
Other payables	11	1,605	2,001
Total current liabilities		3,016	3,839
Total liabilities		3,016	3,839
Net (liabilities) / assets		(303)	3,500
Equity			
Issued capital	12	642,740	642,740
Reserves		22,704	22,704
Accumulated losses		(662,158)	(658,430)
Parent interests		3,286	7,014
Non-controlling interests		(3,589)	(3,514)
Total equity		(303)	3,500

Consolidated statement of changes in equity

US\$ '000s H1 2019 (unaudited)	Ordinary Share capital	Share- based payment reserve	Foreign currency translation reserve	Accumulated losses	Non- controlling interest	Total equity
Balance at 1 January 2019	642,740	35,012	(12,308)	(658,430)	(3,514)	3,500
Loss for the period	-	-	-	(3,728)	(75)	(3,803)
Other comprehensive profit	-	-	-	-	-	-
Total comprehensive loss for the period	-	-	-	(3,728)	(75)	(3,803)
Transactions with owners in their capacity as owners:						
Share-based payments	-	-	-	-	-	-
Balance at 30 June 2019	642,740	35,012	(12,308)	(662,158)	(3,589)	(303)

Consolidated statement of cash flows

US\$ '000s	Note	H1 2019 (unaudited)
Cash flows from operating activities		
Loss for the period		(3,803)
<i>Adjustments for non-cash items:</i>		
Depreciation and loss on disposal of property, plant and equipment		2
Share-based payment expense		-
Net foreign exchange differences		(27)
		(3,828)
Decrease in trade and other receivables		31
Decrease in trade and other payables		(823)
Net cash used in operating activities		(4,620)
Cash flows from investing activities		
Payment for property, plant and equipment	9	(2)
Net cash used in investing activities		(2)
Cash flows from financing activities		
		-
Net decrease in cash and cash equivalents		(4,622)
Cash and cash equivalents at the beginning of the period		6,286
Net foreign exchange differences		26
Cash and cash equivalents at the end of the period		1,690

Notes to the interim financial report

1. General and corporate information

These financial statements are the interim unaudited financial statements of African Petroleum Corporation Limited (“African Petroleum”) and its subsidiaries (hereafter “the Company”) for the first half of 2019. African Petroleum is a public limited company incorporated and domiciled in Australia, with its main office located in London, United Kingdom, whose shares are publicly traded on the Oslo Axess, a regulated market place of the Oslo Stock Exchange, Norway.

2. Basis of preparation

This general purpose condensed interim financial report for the half year ended 30 June 2019 has been prepared in accordance with IAS 34 Interim Financial Reporting and the supplement requirements of the Norwegian Securities Trading Act (Verdipapirhandeloven).

The interim financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial report.

It is recommended that the interim financial report be read in conjunction with the annual report for the year ended 31 December 2018 and considered together with any public announcements made by African Petroleum during the period ended 30 June 2019 in accordance with the continuous disclosure obligations of Oslo Axess.

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

3. Accounting policies

The accounting policies adopted are consistent with those disclosed in the annual report for the year ended 31 December 2018.

4. Critical accounting estimates and judgements

The preparation of the interim financial report entails the use of judgements, estimates and assumptions that affect the application of accounting policies and the amounts recognised as assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be reasonable under the circumstances. The actual results may deviate from these estimates. The material assessments underlying the application of the Company’s accounting policies and the main sources of uncertainty are the same for the interim accounts as for the annual accounts for 2018.

5. Going concern

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

At the date of this report, despite the net liabilities of US\$303,570, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue as a going concern. In forming this view, the directors have considered the Group’s current position and funding objectives, together with the likelihood of the proposed transaction with PetroNor completing.

6. Revenue, income and expenses

	H1 2019 (unaudited) US\$’000	H1 2018 (unaudited) US\$’000
Employee remuneration expense		
Employee remuneration	380	418
Director’s remuneration	511	550
Share-based payments	-	560
	891	1,528

Notes to the interim financial report

7. Trade and other receivables

	30 Jun 2019 (unaudited) US\$'000	31 Dec 2018 (audited) US\$'000
Trade receivables	6	6
Other receivables	88	114
	94	120
Loan receivable from Key Management Personnel	1,497	1,501
Share-based payment liability	(1,497)	(1,501)
	-	-
Total trade and other receivables	94	120

8. Restricted cash

Restricted cash balances represent interest bearing cash backed security provided for training obligations included in the licence agreements held by the Company. The classification of restricted cash balances as either current or non-current within the Statement of Financial Position is based on management's estimate of the timing of settlement of outstanding liabilities under licences.

9. Exploration and evaluation expenditure

	30 Jun 2019 (unaudited) US\$'000	31 Dec 2018 (audited) US\$'000
Acquisition cost at beginning of period (1 January)	-	9,108
Exploration expenditure incurred	-	303
Impairment of exploration and evaluation expenditure	-	(9,411)
Costs carried forward in respect of areas of interest in exploration and evaluation phases	-	-

10. Trade payables

Trade payables includes US\$1,008,147 (2018: US\$1,008,147) for licence obligations that are in dispute as at the date of this report; and are unlikely to be settled until the dispute is resolved.

11. Other payables

Other payables include US\$902,937 (2018: US\$902,937) for licence training commitments that match the restricted cash balance. The restricted cash will be utilised to settle this payable

12. Issued capital

	30 Jun 2019 (unaudited) No. of shares	31 Dec 2018 (audited) No. of shares
Fully paid ordinary shares	155,466,446	155,466,446
Reconciliation of movement in shares on issue		
Balance at beginning of the period (1 January)	155,466,446	155,466,446
Issue of shares pursuant to capital raising	-	-
Exercise of share options	-	-
Balance at the end of the period	155,466,446	155,466,446

Notes to the interim financial report

	30 Jun 2019 (unaudited) US\$'000	31 Dec 2018 (audited) US\$'000
Reconciliation of movements in issued capital		
Balance at beginning of the period (1 January)	643,438	643,438
Issue of shares pursuant to a capital raising	-	-
Capital raising costs	-	-
Exercise of share options	-	-
Balance at the end of the period	643,438	643,438

13. Segment information

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

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

	30 Jun 2019 (unaudited) US\$'000	31 Dec 2018 (audited) US\$'000
The Gambia	-	-
Senegal	3	2
United Kingdom	4	5
	7	7

14. Commitments and contingencies

Exploration commitments

The Company has entered into obligations in respect of its exploration projects. Outlined below are the minimum expenditures required as at 30 June 2018 and 31 December 2017:

	30 Jun 2019 (unaudited) US\$'000	31 Dec 2018 (audited) US\$'000
Within one year ¹	40,000	40,000

¹The commitment in Senegal includes US\$40 million for an exploration well in each licence, however this assumes that the Company is successful in retaining the legal title for these licences and that the Company then drills these wells with 90 per cent equity.

15. Events after the balance sheet date

On 19 March 2019, the Company announced its intention to combine with PetroNor E&P Ltd ("PetroNor") for an all-share consideration of c. 816 million shares in African Petroleum. As at the date of this report, the Company expects to complete the proposed transaction with PetroNor shortly.

No event has arisen between 30 June 2018 and the date of this report that would be likely to materially affect the operations of the Company or its state of affairs which have not otherwise been disclosed in this financial report.

Information on African Petroleum Corporation Limited

Directors

David King – Non-Executive Chairman
Jens Pace – Chief Executive Officer
Stephen West – Chief Financial Officer
Bjarne Moe
Timothy Turner

Company secretary

Angeline Hicks

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Stock exchange listing

Oslo Axess

Code: APCL