

# *African Petroleum Corporation Limited*

(ABN 87 125 419 730)  
(Formerly Global Iron Limited)

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*Annual Financial Report  
for the Year Ended  
30 June 2010*

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**CORPORATE DIRECTORY**

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***DIRECTORS***

Antony Sage  
Timothy Turner  
Frank Timis  
Mark Ashurst  
Karl Thompson  
Gibril Bangura  
Alan Watling  
Anthony Wilson  
Jeffrey Couch

***COMPANY SECRETARY***

Eloise von Puttkammer

***PRINCIPAL & REGISTERED OFFICE***

18 Oxford Close  
LEEDERVILLE WA 6007  
Telephone: (08) 9388 0744  
Facsimile: (08) 9382 1411

***AUDITORS***

Grant Thornton (WA) Partnership  
Level 1, 10 Kings Park Road  
WEST PERTH WA 6005  
Telephone: (08) 9480 2000  
Facsimile: (08) 9322 7787

***SHARE REGISTRAR***

Computershare Investor Services Pty Ltd  
Level 2, 45 St George's Terrace  
PERTH WA 6000  
Telephone: (08) 9332 2000  
Facsimile: (08) 9323 2033

***STOCK EXCHANGE LISTING***

National Stock Exchange  
Code: AOQ

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**DIRECTORS' REPORT**

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Your Directors present their report on African Petroleum Corporation Limited and its controlled entities ("African Petroleum Group" or the "Consolidated Entity") for the period ended 30 June 2010.

**OFFICERS****Directors**

The names of Directors in office during the whole of the year and up to the date of this report:

Mr Antony Sage (appointed as Non-Executive Chairman on 15 June 2010, prior to that Mr Sage held the position of Executive Chairman)

Mr Timothy Turner

Mr Rob Catena (resigned on 10 May 2010)

Mr Mark Gwynne (appointed on 10 May 2010, resigned 30 June 2010)

Mr Frank Timis (appointed 28 June 2010)

Mr Mark Ashurst (appointed 28 June 2010)

Mr Karl Thompson (appointed 28 June 2010)

Mr Gibril Bangura (appointed 28 June 2010)

Mr Alan Watling (appointed 28 June 2010)

Mr Anthony Wilson (appointed 28 June 2010)

Mr Jeffrey Couch (appointed 23 September 2010)

**Company Secretary**

Ms Eloise von Puttkammer

**PRINCIPAL ACTIVITIES**

The Consolidated Entity's principal activity is oil and gas exploration which represents a change from the principal activity of mineral exploration and development disclosed in the Annual Report for the year ended 30 June 2009. This change has occurred as a consequence of the acquisition of Cayman incorporated African Petroleum Corporation Limited ("APCL") which is discussed in more detail below.

**REVIEW OF OPERATIONS**

African Petroleum Corporation Limited (formerly Global Iron Limited) ("African Petroleum" or the "Company") has historically focused on iron ore exploration in Australia. In February 2010, the Company entered into a Share Sale Agreement ("Agreement") with Cayman incorporated African Petroleum Corporation Limited ("APCL"), European Hydrocarbons Limited ("EHL") and the shareholders of APCL. The Agreement set out that the Company would acquire 100% of APCL's share capital in exchange for the issue of 906,250,051 African Petroleum shares to the shareholders of APCL.

EHL is a wholly owned subsidiary of APCL and it holds a 100% interest in two oil and gas exploration blocks covering an area of approximately 7,200 square kilometres offshore Liberia in West Africa and has exclusive exploration rights over the blocks until 2016 ("Liberian Project").

The Agreement included the completion of a placement to raise between \$130 million and \$230 million and the receipt of conditional approval to be re-quoted on the Australian Securities Exchange ("ASX") as conditions precedent.

In March 2010, ASX advised African Petroleum that it would not admit the Company to quotation if it proceeded with the acquisition of APCL ("ASX Decision"). The Company subsequently appealed the ASX Decision, which resulted in the ASX Decision being overturned. Contemporaneous with its ASX appeal, the Company pursued a listing on the National Stock Exchange of Australia ("NSX").

On 27 May 2010, the Company lodged a prospectus to raise a minimum of \$150 million and up to \$230 million with the Australian Securities and Investments Commission and on 23 June 2010 the offer under the prospectus closed with \$222 million raised.

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**DIRECTORS' REPORT**

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**REVIEW OF OPERATIONS (CONTINUED)**

African Petroleum was admitted to NSX's Official List on 28 June 2010 and completed its acquisition of APCL on that date. On 30 June 2010, the Company was admitted to Official Quotation on NSX (NSX code: AOQ). The Company subsequently de-listed its securities from trading on ASX and was removed from ASX's official list on 3 September 2010. All of the Company's ordinary shares are now quoted on NSX under the code AOQ.

The Company proposes to utilise the funds raised to evaluate the Liberian Project, including interpretation of 3D seismic data to enable drill targeting, the drilling of up to three exploratory wells and to provide working capital to secure additional blocks within the Sierra Leone-Liberian basin.

On 23 August 2010, the Company announced that one of its wholly owned subsidiaries, African Petroleum Gambia Limited ("African Petroleum Gambia"), had entered into an agreement with Buried Hill Gambia BV ("Buried Hill") to acquire, via farm-in, a 60% equity interest in Buried Hill's two Gambian exploration licences, Alhamdulilah Licence Block A1 and Licence Block A4 ("Licence Blocks") ("Farm-in Agreement").

Under the Agreement, African Petroleum Gambia will assume the operatorship of the Licence Blocks, which cover a combined total area of 2,668km<sup>2</sup> off-shore The Gambia.

The Government of The Republic of The Gambia has approved the Farm-in Agreement and the extension of the initial exploration period for each of the Licence Blocks by a further two years until 31 December 2013.

African Petroleum's acquisition of APCL is required to be accounted for as a reverse acquisition under Australian Accounting Standards.

EHL legally became a subsidiary of APCL on 29 January 2010. 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. As a result, the current period financial result for the Consolidated Entity comprises the financial result of African Petroleum from 28 June 2010 (the date it was deemed to have been acquired by APCL) to 30 June 2010 and the financial result of EHL and its accounting subsidiaries for the period 1 January 2010 (date since EHL's last audited financial statements) to 30 June 2010.

The consolidation of EHL, APCL and APCL's other legal subsidiaries is referred to as the EHL Group.

The prior period financial result for the Consolidated Entity comprises the financial result of EHL for the period from 1 January 2009 to 31 December 2009 (the period covered in its last audited financial statements). EHL's functional currency is Great Britain Pounds. EHL's income statement for the year ended 31 December 2009 has been converted to Australian Dollars using the average GBP/AUD exchange rate for the 12 months ended 31 December 2009.

The Consolidated Entity incurred a loss after income tax of \$25,643,076 for the period ended 30 June 2010 (2009: loss of \$2,540,242).

**DIVIDENDS PAID OR RECOMMENDED**

The directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report.

**DIRECTORS' REPORT**

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**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

Refer to the Review of Operations which outlines the significant changes in the state of affairs, the most significant of which are the change in focus to an oil and gas exploration company post the acquisition of APCL and the listing of the Consolidated Entity on NSX.

**SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Subsequent to 30 June 2010, the Board of Directors resolved to change the year-end of African Petroleum to 31 December so that it is aligned with the year-end of the EHL Group.

On 14 July 2010, 3,000,000 fully paid ordinary shares were issued pursuant to the exercise of options, generating \$600,000 cash for the Company.

On 2 August 2010, 9,500,000 fully paid ordinary shares were issued pursuant to the exercise of options, generating \$1,900,000 cash for the Company.

As set out in the Review of Operations, on 23 August 2010 the Company announced that one of its wholly owned subsidiaries, African Petroleum Gambia Limited, had entered into an agreement with Buried Hill Gambia BV to acquire, via farm-in, a 60% equity interest in Buried Hill's two Gambian exploration licences, Alhamdulilah Licence Block A1 and Licence Block A4.

On 3 September 2010, African Petroleum Corporation Limited was de-listed from ASX at the request of the Company.

No other event has arisen between 30 June 2010 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.

**DIRECTORS' REPORT**

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**LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

The Consolidated Entity will continue to meet its obligations with respect to its interest in the Liberian Project and will assume the operatorship of the Licence Blocks in Gambia.

**ENVIRONMENTAL REGULATION AND PERFORMANCE**

The Consolidated Entity is aware of its environmental obligations with regards to its exploration activities and ensures that it complies with the relevant environmental regulations when carrying out any exploration work.

**INFORMATION ON DIRECTORS**

<b>Antony Sage</b>	<i>Non-Executive Chairman</i>
Qualifications	B.Com, FCPA, CA, FTIA
Experience	<p>Mr Sage has in excess of 24 years experience in the fields of corporate advisory services, funds management and capital raising. Mr Sage is based in Western Australia and has been involved in the management and financing of listed mining companies for the last 15 years.</p> <p>Mr Sage is also Executive Chairman of ASX listed entities Cape Lambert Resources Limited and Cauldron Energy Limited and is Non-Executive Chairman of ASX listed Corvette Resources Limited and NSX listed International Petroleum Limited</p>
Interest in Shares and Options	Mr Sage has an interest in 10,509,325 fully paid ordinary shares at the date of this report. 2,218,500 of these shares are subject to a 24 month escrow restriction which comes to an end on 28 June 2012.
<b>Timothy Turner</b>	<i>Non-Executive Director</i>
Qualifications	B.Bus, FCPA, FTIA, Registered Company Auditor
Experience	<p>Mr Turner is senior partner with accounting firm, Hewitt Turner &amp; Gelevitis. Mr Turner specialises in domestic business structuring, corporate and trust tax planning and the issuing of audit opinions. Mr Turner also has in excess of 21 years experience in new ventures, capital raisings and general business consultancy.</p> <p>Mr Turner has a Bachelor of Business (Accounting and Business Administration), is a Registered Company Auditor, Fellow of CPA Australia and a Fellow of the Taxation Institute of Australia.</p> <p>Mr Turner is also a Director of ASX listed entities Cape Lambert Resources Limited and Legacy Iron Limited and NSX listed International Petroleum Limited.</p>
Interest in Shares and Options	Mr Turner has an interest in 271,993 fully paid ordinary shares at the date of this report.

**DIRECTORS' REPORT****INFORMATION ON DIRECTORS (continued)**

<b>Mark Gwynne</b>	<i>Non-Executive Director</i>
Experience	<p>Mr Gwynne has been involved in exploration and mining for over 17 years and has held management positions on mine sites and in the service sector of the mining industry, including general manager of an exploration consultancy. Mr Gwynne has extensive skills in exploration and mining logistics and management, as well as acquisition and divestment of mineral assets.</p> <p>Mr Gwynne was appointed on 10 May 2010 and resigned on 30 June 2010.</p>
Interest in Shares and Options	Mr Gwynne had an interest in 20,530 fully paid ordinary shares on resignation on 30 June 2010
<b>Frank Timis</b>	<i>Non-Executive Director (appointed on 28 June 2010)</i>
Experience	<p>Mr Timis is a successful resource entrepreneur. He has interests in numerous resource companies listed in London, Australia and Toronto and in assets worldwide. Mr Timis has raised approximately US\$1 billion on the financial markets worldwide and is Executive Chairman of African Minerals Limited, an AIM listed mineral exploration company with significant interests in Sierra Leone.</p> <p>Mr Timis is also a Non-Executive Director of NSX listed International Petroleum Limited.</p>
Interest in Shares and Options	At the date of this report, Mr Timis has an interest in 630,816,987 fully paid ordinary shares which are subject to a 24 month escrow restriction ending on 28 June 2012.
<b>Mark Ashurst</b>	<i>Non-Executive Director (appointed on 28 June 2010)</i>
Qualifications	BA (Hons) Law; Fellow of the Institute of Chartered Accountants in England and Wales
Experience	<p>Mr Ashurst graduated from Sheffield University with a degree in law and is a qualified Barrister and Chartered Accountant. He is a member of the Institute of Chartered Accountants in England and Wales.</p> <p>Mr Ashurst has been employed as a senior investment banker with a broad range of corporate finance and broking skills gained from over 20 years in the City of London. Institutions Mr Ashurst has worked for include BZW, Hoare Govett and, more recently, Canaccord Adams. He has advised both UK and overseas listed companies and has significant expertise in Initial Public Offerings, fund raising and mergers and acquisitions.</p> <p>Mr Ashurst is also Non-Executive Director of AIM listed African Minerals Limited and is a Non-Executive Director of NSX listed International Petroleum Limited.</p>
Interest in Shares and Options	Mr Ashurst does not hold any shares or options in the Company at the date of this report.

**DIRECTORS' REPORT****INFORMATION ON DIRECTORS (continued)****Karl Thompson**

Executive Director

## Qualifications

BSC Geology, MSC Geophysics

## Experience

Mr Thompson is an accomplished petroleum explorationist with 27 years of technical, operational and managerial experience in the exploration and development of hydrocarbons with major multinational and independent energy companies. He has established a track record as a successful 'oil finder' and commercial acquisitions of new venture oil and gas assets as well as corporate takeovers.

He spent 18 years with Chevron Corporation where he was Exploration and Production Director as well as Strategic Planning Manager involved in a number of successful oil discoveries and developments as well as new venture acquisitions.

Following a successful career with Chevron he started his petroleum consultancy working with companies in West Africa assisting with further hydrocarbon discoveries and new venture acquisitions.

He has extensive experience in Europe, Africa and the Middle East working with major multinational companies and new start up AIM exploration companies as well National Oil companies.

## Interest in Shares and Options

Mr Thompson does not hold any shares or options in the Company at the date of this report.

**Gibril Bangura**

Non - Executive Director

## Qualifications

Arts and Business Management, Junior College Atlanta

## Experience

Mr Bangura is an Executive Director of African Minerals Limited and the General Manager of all of African Mineral Limited's Sierra Leone subsidiaries.

He is the former Financial Controller of Regent Star International, and Deputy General Manager and director of Bond Tak Mining Company.

## Interest in Shares and Options

Mr Bangura does not hold any shares or options in the Company at the date of this report.

**Alan Watling**

Non - Executive Director

## Experience

Mr Watling has nearly 30 years of experience in the iron ore industry and has held senior positions in multinational companies with focuses on heavy haul rail, port and mine operations, including Rio Tinto and Fortescue Metals.

At Fortescue Metals he was Chief Operating Officer and is now Chief Executive Officer of African Minerals Limited.

## Interest in Shares and Options

Mr Watling does not hold any shares or options in the Company at the date of this report.

**DIRECTORS' REPORT****INFORMATION ON DIRECTORS (continued)**

<b>Anthony Wilson</b>	Non - Executive Director
Qualifications	Fellow of the Institute of Chartered Accountants in England and Wales, and Fellow of the Chartered Institute for Securities and Investment.
Experience	Mr Wilson has had a long career in a number of senior financial positions.  Having qualified as a Chartered Accountant, he initially became a partner in general practice before moving into the investment banking sector initially with Wedd Durlacher Mordaunt & Co, the stockjobber, and then with BZW, the investment banking division of Barclays.  He was Finance Director for BZW Securities and BZW Asset Management over a period of 10 years. Following BZW, Mr Wilson held various senior management roles as a director for DAKS Simpson Group plc and Panceltica Holdings plc.  He is currently a consultant of GreenGoldInvest Corp, which is involved in farming operations in Brazil.
Interest in Shares and Options	Mr Wilson does not hold any shares or options in the Company at the date of this report.
<b>Jeffrey Couch</b>	Non - Executive Director
Qualifications	Bachelor of Law
Experience	Mr Jeffrey Couch is a Senior Executive at Eurasian Natural Resources Corporation PLC.  Mr Couch is a qualified Canadian lawyer, and attended the University of Western Ontario Business School and Osgoode Hall Law School in Canada.  He has 15 years of investment banking and capital markets experience having worked for Kleinwort Benson, Citigroup (Salomon Brothers) and most recently Credit Suisse.  He has extensive experience in the natural resources sector having advised and raised capital for clients globally, with a particular focus in emerging markets and Africa.
Interest in Shares and Options	At the date of this report, Mr Couch has an interest in 443,700 fully paid ordinary shares which are subject to escrow restrictions ending on 30 June 2011.

**COMPANY SECRETARY**

Ms Eloise von Puttkammer has many years of experience in the finance and investment industry. Over the past 10 years she has held administration, compliance and company secretarial roles within both private and public companies. Ms von Puttkammer has experience in the provision of governance and secretarial advice to ASX and AIM listed companies.

**DIRECTORS' REPORT****REMUNERATION REPORT (audited)**

This report details the nature and amount of remuneration for key management personnel of African Petroleum Corporation Limited.

**Remuneration policy****Details of directors and key management personnel***(i) Directors*

Antony Sage	Non-Executive Chairman	
Timothy Turner	Non-Executive Director	
Frank Timis	Non-Executive Director	(appointed 28 June 2010)
Mark Ashurst	Executive Director	(appointed 28 June 2010)
Karl Thompson	Executive Director	(appointed 28 June 2010)
Gibril Bangura	Non-Executive Director	(appointed 28 June 2010)
Alan Watling	Non-Executive Director	(appointed 28 June 2010)
Anthony Wilson	Non-Executive Director	(appointed 28 June 2010)
Mark Gwynne	Non-Executive Director	(appointed 10 May 2010, resigned 30 June 2010)
Rob Catena	Non-Executive Director	(resigned 10 May 2010)

*(ii) Other Key Management Personnel*

Eloise von Puttkammer	Company Secretary
Fiona Taylor	Chief Financial Officer

There are no other specified executives of the company.

The Board's policy for determining the nature and amount of remuneration for board members is as follows:

The remuneration policy, setting the terms and conditions for the Directors, was approved by the Board as a whole. The Board has established a separate remuneration committee post balance date.

The Consolidated Entity is an exploration entity, and therefore speculative in terms of performance. Consistent with attracting and retaining talented executives, directors and senior executives are paid market rates associated with individuals in similar positions within the same industry. The remuneration may consist of a salary, bonuses, or any other element but must not be a commission on, or percentage of, operating revenue. Currently there is no link between remuneration and shareholder wealth or company performance. Options have no link to performance history. Options have been issued as a long term incentive to increase shareholder wealth.

All remuneration paid to Directors is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

The Board's policy is to remunerate Non-Executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board as a whole determine payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is \$150,000 or such other amount approved by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the Company.

The Board has no formal policy for limiting the exposure of Key Management Personnel's to risk in relation to options.

**Company Performance and Shareholder Wealth and Directors' and Executives' Remuneration**

The Board continues to maintain promotional activity amongst analysts so as to increase investor awareness of the Company in line with a consistent and stable financial position and base value of assets.

The Board exercises its discretion in determining remuneration performance of executives. Given the early stage of the Consolidated Entity's exploration project, the board does not deem it to be realistic to measure performance against defined criteria. As such remuneration and performance are not linked.

**DIRECTORS' REPORT****Details of remuneration of directors and key management personnel of the legal parent entity for the 12 months ended 30 June 2010**

The remuneration of the directors and key management personnel of the legal parent entity (African Petroleum Corporation Limited) for the 12 months ended 30 June 2010 is as follows:

2010  Name	Short Term Benefits			Total	Fixed	At Risk	
	Salary, Fees and Commissions	Non-cash Benefits	Cash Bonus			Short term incentive	Long term incentive
	\$	\$	\$	\$	%	%	%
<b>Directors</b>							
A Sage <sup>(i)</sup>	350,000	-	-	350,000	100%	-	-
T Turner <sup>(ii)</sup>	48,000	-	-	48,000	100%	-	-
M Gwynne <sup>(iii)</sup>	6,000	-	-	6,000	100%	-	-
R Catena <sup>(iv)</sup>	40,000	-	-	40,000	100%	-	-
F Timis <sup>(v)</sup>	-	-	-	-	-	-	-
M Ashurst <sup>(v)</sup>	-	-	-	-	-	-	-
K Thompson <sup>(v)</sup>	-	-	-	-	-	-	-
G Bangura <sup>(v)</sup>	-	-	-	-	-	-	-
A Watling <sup>(v)</sup>	-	-	-	-	-	-	-
A Wilson <sup>(v)</sup>	-	-	-	-	-	-	-
<b>Key management</b>							
E von Puttkammer	22,568	-	-	22,568	100%	-	-
F Taylor	31,756	-	-	31,756	100%	-	-
<b>Total</b>	<b>498,324</b>	<b>-</b>	<b>-</b>	<b>498,324</b>	<b>100%</b>	<b>-</b>	<b>-</b>

No retirement benefits have been provided to directors and key management personnel and no share based payments have been awarded to directors and key management personnel in the current period.

- (i) An aggregate amount of \$350,000 (2009: \$350,000) was paid, or due and payable to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his director services to the Company.
- (ii) An aggregate amount of \$48,000 (2009: \$48,000) was paid, or due and payable to Corporate Resource and Mining Services ("CRMS"), for the provision of Mr Turner's director services to the Company.
- (iii) An aggregate amount of \$6,000 (2009: nil) was paid, or was due and payable to Silverwest Pty Ltd, a company controlled by Mr Gwynne for the provision of his director services to the Company. Mr Gwynne was appointed on 10 May 2010 and ceased to be a director on 30 June 2010.
- (iv) An aggregate amount of \$40,000 (2009: \$48,000) was paid, or due and payable to Mercury Anetac Capital Pty Ltd, a company controlled by Mr Roberto Catena for the provision of his director services to the Company. Mr Catena resigned on 10 May 2010.
- (v) Directors were appointed to the Board on 30 June 2010. Service agreements have not yet been entered into.

**DIRECTORS' REPORT****Details of remuneration of directors and key management personnel of the Consolidated Entity for the period 1 January 2010 to 30 June 2010**

The reverse acquisition of African Petroleum by EHL was completed on 28 June 2010. The table below sets out the remuneration paid to the directors and key management personnel of African Petroleum for the period 1 January 2010 to 30 June 2010 and comprises:

- payments made by African Petroleum for the period 28 June 2010 to 30 June 2010; and
- payments made by the EHL Group for the period 1 January 2010 (date of last audited accounts) to 30 June 2010.

2010	Short Term Benefits			Post Employment Benefits	Total	Fixed	At Risk	
	Salary, Fees and Commissions	Non-cash Benefits	Cash Bonus	Superannuation Contribution			Short term incentive	Long term incentive
Name	\$	\$	\$	\$	\$	%	%	%
<b>Directors</b>								
A Sage	-	-	-	-	-	-	-	-
T Turner	-	-	-	-	-	-	-	-
M Gwynne	-	-	-	-	-	-	-	-
R Catena	-	-	-	-	-	-	-	-
F Timis	433,061	-	-	-	433,061	100%	-	-
M Ashurst	85,506	-	-	6,413	91,919	100%	-	-
K Thompson	149,635	-	-	14,963	164,598	100%	-	-
G Bangura	-	-	-	-	-	-	-	-
A Watling	-	-	-	-	-	-	-	-
A Wilson	-	-	-	-	-	-	-	-
<b>Key management</b>								
E von Puttkammer	-	-	-	-	-	-	-	-
F Taylor	-	-	-	-	-	-	-	-
<b>Total</b>	<b>668,202</b>	<b>-</b>	<b>-</b>	<b>21,376</b>	<b>689,578</b>	<b>100%</b>	<b>-</b>	<b>-</b>

No share based payments have been awarded to the directors and key management personnel in the current period.

**DIRECTORS' REPORT****Details of remuneration of directors and key management personnel of the legal parent entity for the 12 months ended 30 June 2009**

The remuneration of the directors and key management personnel of the legal parent entity (African Petroleum Corporation Limited) for the 12 months ended 30 June 2009 is set out below.

No retirement benefits were provided to directors and key management personnel and no share based payments were awarded to directors and key management personnel in the period ended 12 June 2009.

2009  Name	Short Term Benefits			Total  \$	Fixed  %	At Risk	
	Salary, Fees and Commissions	Non-cash Benefits	Cash Bonus			Short term incentive	Long term incentive
	\$	\$	\$			%	%
<b>Directors</b>							
A Sage <sup>(i)</sup>	350,000	-	-	350,000	100%	-	-
T Turner <sup>(ii)</sup>	48,000	-	-	48,000	100%	-	-
R Catena <sup>(iv)</sup>	48,000	-	-	48,000	100%	-	-
<b>Key management</b>							
E von Puttkammer <sup>(iv)</sup>	4,385	-	-	4,385	100%	-	-
F Taylor <sup>(v)</sup>	7,277	-	-	7,277	100%	-	-
<b>Total</b>	<b>457,662</b>	<b>-</b>	<b>-</b>	<b>457,662</b>	<b>100%</b>	<b>-</b>	<b>-</b>

- (i) An aggregate amount of \$350,000 was paid, or due and payable to Okewood Pty Ltd, a company controlled by Mr Sage, for the provision of his director services to the Company.
- (ii) An aggregate amount of \$48,000 was paid, or due and payable to CRMS, for the provision of Mr Turner's director services to the Company.
- (iii) An aggregate amount of \$48,000 was paid, or was due and payable to Mercury Anetac Capital Pty Ltd, a company controlled by Mr Catena, for the provision of his director services to the Company.
- (iv) Ms Eloise von Puttkammer was appointed as Company Secretary on 1 April 2009.
- (v) Ms Fiona Taylor was appointed as Chief Financial Officer on 20 April 2009.

**Details of remuneration of directors and key management personnel of the consolidated entity for the period 1 January 2009 to 31 December 2009**

The table below sets out the remuneration of the directors of the EHL Group for the period 1 January 2009 to 31 December 2009 (the period covered in the EHL Group's last audited accounts).

2009  Name	Short Term Benefits			Total  \$	Fixed  %	At Risk	
	Salary, Fees and Commissions	Non-cash Benefits	Cash Bonus			Short term incentive	Long term incentive
	\$	\$	\$			%	%
<b>Directors</b>							
F Timis	847,860	-	-	847,860	100%	-	-
M Ashurst	-	-	-	-	-	-	-
<b>Total</b>	<b>847,860</b>	<b>-</b>	<b>-</b>	<b>847,860</b>	<b>100%</b>	<b>-</b>	<b>-</b>

**DIRECTORS' REPORT**

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**Options Issued as Part of Remuneration for the period ended 30 June 2010**

There were no options issued as part of remuneration for the period ended 30 June 2010 (30 June 2009: Nil).

**Service Agreements*****Mr Antony Sage – Non-Executive Chairman***

Prior to the completion of the acquisition of APCL on 28 June 2010, Mr Sage held the position of Executive Chairman of African Petroleum Corporation Limited. Mr Sage's role as Executive Chairman was governed by an Executive Chairman consultancy agreement between African Petroleum Corporation Limited, Okewood Pty Ltd and Mr Sage.

The agreement stipulates the following terms and conditions:

- (a) Term: minimum of three (3) years commencing 1 October 2007;
- (b) Rate: a consultancy fee of \$350,000 per annum to be payable to Okewood Pty Ltd and reviewed bi-annually by the Board. In addition, Mr Sage is to be reimbursed for all reasonable expenses incurred in the performance of his duties;
- (c) this agreement may be terminated by the Company in a number of circumstances including:
  - (i) failure to comply with lawful directions given by the Company through the Board;
  - (ii) failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;
  - (iii) a serious or consistent breach of any of the provisions of the Executive Chairman consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 day; and
  - (iv) Mr Sage being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.
- (d) Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

With effect from 1 September 2010, the consultancy fee payable by the Company to Okewood Pty Ltd has been reduced to \$120,000 per annum to reflect Mr Sage's new role as Non-Executive Chairman.

***Mr Timothy Turner – Non-Executive Director***

Mr Turner's role as Non-Executive Director is governed by a consultancy agreement between African Petroleum Corporation Limited, Corporate Resource and Mining Services ("CRMS") and Mr Turner.

The agreement stipulates the following terms and conditions:

- (a) Term: minimum of three (3) years commencing 1 November 2007;
- (b) Rate: a fee of \$48,000 per annum is payable to CRMS and reviewed bi-annually by the Board. In addition, Mr Turner is to be reimbursed for all reasonable expenses incurred in the performance of his duties;
- (c) this agreement may be terminated by the Company in a number of circumstances including:
  - (i) failure to comply with lawful directions given by the Company through the Board;
  - (ii) failure to produce the services to a satisfactory standard which continues unremedied for ten business days after written notice of failure has been given;
  - (iii) a serious or persistent breach of any of the provisions of the Non-Executive Director consultancy agreement which is either not capable to being remedied or is capable of being remedied and is not remedied within 14 day; and
  - (iv) Mr Turner being unable to perform services for 40 consecutive business days or an aggregate of 60 business days in any 12 months.
- (d) Upon termination without meeting the circumstances outlined in (c) above the Company must pay the fee for the remaining term of the agreement.

***Other Directors***

Service agreements have not yet been entered into for other directors.

*End of Remuneration Report*

**DIRECTORS' REPORT****MEETINGS OF DIRECTORS**

The number of directors' meetings (including committees) held during the period each director held office during the financial year and the number of meetings attended by each director is:

<b>Director</b>	<b>Directors' Meetings</b>	
	<b>Number Eligible to Attend</b>	<b>Meetings Attended</b>
Antony Sage	2	2
Timothy Turner	2	2
Roberto Catena	2	2
Mark Gwynne	-	-
Frank Timis	-	-
Mark Ashurst	-	-
Karl Thompson	-	-
Gibril Bangura	-	-
Alan Watling	-	-
Anthony Wilson	-	-

As at 30 June 2010 African Petroleum Corporation Limited did not have a formally constituted audit committee. Subsequent to 30 June 2010, an audit committee has been formed

**INDEMNIFYING OFFICERS OR AUDITOR**

In accordance with the constitution, except as may be prohibited by the Corporations Act 2001 every director, principal executive officer or secretary of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as director, principal executive officer or secretary of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings, whether civil or criminal.

**OPTIONS****Unissued Shares under Option**

At the date of this report unissued ordinary shares of the company under option are:

<b>Expiry Date</b>	<b>Exercise Price</b>	<b>Number Under Option</b>
30 June 2013	\$0.55	12,108,826

**Shares issued on the exercise of options**

During the period, no ordinary shares were issued on the exercise of options (2009: nil).

**PROCEEDINGS ON BEHALF OF COMPANY**

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

**DIRECTORS' REPORT**

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**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 17 of the annual report.

**NON AUDIT SERVICES**

No non-audit services were provided by the Company's auditors, Grant Thornton (WA) Partnership.

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



**Antony Sage**  
**Director**

**Perth, 30 September 2010**

Grant Thornton (WA) Partnership  
ABN 17 735 344 518

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West Perth WA 6872

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**Auditor's Independence Declaration  
To the Directors of African Petroleum Corporation Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of African Petroleum Corporation Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON (WA) PARTNERSHIP  
Chartered Accountants



M J Hillgrove  
Partner

Perth, 30 September 2010

**CORPORATE GOVERNANCE STATEMENT**

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The Board of Directors of African Petroleum Corporation Limited (**Company**) is responsible for establishing the corporate governance framework of the Company having regard to the Corporations Act 2001 (Cwth) and applicable Listing Rules.

In accordance with NSX Listing Rules, this corporate governance statement summarises the corporate governance practices adopted by the Company.

The corporate governance practices detailed in the summary were adopted by the Company on 23 June 2010. The current corporate governance plan is posted in a dedicated corporate governance information section of the Company's website at [www.africanpetroleum.com.au](http://www.africanpetroleum.com.au)

**Summary of corporate governance practices**

The Company's main corporate governance policies and practices are outlined below.

**The Board of Directors**

The Company's Board of Directors is responsible for overseeing the activities of the Company. The Board's primary responsibility is to oversee the Company's business activities and management for the benefit of the Company's shareholders.

The Board is responsible for the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

The Board assumes the following responsibilities:

- (a) appointment of the Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- (b) driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- (c) reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance;
- (d) approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- (e) approving and monitoring the budget and the adequacy and integrity of financial and other reporting;
- (f) approving the annual, half yearly and quarterly accounts;
- (g) approving significant changes to the organisational structure;
- (h) approving the issue of any shares, options, equity instruments or other securities in the Company;
- (i) ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- (j) recommending to shareholders the appointment of the external auditor as and when their appointment or re-appointment is required to be approved by them; and
- (k) meeting with the external auditor, at their request, without management being present.

**Composition of the Board**

Election of Board members is substantially the province of the Shareholders in general meeting. However, subject thereto, the Company is committed to the following principles:

- (a) the composition of the Board is to be reviewed regularly to ensure the appropriate mix of skills and expertise is present to facilitate successful strategic direction; and
- (b) the principal criterion for the appointment of new Directors is their ability to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

**CORPORATE GOVERNANCE STATEMENT*****Composition of the Board (continued)***

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Directors' Report. Directors of the Company are considered to be independent when they are a non-executive director who is not a member of management and who is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement. In accordance with this definition, Mr F. Timis (Chairman), Mr A.W.P. Sage (Deputy Chairman), Mr K. Thompson, and Mr M. Ashurst are not considered independent.

Non-Executive Directors, Mr T. Turner, Mr A. Wilson, Mr A. Watling, Mr G. Bangura and Mr R. Catena, were considered to have been independent throughout the year.

The Board believes that while the Chairman is not independent, the majority of the directors are independent and the current composition of the Board with its combined skills and capability, best serve the interests of the Company and its shareholders.

The role and responsibilities of the Chief Executive Officer are discharged by Executive Director, Mr K Thompson. The Board considers relevant industry experience and specific expertise important in providing strategic guidance and oversight of the Company, and it believes Mr K Thompson is the most appropriate person to fulfil the role.

The term in office held by each director in office at the date of this report is as follows:

F. Timis	Appointed 30 June 2010	(Non-Executive Chairman)
A.W.P. Sage	3 years	(Non-Executive Deputy Chairman)
K. Thompson	Appointed 30 June 2010	(Executive Director)
Mark Ashurst	Appointed 30 June 2010	(Executive Director)
T. Turner	3 years	(Non-Executive Director)
A. Wilson	Appointed 30 June 2010	(Non-Executive Director)
A. Watling	Appointed 30 June 2010	(Non-Executive Director)
G. Bangura	Appointed 30 June 2010	(Non-Executive Director)
R. Catena	3 years (ceased 10 May 2010)	
J. Couch	Appointed 23 September 2010	(Non-Executive Director)

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek independent professional advice at the Company's expense.

***Remuneration arrangements***

Review of the Company's remuneration policy is delegated to the Remuneration Committee.

The total maximum remuneration of non-executive Directors is the subject of a Shareholder resolution at the Company's upcoming Annual General Meeting in accordance with the Company's Constitution, the Corporations Act and applicable Listing Rules. The current limit, which may only be varied by Shareholders in general meeting, is an aggregate amount of \$150,000 per annum. The Board may award additional remuneration to non-executive Directors called upon to perform extra services or make special exertions on behalf of the Company.

***Performance***

Review of the performance of the Board is delegated to the Nomination Committee.

The Board have established formal practices to evaluate the performance of the Board, committees, non-executive directors, the Chief Executive Officer, and senior management. Details of these practices are described in the Corporate Governance Plan available on the Company's website. No formal performance evaluation of the Board, individual directors or senior management took place during the year.

**Code of Conduct**

The Company has in place a code of conduct which aims to encourage appropriate standards of behaviour for directors, officers, employees and contractors. All are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Directors are subject to additional code of conduct requirements.

**Internal Audit and Risk Committee**

The Company has appointed an audit and risk committee. The Committee has specific powers delegated under the Company's Audit and Risk Committee Charter. The charter sets out the Audit and Risk Committee's function, composition, mode of operation, authority and responsibilities.

**External audit**

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

**Remuneration Committee**

The Board has established a Remuneration Committee with specific powers delegated under the Company's Remuneration Committee Charter. The charter sets out the committee's function, composition, mode of operation, authority and responsibilities.

**Nomination Committee**

The Board has established a Nomination Committee with specific powers delegated under the Company's Nomination Committee Charter. The charter sets out the committee's function, composition, mode of operation, authority and responsibilities.

**Continuous Disclosure Policy**

The Company has adopted a policy concerning continuous disclosure. The policy outlines the disclosure obligations of the Company as required under the Corporations Act and the applicable Listing Rules. The Company is committed to:

- (a) complying with the general and continuous disclosure principles contained in the Corporations Act and applicable Listing Rules;
- (b) preventing the selective or inadvertent disclosure of material price sensitive information;
- (c) ensuring shareholders and the market are provided with full and timely information about the Company's activities; and
- (d) ensuring that all market participants have equal opportunity to receive externally available information issued by the Company.

**Nominated Advisor**

In accordance with the rules of NSX, the Company has appointed Steinepreis Paganin Lawyers and Consultants as its nominated advisor (**NOMAD**). Steinepreis Paganin are consulted and advise on announcements issued by the Company that are price sensitive.

**Continuous Disclosure Committee**

In accordance with its existing corporate governance policies, the Company has established a Continuous Disclosure Committee which prepares (in conjunction with other relevant parties including technical consultants) and recommends all announcements for final approval and sign off by Mr A. Sage (Deputy Chairman). In the case of price sensitive announcements the NOMAD reviews and approves the announcement before being released to the relevant exchange.

**Continuous Disclosure Committee (continued)**

This committee and the NOMAD (together with other relevant parties including technical consultants) complement and strengthen the continuous disclosure policy currently in place.

The members of the Continuous Disclosure Committee are:

Mr M. Ashurst  
Mr T. Turner  
Mr G. Bangura  
Mr A. Watling  
Mr A. Wilson

The skills, experience and expertise of each committee member at the date of the annual report is included in the Directors' Report.

**Risk Management Program**

The Company's primary objective in relation to risk management is to ensure that risks facing the business are appropriately managed. The Board and senior management are committed to managing risks in order to both minimise uncertainty and to maximise its business opportunities. The function and responsibility for maintaining the Company's risk management systems is delegated to the Company's Audit and Risk Committee.

Further information regarding the risk management program can be found in the Corporate Governance Plan available on the Company's website.

**Securities Trading Policy**

The Company has developed a policy for the sale and purchase of its securities. This policy imposes constraints on directors and senior executives of the Company dealing in securities of the Company. It also imposes disclosure requirements on Directors.

Under the Company's Securities Trading Policy, a Director, executive or other employee must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

As a matter of course trading in securities of the Company is limited to the following trading windows, a four (4) week period from the:

- date of the Company's Annual General Meeting;
- release of the quarterly results announcement to the Exchange;
- release of the half yearly results announcement to the Exchange;
- release of the preliminary final results announcement to the Exchange; or
- release of a disclosure document offering securities in the Company.

Before commencing to trade, a Director, executive or other employee must notify the Chairman of their intention to do so.

As is required by the NSX Listing Rules, the Company notifies the NSX of any transaction conducted by a Director in the securities of the Company.

**Shareholder Communication**

The Company has adopted a shareholder communication strategy to set out the Company's policy for communicating with its shareholders.

The purpose of the policy is to ensure the Company deals fairly, transparently and promptly with its current and prospective shareholders, encourages and facilitates active participation by shareholders at shareholder meetings and deals promptly with shareholder enquiries

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED**  
**30 JUNE 2010**

		Consolidated Entity		Legal Parent	
			12 months ended 31 December 2009	12 months ended 30 June 2010	12 months ended 30 June 2009
	Note	6 months ended 30 June 2010	6 months ended 30 June 2009	6 months ended 30 June 2010	6 months ended 30 June 2009
		\$	\$	\$	\$
Revenue	6	691	395	16,485	47,535
Discount on acquisition	13	312,483	-	-	-
Depreciation expense	6	-	-	(531)	(6,877)
Directors' remuneration		(689,578)	(847,860)	(444,000)	-
Consulting expenses		(2,967,257)	(1,309,687)	(288,412)	(663,280)
Compliance and regulatory expenses		(36,297)	(67,761)	(415,943)	(97,227)
Administration expenses		(456,482)	(191,027)	(182,175)	(79,679)
Loss on sale of plant and equipment		-	-	-	(62,855)
Impairment loss on tenements	6	-	-	(91,444)	(322,206)
Employee benefits		(194,821)	(124,302)	-	-
Foreign currency gains / (losses)		(179,434)	-	-	-
Finance costs		-	-	-	(3,553)
Impairment of Goodwill	13	(21,432,381)	-	-	-
<b>Loss from continuing operations before income tax</b>		<b>(25,643,076)</b>	<b>(2,540,242)</b>	<b>(1,406,020)</b>	<b>(1,188,142)</b>
Income tax expense	5	-	-	-	-
<b>Loss for the period, attributable to the members</b>		<b>(25,643,076)</b>	<b>(2,540,242)</b>	<b>(1,406,020)</b>	<b>(1,188,142)</b>
<b>Other comprehensive income</b>					
Foreign exchange loss on translation of foreign operations		(167,000)	(538,770)	-	-
<b>Other comprehensive income / (loss) for the period, net of tax</b>		<b>(167,000)</b>	<b>(538,770)</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(25,810,076)</b>	<b>(3,079,012)</b>	<b>(1,406,020)</b>	<b>(1,188,142)</b>
<b>EPS from continuing operations</b>					
Basic/diluted (loss) per share	25	(3.30)	(0.28)	-	-
<b>EPS from discontinuing operations</b>					
Basic/diluted gain per share	25	-	-	-	-
<b>EPS from loss attributable to the members</b>					
Basic/diluted (loss) per share	25	(3.30)	(0.28)	-	-

*The accompanying notes form part of these financial statements*

**STATEMENTS OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2010**

		<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>Note</b>	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and Cash Equivalents	8	<b>211,085,966</b>	6,111,905	<b>211,040,630</b>	1,388,625
Trade and Other Receivables	9	<b>366,177</b>	19,224	<b>92,037</b>	15,449
<b>TOTAL CURRENT ASSETS</b>		<b>211,452,143</b>	6,131,129	<b>211,132,667</b>	1,404,074
<b>NON CURRENT ASSETS</b>					
Plant and Equipment	10	<b>34,532</b>	9,838	<b>2,133</b>	2,664
Available for sale financial assets	11	-	2	<b>498,437,528</b>	-
Exploration and Evaluation Expenditure	12	<b>32,675,624</b>	3,030,012	<b>125,347</b>	216,791
<b>TOTAL NON CURRENT ASSETS</b>		<b>32,710,156</b>	3,039,852	<b>498,565,008</b>	219,455
<b>TOTAL ASSETS</b>		<b>244,162,299</b>	9,170,981	<b>709,697,675</b>	1,623,529
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Trade and Other Payables	14	<b>30,443,925</b>	2,002,926	<b>728,627</b>	116,797
Borrowings	15	<b>1,892,587</b>	1,536,476	-	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>32,336,512</b>	3,539,402	<b>728,627</b>	116,797
<b>TOTAL LIABILITIES</b>		<b>32,336,512</b>	3,539,402	<b>728,627</b>	116,797
<b>NET ASSETS</b>		<b>211,825,787</b>	5,631,579	<b>708,969,048</b>	1,506,732
<b>EQUITY</b>					
Issued Capital	16	<b>245,794,610</b>	13,830,709	<b>706,271,274</b>	2,328,401
Reserves	17	<b>(705,770)</b>	(538,770)	<b>6,154,213</b>	1,228,750
Accumulated losses	18	<b>(33,303,436)</b>	(7,660,360)	<b>(3,456,439)</b>	(2,050,419)
Minority interest		<b>40,383</b>	-	-	-
<b>TOTAL EQUITY</b>		<b>211,825,787</b>	5,631,579	<b>708,969,048</b>	1,506,732

*The accompanying notes form part of these financial statements*

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED  
30 JUNE 2010**

Consolidated Entity	Note	Ordinary Share Capital \$	Accumulated Losses \$	Foreign currency translation Reserve \$	Minority Interest \$	Total \$
<b>BALANCE AT 1 JANUARY 2010</b>		<b>13,830,709</b>	<b>(7,660,360)</b>	<b>(538,770)</b>	<b>-</b>	<b>5,631,579</b>
Loss for the period attributable to members	<b>18</b>	-	<b>(25,643,076)</b>	-	-	<b>(25,643,076)</b>
Total other comprehensive income for the period		-	-	<b>(167,000)</b>	-	<b>(167,000)</b>
Fair value of shares transferred under reverse acquisition accounting	<b>13,16</b>	<b>231,963,901</b>	-	-	-	<b>231,963,901</b>
Non-controlling interest recognised during the period		-	-	-	<b>40,383</b>	<b>40,383</b>
<b>BALANCE AT 30 JUNE 2010</b>		<b>245,794,610</b>	<b>(33,303,436)</b>	<b>(705,770)</b>	<b>40,383</b>	<b>211,825,787</b>

Consolidated Entity	Note	Ordinary Share Capital \$	Accumulated Losses \$	Foreign currency translation Reserve \$	Minority Interest \$	Total \$
<b>BALANCE AT 1 JANUARY 2009</b>		<b>2,470,711</b>	<b>(5,120,118)</b>	-	-	<b>(2,649,407)</b>
Total other comprehensive income for the period		-	-	<b>(538,770)</b>		<b>(538,770)</b>
Net loss for the period attributable to members	<b>18</b>	-	<b>(2,540,242)</b>	-		<b>(2,540,242)</b>
Shares issued		<b>11,359,998</b>		-		<b>11,359,998</b>
<b>BALANCE AT 31 DECEMBER 2009</b>		<b>13,830,709</b>	<b>(7,660,360)</b>	<b>(538,770)</b>	<b>-</b>	<b>5,631,579</b>

*The accompanying notes form part of these financial statements.*

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED  
30 JUNE 2010**

<b>Legal Parent</b>	<b>Note</b>	<b>Ordinary Share Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Option Reserve \$</b>	<b>Total \$</b>
<b>BALANCE AT 1 JULY 2009</b>		<b>2,328,401</b>	<b>(2,050,419)</b>	<b>1,228,750</b>	<b>1,506,732</b>
Net loss for the period attributable to members	<b>18</b>	-	<b>(1,406,020)</b>	-	<b>(1,406,020)</b>
Issue of shares pursuant to capital raising	<b>16</b>	<b>221,995,150</b>	-	-	<b>221,995,150</b>
Issue of consideration shares	<b>16</b>	<b>498,437,528</b>	-		<b>498,437,528</b>
Capital raising costs	<b>16</b>	<b>(16,489,805)</b>	-	<b>4,925,463</b>	<b>(11,564,342)</b>
<b>BALANCE AT 30 JUNE 2010</b>		<b>706,271,274</b>	<b>(3,456,439)</b>	<b>6,154,213</b>	<b>708,969,048</b>

<b>Legal Parent</b>	<b>Note</b>	<b>Ordinary Share Capital \$</b>	<b>Accumulated Losses \$</b>	<b>Option Reserve \$</b>	<b>Total \$</b>
<b>BALANCE AT 1 JULY 2008</b>		<b>2,328,401</b>	<b>(862,277)</b>	<b>1,228,750</b>	<b>2,694,874</b>
Net loss for the period attributable to members	<b>18</b>	-	<b>(1,188,142)</b>	-	<b>(1,188,142)</b>
<b>BALANCE AT 30 JUNE 2009</b>		<b>2,328,401</b>	<b>(2,050,419)</b>	<b>1,228,750</b>	<b>1,506,732</b>

*The accompanying notes form part of these financial statements.*

**STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED**  
**30 JUNE 2010**

		Consolidated Entity		Legal Parent	
		6 months ended 30 June 2010 \$	12 months ended 31 December 2009 \$	12 months ended 30 June 2010 \$	12 months ended 30 June 2009 \$
	Note				
<b>Cash Flows from Operating Activities</b>					
Payments to suppliers and employees		(4,779,560)	(2,757,423)	(795,289)	(796,380)
Interest received		-	-	16,485	47,535
Finance costs		-	-	-	(3,553)
<b>Net cash flows used in operating activities</b>	<b>8</b>	<b>(4,779,560)</b>	<b>(2,757,423)</b>	<b>(778,804)</b>	<b>(752,398)</b>
<b>Cash Flows From Investing Activities</b>					
Payment for plant and equipment	10	(22,555)	(11,310)	-	-
Cash balances acquired on acquisition of controlled entities	13	211,659,964	-	-	-
Payment for exploration and evaluation activities		(2,239,899)	(1,779,797)	-	-
Proceeds on disposal of plant and equipment		-	-	-	90,908
<b>Net cash from/(used in) investing activities</b>		<b>209,397,510</b>	<b>(1,791,107)</b>	<b>-</b>	<b>90,908</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from borrowings		356,111	-	-	-
Repayment of borrowings		-	-	-	(158,553)
Proceeds from issue of shares		-	11,359,998	221,995,150	-
Payment for share issue costs		-	-	(11,564,341)	-
<b>Net cash from / (used in) financing activities</b>		<b>356,111</b>	<b>11,359,998</b>	<b>210,430,809</b>	<b>(158,553)</b>
<b>Net increase / (decrease) in Cash and Cash Equivalents</b>		<b>204,974,061</b>	<b>6,811,468</b>	<b>209,652,005</b>	<b>(820,043)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>		<b>6,111,905</b>	<b>20,658</b>	<b>1,388,625</b>	<b>2,208,668</b>
Foreign exchange difference		-	(720,221)	-	-
<b>Cash and Cash Equivalents at the End of Year</b>	<b>8</b>	<b>211,085,966</b>	<b>6,111,905</b>	<b>211,040,630</b>	<b>1,388,625</b>

*The accompanying notes form part of these financial statements.*

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2010**

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## **1. CORPORATE INFORMATION**

The financial report of African Petroleum Corporation Limited for the year ended 30 June 2010 was authorised for issue in accordance with a resolution of the directors on 30 September 2010.

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 ANNUAL REPORT**

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report is presented in Australian dollars.

On 28 June 2010, African Petroleum Corporation Limited (formerly Global Iron Limited) ("African Petroleum" or the "Company") completed the acquisition of 100% of Cayman Islands incorporated African Petroleum Corporation Limited ("APCL"). Under the terms of AASB 3 "Business Combinations", APCL was deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been 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. The consolidation of EHL, APCL and APCL's other legal subsidiaries is referred to as the EHL Group.

The financial report for the Consolidated Entity has been prepared as a continuation of the business and operations of EHL. EHL, as the deemed acquirer, has accounted for the acquisition of African Petroleum from 28 June 2010. The comparative information for the Consolidated Entity presented in the financial statements is that of EHL.

The financial year end of EHL is 31 December. The last audited financial statements for EHL are for the year ended 31 December 2009. The financial year end of African Petroleum is 30 June. The last audited financial statements for African Petroleum are for the year ended 30 June 2009.

The financial report for the Consolidated Entity for the current period represents the accounting period from the last year end of EHL, 31 December 2009, to 30 June 2010.

### *Consolidated statement of financial position*

- The consolidated statement of financial position as at 30 June 2010 represents the consolidation of African Petroleum and the EHL Group.
- The comparative consolidated statement of financial position represents that of EHL as at 31 December 2009.

### *Consolidated statement of changes in equity*

The consolidated statement of changes in equity for the current period comprises:

- The equity balance of EHL at the beginning of the period, 1 January 2010,
- The total income and transactions with equity holders for the period to 30 June 2010, being 6 months of the EHL Group and 2 days of African Petroleum, and
- The consolidated equity balance of the EHL Group and African Petroleum as at 30 June 2010.

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## **2. BASIS OF PREPARATION OF ANNUAL REPORT (CONTINUED)**

### *Consolidated statement of changes in equity (continued)*

The consolidated statement of changes in equity for the previous corresponding period comprises 12 months of EHL from 1 January 2009 to 31 December 2009.

### *Consolidated statement of cash flows*

The consolidated statement of cash flows for the current period comprises:

- The cash balance of EHL at the beginning of the period, 1 January 2010,
- The transactions for the period ended 30 June 2010, being 6 months of the EHL Group and 2 days African Petroleum, and
- The consolidated cash balance of the EHL Group and African Petroleum as at 30 June 2010.

The consolidated statement of cash flow for the previous corresponding period comprises 12 months of EHL from 1 January 2009 to 31 December 2009.

ASIC class order CO 10/654 has been adopted to allow the presentation of financial statements for both the Consolidated Entity and the Legal Parent.

## **Compliance with IFRS**

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

The Legal Parent and the Consolidated Entity have applied the revised AASB 101 "Presentation of Financial Statements" which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Legal Parent and the Consolidated Entity had to change the presentation of their financial statements. Comparative information has been re-presented so that it is also conforms with the revised standard.

## **3. SUMMARY OF ACCOUNTING POLICIES**

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

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### 3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

#### (a) Changes in accounting policy and other disclosures

##### New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The following standards and interpretations have been applied by the Consolidated Entity during the current year:

Reference	Title	Application date of standard	Application date for the Consolidated Entity	Application date for the Legal Parent
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	1 January 2009	1 January 2010	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	1 January 2009	1 January 2010	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	1 January 2009	1 January 2010	1 July 2009
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	1 January 2009	1 January 2010	1 July 2009
AASB 3 (Revised)	Business Combinations	1 July 2009	1 January 2010	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	1 July 2009	1 January 2010	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	1 July 2009	1 January 2010	1 July 2009
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2009	1 January 2010	1 July 2009

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**(a) Changes in accounting policy and other disclosures (continued)**

**New Accounting Standards and Interpretations (continued)**

<b>Reference</b>	<b>Title</b>	<b>Application date of standard</b>	<b>Application date for the Consolidated Entity</b>	<b>Application date for the Legal Parent</b>
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 July 2009	1 January 2010	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2009	1 January 2010	1 July 2009
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	1 July 2009	1 January 2010	1 July 2009
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 January 2010	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	1 July 2009	1 January 2010	1 July 2009
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	1 July 2009	1 January 2010	1 July 2009

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****(a) Changes in accounting policy and other disclosures (continued)****Accounting Standards and interpretations issued but not yet effective**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the Consolidated Entity for the reporting period ended 30 June 2010 are set out below. The application of these Standards and Interpretations, once effective, will not have any impact on the Consolidated Entity.

***AASB 2009-5 [AASB 5, 8, 101, 107, 117, 118, 136 & 139] - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 1 January 2010)***

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on the Consolidated Entity except for the following:

The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

***AASB 2009-8 [AASB 2] - Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions (application date: reporting periods ending on/after 1 January 2010)***

This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 *Scope of AASB 2* and Interpretation 11 *AASB 2 – Group and Treasury Share Transactions*.

The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.

The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.

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### **3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

#### **(a) Changes in accounting policy and other disclosures (continued)**

##### **Accounting Standards and interpretations issued but not yet effective (continued)**

##### **AASB 2009-9 - Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (application date: reporting periods ending on/after 1 January 2010)**

The amendments address the retrospective application of IFRSs to particular situations and are aimed at ensuring that entities applying IFRSs will not face undue cost or effort in the transition process.

##### **AASB 2009-11 - [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] - Amendments to Australian Accounting Standards arising from AASB 9 (application date: reporting periods ending on/after 1 January 2013)**

The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

- two categories for financial assets being amortised cost or fair value
- removal of the requirement to separate embedded derivatives in financial assets
- strict requirements to determine which financial assets can be classified as amortised cost or fair value. Financial assets can only be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows
- an option for investments in equity instruments which are not held for trading to recognise fair value changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition
- reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes
- changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income

##### **AASB 2009-12 - [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] - Amendments to Australian Accounting Standards (application date: reporting periods ending on/after 1 January 2011)**

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).

##### **AASB 2009-13 - [AASB 1] - Amendments to Australian Accounting Standards arising from Interpretation 19 (application date: reporting periods ending on/after 1 January 2010)**

This amendment to AASB 1 allows a first-time adopter may apply the transitional provisions in Interpretation 19 as identified in AASB 1048.

##### **AASB 2010-01 - [AASB 1: *First-time adoption of Australian Accounting Standards*, AASB 7 *Financial instruments: Disclosures*] (application date: reporting periods ending on/after 30 June 2011)**

These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.

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### **3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

#### **(a) Changes in accounting policy and other disclosures (continued)**

##### **Accounting Standards and interpretations issued but not yet effective (continued)**

##### ***AASB 2010-02 (application date: reporting periods ending on/after 30 June 2014)***

This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.

##### ***AASB 2010-03 - [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139] - Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 30 June 2011)***

Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value.

Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated.

Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.

##### ***AASB 2010-04 - [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13] - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (application date: reporting periods ending on/after 31 December 2011)***

Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.

Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions

Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****(a) Changes in accounting policy and other disclosures (continued)****Accounting Standards and interpretations issued but not yet effective (continued)*****AASB 1053 Application of Tiers of Accounting Standards (application date: reporting periods ending on/after 30 June 2014)***

This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

(a) Tier 1: Australian Accounting Standards; and

(b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:

(a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and

(b) the Australian Government and State, Territory and Local Governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

(a) for-profit private sector entities that do not have public accountability;

(b) all not-for-profit private sector entities; and

(c) public sector entities other than the Australian Government and State, Territory and Local Governments.

**(b) Segment reporting**

An operating segment is a component of an entity that engages in 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.

Operating segments have been identified based on the information available to chief operating decision makers – being the executive management team.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category called "all other segments".

The Consolidated Entity has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting*. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not impacted on the number of reportable segments presented. There has been no impact on the measurement of the Consolidated Entity's assets and liabilities. Comparatives for 2009 have been restated.

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### **3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

#### **(c) Foreign currency translation**

##### *Functional and presentation currency*

Both the functional and presentation currency of African Petroleum Corporation Limited is Australian dollars. The functional currency of entities within the EHL Group is Great Britain Pounds and United States Dollars which has been translated to the presentation currency of Australian dollars.

##### *Transactions and balances*

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in the foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

##### *Translation of Group Companies' functional currency to presentation currency*

The results of the EHL Group are translated into Australian Dollars (presentation currency) as at the date of each transaction. Monetary assets and liabilities are translated at exchange rates prevailing at reporting date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.

#### **(d) Cash and cash equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

#### **(e) Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due to it according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the amount expected to be received. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Comprehensive Income within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration expenses in the Statement of Comprehensive Income.

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****(f) Property, plant and equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Plant and equipment**

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets.

**Depreciation**

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method.

The depreciation rates used for each class of depreciable assets are:

- Plant and equipment 20% - 25%
- Motor vehicles 22.5%

Gains and proceeds on disposals are determined by comparing proceeds with carrying amounts. These are included in the Statement of Comprehensive Income.

**(g) Exploration and evaluation expenditure**

Exploration, evaluation and development expenditure is recorded at historical costs on an area of interest basis. Expenditure on acquisition of an area of interest is carried forward where rights to tenure of the area of interest are current and:

- (i) it is expected to be recouped through successful development and exploitation of the area of interest or alternatively by its sale; or
- (ii) exploration and evaluation activities are continuing in an area of interest but at reporting date have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Accumulated costs in respect of areas of interest which are abandoned, are written off in full against profit in the period in which the decision to abandon the area is made.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the exploration permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****(g) Exploration and evaluation expenditure (continued)**

Projects are advanced to development status when it is expected that further expenditure can be recouped through sale or successful development and exploitation of the area of interest.

The consolidated entity is applying AASB 6 *Exploration for and Evaluation of Mineral Resources* which is equivalent to IFRS 6. The carrying value of exploration and evaluation expenditure is historical cost less accumulated amortisation less impairment.

**(h) Investments and other financial assets**

Investments and financial assets in the scope of AASB 139 "Financial Instruments: Recognitions and Measurement" are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transactions costs.

**Recognition and derecognition**

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition, these instruments are measured as set out below. Financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Consolidated Entity has transferred substantially all the risks and rewards of ownership.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. They are measured initially at fair value and subsequently at amortised cost.

**Available-for-sale financial assets**

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the categories. They are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

**Impairment of financial assets**

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

**(i) Investment in Subsidiaries**

Subsequent to initial recognition, investments in subsidiaries are measured at cost.

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### **3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

#### **(j) Revenue**

Revenues are recognised at the fair value of the consideration received or receivable net of the amount of Goods and Services Tax / or Value Added Tax paid to taxation authorities. Revenue is recognised for the major business activities as follows:

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Consolidated Entity's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the revenue have been resolved. The Consolidated Entity bases its estimates on historical results taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

#### **Interest**

Interest revenue is recognised on a time proportional basis using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected useful life of the financial asset to the net carrying amount of the financial asset.

#### **(k) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the relevant national income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

#### **(l) Other taxes**

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax ("GST") and Value Added Tax ("VAT") except:

- where the GST/VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST/VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST/VAT included.

The net amount of GST/VAT recoverable from, or payable to, taxation authorities is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST/VAT component of cash flows arising from investing and financing activities, which is recoverable from, or payable to taxation authorities are classified as operating cash flows.

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****(m) Earnings per share**

- (i) Basic earnings per share ("EPS") is calculated by dividing the net profit or loss attributable to members for the reporting period, after excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares of the Company, adjusted for any bonus elements in ordinary shares issued during the year.
- (ii) Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(n) Employee Benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to the reporting date.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

**(o) Trade and other payables**

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Consolidated Entity prior to the reporting date that are unpaid at the reporting date and arise when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

**(p) Provisions**

Provisions are recognised when the Consolidated Entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

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**3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)****(p) Provisions (continued)**

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation.

**(q) Contributed equity**

Contributed equity is recognised at the fair value of the consideration received by the Consolidated Entity, less any capital raising costs in relation to the issue.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

**(r) Share-based payments**

The fair value of shares issued and options granted are recognised as an expense or the fair value of the asset acquired with a corresponding increase in equity. For shares issued, the fair value is measured at the share price on the date the shares were issued. For options granted, the fair value is measured at grant date taking into account market performance conditions only, and will be spread over the vesting period during which the holder becomes unconditionally entitled to the options. The fair value of the options is measured using the Black-Scholes model.

Upon exercise of options, the fair value of the options exercised and the proceeds received, net of any directly attributable transaction costs, are credited to share capital

**(s) Borrowings**

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the statement of comprehensive income over the period of the borrowing using the effective interest rate method. Borrowing costs are expensed and borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

**(t) Business Combinations**

The acquisition method of accounting is used to account for all business combinations. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to the former owners of the acquiree and the equity issued by the acquirer, and the amount of any non controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Costs directly attributable to the acquisition are expensed.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non controlling shareholders' interest. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Consolidated Entity's share of the fair value of the identifiable net assets acquired, the difference is recognised directly in the statement of comprehensive income, but only after a reassessment of the identification and measurement of the net assets acquired.

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### **3. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

#### **(t) Business Combinations (continued)**

Any contingent consideration to be transferred by the acquiree will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured.

A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes:

- All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Consolidated Entity's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.
- Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill or discount on acquisition.
- Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous policy, the non-controlling interest was recognised at its share of the acquiree's net identifiable assets.
- If the Consolidated Entity recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Consolidated Entity's net profit after tax.

The changes were implemented prospectively from 1 July 2009.

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Entity.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results of the financial position reported in future period.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

#### **Impairment**

The Consolidated Entity assesses impairment at each reporting date by evaluating conditions specific to the Consolidated Entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amounts of the assets are determined.

During the year ended 30 June 2010, a number of exploration licences in respect of which African Petroleum (the legal parent) held iron ore exploration rights expired. The capitalised exploration and evaluation costs associated with the tenements to which the licences relate have been recognised as an impairment loss in the Legal Parent's statement of comprehensive income.

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**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS  
(CONTINUED)**

**Exploration and evaluation expenditure**

Exploration and evaluation expenditure for each area of interest is carried forward as an asset provided certain conditions listed in Note 3(g) are met. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed the recoverable amount. These calculations and reviews require the use of assumptions and judgement. The related carrying amounts are disclosed in Note 12.

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon:

- the continuance of the Consolidated Entity's rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

**Business Combination**

During the current period, African Petroleum completed the acquisition of 100% of the shares of APCL. The acquisition is required to be accounted for as a reverse acquisition under AASB 3 "Business Combinations". Management have made a number of assumptions in determining the fair values of the assets acquired and the liabilities assumed pursuant to this business combination.

Under AASB 3, the consideration deemed to have been paid by EHL is the fair value of the shares of African Petroleum Corporation Limited which are deemed to have been transferred to EHL. The fair value of the consideration transferred is based on the number of African Petroleum Corporation Limited shares on issue immediately prior to the business combination and the share price at which the Company's securities were trading. Given that the Company had not yet been admitted to quotation on the date the business combination was completed, a value of \$0.55 per share was used as this was the value at which a capital raising had successfully been completed.

The fair value of the deemed consideration exceeded the fair value of African Petroleum's net assets acquired by EHL. This excess consideration has not been recognised as goodwill, but instead has been recognised as "Impairment of Goodwill" in the statement of comprehensive income because the directors have determined that that there is no future benefit associated with it and consequently it does not qualify for recognition as an asset.

**Share-based payment transactions**

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes model. The related assumptions are detailed in note 19. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

The Group measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the instruments were granted (see note 19).

**Income taxes**

The Consolidated Entity is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity estimates its tax liabilities based on the Consolidated Entity's understanding of the tax laws in the relevant jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

The Consolidated Entity has not recognised any deferred tax assets relating to carried forward tax losses or temporary differences as there is no certainty that sufficient future taxable incomes will be generated to utilise such losses and temporary differences.

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**5. INCOME TAX**

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
(a) The components of income tax expense comprise.				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
(b) The prima facie tax on profit/(loss) from continuing activities before income tax is reconciled to the income tax as follows:				
Prima facie tax (expense)/benefit on loss from ordinary activities before income tax at 30% (Consolidated Entity 2009: 21%)	<b>7,692,923</b>	533,451	<b>421,806</b>	356,443
Add/(less)				
Tax effect of				
- Non deductible impairment loss	-	-	(27,433)	(96,662)
- Non deductible excess purchase consideration written off	(6,429,714)	-	-	-
- Non assessable discount on acquisition	93,745	-	-	-
- Unrecognised deferred tax asset attributable to tax losses and temporary differences	(1,356,954)	(533,451)	(394,373)	(259,781)
Income tax expense / (benefit)	-	-	-	-
(c) The applicable weighted average effective tax rate is as follows:	n/a	n/a	n/a	n/a

Deferred tax assets have not been brought to account in respect of tax losses and temporary differences because as at 30 June 2010 it is not probable that future taxable amounts will be available to utilise those temporary differences and losses.

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**6. PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE**

	<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>6 months ended 30 June 2010</b>	<b>12 months ended 31 December 2009</b>	<b>12 months ended 30 June 2010</b>	<b>12 months ended 30 June 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
(a) Revenue				
Interest income	<b>691</b>	395	<b>16,485</b>	47,535
(b) Expenses				
The following revenue and expense items are relevant in explaining the financial performance for the year:				
Impairment of capitalised exploration expenditure	-	-	<b>(91,444)</b>	(322,206)
Depreciation	-	-	<b>(531)</b>	(6,877)

**7. REMUNERATION OF AUDITORS**

**Paid or payable to Grant Thornton (WA) Partnership**

Audit or review of financial reports	-	-	<b>55,549</b>	28,168
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**Paid or payable to Grant Thornton (UK) Partnership**

Audit or review of financial reports	<b>20,521</b>	-	-	-
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**Paid or payable to Bright Grahame Murray**

Audit or review of financial reports	<b>15,776</b>	67,761	-	-
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**8. CASH AND CASH EQUIVALENTS**

	<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash at bank and on hand	<b>211,085,966</b>	6,111,905	<b>211,040,630</b>	1,388,625
<b>Cash and cash equivalents</b>	<b>211,085,966</b>	6,111,905	<b>211,040,630</b>	1,388,625

**NOTES TO THE FINANCIAL STATEMENTS**  
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## 8. CASH AND CASH EQUIVALENTS (continued)

### (a) Reconciliation of Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the reporting date as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
Cash and cash equivalents	<b>211,085,966</b>	6,111,905	<b>211,040,630</b>	1,388,625
<b>b) Reconciliation of Net Loss to Net Cash Flows from Operating Activities</b>				
Loss from ordinary activities	<b>(25,643,076)</b>	(2,540,242)	<b>(1,406,020)</b>	(1,188,142)
Adjusted for non cash items:				
Depreciation	-	-	<b>531</b>	6,877
Excess purchase consideration written off	<b>21,432,381</b>	-	-	-
Discount on acquisition	<b>(312,483)</b>			
Loss of sale of plant and equipment	-	-	-	62,855
Impairment	-	-	<b>91,444</b>	322,206
<b>Changes in net assets and liabilities, net of effects from acquisition of business combination:</b>				
Increase/(decrease) in trade and other receivables	<b>(254,916)</b>	656,352	<b>(76,589)</b>	5,528
Increase / (decrease) in trade and other payables	<b>(1,466)</b>	(873,533)	<b>611,830</b>	38,278
<b>Net cash provided by / (used) in operating activities</b>	<b>(4,779,560)</b>	(2,757,423)	<b>(778,804)</b>	(752,398)

### (b) Non-Cash Activities

African Petroleum completed the acquisition of 100% of APCL on 28 June 2010 ("Acquisition"). The consideration for the Acquisition was the issue of 906,250,051 fully paid ordinary shares in African Petroleum.

African Petroleum successfully raised \$222 million through a placement. The brokers that supported the placement were issued 12,108,826 unlisted African Petroleum options as part of their fee. The unlisted options have an expiry date of 30 June 2013 and an exercise price of \$0.55. Refer to note 19 for further details.

During the current period the EHL Group incurred expenditure in relation to its Liberian Project of approximately \$27 million which had not been paid at 30 June 2010.

**NOTES TO THE FINANCIAL STATEMENTS**  
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**9. TRADE AND OTHER RECEIVABLES**

	Consolidated Entity		Legal Parent	
Note	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
GST / VAT recoverable	322,850	19,224	88,825	15,449
Prepayments	3,212	-	3,212	-
Other receivables	40,115	-	-	-
<b>Trade and other receivables</b>	<b>366,177</b>	<b>19,224</b>	<b>92,037</b>	<b>15,449</b>

Trade and other receivables are neither past due or impaired.

**10. PLANT AND EQUIPMENT**

## Plant and Equipment

At cost	36,176	9,838	3,777	3,777
Accumulated depreciation	(1,644)	-	(1,644)	(1,113)
<b>Plant and Equipment</b>	<b>34,532</b>	<b>9,838</b>	<b>2,133</b>	<b>2,664</b>

**(a) Reconciliations**

Reconciliations of the carrying amounts of plant and equipment at the beginning and end of the periods presented are set out below.

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
<b>Office Equipment</b>				
Balance at beginning of the period	9,838	-	2,664	3,328
Additions	22,068	10,995	-	-
Depreciation expense	-	-	(531)	(664)
Additions through business combination	2,133	-	-	-
Foreign currency exchange difference arising on translation from functional currency to presentation currency	493	(1,157)	-	-
Carrying amount at end of period	34,532	9,838	2,133	2,664
<b>Motor vehicle</b>				
Balance at beginning of the period	-	-	-	159,977
Additions	-	-	-	-
Disposals	-	-	-	(153,764)
Depreciation expense	-	-	-	(6,213)
Carrying amount at end of period	-	-	-	-
<b>Plant and Equipment</b>	<b>34,532</b>	<b>9,838</b>	<b>2,133</b>	<b>2,664</b>

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**11. FINANCIAL ASSETS**

		<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>Note</b>	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Available for sale financial assets		-	2	498,437,528	-
<b>Financial assets</b>		<b>-</b>	<b>2</b>	<b>498,437,528</b>	<b>-</b>

**12. EXPLORATION AND EVALUATION EXPENDITURE**

		<b>Consolidated Entity</b>		<b>Legal Parent</b>	
		<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Current</b>					
Costs carried forward in respect of areas of interest in:					
- Exploration and evaluation phases		32,675,624	3,030,012	125,347	216,791
Reconciliation					
Exploration and evaluation phases					
Opening balance		3,030,012	1,689,317	216,791	538,997
Exploration expenditure incurred		28,712,868	1,779,797	-	-
Exploration expenditure written off		-	-	(91,444)	(322,206)
Exploration expenditure acquired pursuant to a business combination	13	125,347	-	-	-
Foreign exchange differences arising on translating functional currency to presentation currency		807,397	(439,102)	-	-
<b>Exploration and evaluation phases</b>		<b>32,675,624</b>	<b>3,030,012</b>	<b>125,347</b>	<b>216,791</b>

During the year, the carrying amount of exploration and evaluation expenditure was assessed in accordance with AASB 6 "Exploration for and Evaluation of Mineral Resources" an impairment loss of \$91,444 (2009: \$322,206) has been recognised by the Legal Parent. This amount is shown as a separate line item on the statement of comprehensive income.

At the date of this report, the Directors are of the opinion the carrying amount of capitalised exploration and evaluation costs represents fair value.

The value of the Consolidated Entity's interest in exploration expenditure is dependent upon:

- the continuance of its rights to tenure of the areas of interest;
- the results of future exploration; and
- the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Directors' assessment of carrying amount was after consideration of prevailing market conditions; previous expenditure carried out and the potential for the discovery of hydrocarbons. The ultimate value of these assets is dependent upon recoupment by commercial development or the sale of the whole, or part, of the Consolidated Entity's interests in those areas for an amount at least equal to the carrying value.

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### 13. BUSINESS COMBINATION

#### (a) Reverse acquisition of African Petroleum by APCL

On 28 June 2010, African Petroleum Corporation Limited (formerly Global Iron Limited) (“African Petroleum” or the “Company”) completed the acquisition of 100% of Cayman incorporated African Petroleum Corporation Limited (“APCL”). Under the terms of AASB 3 “Business Combinations”, APCL was deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been accounted for as a reverse acquisition.

Details of the fair value of assets and liabilities acquired and excess consideration are as follows:

Purchase consideration:	\$
421,752,547 (being the number of shares of the legal parent, African Petroleum Corporation Limited, before the business combination) multiplied by \$0.55* per share	231,963,901
Less: fair value of net identifiable assets acquired (see below)	(210,531,520)
Excess consideration	<u>21,432,381</u>

\* This has been determined to be the fair value of shares on acquisition of APCL

The excess consideration has been written off in the statement of comprehensive income because the Directors have determined that there is no future benefit associated with the excess consideration.

Details of the provisional fair value of identifiable assets and liabilities of African Petroleum Corporation Limited as at the date of acquisition are:

	Note	Book carrying value \$	Fair value \$
<b>Assets</b>			
Cash and cash equivalents		211,040,630	211,040,630
Trade and other receivables		92,037	92,037
Capitalised exploration costs	12	125,347	125,347
Property, plant and equipment	10	2,133	2,133
<b>Liabilities</b>			
Trade and other payables		(728,627)	(728,627)
<b>Net assets</b>		<u>210,531,520</u>	<u>210,531,520</u>

Direct costs relating to the acquisition that have been expensed in the statement of comprehensive income by the legal parent are \$351,095.

#### Cash outflow / (inflow) on acquisition

Net cash acquired	<b>210,040,630</b>
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The receivables acquired are expected to be fully recovered within the next 12 months.

The statement of comprehensive income for the Consolidated Entity does not include any revenue or loss for African Petroleum the period ended 30 June 2010, as a result of the reverse acquisition of African Petroleum by APCL on 28 June 2010. Had the acquisition of African Petroleum occurred at the beginning of the reporting period (1 January 2010), the consolidated statement of comprehensive income would have included revenue of \$8,854 and a net loss after tax of \$1,051,765.

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**13. BUSINESS COMBINATION****(b) Acquisition of APSLL**

During the current period, APCL completed the acquisition of 100% of Cayman incorporated African Petroleum Sierra Leone Limited (“APSLL”) and its Sierra Leone incorporated subsidiaries.

Details of the fair value of assets and liabilities acquired and discount on acquisition are as follows:

	\$
Purchase consideration:	56,015
Fair value of net identifiable assets acquired (see below)	368,498
Discount on acquisition	<u>(312,483)</u>

Details of the provisional fair value of identifiable assets and liabilities of African Petroleum Corporation Limited as at the date of acquisition are:

	Book carrying value \$	Fair value \$
<b>Assets</b>		
Cash and cash equivalents	619,334	619,334
Trade and other receivables	56,014	56,014
<b>Liabilities</b>		
Trade and other payables	(306,850)	(306,850)
<b>Net assets</b>	<u><b>368,498</b></u>	<u><b>368,498</b></u>

**Cash outflow / (inflow) on acquisition**

<b>Net cash acquired</b>	619,334
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The statement of comprehensive income for the Consolidated Entity includes nil revenues and loss after tax of \$669,673 for APSLL the period ended 30 June 2010. Had the acquisition of APSLL occurred at the beginning of the reporting period (1 January 2010), the consolidated statement of comprehensive income would have included nil revenues and a net loss after tax of and \$669,815.

**14. TRADE AND OTHER PAYABLES**

	<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	\$	\$	\$	\$
Trade payables	28,924,957	1,408,022	398,288	13,128
Other payables	1,518,968	594,904	330,339	103,669
<b>Trade and other payables</b>	<u><b>30,443,925</b></u>	<u>2,002,926</u>	<u><b>728,627</b></u>	<u>116,797</u>

**15. BORROWINGS**

Borrowings (a)	<u><b>1,892,587</b></u>	<u>1,536,476</u>	<u>-</u>	<u>-</u>
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(a) The loan has been provided by Sarella Investments Limited, a company controlled by Mr Timis, and is unsecured, non-interest bearing and repayable on demand.

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**16. ISSUED CAPITAL**

	<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fully paid ordinary shares	<b>245,794,610</b>	13,830,709	<b>706,271,274</b>	2,328,401

Ordinary shares participate in dividends and the proceeds on winding up of the Consolidated Entity in proportion to the number of shares held and in proportion to the amount paid up on the shares held. At shareholders meetings, each ordinary share is entitled to one vote in proportion to the paid up amount of the share when a poll is called, otherwise each shareholder has one vote on a show of hands.

Although the Company's acquisition of 100% of APCL is required to be accounted for as a reverse acquisition, the capital structure of the Consolidated Entity is that of the legal parent, African Petroleum Corporation Limited.

The current period reflects the movements in the legal parent's capital structure for the 12 month period 1 July 2009 to 30 June 2010.

The previous corresponding period reflects the movements in the legal parent's capital structure for the 12 month period 1 July 2008 to 30 June 2009.

During the current period, African Petroleum Corporation Limited applied for quotation on NSX. On 28 June 2010, the Company was admitted to NSX's Official List and on 30 June 2010, it was admitted to Official Quotation on NSX. On 3 September 2010, the Company was de-listed from ASX.

	<b>Legal Parent Ordinary fully paid shares</b>		<b>Legal Parent Ordinary fully paid shares</b>	
	<b>30 June 2010</b>		<b>30 June 2009</b>	
	<b>Number</b>	<b>\$</b>	<b>Number</b>	<b>\$</b>
At beginning of reporting period	18,125,002	2,328,401	18,125,002	2,328,401
Issue of shares pursuant to a capital raising	403,627,545	221,995,150	-	-
Capital raising costs	-	(16,489,805)	-	-
Issue of shares as purchase consideration for APCL	906,250,051	498,437,528	-	-
<b>Shares on issue at 30 June 2010</b>	<b>1,328,002,598</b>	<b>706,271,274</b>	<b>18,125,002</b>	<b>2,328,401</b>

**Reconciliation to ordinary share capital represented by consolidated entity**

AASB 3 "Business Combinations" requires the acquisition of APCL by African Petroleum to be treated as a reverse acquisition. Consequently, the fair value of the issued share capital of the Consolidated Entity comprises:

	<b>Consolidated Entity</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
Fair value of issued share capital at beginning of period	<b>13,830,709</b>	2,470,711
Fair value of shares deemed to have been transferred by the legal parent (being 421,752,547 fully paid ordinary shares on issue prior to the business combination at a fair value of \$0.55 per share)	<b>231,963,901</b>	
Issue of shares pursuant to a capital raising	-	11,359,998
Fair value of issued share capital at end of period	<b>245,794,610</b>	13,830,709

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## 16. ISSUED CAPITAL (CONTINUED)

### Capital Management

Management controls the capital of the Company in order to maximise the return to shareholders and ensure that the Company can fund its operations and continue as a going concern.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels, distributions to shareholders and share and option issues. There have been no changes in the strategy adopted by management to control the capital of the Company since the prior reporting period.

## 17. RESERVES

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
<b>Share-based payment reserve</b>				
At beginning of reporting period	-	-	1,228,750	1,228,750
Issue of options pursuant to capital raising	-	-	4,925,463	-
<b>At reporting date</b>	-	-	6,154,213	1,228,750
<b>Foreign currency translation reserve</b>				
At beginning of reporting period	(538,770)	-	-	-
Foreign currency exchange differences arising on translation of functional currency to presentation currency	(167,000)	(538,770)	-	-
<b>At reporting date</b>	(705,770)	(538,770)	-	-
<b>Total reserves</b>	(705,770)	(538,770)	6,154,213	1,228,750

### Nature and purpose of reserves

#### Share-based payment reserve

The share based payment reserve is used to recognise the fair value of options issued but not exercised. Refer to note 19 for further details.

#### Foreign currency translation reserve

The foreign currency translation reserve is used to recognise foreign currency exchange differences arising on translation of functional currency to presentation currency

## 18. ACCUMULATED LOSSES

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
Accumulated losses at the beginning of the period	(7,660,360)	(5,120,118)	(2,050,419)	(862,277)
Loss attributable to the members of the entity	(25,643,076)	(2,540,242)	(1,406,020)	(1,188,142)
<b>Accumulated losses at the end of the period</b>	(33,303,436)	(7,660,360)	(3,456,439)	(2,050,419)

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## 19. SHARE BASED PAYMENTS

The following share-based payment arrangements were granted during the period:

Number	Grant Date	Expiry Date	Exercise Price \$	Fair Value at Grant Date \$
12,108,826	30 June 2010	30 June 2013	0.55	0.41

The fair value of options granted during the year was \$4,925,463 (2009: Nil). The options were issued to brokers who had supported the placement completed by the Company during the current period. The options were issued for no consideration as part of the fee payable to the brokers. Holders of options do not have any voting or dividend rights in relation to the options.

The weighted average fair value of the options granted during the current period is \$0.41 (2009: Nil). Options were priced using the Black-Scholes option pricing model. Expected volatility is based on the historical volatility. No allowance has been made for the effects of early exercise.

The following shows the model inputs for the options granted during the period and outstanding at balance date:

Inputs into the Model	Option Series	
	Expiring on 31 July 2010	Expiring on 30 June 2013
Grant date	31 July 2007	30 June 2010
Grant date share price	\$0.20	\$0.55
Exercise price	\$0.20	\$0.55
Expected volatility	70%	125%
Option life	3 years	3 years
Dividend yield	-	-
Risk-free interest rate	6.50%	4.47%

The option expense recognised during the period was nil (2009: Nil). The value of options capitalised during the period was \$4,925,463 (2009: Nil).

The following reconciles the outstanding share options granted, exercised and forfeited during the period:

	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Balance at beginning of the period	12,500,000	0.20	12,500,000	0.20
Granted during the period	12,108,826	0.55	-	-
Exercised during the period	-	-	-	-
Forfeited during the period	-	-	-	-
Balance at end of the period	24,608,826	0.372	12,500,000	0.20
Exercisable at end of the period	24,608,826	0.372	12,500,000	0.20

### Balance at end of the period

The share options outstanding at the end of the period had a weighted average exercise price of \$0.372 and the weighted average remaining contractual life was 555 days.

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## 20. RELATED PARTY INFORMATION

Transactions between related parties are on commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

### (a) Ultimate parent

African Petroleum Corporation Limited is the ultimate Australian parent entity and the ultimate parent of the Consolidated Entity from a legal perspective.

On 28 June 2010, African Petroleum Corporation Limited completed the acquisition of 100% of Cayman incorporated African Petroleum Corporation Limited ("APCL"). Under the terms of AASB 3 "Business Combinations", APCL was deemed to be the accounting acquirer in the business combination. Consequently, the transaction has been 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.

### (b) Corporate Structure

The legal corporate structure of the consolidated entity is set out below:

Name	Country of incorporation	% Equity interest	
		30 June 2010	30 June 2009
Parent entity: African Petroleum Corporation Limited	Australia		
African Petroleum Corporation Limited	Cayman Islands	100%	-
European Hydrocarbons Limited	Cayman Islands	100%	-
African Petroleum Liberia Limited	Cayman Islands	100%	-
African Petroleum Limited	Cayman Islands	100%	-
African Petroleum Sierra Leone Limited	Cayman Islands	100%	-
European Hydrocarbons Ghana Limited	Cayman Islands	100%	-
African Petroleum (SL) Limited	Sierra Leone	100%	-
European Hydrocarbons (SL) Limited	Sierra Leone	99%	-
European Hydrocarbons (Ghana) Limited	Ghana	100%	-
African Petroleum Corporation (Services) Limited	United Kingdom	100%	-
European Hydrocarbons Limited	United Kingdom	100%	-
Regal Liberia Limited	United Kingdom	100%	-
African Petroleum Limited	United Kingdom	100%	-
African Petroleum Corporation Limited	United Kingdom	100%	-

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**20. RELATED PARTY INFORMATION (continued)****(c) Key management personnel**

Details relating to key management personnel, including remuneration paid, are included in the Remuneration Report within the Directors' Report.

**(i) Compensation for key management personnel**

	<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>668,202</b>	847,860	<b>498,324</b>	457,662
Post-employment benefits	<b>21,376</b>	-	-	-
Total compensation	<b>689,578</b>	847,860	<b>498,324</b>	457,662

**(ii) Number of Shares held by Directors and other Key Management Personnel:**

	<b>Balance 1 July 2009</b>	<b>Balance held on Appointment</b>	<b>Shares received as consideration</b>	<b>Purchase of shares on market</b>	<b>Balance 30 June 2010</b>
<b>Directors</b>					
A Sage	1,998,383	-	2,218,500	-	4,216,883
T Turner	11,993	-		10,000	21,993
M Gwynne	-	20,530		-	20,530
M Ashurst	-	-		-	-
G Bangura	-	-		-	-
A Watling	-	-		-	-
A Wilson	-	-		-	-
F Timis	-	630,816,987		-	630,816,987
<b>Key management personnel</b>					
E von Puttkammer	28,523	-		25,000	53,523
F Taylor	-	-		-	-
	<b>2,038,899</b>	<b>630,837,517</b>	<b>2,218,500</b>	<b>35,000</b>	<b>635,129,916</b>

R Catena held 107,585 fully paid ordinary shares in the Company on his resignation on 11 May 2010.

**(iii) Option Holdings by Directors and other Key Management Personnel**

On his resignation on 11 May 2010, R Catena held 3,500,000 unlisted options with an exercise price of \$0.20 and an expiry of 31 July 2010. There had been no change in the number of options held by Mr Catena from 1 July 2009 to the date of his resignation.

No other Directors or Key Management Personnel were issued options during the current period (2009: Nil) or held options at balance date (2009: Nil).

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**20. RELATED PARTY INFORMATION (continued)****(d) Transactions with related parties:*****Legal parent***

- (i) An aggregate amount of \$10,363 (2009: Nil) was paid or payable to Hewitt Turner and Gelevitis, an entity related to Mr Turner, a Director, for the provision of accounting services to the legal parent.
- (ii) An aggregate amount of \$149,457 (2009: \$119,544) was paid or is payable to Cape Lambert Resources Limited, an entity of which Mr Sage and Mr Turner are Directors, in respect of expenses incurred by Cape Lambert Resources Limited on behalf of the legal parent.
- (iii) Sarella Investments Limited ("Sarella"), a company controlled by Mr Timis, and Mr Sage were both shareholders APCL. Pursuant to the acquisition of APCL by African Petroleum, Sarella and Mr Sage received 630,816,987 fully paid ordinary shares and 2,218, 500 fully paid ordinary shares respectively. These shares are subject to a 24 month escrow restriction ending on 28 June 2012.

***Consolidated Entity***

- (i) At 30 June 2010, aggregate amount of \$1,892,587 (£1,076,081) was payable to Sarella Investments Limited, a company controlled by Mr Timis. The loan is non-interest bearing loan repayable on demand and has been settled in full subsequent to reporting date. .

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Amounts payable at year end to related parties		
Cape Lambert Resources Limited	125,457	-
Silverwest Pty Ltd which is a company controlled by Mr Gwynne	3,000	3,000
CRMS which is an entity controlled by Mr Turner	4,000	5,000
Okewood Pty Ltd which is a company controlled by Mr Sage	262,500	87,500

**21. SEGMENT INFORMATION**

In accordance with AASB 8 "Operating Segments", an operating segment is a component of an entity that engages in 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.

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**21. SEGMENT INFORMATION (CONTINUED)**

	<b>Exploration for Hydrocarbons</b>		<b>Other</b>		<b>Total</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Revenue						
Interest received and other income	-	-	691	395	691	395
<b>Total segment revenue</b>	<b>-</b>	<b>-</b>	<b>691</b>	<b>395</b>	<b>691</b>	<b>395</b>
<b>Net segment operating loss after tax</b>	<b>(4,211,386)</b>	<b>(2,540,637)</b>	<b>(21,431,690)</b>	<b>395</b>	<b>(25,643,076)</b>	<b>(2,540,242)</b>
Separately disclosable items within operating loss:						
Excess purchase consideration written off	-	-	(21,432,381)	-	-	-
<b>Segment assets</b>						
Capitalised expenditure	32,550,282	3,030,012	125,347	-	32,675,629	3,030,012
Other assets	211,486,670	6,140,969	-	-	211,486,670	6,140,969
<b>Total assets</b>	<b>244,036,952</b>	<b>9,170,981</b>	<b>125,347</b>	<b>-</b>	<b>244,162,299</b>	<b>9,170,981</b>
<b>Segment liabilities</b>	<b>32,336,512</b>	<b>3,539,402</b>	<b>-</b>	<b>-</b>	<b>32,336,512</b>	<b>3,539,402</b>
<b>Cash flow information</b>						
Net cash outflow from operating activities	(4,779,560)	(2,757,423)	-	-	(4,779,560)	(2,757,423)
Net cash outflow from investing activities	209,397,510	(1,791,107)	-	-	209,397,510	(1,791,107)
Net cash inflow from financing activities	356,111	11,359,998	-	-	356,111	11,359,998

**Segment assets reconciliation to the statement of financial position**

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

	<b>Consolidated Entity</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>
	<b>\$</b>	<b>\$</b>
<b>Australia</b>	<b>127,480</b>	<b>-</b>
<b>United Kingdom</b>	<b>32,399</b>	<b>9,840</b>
<b>Offshore Liberia</b>	<b>32,550,277</b>	<b>3,030,012</b>
	<b>32,710,156</b>	<b>3,039,852</b>

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**22. EVENTS SUBSEQUENT TO REPORTING DATE**

Subsequent to 30 June 2010, the Board of Directors resolved to change the year-end of African Petroleum to 31 December so that it is aligned with the year-end of the EHL Group.

On 14 July 2010, 3,000,000 fully paid ordinary shares were issued pursuant to the exercise of options, generating \$600,000 cash for the Company.

On 2 August 2010, 9,500,000 fully paid ordinary shares were issued pursuant to the exercise of options, generating \$1,900,000 cash for the Company.

On 23 August 2010, the Company announced that one of its wholly owned subsidiaries, African Petroleum Gambia Limited ("African Petroleum Gambia"), had entered into an agreement with Buried Hill Gambia BV ("Buried Hill") to acquire, via farm-in, a 60% equity interest in Buried Hill's two Gambian exploration licences, Alhamdulillah Licence Block A1 and Licence Block A4 ("Licence Blocks") ("Agreement").

Under the Agreement, African Petroleum Gambia will assume the operatorship of the Licence Blocks, which cover a combined total area of 2,668km<sup>2</sup> off-shore The Gambia.

The Government of The Republic of The Gambia has approved the Agreement and the extension of the initial exploration period for each of the Licence Blocks by a further two years until 31 December 2013.

To earn the 60% legal and beneficial interest in the Licence Blocks, African Petroleum Gambia must:

- (a) pay 80% of the costs incurred on the Licence Blocks from execution of the Agreement to the end of the initial exploration period (31 December 2013), which shall include the cost of a 3D seismic acquisition programme over the Licence Blocks, the drilling of the first exploration well and all other operational and technical support costs;
- (b) assume responsibility for all of Buried Hill's corporate licence guarantees, amounting to US\$8 million; and
- (c) pay Buried Hill's data fees payable to the Government of The Republic of The Gambia, amounting to US\$750,000.

In the event that the exploration period is mutually extended beyond 31 December 2013 on either of the Licence Blocks, African Petroleum Gambia must pay 60% of Buried Hill's past costs, which amount to approximately US\$22.9 million.

On 3 September 2010, African Petroleum Corporation Limited was de-listed from ASX at the request of the Company.

No other event has arisen between 30 June 2010 and the date of this report (13 September 2010) 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.

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## 23. COMMITMENTS AND CONTINGENCIES

### Remuneration commitments

	Consolidated Entity		Legal Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Commitments for the payment of remuneration under long term contracts in existence at the reporting date but not recognised as liabilities, payable:				
Within 1 year	103,500	-	103,500	446,000
Later than 1 year and not later than 5 years	-	-	-	119,500
Later than 5 years	-	-	-	-
	<b>103,500</b>	<b>-</b>	<b>103,500</b>	<b>565,500</b>

Refer further to the remuneration report in the Directors' Report for details of service contracts.

### Contingent liabilities

Set out below is a summary of obligations in respect of Liberian Blocks 8 and 9 in each exploration period, detailing the work commitments, minimum expenditures and mandatory relinquishments under Production Sharing Contracts.

Blocks 8 and 9 Summary Exploration Periods, Work Commitments, Minimum Expenditure and Mandatory Relinquishment						
Exploration Period	Commencement Date	Expiration Date	Period Years	Minimum Work Commitment per Block	Minimum Expenditure (US\$)	Mandatory Relinquishment
1	23/06/2008	23/06/2012	4	1500km <sup>2</sup> 3D Seismic, drill 1 exploratory well	US\$8 million	25%
2	23/06/2012	23/06/2014	2	Drill 1 exploratory well	US\$10 million	25%
3	23/06/2014	23/06/2016	2	Drill 1 exploratory well	US\$10 million	100%

#### Notes:

- Drilling exploration wells is contingent on the success of the seismic program in defining drill targets.
- Each exploration well must be drilled to a minimum 2,000 metres after deducting water depth.
- At the end of the Third Exploration Period, the remaining area of the Blocks must be relinquished other than areas of petroleum discovery, the subject of Appraisal or Exploration authorisations.
- The above requirements, commitments and relinquishments are required to be met on both Block 8 and 9. That is in The First Exploration Period, aggregate minimum expenditure is US\$16 million and two exploratory wells are required to be drilled.

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## 24. FINANCIAL RISK MANAGEMENT

### (a) Financial Risk Management Policies

The Group's principal financial instruments comprise receivables, payables and cash.

#### **Risk exposure and responses**

The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security.

The Consolidated Entity does not use any form of derivatives as it is not at a level of exposure that requires the use of derivatives to hedge its exposure. Exposure limits are reviewed by management on a continuous basis. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the Consolidated Entity through regular reviews of the risks.

### (i) Treasury Risk Management

The Board analyses financial risk exposure and evaluates treasury strategies in the context of the most recent economic conditions and forecasts.

The overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

### (ii) Financial Risk Exposure and Management

The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

#### **Interest rate risk**

The Consolidated Entity is exposed to interest rate risk (primarily on its cash and cash equivalents), which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates on interest bearing financial instruments. The Consolidated Entity does not use derivatives to mitigate these exposures.

At the reporting date the interest rate profile of the Consolidated Entity's interest-bearing financial instruments was:

	<b>Consolidated Entity</b>		<b>Legal Parent</b>	
	<b>30 June 2010</b>	<b>31 December 2009</b>	<b>30 June 2010</b>	<b>30 June 2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets</b>				
Cash and cash equivalents	<b>211,085,966</b>	6,111,905	<b>211,040,630</b>	1,388,625

The Consolidated Entity does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at reporting date would not affect profit or loss.

An increase of 200 basis points in interest rates would have increased the Consolidated Entity's Post tax profit by A\$129,060 (2009: \$35,973). 200 basis points is management's assessment of the possible change in interest rates.

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## 24. FINANCIAL RISK MANAGEMENT (CONTINUED)

### (a) Financial Risk Management Policies (continued)

The following sensitivity analysis is based in interest rate risk exposure in existence at the reporting date.

At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit higher / (lower)		Other comprehensive income higher / (lower)	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>Consolidated Entity</b>				
+2% 200 basis points	129,060	61,325	129,060	61,325
-2% 200 basis points	(129,060)	(61,325)	(129,060)	(61,325)
<b>Legal Parent</b>				
+2% 200 basis points	81,374	35,973	81,374	35,973
-2% 200 basis points	(81,374)	(35,973)	(81,374)	(35,973)

The movement in profit are due to higher / lower interest earned from variable rate cash balances.

### Foreign currency risk

The Consolidated Entity is exposed to currency risk on purchases and borrowings that are denominated in a currency other than the respective functional currencies of the entities within the Consolidated Entity, which is primarily the United States Dollar (USD). The Company has not entered into any derivative financial instrument to hedge such transactions.

As a result of subsidiaries whose functional currency is United States dollars, the Company's statement of financial position can be affected significantly by movements in the US\$/A\$ exchange rates.

At reporting date, the Group had the following exposure to US\$ foreign currency that is not designated in cash flow hedges:

	Consolidated Entity		Legal Parent	
	30 June 2010	31 December 2009	30 June 2010	30 June 2009
	\$	\$	\$	\$
<b>Financial assets</b>				
Cash and cash equivalents	45,335	6,111,905	-	-
Trade and other receivables	274,140	19,224	-	-
<b>Financial liabilities</b>				
Trade and other payables	29,430,116	2,002,927	-	-
Net exposure	(29,110,641)	(4,128,202)	-	-

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**24. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial Risk Management Policies (continued)**

The following sensitivity is based on the foreign currency risk exposures in existence at reporting date.

At reporting date, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	<b>Post tax profit higher / (lower)</b>		<b>Other comprehensive income higher / (lower)</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Consolidated Entity</b>				
AUD to US Dollar + 10%	<b>280,887</b>	-	<b>314,720</b>	-
AUD to US Dollar - 10%	<b>(280,887)</b>	-	<b>(314,720)</b>	-
AUD to GBP + 10%	-	506,265	-	1,004,195
AUD to GBP - 10%	-	(506,265)	-	(1,004,195)
<b>Legal Parent</b>				
AUD to US Dollar + 10%	-	-	-	-
AUD to US Dollar - 10%	-	-	-	-

**Liquidity risk**

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

The Consolidated Entity manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring forecast and actual cash flows. The Consolidated Entity does not have any external borrowings.

The following are the contractual maturities of financial liabilities:

	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
<b>2010</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Trade and other payables	30,443,925	-	-	-	30,443,925
	<b>6 months or less</b>	<b>6 – 12 months</b>	<b>1 – 5 years</b>	<b>Greater than 5 years</b>	<b>Total</b>
<b>2009</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>	<b>A\$</b>
Trade and other payables	2,002,926	-	-	-	2,002,926

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**24. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial Risk Management Policies (continued)****Credit risk**

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and available-for-sale financial assets. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of the financial assets (as outlined in each applicable note).

The Consolidated Entity has adopted the policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity does not have any significant credit risk exposure to any single counter-party.

*(i) Cash and cash equivalents*

The Consolidated Entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

*(ii) Trade and other receivables*

Trade and other receivables as at the reporting date mainly comprise GST and short term loans to be refunded to the Company. The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The Consolidated Entity has established an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. Management does not expect any counterparty to fail to meet their obligations.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

**Fair value**

The net fair value of the financial assets and liabilities approximates their carrying values.

## 25. EARNINGS / (LOSS) PER SHARE (EPS)

Options on issue are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share only to the extent to which they are dilutive. The options on issue at reporting date have not been included in the determination of basic earnings per share because they are considered to be anti-dilutive.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED  
30 JUNE 2010**

## 26. VARIANCES FROM THE PRELIMINARY FINAL REPORT

The financial information presented in the preliminary final report lodged with NSX on 13 September 2010 was in the process of being reviewed by management and audited by the Consolidated Entity's independent auditor. Adjustments have only been made to the current period information presented in the preliminary final report as set out below:

### Consolidated Statement of Comprehensive income

	Current period 6 months ended 30 June 2010 \$
<b>Net loss</b>	
Net loss for the period reported in the preliminary final report	(24,241,250)
Reallocation of expenditure capitalized to exploration and evaluation costs in error	(1,116,740)
Recognition of additional expenditure requiring accrual at reporting date	(285,086)
	<u>(25,643,076)</u>
Net loss for the period reported in the financial statements	

### Consolidated Statement of Financial position

	30 June 2010 \$
<b>Non-current assets</b>	
Non-current assets reported in the preliminary final report	33,826,896
Reallocation of expenditure capitalized to exploration and evaluation costs in error	(1,116,740)
	<u>32,710,156</u>
Non-current assets reported in the financial statements	
<b>Current liabilities</b>	
Current liabilities reported in the preliminary final report	32,051,426
Recognition of additional expenditure requiring accrual at reporting date	285,086
	<u>32,336,512</u>
Current liabilities reported in the financial statements	
<b>Equity</b>	
Equity reported in the preliminary final report	213,227,612
Adjustment to net loss attributable to members	(1,401,825)
	<u>211,825,787</u>
Equity reported in the financial statements	

***DIRECTORS' DECLARATION***

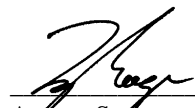
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In accordance with a resolution of the directors of African Petroleum Corporation Limited, I state that:

In the opinion of the directors:

- (a) the financial statements and notes set out on pages 22 to 64, and the Remuneration disclosures that are contained in pages 10 to 14 of the Remuneration Report in the Directors' Report, are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 June 2010 and of their performance, for the period ended on that date; and
    - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
    - (iii) complying with International Financial Reporting Standards as disclosed in Note 2.
  - (b) there are reasonable grounds to believe that the Company and the Consolidated Entity will be able to pay their debts as and when they become due and payable.
2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the period ended 30 June 2010.

Signed in accordance with a resolution of the Directors:

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

**Perth, 30 September 2010**

Grant Thornton (WA) Partnership  
ABN 17 735 344 518

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**Independent Auditor's Report  
To the Members of African Petroleum Corporation Limited (formerly Global  
Iron Limited)**

**Report on the financial report**

We have audited the accompanying financial report of African Petroleum Corporation Limited (the "Company"), which comprises the statements of financial position as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the reporting date or from time to time during the period.

**Directors' responsibility for the financial report**

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

**Auditor's responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Independence**

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### **Basis for disclaimer of auditor's opinion**

*A limitation of scope of our work exists for the reasons described below:*

*Comparative consolidated balances for the year ended 31 December 2009.*

As discussed in Note 2, on 28 June 2010, the Company acquired 100% of the shares of African Petroleum Corporation Limited ("APCL"), a company incorporated in the Cayman Islands on 8 December 2009. The transaction was deemed a reverse acquisition and accounted for in accordance with the relevant requirements of Australian Accounting Standard, AASB 3 "Business Combinations". On 29 January 2010, European Hydrocarbons Limited ("EHL") became a legal subsidiary of APCL. This transaction was also deemed a reverse acquisition. Accordingly, the consolidated financial statements have been prepared as a continuation of the consolidated financial statements of EHL. The consolidated financial statements that are presented as comparative information comprise the consolidation of EHL and its only subsidiary at that time, Regal Liberia Limited (RLL). Although audited financial statements for EHL are available, audited financial statements for RLL are not available. Consequently, the consolidated financial statements shown as comparative figures in this consolidated financial report represent the Directors' best estimates of the financial position and performance of EHL and RLL for the comparative period. Due to this limitation in scope, we were unable to obtain sufficient appropriate audit evidence regarding the financial information for the consolidated entity as at 31 December 2009 and for the period then ended and express no opinion on such comparative information.

*African Petroleum Corporation Limited Consolidated Group*

APCL has controlling interests in companies incorporated and domiciled in the Cayman Islands, Sierra Leone, Ghana and the United Kingdom. Apart from European Hydrocarbons Limited (UK) and the legal parent entity African Petroleum Corporation Limited (the Company), the remaining companies were incorporated during the current period and consequently have not yet prepared audited financial statements. Given that audited financial statements are not yet available, we are unable to obtain all the information and explanations we require in order to form an opinion on the consolidated financial report of the Company for the period ended 30 June 2010.

*Investment in Available-for-Sale Financial Assets*

Included in the statement of financial position of the Company at 30 June 2010 is an available for sale financial asset totaling \$498,437,528, representing the Company's investment in APCL. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of this investment.

**Disclaimer of auditor's opinion**

In our opinion, because of the existence of the limitation on the scope of our work, as described in the preceding paragraphs, and the effects of such adjustments, if any, as might have been determined to be necessary had the limitation not existed, we are unable to and do not express an opinion on the comparatives for the year ended 31 December 2009 and are also unable and do not express an opinion as to whether the financial report of African Petroleum Corporation Limited is in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the Company and consolidated entity's financial position as at 30 June 2010 and of their performance for the year period on that date;
- b complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- c the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

**Report on the remuneration report**

We have audited the remuneration report of the legal parent entity, African Petroleum Corporation Limited, for the period ended 30 June 2010 as set out in pages 10 to 14 of the directors' report. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

**Basis for qualified auditor's opinion on the remuneration report**

As noted in the preceding paragraphs included within the basis for disclaimer of the audit opinion, we have been unable to satisfy ourselves as to the accuracy and completeness of the information presented in the remuneration report for the consolidated entity for the current period and the comparative period and whether it is presented fairly in accordance with s300A of the Corporations Act 2001.

**Qualified Auditor's opinion on the remuneration report**

In our opinion, except for the effect on the remuneration report of the matter referred to in the preceding paragraph, the remuneration report of African Petroleum Corporation Limited for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.



GRANT THORNTON (WA) PARTNERSHIP  
Chartered Accountants



M J Hillgrove  
Partner

Perth, 30 September 2010

**ADDITIONAL SHAREHOLDER INFORMATION**

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**Additional Stock Exchange Information**

African Petroleum Corporation Limited is a public company incorporated in Australia and listed on the National Stock Exchange of Australia ("NSX").

The Company's registered and principal place of business is 18 Oxford Close Leederville, Western Australia 6007 Australia.

**Shareholding**

The distribution of members and their holdings of equity securities in the Company as at 17 September 2010 were as follows:

<b>Category (size of holding)</b>	<b>Fully Paid Ordinary Shares</b>
1- 1,000	3,680
1,001- 5,000	302
5,001- 10,000	124
10,001- 100,000	75
100,001 – over	64
<b>Total</b>	<b>4,245</b>

**Equity Securities**

There are 4,245 shareholders, holding 1,340,502,598 fully paid ordinary shares.

All issued ordinary shares carry one vote per share and are entitled to dividends.

There are 633,035,487 restricted, quoted equity securities held by 2 shareholders with an escrow period of 24 months from date of issue.

There are 273,214,564 restricted, quoted equity securities held by 29 shareholders with an escrow period of 12 months from date of issue.

The number of ordinary shareholdings held in less than marketable parcels is 3,509.

**Options**

The Company currently has 12,108,826 unlisted options exercisable at \$0.55 expiring on 30 June 2013.

**Voting Rights**

In accordance with the Company's constitution, on show of hands every member present in person or by proxy or attorney or duly authorised representative had one vote. On a poll every member present in person or by proxy or attorney or duly authorised representative has one vote for every fully paid ordinary share held.

Options do not carry a right to vote.

**ADDITIONAL SHAREHOLDER INFORMATION****Substantial Holders**

The names of the substantial shareholders listed in the Company's register as at 17 September 2010 are as follows:

	<b>Fully paid ordinary shareholders</b>	<b>Number</b>	<b>% of held Issued Capital</b>
1	Sarella Investments Limited	630,816,987	47.06
2	Caldwell Management AG	71,577,687	5.34

**Twenty Largest Shareholders**

The names of the twenty largest fully paid ordinary shareholders as at 17 September 2010 are as follows:

	<b>Name</b>	<b>Number of Fully Paid Ordinary Shares Held</b>	<b>% held of Issued Capital</b>
1.	SARELLA INVESTMENTS LIMITED	630,816,987	47.06
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	252,512,757	18.84
3.	CALDWELL MANAGEMENT AG	71,577,687	5.34
4.	NATIONAL NOMINEES LIMITED	61,205,167	4.57
5.	HILLBURG INTERNATIONAL LIMITED	55,462,492	4.14
6.	KONTILLO RESOURCES LIMITED	55,462,492	4.14
7.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	48,679,311	3.63
8.	CITICORP NOMINEES PTY LIMITED	35,528,099	2.65
9.	WEIGHBRIDGE TRUST LIMITED	22,184,997	1.65
10.	DALSIN HOLDINGS LIMITED	12,024,268	0.90
11.	MR ANTONY WILLIAM PAUL SAGE <EGAS SUPERANNUATION FUND A/C>	8,280,825	0.62
12.	DOLVEN HOLDINGS LIMITED	6,149,211	0.46
13.	NED GOODMAN INVESTMENT COUNSEL LIMITED	5,879,246	0.44
14.	STATE STREET NOMINEES LIMITED <DES H63J A/C>	5,879,246	0.44
15.	BMO NESBITT BURNS INCORPORATED <402-20430-22 A/C>	5,879,024	0.44
16.	LAMINGTON CAPITAL INC	4,528,339	0.34
17.	MR CHRISTOPHER DAVID GRANNELL	3,729,631	0.28
18.	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	3,502,359	0.26
19.	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,458,935	0.26
20.	MORSTON FINANCIAL LIMITED	3,234,528	0.24
		<b>1,295,975,601</b>	<b>96.68</b>

**SCHEDULE OF MINERAL TENEMENTS**  
**AS AT 29 SEPTEMBER 2010**

The Company does not have a direct ownership interest in any mineral tenements. The Company has an interest in the iron ore rights of the following tenements:

TENEMENT	HOLDER/ APPLICANT	SHARES HELD	Status
<b>BRITISH HILL</b>			
E77/1063	Southern Cross Goldfields Ltd	200/200	LIVE
M77/1102	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3601	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3602	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3603	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3604	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3649	Southern Cross Goldfields Ltd	200/200	LIVE
P77/3650	Southern Cross Goldfields Ltd	200/200	LIVE
P77/3651	Southern Cross Goldfields Ltd	200/200	LIVE
P77/3652	Southern Cross Goldfields Ltd	200/200	LIVE
P77/3653	Southern Cross Goldfields Ltd	200/200	LIVE
<b>CLAMPTON</b>			
E77/1423	Southern Cross Goldfields Ltd/International Petroleum Ltd	20/80	LIVE
E77/1424	Southern Cross Goldfields Ltd	100/100	LIVE
<b>EVANSTON</b>			
E77/1037	Evanston Resources NL	100/100	LIVE
E77/1158	Evanston Resources NL	100/100	LIVE
E77/1159	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1167	Evanston Resources NL	100/100	LIVE
E77/1295	Southern Cross Goldfields Ltd	100/100	LIVE
G77/35	International Petroleum Ltd	100/100	LIVE
M77/394	Evanston Resources NL	10,000 / 10,000	LIVE
M77/576	International Petroleum Ltd	100/100	LIVE
M77/646	Southern Cross Goldfields Ltd	100/100	LIVE
M77/824	International Petroleum Ltd	100/100	LIVE
M77/931	Southern Cross Goldfields Ltd	100/100	LIVE
M77/962	Southern Cross Goldfields Ltd	100/100	LIVE
MLA77/1048	Evanston Resources NL	100/100	PENDING
P77/3412	Evanston Resources NL	100/100	LIVE
P77/3413	Evanston Resources NL	100/100	LIVE
P77/3414	Evanston Resources NL	100/100	LIVE
P77/3552	Evanston Resources NL	100/100	LIVE
P77/3801	Evanston Resources NL	100/100	LIVE
P77/3802	Evanston Resources NL	100/100	LIVE
P77/3808	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3809	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3810	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3811	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3812	Southern Cross Goldfields Ltd	100/100	LIVE

**SCHEDULE OF MINERAL TENEMENTS**  
**AS AT 29 SEPTEMBER 2010**

TENEMENT	HOLDER/ APPLICANT	SHARES HELD	Status
<b>EVANSTON</b>			
P77/3813	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3816	Southern Cross Goldfields Ltd	20/80	LIVE
P77/3817	Southern Cross Goldfields Ltd	20/80	LIVE
P77/3830	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3958	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3959	Southern Cross Goldfields Ltd	100/100	LIVE
<b>JACKSON</b>			
E77/1034	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1117	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1125	Cliffs Asia Pacific Iron Ore Pty Ltd	75/25	LIVE
E77/1141	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1145	Cliffs Asia Pacific Iron Ore Pty Ltd	75/25	LIVE
E77/1320	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1321	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1322	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1423	Southern Cross Goldfields Ltd/International Petroleum Ltd	20/80	LIVE
E77/1424	Southern Cross Goldfields Ltd	100/100	LIVE
E77/1659	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3424	Southern Cross Goldfields Ltd	100/100	LIVE
P77/3426	Southern Cross Goldfields Ltd	75/25	LIVE
P77/3552	Evabston Resources NL	100/100	LIVE
<b>MT MCMAHON</b>			
E74/379	Traka Resources Ltd	100/100	LIVE
<b>MT IDA</b>			
E29/526	International Petroleum Ltd	100/100	LIVE
E29/539	International Petroleum Ltd	100/100	LIVE
E29/559	International Petroleum Ltd	100/100	LIVE
E29/561	International Petroleum Ltd	100/100	LIVE
E29/640	International Petroleum Ltd	100/100	LIVE
E29/641	International Petroleum Ltd	100/100	LIVE
E29/642	International Petroleum Ltd	100/100	LIVE
E29/643	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
E29/644	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
E29/647	International Petroleum Ltd	100/100	LIVE
E29/659	International Petroleum Ltd	100/100	LIVE
E29/660	International Petroleum Ltd	100/100	LIVE
L29/71	International Petroleum Ltd	100/100	LIVE
L29/72	International Petroleum Ltd	100/100	LIVE
M29/2	International Petroleum Ltd	100/100	LIVE

**SCHEDULE OF MINERAL TENEMENTS**  
**AS AT 29 SEPTEMBER 2010**

TENEMENT	HOLDER/ APPLICANT	SHARES HELD	Status
<b>MT IDA</b>			
M29/165	Stuart Leslie Hooper/Cape Lambert Iron Ore Ltd	5/95	LIVE
P29/1912	International Petroleum Ltd	100/100	LIVE
P29/1913	International Petroleum Ltd	100/100	LIVE
P29/1934	International Petroleum Ltd	100/100	LIVE
P29/1935	International Petroleum Ltd	100/100	LIVE
P29/1936	International Petroleum Ltd	100/100	LIVE
P29/1937	International Petroleum Ltd	100/100	LIVE
P29/1938	International Petroleum Ltd	100/100	LIVE
P29/1939	International Petroleum Ltd	100/100	LIVE
P29/1940	International Petroleum Ltd	100/100	LIVE
P29/1941	International Petroleum Ltd	100/100	LIVE
P29/1942	International Petroleum Ltd	100/100	LIVE
P29/1943	International Petroleum Ltd	100/100	LIVE
P29/1944	International Petroleum Ltd	100/100	LIVE
P29/1945	International Petroleum Ltd	100/100	LIVE
P29/1946	International Petroleum Ltd	100/100	LIVE
P29/1947	International Petroleum Ltd	100/100	LIVE
P29/1948	International Petroleum Ltd	100/100	LIVE
P29/1949	International Petroleum Ltd	100/100	LIVE
P29/1950	International Petroleum Ltd	100/100	LIVE
P29/1977	International Petroleum Ltd	100/100	LIVE
P29/1990	International Petroleum Ltd	100/100	LIVE
P29/1991	International Petroleum Ltd	100/100	LIVE
P29/1992	International Petroleum Ltd	100/100	LIVE
P29/1993	International Petroleum Ltd	100/100	LIVE
P29/1994	International Petroleum Ltd	100/100	LIVE
P29/1995	International Petroleum Ltd	100/100	LIVE
P29/1996	International Petroleum Ltd	100/100	LIVE
P29/1997	International Petroleum Ltd	100/100	LIVE
P29/1998	International Petroleum Ltd	100/100	LIVE
P29/1999	International Petroleum Ltd	100/100	LIVE
P29/2000	International Petroleum Ltd	100/100	LIVE
P29/2001	International Petroleum Ltd	100/100	LIVE
P29/2002	International Petroleum Ltd	100/100	LIVE
P29/2003	International Petroleum Ltd	100/100	LIVE
P29/2004	International Petroleum Ltd	100/100	LIVE
P29/2005	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
P29/2006	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
P29/2007	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
P29/2008	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE

**SCHEDULE OF MINERAL TENEMENTS**  
**AS AT 29 SEPTEMBER 2010**

TENEMENT	HOLDER/ APPLICANT	SHARES HELD	Status
<b>MT IDA</b>			
P29/2009	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
P29/2010	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
P29/2011	Silvertree Nominees Pty Ltd/International Petroleum Ltd	15/85	LIVE
P29/2015	International Petroleum Ltd	100/100	LIVE
P29/2016	International Petroleum Ltd	100/100	LIVE
P29/2017	International Petroleum Ltd	100/100	LIVE
P29/2018	International Petroleum Ltd	100/100	LIVE
P29/2019	International Petroleum Ltd	100/100	LIVE
P29/2020	International Petroleum Ltd	100/100	LIVE
P29/2021	International Petroleum Ltd	100/100	LIVE
P29/2022	International Petroleum Ltd	100/100	LIVE
P29/2023	International Petroleum Ltd	100/100	LIVE
P29/2024	International Petroleum Ltd	100/100	LIVE
P30/1012	International Petroleum Ltd	100/100	LIVE
P30/1013	International Petroleum Ltd	100/100	LIVE
P30/1014	International Petroleum Ltd	100/100	LIVE
P30/1015	International Petroleum Ltd	100/100	LIVE
P30/1016	International Petroleum Ltd	100/100	LIVE
<b>BALI HI</b>			
E08/1372	GTI Resources Ltd	90/100	LIVE
	Cape Lambert Iron Ore Ltd	10/100	