

18 January 2012
NSX Announcement

Cancellation of Unlisted Options and Issue of Replacement Options and New Options

The last 12 months has seen a significant expansion in African Petroleum Corporation Limited's (NSX: AOQ) (the **Company**) activities and acreage. Given this, the Company has been actively recruiting suitably qualified staff from a very competitive marketplace. In order to offer prospective employees' market competitive remuneration packages at this time of rapid growth in the Company's activities and given the current share price, the Board, on the recommendation of the Remuneration Committee, has decided that it is in the best interests of the Company and its shareholders to reissue all staff and consultants replacement share options, which were originally priced at AUD\$0.55, with an exercise price of AUD\$0.30 (**Replacement Options**).

In addition to the Replacement Options, certain staff and consultants are being rewarded a total of 2,045,000 new options as part of their remuneration package (**New Options**). The New Options are only exercisable in the event that the Company makes a commercial discovery of hydrocarbons in any one of the Company's wells.

Together, the New Options and the Replacement Options are an incentive to promote motivation, company ownership and loyalty within the Company's existing staff structure. The issue of Replacement Options and New Options has been recommended by the Remuneration Committee and approved by the Board of Directors, with the aim of ensuring a strong link between remuneration and the creation of shareholder value and encouraging growth.

African Petroleum can therefore advise that it has cancelled 6,705,000 unlisted options exercisable at AU\$0.55 per option held by employees and consultants (**Cancelled Options**) and has issued a total of 10,300,000 new options to employees and consultants, exercisable at AU\$0.30 on or before 5 years from the date of issue. All other terms of the Cancelled Options are mirrored in the Replacement Options, including vesting conditions unless the vesting condition has already been satisfied.

The options held by Directors have not been cancelled and replaced, nor have the Directors been awarded any additional options.

Attached is an Application for Quotation in respect of the cancellation of the Cancelled Options and the issue of the Replacement Options and Additional Options.

Yours faithfully
African Petroleum Corporation Limited

Tony Sage
Non-Executive Chairman

18 Oxford Close
Leederville, WA 6007
ABN 87 125 419 730

P.O. Box 144
West Perth,
WA 6872

T +61 8 9388 0744
F +61 8 9382 1411
E admin@africanpetroleum.com.au

For further information, please contact:

Tony Sage
Non Executive Deputy Chairman
African Petroleum Corporation Limited
Ph: +61 8 9388 0744

David Tasker
Professional Public Relations
Ph: +61 8 9388 0944/ +61 433 112 936
Em: david.tasker@ppr.com.au

Claire Tolcon
Company Secretary
African Petroleum Corporation Limited
Ph: +61 8 9388 0744

Eloise von Puttkammer
Investor Relations
African Petroleum Corporation Limited
Ph: +61 8 9388 0744



**NATIONAL STOCK
EXCHANGE OF AUSTRALIA
LIMITED**

Newcastle

Level 2, 117 Scott Street,
Newcastle NSW, 2300

Melbourne

Level 3, 45 Exhibition Street
Melbourne, VIC, 3000

www.nsx.com.au

ABN: 11 000 902 063

Application for Quotation of Additional Securities

File Reference:

I:\Operations\Projects\NETS Project\NSX install package USB key\Issuer Documents\NSX Quotation of Additional Securities.doc



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Introduction

To ensure the efficient processing of this form by NSX, please:

1. Adhere to the suggested number of the annexures required by this form.
2. Complete **all** statements and questions in this form. (NSX can provide an electronic version of this form on request).

More Information and Submission of Form:

Further information can be obtained from and all applications should be sent to:

General Manager
National Stock Exchange of Australia Limited
PO BOX 283
Newcastle NSW 2300

Phone: 61 2 4929 6377

Fax: 61 2 4929 1556

<http://www.nsx.com.au>



New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to NSX as soon as available. Information and documents given to NSX become NSX's property and may be made public.

Introduced 11 March 2004.

Name of entity

AFRICAN PETROLEUM CORPORATION LIMITED

ABN/ACN

87 125 419 730

We (the entity) give NSX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|---|--|
| 1 | Class of securities issued or to be issued | Unlisted Options |
| 2 | Number of securities issued or to be issued (if known) or maximum number which may be issued | 10,300,000 |
| 3 | Principal terms of the securities (eg, if options, exercise price and expiry date; if partly paid securities, the amount outstanding and due dates for payment; if convertible securities, the conversion price and dates for conversion) | Unlisted Options with an exercise price of \$0.30 per option exercisable on or before 17 January 2017, subject to various vesting terms. |
| 4 | <p>Do the securities rank equally in all respects from the date of allotment with an existing class of quoted securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none">• the date from which they do• the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment• the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment | <p>No. The shares issued upon exercise of the options will rank equally with shares on issue.</p> |



5	Issue price or consideration	Nil cash consideration.	
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Issued to staff and consultants of the Company.	
7	Dates of entering securities into uncertificated holdings or despatch of certificates	17 January 2012	
8	Number and class of all securities quoted on NSX (including the securities in clause 2 if applicable)	Number	Class
		1,626,777,749	Ordinary fully paid (633,035,487 of these shares are subject to escrow restrictions)
9	Number and class of all securities not quoted on NSX (including the securities in clause 2 if applicable)	Number	Class
		13,700,000	Unlisted Options exercisable at \$0.55 each on or before 31 July 2013.
		12,108,826	Unlisted Options exercisable at \$0.55 each on or before 30 June 2013.
		10,300,000	Unlisted Options exercisable at \$0.30 each on or 17 January 2017 (subject to various vesting terms).
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	N/A	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
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- ### Part 3 - Quotation of securities

34 Type of securities
(*tick one*)

- (b) ☐ All other securities

Entities that have ticked box 34(a)

[illegible]

- 

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- Nur

- Do

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

- Rea

(if issued upon conversion of another security, clearly identify that other security)

Number	Class
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42 Number and class of all securities quoted on NSX (<i>including</i> the securities in clause 38)		
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Quotation agreement

1 Quotation of our additional securities is in NSX's absolute discretion. NSX may quote the securities on any conditions it decides.

2 We warrant the following to NSX.

- The issue of the securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those securities should not be granted quotation.
- An offer of the securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any securities to be quoted and that no-one has any right to return any securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the securities be quoted.
- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the securities to be quoted, it has been provided at the time that we request that the securities be quoted.
- If we are a trust, we warrant that no person has the right to return the securities to be quoted under section 1019B of the Corporations Act at the time that we request that the securities be quoted.

3 We will indemnify NSX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give NSX the information and documents required by this form. If any information or document not available now, will give it to NSX before quotation of the securities begins. We acknowledge that NSX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: Date:18/01/2012.....
(Company secretary)

Print name: ...CLAIRE TOLCON