Sirius Petroleum plc

Annual Report and Financial Statements

for the year ended 31 December 2012

Contents

Corporate Advisers

Company registration number:	05181462
Registered office:	16 Great Queen Street London WC2B 5DG
Directors:	**J Pryde** – Chairman **T J Hayward** – Chief Executive Officer **M B V C Hirschfield** – Finance Director **O O Kuti** – Business Development Director
Secretary:	**Kitwell Consultants Limited** Kitwell House The Warren Radlett WD7 7DU
Nominated adviser and broker:	**Cairn Financial Advisors LLP** 61 Cheapside London EC2V 6AX
Registrars:	**Capita Registrars** The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Bankers:	**HSBC Bank plc** Unit 6C Borehamwood Shopping Park Borehamwood WD6 4PR
Solicitors:	**Fladgate LLP** 16 Great Queen Street London WC2B 5DG
Auditors:	**Grant Thornton UK LLP** Registered Auditor Chartered Accountants Colmore Plaza 20 Colmore Circus Birmingham B4 6AT

Chairman's Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

I am pleased to report on the progress of Sirius covering the twelve month period to 31 December 2012. During this period Sirius has conducted a detailed assessment of a range of further potential oil and gas asset farm-in opportunities which resulted in the Group entering into a pre-farm-in agreement on one Nigerian Oil Block and a confidentiality and exclusivity agreement with regard to a second Nigerian Oil Block.

The management team has continued to undertake further analysis assessing the technical data on the fields in order to conclude the optimum financing of each project. In addition, the formative process of commissioning the Field Development Plan ('FDP') is nearing completion on the Ororo Field.

Well Re-entry Program – Ororo-1

The Group intends to focus its initial drilling activities on the re-entry of the Ororo-1 well located in the Ororo field (OML 95). The well produced circa 2,895 barrels of oil per day (bbls/day) of light crude oil (43 API) when originally tested by Chevron in 1986.

Sirius acquired rights to 40% of the Ororo field in 2011 and is entitled to a preferential cash flow of 88% while it is net invested in the project which is situated in shallow water offshore in depths ranging between 23 ft and 27 ft. The Ororo Field was discovered in 1986 with the drilling of the Ororo-1 well by Chevron and tested at approximately 2,200 barrels of crude oil per day (bopd) from a single zone, and 600 bopd from another oil-producing sand.

Finance

On 3 May 2013 Sirius announced that it has entered into an Exclusivity Off-take Agreement ("the Agreement") with Glencore Energy UK Limited ("Glencore") which includes commentary on the intention to provide a conditional pre-financing facility of up to $65 million, the repayment of which will be netted against the initial sales of crude oil production, for the development of the Group's near term production assets located off-shore Nigeria.

Under the terms of the agreement, Sirius has the right to deliver up to 60,000 barrels of crude oil per day (bopd) to Glencore and Glencore has exclusivity to market the crude oil on behalf of the Company for a period of 3 years. Sirius will be entitled to draw-down funds for the development of its oil assets after satisfactory approval from the technical team of Glencore, who will work together with Sirius to bring the fields into production in the near term.

Glencore was introduced to Sirius by Amazoil (Nig) Limited ("Amazoil") which has an impressive on-the-ground presence in Nigeria and itself works closely with a number of international oil companies and trading houses to help achieve their strategic objectives in West Africa. Amazoil, together with Strand Hanson Limited, will continue to advise the Company on its on-going operational programme and strategic objectives in Nigeria.

On 26 February 2013 shareholders approved the Group's proposal to issue 900 million warrants in respect of the provision of the above funding agreement which, if exercised in full, will provide an additional £60m of funding to the Group.

The Group anticipates that full exercise of the warrants, together with the opportunity to drawdown the pre-financing facility, will provide sufficient funding to maximise production of its existing assets and to acquire further assets with near-term production opportunities.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital. On the basis that this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

Drawn funds from the convertible loan facility shall become due and repayable in full on 30 September 2018 or after 30 September 2014 within 20 days from the receipt of written notice from the Lender to the Borrower requesting repayment. Alternatively, it can be converted into ordinary shares of 0.25p at a conversion price of 4p each at the lender's discretion.

Chairman's Statement

CONTINUED

Results

The results represent the costs of developing our strategy and reviewing interests in both potential oil and gas blocks and individual marginal field opportunities. Total comprehensive loss for the year amounted to $3,867,000 (2011: $9,268,000) reflecting a rigorous control over central costs and a reduction in share based payment charges giving a loss per share of 0.47c (2011 loss per share: 1.35c).

During the period the Company issued a total of 62,678,571 new ordinary shares of 0.25p each.

Since the end of the period, Sirius has issued a further 857,143 new ordinary shares of 0.25p each, in settlement of outstanding professional and other fees, and now has 817,762,044 shares in issue. Sirius does not hold any shares in treasury and hence the total number of voting rights in the Company is 817,762,044 and this figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Loss of Capital

The financial statements show that the Company's net assets are less than half its called up share capital. In these circumstances, the directors of the Company are obliged by section 656 of the Companies Act 2006 to convene a general meeting for the purposes of considering whether any and if so what, steps should be taken to deal with the Company's current financial position. The Directors will consider this issue at the Company's forthcoming annual general meeting, details of which are set out in the notice at the end of this document.

Outlook

Sirius has most recently embarked upon the formative stage of a field development plan in order to commence work on our first production asset. We look forward to working with our partners in Nigeria and the team at Glencore as we move into the next stage of developing a portfolio of assets and taking the first of these into near term production. We can now look forward to bringing news of further progress to shareholders in due course.

Annual general meeting

A notice convening the Company's annual general meeting (AGM) is set out at the end of this document. The AGM will be held at 11.00 a.m. on 25 July 2013 at the offices of Fladgate LLP, 16 Great Queen Street WC2B 5DG. A form of proxy is enclosed for use at the AGM. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return the form of proxy to the Company's registrars as soon as possible and in any event so as to arrive not later than 11.00 a.m. on 25 July 2013. The completion and return of a form of proxy will not preclude you from attending the AGM and voting in person should you subsequently wish to do so.

Finally, I would like to thank our shareholders for their continuing support as we continue to develop the business.

Jack Pryde
Chairman

28 June 2013

Report of the Directors

FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2012.

Principal activity

The Group is actively seeking an economic participation in a marginal oil field in Nigeria.

Domicile and principal place of business

Sirius Petroleum plc is domiciled in the United Kingdom, which is currently also its principal place of business. It is expected that the Group's activities will become focussed in Nigeria once an investment in a marginal oil field has been secured.

Business review

The results of the Group are shown on page 21. The directors do not recommend the payment of a dividend.

A review of the performance of the Group and its future prospects is included in the Chairman's Statement on pages 3 and 4.

As the Group has not undertaken any trade in the year it has no key financial or non-financial performance indicators.

Post balance sheet events

On 26 February 2013 shareholders approved the Company's proposal to issue 900 million warrants in respect of the provision of a funding agreement which, if exercised in full, will provide an additional £60m of funding to the Company. This comprised 300 million warrants with an exercise price of 4p, 300 million warrants with an exercise price of 6 pence and 300 million warrants with an exercise price of 10 pence.

On 23 April 2013 857,143 ordinary shares at 3.5p were issued to E Johnson in payment of fees relating to amendments to his compromise agreement at fair value.

On 30 April 2013 the Company entered into an Exclusivity Offtake Agreement with Glencore Energy UK Limited ("Glencore") which includes provision for a conditional pre-financing facility of up to $65 million for the development of the Group's near term production assets located off-shore Nigeria.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million of funding for general working capital.

Principal risks and uncertainties

The Group's overall strategy to risk management is to employ suitably skilled personnel, and implement appropriate policies and procedures. The risks we face have evolved over the course of the year as the business has grown and external factors have impacted the environment in which we operate.

Responsibility for reviewing the system of Risk Management rests with the Audit Committee of the Board which has reviewed and approved the measures that are being taken to mitigate the most significant risks.

The principal risks faced by Sirius during 2012 relate to, political risks in respect of the situation in Nigeria, and strategic risks associated with the growth of the organisation and the economic climate.

Exploration Risk

Exploration activities can be capital intensive and may involve a high degree of risk. Thus budgets are produced by experienced individuals and reviewed to ensure best practice exists. Exploration programmes are approved by the Board.

Nigeria country risks

Political instability in this developing economy could result in the loss of the business. Ongoing monitoring and close liaison on the ground are utilised to monitor the situation.

Loss of key employees

Loss of knowledge and skills to the Group in particular countries of operation is a key risk. In response remuneration policies are designed to incentivise, motivate and retain key employees.

Taxation and other legislation changes

Operating in developing countries has additional risk of significant changes in taxation legislation on oil field profits or other legislation. Maintenance of good open working relationships with local authorities in the countries of operation are key.

Financial risk management objectives and policies

The Group's principal financial instruments comprise cash and loans. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade and other receivables and trade payables, which arise directly from its operations. The Group does not enter into derivative transactions.

It is, and has been throughout the year under review, the Group's policy that no trading in financial instrument shall be undertaken. The main risk currently arising from the Group's financial instruments are liquidity risk and interest rate risk. The Board reviews and agrees policies for managing these risks and these are summarised below.

Liquidity risk

The Group's cashflow has historically been constrained as the Group has developed its business proposition. As a consequence, the Board of Directors continually review the cash available to the Group and seek to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Directors comment on the going concern basis of preparing the financial statements in the Corporate Governance report.

Interest rate risk

The Group has not been exposed to significant interest rate risk. As the Group evolves, this exposure is likely to increase and the Directors will introduce appropriate policies to deal with this risk at that point in time.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group reviews the credit risk of the entities that it enters into contractual arrangements with.

Directors

The membership of the Board is set out below:

J Pryde
T J Hayward
M B V C Hirschfield
O O Kuti
B O Agboola (resigned 1 February 2013)
G L Porter (resigned 26 November 2012)
E P W Johnson (resigned 26 November 2012)

Substantial shareholdings

Interests in excess of 3% of the issued share capital of the Company which had been notified as at 6 June 2013 were as follows:

	Ordinary shares of 1p each Number	Percentage of capital %
HSBC Global Custody Nominee (UK)	114,250,000	13.97
TD Wealth Institutional Nominees	110,883,831	13.56
Lynchwood Nominees Limited	87,293,579	10.68
Huntress (CI) Nominees Limited	59,766,668	7.31
Barclayshare Nominees Limited	58,329,105	7.13
Brewin Nominees (Channel Islands)	41,905,208	5.12
Secure Nominees Limited	28,500,121	3.49

Payment to suppliers

It is the Group's policy to agree appropriate terms and conditions for its transactions with suppliers by means ranging from standard terms and conditions to individually negotiated contracts and pay suppliers according to agreed terms and conditions, provided that the supplier meets those terms and conditions. The Group does not have a standard or code dealing specifically with the payment of suppliers.

Trade creditors at the year end all relate to sundry administrative overheads and disclosure of the number of days' purchases represented by year end creditors is therefore not meaningful.

Group statement of Directors' responsibilities

The Directors are responsible for preparing the Group's Annual Report and the Group financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union (IFRS). Under Company law the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs and profit or loss of the Group for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report of the Directors

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The Directors confirm that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Grant Thornton UK LLP, have expressed willingness to continue in office. In accordance with section 489(4) of the Companies Act 2006 a resolution to reappoint Grant Thornton UK LLP will be proposed at the Annual General Meeting.

By order of the board

Kitwell Consultants Limited
Company Secretary

28 June 2013

Company Number: 05181462

SIRIUS PETROLEUM

Corporate Governance

FOR THE YEAR ENDED 31 DECEMBER 2012

Directors

The Company supports the concept of an effective board leading and controlling the Company. The Board is responsible for approving Company policy and strategy. It meets on a regular basis and has a schedule of matters specifically reserved to it for decision. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary. All Directors have access to advice from the Company Secretary and independent professional advice at the Company's expense.

The Board consists of four Directors, who bring a breadth of experience and knowledge and will be enhanced by additional appointments when the Company commences operations in Nigeria. The structure of the Board is intended to provide a balance whereby the Board's decision making cannot be dominated by an individual.

Relations with shareholders

The Company values the views of its shareholders and recognises their interest in the Group's strategy and performance. The Annual General Meeting will be used to communicate with private investors and they are encouraged to participate. A number of the Directors will be available to answer questions. Separate resolutions will be proposed on each issue so that they can be given proper consideration and there will be a resolution to approve the annual report and accounts.

Internal control

The Board is responsible for maintaining a strong system of internal control to safeguard shareholders' investment and the Group's assets and for reviewing its effectiveness. The system of internal financial control is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

Terms of reference for an audit committee have been established but, due to the current small number of directors, the Audit Committee's activities have been taken over by the Board as a whole until further appointments of non-executive directors are made. On re-establishment, it is intended that the Audit Committee will meet at least half yearly and will be responsible for ensuring that the financial performance of the Group is properly monitored and reported on, as well as meeting the auditors and reviewing any reports from the auditors regarding accounts and internal control systems.

The Board is committed to maintaining a reputation for honesty and integrity in all its business dealings and seeks to avoid the appearance of impropriety in its actions. Accordingly, an Anti-Bribery and Corruption Policy has been established and a hard copy is held at the Group's head office.

The Board has considered the need for an internal audit function but has decided the size of the Group does not justify it at present. However, it will keep the decision under annual review.

Going concern

The Chairman's statement makes reference to some significant opportunities facing the Group in respect of the Ororo field. These activities are expected to be funded by Glencore Energy UK Limited. The Glencore Off-Take Agreement was signed on 30 April 2013 and includes detail on the intention to provide up to a $65 million pre-payment facility. In return Glencore has the right to up to 60,000 barrels of crude oil per day for a period of 3 years from the loading of the first cargo or the date on which the pre-payment facility is discharged in full at prices based on Brent net FOB. The directors are confident that satisfactory approval from the Glencore Energy UK Limited technical team will be forthcoming and that they will be able to draw down on the pre-financing facility of $65 million in the near future. However, at the date of this report there is no absolute certainty that the appropriate technical due diligence reports will be received and that the Glencore funding will be received. These activities have therefore been excluded from the projections prepared by the Directors as part of their assessment of going concern.

The directors have instead prepared steady state cash flow projections through to 30 June 2014. These projections only take account of the on-going management costs of the Group, the costs of investigating the various acquisition opportunities available to the Group as detailed in the Chairman's statement in pages 3 and 4 and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital. On the basis that this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

On the basis of the assumptions above and following a detailed review by the directors of the Group's cash flow forecast, the directors believe that the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Report on Remuneration

FOR THE YEAR ENDED 31 DECEMBER 2012

Directors' remuneration

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and is committed to following current best practice. The Group operates within a competitive environment, performance depends on the individual contributions of the Directors and employees and it believes in rewarding vision and innovation.

Policy on executive Directors' remuneration

The policy of the Board is to provide executive remuneration packages designed to attract, motivate and retain Directors of the calibre necessary to maintain the Group's position and to reward them for enhancing shareholder value and return. It aims to provide sufficient levels of remuneration to do this, but to avoid paying more than is necessary. The remuneration will also reflect the Directors' responsibilities and contain incentives to deliver the Group's objectives. The Company has established terms of reference for a remuneration committee which will be put into place once additional non-executive directors have been appointed.

The remuneration of the Directors was as follows:

	G Porter (resigned 26 November 2012) $	B Agboola $	T Hayward $	O Kuti $	M Hirschfield $	J Pryde $	E Johnson (resigned 26 November 2012) $	Total $
Short-term employment benefits: Year to 31 December 2012								
Salary and fees	132,790	6,340	147,988	103,432	274,369	124,006	265,596	1,054,521
Benefits in kind	–	–	–	1,409	449	–	2,141	3,999
Share based payments	40,775	–	61,162	82,525	99,722	43,965	(736,403)	(408,254)
Total	173,565	6,340	209,150	187,366	374,540	167,971	(468,666)	650,266
Employers NI	–	–	18,518	12,702	34,348	15,469	14,047	95,084
Year to 31 December 2011								
Salary and fees	23,902	16,172	58,099	106,710	193,948	30,675	383,289	812,795
Benefits in kind	–	–	–	331	110	–	688	1,129
Share based payments	209,598	–	314,398	82,623	268,615	128,406	736,403	1,740,043
Total	233,500	16,172	372,497	189,664	462,673	159,081	1,120,380	2,553,967
Employers NI	–	–	1,681	13,030	25,101	2,627	51,838	94,277

The above table includes amounts due but undrawn in respect of directors remuneration as at 31 December 2012 (and so are shown as liabilities within accruals) as follows:

J Pryde	$120,452
E Johnson	$153,596
M Hirschfield	$266,368
T Hayward	$144,704
G Porter	$143,895

The amounts shown as "Share based payments" relate to a theoretical calculation of the non-cash cost to the Group of the share options granted to the directors, further details of which are provided in Note 11. These do not represent cash payments to the directors either made in the past or due in the future.

Report on Remuneration

CONTINUED

The remuneration relating to E Johnson includes a credit of $736k in respect of share based payments. E Johnson retired as a director of the Company on 26 November 2012 and on the same date his share options lapsed. The Group has therefore recalculated the number of total options expected to vest in accordance with its accounting policy and this has given rise to a credit of $357k, which is offset by a charge of $236k in respect of share warrants granted during the year, giving a net share based payment credit of $121k.

On 23 April 2013 857,143 ordinary shares at 3.5p were issued to E Johnson in payment of fees relating to amendments to his compromise agreement at fair value.

Pensions

The Group does not make pension contributions on behalf of the Directors.

Benefits in kind

The Group provides medical and dental insurance to certain Directors.

Bonuses

Included in salary and fees for 2011 is a signing-on fee to E Johnson of $234,420 and a bonus of $11,721 to O Kuti.

No amounts were payable for bonuses in respect of the year ended 31 December 2012.

Notice periods

The Directors all have three month rolling notice periods.

Share option incentives

At 31 December 2012 the following share options were held by the Directors.

	Date of grant	Exercise price	Number of options
B Agboola (resigned 1 February 2013)	28 February 2011	5p	5,000,000
O Kuti	28 February 2011	5p	3,000,000
O Kuti	11 October 2011	5p	7,000,000
T Hayward	28 February 2011	5p	15,000,000
M Hirschfield	28 February 2011	5p	10,000,000
M Hirschfield	11 October 2011	5p	5,000,000
J Pryde	28 February 2011	5p	5,000,000
J Pryde	11 October 2011	5p	2,000,000

Options Granted 28 February 2011

The share options for Messers Pryde, Hayward and Hirschfield are exercisable 12 months after the date of grant. The share options for Mr Kuti are exercisable after the latest of 12 months after the date of grant or the completion of a reverse transaction, as defined by the AIM rules, by the Company. The options held by Mr Agboola lapsed on his resignation in February 2013.

Options Granted 11 October 2011

All of the share options are exercisable on the earlier of the first anniversary of the date of grant or a change of control of the Company or reverse transaction, as defined by the AIM rules, by the Company. The options granted to Mr Johnson lapsed on his resignation in November 2012.

The highest and lowest share price for the year were 5.75p and 3p respectively. The share price at 31 December 2012 was 3.88p.

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the Group financial statements of Sirius Petroleum plc for the year ended 31 December 2012 which comprise the principal accounting policies, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated cash flow statement, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on pages 7 and 8, the directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the Group financial statements:

- give a true and fair view of the state of the Group's affairs as at 31 December 2012 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial period for which the Group financial statements are prepared is consistent with the Group financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following: Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the parent Company financial statements of Sirius Petroleum plc for the year ended 31 December 2012.

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

28 June 2013

Principal Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2012

Basis of Preparation

The Group financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS). The Company's shares are listed on the AIM market of the London Stock Exchange. Separate financial statements of Sirius Petroleum plc (the Company) have been prepared on pages 39-51 under the historical cost convention and in accordance with applicable accounting standards under UK GAAP.

The principal accounting policies of the Group are set out below.

Going concern

The Chairman's statement makes reference to some significant opportunities facing the Group in respect of the Ororo field. These activities are expected to be funded by Glencore Energy UK Limited. The Glencore Off-Take Agreement was signed on 30 April 2013 and includes detail on the intention to provide up to a $65 million pre-payment facility. In return Glencore has the right to up to 60,000 barrels of crude oil per day for a period of 3 years from the loading of the first cargo or the date on which the pre-payment facility is discharged in full at prices based on Brent net FOB. The directors are confident that satisfactory approval from the Glencore Energy UK Limited technical team will be forthcoming and that they will be able to draw down on the pre-financing facility of $65 million in the near future. However, at the date of this report there is no absolute certainty that the appropriate technical due diligence reports will be received and that the Glencore funding will be received. These activities have therefore been excluded from the projections prepared by the Directors as part of their assessment of going concern.

The directors have instead prepared steady state cash flow projections through to 30 June 2014. These projections only take account of the on-going management costs of the Group, the costs of investigating the various acquisition opportunities available to the Group as detailed in the Chairman's statement in pages 3 and 4 and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital. On the basis that this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

On the basis of the assumptions above and following a detailed review by the directors of the Group's cash flow forecast, the directors believe that the Group has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings drawn up to the balance sheet date. Subsidiary undertakings are entities over which the Company has the power to control, directly or indirectly, the financial and operating policies so as to obtain benefits from their activities. The Company obtains and exercises control through voting rights. Subsidiary undertakings are fully consolidated from the date at which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Unrealised gains on transactions between the Group and its subsidiary undertakings are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary undertakings have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Principal Accounting Policies

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Acquisitions of subsidiary undertakings are dealt with by the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary undertakings, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary undertaking prior to acquisition. Acquisition costs are expensed as incurred. On initial recognition, the assets and liabilities of the subsidiary undertaking are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of the consideration transferred to the vendor over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary undertaking at the date of acquisition.

Other income

Other income represents the total value, excluding VAT of income receivable from professional services. Income is recognised as the services are provided.

Taxation

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable result for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement.

Deferred income taxes are calculated using the liability method on temporary differences. This involves the comparison of the carrying amounts of assets and liabilities in the consolidated financial statements with their respective tax bases. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are always provided for in full. Deferred tax assets are recognised to the extent that it is probable that they will be able to be offset against future taxable income. Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Most changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement. Only changes in deferred tax assets or liabilities that relate to a change in value of assets or liabilities that is charged or credited directly to equity or after comprehensive income are charged or credited directly to equity or other comprehensive income.

Intangible exploration and evaluation assets

The Group follows the successful efforts method of accounting for intangible exploration and evaluation (E&E) costs. Licence costs are initially capitalised as intangible assets, along with any directly attributable costs of evaluation, as these are recoverable if prospects are deemed successful.

If prospects are deemed to be impaired ('unsuccessful') on completion of the evaluation, the associated costs are charged to profit or loss. If the field is determined to be commercially viable, the licence costs are transferred to property, plant and equipment.

Financial assets

The Group's financial assets comprise cash, loans receivable and trade and other receivables.

All financial assets are recognised when the Group becomes party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value, plus transaction costs.

Financial assets categorised as loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method.

Interest and other cash flows resulting from holding financial assets are recognised in profit or loss using the effective interest rate method, regardless of how the related carrying amount of financial assets is measured.

Trade and other receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, calculated by discounting using the original discounted rate.

Financial assets are derecognised when the rights to receive cash flows for the asset expires or the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset. On derecognition of a financial asset, the difference between the assets carrying amount and the sum of the consideration is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, bank deposits repayable on demand, and other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, less advances from banks repayable on demand from the date of advance if the advance forms part of the Group's cash management.

Classification as financial liabilities or equity

Financial instruments or their component parts are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to equity.

A compound instrument is a non-derivative financial instrument which contains both a liability and an equity component. These components are accounted for separately as financial liabilities and equity components, and are presented separately in the statement of financial position.

Equity

Share capital is determined using the nominal value of shares that have been issued.

The share premium account represents premiums received on the initial issuing of the share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits. Where warrants have been issued for services in relation to procuring subscribers, the relevant fair value charge has been set against share premium as a cost of issue.

The share based payment reserve represents the cumulative amount which has been expensed in the income statement in connection with share based payments, less any amounts transferred to retained earnings on the exercise of share options.

Retained earnings include all current and prior year results as disclosed in the income statement.

Financial liabilities

The Group's financial liabilities comprise trade and other payables and loans payable.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in the profit/loss using the effective interest method.

Trade and other payables are recognised initially at fair value, net of direct issue costs, and are subsequently recorded at amortised cost using the effective interest method with interest related charges recognised as an expense in the profit/loss.

Loans payable are recognised initially at fair value, net of direct issue costs and subsequently measured at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit/loss on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the income statement.

Compound instruments

On initial recognition, the fair value of the consideration for the liability component of the instrument is determined based on the fair value of a similar instrument that does not have an equity conversion option and recognised as a financial liability. Subsequent measurement is in accordance with the financial liabilities accounting policy.

The equity component is recognised initially as the residual value remaining when the fair value of the debt component is compared to the fair value of the compound instrument as a whole. The equity component is not remeasured after initial recognition except on expiry.

Other provisions, contingent liabilities and contingent assets

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the balance sheet date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long term provisions are discounted to their present values, where time value of money is material. All provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position. Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets.

Share based payments

Options

The Group issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Group's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

Principal Accounting Policies

CONTINUED

No adjustment is made to the expense recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Group has also issued equity settled share-based payments in respect of services provided. The share-based payment is measured at fair value of the services provided at the grant date. The expense is allocated over the vesting period. Where services provided relate to the issue of shares the expense has been charged to share premium.

Fees and loans settled in shares

Where shares have been issued as consideration for services provided or loans outstanding they are measured at fair value. The difference between the carrying amount of the financial liability (or part thereof) extinguished, and the fair value of the shares, is recognised in profit or loss.

Property, plant and equipment

i **Measurement bases**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working condition and location for its intended use. Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the assets only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

All other costs, such as repairs and maintenance are charged to the profit/loss during the period in which they are incurred.

When assets are sold, any gain or loss resulting from their disposal, being the difference between the net disposal proceeds and the carrying amount of the assets, is included in the profit/loss.

ii **Depreciation**

Depreciation is calculated so as to write off the cost of property, plant and equipment, less its estimated residual value, which is revised annually, over its useful economic life as follows:

Computer equipment	–	within the current financial year
Office equipment	–	straight line over 3 years

Operating leases

Leases in which substantially all the risks and rewards of ownership are retained by another party, are classified as operating leases.

Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

Foreign currencies

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the reporting date. Non-monetary items that are measured at historic cost in a foreign currency are translated at the exchange rate at the date of transaction and are not re-translated. Non-monetary assets that are measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit/loss in the period in which they arise.

In the consolidated financial statements all individual financial statements that are originally presented in a currency different from the Group's presentational currency have been converted into USD. Assets and liabilities have been translated into USD at the closing rates at the reporting date. Income and expenses have been converted into USD at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this process have been recognised in other comprehensive income and accumulated separately in the currency exchange reserve in equity.

Segmental reporting
A segment is a distinguishable component of the Group that is engaged in business activities from which it may earn revenues and incur expenses whose operating results are regularly reviewed by the chief operating decision maker.

Prior year adjustments
A prior year adjustment has been made to correct the classification of loan repayments from financing activities to investing activities in the cash flow statement. There is no impact on the statement of financial position at 31 December 2011 nor at 31 December 2010 and therefore no additional statement of financial position has been presented.

Critical accounting estimates and judgements
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) **Critical accounting estimates and assumptions**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Going concern
In view of the losses during the year the Directors have carefully considered the appropriateness of preparing the financial statements on a going concern basis. Details of the Directors review and conclusion are detailed under the heading 'Going Concern' above.

Intangible exploration and evaluation assets
Management is required to assess impairment in respect of intangible exploration and evaluation assets. Note 5 discloses the carrying value of such assets. The triggering events are defined in IFRS 6. In making the assessment, management is required to make judgements on the status of each project and the future plans towards finding commercial reserves. The nature of exploration and evaluation activity is such that only a proportion of projects are ultimately successful and some assets are likely to become impaired in future periods.

Share based payment
Management have made a number of assumptions in calculating the fair value of the share options as detailed in note 11.

Principal Accounting Policies

CONTINUED

(Ii) **Critical judgments in applying the group's accounting policies**

Sirius Taglient Petro Limited (STPL)

Management in applying the accounting policies, which are described above, considers that the most significant judgement they have had to make is whether STPL Limited should be consolidated as a subsidiary undertaking. The Company owns 50% of STPL's issued share capital but has the right to buy the remaining 50% for $15 per share and has management and operating control of that company. On this basis the Directors consider it is a subsidiary undertaking and, therefore, should be fully consolidated.

Adoption of new or amended IFRS

The Directors anticipate that the adoption of new standards which are in issue but not yet effective and have not been early adopted by the Group will be relevant to the group but will not result in significant changes to the Group's accounting policies. These are:

IFRS 9 Financial Instruments (effective date 1 January 2015)
IFRS 12 Disclosure of Interests in Other Entities (effective date 1 January 2014)
IFRS 13 Fair Value Measurement (effective date 1 January 2013)

The Directors are in the process of reviewing IFRS 10 Consolidated Financial Statements (effective date 1 January 2014) to determine the impact on the financial statements and, in particular, whether Sirius Taglient Petro Limited will continue to be accounted for as a subsidiary undertaking.

There are other standards in issue but not yet effective, which are not likely to be relevant to the group which have therefore not been listed.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Year ended 2012 $'000	Year ended 2011 $'000
Revenue		–	142
Direct costs		–	(12)
Gross profit		–	130
Other income		88	66
Share based payments		121	(3,267)
Other administrative expenses	1	(3,271)	(6,268)
Total administrative expenses		(3,150)	(9,535)
Loss from operations		(3,062)	(9,339)
Finance income	2	27	64
Finance cost	2	(785)	(26)
Loss before and after taxation, and loss attributable to the equity holders of the Company		(3,820)	(9,301)
Other comprehensive (loss)/income			
Exchange differences on translating foreign operations		(47)	33
Other comprehensive (loss)/income for the period, net of tax		(47)	33
Total comprehensive loss for the year, attributable to owners of the company		(3,867)	(9,268)
Total loss per ordinary share			
Basic and diluted loss per share (cents)	4	(0.47)	(1.35)

All of the activities of the Group are classed as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2012

	Share capital $'000	Share premium $'000	Share based payment reserve $'000	Other reserves $'000	Exchange reserve $'000	Retained earnings $'000	Total equity $'000
Balance at 1 January 2011	2,384	5,407	548	–	(2)	(9,714)	(1,377)
Share based payments	–	(4,650)	7,917	–	–	–	3,267
Issue of share capital	950	9,526	–	–	–	–	10,476
Share placing costs	–	(328)	–	–	–	–	(328)
Transfer on exercise of warrants	–	–	(1,551)	–	–	1,551	–
Transactions with owners	950	4,548	6,366	–	–	1,551	13,415
Exchange difference on translating foreign operations	–	–	–	–	33	–	33
Loss for the year	–	–	–	–	–	(9,301)	(9,301)
Total comprehensive loss for the period	–	–	–	–	33	(9,301)	(9,268)
Balance at 31 December 2011	3,334	9,955	6,914	–	31	(17,464)	2,770
Share based payments	–	–	(121)		–	–	(121)
Exercise of warrants	235	–	–	–	–	–	235
Share issue	11	110	–	–	–	–	121
Issue of loan fees equity instruments (note 10)	–	–	–	492	–	–	492
Settlement of loan fees equity instruments (note 10)	–	–	–	(220)	–	(106)	(326)
Transactions with owners	246	110	(121)	272	–	(106)	401
Exchange difference on translating foreign operations	–	–	–	–	(47)	–	(47)
Loss for the period	–	–	–	–	–	(3,820)	(3,820)
Total comprehensive loss for the period	–	–	–	–	(47)	(3,820)	(3,867)
Balance at 31 December 2012	3,580	10,065	6,793	272	(16)	(21,390)	(696)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2012

	Notes	31 December 2012 $'000	31 December 2011 $'000
ASSETS			
Non-current			
Intangible exploration and evaluation assets	5	1,642	1,000
Property, plant and equipment	6	4	8
		1,646	1,008
Current			
Cash and cash equivalents		10	49
Trade and other receivables	7	45	701
Loan receivable	8	–	1,546
Total current assets		55	2,296
Total assets		1,701	3,304
LIABILITIES			
Current			
Trade and other payables	9	2,022	534
Loans payable	10	375	–
Total liabilities		2,397	534
EQUITY			
Share capital	12	3,580	3,334
Share premium		10,065	9,955
Share based payment reserve		6,793	6,914
Other reserves		272	–
Exchange reserve		(16)	31
Retained earnings		(21,390)	(17,464)
Equity attributable to equity holders of the Company		(696)	2,770
Total equity and liabilities		1,701	3,304

The consolidated financial statements were approved by the Board on 28 June 2013.

Mike Hirschfield
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated Cashflow Statement

FOR THE YEAR ENDED 31 DECEMBER 2012

	Year ended 31 December 2012 $'000	Year ended 31 December 2011 (Restated)* $'000
Cash flow from operating activities		
Continuing operations		
Loss after taxation	(3,820)	(9,301)
Depreciation	5	31
Finance income	(27)	(64)
Finance cost	785	26
Decrease/(increase) in trade and other receivables	329	(659)
Equity settled share based payments	(121)	3,267
Expenses settled in shares	448	3,757
Increase/(decrease) in trade and other payables	1,123	(737)
Net cash outflow from operating activities from continuing operations	(1,278)	(3,680)
Cash flows from investing activities		
Finance income	27	64
Loans made	–	(3,333)
Loan repayments received	1,219	1,787
Investment in intangibles	(642)	(1,000)
Purchase of property, plant and equipment	(1)	(31)
Net cash inflow/(outflow) from investing activities	603	(2,513)
Cash flows from financing activities		
Proceeds from issue of share capital	–	6,319
Share issue costs	–	(328)
Warrants exercised	235	82
Finance cost	(3)	(26)
Loans received	404	1,369
Loans repaid	–	(1,182)
Net cash inflow from financing activities	636	6,234
Net change in cash and cash equivalents	(39)	41
Cash and cash equivalents at beginning of period	49	8
Cash and cash equivalents at end of period	10	49

*The cashflow statement for the year ending 31 December 2011 has been restated to classify loans made gross of repayments as investing activities and not financing activities. This has had the impact of loans made of $3,333k and repayments of $1,787k being shown in investing activities in the year ended 31 December 2011.

The accompanying accounting policies and notes form an integral part of these financial statements.

SIRIUS PETROLEUM

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Revenue, loss before taxation and segmental information

Loss before taxation

The revenue, and loss before taxation is attributable to the principal activities of the Group.

The loss before taxation is stated after charging:

	Year ended 31 December 2012 $'000	Year ended 31 December 2011 $'000
Staff costs (see note 18)	1,610	1,186
Depreciation of owned fixed assets	5	31
Operating lease rentals: land and buildings	285	129
Foreign exchange gains/losses	51	(286)
Fees payable to the Company's auditor for the audit of the financial statements	62	61
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	3	9
Other services	20	–
Reporting accountants services on aborted transactions	–	40

Segmental information

An operating segment is a distinguishable component of the Group that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about the allocation of resources and assessment of performance and about which discrete financial information is available.

The chief operating decision maker has defined that the Group's only reportable operating segment during the year is oil extraction and related activities.

The Group has not traded and has not generated any revenue from external customers during the period.

In respect of non-current assets $3,000 (2011: $5,000) arise in the UK and $1,643,000 (2011: $1,008,000) arise in Nigeria.

2 Finance income and finance costs

	Year ended 31 December 2012 $'000	Year ended 31 December 2011 $'000
Finance income		
Loan interest receivable	27	64
	27	64

Notes to the Financial Statements

CONTINUED

2 Finance income and finance costs continued

	Year ended 31 December 2012 $'000	Year ended 31 December 2011 $'000
Finance costs		
Finance fees	464	–
Revision of estimate of consideration payable (note 5)	318	–
Interest payable on loans and overdrafts	3	26
	785	26

Finance fees are in respect of the short term loans of $404k received from unconnected third parties. Further information in respect of these loans are disclosed in note 10.

3 Taxation

There is no tax charge for the year (year ended 31 December 2011: $nil).

Unrelieved tax losses of approximately $18,794,000 (2011: $15,968,000) remain available to offset against future taxable trading profits. The unprovided deferred tax asset at 31 December 2012 is $4,922,000 (2011: $4,229,000) which has not been provided on the grounds that it is uncertain when or in what tax jurisdiction taxable profits will be generated by the Group to utilise those losses.

The tax assessed for the year differs from the standard rate of corporation tax in the UK as follows:

	2012 $'000	2012 %	2011 $'000	2011 %
Loss before taxation	(3,820)		(9,301)	
Loss multiplied by standard rate of corporation tax in the UK	(936)	(24.5)	(2,418)	(26.0)
Effect of:				
Expenses not deductible for tax purposes	13		26	
Overseas loss not recognised	230		113	
Deferred tax asset not recognised	693	24.5	2,279	26.0
Total tax charge for year	–		–	

4 loss per share

	2012 $'000	2011 $'000
(Loss) attributable to owners of the Company	(3,820)	(9,301)

	2012 Number	2011 Number
Weighted average number of shares for calculating basic loss per share	807,155,194	690,830,208

	2012 Cents	2011 Cents
Basic and diluted loss per share	(0.47)	(1.35)

There are 76,000,000 share options and 90,000,000 warrants outstanding, as detailed in note 11. Their effect is anti-dilutive, but are potentially dilutive against future profits.

5 Intangible exploration and evaluation assets

Cost of oil and gas exploration

	$'000
Cost	
At 1 January 2011	–
Additions	1,000
At 31 December 2011	1,000
Additions	317
Transferred from prepayments	325
At 31 December 2012	1,642
Amortisation and impairment	
At 1 January 2011, 31 December 2011 and 31 December 2012	–
Net book value at 31 December 2012	1,642
Net book value at 31 December 2011	1,000
Net book value at 1 January 2011	–

During the year ended 31 December 2011 Sirius Exploration Nigeria Limited entered into an agreement with Guarantee Petroleum Company Limited and Owena Oil and Gas Limited which gives it the right to acquire a 40% interest in the Ororo Oil Field.

The consideration for the 40% interest in the field was $1,000,000 paid on the date of the agreement and a further $500,000 due on the commencement of the operation of the well.

At the time of signing the agreement, the directors considered the fair value of the liability in respect of the additional $500,000 payable. Based on an assessment of how likely it would be that this would be paid discounted at 15% the directors considered the amount to be not material and therefore did not recognise a liability at that time.

At 31 December 2012 the directors have reassessed their estimate of the future cash flows in accordance with the Group's accounting policies. Following the additional work as noted below and the completion of the feasibility report along with the ongoing funding negotiations, the directors are now confident of commencement of the operation of the well. As a result this liability is now expected to become payable. The carrying value of the liability has therefore been assessed at 31 December 2012 at $318k.

The movement in the carrying value of the liability has been shown in the profit and loss account in line with the accounting policy for financial liabilities.

The Group has undertaken certain works including commissioning the preparation of a Competent Persons Report and has conducted an environmental impact assessment. It has also commenced planning appropriate community projects and site surveys to finalise the subsequent drilling programme and will also cover certain operational costs related to the field. Under the agreement the Group will cover all costs of this phase of the project. Costs plus interest of LIBOR+3% will be recoverable on the production of oil before the profit interest split is applied; these costs are being added to the costs of the asset.

The directors have reviewed the investment for impairment. Since the year end a Volumetric Estimation report has been received, which shows the field is economically viable.

The Volumetric Estimation report was commissioned by Sirius and produced by a third party. This gives expected recoverability statistics from the well hole already drilled. These indicative predictions support the value of investment held on the balance sheet.

5 Intangible exploration and evaluation assets continued

The Group intends investing further amounts into the Ororo Oil Field, as part of its strategic development plans. The costs of the capital and operating costs will be covered by separate funding facilities such as that from Glencore, detailed in the Chairman's statement.

6 Property, plant and equipment

	Computer equipment $'000	Office equipment $'000	Total $'000
Cost			
At 1 January 2011	16	20	36
Additions	23	8	31
At 31 December 2011	39	28	67
Additions	–	1	1
Cost at 31 December 2012	39	29	68
Depreciation			
At 1 January 2011	16	12	28
Charge for the year	23	8	31
At 31 December 2011	39	20	59
Charge for the year	–	5	5
At 31 December 2012	39	25	64
Net book value			
Balance at 31 December 2012	–	4	4
Balance at 31 December 2011	–	8	8
Balance at 1 January 2011	–	8	8

7 Trade and other receivables

	31 December 2012 $'000	31 December 2011 $'000
Current		
Trade receivables	4	5
Other receivables	11	408
Prepayments and accrued income	30	288
	45	701

The fair value of these short term financial assets is not individually determined as the carrying amount is a reasonable approximation of fair value.

All trade and other receivables have been reviewed for indicators of impairment. Trade receivables which were past due at 31 December 2012, of $41,000 (2011: $41,000) were provided for during the year ended 31 December 2011.

7 Trade and other receivables continued

	31 December 2012 $'000	31 December 2011 $'000
Trade receivables	45	46
Bad debt provision	(41)	(41)
Total	4	5

The movement in the bad debt provision is as below.

	31 December 2012 $'000	31 December 2011 $'000
Bad debt provision at 31 December 2011	41	696
Provision released	–	(696)
Provided during the year	–	41
Bad debt provision at 31 December 2012	41	41

8 Loans receivable

During the year ended 31 December 2011 the Group made a loan of $3,333,000 to EMMEF Investment Limited ("EMMEF"), which holds 87,293,579 shares in Sirius Petroleum plc through Lynchwood Nominees Limited, at an interest rate of 3%. Loan repayments of $1,787,000 were received during the year ended 31 December 2011, with $1,546,000 receivable at that date. During the year ended 31 December 2012, further repayments of $1,219,000 have been received and the remaining balance of $327,000 was settled by the transfer of shares held by EMMEF to an unconnected third party, as disclosed in note 10.

9 Trade and other payables

	31 December 2012 $'000	31 December 2011 $'000
Trade payables	599	54
Other payables	394	87
Accruals	1,029	393
	2,022	534

The fair value of trade and other payables has not been disclosed as, due to their short duration. Management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

10 Loans payable

During the year the company received loans from several unconnected parties to fund working capital amounting to $404,000, which incurred an initial loan fee of $404,000 and additional fees of $323,000 as the loans were not repaid by 31 December 2012. The loans are unsecured and do not bear interest.

The loan agreements and initial loan fees represent compound instruments. The fair value of the financial liability component of the arrangement was initially recognised at $235,000. Associated finance charges of $140,000 have been recognised during the period in accordance with the effective interest method. At 31 December 2012 the carrying value of the financial liability is $375,000 and is included within loans payable.

10 Loans payable continued

The initial loan fees may be settled, at the Group's discretion, in cash or as a fixed number of shares, to be issued at 4p per share. This component represents an equity instrument and has been recognised within other reserves at the residual value of $169,000, being the difference between the $404,000 cash consideration received and the initial fair value of the financial liability component of $235,000.

The additional loan fees may also be settled, at the Group's discretion, in cash or as a fixed number of shares. This represents an equity instrument which is recognised when the Group expects that the further fees will be incurred. Additional fees of $323,000 have therefore been recognised in other reserves as the loans were not expected to be repaid by 31 December 2012, with the associated cost being recognised as a finance charge.

During the year $178,000 of the initial loan fees were settled by the transfer of shares in Sirius held by EMMEF to one of the unconnected parties providing the loan. In addition, the same unconnected party accepted a transfer of shares in Sirius held by EMMEF in settlement of additional loan fees of $149,000 which were expected to become payable. This has resulted in a debit to other reserves of $221,000, and a debit to the profit and loss reserve of $106,000, representing the difference between the value of loan fees which were settled and the carrying value of the equity instruments in respect of these fees.

Further additional loan fees of $81,000 (£50,000) are due if certain of the loans are not repaid by 30 April 2013. No liability has been recognised in respect of these fees as at 31 December 2012 the directors did not expect that they would become payable.

11 Share based payments

The Group operates share option schemes for certain employees (including directors). Options are exercisable at the option price agreed at the date of grant. The options are settled in equity once exercised. The options are exercisable from the date of a sale of the business or a reverse acquisition until the fifth anniversary of that date, or until 10 years from the grant date. The expected life of the options varies from six months to three years. Options granted to employees are forfeited if the employee leaves the Group before the options vest.

Options granted on 5 October 2009 relate to the options granted in consideration of consultancy services provided to the Group. These have been treated as equity-settled share-based payments. These options have been valued based on the fair value of the equity instrument granted as there is no readily available fair value for the services provided due to there being no clear benchmark for the cost of these services.

11 Share based payments continued

Details of the number of share options and the weighted average exercise price (WAEP) outstanding during the year are as follows:

The options have the following exercise prices and fair values at the date of grant:

First exercise date (when vesting conditions are met)	Grant date	Assumed vesting period	Exercise price £	Fair value at grant date £	31 December 2012 Number	31 December 2011 Number
At an exit event	5 October 2009	12 months	0.053	0.019004	5,000,000	5,000,000
At an exit event	5 October 2009	12 months	0.051	0.019608	3,000,000	3,000,000
At the earlier of an exit event and 12 months after readmission to AIM	28 February 2011	12 months	0.05	0.015628	41,000,000	41,000,000
At the earlier of an exit event and 12 months after readmission to AIM	28 February 2011	12 months	0.09	0.006962	2,000,000	2,000,000
The later of 12 months after readmission to AIM and an exit event	28 February 2011	–	0.05	0.00	8,000,000	8,000,000
At the earlier of the first anniversary date of the date of grant or an exit event	11 October 2011	6 months	0.05	0.015007	17,000,000	17,000,000
					76,000,000	76,000,000

The share options can be exercised up to between five years after the date first exercisable, and ten years from the grant date.

At 31 December 2012 65,000,000 options were exercisable.

For those options granted to employees and directors, the fair values were calculated using the Black-Scholes model. The inputs into the model were as follows:

	11 October 2011	28 February 2011	5 October 2009
Risk free rate	0.50%	0.50%	0.50%
Share price volatility	80%	80%	100%
Expected life	Between 6 months and 3 years	1 year and 3 years	1 year
Share price at date of grant	£0.0479	£0.0500	£0.0510

Expected volatility was determined by calculating the historical volatility of the Company's share price. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

11 Share based payments continued

The following assumptions were used with regards to the vesting period:

- The options granted on 5 October 2009 were assumed to vest in 12 months as a transaction was expected to complete in September 2010, and the share price was expected to rise above 5.3p by that time.
- The options granted on 28 February 2011 with a vesting date of 24 March 2014, were assumed to vest in 36 months on their vesting date as the share price was expected to rise above 9p by that time.
- The options granted on 28 February 2011 with a vesting date of 24 March 2012, were assumed to vest in 12 months on their vesting date as the share price was expected to rise above 5p by that time.
- The options granted on 10 October 2011 at were assumed to vest in 6 months on their vesting date a transaction was expected to complete in March 2012.

During the year ended 31 December 2012, the options issued to E Johnson lapsed on his resignation as a Director. As a result management have reviewed the assumption of the number of shares expected to vest and recalculated the cumulative charge on all options granted. The net effect of the charges is that the Group recognised a credit of $357,000 (year ended 31 December 2011: expense of $1,479,000) relating to these equity-settled share-based payment transactions during the year. This is offset against the $236,000 expense recognised in respect of warrants (see below) resulting in a net share based payment credit of $121,000. Although the remaining options have not yet vested the assumptions made have not been changed as the effect was not considered to be material.

These recognised expenses are not, and never will be, a cash cost to the Group but are merely an accounting charge to the income statement reflecting the theoretical cost to the Group if options are exercised in the future where the receipts from exercise are lower than if the same number of shares had been issued at the then prevailing market value. In many cases, for the theoretical cost to be accurate, the market price of the Group's shares at exercise will need to be a multiple of the current share price.

Warrants

On 24 March 2011, warrants were issued to external consultants in consideration for services provided for 150,000,000 ordinary shares. The warrants were exercisable immediately. On 11 October 2011 a further 20,000,000 warrants were issued to external consultants. These warrants may be exercised, in whole or in part or parts, at any time and from the date of completion of a reverse transaction until the tenth anniversary of the grant date.

During the year ended 31 December 2011, 60,000,000 warrants were exercised, leaving 90,000,000 exercisable at 31 December 2012. The weighted average share price at date of exercise of the warrants was 4.5 pence. The weighted average exercise price is 4.82 pence and a weighted average remaining contractual life of 3.92 years.

At 31 December 2012, the following share warrants granted for services are outstanding in respect of the ordinary shares:

	2012		2011	
	number	Weighted average exercise price (pence)	number	Weighted average exercise price (pence)
Outstanding at 1 January	150,000,000	5.43	–	–
Granted during the year	–	–	170,000,000	4.82
Exercised during the year	(60,000,000)	0.25	(20,000,000)	0.25
Outstanding and exercisable at 31 December	90,000,000	8.89	150,000,000	5.43

11 Share based payments continued

Each warrant is governed by the provisions of warrant instruments representing the warrants which have been adopted by the Company. The rights conferred by the warrants are transferable in whole or in part subject to and in accordance with the transfer provisions set out in the Articles. The holders of warrants have no voting right, pre-emptive right or other right attaching to Ordinary Shares. All warrants issued vest in full.

The fair value of the services received is considered to be comparable to the fair value of the warrants issued. These have been valued using the Black-Scholes valuation model. The inputs into the Black-Scholes model for calculating estimated fair value were:

	11 October 2011	24 March 2011	24 March 2011
Risk free rate	0.50%	0.50%	0.50%
Share price volatility	80%	80%	80%
Exercise price	£0.05	£0.10	£0.0025
Share price at date of grant	£0.0479	£0.0500	£0.0500

Expected volatility was determined by calculating the historical volatility of the Company's share price using historical share prices. The warrants issued in March 2011 were expected to vest immediately, and those issued in October 2011 were expected to vest in 12 months from date of grant. Although some have not yet vested the assumptions made have not been changed as the effect was not considered to be material.

The Group recognised total expenses of $236,000 (year ended 31 December 2011: $6,438,000) relating to these equity-settled share-based payment transactions during the year. This is offset against the $357,000 credit recognised in respect of share options resulting in a net share based payment credit of $121,000.

The Group issued 150,000,000 warrants in the year ended 31 December 2011 in relation to services received. Of these, 20,000,000 were exercised in the year ended 31 December 2011 at par. 130,000,000 were in respect of finding subscribers for shares, thus the fair value charge of $4,650,000 has been set against share premium.

12 Share capital

	31 December 2012 $'000	31 December 2011 $'000
Allotted, issued and fully paid		
816,904,901 (2011: 754,226,330) ordinary shares of 0.25p	3,580	3,334

The movement in share capital is analysed as follows:

	Ordinary shares No.	$000
Allotted and issued		
At 31 December 2010	520,827,720	2,384
Issue of shares for cash	80,500,000	326
Shares issued for fees due	129,000,000	527
Shares issued to settle loans payable	3,898,610	15
Exercise of warrants	20,000,000	82
At 31 December 2011	754,226,330	3,334
Shares issued for fees due	2,678,571	11
Exercise of warrants	60,000,000	235
At 31 December 2012	816,904,901	3,580

12 Share capital continued

On 17 February 2012 60,000,000 ordinary shares of 0.25p were issued at par on the exercise of warrants issued in 2011 as detailed on page 32.

On 13 September 2012 2,678,571 ordinary shares of 0.25p were issued at 2.8p in settlement of consultancy fees at fair value.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the members.

13 Contingent liabilities

There were no contingent liabilities at 31 December 2012 or at 31 December 2011.

14 Capital commitments

There were no capital commitments at 31 December 2012 or at 31 December 2011.

15 Operating lease commitments

Total commitments under non-cancellable operating leases are as follows:

	Land and Buildings 2012 $'000	Land and Buildings 2011 $'000
Operating leases which expire:		
Within one year	23	–
In two to five years	–	248

16 Financial instruments

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Board is responsible for co-ordinating the Group's risk management and focuses on actively securing the Group's short to medium term cash flows.

The Group does not actively engage in the trading of financial assets and has no financial derivatives. The most significant risks to which the Group is exposed are described below:

(a) **Credit risk**

The Group's credit risk is primarily attributable to its trade receivables. At 31 December 2012, the Group had minimal trade receivables and therefore minimal risk arises.

Generally, the Group's maximum exposure to credit risk is limited to the carrying amount of the financial assets recognised at the balance sheet date, as summarised below:

	31 December 2012			31 December 2011		
	Loans and receivables $'000	Non financial assets $'000	Statement of Financial position total $'000	Loans and receivables $'000	Non financial assets $'000	Statement of financial position total $'000
Trade receivables	4	–	4	5	–	5
Other receivables	11	–	11	408	–	408
Loans	–	–	–	1,546	–	1,546
Prepayments and accrued income	–	30	30	–	288	288
Cash and cash equivalents	10	–	10	49	–	49
Total	25	30	55	2,008	288	2,296

16 Financial instruments continued

The credit risk on liquid funds is limited due to the level of cash held and because the Group only places deposits with leading financial institutions in the United Kingdom.

(b) **Liquidity risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Directors prepare rolling cash flow forecasts and seek to raise additional equity funding whenever a shortfall in funding is forecast. Details of the going concern basis of preparing the financial statements are included in the principal accounting policies.

(c) **Market risk**

Interest rate risk

The Company bears negligible interest rate risk at 31 December 2012.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million of funding for general working capital. On the basis that this facility is drawn in full, the cash flow projections indicate a minimum cash balance of $300,000 over the projection period. This loan facility incurred an intial arrangemnent fee of $388,000, which is to be satisfied by issuing 6,250,000 ordinary shares at 4p. No interest is charged on the loan so there is no interest rate risk.

Additionally the Group had one loan receivable with a fixed interest rate which was repaid by 31 December 2012, and therefore no interest rate risk remains at 31 December 2012.

(d) **Foreign currency risk**

The Group operates in a number of jurisdictions and carries out transactions in US dollars, Sterling, and Nigerian Naira. The Group does not have a policy to hedge arrangements but will continue to keep this under review. The Group operates foreign currency bank accounts to help mitigate the foreign currency risk.

(e) **Financial liabilities**

The Group's financial liabilities are classified as follows:

	31 December 2012			31 December 2011		
	Other financial liabilities at amortised cost $'000	Liabilities not within the scope of IAS 39 $'000	Total $'000	Other financial liabilities at amortised cost $'000	Liabilities not within the scope of IAS 39 $'000	Total $'000
Trade payables	599	–	599	54	–	54
Other payables	394	–	394	87	–	87
Loans	375	–	375	–	–	–
Financial liabilities at fair value through profit and loss	–	–	–	–	–	–
Accruals	1,029	–	1029	393	–	393
Total	2397	–	2,397	534	–	534

Maturity of financial instruments

All financial liabilities in the table above at 31 December 2011 and 31 December 2012 mature in less than one year.

16 Financial instruments continued

Included in the table above is $500k relating to additional consideration for the Ororo field being the expected cash outflow on commencement of the operation of the well. This has been included in the balance sheet at 31 December 2012 at a fair value of $318k.

In addition to the above at 31 December 2012 the directors recognise that there is an obligation relating to amounts payable to Taglient Oil of $255,454. This amount is payable only on completion of a transaction that constitutes a reverse takeover under AIM rules for Companies. At 31 December 2011 and 31 December 2012 the directors have considered the likelihood and timing of an anticipated reverse takeover under AIM rules and consider that the fair value of this liability is immaterial to the financial statements. As a result the liability has not been recognised in either the year ended 31 December 2012 and 31 December 2011.

Borrowing facilities for the year ended 31 December 2012

The Group has no undrawn committed borrowing facilities at 31 December 2012 (2011: $ Nil).

(f) **Capital risk management**

The Group's objectives when managing capital are:

- to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns and benefits for the shareholders;
- to support the Group's stability and growth; and
- to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure an optimal capital structure and equity holder returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The management regards total equity as capital and reserves, for capital management purposes.

The financial statements show that the Company's net assets are less than half its called up share capital. In these circumstances, the directors of the Company are obliged by section 656 of the CA 2006 to convene a general meeting for the purposes of considering whether any and if so what, steps should be taken to deal with the Company's current financial position. The Directors will consider this issue at the Company's forthcoming annual general meeting, details of which are set out in the notice at the end of this document.

17 Related party transactions

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group $25,004 (2011: $25,088) for secretarial fees and expenses. M Hirschfield, a director, has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2012 was $11,641 (2011: $Nil).

At 31 December 2012 O Kuti owed the Group $1,617 (2011: $1,546), which remains outstanding. At 31 December 2012 the Group owed E Johnson $8,341 (2011 $10,198), and T Hayward $1,476 (2011: $Nil), in respect of expenses. At the year end undrawn salaries were due to J Pryde $120,452 (2011: $15,971), E Johnson $153,596 (2011 $77,280), M Hirschfield $266,368 (2011: $77,280), T Hayward $144,704 (2011: $7,728) and G Porter $143,895 (2011 $9,274).

At the year end the Group owed THC Consultants Ltd $Nil (2011: $11,128) in respect of fees owed to T Hayward. T Hayward, a director has a beneficial interest in 100% of the issued share capital of THC Consultants Ltd.

18 Employee remuneration

The expense recognised for employee benefits, including Directors' emoluments, is analysed below:

	2012 $'000	2011 $'000
Wages and salaries	1,446	1,047
Social security	151	132
Benefits in kind	13	7
	1,610	1,186

The Directors are the Key Management Personnel of the Group. Details of Directors' remuneration are included in the Report on Remuneration on pages 11-12.

The average number of employees during the year were:

	2012 No.	2011 No.
Directors	7	6
Other	9	8
	16	14

19 Events after the balance sheet date

On 26 February 2013 shareholders approved the Company's proposal to issue 900 million warrants in respect of the provision of a funding agreement which, if exercised in full, will provide an additional £60m of funding to the Company. This comprised 300 million warrants with an exercise price of 4p, 300 million warrants with an exercise price of 6 pence and 300 million warrants with an exercise price of 10 pence.

On 30 April 2013 Sirius announced that it has entered into an Exclusivity Off-take Agreement ("the Agreement") with Glencore Energy UK Limited ("Glencore") which includes commentary on the intention to provide a pre-financing facility of up to $65 million, which will be netted against the initial sales of crude oil production, for the development of the Company's near term production assets located off-shore Nigeria.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million of funding for general working capital.

On 1 February 2013 Mr B Agboola resigned as a director. On his resignation his 5,000,000 share options lapsed.

On 23 April 2013 857,143 ordinary shares at 3.5p were issued to E Johnson in payment of fees relating to amendments to his compromise agreement at fair value.

20 Subsidiaries

The following subsidiaries have been consolidated in these accounts:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Sirius Oil & Gas Limited	100%	Dormant	England and Wales
Sirius Energy Trading Limited	100%	Dormant	England and Wales
Sirius Taglient Petro Limited	50%	E & P management services	Nigeria
Sirius Trading Nigeria Limited	100%	Trading of oil	Nigeria
Sirius Ororo OML95 Limited	100%	Exploration for mineral resources	Nigeria
SRS Petroleum Nigeria Limited	100%	Exploration for mineral resources	Nigeria

Sirius Petroleum plc

Company Statutory Financial Statements

(prepared under UK GAAP)

for the year ended 31 December 2012

Statement of Directors' Responsibilities

FOR THE YEAR ENDED 31 DECEMBER 2012

Company statement of directors' responsibilities

The Directors are responsible for preparing the Company financial statements ("financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each of the Directors is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Company number: 05181462

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

We have audited the parent company financial statements of Sirius Petroleum plc for the year ended 31 December 2012 which comprise the principal accounting policies, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 40 the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2012;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Report of the Independent Auditors

TO THE MEMBERS OF SIRIUS PETROLEUM PLC

CONTINUED

Other matter

We have reported separately on the Group financial statements of Sirius Petroleum plc for the year ended 31 December 2012.

David Munton
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

28 June 2013

Principal Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2012

Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

The principal accounting policies of the Company are set out below and remain unchanged from the previous period.

Going concern

The Chairman's statement makes reference to some significant opportunities facing the Group in respect of the Ororo field. These activities are expected to be funded by Glencore Energy UK Limited. The Glencore Off-Take Agreement was signed on 30 April 2013 and includes detail on the intention to provide up to a $65 million pre-payment facility. In return Glencore has the right to up to 60,000 barrels of crude oil per day for a period of 3 years from the loading of the first cargo or the date on which the pre-payment facility is discharged in full at prices based on Brent net FOB. The directors are confident that satisfactory approval from the Glencore Energy UK Limited technical team will be forthcoming and that they will be able to draw down on the pre-financing facility of $65 million in the near future. However, at the date of this report there is no absolute certainty that the appropriate technical due diligence reports will be received and that the Glencore funding will be received. These activities have therefore been excluded from the projections prepared by the Directors as part of their assessment of going concern.

The directors have instead prepared steady state cash flow projections through to 30 June 2014. These projections only take account of the on-going management costs of the Group, the costs of investigating the various acquisition opportunities available to the Group as detailed in the Chairman's statement in pages 3 and 4 and the clearance of all payables outstanding at the date of this report. The payment of accrued directors' remuneration and directors' remuneration payable in respect of the current year has been excluded as the directors have agreed to defer payment until such time as funds are available. The projections also do not assume any oil extraction or income from oil trading nor do they assume any acquisitions take place or that any additional assessment of the prospective resources is undertaken over and above that authorised as at the date of this report.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million ($2.4 million) of funding for general working capital. On the basis that this facility is drawn in full, the cash flow projections indicate that the Group has sufficient headroom to meet its working capital requirements.

On the basis of the assumptions above and following a detailed review by the directors of the Company's cash flow forecast, the directors believe that the Company has sufficient cash resources to meet its liabilities as they fall due for a period of at least 12 months from the date that the financial statements are signed. Consequently, the financial statements have been prepared on a going concern basis.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. The depreciation is calculated to write off the cost of the fixed asset of its useful life as follows:

Computer equipment	–	within current year
Office equipment	–	straight line over 3 years

Investments

Investments in subsidiary undertakings are recorded at cost less provision for impairment.

Impairment

Impairment reviews are undertaken when there are potential indicators of impairment and provisions against the carrying value made as appropriate.

Principal Accounting Policies

Operating leases

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability. Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share based payments

Options

All share based arrangements are recognised in the Company's financial statements. The Company issues equity-settled share-based payments to certain employees (including directors). Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, together with a corresponding increase in equity, based upon the Company's estimate of the shares that will eventually vest.

Fair value is measured using the Black-Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates.

No adjustment is made to the expense recognised in prior periods if fewer share options are, ultimately exercised than originally estimated. Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of shares issued are allocated to share capital with any excess being recorded as share premium.

Warrants

The Company has also issued equity settled share-based payments in respect of services provided. The share-based payment is measured at fair value at the grant date. Where the fair value of the services provided cannot reliably be measured, the fair value of the equity instrument is used. The expense is allocated over the vesting period. Where services relate to the issue of shares the expense has been charged to share premium.

Principal Accounting Policies

CONTINUED

Fees and loans settled in shares

Where shares have been issued as consideration for services or loans outstanding provided they are measured at fair value. The difference between the carrying amount of the financial liability (or part thereof) extinguished, and the fair value of the shares, is recognised in profit or loss.

Foreign currencies

The functional currency of the parent Company is GBP. However, for presentation purposes, the Company financial statements are prepared in United States dollars. The Company has selected a presentation currency that differs from the functional currency of the parent Company as it is expected that in the future the parent Company will generate revenues and its main trading will be in United States dollars, but at the current time it incurs mainly overhead costs denominated in GBP.

Foreign currency transactions are translated into the presentational currency, USD, at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the presentational currency at the rates of exchange ruling at the reporting date. Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit and loss account.

Balance Sheet

FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	31 December 2012 $'000	31 December 2011 $'000
Fixed Assets			
Tangible fixed assets	2	3	5
Current assets			
Cash at bank and in hand		6	38
Debtors due within one year	3	3,068	4,074
Total current assets		3,074	4,112
Creditors: Amounts falling due within one year	4	(2,382)	(521)
Net current assets		692	3,591
Total assets less current liabilities and net assets		695	3,596
EQUITY			
Called up share capital	6	3,580	3,334
Share premium account	8	10,065	9,955
Share based payment reserve	8	6,793	6,914
Profit and loss account	8	(19,743)	(16,607)
Equity shareholders' funds	7	695	3,596

The financial statements were approved by the Board on 28 June 2013.

Mike Hirschfield
Director

Company number: 05181462

The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2012

1 Fixed asset investments

	Investment in group undertakings $'000
Cost	
At 31 December 2011 and 31 December 2012	19,260
Amounts written off:	
At 31 December 2011 and 31 December 2012	19,260
Net book value at 31 December 2011 and 31 December 2012	–

At 31 December 2012 the Company holds ordinary share capital in the following subsidiary undertakings:

Subsidiary	Proportion of ordinary share capital held	Nature of business	Country of incorporation
Sirius Oil & Gas Limited	100%	Dormant	England and Wales
Sirius Oil & Gas Limited	100%	Dormant	England and Wales
Sirius Energy Trading Limited	100%	Dormant	England and Wales
Sirius Taglient Petro Limited	50%	E & P management services	Nigeria
Sirius Trading Nigeria Limited	100%	Trading of oil	Nigeria
Sirius Ororo OML95 Limited	100%	Exploration for mineral resources	Nigeria
SRS Petroleum Nigeria Limited	100%	Exploration for mineral resources	Nigeria

At 31 December 2012 the Company owned 50% of the shares in Sirius Taglient Petro Limited, a company incorporated in Nigeria, to operate in the oil and gas sector. The Company has the right to acquire the remaining 50% shares for $15 per share and has management and operating control of that company.

SIRIUS PETROLEUM

Notes to the Financial Statements

CONTINUED

2 Tangible fixed assets

	Computer equipment $'000	Office equipment $'000	Total $'000
Cost			
At 31 December 2010	–	–	–
Additions	23	7	30
At 31 December 2011	23	7	30
Additions	–	1	1
Cost at 31 December 2012	23	8	31
Depreciation			
At 31 December 2010	–	–	–
Charge for the year	23	2	25
At 31 December 2011	23	2	25
Charge for the year	–	3	3
At 31 December 2012	23	5	28
Net book value			
Balance at 31 December 2012	–	3	3
Balance at 31 December 2011	–	5	5
Balance at 1 January 2011	–	–	–

3 Debtors

	31 December 2012 $'000	31 December 2011 $'000
Trade debtors	4	5
Other debtors	6	81
Loans	–	1,546
Amounts owed by Group undertakings	3,033	2,156
Prepayments and accrued income	25	286
	3,068	4,074

During the year ended 31 December 2011 the Group made a loan of $3,333,000 to EMMEF Investment Limited ("EMMEF"), which holds 87,293,579 shares in Sirius Petroleum plc through Lynchwood Nominees Limited, at an interest rate of 3%. Loan repayments of $1,787,000 were received during the year ended 31 December 2011, with $1,546,000 receivable at that date. During the year ended 31 December 2012, further repayments of $1,219,000 have been received and the remaining balance of $327,000 was settled by the transfer of shares held by EMMEF to an unconnected third party, as disclosed in note 4.

Notes to the Financial Statements

CONTINUED

4 Creditors: amounts falling due within one year

	31 December 2012 $'000	31 December 2011 $'000
Trade creditors	523	52
Social security and other taxes	26	75
Other creditors	400	–
Loans	404	–
Accruals and deferred income	1,029	394
	2,382	521

During the year the Company received loans from several unconnected parties to fund working capital amounting to $404,000, which incurred an initial loan fee of $404,000 and a further fee of $323,000 as the loans were not repaid by 31 December 2012. The loans are unsecured and bear no interest. Further fees of $81,000 (£50,000) are due if the loan is not repaid by 30 April 2013. Other than this no further fees are liable on any of the loans irrespective of the final repayment date. The loan of $404,000 remains outstanding in full at 31 December 2012.

During the year $327,000 of the loan fees were settled by the transfer of shares in Sirius held by EMMEF to one of these unconnected parties providing the loan.

The remaining loan fee obligation of $400,000 (£247,544) is included within other payables and is expected to be settled through the issue of 10,005,750 ordinary shares at 4p per share.

5 Share based payments

Details of share based payments are disclosed on pages 30-33.

6 Share capital

	31 December 2012 $'000	31 December 2011 $'000
Allotted, issued and fully paid		
816,904,901 (2011: 754,226,330) ordinary shares of 0.25p	3,580	3,334

The movement in share capital is analysed as follows:

	Ordinary shares No.	$000
Allotted and issued		
At 31 December 2010	520,827,720	2,384
Issue of shares for cash	80,500,000	326
Shares issued for fees due	129,000,000	527
Shares issued to settle loans payable	3,898,610	15
Exercise of warrants	20,000,000	82
At 31 December 2011	754,226,330	3,334
Shares issued for fees due	2,678,571	11
Exercise of warrants	60,000,000	235
At 31 December 2012	816,904,901	3,580

On 17 February 2012 60,000,000 ordinary shares of 0.25p were issued at par on the exercise of warrants.

Notes to the Financial Statements

6 Share capital continued

On 13 September 2012 2,678,571 ordinary shares of 0.25p were issued at 2.8p in settlement of consultancy fees due.

The ordinary shares carry one vote each and on winding up of the Company the balance of assets available for distribution will, subject to any relevant restrictions, be divided amongst the members.

7 Reconciliation of movement in equity shareholders' funds/(deficit)

	31 December 2012 $'000	31 December 2011 $'000
Loss for financial period	(3,136)	(8,993)
Share based payments	(121)	3,267
Issue of shares net of costs	356	10,148
Net (decrease)/increase in shareholders' funds	(2,901)	4,422
Equity shareholders' funds/(deficit) brought forward	3,596	(826)
Equity shareholders' funds carried forward	695	3,596

8 Reserves

	Share Premium $'000	Share based payment reserve $'000	Profit and loss account $'000
At 31 December 2011	9,955	6,914	(16,607)
Share based payment	–	(121)	–
Share issue	110	–	–
Retained loss for the period	–	–	(3,136)
At 31 December 2012	10,065	6,793	(19,743)

9 Loss for the financial Year

The Company has taken advantage of the exemption under the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Company's loss for the year was $3,136,278 (year ended 31 December 2011: $8,992,952).

The loss is stated after charging:

	31 December 2012 $'000	31 December 2011 $'000
Fees payable to the Company's auditor for the audit of the financial statements	62	61
Fees payable to the Company's auditor and its associates for other services:		
Other services relating to taxation compliance	3	9
Other services	20	–
Reporting accountants services on aborted transactions	–	40

10 Directors remuneration

Details of Directors' remuneration is disclosed within the Report on Remuneration on pages 11-12.

11 Contingent liabilities

There were no contingent liabilities at 31 December 2012 nor at 31 December 2011.

12 Capital commitments

There were no capital commitments at 31 December 2012 nor at 31 December 2011.

13 Related party transactions

During the year, Kitwell Consultants Ltd ("Kitwell") which acts as Company Secretary to the Group charged the Group $25,004 (2011: $25,088) for secretarial fees and expenses. M Hirschfield, a director, has a beneficial interest in 100% of the issued share capital of Kitwell. The total amount due to Kitwell at 31 December 2012 was $11,641 (2011: $Nil).

At 31 December 2012 O Kuti owed the Group $1,617 (2011: $1,546), which remains outstanding. At 31 December 2012 the Group owed E Johnson $8,341 (2011 $10,198), and T Hayward $1,476 (2011: $Nil), in respect of expenses. At the year end undrawn salaries were due to J Pryde $120,452 (2011: $15,971), E Johnson $153,596 (2011 $77,280), M Hirschfield $266,368 (2011: $77,280), T Hayward $144,704 (2011: $7,728) and G Porter $143,895 (2011 $9,274).

At the year end the Group owed THC Consultants Ltd $Nil (2011: $11,128) in respect of fees owed to T Hayward. T Hayward, a director has a beneficial interest in 100% of the issued share capital of THC Consultants Ltd.

During the year, the Company made loans of $574,185 (2011: $276,352) to Sirius Taglient Petro Limited (a subsidiary undertaking) for cash advances to cover operating expenses and invoices paid on their behalf. At 31 December 2012, Sirius was owed $1,426,061 (2011: $851,876) from Sirius Taglient Petro Limited.

The company has taken advantage of the exception available under FRS8 Related Party Disclosures with respect to transactions with wholly owned subsidiaries.

14 Post balance sheet events

On 26 February 2013 shareholders approved the Company's proposal to issue 900 million warrants in respect of the provision of a funding agreement which, if exercised in full, will provide an additional £60m of funding to the Company. This comprised 300 million warrants with an exercise price of 4p, 300 million warrants with an exercise price of 6 pence and 300 million warrants with an exercise price of 10 pence.

On 30 April 2013 Sirius entered into an Exclusivity Off-take Agreement ("the Agreement") with Glencore Energy UK Limited ("Glencore") which includes commentary on the intention to provide a pre-financing facility of up to $65 million, which will be netted against the initial sales of crude oil production, for the development of the Company's near term production assets located off-shore Nigeria.

On 30 April 2013 the Company signed a convertible loan facility with Calvet International Limited which provides up to £1.5 million of funding for general working capital.

On 1 February 2013 Mr B Agboola resigned as a director. On his resignation his 5,000,000 share options lapsed.

On 23 April 2013 857,143 ordinary shares at 3.5p were issued to E Johnson in payment of fees relating to amendments to his compromise agreement at fair value.

Notice of Annual General Meeting

Notice is given that the annual general meeting of the members of the Company will be held at 11.00 a.m. on 25 July 2013 at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG to consider in accordance with section 656 of the Companies Act 2006 whether any, and if so what, steps should be taken to deal with the situation that the net assets of the Company are less than half its called up share capital. In addition the meeting will consider and, if thought fit, pass the following resolutions:

Ordinary resolutions

1. To receive the financial statements for the 12 month period ended 31 December 2012 and the reports of the directors and the independent auditors as set out in the annual report and accounts.

2. To re-elect Toby Hayward as a director who is retiring having been appointed by the directors since the last annual general meeting and who being eligible offers himself for re-election.

3. To re-elect Bobo Kuti as a director who is retiring by rotation in accordance with the articles of association and who being eligible offers himself for re-election.

4. To re-appoint Grant Thornton UK LLP as independent auditors and to authorise the directors to fix their remuneration.

5. That, in accordance with section 551 Companies Act 2006 (CA 2006), the directors are generally and unconditionally authorised, and in substitution for any previous authority, (except for that contained in the Special Resolution passed at the general meeting of the Company held on 26 February 2013) to allot the equity securities, as defined in section 560 CA 2006, up to an aggregate nominal amount of £1,050,000, such authority, unless previously revoked or varied by the Company in general meeting, to expire on 26 July 2013, except that the directors may allot relevant securities pursuant to an offer or agreement made before the expiry of the authority.

Special resolution

6. That, subject to the passing of resolution 6, under section 570 CA 2006, the directors are authorised, in substitution for any previous authority, (except for that contained in the Special Resolution passed at the general meeting of the Company held on 26 February 2013) to allot equity securities, as defined in section 560 CA 2006, wholly for cash for the period commencing on the date of this resolution and expiring on 25 July 2014 or, if earlier, the date of the company's next annual general meeting, as if section 561 CA 2006 did not apply to such allotment, except that the directors may allot relevant securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to:

   6.1 the allotment of equity securities in connection with a rights issue in favour of ordinary shareholders where their holdings are proportionate, as nearly as possible, to the respective number of ordinary shares held, or deemed to be held, by them, but subject to any exclusions or arrangements the directors think necessary or expedient for the purpose of dealing with fractional entitlements or legal or practical problems under the laws of any territory or the requirements of any recognised regulatory body or stock exchange in any territory;

   6.2 the allotment of equity securities of an aggregate nominal amount of up to £20,000 upon exercise of the options granted to Abba Dasuki pursuant to an agreement dated 5 October 2009;

   6.3 the allotment of equity securities of an aggregate nominal amount of up to £175,000 upon exercise of the options granted to EMMEF Investments Limited pursuant to an agreement dated 28 February 2011;

6.4 the allotment of equity securities of an aggregate nominal amount of up to £153,250 to capitalise fees payable to Taglient Oil Nigeria Limited pursuant to an agreement dated 23 July 2008;

6.5 the allotment of equity securities upon exercise of the options granted, from time to time, to directors, employees and consultants to the Company; and

6.6 the allotment of equity securities, otherwise than in accordance with paragraphs 6.1 to 6.5 above, up to a maximum nominal value of £204,441 (being 10% of the current issued share capital of the Company).

By order of the board

Kitwell Consultants Limited
Company Secretary

Registered Office:
3rd Floor
13 Charles II Street
London SW1Y 4QU

28 June 2013

Notes to the notice of annual general meeting

Appointment of proxies

1. As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2. A proxy does not need to be a member of the Company but must attend the meeting to represent you. Details of how to appoint the chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you must appoint your own choice of proxy (not the chairman) and give your instructions directly to the relevant person.

3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you must complete a separate proxy form for each proxy and specify against the proxy's name the number of shares over which the proxy has rights. If you are in any doubt as to the procedure to be followed for the purpose of appointing more than one proxy you must contact the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent, BR3 4TU. If you fail to specify the number of shares to which each proxy relates, or specify a number of shares greater than that held by you on the record date, proxy appointments will be invalid.

4. If you do not indicate to your proxy how to vote on any resolution, your proxy will vote or abstain from voting at his discretion. Your proxy will vote (or abstain from voting) as he thinks fit in relation to any other matter which is put before the meeting.

Appointment of proxy using the hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold his vote.

6. To appoint a proxy using the proxy form, it must be:

    6.1 completed and signed;

    6.2 sent or delivered to the Company's registrars, Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU; and

    6.3 received by the Company's registrars no later than 11.00 a.m. on 23 July 2013.

7. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

9. The Company, pursuant to regulation 41 of The Uncertificated Securities Regulations 2001, specifies that only those ordinary shareholders registered in the register of members of the Company at 6.00 p.m. on 23 July 2013 before the meeting shall be entitled to attend or vote at the meeting in respect of the number of Ordinary shares registered in their name at that time. Changes to entries on the relevant register of securities after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

Appointment of proxies through CREST

10. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

11. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID: RA10) by 11.00 a.m. 23 July 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

12. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as are necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

13. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of Annual General Meeting
CONTINUED

Appointment of proxy by joint members

14. In the case of joint holders of shares, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder (being the first named holder in respect of the shares in the Company's register of members) will be accepted.

Changing proxy instructions

15. To change your proxy instructions simply submit a new proxy appointment using the method set out in paragraphs 6 or 11 above. Note that the cut off time for receipt of proxy appointments specified in those paragraphs also applies in relation to amended instructions. Any amended proxy appointment received after the specified cut off time will be disregarded.

16. Where you have appointed a proxy using the hard copy proxy form and would like to change the instructions using another hard copy proxy form, please contact the Company's registrar as indicated in paragraph 3 above.

17. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

18. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to the Company's registrar as indicated in paragraph 3 above. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

19. The revocation notice must be received by the Company no later than 11.00 a.m. on 23 July 2013.

20. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to paragraph 21 below, your proxy appointment will remain valid.

21. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

Documents available for inspection

22. The following documents will be available for inspection at the registered office of the Company on any weekday) (except Saturdays, Sundays and Bank Holidays) during normal business hours from the date of this notice until the date of the meeting and at the place of the meeting for 15 minutes prior to and until the conclusion of the meeting: statement of transactions of Directors (and of their family interests) in the share capital of the Company and any of its subsidiaries; copies of the Directors service agreements and letters of appointment with the Company; the register of Directors interests in the share capital of the Company (maintained under section 325 of the Act); and the proposed new articles of association of the Company marked to show changes from the current articles of association.

Total voting rights

23. As at 11.00 a.m. on 27 June 2013, the Company's issued share capital comprised 817,762,044 ordinary shares of 0.0025p each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 11.00 a.m. on 27 June 2013 is 817,762,044.

Communication

24. Except as provided above, members who have general queries about the meeting should contact the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU.

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