BP EXPLORATION MEXICO LIMITED
(Registered No 00119961)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors F Posada
S J MacRae

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2012

Results and dividends

The loss for the year after taxation was $4,701,432 which, when added to the retained deficit brought forward at 1 January 2012 of $49,588,275 together with exchange adjustments taken directly to reserves of $210,707, gives a total retained deficit carried forward at 31 December 2012 of $54,500,414

The company has not declared any dividends during the year (2011 $Nil) The directors do not propose the payment of a dividend

Principal activity and review of the business

The company provides exploration services and training in Mexico The company now primarily acts as a representative of the BP Group in Mexico and has branches operating in Mexico

No key financial and other performance indicators have been identified for this company

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks Risk management is integrated into the process of planning and performance management at a group level Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level

We urge you to consider carefully the risks described below The potential impact of the occurrence or reoccurrence of any of the risks described below could have a material adverse effect on the company's business, financial position, results of operations, competitive position, cash flows, prospects liquidity, shareholder returns and/or implementation of its strategic agenda.

Company level risks have been categorised against the following areas strategic and commercial, compliance and control and financial risk management In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident)

Principal risks and uncertainties (continued)

Gulf of Mexico oil spill

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP Exploration Mexico Limited.

Whilst the BP group recognised significant charges in the income statement since the Incident occurred in 2010, there is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Incident, the potential changes in applicable regulations and the operating environment that may result from the Incident, the impact of the Incident on the reputation of the group and the resulting possible impact on the group's licence to operate including its ability to access new opportunities The amount of claims that become payable by the BP group, the amount of fines ultimately levied on the BP group (including any potential determination of the BP group's negligence or gross negligence), the outcome of litigation, the terms of any further settlements including the amount and timing of any payments thereunder, and any costs arising from any longer-term environmental consequences of the Incident, will also impact upon the ultimate cost for the BP group

Although the provisions recognised represent the current best estimates of expenditures required to settle certain present obligations that can be reasonably estimated at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligations reliably and the total amounts payable by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty These uncertainties are likely to continue for a significant period, increase the risks to which the group is exposed and may cause costs to increase Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity shareholder returns and/or implementation of its strategic agenda, particularly in the US The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed as further described below Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Strategic risks

Socio-political

The diverse nature of the company's operations around the world exposes it to a wide range of political developments and consequent changes to the operating environment, regulatory environment and law

The company has operations, in countries where political, economic and social transition is taking place. Some countries have experienced or may experience in the future political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections Any of these conditions occurring could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated in these areas or its production to decline, could limit the company's ability to pursue new opportunities, could affect the recoverability of its assets and could cause it to incur additional costs

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Competition
The company's strategy depends upon continuous innovation in a highly competitive market.

The oil, gas and petrochemicals industries are highly competitive There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home Competition puts pressure on the terms of access to new opportunities, licence costs and product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency, while ensuring safety and operational risk is not compromised The implementation of the BP group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage The company's performance could be impeded if competitors developed or acquired intellectual property rights to technology that it required or if its innovation lagged the industry, or by its failure to adequately protect the company's brands and trademarks The company's competitive position could be adversely affected, if it fails to control its operating costs or manage its margins, or if it fails to sustain, develop and operate efficiently a high quality portfolio of assets

Investment efficiency
The company's organic growth is dependent on creating a portfolio of quality options and investing in the best options Ineffective investment selection and development could lead to loss of value and higher capital expenditure

Compliance and control risks

Ethical misconduct and non-compliance
The code of conduct, which applies to all employees, defines the company's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates The values are intended to guide the way the company and its employees behave and do business Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value Multiple events of non-compliance could call into question the integrity of the company's operations

Liabilities and provisions
The BP group's potential liabilities resulting from pending and future claims, lawsuits, settlements and enforcement actions relating to the Gulf of Mexico oil spill, together with the potential cost and burdens of implementing remedies sought in the various proceedings, cannot be fully estimated at this time but they have had, and are expected to continue to have, a material adverse impact on the group's business and consequently may also impact the company's business Further information is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Reporting
External reporting of financial and non-financial data is reliant on the integrity of systems and people Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation

Principal risks and uncertainties (continued)

Financial risk management

The main financial risks faced by the company through its normal business activities, are foreign currency exchange risk The management of these financial risks is performed at BP group level The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss

Foreign currency exchange risk
Fluctuations in foreign exchange rates can have significant effects on the company's reported results The company's financial assets and liabilities give rise to transactional currency exposures Such exposures arise from transactions in a currency other than the company's functional currency The management of such risks is performed at BP group level BP's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements against the US dollar The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures

Going concern

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future

Post balance sheet event
On 17 September 2013, the company issued 9,436,929 ordinary shares of £1 00 each to its immediate parent company, BP Exploration Company Limited, for a total consideration of $15,000,000

Directors

The present directors are listed on page 1

F Posada served as a director throughout the financial year Changes since 1 January 2012 are as follows

	Appointed	Resigned
S J MacRae	27 February 2012	-
J H Bartlett	-	27 February 2012

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

BP EXPLORATION MEXICO LIMITED

REPORT OF THE DIRECTORS

Policy and practice on payment of creditors

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was nil

Auditor

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware, and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

26 September 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period In preparing these accounts, 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 United Kingdom 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 they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts

BP EXPLORATION MEXICO LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP EXPLORATION MEXICO LIMITED

We have audited the financial statements of BP Exploration Mexico Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses the Balance Sheet, the accounting policies and the related notes 1 to 14 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6 the directors are responsible for the preparation of the 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 financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended.
- 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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, or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Ernst & Young LLP

William Testa (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
26 September 2013

BP EXPLORATION MEXICO LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Exploration Mexico Limited were approved for issue by the Board of Directors on 23 September 2013

These accounts are prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable UK accounting standards

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement The company has taken advantage of the exemption granted by the Financial Reporting Standard No 1 (Revised), whereby it is not required to publish its own cash flow statement.

Foreign currency transactions

Assets and liabilities of foreign currency branches are translated into dollars at rates of exchange ruling at the balance sheet date The profit and loss account is translated into dollars using average rates of exchange Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into dollars are taken directly to reserves and reported in the statement of total recognised gains and losses Exchange gains and losses arising on long-term foreign currency borrowings, to the extent that they are used to finance or to provide hedge against the company's foreign currency investments, are also dealt with in reserves

All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit or loss for the year

Interest income

Interest income is recognised on an accruals basis

Other debtors

Other debtors are carried at the original invoice amount, less allowances made for doubtful receivables Provision is made when there is objective evidence that the company will be unable to recover balances in full Balances are written off when the probability of recovery is assessed as being remote

Other creditors

Other creditors are carried at payment or settlement amounts If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period Actual outcomes could differ from those estimates

BP EXPLORATION MEXICO LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $	2011 $
Administration expenses		(4,708,567)	(5,067,401)
Loss on ordinary activities before interest and taxation	1	(4,708,567)	(5,067,401)
Interest receivable and similar income	3	7,135	28,339
Loss before taxation		(4,701,432)	(5,039,062)
Taxation	4	-	-
Loss for the year		(4,701,432)	(5,039,062)

The loss of $4,701,432 for the year ended 31 December 2012 has derived in its entirety from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 $	2011 $
Loss for the year	(4,701,432)	(5,039,062)
Currency translation differences	(210,707)	122,216
Total recognised losses for the year	(4,912,139)	(4,916,846)

BP EXPLORATION MEXICO LIMITED
(Registered No 00119961)

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 $	2011 $
Current assets			
Debtors	6	1,526,766	11,938
Cash at bank and in hand		59,956	355,152
		1,586,722	367,090
Creditors: amounts falling due within one year	7	(633,811)	(1,502,040)
Net current assets / (liabilities)		952,911	(1,134,950)
NET ASSETS / (LIABILITIES)		952,911	(1,134,950)
Represented by			
Capital and reserves			
Called up share capital	8	55,453,325	48,453,325
Profit and loss account	9	(54,500,414)	(49,588,275)
SHAREHOLDERS' FUNDS / (DEFICIT) – EQUITY INTERESTS		952,911	(1,134,950)

On behalf of the Board

S J MacRae
Director
26 September 2013

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

1. Loss on ordinary activities before interest and taxation

This is stated after crediting:

	2012	2011
	$	$
Currency exchange gains	(184,072)	(44,426)

2. Auditor's remuneration

	2012	2011
	$	$
Fees for the audit of the company	9,268	14,985

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BP Exploration Mexico Limited's ultimate parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

3. Interest receivable and similar income

	2012	2011
	$	$
Interest income from group undertakings	50	583
Other interest	7,085	27,756
	7,135	28,339

4. Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010 No UK corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge

The tax charge is made up as follows

	2012	2011
Current tax	$	$
Overseas tax on income for the year	-	-
Total current tax	-	-

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

4. Taxation (continued)

(a) Factors affecting the current tax charge

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24% for the year ended 31 December 2012 (2011 – 26%) The differences are reconciled below

	2012	2011
	UK	UK
	$	$
Profit on ordinary activities before tax	(4,701,432)	(5,039,062)
Current taxation	-	-
Effective current tax rate	0%	0%

	2012	2011
	UK	UK
	%	%
UK corporation tax rate	24	26
Losses available for relief in future period	(24)	(26)
Effective current tax rate	-	-

The permanent and timing difference shown in the current tax rate reconciliation above are those that arise for UK corporation tax purposes, rather than overseas tax purposes

5. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2011 $Nil)

(b) Employee costs

The company had no employees during the year (2011 Nil)

6. Debtors

	2012	2011
	Within 1 year	Within 1 year
	$	$
Amounts owed by group undertakings	1,526,766	-
Other debtors	-	11,938
	1,526,766	11,938

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

7. Creditors

	2012	2011
	Within 1 year	Within 1 year
	$	$
Amounts owed to group undertakings	412,576	1,331,326
Other creditors	172,066	137,565
Accruals	49 169	33,149
	633,811	1,502,040

8. Called up share capital

	2012	2011
	$	$
Allotted, called up and fully paid		
31,355,188 Ordinary shares of £1 each for a total nominal value of £31,355,188	55,453,325	48,453,325

On 9 March 2012, 4,500,000 ordinary shares of £1 each for a total nominal value of £4,500,000 ($7,000,000), were allotted to the immediate parent company at par value.

9. Capital and reserves

	Called up share capital	Profit and loss account	Total
	$	$	$
At 1 January 2012	48,453,325	(49,588,275)	(1,134,950)
Currency translation differences	-	(210 707)	(210,707)
Issue of ordinary share capital	7,000,000	-	7,000,000
Loss for the year	-	(4,701,432)	(4,701,432)
At 31 December 2012	55 453,325	(54,500 414)	952,911

10. Reconciliation of movements in shareholders' funds

	2012	2011
	$	$
Loss for the year	(4,701,432)	(5,039,062)
Currency translation differences	(210,707)	122,216
Issue of ordinary share capital	7,000,000	-
Net increase / (decrease) in shareholders' funds / (deficit)	2,087,861	(4,916,846)
Shareholders' (deficit) / funds at 1 January	(1,134,950)	3,781,896
Shareholders' funds / (deficit) at 31 December	952,911	(1,134,950)

11. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies There were no other related party transactions in the year.

12. Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge

13. Post balance sheet event

On 17 September 2013, the company issued 9,436,929 ordinary shares of £1 00 each to its immediate parent company, BP Exploration Company Limited, for a total consideration of $15,000,000

14. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Company Limited a company registered in England and Wales. The ultimate controlling parent undertaking is BP p l c , a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of the consolidated financial statements of BP p l c can be obtained from 1 St James's Square, London, SW1Y 4PD