VIC CBM LIMITED

DIRECTORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

<u>REGISTERED OFFICE</u>
Eni House
10 Ebury Bridge Road
London SW1W 8PZ
ENGLAND

REGISTERED NUMBER 07079191

DIRECTORS AND REGISTERED OFFICE

BOARD OF DIRECTORS

J Bartlett
J Blythe
L Bonali
W Lin
A Martin
P Hemmens
C V Russo
O Chacon

SECRETARY AND REGISTERED OFFICE

F Dal Bello
Eni House
10 Ebury Bridge Road
London SW1W 8PZ

STATUTORY AUDITOR

Ernst & Young LLP
1 More London Place
London
SE1 2AF

REGISTERED IN ENGLAND NO 7079191

DIRECTORS' REPORT

The directors present their report and audited financial statements of the company for the year ended 31 December 2012

Principal activities

The company's principal activity is petroleum exploration and it holds a 15 625% participating interest in the Production Sharing Contract (PSC) in respect of the Sanga Sanga CBM block in Indonesia

The company was incorporated on 17 November 2009 and is a 50 50 joint venture between BP Exploration Operating Company Limited and Eni Lasmo plc whose ultimate parent companies are BP Plc and Eni S p A respectively

Results and dividends

The company's Statement of Comprehensive Income is set out on page 5 The loss for the year amounted to $3,614,410 (2011 restated $3,211,587) No dividend was paid during 2012 (2011 nil)

Business review and future company development

During 2012 the Company continued to explore and appraise the Coal Bed Methane (CBM) potential in the Sanga Sanga CBM PSC in Kalimantan, Indonesia By the end of 2012 two of the three multiwall pilots were in operation and producing gas and three of the exploration wells had been drilled and designed to test The first of these exploration wells Mutiara 205 is performing well and producing gas at good rates In addition to the two completed oil and gas wells the CBM project team will drill three multi well pilots consisting of four wells each in the core identified areas and another nine wells in other areas to test the extent of the sweet spots This program is expected to be completed by the end of 2013 after which a decision will be made on the next phase of the appraisal

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks set out in the notes to the financial statements The company has adopted the most stringent standards, for the evaluation and management of industrial and environmental risks

Branches outside the UK

The company is registered as a permanent establishment in Indonesia

Directors

The present directors of the company are listed on page 1 and have held office throughout the year, aside from

L Ciarrocchi resigned as a director on 12 October 2012
L Bonali was appointed as director on 12 October 2012
M Talamonti resigned as director on 10 April 2012
O Chacon was appointed as director on 10 April 2012

Certain directors benefit from qualifying third party indemnity provisions in place during the financial year and at the date of this report

Going concern

The directors have considered the going concern basis for preparation of these financial statements and concluded it to be appropriate on the basis that the company is dependent on the financial support from its shareholders, Eni Lasmo plc and BP Exploration Operating Company Limited, who have confirmed to carry on providing their financial support to the company for the foreseeable future being not less than twelve months from the date of the signing these financial statements

Financial instruments

Details on the use of financial instruments and financial risk management are included in the relevant notes in the financial statements

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Director's 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 International Financial Reporting Standards (IFRSs) as adopted by the EU 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 of the profit or loss of the company for that year In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable IFRSs as adopted by the EU 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

Provision of information to auditor

The directors, as at the date of this report, have confirmed that insofar as they are aware there is no relevant audit information (that is, information needed by the company's auditor in connection with preparing their report) of which the company's auditor are unaware, and they have taken all the 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 company's auditors are aware of that information

Auditors

In January 2013, KPMG LLP resigned as auditors of the company in accordance with section 516 of the Companies Act 2006 and Ernst & Young LLP were appointed in their place in relation to the financial year ended 31 December 2012

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP will be deemed to be reappointed and will therefore continue in office

By order of the Board

E. Dal Bello

Company Secretary

18 September 2013

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VIC CBM LIMITED

We have audited the financial statements of VIC CBM Limited for the year ended 31 December 2012 which comprise the Statement of Comprehensive Income, the Statement of Changes in Shareholders' Equity, the Balance Sheet, the Cash Flow Statement, the Statement of Accounting Policies and the related notes 1 to 16 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 page 3, 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) Those 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 Directors' report and Financial Statements 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 IFRSs 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 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

30 September 2013

VIC CBM LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Restated 2011 $	2012 $
Other service costs and expenses	3	(3,205,306)	**(3,599,904)**
Operating loss		(3,205,306)	**(3,599,904)**
Interest receivable and similar income	4	52	**57**
Interest payable and similar charges	5	(6,333)	**(14,563)**
Operating loss before taxation		(3,211,587)	**(3,614,410)**
Taxation	6	-	**-**
Loss for the year		(3,211,587)	**(3,614,410)**
Other comprehensive income		-	**-**
Total comprehensive loss		(3,211,587)	**(3,614,410)**

All results are from continuing operations and total comprehensive loss for the year is attributable to the equity holders

VIC CBM LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

	Share Capital	Retained Deficit	Shareholders' Equity
	$	$	$
As at 1 January 2011	1,315,912	(2,927,637)	(1,611,725)
Net loss for the year (restated see note 12)	-	(3,211,587)	(3,211,587)
As at 1 January 2012 (restated)	1,315,912	(6,139,224)	(4,823,312)
Net loss for the year	-	(3,614,410)	(3,614,410)
As at 31 December 2012	**1,315,912**	**(9,753,634)**	**(8,437,722)**

VIC CBM LIMITED (Registered number· 7079191)

BALANCE SHEET
AS AT 31 DECEMBER 2012

	Notes	Restated 31 December 2011 $	31 December 2012 $
Assets			
Current assets			
Cash and cash equivalents	10	27,129	**26,066**
Trade and other receivables	9	870,831	**1,807,600**
Inventories	8	799,770	**1,198,357**
Total current assets		1,697,730	**3,032,023**
Non-current assets			
Trade and other receivables	9	756,005	**1,494,449**
Intangible assets	7	8,723,126	**16,035,328**
Total non-current assets		9,479,131	**17,529,777**
Total Assets		11,176,861	**20,561,800**
Liabilities			
Current liabilities			
Trade and other payables	11	15,793,268	**28,541,701**
Total current liabilities		15,793,268	**28,541,701**
Non-current liabilities			
Provisions	12	206,905	**457,821**
Total non-current liabilities		206,905	**457,821**
Total liabilities		16,000,173	**28,999,522**
Shareholders' equity			
Share capital	13	1,315,912	**1,315,912**
Retained deficit	14	(6,139,224)	**(9,753,634)**
Total shareholders' equity		(4,823,312)	**(8,437,722)**
Total liabilities and shareholders' equity		11,176,861	**20,561,800**

The financial statements from page 5 to page 19 were approved by the Board on 18 September 2013

On behalf of the Board

~~P Hemmens~~
Director

VIC CBM LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Notes	Restated 2011 $	2012 $
Cash flow from operating activities			
Net loss		(3,211,587)	(3,614,410)
Adjustments for			
Interest receivable and other similar income	4	(52)	(57)
Interest payable and other similar charges	5	6,333	14,563
Changes in working capital			
Increase in trade and other receivables	9	(1,156,309)	(1,675,213)
Increase in inventories	8	(292,949)	(398,587)
Increase in trade and other payables	11	9,339,609	12,748,433
Cash flow generated from operations		4,685,045	7,074,729
Interest receivable and other similar income	4	52	57
Interest payable and other similar charges	5	(553)	(706)
Net cash flow generated from operating activities		4,684,544	7,074,080
Cash flows from investing activities			
Exploration and appraisal costs	7	(4,685,045)	(7,075,143)
Net cash flow used in investing activities		(4,685,045)	(7,075,143)
Net decrease in cash and cash equivalents	10	(501)	(1,063)
Cash and cash equivalents at beginning of the year		27,630	27,129
Cash and cash equivalents at end of the year	10	27,129	26,066

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies which have been applied throughout the year is set out below

General information

The company is a limited liability company incorporated and domiciled in the UK

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC Interpretations and the Companies Act 2006 as applicable to companies reporting under IFRS The financial statements have been prepared under the historical cost convention

The company made a loss of $3,614,410, (2011 $3,211,587) during the year and has net liabilities of $8,437,722, (2011 $4,823,312), The directors have considered the going concern basis for preparation of these financial statements and concluded it to be appropriate on the basis that the company is dependent on the financial support from its shareholders, Eni Lasmo plc and BP Exploration Operating Company Limited, who have confirmed to carry on providing their financial support to the company for the foreseeable future being not less than twelve months from the date of signing these financial statements

Adoption of new and revised standards

The following standards, amendments and interpretations to existing standards, issued by the International Accounting Standards Board (IASB) and endorsed by the EU, are effective for the first time in the current year but are either not relevant or have no material impact on these financial statements

Amendments to IFRS 7, 'Financial Instruments Disclosures' – these amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets

The following standards, amendments and interpretations to existing standards relevant to the company are not yet effective and have not been early adopted by the company in these financial statements

- IAS 1, 'Presentation of Financial Statements', effective for annual periods beginning on or after 1 January 2013, amended to change the grouping of items presented in Other Comprehensive Income, and
- IAS 19 ' Employee Benefits', effective for annual periods beginning on or after 1 January 2013, the revised standard includes a number of amendments For example, the ability to defer recognition of actuarial gains and losses (i e , the corridor approach) has been removed Also there are new requirements to disclose quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption
- IAS 27, 'Separate Financial Statements', effective for annual periods beginning on or after 1 January 2013 - amendments triggered by IFRS 10 and IFRS 12 to the portion that addresses the accounting for consolidated financial statements,
- IAS 28, 'Investments in Associates and Joint Ventures', effective for the periods beginning on or after 1 January 2013 IAS 28 sets out the requirements for the application of the equity method of accounting for investments in associates and joint ventures,
- IFRS 11 'Joint Arrangements', effective for annual accounting periods beginning on or after 1 January 2013 IFRS 11 overhauls the accounting for joint ventures (now called joint arrangements), in particular, the transition from equity method to proportionate consolidation for investments in jointly controlled entities (referred to as joint operations under IFRS 11),
- IFRS 12 'Disclosure of Interests in Other Entities', effective for annual accounting periods beginning on or after 1 January 2013 IFRS 12 requires extensive disclosures enabling users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on financial statements, and
- IFRS 13 'Fair Value Measurement', effective for annual accounting periods beginning on or after 1 January 2013 IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard
- Amendments to IAS 12, IFRS 1, IFRS 7 and improvements to IFRSs 2009-2011, effective for the periods beginning on or after 1 January 2013

Adoption of new and revised Standards (continued)

The following standards and interpretations have been issued by the IASB, but have not been endorsed by the EU for their application to become mandatory

- IFRS 9 'Financial Instruments', effective for annual accounting periods beginning on or after 1 January 2015 IFRS 9 amends the classification and measurement of financial instruments

Foreign currencies

The functional and reporting currency of the company is US Dollar The year end exchange rate to GBP Sterling is 0 61854 (2011 0 64557)

Transactions denominated in a foreign currency are converted to US Dollars at rates ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies have been translated at the rates ruling at the balance sheet date The resulting exchange gains or losses are recognised in the Statement of Comprehensive Income unless related to a specific project when the gain or loss is capitalised

Cash and cash equivalents

Cash and cash equivalents include the company's current bank accounts and short-term deposits with an original maturity of three months or less

Inventories

Inventories consist of petroleum, condensate, liquid petroleum gas and materials Inventories are stated at the lower of cost and net realisable value and represent the company's share of inventories belonging to the consortia of which it is a member Cost is determined by the weighted average method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses Net realisable value is determined by reference to prices existing at the balance sheet date

Taxation

The tax expense for the year comprises current and deferred tax Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity In this case the tax is also recognised in other comprehensive income or directly in equity, respectively

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due, according to the original terms The amount of the provision is recognised in the Statement of Comprehensive Income

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method

Intangible assets – exploration and appraisal costs

Exploration costs represent the company's share of expenditure by consortia on the exploration of oil and natural gas up to the date of any decision to exploit various finds

Where no decision has been made by the balance sheet date to exploit a find, the costs are accounted for in accordance with the successful efforts method The cost of drilling exploratory wells is carried forward as an intangible asset if in the opinion of the directors there is a reasonable prospect of development of the related fields commencing within three years of commencement of drilling Costs of exploratory dry holes are written off at the time that the wells are determined to be dry and all licence fees, geological and geophysical expenses are written off as incurred

Where a decision has been made to exploit a find, the exploration costs are carried forward In the year after a decision has been made to exploit a find but before field development programme approval has been granted, any pre-development costs that are incurred are also capitalised and carried forward When field development programme approval is granted, the exploration and pre-development costs of that field are reclassified as tangible assets

Exploration wells that are being drilled at the year end are included in fixed assets as exploration and appraisal costs until the results of the drilling are determined

All costs not directly attributable to the exploration activities are expensed immediately to the profit and loss account

Intangible assets - acquisition of mineral rights

Costs associated with the acquisition of mineral rights are capitalised in connection with the assets acquired (such as exploratory potential, probable and possible reserves and proved reserves) When the acquisition is related to a set of exploratory potential and reserves, the cost is allocated to the different assets acquired on the basis of the value of the relevant discounted cash flows Expenditure for the exploratory potential, represented by the costs for the acquisition of the exploration permits and for the extension of existing permits, is recognised under "Intangible Assets" and is amortized on a straight-line basis over the year of the exploration as contractually established Any costs incurred prior to obtaining the legal rights to explore are expensed immediately to the Statement of Comprehensive Income If the exploration is abandoned, the residual expenditure is charged to the Statement of Comprehensive Income Acquisition costs for proved reserves and for possible and probable reserves are recognised in the statement of financial position as assets Costs associated with proved reserves for fields in production are amortized on a UoP basis, as detailed in the section "Development", considering both developed and undeveloped reserves Expenditures associated with possible and probable reserves are not amortized until classified as proved reserves, in case of a negative result, the costs are charged to the statement of income

Joint ventures

A joint venture is a contractual arrangement whereby the company and other parties undertake an economic activity that is subject to joint control

The company participates in an unincorporated joint venture which involves the joint control of assets used in the company's oil and gas exploration and producing activities Interests in jointly controlled assets are recognised by including the company's share of assets, liabilities, income and expenses on a line-by-line basis Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis

Probable reserves

Probable reserves are additional reserves that are less likely to be recovered than proved reserves but more certain to be recovered than Possible Reserves These reserves are estimated to have equal to or more than 50% chance of being technically and economically producible

Possible reserves

Possible reserves are additional reserves which analysis and geoscience and engineering data suggest are less likely to be recovered than Probable Reserves These reserves are estimated to have a significant but equal to or less than 10% chance of being technically and economically producible

Impairment of assets

At the end of each reporting year, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any Recoverable amount is the higher of fair value less costs to sell and value in use

In assessing value in use, future net cash flows for each field are calculated by utilising the company's estimate of proved reserves at year end, together with the company's estimates of future oil prices, future capital and operating costs and future decommissioning costs, required for recovering these remaining proved reserves These estimated future cash flows are then discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount An impairment loss is recognised as an expense immediately

At the end of each reporting year, an assessment is made to determine whether there is any indication that an impairment loss recognised in prior years may no longer exist or has decreased Where such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Financial instruments

The company classifies its financial assets in the following categories loans and receivables and available for sale The classification depends on the purpose for which the financial assets were acquired Management determines the classification of its financial assets at initial recognition

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market They are included in current assets, except for maturities greater than 12 months after the balance sheet date These are classified as non-current assets Loans and receivables are classified as trade and other receivables in the balance sheet

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership Loans and receivables are carried at amortised cost using the effective interest method

Related party transactions

The company has complied with the requirements of International Accounting Standard ("IAS") 24 – Related party transactions in these financial statements Transactions with related parties are disclosed in each relevant note

Provisions

Provisions are recognised when (i) there is a current obligation (legal or constructive), as a result of a past event, (ii) it is probable that the settlement of that obligation will result in an outflow of resources embodying economic benefits, and (iii) the amount of the obligation can be reliably estimated

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time

Decommissioning provision

The estimated cost of dismantling the production and related facilities and site restoration at the end of the economic life of each field is recognised in full at the commencement of oil and gas production as a decommissioning provision The amount recognised is the present value of the estimated future decommissioning cost, and an offsetting entry to intangible assets is also recognised The increase in the provision with the passage of time (unwinding of discount) is recognised as interest expense Changes to the present value of the estimated future decommissioning cost are accounted for as adjustments to the provision and intangible assets

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date or to transfer it to third parties at that time

Use of accounting estimates, judgements and assumptions

The company's Financial Statements are prepared in accordance with IFRS These require the use of estimates and assumptions that affect the assets, liabilities, revenues and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities Estimates made are based on complex or subjective judgements, past experience and other assumptions deemed reasonable in consideration of the information available at the time The accounting policies and areas that require the most significant judgements and estimates to be used in the preparation of the Financial Statements are in relation to the accounting for oil and natural gas activities, specifically in the determination of proved and proved developed reserves, impairment of fixed assets, intangible assets and goodwill, asset retirement obligations, business combinations, pensions and other post-retirement benefits, and recognition of environmental liabilities Although the company uses its best estimates and judgements, actual results could differ from the estimates and assumptions used A summary of significant estimates follows

a) Oil and gas activities

Engineering estimates of the company's oil and gas reserves are inherently uncertain Although there are authoritative guidelines regarding the engineering criteria that must be met before estimated oil and gas reserves can be designated as "proved", the accuracy of any reserve estimate is a function of the quality of available data and engineering and geological interpretation and judgment

Oil and natural gas reserves have a direct impact on certain amounts reported in the Financial Statements Estimated proved reserves are used in determining depreciation and depletion expenses and impairment expense

b) Impairment of assets

The company assesses its intangible assets for possible impairment if there are events or changes in circumstances that indicate the carrying values of the assets are not recoverable Such indicators include changes in the company's business plans, changes in commodity prices leading to unprofitable performance and, for oil and gas properties, significant downward revisions of estimated reserve quantities

Determination as to whether and how much an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation and technology improvements on operating expenses, production profiles and the outlook for global or regional market supply and demand conditions for crude oil, natural gas, commodity chemicals and refined products, and the discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted

c) Decommissioning provisions

Obligations to remove property, plant and equipment and restore land or seabed require significant estimates in calculating the amount of the obligation and determining the amount required to be recorded at present value in the financial statements Estimating future decommissioning provisions is complex It requires management to make estimates and judgements with respect to removal obligations that will come to term many years into the future and contracts and regulations are often unclear as to what constitutes removal In addition, the ultimate financial impact of environmental laws and regulations is not always clearly known as asset removal technologies and costs constantly evolve, as well as political, environmental, safety and public expectations

The subjectivity of these estimates is also increased by the accounting method used that requires entities to record the fair value of a liability for decommissioning obligations in the period when it is incurred (typically, at the time, the asset is installed at the production location)

The recognised decommissioning provisions are based on future decommissioning cost estimates and incorporate many assumptions such as expected recoverable quantities of crude oil and natural gas, abandonment time, future inflation rates and the risk-free rate of interest adjusted for the company's credit costs

1 Parent undertakings

The company is a 50 50 joint venture undertaking between BP Exploration Operating Company Limited and Eni Lasmo plc

The ultimate parent undertaking of Eni Lasmo plc is Eni S p A , a company incorporated in Italy, whose address is Eni S p A – Exploration & Production Division is Via Emilia 1, 20097, San Donato Milanese, PO Box 12069, (20100) Milano The ultimate parent undertaking of BP Exploration Operating Company Limited is BP plc, a company incorporated in UK, with registered address at 1 St James's Square, London, SW1Y 4PD

2 Directors' remuneration

The directors, being the management of the company, received no remuneration in respect of their services to the company during the year (2011 nil) There were no loans between the directors and the company during the year (2011 nil)

3 Operating loss

Operating loss is stated after charging the following amounts

	Year ended 31 December 2011	**Year ended 31 December 2012**
	$	**$**
Other service and field operating costs	3,122,090	**3,253,632**
Auditor's remuneration – audit of the company's financial statements	22,461	**15,943**

4 Interest receivable and similar income

	Year ended 31 December 2011	**Year ended 31 December 2012**
	$	**$**
Interest on bank accounts	52	**57**

5 Interest payable and other similar charges

	Restated Year ended 31 December 2011	**Year ended 31 December 2012**
	$	**$**
Unwinding of discount (note 12)	5,780	**13,857**
Bank charges	553	**706**
	6,333	**14,563**

6 Taxation

	Restated year ended 31 December 2011	Year ended 31 December 2012
	$	$
The charge for the year comprises		
Current tax at 24 5% (2011 26 5%)		
UK corporation tax on profits for the year	-	-

The tax assessed for the year is lower than the standard rate of corporation tax applicable to oil and gas exploration and production companies in the UK of 24 5% (2011 26 5%) The differences are explained below

	Restated year ended 31 December 2011	Year ended 31 December 2012
	$	$
Loss before taxation	(3,211,587)	**(3,614,410)**
Taxation on loss before tax at 24 5% (2011 26 5%)	(851,071)	**(885,530)**
Expenditure not allowable for tax	851,071	**885,530**
Total taxation	-	**-**

The company has not yet commenced to trade for tax purposes

Deferred tax

The deferred corporation tax asset calculated at the rate of 23% (2011 25%) which was not recognised in the financial statements amounted to

	Unprovided amount 2011	Unprovided amount 2012
	$	$
Movement in unrecognised temporary differences	3,663,861	**5,826,162**

In the year ended 31 December 2012, the directors consider that it was unlikely that there would be suitable taxable profits from which the future reversal of the underlying timing differences could be deducted, therefore the deferred tax asset was not recognised

7 Intangible assets

Exploration and appraisal costs

	Restated 31 December 2011	31 December 2012
	$	$
Cost		
Opening balance	3,836,956	8,723,126
Additions during the year	4,685,045	7,075,143
Provisions for decommissioning (note 12)	201,125	237,059
At 31 December	8,723,126	16,035,328
Amounts written off		
Opening balance	-	-
Charge for year	-	-
At 31 December	-	-
Net book value	8,723,126	16,035,328

The Intangible assets relate to the company's oil and gas exploration interest in Indonesia

8 Inventories

	31 December 2011	31 December 2012
	$	$
Materials	799,770	1,198,357

9 Trade and other receivables

	31 December 2011	31 December 2012
	$	$
Current		
Amounts owed by joint venture partners – third party	252,187	305,743
Prepayments	599,106	1 351,638
Other receivables – third party	19,537	150,219
	870,830	1,807,600
Non-current		
Other receivables – third party	756,005	1,494,449

The company has not experienced material non-performance by any counterparty As of 31 December 2012 the company had no significant concentrations of credit risk The maximum exposure to credit risk is equal to the carrying amount of the trade and other receivables

The carrying amount of the company's trade and other receivables are denominated in US Dollars The company believes that the carrying amounts are a reasonable approximation to the fair value

10. Cash and cash equivalents

	31 December 2011	31 December 2012
	$	$
Cash at bank	27,129	**26,066**

11 Trade and other payables

	31 December 2011	31 December 2012
	$	$
Other creditors – third party	116,658	**37,541**
Accruals	124,624	**172,064**
Related party – parent companies		
Eni Lasmo plc	6,484,788	**12,688,822**
BP Exploration Operating Company Limited	6,484,788	**12,688,822**
Related party – affiliate companies		
Eni UK Limited	-	**317,912**
Joint venture partners	2,582,410	**2,636,540**
	15,793,268	**28,541,701**

The payables to related parties arise mainly from financing received and purchase of services, and are due on demand The payables are unsecured and bear no interest The carrying amount of the above liabilities approximates to their fair value

12 Provisions

	Decommissioning Provisions
	$
As 1 January 2011	-
Provided in the year	201,125
Unwinding of discount	5,780
At 1 January 2012 restated	206,905
Provided in the year	237,059
Unwinding of discount	13,857
At 31 December 2012	**457,821**

A provision of $457,821 (2011 - $206,905) has been recognised for decommissioning costs relating to the oil and gas field in which the company is a participant The provision has been estimated using existing technology, existing life of field estimates, current decommissioning cost estimates and discounted using the directors' assessment of an appropriate risk adjusted discount rate of 4 448% (2011 – 5 053%) The estimated date of decommissioning the field is 2039

The adjustments have been made retrospectively in these financial statements to recognise the decommissioning liability and the related unwinding of discount with the prior year balances being restated accordingly Had this restatement not been made, the intangible assets and provisions would have been lower by $201,125 and the loss for the year ended 31 December 2011 would have been reduced by $5,780

13 Share capital

	31 December 2011	31 December 2012
	$	$
Authorised, allotted and fully paid		
1,315,912 ordinary shares of $1 each	1,315,912	**1,315,912**

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern in order to provide returns for the shareholder and to maintain an optimal capital structure to reduce the cost of capital In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to its shareholder

The company regularly reviews its capital structure on the basis of its expected capital requirements in order to achieve the defined strategic objectives and manages its capital accordingly

14. Retained deficit

	Restated 31 December 2011	31 December 2012
	$	$
At 1 January	2,927,637	**6,139,224**
Loss for the year	3,211,587	**3,614,410**
At 31 December	6,139,224	**9,753,634**

15 Commitments

The company's share of capital commitments in relation to the joint venture entered into by the company as at 31 December 2012 amounted to $6,483,042 (2011 $6,760,134) The capital commitments are mainly for the drilling and operating activities

16 Market risk

Market risks include foreign exchange rate risk, liquidity risk and operation risk

Foreign exchange rate risk

Exchange rate risk derives from the fact that the company's operations are conducted in currencies other than the US Dollar (in particular the Euro and GBP) and by the time lag existing between the recording of costs denominated in currencies other than the functional currency and the actual time of the relevant monetary transaction (transaction exchange rate risk) The transaction exchange rate risk arising from payables, receivables and accruals in currencies denominated in currencies other than the functional currency, is not considered to be material due to the fact that these will be realised within 30 days Generally speaking, an appreciation of the US Dollar versus the GBP has a positive impact on the company's results of operations, and vice-versa Effective management of exchange rate risk is performed by the parent companies at their respective Group level At the balance sheet date the company does not hold any derivative instruments designed to manage exchange rate risk Foreign exchange rate as at 31 December 2012 1 USD = GBP 0 61854 (2011 1 USD = GBP 0 64557)

16 Market risk (continued)

Liquidity Risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available The company is financed by the parent companies who have confirmed their intention to continue providing the financing to the company as and when required The company believes funding from parent companies is sufficient to meet currently foreseeable cash requirements

Effective management of the liquidity risk has the objective of ensuring the availability of adequate funding to meet short term requirements and due obligations as well as the objective of ensuring a sufficient level of flexibility in order to fund the development plans of the company's businesses

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining year at the balance sheet to the contractual maturity date The amounts disclosed in the table are the contractual undiscounted cash flows Balances due within 12 months equal their carrying balances as the impact of discounting is not significant

As at 31st December 2012	**Less than one year**
	$
Trade and other payables	**28,369,637**

As at 31st December 2011	Less than one year
	$
Trade and other payables	15,668,644

Operation Risk

The company's activities present industrial and environmental risks and are therefore subject to extensive government regulations concerning environmental protection and industrial security

The broad scope of these activities involves a wide range of operational risks such as those of explosion, fire or leakage of toxic products, and production of non biodegradable waste

All these events could possibly damage or even destroy wells as well as related equipment and other property, cause injury or even death to persons or cause environmental damage In addition, since exploration and production activities may take place on sites that are ecologically sensitive, each site requires a specific approach to minimise the impact on the related ecosystem, biodiversity and human health