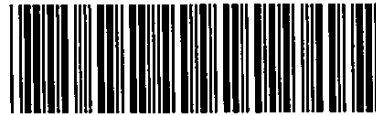


Company Registration No 5377234

Report of the Directors and
Financial Statements
for the year ended 31 December 2012
for
PLECTRUM PETROLEUM LIMITED

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PLECTRUM PETROLEUM LIMITED

Contents of the Financial Statements
for the year ended 31 December 2012

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PLECTRUM PETROLEUM LIMITED

Company Information

DIRECTOR

FR de Pinho
G Fernandez Lopez
OA Leon Bentancor

SECRETARY

JMJ Canadell

REGISTERED OFFICE

15 Berkeley Street
London
W1J 8DY

REGISTERED NUMBER

05377234 (England and Wales)

PLECTRUM PETROLEUM LIMITED

Report of the Director **for the year ended 31 December 2012**

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

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of the exploration for oil and gas

REVIEW OF BUSINESS AND FUTURE DEVELOPMENT

The Company and its Peruvian Branch (Plectrum Petroleum Plc Sucursal del Peru) have a 50% equity interest in Block Z34, offshore Peru. The company's share of the exploration costs have been recorded in these Financial Statements

DIVIDENDS

No dividends were paid during the period

EVENTS SINCE THE END OF THE PERIOD

Information relating to events since the end of the year is given in the notes to the financial statements

DIRECTORS

The directors who have held office during the period from 1 January 2012 to the date of this report are as follows

R Berends (appointed 13 August 2012)

RM Mew (appointed 13 August 2012, resigned 29 April 2013)

W Colvin (appointed 22 March 2013, resigned 29 April 2013)

FR De Phino (appointed 29 April 2013)

G Fernandez Lopez (appointed 29 April 2013)

OA Leon Bentancor (appointed 29 April 2013)

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company did not make any political or charitable donations during the period (2011 nil)

PRINCIPAL RISKS AND UNCERTAINTIES

The Company is subject to a variety of risks which derive from the nature of the oil and gas exploration and production business

The Company's future production depends significantly upon its success in finding or acquiring and developing oil and gas reserves. If the Company is unsuccessful, it would adversely affect the results of its operations and financial condition

The cost of drilling, completing and operating wells is often uncertain. As a result, the Company may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of many factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, the need for compliance with environmental regulations, governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment

FINANCIAL INSTRUMENTS

The financial risk management objectives and policies of the Company are detailed in note 11 of the Notes to the Accounts

CREDITORS PAYMENT POLICY

It is the Company's payment policy to ensure settlement of suppliers' services in accordance with the terms of the applicable contracts. In most circumstances, settlement terms will be agreed prior to business taking place

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. Under company law the Directors must 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 period. In preparing these financial statements, the directors are required to

PLECTRUM PETROLEUM LIMITED

Report of the Director (continued)
for the year ended 31 December 2012

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether the company financial statements have been prepared in accordance with IFRS as adopted by the European Union, 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable him 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.

ON BEHALF OF THE BOARD



OA Leon-Bentancor
Director

Date 17 September 2013

PLECTRUM PETROLEUM LIMITED

Statement of Comprehensive Income
for the year ended 31 December 2012

| | Notes | Year ended 31/12/2012 | Period ended 31/12/2011 |
|--|-------|--------------------------|----------------------------|
| Intangible asset impairment | | (3,791,115) | - |
| Profit on ordinary activities before taxation | 3 | (3,791,115) | - |
| Income Tax | 4 | - | - |
| (Loss) on ordinary activities after taxation | | (3,791,115) | - |
| (Loss) on ordinary activities after taxation is attributable to Equity shareholders | | (3,791,115) | - |
| (Loss) on ordinary activities attributable to the parent | | (3,791,115) | - |
| Other comprehensive income | | | |
| Exchange difference on translating foreign operations | | - | - |
| Total comprehensive income for the year | | (3,791,115) | - |
| Total comprehensive income is attributable to Equity shareholders | | (3,791,115) | - |

PLECTRUM PETROLEUM LIMITED

Statement of Financial Position
31 December 2012

| Assets | <u>Notes</u> | 2012 | 2011 |
|---|---------------------|-------------------|-------------------|
| | | US\$ | US\$ |
| <i>Non current assets</i> | | | |
| Intangibles | 5 | 3,750,000 | 5,289,573 |
| | | 7,541,115 | 5,289,573 |
| <i>Current assets</i> | | | |
| Trade and other receivables | 6 | 16,166,846 | 33,963,969 |
| | | 16,166,846 | 33,963,969 |
| | | 19,916,846 | 39,253,542 |
| <i>Equity and liabilities</i> | | | |
| Capital and reserves attributable to owners of the parent | | | |
| Share capital | 8 | 162 | 17,901,971 |
| Share premium account | 8 | 14,390,671 | 14 390 671 |
| Retained earnings | 9 | (2,119,788) | 1 671 327 |
| | | 12,271,045 | 33 963 969 |
| <i>Current liabilities</i> | | | |
| Trade and other payables | 7 | 7,645,801 | 5 289 573 |
| | | 7,645,801 | 5,289 573 |
| Total equity and liabilities | | 19,916,846 | 39,253,542 |

The company is entitled to exemption from audit under Section 479(A) of the Companies Act 2006 for the year ended 30 September 2012 and the members have not required the company to obtain an audit of its financial statements for the year ended 31 December 2012 in accordance with Section 479(A) of the Companies Act 2006

The directors acknowledge their responsibilities for

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company

The financial statements were approved and authorised for issue by the directors on 17 September 2013, and signed on their behalf by


OA Leon Bentancor
Director

Company number 05377234

PLECTRUM PETROLEUM LIMITED

Statement of Changes in Equity
for the year ended 31 December 2012

| | Share capital US\$ | Share premium US\$ | Retained earnings US\$ | Total Equity US\$ |
|---|--------------------------|--------------------------|------------------------------|-------------------------|
| As at 1 May 2011 and at 1 January 2012 | 17,907,971 | 14,390,671 | 1,671,327 | 33,969,969 |
| Shares purchased and cancelled | (17,907,809) | - | - | (17,907,809) |
| Transactions with owners | (17,907,809) | - | - | (17,907,809) |
| (Loss) for the period | - | - | (3,791,115) | (3,791,115) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income for the year | - | - | (3,791,115) | (3,791,115) |
| As at 31 December 2012 | 162 | 14,390,671 | (2,119,788) | 12,271,045 |

Share capital is the amount subscribed for shares at nominal value

Share premium represents the excess of the amount subscribed for share capital over the nominal value of those shares net of issue expenses

Retained earnings represents the cumulative profit or loss of the company attributable to equity shareholders

PLECTRUM PETROLEUM LIMITED

Statement of Cash Flows
for the year ended 31 December 2012

| | Notes | Year ended 31/12/2012 | Period ended 31/12/2011 |
|---|-------|--------------------------|----------------------------|
| Operating activities | | 20,153,351 | 4,535,697 |
| Investing activities | | | |
| Acquisition of intangible assets | | (2,251,542) | (4,535,697) |
| | | 17,901,809 | (4,535,697) |
| Financing activities | | | |
| Reduction in share capital | | (17,901,809) | - |
| Cash and cash equivalents at the beginning of the year | | - | - |
| Cash and cash equivalents at the end of the year | | - | - |
| Reconciliation to Statement of Financial Position | | | |
| Cash and cash equivalents | | - | - |
| Operating activities | | | |
| Loss for the period | | (3 791,115) | - |
| Impairment charges | | 3 791 115 | - |
| Operating cash flow before movements in working capital | | - | - |
| Total comprehensive income for the year | | (3 791 115) | - |
| Decrease in receivables | | 17 797 123 | - |
| Increase in payables | | 2 356,228 | 4,535,697 |
| Net cash inflow from operating activities | | 20,153,351 | 4,535,697 |

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements **for the year ended 31 December 2012**

1 Accounting Policies

(a) General information

Plectrum Petroleum Limited is a company incorporated in England under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Director's report on page 2.

(b) Basis of preparation

The Company prepares its financial statements on a historical cost basis. Where there are assets and liabilities calculated on a different basis, this fact is disclosed in the relevant accounting policy.

These financial statements are presented in United States Dollar because that is the currency of the primary economic environment in which the Company operates.

New and amended standards adopted by the Company

The company has adopted the following new and amended IFRSs as of 1 January 2012:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. This amendment will have no impact on the company.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This amendment will have no impact on the company.

- IAS 38 (amendment), 'Intangible assets'. The amendment is part of the IASB's annual improvements project published in April 2009 and the company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has a similar useful economic life. The amendment will not result in a material impact on the company's financial statements.

- IAS 32 (amendment), 'Financial instruments: presentation – classification of rights issue'. This amendment is effective from annual periods beginning on or after 1 February 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro-rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment will have no impact on the company after initial application.

- IFRS 2, 'Share-based Payment'. Group Cash-settled Share-based Payment Transactions effective 1 January 2010. The IASB issued an amendment to IFRS 2 that clarified the scope and the accounting for group cash-settled share-based payment transactions. The company adopted this amendment as of 1 January 2010. It did not have an impact on the financial position or performance of the company.

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued)
for the year ended 31 December 2012

1 Accounting Policies (continued)

- IAS 39 Financial Instruments Recognition and Measurement – Eligible Hedged Items effective 1 July 2009
The amendment clarifies that an entity is permitted to designate a portion of the fair value changes or cash flows variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The company has concluded that the amendment will have no impact on the financial position or performance of the Company, as the Company has not entered into such hedges.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial period beginning 1 May 2011, but are not currently relevant for the company.

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the company, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfers of assets received on or after 1 July 2009. This is not relevant to the company, as it has not received any assets from customers.

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial period beginning 1 May 2011 and have not been early adopted.

- IAS 24 (Amendment), 'Related party transactions'. The amended standard is effective for annual periods beginning on or after 1 January 2011. It clarified definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The company does not expect any impact on its financial position or performance.
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement'. The amendment to IFRIC 14 is effective for annual periods beginning on or after 1 January 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment is deemed to have no impact on the financial statements of the company.
- IFRS 9, 'Financial instruments: classification and measurement', as issued reflects the first phase of the IASB work on the replacement of IAS 39 and applies to classification and measurement of financial assets as defined in IAS 39. The standard is effective for annual periods beginning on or after 1 January 2013. In subsequent phases, the IASB will address classification and measurement of financial liabilities, hedge accounting and derecognition. The adoption of the first phase of IFRS 9 might have an effect on the classification and measurement of the company's assets. At this juncture it is difficult for the company to comprehend the impact on its financial position and performance.
- IFRS 7, Financial instruments disclosures (amendment), is effective for annual periods beginning on or after 1 July 2011. The amendments requires additional quantitative and qualitative disclosures relating to transfers of financial assets, where financial assets are derecognised in their entirety but where the entity has a continuing involvement in them and where financial assets are not derecognised in their entirety. The adoption of this will have no effect on the financial statements of the company.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised in profit or loss. The adoption of this interpretation will have no effect on the financial statements of the company.

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued) **for the period end 31 December 2012**

1 Accounting Policies (continued)

- IAS 12, 'Income taxes (amendment) – Deferred taxes recovery of underlying assets' is effective for annual periods beginning on or after 1 January 2012. It introduces a rebuttable presumption that deferred tax on investment properties measured at fair value will be derecognised on a sale basis, unless an entity has a business model that would indicate the investment property will be consumed in the business. If consumed a use basis would need to be adopted. The amendments also introduce the requirement that deferred tax on non-depreciable assets measured using the revaluation model in IAS16 should always be measured on a sale basis. The adoption of this interpretation will have no effect on the financial statements of the company.
- IFRS 10 Consolidated Financial Statements is effective from 1 January 2013. It introduces a new control model which applies to all entities, including those that were previously considered 'special purpose entities'. Understanding the purpose and design of an investee is critical to the assessment of control. The adoption of this will have no effect on the financial statements of the company.
- IFRS 11 joint Arrangements is effective from 1 January 2013. The core principle of the standard is that a party to a joint arrangement determines type of joint arrangements in which it is involved by assessing the rights and obligations and accounts for those rights and obligations in accordance with the type of joint arrangement. Joint ventures now must be accounted for using the equity method. Joint operator which is a newly defined term recognises its assets, liabilities, revenues and expenses and relative shares thereof. The adoption of this will have no effect on the financial statements of the company.
- IFRS 12 Disclosures of Interests with Other Entities is effective from 1 January 2013. It requires increased disclosure about the nature, risks and financial effects of an entity's relationship with other entities along with its involvement with other entities. The adoption of this will have no effect on the financial statements of the company.
- IFRS 13 Fair Value Measurement is effective from 1 January 2013. It defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. It includes a three-level fair value hierarchy which prioritises the inputs in a fair value measurement.
- Improvements to IFRS (issued in May 2011). The IASB issued improvement to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods on or after 1 January 2011 or 1 July 2010. The amendments listed below, are considered to have a reasonable possible impact on the company.
 - IFRS 3 Business combinations
 - IFRS 7 Financial instruments disclosures
 - IAS 1 Presentation of financial statements
 - IAS 27 Consolidated and separate financial statements
 - IFRIC 13 Customer loyalty programmes
 - IAS 34 Interim Financial Reporting

The company expects no impact from the adoption of the above amendments on its financial position or performance.

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business net of discounts, VAT and other sales related taxes.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate.

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued)
for the period end 31 December 2012

1 Accounting Policies (continued)

(d) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another

Financial assets are categorised as financial assets held at fair value through profit or loss, held-to-maturity investments, loans and receivables and available for sale financial assets. The Company holds financial assets which are classified as loans and receivables

Financial liabilities generally substantiate claims for repayment in cash or another financial asset. Financial liabilities are categorised as either fair value through profit or loss or held at amortised cost. All of the Company's Financial liabilities are held at amortised cost

Financial instruments are generally recognised as soon as the Company becomes party to the contractual regulations of the financial instrument

(e) Intangible Assets

Oil and gas assets: exploration and evaluation

The company has continued to apply the 'successful efforts' method of accounting for Exploration and Evaluation ("E&E") costs, having regard to the requirements of IFRS 6 'Exploration for the Evaluation of Mineral Resources'

The successful efforts method means that only the costs which relate directly to the discovery and development of specific oil and gas reserves are capitalised. Such costs may include costs of license acquisition, technical services and studies, seismic acquisition, exploration drilling and testing but do not include costs incurred prior to having obtained the legal rights to explore the area. Under successful efforts accounting, exploration expenditure which is general in nature is charged directly to the income statement and that which relates to unsuccessful drilling operations, though initially capitalised pending determination, is subsequently written off. Only costs which relate directly to the discovery and development of specific commercial oil and gas reserves will remain capitalised and to be depreciated over the lives of these reserves. The success or failure of each exploration effort will be judged on a well-by-well basis as each potentially hydrocarbon-bearing structure is identified and tested. Exploration and evaluation costs are capitalised within intangible assets. Capital expenditure on producing assets is accounted for in accordance with SORP 'Accounting for Oil and Gas Exploration'. Costs incurred prior to obtaining legal rights to explore are expensed immediately to the income statement

(e) Intangible Assets (continued)

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible or property, plant and equipment according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of properties which the director considers to be unevaluated until reserves are appraised as commercial, at which time they are transferred to tangible assets as 'Developed oil and gas assets' following an impairment review and depreciated accordingly. Where properties are appraised to have no commercial value, the associated costs are treated as an impairment loss in the period in which the determination is made

Costs are amortised on a field by field unit of production method based on commercial proven and probable reserves

The calculation of the 'unit of production' amortisation takes account of the estimated future development costs and is based on the current period and un-escalated price levels. Changes in reserves and cost estimates are recognised prospectively

E&E costs are not amortised prior to the conclusion of appraisal activities

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued)
for the period end 31 December 2012

1 Accounting Policies (continued)

(f) Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment

At each statement of financial position date, 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). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are 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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

(f) Impairment of non-financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior periods. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the company at the statement of financial position date approximated their fair values, due to relatively short term nature of these financial instruments.

(h) Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted on an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Trade and other receivables are recognised when invoiced. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

The carrying amounts of loans and other receivables are tested at each reporting date to determine whether there is objective material evidence of impairment, for example overdue trade debt. Any impairment losses are recognised through the use of an allowance account. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Income Statement or Balance Sheet in accordance with where the original receivable was recognized.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short term deposits with an original maturity of three months or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued)
for the period end 31 December 2012

1 Accounting Policies (continued)

(j) Trade payables and other non-derivative financial liabilities

Trade payables and other creditors are non-interest bearing and are measured at cost

(k) Equity

Equity instruments issued by the Company are recorded at the proceeds received net of direct issue costs allocated between share capital and share premium

(l) Taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes

(m) Foreign currency translation

The Company translates foreign currency transactions into its functional currency, United States Dollar, at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange prevailing at the balance sheet date. Exchange differences arising are taken to the Income Statement except those incurred on borrowings specifically allocable to development projects which are capitalized as part of the cost of the asset.

2 Critical Judgements and accounting estimates

In the process of applying the Company's accounting policies described in Note 1, management has made judgements that may have a significant effect on the amounts recognized in the financial statements

Plant and equipment, intangible assets & impairment of goodwill

Intangible assets are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to the estimates used can result in significant variations in the carrying value.

The company assesses the impairment of intangible assets subject to amortisation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the company's accounting estimates in relation to intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the company's financial statements.

Notes to the Financial Statements (continued)
for the period end 31 December 2012

* Audit fees are borne by the parent company - Gold Oil plc

No liability to UK Corporation tax arose on the ordinary activities for the year ended 31 December 2012 or the period ended 31 December 2011

No liability to Peruvian tax arose on the ordinary activities of the Peruvian branch for the year ended 31 December 2012 or for the period ended 31 December 2011

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PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued)
for the period end 31 December 2012

| | | |
|--------------------------------------|-------------------|-------------------|
| 6 Trade and other receivables | 31/12/2012 | 31/12/2011 |
| | US\$ | US\$ |
| Amounts owed by group undertakings | 16,166,010 | 33,963,969 |
| Other receivables | 836 | - |
| | <u>16,166,846</u> | <u>33,963,969</u> |

| | | |
|------------------------------------|------------------|------------------|
| 7 Trade and other payables | 31/12/2012 | 31/12/2011 |
| | US\$ | US\$ |
| Amounts owed to group undertakings | 7,643,914 | 5,289,573 |
| Other payables | 1,887 | - |
| | <u>7,645,801</u> | <u>5,289,573</u> |

| | | |
|---|------------|------------|
| 8 Share capital | 31/12/2012 | 31/12/2011 |
| <i>Allotted, called up and fully paid</i> | US\$ | US\$ |
| Equity 2,000 (2011 180,372,499) ordinary shares of £0.05 each | 162 | 17,901,971 |

| | | |
|-------------------------------------|-------------------|--------------------|
| 9 Share premium and reserves | Share | Profit |
| | premium | and loss |
| | account | account |
| | US\$ | US\$ |
| At 1 January 2012 | 14,390,671 | 1,671,327 |
| Loss for the period | - | 3,791,115 |
| | <u>14,390,671</u> | <u>(2,119,788)</u> |

The company passed a Special Resolution on 20 March 2013 reducing the share premium account to nil and transferring the balance to distributable reserves

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued)
for the period end 31 December 2012

10 Related party transactions

During the year, the company had the following transactions with its fellow group companies. The details of the transactions and the amount owed by the fellow group companies at the year end were as follows

| | Year ended 31/12/2012 | | Period ended 31 December 2011 | |
|------------------------------------|-----------------------|-----------|-------------------------------|-----------|
| | US\$ | US\$ | US\$ | US\$ |
| Amounts owed by group undertakings | | | | |
| Gold Oil Caribbean Limited | 15,948,015 | - | 33,745,975 | - |
| Gold Oil Peru S A C | 217,995 | - | 217,994 | - |
| Amounts owed to group undertakings | | | | |
| Gold Oil Peru S A C | 2,088,040 | 151,492 | 1,936,548 | 1,497,160 |
| Gold Oil Peru Plc | 5,555,874 | 2,100,050 | 3,353,025 | 3,038,537 |

The nature of the transactions with Gold Oil Peru S A C And Gold Oil Plc is the allocations of some administrative costs and other direct costs relating to the company's 50% interest in block Z34 offshore Peru. These costs are paid for by Gold Oil Peru S A C and Gold Oil plc, and then recharged to Plectrum petroleum Ltd via intercompany accounts.

11 Financial instruments

The company's principal financial instruments were cash at bank.

The company adopts a conservative policy towards the management of its cash and has not engaged in any speculative trades. The company has no derivative instruments or hedging transactions. The company had other financial instruments such as trade creditors which arose directly from its operations.

The carrying amounts of financial assets and liabilities of the company at the balance sheet date approximated their fair values.

The carrying amounts of cash and cash equivalents, trade and other receivables/payables, and borrowings approximate fair values due to the relatively short term maturity of these financial instruments.

Financial instruments – Risk Management

The company is exposed through its operations to the following risks:

- Credit risk
- Foreign Exchange Risk
- Capital risk
- Market risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

PLECTRUM PETROLEUM LIMITED

Notes to the Financial Statements (continued) **for the period end 31 December 2012**

11 Financial instruments (continued)

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note

Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises are as follows

- Loans and receivables
- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

General objectives, policies and processes

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining responsibility for them it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receive regular updates from the Executive Director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the Board is to set policies that seek to reduce as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables. The credit risk on liquid funds is limited because the counter parties are banks with high credit ratings assigned by international credit-rating agencies. The company's credit risk is primarily attributable to its trade. The amounts presented in the statement of financial position are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experiences, is evidence of a reduction in the recoverability of the cash flows. The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Foreign exchange risk

Foreign exchange risk arises because the company has operations located in a part of the world whose functional currency is not the same as the functional currency in which the company operates. It is the company's policy to ensure that the company enter into local transactions in their functional currency wherever possible. The company considers this policy minimises any unnecessary foreign exchange exposure.

In order to monitor the continuing effectiveness of this policy the Board through their approval of both corporate and capital expenditure budgets and review of the currency profile of cash balances and management accounts considers the effectiveness of the policy on an ongoing basis.

Capital risk

The company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Market risk

The market may not grow as rapidly as anticipated. The company may lose customers to its competitors. The company's major competitors may have significantly greater financial resources than those available to the company. There is no certainty that the company will be able to achieve its projected levels of sales or profitability.

12 Ultimate controlling party

The ultimate controlling party was Baron Oil plc (formerly Gold Oil Plc) until 29 April 2013. The results of the company are consolidated with those of Baron Oil Plc, registered in England and Wales, whose registered office is at Finsgate, 5 - 7 Cranwood Street, London EC1V 9EE.

Sine 29 April 2013, the ultimate controlling party has been Union Oil & Gas Group Limited, incorporated in the British Virgin Islands.