2012

TRINITY EXPLORATION
& PRODUCTION PLC
ANNUAL REPORT

Contents

Highlights

- Trinity Exploration & Production plc acquired Trinity Exploration & Production (UK) Limited on 14 February 2013 and shares re-admitted for trading on AIM under the name Trinity Exploration & Production plc.

- New Board and management team put in place in conjunction with the acquisition led by Bruce Alan Ian Dingwall CBE as Executive Chairman and Joel "Monty" Pemberton as Chief Executive Officer.

- Completed a placing of new shares in February 2013 raising £57 million (before expenses) to accelerate delivery of the significant upside in the Enlarged Group's portfolio.

- Material commercial success with renegotiation of oil pricing agreement to improve realised prices and assignment of rig slots with the Rowan Gorilla III to third parties removing significant financial commitments.

- Following the transaction, the Enlarged Group is currently the largest independent exploration and production company focused on Trinidad & Tobago with net current production of 3,900 bopd and 35.6 mmbbl in net 2P reserves at end of 2012.

TRINITY
EXPLORATION & PRODUCTION
It's not just about oil

Chairman's Statement

2012 was a year of great change for Trinity Exploration & Production plc (formerly known as Bayfield Energy Holdings plc) and its subsidiaries (the "Group"). Significant operational progress was made with gross production growing 108% from 1,198 bopd to 2,496 bopd at the Trintes field and exploration success at the EG-8 well in March 2012 which identified development potential of 32.0 mmbbl of oil and 69.0 Bcf of gas. Following the successful infill drilling programme, the Group announced in December 2012 that net 2P reserves at the Trintes field had grown by 25% from 19.3mmbbl at 31 December 2010 to 24.1mmbbl at 30 June 30 2012.

However, growth in production and cash flow was slower than expected due to operational issues on Trintes and by May 2012 the Group recognised the need for additional funding. The Group sought to raise equity financing but despite a measure of institutional support was unable to secure sufficient funds. Consequently, the Group commenced a review of its strategic alternatives which culminated in the announcement on 15 October 2012 that the Group had agreed to be acquired by Trinity Exploration & Production Limited (now Trinity Exploration & Production (UK) Limited) ("TEPL").

TEPL is a private independent oil & gas company registered in Scotland with onshore and offshore assets in Trinidad. As at 30 June 2012, TEPL had 2P reserves of 7.1 mmbbl as per its reserve auditors, RPS energy with 2012 production of 2,289 bopd (net). TEPL operates ten licenses in Trinidad, including two licenses in the Gulf of Paria, offshore Trinidad's West coast, and eight onshore licenses. A summary of TEPL's Unaudited Consolidated Financial Results can be found at the end of this report and its audited financial statements will be available from 8 May 2013 on the Company's website www.trinityexploration.com.

The acquisition was concluded on 14 February 2013 and Bayfield Energy Holdings plc was renamed Trinity Exploration & Production plc ("the Company"). Concurrent with the acquisition the Company raised gross proceeds of £57 million via a placing of new shares in order to fund a programme of development and exploration activities. Funding was raised from a wide range of UK, European and Asian institutional investors.

Following the acquisition, Trinity Exploration & Production plc and its subsidiaries (the "Enlarged Group") is the largest independent exploration and production company focused on Trinidad, a prolific hydrocarbon province that has been under-exploited and offers significant growth opportunities. As of 30 June 2012 the Enlarged Group had net reserves and contingent resources on a net working interest basis, summarised as follows:

Reserves

		1P			*2P*			*3P*	
	Oil MMBbl	*Gas Bcf*	*Total MMboe*	*Oil MMBbl*	*Gas Bcf*	*Total MMboe*	*Oil MMBbl*	*Gas Bcf*	*Total MMboe*
TEPL	3.4	0.0	3.4	7.1	0.0	7.1	12.7	0.0	12.7
Company	7.0	0.0	7.0	24.1	0.0	24.1	33.6	0.0	33.6
Total	**10.4**	**0.0**	**10.4**	**31.2**	**0.0**	**31.2**	**46.3**	**0.0**	**46.3**

Contingent Resources

		1C			*2C*			*3C*	
	Oil MMBbl	*Gas Bcf*	*Total MMboe*	*Oil MMBbl*	*Gas Bcf*	*Total MMboe*	*Oil MMBbl*	*Gas Bcf*	*Total MMboe*
TEPL	3.6	0.0	3.6	8.8	0.0	8.8	19.6	0.0	19.6
Company	14.1	15.1	29.2	24.9	26.0	50.9	39.1	41.0	80.1
Total	**17.7**	**15.1**	**32.8**	**33.7**	**26.0**	**59.7**	**58.7**	**41.0**	**99.7**

Note: TEPL data as of 1 July 2012 as audited by RPS Energy Consultants Ltd, Company data as of 30 June 2012 as audited by Gaffney Cline & Associates Ltd. Natural gas volumes have been converted to boe at a ratio of 6,000 cubic feet of gas to one boe. Net reserves and contingent resources shown above account for working interest shares of reserves and contingent resources before the deduction of government royalty and Petrotrin over-riding royalty.

Following additional technical work by management done subsequently on the Enlarged Group's onshore assets, the Enlarged Group increased its 2P reserve estimate from 31.2 mmboe to 35.6 mmboe. The 2012 financial statements of Trinity Exploration & Production (UK) Limited have been affected by these changes and further information will be found in the notes to the financial statements of Trinity Exploration & Production (UK) Limited. These increased reserves have not been independently audited.

Total Reserves (mbbl)	*RPS Estimate*	*Trinity Interim Estimate*
Field	**2P**	**2P**
FZ-2	0.1	0.5
WD-2	0.4	0.9
WD-16	0.0	0.0
WD-5/6	1.3	3.5
GU1	0.1	0.6
WD 13	0.1	0.5
WD 14	0.1	0.5
Tabaquite	0.0	0.1
Total	**2.1**	**6.5**

The Enlarged Group exited 2012 producing approximately 3,965 bopd.

The Enlarged Group is now led by Bruce Dingwall CBE as Executive Chairman and Joel "Monty" Pemberton as Chief Executive Officer. Concurrent with closing of the transaction the Enlarged Group also welcomed Charles Anthony Brash, Jonathan Murphy and Ronald Harford to the Board of Directors while Hywel John, Andrey Pannikov and Jonathan Cooke stood down from their positions. The Enlarged Group extends thanks to the former directors for their contribution.

Outlook

The Enlarged Group plans an active work programme in 2013 and has made good progress in the first few months since the transaction closed with integration of the two businesses well advanced.

In total the Enlarged Group plans to drill 12 onshore wells this year as well as eight infill development wells at the Trintes field. Additionally, infrastructure upgrades have begun at the Brighton field ahead of a heavy workover programme that will commence in the summer of 2013.

The Enlarged Group also plans to drill up to four exploration and appraisal wells in 2013 with three prospects planned to be drilled on the Galeota licence offshore the East Coast and the El Dorado prospect offshore the West Coast.

The board is encouraged by the outlook for 2013. The Enlarged Group has a balanced portfolio of existing production, near-term production growth from infill drilling and exploration upside. In addition, Trinidad's upstream industry continues to evolve which may present opportunities for the Enlarged Group to grow the business beyond its current portfolio.

Finally, I want to thank our employees for their hard work and dedication throughout 2012 and wish them every success in their endeavours for 2013.

Executive Chairman
7 May 2013

Business Review

Operations

Trinidad

Significant commercial progress was made during 2012 with the oil pricing agreement at Trintes re-negotiated in August 2012 from a 17.5% discount to WTI to a 9.5% discount to Brent. The Group also successfully assigned its interest in the rig contract with Rowan for the Gorilla III jack-up drilling unit, thereby removing significant financial commitments. The operating expenditure carry with the Petroleum Company of Trinidad and Tobago (Petrotrin) also expires in late April 2013, at which point Petrotrin will begin paying its 35% share of operating expenditure, further improving the Enlarged Group's cash flow.

Trintes field

Gross production from the Trintes field grew by 108% during 2012 from 1,198 bopd (net 779 bopd) to 2,496 bopd (net 1,622 bopd). During the year 28 workovers and 9 sidetrack operations were completed.

Although important progress has been made on the Trintes field major repairs were required on Rig-2 causing a three month delay in the drilling program resulting in below par production levels.

The Enlarged Group continues to address infrastructure issues to improve reliability. Major work was completed to improve power generation reliability on the active platforms, including installation of synchronisation equipment that eliminated down time during planned maintenance and switching of generators.

East Galeota

In 2012 the Group drilled the EG-8 and EG-7 wells in the northeast of the block. The first exploration well in the Galeota Licence, EG-8, was suspended as an oil and gas discovery having reached a total depth of 8,133ft (2,479m). Management believe that EG-8 has demonstrated development potential of 32.0 mmbbl of oil and 69.0 Bcf of gas in the EG-2/EG-5/EG-8 Central and East fault blocks. EG-7 was unsuccessful as it was predominantly water bearing. Evaluation of EG-7 and its sidetrack EG-7ST1 has ruled out the viability of the EG-1 discovery and consequently the costs capitalised in relation to the well of $21.9 million have been written off in the year.

South Africa

In April 2012 the Group announced execution of formal documentation for the exploration rights over the Pletmos Inshore Block in South Africa. The block offers a relatively low cost entry into an exciting exploration province that is attracting interest from a range of larger companies.

The Enlarged Group is currently re-processing legacy 2D seismic data from this area and reviewing strategies to acquire new data on the block in line with the license commitments and accepted environmental strategy for the area.

Financial Review

Income Statement

The Group's loss before tax was US$23.9 million (2011: US$17.2 million), and loss after tax was US$13.0 million (2011: US$14.3 million).

Revenue of US$36.2 million (2011: US$22 million) resulted from net production of 407,939 bbls (2011: 285,293 bbls) and a higher realised sales price of US$88.85 (2011: US$77.14). The higher realised sales price is due to the more favourable commercial terms of the revised crude oil sales agreement with Petrotrin.

The Group's cost of sales of US$32.0 million (2011: US$24.8 million) includes operating costs of US$24.2 million (2011: US$18.4 million), depreciation, depletion and amortisation of US$1.7 million (2011: US$1.9 million) and Supplementary Petroleum Tax and Royalties of US$6.1 million (2011: US$4.5 million). Exploration expenses of US$21.9 million (2011: US$3.3 million) result from the write-down of EG-7 as the well was abandoned as a dry hole and the associated costs written off.

Administrative expenses of US$4.7 million (2011: US$5.7 million) decreased during the year mainly due to decreases in the share based payment charge as the old options fully vested in 2011. Merger transaction costs of US$1.4 million (2011: US$ nil) represent professional fees arising from the merger with Trinity Exploration & Production (UK) Limited.

Balance sheet

Capital expenditure for the year was US$69.8 million (2011: US$41.3 million) comprising Trintes field development costs (US$22.9 million) and exploration costs (US$46.9 million). US$21.9 million of the exploration cost was written off in the year due to the unsuccessful EG-7 well.

Inventories at US$8.4 million (2011: US$9.8 million) are lower as a proportion of the casing was used up in the drilling of two exploration wells in 2012.

Trade and other receivables at year end were US$10.9 million (2011: US$10.6 million). Cash and cash equivalents at year end were US$9.7 million (2011: US$59.4 million).

Trade and other payables of US$19.2 million (2011: US$10.9 million) are higher resulting from an increase in drilling activities.

In December 2012 Bayfield Energy (Galeota) Limited, a subsidiary of Trinity Exploration & Production plc, entered into a US$10 million loan agreement with Trinity Exploration and Production (Trinidad and Tobago) Limited to bridge working capital requirements prior to completion of the transaction in February 2013.

The Group's tax credit for the year of US$10.9 million (2011: US$3.0 million) is due to the increase in the deferred tax asset arising from accelerated depreciation over capital allowance and losses carried forward.

The decommissioning provision of US$5.3 million (2011: US$6.7 million) decreased as a consequence of a change in accounting estimation technique applied. There was a change in the inflation and risk free rate used in estimating the decommissioning provision to align its policy with that of TEPL. This results in a change in estimation amount of US$1.3 million which has been included as a reduction to oil and gas non-current assets.

Board Members

Bruce Alan Ian Dingwall, CBE, Executive Chairman (age 53)
Bruce has over 30 years' experience in the oil and gas industry. Bruce began his career with Exxon as a geophysicist in the North Sea before moving to Lasmo where he held numerous senior management roles in their South East Asian operations. In 1997, Bruce founded, and was CEO of, Venture Production plc (now Centrica Production Limited) which grew to production of 45,000 boepd and was sold to Centrica Resources (UK) Limited in 2009 for £1.3 billion. A Trinidadian national, Bruce founded the Trinity Group in 2005 with the acquisition of the Trinidadian assets of Venture Production (Trinidad) Limited (now Ten° North Operating Company Limited). Bruce is a geologist and studied at Aberdeen University.

Bruce was appointed Chairman of the Company following completion of the merger on 14 February 2013.

Joel "Monty" Pemberton, Chief Executive Officer (age 38)
Monty joined the Trinity Group in 2005 as Chief Financial Officer and became Chief Executive Officer in 2009. Under Monty's leadership the Trinity Group has significantly grown its business, through attracting external capital and undergoing a period of rapid organic drilling and merger and acquisition led growth. Monty began his career with Ernst & Young's audit team where he qualified as a Chartered Certified Accountant and worked in both Trinidad and the UK with a focus on energy clients. Monty then moved back to Trinidad working in the energy finance division of RBTT Merchant Bank prior to joining the Trinity Group. Monty is a Fellow Chartered Certified Accountant from the Association of Certified Chartered Accountants.

Monty was appointed Chief Executive Officer of the Company following completion of the merger on 14 February 2013.

David MacFarlane, Non-Executive Director (age 56)
David is an economics graduate and Chartered Accountant, having more than 30 years' experience in financial control and management in the upstream oil and gas industry. Between 1985 and 1993 he was Finance Director of the MOM Group, later becoming Finance Director for two key sub-groups of John Wood Group plc. He joined Dana Petroleum in 2002 from Amerada Hess where, during the previous six years, he headed finance for its fast growing international exploration and production group. David was Finance Director of Dana Petroleum when it was acquired by Korea National Oil Corporation in 2010. He is also a non-executive director of Energy Assets Group, Kentz and Atlantic Petroleum plc.

David MacFarlane joined the Board when the Company floated in July 2011. He is a member of both the Audit and Remuneration Committee, and is Chairman of the Audit Committee.

Jonathan Murphy, Non-Executive Director (age 57)
Jon joined the Trinity Group at the time of acquisition from Venture Production (Trinidad) Limited (now Ten° North Operating Company Limited,) in 2005 and has over 30 years' experience in mid-cap exploration and production companies. Jon's career includes several years with Lasmo where he held various positions in geology, planning and new business, based in the UK and Asia. In 1999, Jon joined Venture Production plc (now Centrica Production Limited) as Chief Operating Officer. Jon holds a BSc. Geology from the University of London Jon joined the Board on 14 February 2013, he is a member of both the Remuneration and Audit Committee and Chairman of the Remuneration Committee.

Jon joined the Board as a Non-Executive Director following completion of the merger on 14 February 2013.

Finian O'Sullivan, Non-Executive Director (age 58)

Finian holds an honours degree in Geology from University College Galway and has pursued an international career in the oil industry with Chevron, Geophysical Systems and Olympic Oil and Gas. He founded Burren Energy in 1994 and developed its business in Turkmenistan and West Africa leading to Burren's flotation on the London Stock Exchange with a market capitalisation of £175 million in 2003. As Chief Executive, Finian expanded Burren's activities with successful exploration and steady growth in production. In 2008, Burren Energy was sold to Eni for £1.7 billion.

Finian joined the Company in 2008 as Chairman. He stepped down as Chairman following completion of the merger with Trinity Exploration & Production (UK) Limited on 14 February 2013 but remains as a Non-Executive Director.

Charles 'Anthony' Brash Junior, Non-Executive Director (age 50)

Anthony has been involved in the oil and gas industry for over 25 years and is Managing Director of Well Services Holdings Limited. Well Service Holdings Limited is the owner of a large drilling rig fleet in Trinidad and offers a wide range of other oilfield services as well as being a material onshore oil producer. Anthony has directly negotiated and managed the service contracts with BP, EOG, Repsol and Petrotrin. Anthony holds a BA in Management and a MBA in General Business from St. Edward's University in Austin, Texas.

Anthony joined the Board as a Non-Executive Director following completion of the merger on 14 February 2013.

Ronald Harford, Non-Executive Director (age 67)

Ronald, Chairman of Republic Bank Limited, is a career banker with over 45 years of service with Republic Bank Limited (formerly Barclays), the leading indigenous financial institution in the Caribbean.

Ronald is a Fellow of the UK Chartered Institute of Bankers, the Institute of Banking of Trinidad and Tobago and the Caribbean Association of Banking and Finance. He is the Chairman of The University of the West Indies (UWI) Development and Endowment Fund, serves as the Financial Advisor of the Red Cross Society of Trinidad and Tobago and was a Campaign Chairman in 2006 and 2007 for the International Charity Body, United Way. Ronald is a member of the Board of Directors of the Arthur Lok Jack Graduate School of Business-UWI and the Caribbean Information & Credit Rating Services Limited. He is a past President of the Bankers Association of Trinidad and Tobago.

Ronald joined the Board as a Non-Executive Director following completion of the merger on 14 February 2013 and is a member of both the Remuneration and Audit Committees.

Directors' Report

The directors present their annual report on the affairs of the Group, together with the financial statements and auditor's report for the year ended 31 December 2012. In order to assist the users of the financial statements, certain details and results in the Directors' Report are displayed from the point of view of the Enlarged Trinity Group post transaction with TEPL. Specific reference is made where results refer to anything other than the Group as at 31 December 2012.

Principal Activities

The principal activities of the Group are upstream oil and gas exploration and production, with the current major focus on Trinidad and Tobago.

The subsidiary and associated undertakings principally affecting the profits and net assets of the Group are as at 31 December 2012, prior to the acquisition, and can be found in note 34 to the financial statements.

Business Review

The Company is required by the Companies Act 2006 to include a business review in this report. The information that fulfils the requirements of the business review can be found on pages 4 and 5 which are incorporated in this report by reference.

Principal Business Risks

As a participant in the upstream oil and gas industry, the Group encounters and has to manage several business risks of varying degrees. Such risks include:

- operational risk;
- reservoir and reserves risk;
- oil price risk;
- HSE;
- competitive environment;
- changes to (and challenges by environmental and other interest groups to) the regulatory environment;
- changes to the taxation system;
- failure by contractors to carry out their duties;
- retention of key business relationships;
- ability to exploit successful discoveries;
- cost overruns or significant delays in the commercialisation of fields; and
- ongoing access to sources of funding.

These risks are considered typical for an upstream oil and gas exploration and production group of the Company's size and stage of development and the directors continue to monitor these specific risks faced by the Group.

The Enlarged Group has assembled a highly experienced team combining strong technical expertise with financial and transactional knowledge of the oil and gas sector. The Enlarged Group's strategy to managing these risks includes building and maintaining a portfolio of assets; focusing on delivering production and maintaining financial and operational flexibility.

Going Concern

In making their going concern assessment, the directors have considered the Group's budgets and cash flow forecasts.

On 27 December 2012 Bayfield Energy (Galeota) Limited and Galeota Oilfield Services Limited, as borrowers, entered into a bridging term loan facility of US$10 million with Trinity Exploration and Production (Trinidad and Tobago) Limited. Following completion of the merger the loan facility is classed as an inter-company loan.

On 13 February 2013 the Company announced that it had successfully raised US$90 million (£57 million) before expenses by way of a placing of 47,500,000 ordinary shares at a price of £1.20 per share.

The proceeds of the placing are proposed to accelerate delivery of the work programme of the Enlarged Group, which contemplates drilling 14 offshore development wells, 27 onshore development wells and six offshore exploration wells during 2013 and 2014. The programme is expected to increase production to 5,000 barrels of oil per day (net) by the end of 2013.

In light of the recent fund raising and taking account of reasonably possible changes in trading performance, the Enlarged Group's forecasts and projections show the Enlarged Group will be able to operate within the its current facilities and will have significant financial headroom for the 12 months from date of approval of the 2012 Annual Report and Accounts. As a result, the directors have a reasonable expectation that the Company and the Enlarged Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

Dividends

The Group's loss for the year after taxation amounted to US$13.0 million (2011: US$14.3 million). The directors have not recommended a dividend (2011: nil).

Dividend Policy

It is the intention of the directors to achieve capital growth for the shareholders. In the short term, the directors therefore intend to retain any future profits in the Enlarged Group for reinvestment in the business and, accordingly, are unlikely to declare dividends in the foreseeable future. However, the directors will consider the payment of dividends, subject to the availability of distributable reserves, when they consider it appropriate to do so.

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the period are shown in note 20.

The Company has one class of ordinary shares.

On 14 February 2013, the Company's ordinary shares of US$0.10 each were consolidated on a one for ten basis, resulting in ordinary shares of US$1.00 each. The shareholders of TEPL received approximately 747.8 ordinary shares of US$1.00 each in the capital of the Company for every TEPL share they held. The Company then proceeded to issue a further 47,500,000 ordinary shares of US$1.00 each in respect of the placing.

Each share carries the right to one vote at general meetings of the Company. The percentage of the issued nominal value of the ordinary shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the articles of association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 26.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the Company is governed by its articles of association, the Companies Act 2006 and related legislation. The articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the main board terms of reference, copies of which are available on request and the corporate governance statement on page 16.

Directors

The directors who served during the period and at the date of this report were as follows:

Hywel John – Chief Executive Officer
(resigned 14 February 2013)
Andrey Pannikov – Non-Executive Director
(resigned 14 February 2013)
Jonathan Cooke – Non-Executive Director
(resigned 14 February 2013)
Finian O' Sullivan – Non-Executive Director (previously Executive Chairman) (appointed 21 February 2011)
David MacFarlane – Non-Executive Director
(appointed 8 July 2011)
Bruce Alan Ian Dingwall – Executive Chairman
(appointed 14 February 2013)
Joel Montgomery Christopher Pemberton – Chief Executive Officer (appointed 14 February 2013)
Jonathan Murphy – Non-Executive Director
(appointed 14 February 2013)
Charles Anthony Brash – Non-Executive Director
(appointed 14 February 2013)
Ronald Harford – Non-Executive Director
(appointed 14 February 2013)

Directors' Interests

The directors who held office at 31 December 2012 had the following interests in the ordinary shares of US$0.10 each in the capital of the Company:

Name of Director	*No. of shares of US$0.10 each 31 December 2011*	*No. of shares of US$0.10 each 31 December 2012*
Finian O'Sullivan*	36,261,665	36,261,665
Hywel John	Nil	Nil
Andrey Pannikov*	38,513,363	38,513,363
Jonathan Cooke*	102,436	102,436
David MacFarlane	Nil	Nil

* Finian O'Sullivan holds 4,941,667 shares directly, 29,299,515 shares through his company, Prelude Holdings Limited, a further 1,576,483 shares jointly with his spouse and 444,000 held by the O'Sullivan Family Charitable Trust.

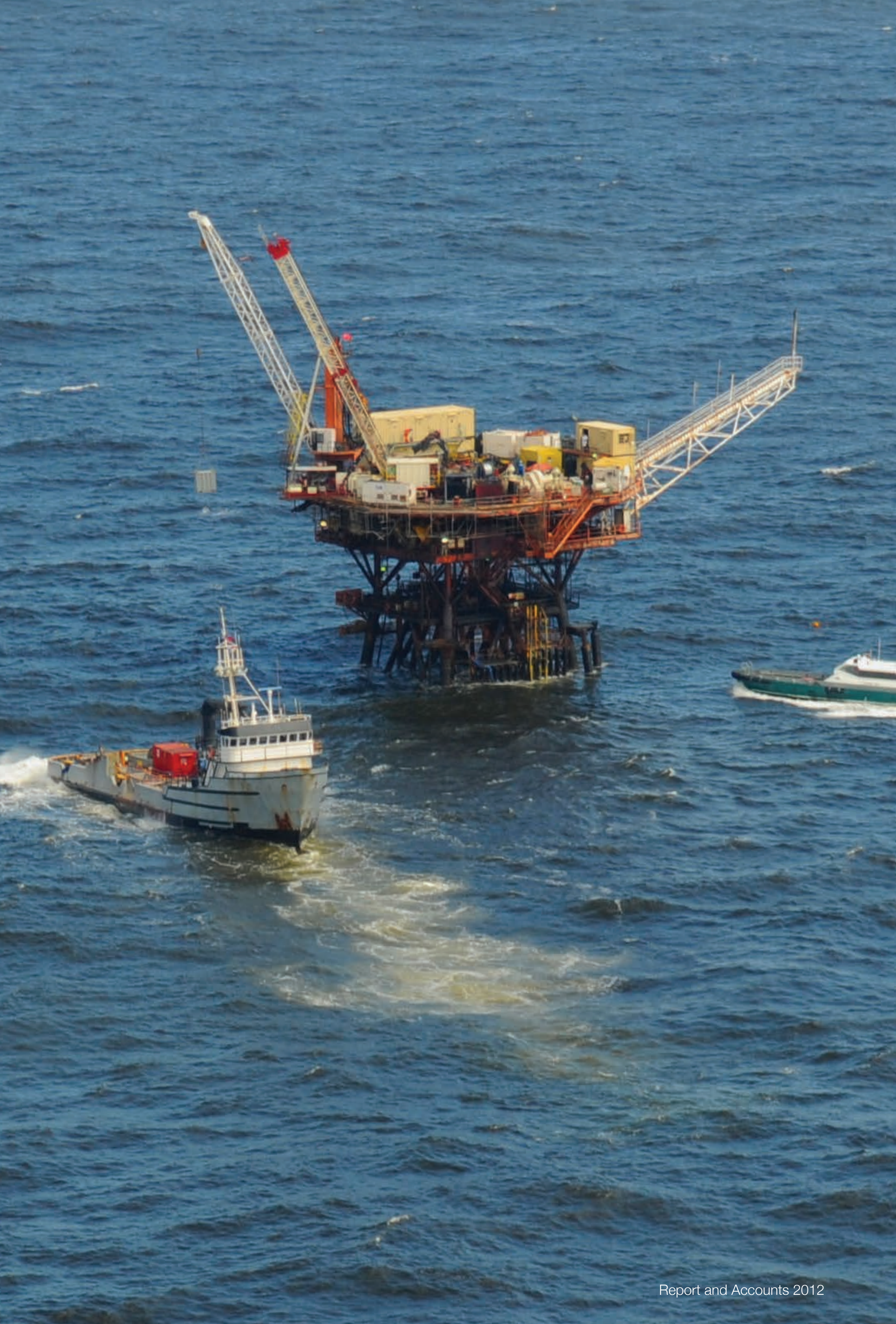
* Andrey Pannikov holds 500,000 shares directly, 3,041,667 through his company, Latvia Limited and the remaining 34,971,696 through his company, Lion Invest and Trade Limited.

* Jonathan Cooke holds 36,351 shares directly and 66,085 shares are held by his spouse.

On 14 February 2013 the share capital of the Company was consolidated on a one for ten basis and as a result directors who held office as at 31 December 2012 now hold the following shares (directly or indirectly) in the Company:

Finian O'Sullivan – 3,626,166 Ordinary shares of US$1.00 each
Andrey Pannikov – 3,851,336 Ordinary shares of US$1.00 each
Jonathan Cooke – 10,243 Ordinary shares of US$1.00 each

Since 14 February 2013, Hywel John, Andrey Pannikov and Jonathan Cooke have all resigned as directors of the Company.



Directors' share options/LTIP

Details of directors' share options/LTIP are provided in the directors' remuneration report on page 18.

Directors' Indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

Supplier Payment Policy

The Company's policy, which is also applied by the Group, is to settle supplier payment invoices within 30 days of the date of the invoice. The Company may, by exception, pay individual suppliers during the year.

Trade payables of the Group at 31 December 2012 were equivalent to 26 days' (2011: 33 days') purchases, based on the average daily amount invoiced by suppliers during the year.

Charitable and political contributions

The Group has made neither material charitable nor any political contribution to any source during both the current and preceding years.

Health Safety and Environment (HSE)

The Enlarged Group continuously monitors and evaluates all aspects of HSE performance with a goal of ensuring a strong HSE culture across its operations. The Group has implemented a robust HSE plan focusing on key elements to ensure continuous improvement in important areas such as: safe operations, emergency management, incident investigation, environmental stewardship, third party services, compliance assurance, management of change, reliability and efficiency and the security of personnel and assets.

HSE objectives form an integral part of the Group's annual key performance indicators (KPI's) and include zero lost time incidents, a low rate of total recordable incidents and continuous delivery and improvement against the HSE plan. HSE KPI's, performance and deliverables are regularly reviewed both at the business unit level as well as with the board of directors.

The Group's HSE Policy is predicated on:

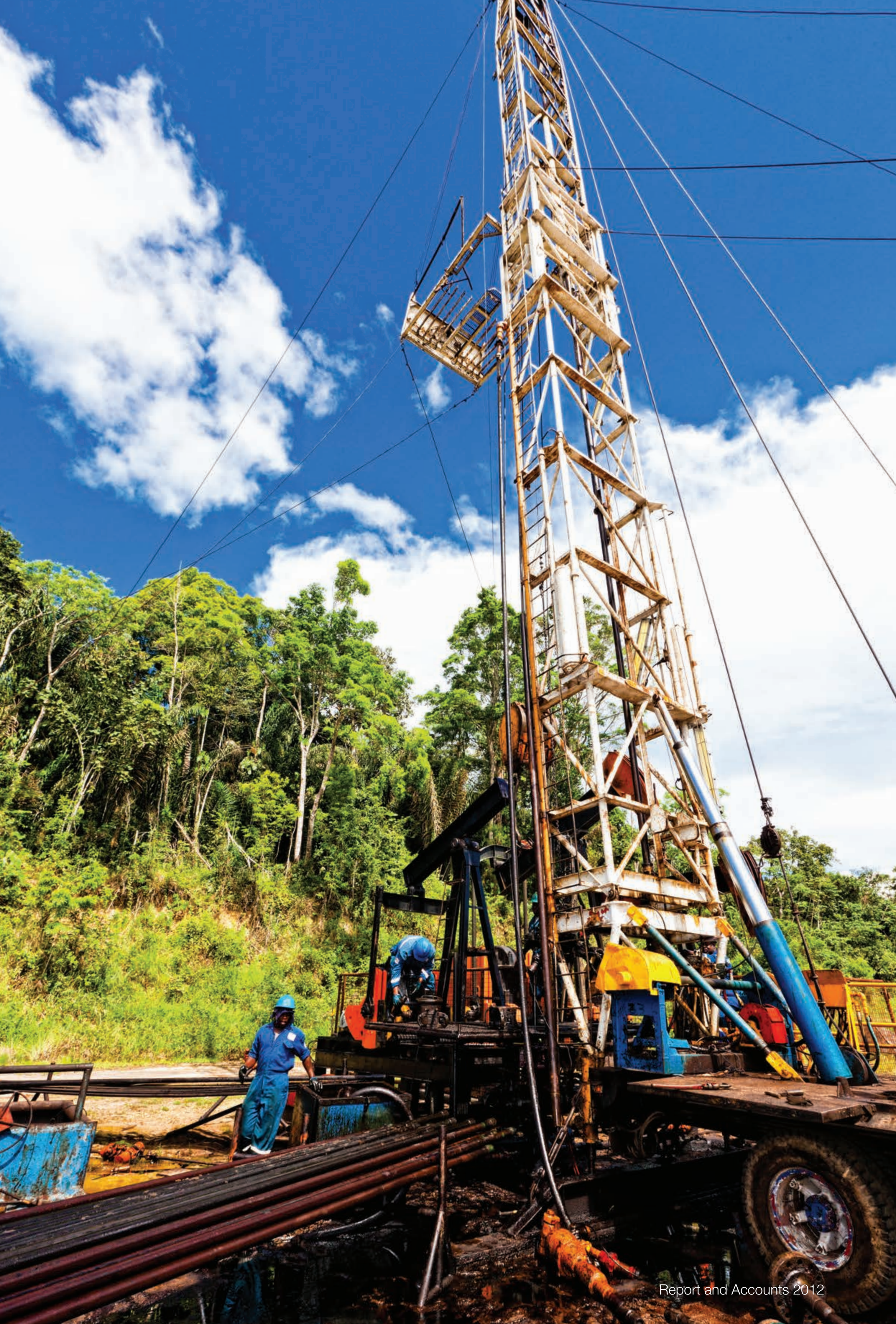
- managing all Group activities and contractors through their life-cycles in a way that protects the health, safety and welfare of all employees and ensures the protection of the environment;
- ensuring that the management of HSE is seen as a critical business activity;
- managing HSE in order to achieve our objective of incident free operations;
- playing a leading role in promoting 'best practice' in all our activities; and
- creating a culture where the Group's employees and its contractors share these commitments.

The Group will conduct its operations in a responsible manner with the aim not to harm the environment or affect the ecosystem in the areas in which it operates.

Prior to undertaking any drilling activity, extensive surveys are undertaken to identify, and assist in minimising, the key risks to the environment, and the workforce are educated to ensure that awareness of the environment pervades the Group's operational approach.

The Galeota block is located in an area of environmental importance, and its well-being is of great importance to the local community and the Group. Following a thorough ecosystem identification survey conducted in January and February 2011, a comprehensive environmental management plan was put in place to ensure that the surrounding areas are not affected by the Group's activities.

Systems are in place to help to ensure that catastrophic events will not take place, but situation-specific exercises are held on a weekly basis to ensure all personnel are trained and ready for any contingency. The Group and the drilling contractor have a Tier 1 response capability on board as part of standard operating procedure. The Group has a Tier 2 capability through a local service provider, along with mutual aid agreements with other operators to ensure that if any spill occurs an appropriate response will be undertaken swiftly. For Tier 3 response, the Group is a member of Clean Caribbean and Americas (CCA), which ensures that international experts and equipment are in place within 24 hours.



Directors' Report (continued)

Key Performance Indicators (KPIs)

The Group uses Oil production, Gross revenue, Gross profit/(loss) and Profit/(loss) before tax to monitor the Group's performance:

KPIs	*2012*	*2011*
Oil production (net) (bopd)	1,622	779
Gross revenue ($'m)	36.2	22.0
Gross profit/(loss) ($'m)	4.3	(2.8)
(Loss) before tax ($'m)	(23.9)	(17.2)

The Board of Directors and Management will continue to review the Company's KPIs to ensure they are in line with the strategic growth plans of the business.

Substantial Shareholdings

Following the completion of the reverse takeover and consolidation of the share capital, those shareholders holding over 3% of the voting rights as at 8 April 2013 were as follows:

Name of holder	*Percentage of voting rights and issued share capital*	*No. of ordinary shares*
Legal & General Investment Management	13.04	12,362,007
Bruce Dingwall	6.10	5,781,472
Charles Anthony Brash & family	5.90	5,593,018
Jonathan Murphy	5.14	4,877,421
Andrey Pannikov	4.06	3,851,335
David and Christina Living Trust	4.06	3,849,025
Finian O'Sullivan	3.83	3,626,165
Regent Pacific	3.67	3,479,850
JP Morgan Fleming Asset Management	3.05	2,890,200

Auditor

Each of the persons who is a director at the date of approval of this annual report confirms that;

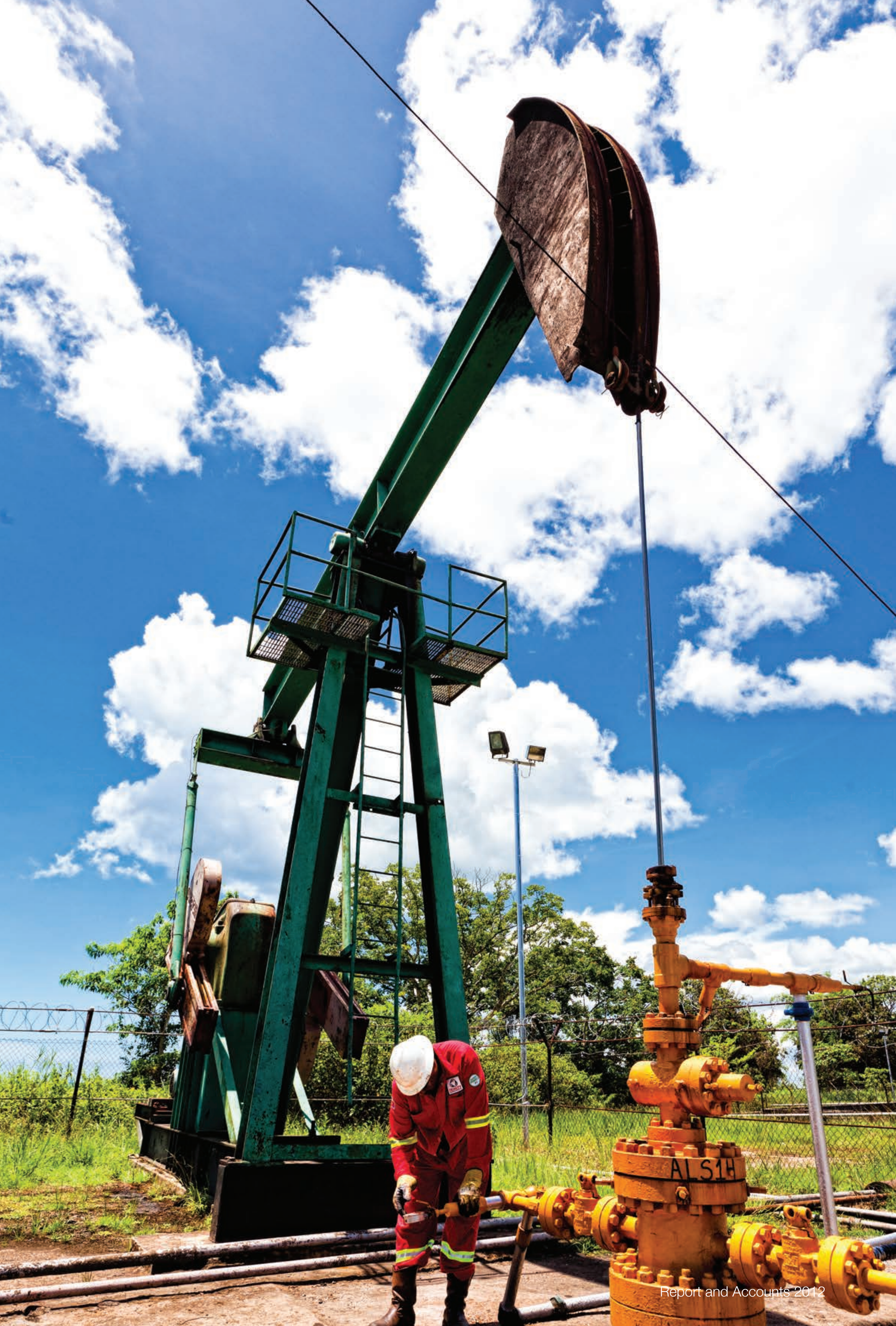
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor a decision whether they are reappointed will be made through a tendering process at the forthcoming annual general meeting.

Amanda Bateman

By order of the board
Amanda Bateman
Company Secretary
7 May 2013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Corporate Governance Statement

The Enlarged Group is committed to maintaining high standards of corporate governance. Whilst not required to comply with the UK Combined Code on Corporate Governance, the directors nonetheless chose to comply with the Code so far as it is practicable having regard to the size and current stage of development of the Company.

The Board

The Board generally will meet five times throughout the year and additionally as issues arise. The Board comprises of two executive directors, including the Executive Chairman, and five non-executive directors.

The Board is responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board has a formal schedule of matters specifically reserved to it for decision making, including matters relating to major capital expenditure, management structure and appointments, strategic and policy considerations, corporate transactions and finance.

The Board has responsibility for establishing and maintaining the Enlarged Group's system of internal financial controls and reviewing its effectiveness. The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Enlarged Group will therefore be subject to regular review by the Board in light of the future growth and development of the Group and adjusted accordingly.

To enable the Board to discharge its duties it is intended that all of the directors will receive timely information. If necessary, the non-executive directors may take independent advice, and there is a procedure in place to allow them to do this.

The Board does not consider it necessary, at the current time to establish a Nominations Committee.

The Board has delegated specific responsibilities to the Committees described below:

The Remuneration Committee

The Remuneration Committee comprises of Jonathan Murphy (Chairman), David MacFarlane and Ronald Harford. The Committee is responsible for determining and agreeing with the Board the framework for the remuneration of the Company's Chairman, executive directors and other members of the executive management. It is responsible for the design of all share incentive plans and the determination each year of individual awards to executive directors and other senior executives and the performance targets to be used. The remuneration of the non-executive directors is agreed by the Chairman and executive director. No director may participate in any meeting at which discussion or any decision regarding his own remuneration takes place.

The Audit Committee

The Audit Committee comprises of David MacFarlane (Chairman), Ronald Harford and Jonathan Murphy. The Committee will generally be meeting twice a year. Its main functions include monitoring the integrity of the Group's financial statements, reviewing the effectiveness of the Enlarged Group's internal controls and risk management systems. The Committee makes recommendations to the Board in relation to the appointment of the Company's auditor, overseeing the approval of their remuneration and terms of engagement and assessing annually their independence, objectivity and effectiveness.

The Company's auditor provides additional professional services including tax advisory. The Audit Committee assesses the objectivity and independence of the Company's auditor.

Relationship with Shareholders

The Board remains fully committed to maintaining communication with its shareholders. There is regular dialogue with major institutional shareholders and meetings following significant announcements. The Company's website (www.trinityexploration.com) contains all announcements, press releases, major corporate presentations and interim and year end results. The Board will use its Annual General Meeting to communicate with both private and institutional investors.

The Share Dealing Code

The Company has adopted a code on dealings in securities which the Board regards as appropriate for an AIM listed company. The Company takes all reasonable steps to ensure compliance by the directors, employees and agents with the provisions of the AIM rules relating to dealings in securities.

On behalf of the board

Executive Chairman
7 May 2013

Directors' Remuneration Report

The Remuneration Committee is responsible for making recommendations to the Board regarding the framework for the remuneration of the Chairman, executive directors and members of the executive management. The Committee works within its terms of reference, the role of the Committee includes:

- Determining and agreeing with the Board the remuneration policy for all executive directors and executive management.
- Ensuring executive remuneration packages are competitive.
- Determining whether annual bonus payments should be made and recommending levels for individual executives.
- Determining each year whether any awards / grants should be made under the incentive schemes and the value of such awards.
- Considering any new long term incentive schemes and performance criteria.
- Agreeing directors' service contracts and notice periods.

Remuneration detailed in this report relates to those holding office as at 31 December 2012. Details of the current directors' remuneration packages and service contracts are contained in the Company's admission document, which can be found on the Company's website – www.trinityexploration.com.

Basic salary

Salaries are reviewed annually taking into account individual performance, market data and levels of increases applicable to other employees in the Group. Salaries are benchmarked against comparable roles in companies of a similar market capitalisation and against similar roles in companies within the industry sector. No salary adjustments were made during 2012. The salaries for the executive directors and executive management for the financial year ending 31 December 2012 were as follows:

Name	*£ 2012*	*2011*
Hywel John	200,000	190,000
Finian O'Sullivan	100,000	50,000
	£300,000	240,000

Benefits-in-kind

Annual bonus payments

The Group has a discretionary annual cash bonus scheme. No bonuses were paid during the period (2011: nil).

Share options

The Company has granted options over its Ordinary shares to certain directors and employees pursuant to individual option agreements. During the first quarter of 2012 a number of option holders were offered and accepted the chance to surrender their options in full consideration of the grant of an award of Ordinary shares under the Company's Long-term incentive plan. As at 14 February 2013 there were options over 3,075,513 ordinary shares of $1.00 in the capital of the Company (444,754 under the old scheme and 2,630,759 under the new mirror scheme).

Long-term incentive plan ('LTIP')

The Company established a long term incentive plan upon admission to AIM on 18 July 2011. 'At the point in time the LTIP was established the Board were of the opinion that total shareholder return (TSR) was the most appropriate long term performance measure. Awards will normally vest after three years provided certain performance criteria have been met.

The initial performance condition applying to all current awards is based on growth in the Company's TSR as detailed below:

Growth on the Company's TSR over the performance period	*Per cent of award which shall vest*
less than 5% per annum	0%
5% per annum	25%
10% per annum	50%
15% per annum	75%
20% per annum	100%

No award shall be granted to any individual if the aggregate market value of the Ordinary shares subject to that award together with the aggregate market value of any Ordinary shares committed to be issued or transferred pursuant to any other award made to him after the Company's shares were admitted to trading on AIM during the previous 12 months under the Plan would exceed a sum equal to his earnings.

No award may be granted on any date if, as a result, the aggregate number of Ordinary shares issued or transferred from treasury, or committed to be issued or transferred from treasury, pursuant to awards made after the Company's shares were admitted to trading on AIM under the LTIP plan and pursuant to grants or appropriations made after the Ordinary shares became so admitted during the previous ten years under all other employee share schemes established by the Company would exceed ten per cent of the issued ordinary share capital of the Company on that date.

Directors' contracts

It is the Company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. The former Chief Executive Director, Hywel John entered into his contract on 8 July 2011. At the completion of the merger with Trinity Exploration & Production (UK) Limited on 14 February 2013 Hywel John resigned as Director and CEO of the Company and received one year's salary as per the terms of his contract.

Chairman and Non-Executive Directors

All Non-Executive Directors and the Executive Chairman serve under letters of appointment and either party can terminate on one month's written notice. Their remuneration is determined by the Board within the limits set by the articles of association and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. Neither the Chairman nor the Non-Executive Directors have any right to compensation on the early termination of their appointment.

Directors' Remuneration Report (continued)

In addition to the basic fees, additional fees for committee duties are paid, to reflect the extra responsibilities attached to these roles. The Non-Executive Directors do not participate in any of the Group's incentive or share schemes nor do they receive other benefits. The fees are reviewed annually and fees for 2012 are shown in the table below:

	2012 £	*2011* £
Chairman	100,000	100,000
Non-Executive Director annual basic fee	40,000	40,000
Additional fee per annum:		
Chairman of Remuneration Committee	5,000	5,000
Chairman of Audit Committee	10,000	10,000

Audited information

Aggregate directors' remuneration

The total amounts for directors' remuneration for the period was as follows:

	2012 £	*2011* £
Salaries, fees, bonuses and benefits in kind	410,649	306,614
Compensation for loss of office	–	–
Gains on exercise of share options	–	–
Amounts receivable under long-term incentive schemes	–	–
	410,649	306,614

Directors' emoluments (and compensation)

Name of director	*Fees/Basic salary* £	*Benefits in kind* £	*Annual bonuses* £	*2012 total* £	*2011 total* £
Executive					
Hywel John	200,000	12,074	–	212,074	197,483
Finian O'Sullivan	100,000	–	–	100,000	51,251
Non-executive					
Jonathan Cooke	45,000	396	–	45,396	26,119
David MacFarlane	50,000	3,179	–	53,179	31,761
Andrey Pannikov	–	–	–	–	–
Aggregate emoluments	395,000	15,649	–	410,649	306,614

Upon completion of the merger with Trinity Exploration & Production (UK) Limited Jonathan Cooke, Hywel John and Andrey Pannikov resigned as directors of the Company.

Directors' emoluments (and compensation)

No directors exercised options during the year (2011: nil).

On appointment in 2010 Hywel John was granted options in Bayfield Energy Limited, a wholly owned subsidiary of the Group, over 750,000 Ordinary shares at an option price of US$0.25 (the 'Original Options'). On 7 June 2011 these options were surrendered in consideration for the grant of 750,000 options over shares in the Company (the 'New Options'). The New Options had the same option price and performance conditions as the Original Options. On 26 January 2012 these options were surrendered in full in consideration of the grant of an award of 750,000 shares under the Company's LTIP.

As a result of the conditional merger announcement on 15 October 2012, trading of the Company's securities on the Alternative Investment Market (AIM) was temporarily suspended. The market price of the ordinary shares at 30 December 2012 was 20.7p and the range during the year was 13p to 72.5p.

LTIP

Hywel John was awarded 3,000,000 shares under the Company's LTIP in July 2011. Following the surrender of his New Options in January 2012 he holds an aggregate award of 3,750,000 shares under the LTIP Plan. No LTIP awards vested during the period. Hywel John's LTIP award lapsed at the termination of his office on 14 February 2013.

There have been no variations to the terms and conditions or performance criteria for the LTIP schemes during the financial year.

Approval

This report was approved by the board of directors on 7 May 2013 and signed on its behalf by:

J.D. Murphy

Jonathan Murphy
Chairman
Remuneration Committee
7 May 2013

Directors' Responsibilities

The directors are responsible for preparing the Annual 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 are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare the parent company financial statements under IFRSs as adopted by the EU. Under company law the directors must not approve the accounts 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

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

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with International Financial Reporting Standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Joel M. C. Pemberton
Chief Executive Officer
7 May 2013

Independent Auditor's Report to the Members of Trinity Exploration & Production Plc

We have audited the financial statements of Trinity Exploration & Production plc for the year ended 31 December 2012 which comprise Group Income Statement, the Group Statement of Comprehensive Income, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group and Parent Company Statements of Changes in Equity and the related notes 1 to 41. 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 and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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, 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 Group's and the parent 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 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 Group's and of the parent Company's affairs as at 31 December 2012 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Graham Hollis ACA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
London, UK
7 May 2013

Consolidated Income Statement
for the year ended 31 December 2012

	Notes	31 December 2012 US$000's	31 December 2011 US$000's
Revenue	6	36,244	22,007
Cost of sales		(31,953)	(24,804)
Gross profit/(loss)		4,291	(2,797)
Exploration expense	11	(21,900)	(3,324)
Administrative expenses		(4,647)	(5,719)
Listing expenses	7	–	(3,467)
Merger transaction costs	7	(1,389)	–
Operating loss	7	(23,645)	(15,307)
Finance income	9	52	32
Finance costs	10	(347)	(1,951)
Loss before tax		(23,940)	(17,226)
Taxation	21	10,934	2,970
Loss for the year	28	(13,006)	(14,256)
Attributable to:			
Owners of the Company		(12,929)	(13,333)
Non-controlling interest		(77)	(923)
Loss for the year	28	(13,006)	(14,256)
Basic and diluted loss per share (US$)	23	(0.06)	(0.09)

All operations were continuing throughout both years.

The notes on pages 29 to 56 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2012

	Notes	31 December 2012 US$000's	31 December 2011 US$000's
Loss for the year	28	(13,006)	(14,256)
Exchange differences on translation of Group subsidiaries		(72)	29
Other comprehensive (loss)/income		(72)	29
Total comprehensive loss for the year		(13,078)	(14,227)
Attributable to:			
Owners of the Company		(13,001)	(13,304)
Non-controlling interest		(77)	(923)
Loss for the year		(13,078)	(14,227)

The notes on pages 29 to 56 form an integral part of these financial statements.

Balance Sheet
as at 31 December 2012

	Notes	31 December 2012 US$000's	31 December 2011 US$000's
Assets			
Non-current assets			
Intangibles: exploration and evaluation assets	11	36,332	11,358
Property, plant and equipment	12	56,870	37,414
Deferred tax	22	18,527	7,593
		111,729	56,365
Current assets			
Inventories	13	8,380	9,822
Trade and other receivables	14	10,848	10,647
Cash and cash equivalents	15	9,686	59,444
		28,914	79,913
Total assets		140,643	136,278
Liabilities			
Current liabilities			
Trade and other payables	16	(19,193)	(10,931)
Borrowings	17	(10,000)	-
		(29,193)	(10,931)
Net current (liabilities)/assets		(279)	68,982
Non-current liabilities			
Decommissioning provision	27	(5,254)	(6,693)
Total liabilities		(34,447)	(17,624)
Net assets		106,196	118,654
Equity			
Share capital	20	21,648	21,498
Share premium	20	80,817	80,586
Merger reserve	20	35,046	35,046
Share based payment reserve	26	2,486	2,247
Translation reserve		(125)	(53)
Accumulated losses	28	(32,676)	(19,747)
Equity attributable to the owners of the Company		107,196	119,577
Non-controlling interests		(1,000)	(923)
Total equity		106,196	118,654

The financial statements were approved by the board of directors and authorised for issue on 7 May 2013. They were signed on its behalf by:

Joel M. C. Pemberton
Chief Executive Officer
7 May 2013

The notes on pages 29 to 56 form an integral part of these financial statements.

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

	Share capital US$000's	Share premium US$000's	Merger reserve US$000's	Share based payment reserve US$000's	Convertible debt US$000's	Translation reserve US$000's	Accumulated losses US$000's	Sub-total US$000's	Non-controlling interest US$000's	Total equity US$000's
Balance at 31 December 2010	9,294	–	27,196	650	149	(82)	(6,632)	30,575	–	30,575
Loss for the year	–	–	–	–	–	–	(13,333)	(13,333)	(923)	(14,256)
Currency translation differences	–	–	–	–	–	29	–	29	–	29
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**29**	**(13,333)**	**(13,304)**	**(923)**	**(14,227)**
Share based payments	–	–	–	1,597	–	–	–	1,597	–	1,597
Acquisition of AGOC	300	–	1,500	–	–	–	–	1,800	–	1,800
Issue of convertible loan notes	–	–	–	–	69	–	–	69	–	69
Transfer from retained losses	–	–	–	–	(218)	–	218	–	–	–
Issue of share capital prior to scheme of arrangement (net of share issue costs)	2,263	–	6,350	–	–	–	–	8,613	–	8,613
Issue of share capital post scheme of arrangement (net of share issue costs)	9,641	80,586	–	–	–	–	–	90,227	–	90,227
Issue of redeemable preference shares	82	–	–	–	–	–	–	82	–	82
Redemption of redeemable preference shares	(82)	–	–	–	–	–	–	(82)	–	(82)
Balance at 31 December 2011	**21,498**	**80,586**	**35,046**	**2,247**	**–**	**(53)**	**(19,747)**	**119,577**	**(923)**	**118,654**
Loss for the year	–	–	–	–	–	–	(12,929)	(12,929)	(77)	(13,006)
Currency translation differences	–	–	–	–	–	(72)	–	(72)	–	(72)
Total comprehensive loss	**–**	**–**	**–**	**–**	**–**	**(72)**	**(12,929)**	**(13,001)**	**(77)**	**(13,078)**
Share based payments	–	–	–	245	–	–	–	245	–	245
Issue of share capital	150	225	–	–	–	–	–	375	–	375
Transfer on exercise of options	–	6	–	(6)	–	–	–	–	–	–
Balance at 31 December 2012	**21,648**	**80,817**	**35,046**	**2,486**	**–**	**(125)**	**(32,676)**	**107,196**	**(1,000)**	**106,196**

The notes on pages 29 to 56 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2012

	Notes	31 December 2012 US$000's	31 December 2011 US$000's
Cash flow from operating activities			
Operating loss		(23,645)	(15,307)
Adjustments for:			
Share based payments	26	245	1,633
Depreciation on property, plant and equipment	12	2,076	2,190
Exploration write-off	11	21,900	3,324
Profit on disposal of property, plant and equipment		(43)	–
Operating cash flow before movements in working capital		533	(8,160)
Decrease/(Increase) in inventory		1,442	(7,185)
Increase in trade and other receivables		(201)	(7,238)
Increase in trade and other payables		2,753	2,142
Net cash generated from/(used in) operating activities		4,527	(20,441)
Cash flow from investing activities			
Interest received		52	32
Disposal of property, plant and equipment		43	–
Additions of exploration and evaluation assets		(43,543)	(2,209)
Additions of property, plant and equipment		(21,372)	(30,432)
Net cash used in investing activities		(64,820)	(32,609)
Cash flow from financing activities			
Interest paid		(10)	(20)
Proceeds from issue of convertible loan		–	4,250
Borrowings (net of costs)		9,921	–
Share capital issued (net of costs) *		375	86,549
Net cash generated from financing activities		10,286	90,779
Net (decrease)/increase in cash and cash equivalents		(50,007)	37,729
Cash and cash equivalents at beginning of year		59,444	23,255
Foreign exchange differences		249	(1,540)
Cash and cash equivalents at end of year		9,686	59,444

* In 2011 US$3,467,000 of share issue costs were included in the income statement. Including these costs, share capital issued net of costs amounted to US$83,082,000.

The notes on pages 29 to 56 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements

1. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRIC interpretations. The consolidated financial statements have been prepared under the historical cost convention. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Adoption of new and revised standards

(a) The following standards and amendments to existing standards have been published and are mandatory for the first time for the financial year beginning 1 January 2012 but had no significant impact on the Group:

IFRS 7, 'Financial instruments'	Amendments increase the disclosure requirements for transactions involving transfers of financial assets in order to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.
IAS 12, 'Income Taxes'	Amendments establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS Investment Property will be recovered entirely through sale and therefore in jurisdictions where tax is not imposed on sale of an investment property deferred tax will no longer be recognised on timing differences arising from fair value gains and losses.

(b) The following new standards, amendments to standards and interpretations have been issued, but are not effective (and in some cases had not yet been adopted by the EU) for the financial year beginning 1 January 2012 and have not been early adopted:

- IFRS 1, Government Loans
- IFRS 7, Financial Instruments: Offsetting Financial Assets and Financial Liabilities'
- IFRS 9, Financial Instruments
- IFRS 10, Consolidated financial statements
- IFRS 11, Joint arrangements
- IFRS 12, Disclosures of interests in other entities
- IFRS 13, Fair value measurement
- Amendment to IAS 1, Financial statement presentation regarding other comprehensive income
- Amendment to IAS 19, Employee benefits
- IAS 27 (revised 2011), Separate financial statements
- IAS 28 (revised 2011), Associates and joint ventures
- IAS 32, Offsetting Financial Assets and Financial Liabilities

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

Notes to the Consolidated Financial Statements (continued)

2. Summary of significant accounting policies

The principal accounting policies adopted are set out below.

2.1. Going concern
In making their going concern assessment, the directors have considered the Group's budgets and cash flow projections. Cash forecasts are regularly produced and sensitivities run for different scenarios including, but not limited to, changes in commodity prices, different production rates from the Group's portfolio of producing fields and delays in development projects.

In light of the recent fund raising and taking account of reasonably possible changes in trading performance, the Group's forecasts and projections show the Group will be able to operate within the its current facilities and will have significant financial headroom for the 12 months from date of approval of the 2012 Annual Report and Accounts. As a result, the directors have a reasonable expectation that the Company and the Enlarged Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual report and financial statements.

For further discussion on the going concern basis of accounting please refer to the Directors' Report.

2.2 Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Uniform accounting policies have been adopted across the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

2.3 Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. For each business combination, the cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognised at their fair value at the acquisition date. Where the Group has acquired assets held in a subsidiary undertaking that do not meet the definition of a business combination, purchase consideration is allocated to the net assets acquired and the interests of non-controlling shareholders are initially measured at their proportionate share of the acquiree's net assets.

2.4 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 and sales related taxes. Revenue is recognised when goods are delivered and title has passed.

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

2.5 Employee services settled in equity instruments
The Group issues equity-settled share-based payments to certain employees. These are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant, measured by using an option valuation model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

2.6 Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in US dollars, which is the functional currency of the parent Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transaction are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

2.7 Exploration and evaluation assets

Exploration and evaluation assets – capitalisation

Oil and natural gas exploration and evaluation expenditures are accounted for using the successful efforts method of accounting. Under this method, costs are accumulated on a prospect-by-prospect basis and capitalised upon discovery of commercially viable mineral reserves. If the commercial viability is not achieved or achievable, such costs are charged to expense.

Costs incurred in the exploration and evaluation of assets include:

(i) Licence and property acquisition costs

Exploration and property leasehold acquisition costs are capitalised within exploration and evaluation assets.

(ii) Exploration and evaluation expenditure

Costs directly associated with an exploration well are capitalised until the determination of reserves is evaluated. Such costs include topographical, geological, geochemical, and geophysical studies, exploratory drilling costs, trenching, sampling and activities in relation to evaluating the technical feasibility and commercial viability of extracting mineral resources. Capitalisation is made within property, plant and equipment or intangible assets according to its nature, however a majority of such expenditure is capitalised as an intangible asset. If commercial reserves are found, the costs continue to be carried as an asset. If commercial reserves are not found, exploration and evaluation expenditures are written off as a dry hole when that determination is made.

Once commercial reserves are found, exploration and evaluation assets are tested for impairment and transferred to development tangible and intangible assets as applicable. No depreciation and/or amortisation are charged during the exploration and evaluation phase.

Notes to the Consolidated Financial Statements (continued)

Exploration and evaluation assets – impairment

Exploration and evaluation assets are tested for impairment (in accordance with the criteria set out in IFRS 6: Exploration for and Evaluation of Mineral Resources) when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the exploration and evaluations assets' fair value less costs to sell and their value in use.

2.8 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is charged so as to write-off the costs of assets less their residual value over their estimated useful lives, using the straight-line method commencing in the month following the purchase, on the following basis:

Fixtures and fittings	10 years
Computer equipment	3 years
Motor vehicles and plant and machinery	4 years
Land and buildings	10 years

Oil and gas properties – see depletion and amortisation – oil and gas assets

The gain or loss arising on the disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

2.9 Commercial reserves

Commercial reserves (2P) are proven and probable oil and gas reserves, which are defined as the estimated quantities of crude oil, natural gas and natural gas liquids which geological, geophysical and engineering data demonstrate with a specified degree of certainty to be recoverable in future years from known reservoirs and which are considered commercially producible. There should be a 50% statistical probability that the actual quantity of recoverable reserves will be more than the amount estimated as proven and probable reserves and a 50% statistical probability that it will be less.

2.10 Depletion and amortisation – oil and gas assets

Depreciation on drilling rigs is charged so as to write-off the costs of the rig less its residual value over its estimated useful life, using the straight-line method commencing in the month following the purchase.

All other expenditure carried within each field is amortised from the commencement of production on a unit of production basis, which is the ratio of oil and gas production in the period to the estimated quantities of commercial reserves at the end of the period plus the production in the period, generally on a field-by-field basis. Costs used in the unit of production calculation comprise the net book value of capitalised costs plus the estimated future field development costs. Changes in the estimates of commercial reserves or future field development costs are dealt with prospectively.

2.11 Impairment

At each balance sheet date, the Group reviews the carrying amount of its tangible and 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). For the purposes of impairment the Group estimates the recoverable amount of the cash-generating unit to which assets belong.

Where there has been a change in economic conditions that indicates a possible impairment in a discovery field, the recoverability of the net book value relating to that field is assessed by comparison with the estimated discounted future cash flows based on management's expectations of future oil and gas prices and future costs.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or 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.

2.12 Inventories

Inventories (stocks of drilling equipment) are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Oil stocks are valued at net realisable value.

2.13 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. Appropriate provisions for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the assets are impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.15 Financial liabilities and equity

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

2.16 Trade payables

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

2.17 Equity instruments

Equity issued by the Company is recorded at the proceeds received, net of direct issue costs.

2.18 Current and deferred income tax

The tax expense represents the sum of the tax currently payable and deferred tax.

(a) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

(b) Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.19 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is included as a finance cost.

Provision for decommissioning is recognised in full when the related facilities are installed. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment or intangible asset. The amount recognised is the estimated cost of decommissioning, discounted to its net present value, and is reassessed each year in accordance with local conditions and requirements. Changes in the estimated timing of decommissioning or decommissioning cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment or intangible asset. The unwinding of the discount on the decommissioning provision is included as a finance cost.

2.21 Leasing

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

2.22 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

2.23 Investments

Investments are shown at cost less provision for any impairment in value. The Company performs impairment reviews in respect of investments whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. An impairment loss is recognised when the higher of the investment's net realisable value and its value in use is less than the carrying amount.

3. Financial risk management

3.1. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (mainly currency risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk Management is carried out by management under policies approved by the Board of Directors. Management identifies and evaluates financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, non-derivative financial instruments and investment of excess liquidity.

3.1.1. Market risk – foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Great Britain pound sterling, Trinidad and Tobago dollar and United States dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The majority of the Group's transactions are conducted in United States dollars. As a result there is no significant foreign exchange risk, however, the Group does review its exposure to transactions denominated in other currencies and takes necessary action to minimise this exposure.

Currency risk is managed by matching costs with income as far as possible. Each of the companies within the Group accounts for its business in its functional currency, US dollars, thereby minimising translation risk.

3.1.2 Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents and outstanding receivables. 100% of the Group's cash and cash equivalents are held by 'A' or better rated banks. All trade and other receivables are considered operational in nature and have payment terms of 20 days.

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Management monitors rolling forecasts of the Group's liquidity and cash and cash equivalents on the basis of expected cash flow. Management refers to the disclosures of section 2.1 "Going Concern" for more information regarding the factors considered by the Company in managing liquidity risk.

Notes to the Consolidated Financial Statements (continued)

3.2. Capital risk management

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

In order to maintain or adjust the capital structure, the Group may return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group maintains capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance plus net debt.

The gearing ratios at 31 December 2012 and 2011 were as follows:

	2012 US$000's	2011 US$000's
Total borrowing (note 17)	(10,000)	–
Cash and cash equivalents (note 15)	9,686	59,444
Net (debt)/cash	(314)	59,444
Total equity	106,599	118,654
Net debt to equity ratio	0.3%	–

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values because of the short-term nature of such assets and the effect of discounting liabilities is negligible.

4. Critical accounting estimates and judgements

Details of the Group's significant accounting judgements and critical accounting estimates are set out in these financial statements and include:

• Recoverability of intangible exploration and evaluation assets (note 11)

Where a project is sufficiently advanced, the recoverability of intangible exploration and evaluation assets is assessed by comparing the carrying value to internal and operator estimates of the net present value of projects. Intangible exploration assets are inherently judgemental to value. The amounts for intangible exploration and evaluation assets represent active exploration projects. These amounts will be written-off to the income statement as exploration costs unless commercial reserves are established or the determination process is not completed and there are no indications of impairment. The outcome of on-going exploration, and therefore whether the carrying value of exploration and evaluation assets will ultimately be recovered, is inherently uncertain.

• Carrying value of property, plant and equipment (note 12)

Management perform impairment assessments on the Group's property, plant and equipment assets at least annually with reference to indicators in IAS 36: Impairment of Assets. In order to test assets for impairment, value in use calculations are prepared which require an estimate of the timing and amount of cash flows expected to arise from the cash generating unit. Key assumptions in the value in use models relate to prices that are based on management's best estimate of future oil prices and discount rates that are risked to reflect conditions specific to individual assets.

- **Commercial reserves estimates**

Proven and probable reserves are estimated using standard recognised evaluation techniques. Reserve estimates are periodically reviewed by independent consultants. Future development costs are estimated taking into account the level of development required to produce the reserves by reference to operators, where applicable, and internal engineers. The amount that will ultimately be recovered cannot be known with certainty until the end of the field's life.

- **Decommissioning costs (note 27)**

The costs of decommissioning are regularly reviewed and are estimated by reference to external consultants, where applicable, and internal engineers. The current provision represents the discounted present value of the estimated cost of decommissioning the Group's oil and gas production facilities in Trinidad.

During 2010 a review of the majority of decommissioning estimates was undertaken by an independent specialist and the financial information includes estimates in accordance with this study.

Provision for environmental clean-up and remediation costs is based on current legal and constructive requirements, technology and price levels.

During 2012 the Group switched to using Trinidad & Tobago discount and inflation rates instead of USD as the basis for the decommissioning provision to align its policy with that of TEPL and to reflect the fact that management now expect to settle the Group's decommissioning obligations in Trinidad & Tobago dollars rather than USD (see note 27).

- **Recoverability of deferred tax assets (note 22)**

Deferred tax assets are recognised only to the extent it is considered probable that those assets will be recoverable. This involves an assessment of when those deferred tax assets are likely to reverse, and a judgement as to whether or not there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the level of deferred tax assets recognised which can result in a charge or credit in the period in which the change occurs.

- **Share-based payments (note 26)**

Management is required to make assumptions in respect of the inputs used to calculate the fair values of share-based payment arrangements.

5. Segment reporting

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic business decisions.

Management considers the business from a geographical perspective. Following the decision to relinquish licence interests in Russia in 2011, management has reorganised its internal reporting structure such that only one geographical location is reported, being Trinidad. The tables for the year ended 31 December 2011 have been restated to reflect the new reportable segment of the business.

Unallocated operating expenses, assets and liabilities relate to the general management, financing and administration of the Group.

	Trinidad US$000's	Unallocated US$000's	Consolidated US$000's
31 December 2012			
Sales revenue by origin	36,244	–	36,244
Segment result	(7,271)	(16,374)	(23,645)
Investment revenue			52
Finance costs			(347)
Loss before tax			(23,940)
Tax			10,934
Loss after tax			(13,006)
Segment assets – non current	110,615	1,114	111,729
Segment assets current	25,438	3,476	28,914
Segment liabilities	(32,042)	(2,405)	(34,447)
Capital additions – oil & gas assets	22,406	–	22,406
Capital additions – exploration & evaluation	46,501	373	46,874
Exploration write-off	(21,900)	–	(21,900)
Capital additions – other	446	–	446
Depletion, depreciation and amortisation	2,045	31	2,076

	Trinidad US$000's	Unallocated US$000's	Consolidated US$000's
31 December 2011			
Sales revenue by origin	22,007	–	22,007
Segment result	(4,156)	(11,151)	(15,307)
Investment revenue			32
Finance costs			(1,951)
Loss before tax			(17,226)
Tax			2,970
Loss after tax			(14,256)
Segment assets – non current	52,498	3,867	56,365
Segment assets current	22,714	57,199	79,913
Segment liabilities	(16,961)	(663)	(17,624)
Capital additions – oil & gas assets	32,971	–	32,971
Capital additions – exploration & evaluation	4,169	3,324	7,493
Exploration write-off	(3,324)	–	(3,324)
Capital additions – other	678	205	883
Depletion, depreciation and amortisation	(2,146)	(44)	(2,190)

Business segments

The operations of the Group comprise one class of business, being oil and gas exploration, development and production. All sales are made to a single customer.

6. Revenue

	Year ended 31 December 2012 US$000's	Year ended 31 December 2011 US$000's
Crude oil sales	36,244	21,999
Other sales	–	8
	36,244	22,007

Interest income forms part of total revenue and is disclosed in note 9.

7. Operating loss for the year

	Year ended 31 December 2012 US$000's	Year ended 31 December 2011 US$000's
Staff costs (note 8)	2,817	5,441
Depletion, depreciation and amortisation (note 12)	2,076	2,190
Property lease rentals	688	741
Exploration expense (note 11)	21,900	3,324
Listing related expenses	–	3,467
Merger transaction costs	1,389	–

US$1,736,000 (2011: US$1,870,000) of the depletion, depreciation and amortisation charge of is included within cost of sales while US$340,000 (2011: US$320,000) is included within administration expenses.

Merger transaction costs
Expenses incurred in 2012 in connection with the February 2013 merger with Trinity Exploration & Production (UK) Limited (see note 32).

Listing related expenses
Expenses incurred in 2011 in connection with the AIM listing that relate to obtaining the listing for ordinary shares and the restructuring, rather than the costs incurred solely in relation to the issuance of the new equity.

Auditor's remuneration

During the year the Group (including its overseas subsidiaries) obtained the following services from the Group's auditor as detailed below:

	Year ended 31 December 2012 US$000's	**Year ended 31 December 2011 US$000's**
Fees payable to the Group's auditor for		
– The audit of the Company	50	40
– The audit of subsidiaries	81	72
	131	112
Fees payable to the Group's auditor for the audit of other services to the Group		
– Audit related assurance serves – interim review	58	54
– Other assurance services*	–	302
Total assurance	58	356
– Tax compliance services	38	27
– Tax advisory services	–	24
– Services related to corporate finance transactions not covered above – IPO	–	696
Total non-audit excluding assurance services	38	747
Total auditor's remuneration	227	1,215

* Fees relate to reporting on the historical financial information included in the investment circular. These fees, together with the services related to corporate finance transactions above, are included in listing expenses, which have been partially written-off in the Income Statement and partially offset against the share premium.

8. Staff costs

The average number of employees (including executive directors) employed was as follows:

	Year ended 31 December 2012	**Year ended 31 December 2011**
Administration	14	9
Professional	44	46
	58	55

The aggregate remuneration comprised (including directors) employed was as follows:

	Year ended 31 December 2012 US$000's	Year ended 31 December 2011 US$000's
Wages and salaries	2,271	3,477
Social security costs	300	331
Share-based payments	246	1,633
	2,817	5,441

Staff costs charge of US$1,005,000 (2011: US$2,024,000) is included within cost of sales in the income statement while US$1,812,000 (2011: US$3,416,000) is included within administration expenses. Staff costs charge of US$435,000 (2011: US$412,000) was capitalised in property, plant and equipment and US$316,000 (2011: US$482,000) in intangible exploration assets.

The remuneration of key management personnel of the Group is set out below in aggregate:

	Year ended 31 December 2012 US$000's	Year ended 31 December 2011 US$000's
Wages and salaries	1,495	1,355
Social security costs	148	112
Share-based payments	195	687
	1,838	2,054

Further details in respect of directors' emoluments are set out in the audited information in the directors' remuneration report which forms part of these financial statements.

9. Finance income

	Year ended 31 December 2012 US$000's	Year ended 31 December 2011 US$000's
Interest on bank deposits	52	32

10. Finance costs

	Year ended 31 December 2012 US$000's	Year ended 31 December 2011 US$000's
Convertible loan interest payable	–	424
Bank charges	12	20
Unwinding of discount on decommissioning provision (note 27)	262	213
Interest on late supplier payments (note 16)	515	–
Foreign exchange movements	(442)	1,294
	347	1,951

Notes to the Consolidated Financial Statements (continued)

11. Intangible assets

	Exploration and evaluation assets US$000's
At 1 January 2011	7,189
Additions	7,493
Exploration write-off	(3,324)
At 31 December 2011	11,358
Additions	46,874
Exploration write-off	(21,900)
At 31 December 2012	36,332

Exploration write-off

Well EG-7 in the offshore Galeota Licence Area was sidetracked to a total depth of 7,090ft. Some thin hydrocarbon bearing sandstones were logged at 5,500ft, but due to deterioration in hole conditions it was not possible to run a sampling tool. The decision was made to plug and abandon the well and the associated costs, totalling US$21.9 million have been written off during 2012.

Astrakhanskaya Gas and Oil Company ('AGOC'), a subsidiary undertaking, holds a 100% interest in the Karalatsky licence which is in its exploration phase. Interpretation of the reprocessed 2D seismic data acquired over the Karalatsky licence area in the first quarter of 2011 did not identify any prospects that would justify further investment in an exploration well. A decision was made to abandon the licence and write off all associated capitalised costs in 2011.

12. Property, plant and equipment

	Oil and gas property US$000's	Land and buildings US$000's	Other US$000's	Total US$000's
Cost:				
At 31 December 2010	7,119	214	381	7,714
Additions	32,971	–	883	33,854
At 31 December 2011	40,090	214	1,264	41,568
Additions	22,406	–	446	22,852
Disposals	–	–	(14)	(14)
Change in decommissioning estimate (note 27)	(1,320)	–	–	(1,320)
At 31 December 2012	61,176	214	1,696	63,086
Depreciation:				
At 31 December 2010	1,827	8	129	1,964
Charge for the year (note 7)	1,870	4	316	2,190
At 31 December 2011	3,697	12	445	4,154
Charge for the year (note 7)	1,736	5	335	2,076
Disposals	–	–	(14)	(14)
At 31 December 2012	5,433	17	766	6,216
Net Book Value:				
At 31 December 2011	36,393	202	819	37,414
At 31 December 2012	**55,743**	**197**	**930**	**56,870**

Other property, plant and equipment comprises motor vehicles of net book value US$nil (2011: US$nil), plant and machinery of net book value $241,000 (2011: US$93,000), fixtures and fittings of net book value US$130,000 (2011: US$133,000) and computer equipment of net book value US$559,000 (2011: US$593,000).

13. Inventories

	31 December 2012 US$000's	31 December 2011 US$000's
Stocks of drilling equipment	8,207	9,744
Oil stocks	173	78
	8,380	9,822

Notes to the Consolidated Financial Statements (continued)

14. Trade and other receivables

	31 December 2012 US$000's	31 December 2011 US$000's
Trade receivables	4,667	1,852
Other receivables	2,655	4,355
Prepayments and accrued income	845	783
Value added tax recoverable	2,681	3,657
	10,848	10,647

Other receivables comprise cash advances made to contractors.

In determining the recoverability of trade receivables the Group considers any change in the credit quality of the trade receivable from the date credit was granted up to the reporting date. Credit risk is limited due to substantially all oil production being sold to Petrotrin, the Trinidad and Tobago State oil and gas company, which has a good credit standing. Accordingly the directors believe there is no credit provision required, and no classes of receivable contain impaired assets. The carrying value of receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Group does not hold any collateral as security.

The Group has trade and other receivables denominated in foreign currencies. The carrying amounts of trade and other receivables in Pounds Sterling amount to US$385,962 (2011: US$271,522) and in T&T dollars US$7,047,681 (2011: US$537,377).

15. Cash and cash equivalents

	31 December 2012 US$000's	31 December 2011 US$000's
Cash and cash equivalents	9,686	59,444

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value. All of the Group's cash and cash equivalents at 31 December 2012 are at floating interest rates and are in US dollars except for US$594,375 (2011: US$9,031,922) held in Pounds Sterling and US$1,958,177 (2011: US$181,301) held in T&T dollars.

16. Trade and other payables

	31 December 2012 US$000's	31 December 2011 US$000's
Trade payables	6,666	5,454
Other payables	695	295
Accruals	9,880	4,949
Social security and other taxes	1,952	233
	19,193	10,931

Trade and other payables principally comprise amounts outstanding for trade purchases and ongoing capital costs.

The directors consider that the carrying amounts of trade and other payables are approximate to their fair values. All trade and other payables are denominated in US dollars except for US$1,773,803 (2011: US$453,761) held in Pounds Sterling and US$923,696 (2011: US$720,599) held in T&T dollars.

During 2012 interest of US$515,000 (2011: US$nil) (note 10) has been charged by two suppliers as a result of late payment of invoices during the year.

17. Borrowings

Secured borrowings

	31 December 2012 US$000's	31 December 2011 US$000's
Amount due for settlement within 12 months:		
Loan from related party	10,000	–
	10,000	–

Pending the fund-raising exercise the Boards of Trinity Exploration & Production plc and Trinity Exploration & Production (UK) Limited approved a US$10 million secured bridging loan to be made available to be used for the Group's general working capital purposes. The joint Borrowers are subsidiary companies, Bayfield Energy (Galeota) Limited and Galeota Oilfield Services Limited. The loan was taken out on 27 December 2012 with a maturity and repayment date of 30 September 2013 and a fixed interest rate of 10% per annum.

18. Financial instruments

The Group is exposed to the risks that arise from its use of financial instruments. This note describes the objectives, policies and processes of the Group 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.

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders. The Group is funded by a mixture of equity and debt financing.

The capital structure of the Group consists of cash and cash equivalents and equity, comprising issued capital.

The Group has no externally imposed capital requirements.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in the accounting policies of these financial statements.

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

- Trade and other receivables;
- Trade and other payables;
- Borrowings; and
- Cash and cash equivalents.

Financial assets

	31 December 2012		31 December 2011	
	Current US$000's	Non-current US$000's	Current US$000's	Non-current US$000's
Cash and cash equivalents	9,686	–	59,444	–
Loans and receivables	8,167	–	6,207	–
	17,853	–	65,651	–

Financial liabilities

	31 December 2012		31 December 2011	
	Current US$000's	Non-current US$000's	Current US$000's	Non-current US$000's
Amortised cost:				
Trade and other payables	17,241	–	10,698	–
Borrowings	10,000	–	–	–
	27,241	–	10,698	–

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

As highlighted earlier in these financial statements, the functional currency of the majority of Companies in the Group is US$. All of the Group's sales are denominated in US$ as are a proportion of its costs, the remainder of costs being denominated in T&T dollars, Pounds Sterling and Russian Roubles. The Group also has foreign currency denominated assets and liabilities. Exposures to exchange rate fluctuations therefore arise. The Group pays for invoices denominated in a foreign currency in the same currency as the invoice and therefore suffers from a level of foreign currency risk.

The Group does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at 31 December 2012 is as follows:

	Assets 2012 US$000's	Liabilities 2012 US$000's
Cash at bank	2,553	–
Trade and other payables	–	(2,698)
Trade and other receivables	7,434	–
	9,987	(2,698)

	Assets 2012 US$000's	Liabilities 2012 US$000's
Cash at bank	9,213	–
Trade and other payables	–	(1,424)
Trade and other receivables	809	–
	10,022	(1,424)

At 31 December, if the US dollar had strengthened or weakened by 10% against the GB pound with all other variables held constant, post-tax loss for the year would have increased/(decreased) by:

	Strengthened by 10% Increase/(decrease) in post tax loss and impact on equity US$000's	Weakened by 10% Increase/(decrease) in post tax loss and impact on equity US$000's
31 December 2012	(102)	102
31 December 2011	880	(880)

At 31 December, if the US dollar had strengthened or weakened by 10% against the T&T dollar with all other variables held constant, post-tax loss for the year would have increased/(decreased) by:

	Strengthened by 10% Increase/(decrease) in post tax loss and impact on equity US$000's	Weakened by 10% Increase/(decrease) in post tax loss and impact on equity US$000's
31 December 2012	824	(824)
31 December 2011	6	(6)

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonable possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number above indicates an increase in profit or other equity where the US$ strengthens 10% against the relevant currency. For a 10% weakening of the US$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

The differences are mainly as a result of foreign exchange gains/losses on translation of Pound Sterling denominated trade and other payables and Pound Sterling and T&T dollar-denominated trade and other receivables. 10% is deemed appropriate for the foreign exchange sensitivity analysis due to the current financial market.

Interest rate risk management

The Group has minimal exposure to interest rate risk and the directors believe that interest rate risk is at an acceptable level.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises principally from the Groups' cash balances and trade and other receivables. The Group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The concentration of the Group's credit risk is considered by counterparty, geography and currency. The Group holds its cash with three large banks and as at 31 December 2012 the proportion of cash held between the three banks was 7%/45%/48% (2011: 57%/41%/2%).

At 31 December 2012, the Group held no collateral as security against any financial asset (2011: nil). No financial assets were past their due date and there were no problems with the credit quality of any financial asset in either year.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained. At 31 December 2012, no financial assets were past their due date (2011: nil). As a result, there has been no impairment of financial assets during the year (2011: nil).

An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Liquidity risk management

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Group's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Group maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via the budgetary process. At 31 December 2012, the Group had US$9.7 million (2011: US$59.4 million) of cash and cash equivalents.

Fair values

The directors consider that the carrying amount of financial assets and liabilities approximates to their fair value. Because of the short term nature of such assets the effect of discounting is negligible.

19. Convertible loan notes

	31 December 2012 US$000's	31 December 2011 US$000's
Liability component at 1 January	–	7,648
Nominal value of convertible loans issued	–	4,250
Interest charged	–	424
Conversion of loan notes	–	(12,322)
Total liability component at 31 December	–	–

The convertible loan notes issued on 13 March 2009 matured on 14 April 2011 and were fully converted to 19,625,298 ordinary shares on that date.

On 4 March 2011, Bayfield Energy Limited was authorised to issue up to US$20,000,000 10 per cent unsecured convertible loan notes to raise finance for general corporate purposes. Notes amounting to US$4,250,000 were issued on 4 March 2011. Interest was accrued and compounded quarterly at a rate of 10 per cent per annum. The loan note, together with any interest accrued thereon could be converted into shares at the option of the loan note holder on the repayment date, being the earlier of the date of a listing or the sale of Bayfield Energy Limited or 30 June 2012. The loan note was converted into 5,386,807 shares on 18 July 2011.

20. Issued share capital, share premium and merger reserve

	Number of shares No.	Ordinary shares US$000's	Share premium US$000's	Merger reserve US$000's	Total US$000's
As at 31 December 2011	214,979,442	21,498	80,586	35,046	137,130
Share issues	1,500,000	150	225	–	375
Transfer from share based payment reserve	–	–	6	–	6
As at 31 December 2012	216,479,442	21,648	80,817	35,046	137,511

As at 31 December 2012, the Company has one class of ordinary shares with a par value of US$0.10 which carry no right to fixed income. It does not have authorised share capital. All shares have equal voting rights and rank *pari passu*.

In March 2012 1,500,000 shares were issued at $0.25 each for ordinary share value of US$150,000 with a premium of US$225,000.

During February 2013 the ordinary shares were consolidated into one new ordinary share of $1.00 in the capital of the Company for every 10 existing ordinary shares of $0.10 in the capital of the Company (see note 32).

21. Taxation

The current tax credit can be reconciled to the overall tax charge as follows:

	31 December 2012 US$000's	31 December 2011 US$000's
Current tax	–	–
Deferred tax	10,934	2,970
	10,934	2,970

	31 December 2012 US$000's	31 December 2011 US$000's
Pre-tax loss	(23,940)	(17,226)
Tax at the Trinidad &Tobago corporation tax rate of 55% (2011: 55%)	13,167	9,474
Tax effect of items which are not deductible for tax	(2,190)	(3,124)
Adjustment in respect of prior years	(341)	–
Movement in losses not recognised	298	(3,380)
Tax credit for the year	10,934	2,970

22. Deferred taxation

The following are the major deferred tax assets recognised by the Group and movements thereon during the current and prior reporting period:

	Accelerated tax depreciation US$000's	Tax losses US$000's	Total US$000's
At 1 January 2011	(517)	5,140	4,623
Credit/(charge) to income statement	(6,354)	9,324	2,970
At 1 January 2012	(6,871)	14,464	7,593
Credit/(charge) to income statement	(7,665)	18,599	10,934
At 31 December 2012	(14,536)	33,063	18,527

Deferred taxation arises from accelerated depreciation over capital allowance and losses carried forward. The Group has losses carried forward of US$34,027,977 (2011: US$26,298,182 in Trinidad available for offset against future profits. A deferred tax asset has been recognised in respect of these losses. The Group also has tax losses of US$8,440,000 (2011: US$15,478,000) in the UK and Russia available for offset against future profits for which no deferred tax asset has been recognised as there is no definitive plan of how these will be utilised in the future.

23. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year (less those non-vested shares held by employee ownership trusts). For diluted earnings/(loss) per share the weighted average number of shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares arising from unvested share-based awards including share options. As there is a loss for the year there is no difference between the basic and diluted loss per share.

	31 December 2012 US$000's	31 December 2011 US$000's
Loss for the year attributable to the owners of the Company	(12,929)	(13,333)
Denominator:		
Weighted average number of shares used in basic and diluted loss per share (thousands)	216,153	154,262
Loss per share – basic and diluted ($ per share)	(0.06)	(0.09)

24. Operating lease commitments

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	31 December 2012 US$000's	31 December 2011 US$000's
Within one year	169	78
In the second to fifth years	1,231	1,976
	1,400	2,054

25. Capital commitments

	31 December 2012 US$000's	31 December 2011 US$000's
Oil and gas assets	300	37,200

26. Share options

During 2012 the Group had in place two share-based payment arrangements for its employees, the Option Scheme and the Long Term Incentive Plan ('LTIP').

The charge in relation to these arrangements is show below, with further details of each scheme following:

	31 December 2012 US$000's	31 December 2011 US$000's
Share Option Scheme	–	1,591
LTIP	245	42
	245	1,633

Share Option Scheme

Share options are granted to directors and to selected employees and consultants. The exercise price of the granted options is equal to management's best estimate of the market price of the shares at the time of the award of the options. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 10 July 2008, the Group issued 17,000,000 options with an exercise price of US$0.10 each. In 2010, an additional 4,400,000 options were issued under the same terms. The share options are exercisable between 31 August 2011 and 31 August 2015 at an average exercise price of US$0.27 per option.

1,408,416 options with an exercise price of US$0.40 each, which were granted on 13 March 2009, lapsed on 14 April 2011. On 7 June 2011 the Group issued 947,546 options at a value of US$0.40 each which vested immediately.

The share options in Bayfield Energy Limited were replaced with share options in Trinity Exploration & Production plc on 7 June 2011.

The options were valued on grant date using a Black-Scholes option pricing model which calculates the fair value of an option by using the vesting period, the expected volatility of the share price, the current share price, the exercise price and the risk free interest rate. The fair value of the option is amortised over the vesting period. There is no requirement to revalue the option at any subsequent date.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	31 December 2012		31 December 2011	
	Average exercise price in $ per share	Number of options	Average exercise price in $ per share	Number of options
At 1 January	0.26	14,847,546	0.26	22,640,481
Granted	–	–	0.40	947,546
Lapsed	(0.25)	(500,000)	(0.32)	(5,340,481)
Exercised	(0.25)	(1,500,000)	(0.29)	(3,400,000)
Surrendered for LTIP	(0.25)	(8,400,000)	–	–
At 31 December	0.28	4,447,546	0.26	14,847,546

Share options outstanding at the end of year have the following expiry date and exercise prices:

Expiry date	Exercise price in $ per share	31 December 2012 Shares (thousands)	31 December 2011 Shares (thousands)
2011	0.40	–	–
2012	0.40	948	948
2013	0.25	3,500	13,750
2013	0.60	–	150
		4,448	14,848

Long Term Incentive Plan ("LTIP")

On 18 July 2011 5,391,195 LTIP Awards were granted by the Company to certain management. In January 2012, certain executives and employees of the Company holding options over an aggregate of 8,400,000 shares agreed to surrender their rights under the existing option agreements in consideration for the grant of new awards providing rights for the issuance of up to 8,400,000 shares granted under and subject to the rules of the Company's long-term incentive plan. The performance conditions and vesting date for such awards are identical to those relevant to awards made at the date of IPO on 18 July 2011 and are linked to the issue price of £0.60 per share. These changes mean that equity incentivisation for substantially all executives and employees is now on identical terms and more closely aligns the interests of former option holders with those of shareholders in establishing a new vesting date of July 2014. The changes have no impact on the potentially fully diluted share capital.

The LTIP Awards vest three years from the date of grant, subject to the satisfaction of certain performance conditions based on the growth in the Company's total shareholder return.

The conditions of the scheme are market based, and therefore the scheme is valued on the date of grant and amortised over the three year vesting period. There is no requirement to revalue the option at any date. The grants have been valued using a model which uses a Gaussian distribution in order to calculate the expected share price after three years. The key inputs into the model are the mean share price of Trinity Exploration & Production plc shares, the share price variance and a risk free rate.

Movements in the number of LTIPs outstanding and their related weighted average exercise prices as are follows:

	31 December 2012		31 December 2011	
	Average exercise price in £ per share Number of options	Number of options	Average exercise price in £ per share Number of options	Number of options
At 1 January	–	4,925,648	–	–
Granted	–	8,400,000	–	5,391,195
Lapsed	–	–	–	(465,547)
At 31 December	–	13,325,648	–	4,925,648

Notes to the Consolidated Financial Statements (continued)

27. Provisions

	31 December 2012 US$000's	31 December 2011 US$000's
At 1 January	6,693	3,554
Changes in estimates (note a)	(1,320)	3,344
Payments made to Supplementary Abandonment Fund (note b)	(306)	(418)
Unwinding of discounts (note 10)	262	213
Foreign exchange movements	(75)	–
	5,254	6,693

(a) Decommissioning

The decommissioning provision is the discounted present value of the estimated cost of decommissioning the Group's oil and gas production facilities in Trinidad. The discount factor used is 5% (2011: 2.8%). The Group makes provision for the cost of decommissioning its producing wells at the completion of their useful lives. Decommissioning is estimated to be required in 2034, with additional provision to be made as new production wells are brought on stream. The timeframe for decommissioning is based upon the projected profile and remaining proved and probable reserves. During 2012 the Group switched to using Trinidad & Tobago discount and inflation rates instead of USD as the basis for the decommissioning provision. This change was made to align the Group's accounting policies to those of TEPL and to reflect the fact that management now anticipate that the expenditure required to settle the Group's decommissioning obligations will be incurred in Trinidad & Tobago dollars rather than USD as was previously the case. This change in estimate has reduced the decommissioning provision recognised by US$1.3 million with a corresponding credit booked against the carrying value of the associated asset recognised within the Group's oil and gas assets as at 31 December 2012 (see note 12).

(b) Supplemental abandonment fund

Pursuant to clause 18.2 of the Farmout Agreement with the Petroleum Company of Trinidad and Tobago (Petrotrin), a joint account has to be opened with Petrotrin at a reputable financial institution. This joint account is to act as a sinking fund or Supplemental Abandonment Fund to accumulate cash reserves for use as a contingency fund for the settlement of decommissioning liabilities and environmental liabilities attributable to both parties.

28. Accumulated losses

	31 December 2012 US$000's	31 December 2011 US$000's
At 1 January	(19,747)	(6,632)
Loss for the year	(13,006)	(14,256)
Non-controlling interest	77	923
Transfers	–	218
At 31 December	(32,676)	(19,747)

29. Dividends

No dividends were paid or declared during the year (2011: nil).

30. Ultimate controlling party

The Company has multiple shareholders however there is no ultimate controlling party.

31. Related party transactions

Other than disclosed below, there have been no transactions with the Board of Directors, Executive Board, Executive Officers, significant shareholders or other related parties during the year besides intercompany transactions which have been eliminated in the consolidated financial information and normal remuneration of the Board of Directors and Executive Board.

TEPL Loan

After 31 December 2012, TEPL became a related party and further information can be found in note 32. Pending the fund-raising exercise the Boards of Bayfield Energy Holdings plc (now Trinity Exploration & Production plc) and TEPL approved a US$10 million secured bridging loan to be made available by TEPL to the Group to be used for the Group's general working capital purposes. The joint Borrowers are Bayfield's subsidiary companies, Bayfield Energy (Galeota) Limited and Galeota Oilfield Services Limited. The loan was taken out on 27 December 2012 with a maturity and repayment date of 30 September 2013 and a fixed interest rate of 10% per annum.

32. Post balance sheet events

On 15 October 2012 the Company announced it had reached a conditional agreement with 77% of the shareholders of TEPL that the two companies would merge. As a result trading of the Company's securities on the Alternative Investment Market (AIM) was temporarily suspended.

On 28 January 2013 the suspension on AIM was lifted following publication of an admission document for the Enlarged Group.

The merger constituted a reverse takeover of the Company under the AIM Rules. Under the terms of the merger, which was effected by the acquisition of TEPL by the Company, immediately after the merger the old TEPL shareholders owned approximately 55 per cent of the Company and the old Company shareholders (those holding shares in the Company prior to the merger) owned approximately 45 per cent of the Company (on a fully diluted basis, with the Company acquiring 100 per cent of TEPL and prior to raising any additional equity capital).

On 13 February 2013 a General Meeting took place, passing a special resolution to:

- approve the merger for the purposes of Rule 14 of the AIM Rules;
- authorise the directors to allot shares in the Company to TEPL shareholders and subscribers under the US$90m fundraising;
- change the name of the Company to ''Trinity Exploration & Production plc''; and
- approve the share consolidation.

Notes to the Consolidated Financial Statements (continued)

The basis of the share consolidation was 1 new ordinary share of $1.00 in the capital of the Company for every 10 existing ordinary shares of $0.10 in the capital of the Company.

An additional 47,500,000 shares were issued in respect of the US$90 million raised. Of the gross proceeds raised, US$50 million is intended to be used to accelerate the Enlarged Group's development programme and for general corporate purposes and a further US$40 million is intended to be used to fund a material and high value infrastructure-led exploration programme.

On 14 February 2013, following approval at the General Meeting, the completion of the merger and the placing took effect and dealings of the Enlarged Group commenced on AIM.

Following the merger the Enlarged Group is led by Bruce Alan Ian Dingwall CBE, Executive Chairman and Joel Montgomery Christopher Pemberton, Chief Executive Officer. The majority of the management team is based in San Fernando, Trinidad. Additional board changes effective on completion were the appointment of Jonathan Murphy, Charles Brash and Ronald Harford as Non-Executive Directors. Jonathan has also been appointed Chairman of the Remuneration Committee. Finian O'Sullivan stepped down as Executive Chairman but continues as a Non-Executive Director. David MacFarlane continues as a Non-Executive Director and Chairman of the Audit Committee. Hywel John resigned as Chief Executive Officer and Jonathan Cooke and Andrey Pannikov as Non-Executive Directors.

Trinity Exploration & Production (UK) Limited: Results for the financial year ending 31 December 2012
Trinity Exploration & Production Limited changed its name to Trinity Exploration & Production (UK) Limited on 13 February 2013 simultaneously with Bayfield Energy Holdings plc changing its name to Trinity Exploration & Production plc.

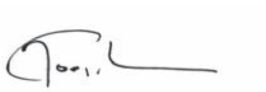
Copies of the accounts of Trinity Exploration & Production (UK) Limited can be found on the Company's website www.trinityexploration.com, Burdett House, 15-16 Buckingham Street, London WC2N 6DU. The accounts for TEPL are made up to 31 December 2012.

Combined results of the Enlarged Group
Results of the Enlarged Group for the six month period to 30 June 2013 will be released to the market at the end of September 2013.

Company Balance Sheet
as at 31 December 2012

	Notes	31 December 2012 US$000's	31 December 2011 US$000's
Assets			
Non-current assets			
Investments	34	46,085	46,979
Trade and other receivables	35	84,664	51,771
		130,749	98,750
Current assets			
Trade and other receivables	35	1,384	317
Cash and cash equivalents	36	154	33,952
		1,538	34,269
Total assets		132,287	133,019
Liabilities			
Current liabilities			
Trade and other payables	37	(1,773)	(87)
Net current (liabilities)/assets		(235)	34,182
Total liabilities		(1,773)	(87)
Net assets		130,514	132,932
Equity attributable to owners of the parent			
Share capital	40	21,648	21,498
Share premium	40	80,817	80,586
Merger reserve	40	34,228	34,228
Share based payment reserve		1,117	872
Accumulated losses	39	(7,296)	(4,252)
Total equity		130,514	132,932

Signed on behalf of the Board of Directors by:



Joel M. C. Pemberton
Chief Executive Officer
7 May 2013

The notes on pages 60 to 66 form an integral part of these financial statements.

Company Statement of Changes in Equity
as at 31 December 2012

	Share capital US$000's	Share premium US$000's	Merger reserve US$000's	Share based payment reserve US$000's	Accumulated losses US$000's	Total equity US$000's
Balance at incorporation	**–**	**–**	**–**	**–**	**–**	**–**
Loss for the period	–	–	–	–	(4,252)	(4,252)
Total comprehensive expense	**–**	**–**	**–**	**–**	**(4,252)**	**(4,252)**
Initial recognition at scheme of arrangement (note 40)	11,857	–	34,228	–	–	46,085
Issue of share capital (net of share issue costs)	9,641	80,586	–	–	–	90,227
Share based payments	–	–	–	872	–	872
Balance at 31 December 2011	**21,498**	**80,586**	**34,228**	**872**	**(4,252)**	**132,932**
Loss for the year	–	–		–	(3,044)	(3,044)
Total comprehensive expense	–	–	–	–	(3,044)	(3,044)
Issue of share capital (net of share issue costs)	150	231	–	–	–	381
Share based payments	–	–	–	245	–	245
Balance at 31 December 2012	**21,648**	**80,817**	**34,228**	**1,117**	**(7,296)**	**130,514**

The notes on pages 60 to 66 form an integral part of these financial statements.

Company Cash Flow Statement
for the year ended 31 December 2012

	31 December 2012 US$000's	31 December 2011 US$000's
Cash flow from operating activities		
Operating loss	(5,577)	(3,655)
Adjustments for:		
Share based payments	245	–
Impairment of receivables from Group companies (note 41)	2,617	–
Operating cash flow before movement in working capital	**(2,715)**	**(3,655)**
Increase in trade and other receivables	(33,143)	(47,765)
Increase in trade and other payables	1,683	87
Net cash used in operating activities	(34,175)	(51,333)
Cash flow from investing activities		
Interest received	–	6
Net cash generated from investing activities	**–**	**6**
Cash flow from financing activities		
Interest paid	(2)	–
Share capital issued (net of costs)	375	85,800
Net cash generated from financing activities	**373**	**85,800**
Net (decrease)/increase in cash and cash equivalents	(33,802)	34,473
Cash and cash equivalents at beginning of period/incorporation	**33,952**	**–**
Foreign exchange differences	4	(521)
Cash and cash equivalents at end of year/period	**154**	**33,952**

The notes on pages 60 to 66 form an integral part of these financial statements.

33. Significant accounting policies

The separate financial statements of the Company are presented as required by the Companies Act 2006. As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union.

The Group has elected to take the exemption under section 408 of the Companies Act 2006 not to present the parent Company profit and loss account.

The loss for the parent Company during the year ended 31 December 2012 was US$3,044,000 (US$4,252,000 for the period from incorporation on 21 February 2011 to 31 December 2011).

The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements.

Merger reserve

In accordance with IAS27, the investment in Bayfield Energy Limited achieved via the issue of new shares in the Company in exchange for the existing shares in Bayfield Energy Limited, has been measured at the carrying amount of the net assets of Bayfield Energy Limited at the date of the reorganisation. The merger relief provisions of the Companies Act 2006 have been applied to this transaction, such that a merger reserve is created at the date of the reorganisation, being the difference between the nominal value of shares in the Company issued up to an including the date of reorganisation and the net assets of Bayfield Energy Limited on that date.

34. Investments

	31 December 2012 US$000's	31 December 2011 US$000's
At 1 January	46,979	–
Additions – investment in subsidiaries	–	46,979
Adjustment to share based payment recharge to subsidiaries	(894)	–
At 31 December	46,085	46,979

A list of the investments in subsidiaries, including the name, proportion of ownership interest, country of operation and country of registration, is given below:

Name	Country of operation	Principal activity	%	Country of registration
Directly held				
Bayfield Energy Limited	UK	Holding company	100%	England & Wales
Indirectly held				
Bayfield Energy (Services) Ltd	UK	Provision of services to Group companies	100%	England & Wales
Bayfield Energy (St Lucia) Limited	St Lucia	Holding company	100%	St Lucia
Bayfield Energy (Alpha) Ltd	UK	Holding company	100%	England & Wales
Bayfield Energy New Ventures Limited	UK	Holding company	100%	England & Wales
Bayfield Energy de Brasil Ltda	Brazil	Dormant	100%	Brazil
Bayfield Energy (Galeota) Limited	Trinidad & Tobago	Oil and gas exploration and production company	100%	Trinidad & Tobago
Bayfield Energy South Africa Limited	UK	Oil and gas exploration company	100%	England & Wales
Galeota Oilfield Services Limited	Trinidad & Tobago	Oil exploration and production company	100%	Trinidad & Tobago
Astrakhanskaya Gas and Oil Company	Russia	Oil and gas exploration	74%	Russia

Bayfield Energy (Beta) Limited, a dormant 100% subsidiary company registered in England and Wales was dissolved on 11 September 2012.

35. Trade and other receivables

	31 December 2012 US$000's	31 December 2011 US$000's
Amounts due after more than one year		
Amounts due from Group companies	84,664	51,771
Amounts due within one year		
Other debtors	–	240
Prepayments	136	1
Amounts due from Group companies	1,187	–
Value added tax recoverable	61	76
	1,384	317

The Company provides funding to other Group companies. Following an analysis of the likely recovery of intercompany loans based on the net assets and expected future performance of the counterparty Group company, an impairment charge of US$2,618,000 (2011: US$nil) has been recorded.

The carrying value of receivables is considered to represent its fair value. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable shown above. The Company does not hold any collateral as security.

The carrying amounts of trade and other receivables in GBP sterling amount to US$197,000 (2011: US$12,414,661).

Notes to the Financial Statements (continued)

36. Cash and cash equivalents

	31 December 2012 US$000's	31 December 2011 US$000's
Cash and cash equivalents	154	33,952

The directors consider that the carrying amount of cash and cash equivalents approximates their fair value.

All of the Company's cash and cash equivalents at 31 December 2012 are at floating interest rates and are in US dollars except for US$77,000 (2011: US$74,901) held in GBP sterling.

37. Trade and other payables

	31 December 2012 US$000's	31 December 2011 US$000's
Trade payables	765	7
Accruals	1,008	80
	1,773	87

Trade and other payables principally comprise amounts outstanding for trade purchases and on-going costs.

The directors consider that the carrying amounts of trade and other payables are approximate to their fair values. The carrying amounts of trade and other payables in GBP sterling amount to US$1,625,000 (2011: US$7,000).

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame and no interest has been charged by any suppliers as a result of late payment of invoices during the year.

38. Financial instruments

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

- Trade and other receivables;
- Trade and other payables; and
- Cash and cash equivalents.

Financial assets

	31 December 2012		31 December 2011	
	Current US$000's	Non-current US$000's	Current US$000's	Non-current US$000's
Cash and cash equivalents	154	–	33,952	–
Loans and receivables	1,187	–	317	51,771
	1,341	–	34,269	51,771

Financial liabilities

	31 December 2012		31 December 2011	
	Current US$000's	Non-current US$000's	Current US$000's	Non-current US$000's
Amortised cost:				
Trade and other payables	1,773	–	87	–

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and commodity prices.

Foreign currency risk management

As highlighted earlier in these financial statements, the functional currency of the Company is US$. The Company has foreign currency denominated assets and liabilities. Exposures to exchange rate fluctuations therefore arise. The Company pays for invoices denominated in a foreign currency in the same currency as the invoice, therefore suffers from a level of foreign currency risk.

The Company does not enter into any derivative financial instruments to manage its exposure to foreign currency risk.

The carrying amount of the Company's foreign currency denominated monetary assets and monetary liabilities at 31 December 2012 is as follows:

	Assets 31 December 2012 US$000's	Liabilities 31 December 2012 US$000's
Cash at bank	77	–
Trade and other payables	–	(1,625)
Trade and other receivables	197	–
	274	(1,625)

	Assets 31 December 2012 US$000's	Liabilities 31 December 2012 US$000's
Cash at bank	74	–
Trade and other payables	–	(7)
Trade and other receivables	12,415	–
	12,489	(7)

Notes to the Financial Statements (continued)

At 31 December, if the US dollar currency had strengthened or weakened by 10% against GBP sterling with all other variables held constant, post-tax loss for the year would have increased/decreased by:

	Strengthened by 10% Increase/(decrease) in post tax loss and impact on equity US$000's	Weakened by 10% Increase/(decrease) in post tax loss and impact on equity US$000's
31 December 2012	(156)	156
31 December 2011	644	(644)

10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number above indicates an increase in profit or other equity where the US$ strengthens 10% against the relevant currency. For a 10% weakening of the US$ against the relevant currency, there would be an equal and opposite impact on the profit and other equity.

These differences are mainly as a result of foreign exchange gains/losses on translation of GBP sterling denominated trade and other payables and GBP sterling dominated bank balances. 10% is deemed appropriate for the foreign exchange sensitivity analysis due to the current financial market.

Interest rate risk management

The Company has minimal exposure to interest rate risk and the directors believe that interest rate risk is at an acceptable level.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises principally from the Company's cash balances and intercompany receivables.

The Company gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk.

The concentration of the Company's credit risk is considered by counterparty, geography and currency. The Company has a significant concentration of cash held on deposit with one large bank in the United Kingdom. The Company held all its cash with one bank in the United Kingdom. There are no other significant concentrations of credit risk at the balance sheet date.

At 31 December 2012, the Company held no collateral as security against any financial asset (2011: nil).

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Management considers the above measures to be sufficient to control the credit risk exposure.

Following an analysis of the likely recovery of intercompany loans based on the net assets and expected future performance of the counterparty Group company, an impairment charge of US$2,617,000 (2011: US$nil) has been recorded.

Liquidity risk management

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Board manages liquidity risk by regularly reviewing the Company's gearing levels, cash flow projections and associated headroom and ensuring that excess banking facilities are available for future use. The Company maintains good relationships with its bank, which has a high credit rating and its cash requirements are anticipated via the budgetary process.

Fair values

The directors consider that the carrying amount of financial assets and liabilities approximates to their fair value because of the short-term nature of such assets the effect of discounting is negligible.

39. Accumulated losses

	31 December 2012 US$000's	31 December 2011 US$000's
At 1 January/incorporation	(4,252)	–
Loss for the year/period	(3,044)	(4,252)
At 31 December	(7,296)	(4,252)

40. Share capital, share premium and merger reserve

The movements on these items are disclosed in note 20 to the consolidated financial statements.

41. Related party transactions

Loans to subsidiaries

Amounts receivable as at 31 December:

	31 December 2012 US$000's	31 December 2011 US$000's
Bayfield Energy Limited	84,664	47,712
Bayfield Energy (Alpha) Ltd	531	3,559
Bayfield Energy (Services) Ltd	–	500
Bayfield Energy (Galeota) Limited	656	–
	85,851	51,771

Amounts repayable from Bayfield Energy Limited are long term and carry interest of LIBOR + 3% per annum charged on the outstanding loan balances.

Notes to the Consolidated Financial Statements (continued)

During the year the following amounts owed by Group companies were impaired:

	31 December 2012 US$000's	31 December 2011 US$000's
Bayfield Energy (Services) Ltd	2,577	–
Bayfield Energy South Africa Limited	40	–
	2,617	–

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Trinity Exploration & Production (UK) Limited Unaudited Financial Results

Unaudited Financial Results
To provide the reader with greater clarity on the performance of TEPL and its subsidiaries (the "TEPL Group"), unaudited financial data is disclosed to show the results for the twelve months ended 31 December 2012 and includes selected Balance Sheet and Income Statement data of the TEPL Group. Audited statements will be available from 8 May 2013 from the website www.trinityexploration.com.

Unaudited Selected Balance Sheet data

	2012 US$000's	2011 US$000's
Non-current Assets		
Property, plant and equipment	64,720	56,248
Intangible assets	7,856	16,952
Deferred tax asset	13,787	12,882
Current Assets		
Inventories	3,333	1,499
Trade and other receivables	23,203	10,892
Taxation recoverable	471	119
Cash and cash equivalents	22,655	26,806
Total Assets	136,025	125,398
Non-current Liabilities		
Convertible loan notes	6,355	6,837
Borrowings	18,104	8,460
Decommissioning provision	9,891	6,402
Provision for employee retirement benefits	685	728
Deferred tax liabilities	19,054	19,504
Current Liabilities		
Trade and other payables	15,695	14,677
Borrowings	4,012	6,251
Taxation payable	11,316	7,181
Total Liabilities	85,112	70,040
Net Assets	50,913	55,358

Unaudited Selected Income Statement data

	2012 US$000's	2011 US$000's
Revenues	77,712	53,890
Operating Expense		
Royalties	(29,154)	(18,366)
Production costs	(12,200)	(8,460)
Depreciation, depletion and amortisation	(7,690)	(3,611)
Exceptional Items	(17,357)	–
General and administrative expenses	(12,308)	(4,461)
	(78,709)	(34,898)
Operating (Loss)/Profit	(997)	18,992
(Loss)/Profit Before Income Tax	(2,696)	13,430
Income Tax Expense	(12,532)	(652)
(Loss)/Profit For The Year	(15,228)	12,778

Designed and printed by
Perivan Financial Print 228181

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