



NIGER DELTA
EXPLORATION & PRODUCTION PLC
191616

2.0.1.2



NDPR Mini-Refinery, Ogbele



Wellhead #1



NDPR-Gas Plant-Ogbele



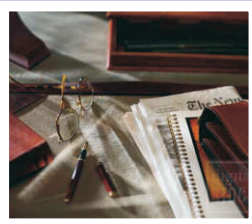
Community Bridge

...pioneering the development of Nigeria's small oilfields



NIGER DELTA

EXPLORATION & PRODUCTION PLC
191616



Our Mission

Niger Delta Exploration & Production Plc (NDEP) is a publicly owned, integrated Independent Oil and Gas focused Investment Company, with a range of assets.

NDEP Plc was established as an investment vehicle for Nigerians to participate in the country's foremost income generator, the oil and gas sector.

Our Vision

NDEP's vision is to efficiently identify and sustainably exploit small to medium sized oil fields located within the upstream sector of Nigeria's Oil & Gas Industry.





Lagos, Nigeria

REPORT OF THE DIRECTORS

**CONSOLIDATED AUDITED
FINANCIAL STATEMENTS**

AND

**SUPPLEMENTARY
FINANCIAL INFORMATION**

FOR THE YEAR ENDED 31 DECEMBER 2012

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NOTICE OF
ANNUAL
GENERAL MEETING

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth (18th) Annual General Meeting of the members of **NIGER DELTA EXPLORATION & PRODUCTION PLC** will hold on Wednesday the 21st August 2013 in the Agip Hall of the MUSON Centre, Onikan, Lagos at 11:00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To lay before the members the Audited Financial Statements for the year ended 31st December 2012 and the Report of the Directors, Auditors and Audit Committee thereon.
2. To declare a dividend
3. To re-elect Directors
4. To re-appoint the Auditors
5. To authorise the Directors to determine the remuneration of the Auditors.
6. To re-elect/elect members of the Audit Committee.

SPECIAL BUSINESS

7. To fix the remuneration of Directors for the year ending 31st December 2013.
8. To consider and if thought fit pass the following resolution as an Ordinary Resolution:

“That pursuant to Section 382(2) & (3) of the Companies and Allied Matters Act, Cap C20 Laws of the Federation of Nigeria 2004, Article 121 of the Company's Articles of Association, and the recommendation of the Board of Directors, the sum of **₦302,347,420** be capitalized from the balance of the General Reserve Account of the Company and accordingly that such sum be set free for distribution amongst the members on the Register as at close of business on the 7th of August 2013, on the condition that same be not paid in cash but applied to paying up in full, at par, **30,234,742** un-issued ordinary shares of ₦10.00 each, to be allotted and credited as fully paid up to and amongst such members in the proportion of one (1) new ordinary share for every five (5) ordinary shares held by them on the stated date, and the said shares so allotted shall rank pari-passu with the existing ordinary shares of the Company, the shares so allotted being treated for all purposes as capital and not income, and these new shares shall not qualify for dividend in respect of the 2012 financial year and the Directors shall give effect to this resolution on receipt of the necessary approvals from the regulatory authorities”.

9. To consider and if thought fit pass the following as Ordinary Resolutions:
- i. "That subject to securing the appropriate regulatory approvals and in accordance with Clause 3 (m) of the Memorandum of Association of the Company, the Board of Directors of Niger Delta Exploration & Production Plc be and is hereby authorized to raise additional equity by way of special placement and/or quasi-equity capital up to **US\$450,000,000 (Four Hundred and Fifty Million United States Dollars)** or any fraction thereof at a price to be determined by the Directors, from local (Nigerian) and/or international investors".
 - ii. "That the Capital raised be utilized for the purposes of enhancing the Company's working capital, financing the development of the Company's businesses, reducing the Company's leverage and positioning the Company to take advantage of potential opportunities".
 - iii. "That the Board of Directors be and is hereby authorized to take all necessary actions required to give effect to the above stated resolutions and transactions in respect thereof".

Dated this 17th July, 2013

BY ORDER OF THE BOARD



Titilola O. Omisore

COMPANY SECRETARY

FRC/2013/NBA/00000003574

NOTES:**i. PROXY**

A member of the company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her place. A proxy for a corporation may vote on a show of hands and on a poll. A proxy need not be a member of the company.

To be valid, a Proxy Form, if intended to be used, should be duly stamped by the Commissioner for Stamp Duties and deposited at the Registered Office of the Company being 15, Babatunde Jose Road, Victoria Island, Lagos, not later than 48 hours before the time fixed for the meeting.

ii. DIVIDEND

If dividend of **₦6.00 (Six Naira Only)** per every ordinary share recommended by the Board of Directors is approved and declared, shareholders whose names appear in the Register of Members as at the close of business on the 7th August 2013, will have their dividend warrants dispatched to them immediately.

iii. AUDIT COMMITTEE

In accordance with Section 359(5) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, any member may nominate a shareholder as a member of the Audit Committee by giving notice in writing of such nomination to the Company Secretary at least 21 (Twenty-One) days before the Annual General Meeting.

iv. DIRECTORS RETIRING BY ROTATION

In accordance with the provisions of the Company's Articles of Association, Professor Sylvanus J. S. Cookey, OFR and Mr. Ahmed Khelif both retire by rotation and being eligible, offer themselves for re-election.

v. AGE DECLARATION

In accordance with Section 252 (1) of the Companies and Allied Matters Act Cap C20 Laws of the Federation of Nigeria 2004, Professor Sylvanus J. S. Cookey intends to disclose at the Meeting that he is over 70 years of age.

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THE BOARD OF
DIRECTORS

DIRECTORS' PROFILE



Mr. Goodie Ibru (OON)
Chairman

A lawyer by training, Mr. Goodie Ibru graduated from the Holborn College of Law in 1965 LLB (London) and was called to the English Bar (Inner Temple) in 1966 and is currently a Principal Partner in the Law firm of G. M. Ibru & Co. An astute entrepreneur and businessman, he is well established in the hotel and hospitality industry in Nigeria and is the Chairman of Ikeja Hotels Plc, owners of the Lagos Sheraton Hotel & Towers and the Abuja Sheraton Hotel & Towers. He is also the Chairman of The Tourist Company of Nigeria Plc, owners and operators of the Federal Palace Hotel & Suites Victoria Island, Lagos.

Mr. Ibru is involved in many business associations and is a Past President and Chairman of the Council of the Nigerian Stock Exchange. He is also currently, the Honorary Consul of the Republic of Lithuania in Nigeria, Executive Vice President (West Africa Chapter) African Business Round Table, Chairman NEPAD Business Group and Vice President Lagos Chamber of Commerce. He remains on the board of several companies including The Guardian Press Ltd.; Dunlop Nigeria Plc and Crusader General Insurance Plc. He is an Officer of the Order of the Niger (OON).

Dr. 'Layi Fatona is a Petroleum Geologist with over thirty-five years of practice, commencing with a seven year stint in the Petroleum Engineering and Exploration & Production Departments at The Shell Petroleum Development Company of Nigeria Ltd (SPDC).

He obtained both the Master of Science and Doctorate degrees from the Royal School of Mines at the Imperial College of Science Technology and Medicine, University of London, in 1976 and 1980 respectively. He is the Chairman of Geotrex Systems Limited, Nigeria's foremost independent Exploration & Production Consultants, which has offered expertise to all the major oil operators in the country. He is a past President and Fellow of Nigerian Association of Petroleum Explorationists and a Certified Petroleum Geologist of the American Association of Petroleum Geologists (AAPG).

A 2010 recipient of the prestigious Aret Adams Award, bestowed by NAPE, Dr. Fatona is also a leading authority on the geology of the Niger Delta Oil and Gas Province. In 2011, Dr. Fatona was a Finalist for the Ernst & Young Entrepreneur of the Year Awards, West Africa 2011, Master Category.



Dr. Layi Fatona Ph.D., M.Sc., DIC, FNAPE
Managing Director



Mr. Ahmed Khelif
Algerian

Mr. Ahmed Khelif holds a BSc Degree (1967) in Electronics Engineering from the Algiers Polytechnic School, Algeria and a Masters Degree (1968) in Geophysics from the Algerian Institute of Petroleum, Algeria.

He worked with Sonatrach as an Exploration Manager from where he retired and is currently the Technical Director of the Petrolin Group (Switzerland), in charge of the Exploration & Production activities for the group in the Middle East and Africa. He has over forty years of experience in the Petroleum Exploration & Production and the Information Technology fields.

An astute Administrator and renowned historian, Professor Coockey undertook his Doctorate at the London School of Economics and Political Science (LSE), University of London, in International History.

He is a retired Professor of History and a former Vice-Chancellor of the University of Port Harcourt as well as Pro-Chancellor of Obafemi Awolowo University, Ile Ife, Osun State, Nigeria. Earlier in his career, he was the Chairman at the Department of Afro-American Studies, State University of New York, Binghamton USA (1972-74) and at the Department of African Studies, Rutgers University, New Jersey USA (1974-80), and member of the UNDP-GEF (Global Environmental Facility) Mission to Kenya, Zimbabwe, Ghana and Mali. Professor Coockey was awarded the D. Sc. (Honoris Causa) of the University of Port Harcourt and is an Officer of the Order of the Federal Republic of Nigeria (OFR).



Professor S. J. S. Coockey OFR, KSC, Ph.D.



Mr. Ladi Jadesimi

A former Partner of Arthur Anderson in Nigeria, Mr Jadesimi is a graduate of Oxford University (Jurisprudence, 1966) and is a Fellow of the Institute of Chartered Accountants, England and Wales.

Mr. Ladi Jadesimi is a Chartered Accountant, with over 15 years of practice and took early retirement from practice to engage in private business, primarily in banking, oil and gas and real estate. Mr Jadesimi serves on the board of several companies, including First City Monument Bank (FCMB) as a Non-Executive Director.

Mrs. Zuwairatu Mantu attended the University of Maiduguri, where she obtained a Bachelor of Law (LL.B) (Hons) degree in 1986, before attending The Law School in Lagos, Nigeria. A lawyer of over 27 years standing, Mrs. Mantu has worked in several law firms before establishing her own practice, in 2002.

She holds many international diplomas, including a Post Graduate Diploma in International Tax Law, from the Robert Kennedy College, Switzerland and was awarded an honorary degree from the Irish International University, UK. A generous philanthropist, Mrs. Mantu supports many charitable concerns and is a member of the Nigerian Bar Association and the International Bar Association.



Mrs. Zuwairatu Mantu



Mr. Femi Balogun
Executive Director- Finance

Mr. Femi Balogun is a Chartered Accountant with over thirty years working experience in the finance sector. He graduated from the University of Ibadan in 1973 with a BSc in Chemistry and Geology. He later became an Associate of the Chartered Institute of Taxation in London in 1979.

He is a member of the ACCA and ICAN. He practiced as an accountant and started working with Shell Petroleum Development Company of Nigeria (SPDC) in 1980 as a Senior Internal Auditor. He later joined the Yinka Folawiyo Group as Group Finance Controller in 1983 and worked there till he joined the International Institute for Tropical Agriculture (IITA) as Finance Manager in 1988.

In 1994 he returned to the Oil & Gas Industry and started working for Oilscan Limited in Port Harcourt as the Executive Director (Finance). He has been with NDEP since 2003.

Mr. Nuhu Adaji is a highly skilled oil and gas specialist, with over 30 years of experience. After graduating with a BSc in Mechanical Engineering from the University of Manchester, Mr Adaji began his career as a Well Site Petroleum Engineer at the Shell Petroleum Development Company of Nigeria (SPDC) in 1976. Highlights from his career at Shell include an international posting to Brunei Shell Petroleum (BSP) in 1989 as a Senior Production Technologist, an appointment as Head of Production Technology Information Technology (PT IT) and in 2003, an appointment as the Corporate Chief Production Technologist for SPDC. Mr Adaji left Shell in 2004 to start an independent petroleum industry services consultancy.

He joined Oando Exploration & Production Limited as Chief Technical Officer in 2009, before joining NDPR Ltd as Gas Business Adviser in 2010. Mr Adaji is also a member of the Society of Petroleum Engineers.



Mr. Nuhu Adaji
Executive Director-Technical

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MANAGEMENT



Dr. Layi Fatona Ph.D., M.Sc., DIC, FNAPE
Managing Director

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He obtained both the Master of Science and Doctorate degrees from the Royal School of Mines at the Imperial College of Science Technology and Medicine, University of London, in 1976 and 1980 respectively. He is the Chairman of Geotrex Systems Limited, Nigeria's foremost independent Exploration & Production Consultants, which has offered expertise to all the major oil operators in the country. He is a past President and Fellow of NAPE and a Certified Petroleum Geologist of the American Association of Petroleum Geologists (AAPG). A 2010 recipient of the prestigious Aret Adams Award, bestowed by NAPE, Dr. Fatona is also a leading authority on the geology of the Niger Delta Oil and Gas Province. In 2011, Dr. Fatona was a Finalist for the Ernst & Young Entrepreneur of the Year Awards, West Africa 2011, Master Category.

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Mr. Femi Balogun
Executive Director- Finance



Ms. Titi Omisore
Company Secretary / Legal Adviser

Ms. Titi Omisore graduated with a BA (Political Science), LLB from the University of Illinois, Champaign Urbana, and the University of Buckingham respectively, thereafter, obtained her BL from the Nigerian Law School.

She started her working career with Strachan Partners in 1993. In 1999 she attended Kings College, University of London where she obtained a Masters degree in Tax Law. Ms. Omisore returned to Strachan Partners where she was made a Partner, before joining NDEP as the Company Secretary, in 2001.

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Mr. Nuhu Adaji
Executive Director-Technical



CORPORATE INFORMATION



CONTACT US

Company Secretary and Legal Adviser

Titilola Omisore
15, Babatunde Jose Road, Victoria Island, Lagos.

Registered Office:

15, Babatunde Jose Road,
Victoria Island, Lagos.

Auditors

Ernst & Young
(Chartered Accountants)
2A, Bayo Kuku Road,
Ikoyi, Lagos.

Financial Adviser

Chapel Hill Advisory Partners Limited
1st Floor, 45, Saka Tinubu Street,
Victoria Island, Lagos.

Bankers

Barclays Bank Plc.
Guaranty Trust Bank Plc.
Access Bank Plc
Skye Bank Plc.
Standard Chartered Bank Nigeria Limited



**CHAIRMAN'S
STATEMENT**
2012

Goodie Ibru (OON)
CHAIRMAN

Esteemed Shareholders, Guests, Ladies and Gentlemen

In my capacity as Chairman of NDEP Plc, I am delighted to warmly welcome you to the 18th Annual General Meeting (AGM) for the year ended 31st December, 2012.

I will use this opportunity to present highlights of the Company's performance for the year 2012 and also, furnish you with a report of the activities undertaken throughout the year.

In what will be my second opportunity presenting the report of this pioneering Company, I can state that while 2012 has been a somewhat testing year for NDEP Plc, your Company rose to the challenge and prudently navigated the hurdles. Our proactive and diligent Board, together with a committed and dedicated Management Team and Staff, ensured that 2012 manifested as a year of solid growth and increased investment. By year end 2012, NDEP Plc has truly positioned itself as a fully integrated Nigerian Independent oil and gas company. Esteemed Shareholders, I note modestly that your Company is setting records and erasing preconceptions, showing what can be done by an Independent marginal field operator in Nigeria.

Indeed, the major focus of 2012 was to diversify income streams. In this endeavour, your Company was successful. Much effort has gone to ensure that the Ogebe Field asset continues to yield maximum value from its oil and gas resources, with a view to enhancing the return to you, our shareholders.

In 2012, there were several highlights for the company, notably the commissioning of the Gas Processing Plant and the 20 Km 12" Ogebe Gas Pipeline and subsequently the commercialization of the ample gas resources with effect from November 2012. This milestone event ensured that your Company, through its subsidiary, commenced the steady supply of gas to the NLNG Train 6 at Bonny. This, being the first Independent Non-JV Company to do so, is another pioneering effort, whilst also eliminating gas flare emissions. The Mini Diesel Refinery remained functional ensuring that your company remains self sufficient for its diesel requirements, as well as generating revenue from the commercial sales of surplus diesel to the Nigerian market. Your Company also during the year, through its operating subsidiary- NDPR, undertook and completed a 3D Seismic Data Acquisition program in the Ogebe Field Farm-out area. The results will optimize production and further enhance the Well Data Drilling program in 2013 and beyond.

A final key highlight for 2012 was the acquisition of the 45% interests of the Shell/Total/Agip JV in Oil Mining Lease (OML) 34, through a Special Purpose Vehicle (SPV), ND Western Limited. This asset acquisition effort has boosted the profile of your company and significantly increased the booked reserves (oil and gas) of NDPR. As a lead investor, NDPR stands to benefit from the daily oil and gas production of OML 34.

As a growing pioneering Company, with great ambitions, it is inevitable that our path will not always be smooth. In 2012 your Company witnessed a decline in production, due in part to suspension of its drilling programme. This production decline has correspondingly impacted the Company's revenue for the year. These circumstances notwithstanding, profit remained modest and comparable with 2011. Convinced of arguments, the Board still supported Management efforts to sustain investments so as to ensure the future profitability and sustainability of your Company.

THE GLOBAL ENVIRONMENT

While the global environment continues to improve following on from the Global Financial Crisis, the impact of the recession still lingers, albeit more acutely in advanced economies. The USA had a moderately better year than 2011, with growth of 2.2%, compared to 1.8% according to the IMF. The November elections saw President Obama win a second term, which ensured continuity of his economic policy. Encouragingly, the last minute fiscal cliff deal and moderate labour market gains have helped to create brighter growth prospects for the world's largest economy.

Europe, a more troubled region, saw key economies such as Italy and Spain witness negative growth, and a *Standard & Poor's* downgrade of nine Eurozone countries in January 2012. As austerity and high (youth) unemployment continued to bite, the level of civil unrest also rose, with protests across the region. However, there were some tentative positive developments, such as the German backing of the European Stability Mechanism (ESM) and the European Central Bank's (ECB) announcement that it would buy unlimited amounts of the bonds of troubled Euro-zone countries. These two measures have helped to foster stability in the region.

The emerging BRIC (Brazil, Russia, India and China) economies fared better, with countries like China and India attaining significantly higher rates of growth, at 7.8% and 4% respectively (Source: IMF). The majority of developing countries are steadily recovering from the crisis. However, in the Middle-East and North Africa region, civil and political unrest have held back growth.

In keeping with this trend, economic conditions in sub-Saharan Africa have remained generally robust compared to more advanced economies, with an average of 4.8% GDP growth in 2012. Expansion in the region is varied with low-income countries registering better growth and middle-income countries like South Africa, trailing the global market, experiencing slower rates of growth. Oil producing countries benefitted from a solid rebound in 2012, as the Opec oil basket reached a high of over \$120 in Q1 2012.

NIGERIA: THE LOCAL ENVIRONMENT

Closer to home, the Nigerian economy slowed slightly, from 7.4% growth in 2011, compared to the 6.6% achieved in 2012. The oil sector continued to drive the economy, with average growth of about 8.0%, compared to -0.35% for the non-oil sector (Source: African Economic Outlook). In January 2012, civil unrest followed the partial removal of the fuel subsidy on petroleum products. The money saved from the removal was accrued into the Sovereign Wealth Fund and increased spending in health, education and infrastructure development.

To stimulate local capacity, the Federal Government introduced tariffs on the importation of key foodstuffs, while also reducing import duties on the importation of agricultural machinery. Less positively, inflation in Nigeria, as in many African countries, remained high, closing 2012 at 12%. 2012 also saw increased terrorist activities, with the Islamist sect, Boko Haram, fanning religious tension, especially within Northern Nigeria. This development remains a national concern with its paralyzing effect on the economy of the region.

For Nigeria's oil and gas industry, 2012 was meant to be a transformative year. After years of postponement, hopes were high that the Petroleum Industry Bill (PIB) legislation would be passed, to reform the industry and unlock investment. However, this was not achieved. Though the Bill made some progress towards becoming law, the year ended without its passage and even in 2013, there is no specific indication as to when it will be passed. This has resulted in uncertainty within the

industry. For NDEP and its subsidiary, as an independent Nigerian operating Company with a genuine interest in the development of Nigeria, we eagerly await the passing of the Bill and canvass for better fiscal terms to support continuity of investments in a highly competitive environment.

Regarding your Company's operations, security in the Niger Delta region continues to be a challenge. Your Company continues to review its security procedures to ensure that the safety of staff and operations are not compromised. However, I am pleased to inform you that your Company has experienced no down time in its operations as a result of community induced tension. Since First Oil was attained in 2005, we remain proud that your Company has experienced and successfully logged its 7th year of continuous oil production, with no host community related interruption. Considering the restiveness typically associated with host communities, this continues to be an impressive achievement.

At NDEP Plc, we have a constant focus on achieving increasingly higher levels of safety, operational and environmental performance, whilst maintaining our ideals, namely being Nigeria's foremost indigenous, Independent Integrated Operating Company.

OPERATIONS AND RESULTS

Although 2012 was a challenging year, I am pleased to report that Profit After Tax increased by almost a third (31%) from what was attained in 2011. 2012 was by all means of measure a year of robust growth for your Company. With significant improvements made to infrastructure in our producing asset-Ogbele Field. These developments allowed your Company to assume a new status- "a fully integrated operating Company". By year end, your company commenced benefiting from a diversified income stream. The commencement of gas production and sales, and a higher oil price both contributed to the Company's modest income and sustained its profit margin. Your Company continues to benefit from its Pioneer Status Tax Exemption.

Equally worthy of note, your Company's level of investment increased, by a modest 29% compared to 2011. Significant amounts of resources went into the completion of the Gas Processing Plant and Pipeline, requiring substantial efforts to meet the stringent technical requirements of the NLNG. These investments have started to pay off. As at November 2012, the Gas Processing Plant and Gas Pipeline were successfully completed and commissioned. Events that themselves enabled your operating Company (NDPR), to eliminate gas flaring and comply with the Federal Government's zero flare regulations. A modest milestone, but one that propels us once again to the forefront amongst our peers.

Less positively, there was a reduction in the Company's turnover by 22%, compared to 2011. This is attributed to a decrease in oil production, given that the Company's Well Drilling Program was suspended while a 3D Seismic Data Survey was being conducted. Consequently, decreased production level contributed to reducing our operational costs, thus affecting the profit margin attained in 2012.

The Shareholders' Fund had also increased by a modest 6%, which reflects the value added to your Company during 2012. These results show your Company's resilience, despite trying circumstances. Even with reduced production level for the year, your Company performed fairly well, aided by the higher oil price and a diversification of our income streams.

In acknowledgement of this performance and in recognition of the loyalty of our shareholders, The Board is happy to propose a dividend of Six Naira (N6) per share. It is further recommending that in

addition to this, a bonus of one (1) ordinary share for every five (5) shares held be considered and approved by Shareholders. This will be NDEP's 7th year of consecutive dividend payment. Another proud attainment for your Company. That we have been able to maintain and sustain our dividend payment record underpins the careful financial and resource planning sentiments driving the Board and Management of your Company. It further buttresses the robustness of your Company's business model and its future.

PRODUCTION

As at the end of 2012, Ogebele has attained an impressive 6,886,834 barrels of cumulative oil production. This is more than the total field reserves for the Ogebele marginal field at the grant of the Farm-Out Agreement. It shows that our long term strategy of efficiently extracting maximum value from our core asset has paid off. We look forward to attaining our next milestone, 7MM barrels from the Ogebele Oil and gas Field (now surpassed as at AGM date). To help surpass this, your Company, through its operating subsidiary, has expended significant resources to undertake a 3D Seismic Data Survey of the Ogebele Field. Once the data has been interpreted, this will enhance the performance and efficiency of the Company's future drilling programme. I will outline other developments in 2012, while the Managing Director will give a more detailed review in his Statement.

NEW ASSETS

After much effort, I am pleased to report that on the 31st July 2012, ND Western Limited successfully executed the Sales and Purchase Agreement (SPA) for the acquisition of 45% interests in Oil Mining Lease (OML) 34, at a historic signing ceremony with the NNPC/ Shell/ Total and Agip JV. ND Western is now the beneficial holder of a 45 % interest in OML 34 previously held by Shell / Total and Agip, with the remaining stake held by the Nigerian National Petroleum Corporation (NNPC). NDEP Plc has a 41.67% interest in ND Western, in partnership with Petrolin, Waltersmith Petroman Oil Limited and First Exploration & Petroleum Development Company Limited (FIRST E&P).

While your Company as consortium leader started off on a low key, it went on to emerge as the preferred bidder with our bid ultimately becoming successful. This again illustrates how far your Company has progressed from its modest beginnings with its technical know how and its approach to host community development, manifesting as the strong points in the evaluations. We are proud of this modest achievement and the boost it will give to the Company's booked reserves, production and profitability in future.

The Omerelu Farm-out Agreement remains outstanding. Your Company has concluded its negotiations with the NNPC/Chevron JV. We await still final Government approval.

CAPITAL RAISING

The oil and gas industry remains extremely capital intensive. Availability of capital at the right cost and quantum is of great essence. As we increase our reserves and production, it is important that we take advantage of new investment opportunities through the acquisition of new assets. There is therefore a great need to shore up our capital base through a fund raising strategy. I want to assure you that whatever option we choose to raise additional capital for the continued survival and growth of your company, will serve our future interests best.

SUMMARY

From my report above, 2012 was a difficult year albeit with profit, sustained new investments coming on stream and a relatively high oil price. Your Company must therefore continue to reinvest a significant proportion of its profits into its ongoing operations and new opportunities, so as to further enhance productivity and profitability of NDEP.

With 2012 gone, I am pleased and privileged that your Company has made the transition to a fully integrated independent operating company, demonstrating that with new investments, our operations have become more efficient and the entire oil and gas value chain gradually being realised. For our pioneering shareholders, you recall the Company's more modest and nimble inception, NDEP has come some distance. I am proud that the Ogbale Field of today is capable of so much and should rightly become a model for indigenous capacity building within the Niger Delta Region.

Looking forward, the future is bright. The Board, Management and Staff of your Company will do all they can to ensure its future profitability. Wise decisions and timely investments will continue to bode well for the Company. While the path may not always be smooth, especially given the vagaries of the industry, I urge you our shareholders, to remain assured that you are in capable hands.

APPRECIATION

I must appreciate all those who made 2012 a success and helped us to attain our milestones. I would like to thank the unwavering dedication and efforts of the Company's greatest asset, the Staff and its Management Team. While they often do not receive recognition, I would like to take this opportunity to commend them for working tirelessly to make the Niger Delta vision a reality.

Also, I would like to commend the efforts of my colleagues, co-members of the Board of NDEP Plc. Their individual and collective contributions continue to propel the Company, ensuring that it remains focused towards attaining its goals of evolving as a fully integrated oil and gas Company. To our shareholders, we thank you for your continued support, loyalty and understanding. Many of you invested when it was just a concept. We appreciate your faith in NDEP Plc and your belief in the potentials of the Company.

We also recognise our partners in the Host Communities. We look forward to a continuous mutually rewarding relationship. Finally, I would like to conclude by acknowledging the efforts of the industry regulators, who in a testing environment such as Nigeria, work tirelessly to sustain the Nigerian oil and gas industry.

May God, in his mercy, continue to bless us.



GOODIE IBRU (OON)

CHAIRMAN

JULY 2012

FRC/2013/NIM/00000003510



MANAGING DIRECTOR'S STATEMENT

Dr. Layi Fatona *Ph.D., M.Sc., DIC, FNAPE*
MANAGING DIRECTOR

Distinguished Shareholders, Ladies and Gentlemen

Steering through the challenges of operating in an environment deeply affected by the attendant effects of global, national, economic and political uncertainties, your Company remains firmly on course to fulfilling its vision of maximizing operational performance and minimizing cost, as it "identifies and exploits small and medium sized oil fields in Nigeria and Sub-Saharan Africa." I feel therefore, and once again, privileged to present the report of NDEP's performance for the year 2012. Esteemed Shareholders, permit me to first review the global economic environment in which our Country and Company operated in 2012.

The impact of the 2008 global economic crises was still very much prevalent in 2012. Headlines on Sovereign Debt crisis and policy uncertainties in the United States of America dominated much of the year's news. This reduced reliance on commodities from Asia/Pacific region, especially China, with economic disruption in emerging markets. Projected recovery was harder to achieve, evident from rising unemployment rates, lower than anticipated real GDP growth (of 2%, lower than projected 2.4%), all of which contributed to restricted credit conditions.

Notwithstanding the bleak economic conditions of 2012, oil exporting countries experienced modest increases in oil export earnings, resulting from the sustained high crude oil prices of the year. Average Brent Crude oil price was \$111.67, a 0.4% increase compared to 2011 average price of \$111.26. Disruptions in oil production in South Sudan, Yemen, Syria etc, reduced world supply, and contributed to high oil prices.

Most countries in Sub-Saharan Africa witnessed economic growth in 2012, owing to healthy domestic demands, increased investments in the natural resource sector, mainly from China, and high commodities prices. Gross Capital flow to developing countries rose to \$170bn which represented a modest increase of 2.8% in developing countries' Gross Domestic Product (GDP) and 4.6% of the GDP of Sub-Saharan

Africa (excluding South Africa). Growth for the region is projected to continue at its pre-crisis average of 5% (4.6% for 2013, which will peak at 5.2% in 2015).

Nigeria's output growth rate of 6.58% in 2012 was lower compared to the 7.43% recorded in 2011. As in 2011, overall growth was driven primarily by the non-oil sector, which recorded a 7.88% increase compared to the oil sector which contracted by 0.94% in the year. It is important to state that both sectors generally experienced slowdown in activities due to persistent security issues and flooding in parts of the country.

The contraction in the oil sector, triggered by decreased oil production from 2.45mbpd in 2011 to 2.35mbpd, was modestly ameliorated due to both the relatively high international prices of crude oil in 2012 and the stable exchange rate of Naira to Dollar (N155.75 - \$1).

Nigeria's external foreign reserves for the year increased to \$44billion. This was an \$11billion increase from the 2011 figure of \$33billion. The Excess crude account also increased from \$4.22billion in 2011 to \$9billion in 2012.

In January of this year, the Federal Government approved a budget with Gross Federally Collectible Revenue of N11.34 trillion, of which total revenue available for the Federal Government's Budget was set at N4.1 trillion, a 15% increase over 2012 estimates. Total and recurrent expenditures were set at N4.987 trillion and N2.38 trillion respectively. Capital expenditure was estimated to be N1.62 trillion, N387.97 billion for Statutory Transfers, N591.76 billion for Debt Service and N273.5 billion for the Subsidy Reinvestment Programme.

The underlying assumptions for the budget are:

- Crude Oil production of 2.526million barrels per day
- Crude Oil price of US\$79 per barrel
- Exchange rate of N160 to US\$1
- GDP target rate of 6.5% and
- Target inflation rate of 12.9%

OUR COMPANY PERFORMANCE

PRODUCTION OPERATIONS

The challenges and uncertainties we endured in 2011 provided the enabling environment for the Board and Management of NDEP to take a step back and reassess our position and the direction in which we plan to take the company in the future. Going through this process, much of the planned projects for the year (especially our drilling activities) were justifiably put on hold, providing the requisite time to re-evaluate the field's reserves, production potentials and which viable future project opportunities are available for the company.

Early in 2012, we embarked on a comprehensive 3D seismic data acquisition, data processing, followed by evaluation and interpretation of the field data. The results of the 3D re-interpretation and subsequent reserves evaluation show significant increase in previously carried reserves estimates. Sub-surface re-assessment of the field by the Field Development team revealed a number of viable drilling prospects within the Ogbele field, which can boost production in the future. Reserves estimates show that NDEP currently carries booked proved reserves of 23.6MMbbls of oil and condensate and 277.36Bscf of gas. To effectively produce these for the long term benefit of the Company, I am happy to announce that in 2012, we signed a two (2) year renewable contract with ACME Energy Integrated Services for the procurement of a drilling rig. This we were able to do in spite of the global scarcity of land drilling rigs. Planned activities to increase daily production for 2013 include workover of Ogbele #3 and drilling of 2 additional wells by 2013 year end.

Oil production for 2012 was 502,774 barrels. A 31% decrease from the 732,638 barrels reported in 2011. The major factors responsible for the decline in production are:-

- The decision to defer all drilling and workover operations until a clearer picture of the subsurface structures emerges based on ongoing 3D Seismic Data Acquisition and field re-evaluations

- Natural decline of Ogbele Wells #4ST and #5ST
- Mechanical string failure of Ogbele Well #3

Despite the decrease in production, we recorded a number of notable production related accomplishments in the year. These include:

- Completion and commissioning of the Ogbele Gas Plant. On November 24, 2012, full commercialization of our gas resources commenced with the supply of 28mmscf of gas to the Nigerian Liquefied Natural Gas (NLNG) train 6, through our 20km 12" Gas Pipeline into NLNG Manifold at Rumuji .
- Successful completion of Ogbele Well #6 as an oil producer.
- Upgrading our Ogbele Flow Station to accommodate the projected increased production from our planned future drilling activities.
- Upgrading and standardization of the "Surface Safety Systems" for Ogbele wells.
- Recording our 7th consecutive year of uninterrupted production operations in our host communities. This event itself attests to the effectiveness of our host community engagement strategy.

OGBELE GAS PROCESSING PLANT

In 2012, I am pleased to report the completion and full commissioning of the 100 mmscfd Ogbele Gas Processing Plant with its associated 20km Gas Pipeline, the Pig Launcher and Receiver respectively. The commissioning of the Gas Plant has led to the full commercialization of the gas resources of the Ogbele field. Cumulative 2012 Gas production and sales to NLNG for only two months of supply was 956,737.02mmbtu.

THE OGBELE MINI REFINERY (DIESEL TOPPING PLANT)

In 2012, we continued to exploit avenues for profitably, diversifying our operations, increasing our income streams and reducing costs. One of such revenue stream was refining of our crude oil to produce diesel as a first line product for internal consumption and further commercial sales to the Nigerian (domestic) market. We increased our diesel production from 5,034,618 litres in 2011 to 15,479,163 litres in 2012.

OML 34 – SHELL DIVESTMENT

I am pleased to announce that in September 2012, your company in partnership with three (3) others secured the negotiated 45% interest divested by the Shell/Total/Agip JV in OML 34. With three producing fields (Utorogu, Ughelli East and Ughelli West), OML 34's average daily production was 16,000bopd and 310MMscf/d by year end. NDPR's share of daily production (i.e. 18.75% of the total asset) was an average of 3,000bopd and 58.13MMscf/d for 2012.

Let me remind you that as far back as 2011, one of the main objectives for considering the acquisition of the interest being divested by Shell/Total/Agip JV in OML 34 was to enhance and diversify our production and asset portfolio. I am pleased we have now achieved this important objective through this asset acquisition, as it will, going forward provide additional revenue and more so allowing us to book substantial oil and gas reserves in the books of our company. The full benefits of these will reflect positively in the years ahead, starting from the 2013 Financial Statements.

HEALTH SAFETY AND ENVIRONMENT MANAGEMENT SYSTEM (HSEMS)

We continue to make progress in embedding globally acceptable Health, Safety and Environment Management Systems and culture in our day-to-day operations. The results of such calculated steps are obvious in our HSE performance. In 2012, we recorded 3,044,246 man-hours, with zero loss time injury and fatality. In addition, we can report on some noteworthy HSE achievements including:

- Design and implementation of contractor HSE Management System
- Development and approval of the Operations HSE Case for Ogbele Gas Plant
- Process Safety Management (PSM) Training for all operations staff
- Revalidation of Ogbele Field Environmental Impact Assessment
- Activated Oil Spill Contingency Plan (OSCP) for Ogbele Field

The completion of the Operations HSE Case for the Gas Plant in 2012 which coincided with the commissioning of the Gas Plant and subsequent supply of gas to NLNG marks an important milestone in our operational advancement. The HSE case for the plant continues to ensure that operations within the Gas Plant, Flow Station and the Mini Refinery are all carried out in accordance with internationally recognised standards, procedures and processes.

BLUE SKY OPPORTUNITIES

In 2012, we continued to pursue a number of viable and potentially profitable opportunities and investment leads in Nigeria and in the Sub-Saharan Africa region. These opportunities, when they manifest can further transform your company as a major player in the Nigerian and African Exploration and Production business space, beyond our geographical borders.

We continue to be driven and guided by the desire to maintain a strong asset and healthy financial base, by selectively investing only in assets that will provide further long term returns on investments for our shareholders and stakeholders.

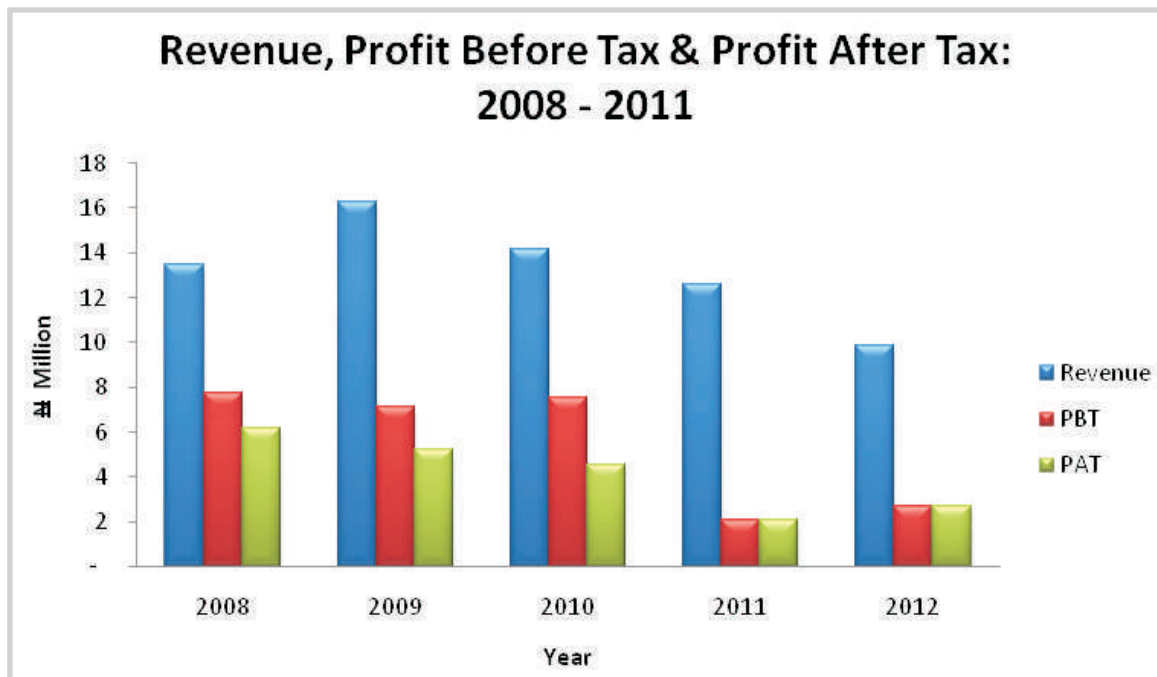
The ongoing efforts aimed at efficiently utilizing available funding and purposefully investing in viable opportunities has led us to consider a new equity capital raising programme. This will facilitate sustainable funding for new business ventures, in addition to future production enhancement of the Ogbele field.

FINANCIAL RESULTS - 2012

Distinguished Shareholders, I am able to state that even without any drilling and work-over activities for the year 2012, our company maintained a steady, though declining production. Yet, I am bold to state also that we remain on a steady course to recovery. The results of 2012 point to the subtle fact that we are steadily on our way to attaining and exceeding our growth target for the next 3 years. Our integrated oil and gas operations, the footprint of which is now fully established, enable us diversify our income streams, thereby providing multiple cash-flow generating portfolios to buffer the effects of low drilling activities.

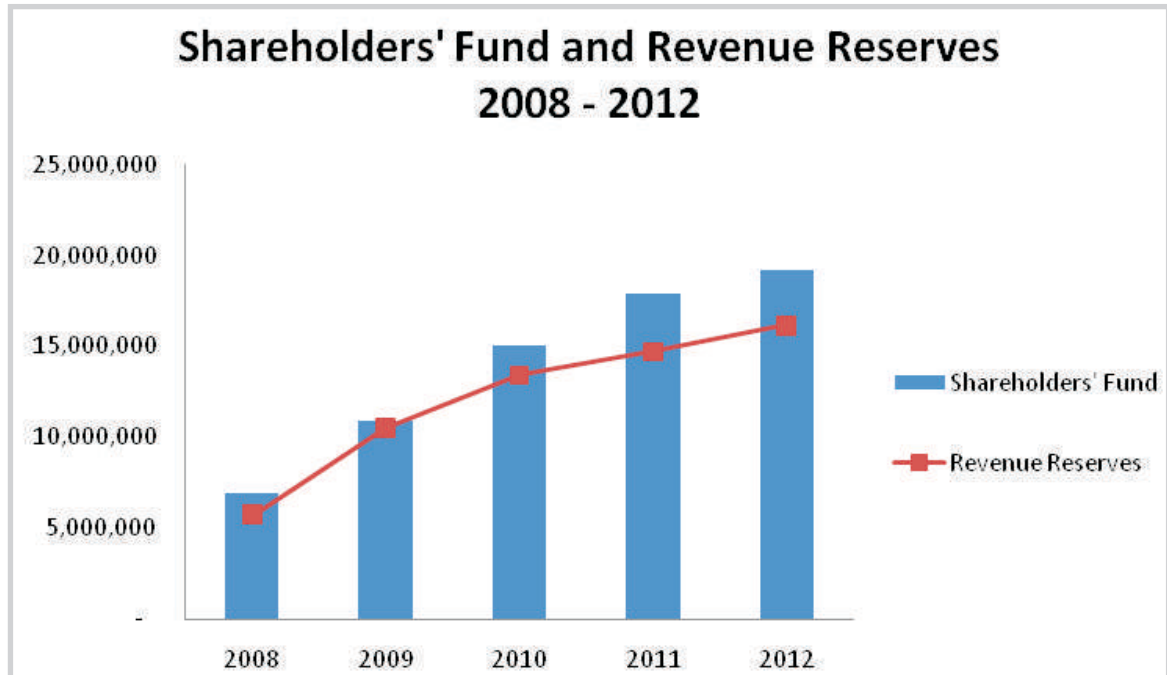
The results of our 2012 performance evidently show a decline in revenue at N9.8billion in 2012, from N12.6billion in 2011 attributed to the decrease in oil production, and the delayed full commissioning of the Ogbale Gas Plant. The suspension of drilling and work-over activities, and the introduction of internal cost management and control policies implemented, strengthened by the completion of the Gas Plant during the year, led to a decrease in our operating costs by 14% from 2011's results. Profit before Tax (PBT) grew by 30.8%, from N2.07billion in 2011 to N2.70billion in 2012 while Profit after Tax (PAT) also grew by 30.7% from N2.07billion in 2011 to N2.70billion in 2012. (Figure 1)

FIGURE 1



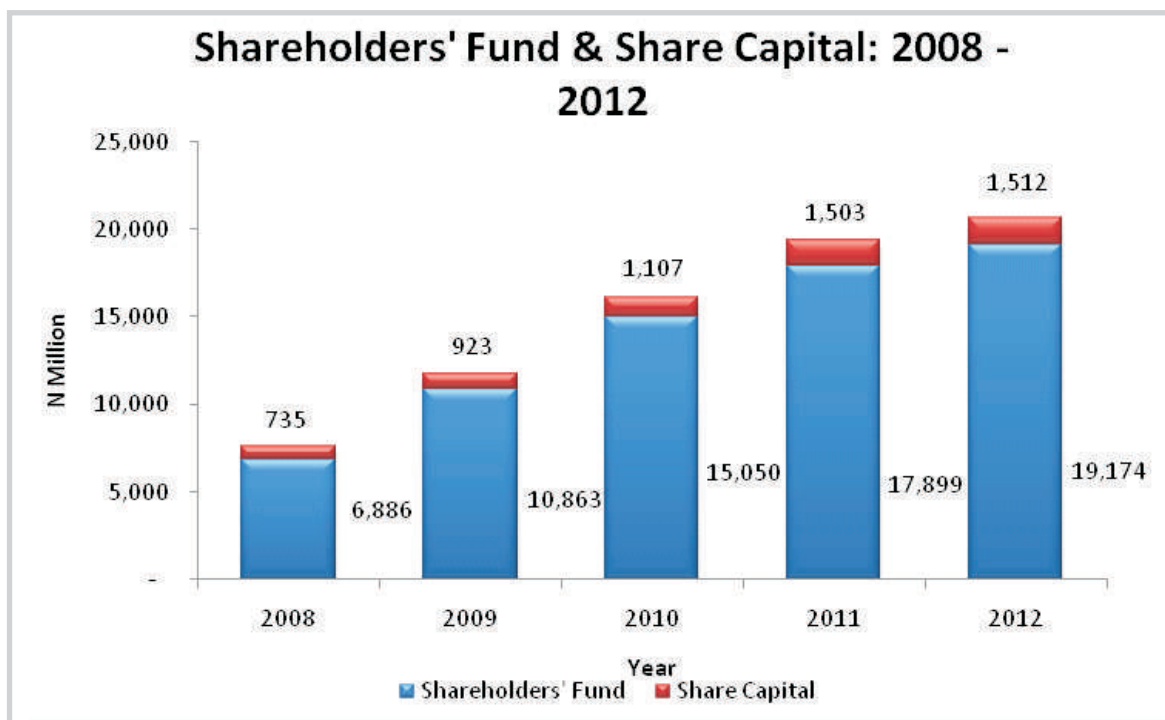
Consequently in 2012 we recorded therefore a modest increase in return on Shareholders' investment, reflected in the 7% increase in Shareholders' funds in 2012 (figure 2).

FIGURE 2



A modest increase in return on investment for Shareholders is also evident from the growth in Return on Equity (ROE) by 14% in 2012. This doubles the average ROE rate of the Nigerian oil and gas sector (7%) delivered by our peers.

FIGURE 3



Compared to 2011, a summary of our financial performance score card is shown below;

PERFORMANCE INDICATOR	2012	2011
Profit before Tax	30.8%	-72.6%
Profit after Tax	30.7%	-54.6%
Operating Cost	-14%	37%
Other Income	7%	19%
Earnings Per Share	15.72	18.29
Operating Profit Margin	12%	20%
Return on Equity	14%	12%
Return on Asset	4%	3%

RECOMMENDED DIVIDEND PAYMENT

Distinguished Shareholders, despite the challenges, setbacks and obstacles we faced in 2012, our modest results recorded and the confidence we perceive going forward encourage us to give back to our Shareholders some of your profit, as a measure of reassurance. The level of the commitment of the Board, Management and Staff of our company to our Shareholders remains strong. This compels us, to once again demonstrate our understanding for your support over the years. I am pleased to announce that the Board of your company approved the recommendation of the Management that a dividend of ₦6.00 per ordinary share of ₦10.00 share held in the Company, be paid to Shareholders. In addition, the Board has further recommended a bonus of 1 new ordinary share for every 5 ordinary shares held, in preparation to strengthening existing Shareholders' base for the future needs of the company.

RELATIONSHIP WITH OUR HOST COMMUNITIES

The wide range of challenges and issues of our operating environment, were evident throughout 2012. Issues related to poverty, illiteracy and youth unemployment continue to plague our society. These informed our continued focus on selective and supportive programmes aimed at improving lives and

empowering our host communities.

In 2012, the theme for our host community relations programme was "Empowerment and Interdependence". This theme guided our engagements with the various host communities and the projects we executed for the year. The 5% contribution of annual Profit Interest amounted to ₦169,784,620 as our modest contribution to the to Host Community Development Fund, most of which was deployed to a number of projects. These include:

1. The Ogbele Electrification Project
2. Further rehabilitation of failed portion of Ogbele Road and completion of the same into the community
3. Medical Aid grant to 152 Elders from Oshiugbokor
4. Bursary Payment to 329 students from Obumeze, Ogbele, Oshiugbokor, Otari and Rumuekpe
5. Completion of Ultra Modern Town Hall for Otari Community
6. Construction of 2 No Class Room Blocks in Rumuekpe

Details of our 2012 development contributions to our host communities can be found in the 'Corporate Social Responsibility Report' section of this Annual Report and Accounts.

CHANGES WITHIN THE COMPANY

On May 31 2012, Mr. Ben Osuno retired as Chairman from the Board of Niger Delta Exploration & Production PLC. Under his Chairmanship, the company recorded a phenomenal growth in the number of noteworthy milestones and attainments. These include the following;

- First Oil Production in 2005
- Construction and completion of the Ogbele Gas Processing Plant
- Construction, completion and commissioning of the Ogbele Mini Refinery
- Completed negotiation and all preliminary acquisition requirements of the divestment of Shell/Total/Agip from OML34
- Negotiation and development of the Host Community Development Trust Deed, which is presently a template for Host Community engagement in the entire Niger Delta region

On behalf of the Board, Management and Staff of this company, I wish to express my profound appreciation to Mr. Osuno for his unwavering, steady and uncompromising leadership, not least his vision, commitment and contributions to the company for ten (10) years. The story of our history and achievements can never be completely told without reference to his visionary leadership.

To fill the void created by Mr. Ben Osuno's retirement from the Board as Chairman, on June 1, 2012, Mr. Goodie Ibru was appointed as the Chairman of the Board of NDEP. Prior to his appointment, Mr. Ibru, a pioneer investor in this company, has been an important member of the Board of NDEP. His contributions over the years have been crucial in the decision making process which has led your company to become one of the leading Nigerian Independents oil and gas producer.

OUTLOOK FOR 2013

In spite of the challenges which the company faced in 2012, we are steadily on our way to financial and operational recovery. We remain firmly in pursuit of our planned growth. We continue to take calculated risks in enhancing our existing assets, even as we break new grounds with existing opportunities.

Our reassessment of the Ogbele field reserves and production potentials has encouraged the Board and Management to set realistic and achievable production and other corporate targets for 2013. These targets include;

- Increase oil production to an average of 3,500bopd, through enhanced drilling, workover and production operations
- Fully commercialise NDPR's gas resources and maintain a gas production rate of approximately 30MMscf/d
- Improve HSSE Performance, by embedding HSSE principles in all company business activities
- Improve staff development opportunities, by promoting job satisfaction, through training and career development.

In addition, the Board and Management have agreed on a set of specific financial targets for your company, including;

- Reduction of bank borrowings to a target level by steadily repaying down some of our existing bank loans
- Build and maintain a strong cash flow from operation to buffer price instability
- Maintain strict adherence to the 2013 Corporate Budget
- Ensure a single digit cost on all our debt obligations

- Commence additional capital raising activities to shore up the company's capital base
- Continue implementation of efficient and effective costs reduction and controls

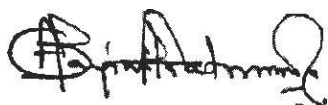
LEARNING LESSONS

In 2012, we took vital steps towards future enhancement of our reserves and production. This we did by way of field studies and 3D seismic re-evaluation of the Ogbale field. We continue to improve from our experiences as we exploit our resources with caution.

CONCLUSION

The decision to suspend drilling and work-over activities in 2012, though had resulted in decreased oil production for the year, this notwithstanding, we recorded milestone successes augmented by the commencement of gas production and sales. We must be encouraged by the outlook for 2013, based on how we have prepared ourselves towards increased production, operating costs reduction, improved revenue base and increase returns on shareholders' investments.

On behalf of the Management and Staff of Niger Delta Exploration & Production PLC, I would like to thank you, for your support and commitment to making NDEP the exceptional Nigerian Integrated Exploration and Production Company.



'Layi Fatona (Dr.)
Managing Director
FRC/2013/IODN/00000003811

CORPORATE SOCIAL RESPONSIBILITY (CSR) REPORT

As a pioneering independent Nigerian Company, with a young workforce, aided by local capital, NDEP Plc and its subsidiaries have a vested interest not only in the environment it operates in and the impact of its operations, but also on the wider community. Ever so mindful, therefore of these interrelations, we are committed to the highest levels of excellence. Continuously and periodically, we review our operations to seek new ways of improving our existing track record. Our conscious respect for the host communities impacted by our operations is enshrined in how they are incorporated into the NDPR business model. The interests of the communities are aligned with those of the Company, aided by the Host Community Development Trust, as the vehicle through which it ensures sustainable development and grass roots participation and empowerment.

Our operations are conducted in a safe manner, adhering to Federal laws, local regulations and industry guidelines as well as our rigorous internal procedures, underpinned by our code of conduct and CASHES manual. Ultimately, the Company aims to ensure that all those affected by its footprints are left with a positive experience, and any negative impact minimized.

STAFF WELFARE

At NDEP Plc, our greatest asset - our Staff and given our growing, pioneer status, we recognize the need to attract those that demonstrate competence and enthusiasm for the NDEP vision. We appreciate that the right caliber of staff will aid the competitiveness on the short to long term of the Company. Therefore attracting and retaining a capable, motivated and dedicated workforce remains a key component of our HSE policy. Staff contentment is encouraged and sustained by high levels of training and development, regular dialogue with line managers and an open door policy, where suggestions are welcomed.

Employees are provided a safe, healthy and enabling environment, with regular training to ensure they remain up to date in their relevant fields of expertise. Over the years, we have experienced relatively low turnover, with many long serving members of staff. This in no small part, due to Company's approach to human resources management. Furthermore, upon commencement of duties at NDEP or its subsidiaries, all employees receive a Staff Handbook, outlining the Company's employment approach and guidelines on conduct and HR related issues.

CHARITY AND DONATIONS

Due to the increasing profile of your Company, it increasingly receives requests for financial support from reputable non- profit organizations. As a good corporate citizen, NDEP Plc sifts through these applications to support a number of charitable activities by organizations, whose vision and goals converge and align with those of our Company. The charitable concerns are varied but represent different cultural, artistic and educational endeavors. In 2012, we supported

- (i) The 14th Lagos Book & Art Festival,
- (ii) The Institute of Cultural Studies, Obafemi Awolowo University annual Art expo and
- (iii) co-sponsored '*RARE AND LARGE*', an exhibition of paintings and sculptures from the collection of Late Chief John Sunday Edokpolo.

NDEP Plc continues to support the Post Amnesty Oil & Gas Industry Foundation (PAOGIF), an industry led initiative, made up of 14 operating Companies, which promotes peace and stability in the Niger Delta Region by improving career prospects of Amnesty Programme beneficiaries through skills acquisition and training.

We continue, (and in memory of NDEP's Pioneer Chairman, Late Chief Aret Adams) with other corporate entities, the sponsorship of the Aret Adams Foundation Annual Lecture Series in 2012. This held in February 2012. NDEP Plc also sought to commemorate the 10th year Anniversary of Chief Aret Adams with an essay writing competition between Edo State Secondary Schools and in his honour. In addition, a 'friendly' 5-a-side football match and a thanksgiving lunch were hosted by the company. The work that the Late Chief commenced at Ikabigbo Grammar School is now being continued, with the provision of school furniture and laboratory equipment. Due to ongoing complementary work by the Local Government in the School, this is scheduled to be completed in 2013.

SUPPORTING THE INDUSTRY

NDEP Plc at corporate membership level and its staff actively belong to and support a number of professional bodies, for the benefit of the industry, its practitioners and as a compliment to staff capacity development. Support in this category in 2012 include:

- NDPR's contribution to the NAPE Technical Session, the Barrel Award and
- Annual conference sponsorship.
- The Centre for Petroleum Information - Annual lecture series
- The Society of Petroleum Engineers (SPE)

Indeed in 2012, four (4) senior members of Staff of the Finance function of your companies were all inducted as Fellows of the Institute of Chartered Accountants of Nigeria (ICAN) at the prestigious annual event, Ms Oyeronke Ojo (Internal Audit), Messrs Femi Balogun (Finance Director), Sylvester Nwachukwu (Project Finance Controller) and Ilesanmi Obazu (Management Accountant) were all honored with the distinguished professional fellowship recognition upon attainment of the requisite experiences and qualifications.

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Developing the Company's Community Affairs, Safety, Health, Environment and Security (CASHES) manual and following on from the introduction of the robust HSE management system (HSEMS) in 2011, the Company broadened its HSE work further in 2012. The HSE Management System was revisited, with a focus on training and competency development. An inaugural HSE Week planned as an annual event, was also launched, to highlight the importance of good HSE practice to all Staff, led by the Management and aided by external health and safety specialists.

The HSE Week covered the introduction of key Company Policies:

- HSE Management approach to company business
- Training and competency development policy
- Contractor Management Policy
- Journey Management Policy
- Drug, alcohol and smoking policy

As part of operational safety, compliance and environmental assurance scheme, the Ogbale field Environmental Impact Assessment study was completed and a HSE case for the Gas Processing Plant was developed and approved in line with process safety assurance practices.

NDPR commenced a series of PSM (Process Safety Management) training for all operations staff at its facilities to promote best practices. Also, as part of NDPR's Oil Spill Management Assurance, the Company's Oil Spill Contingency Plan (OSCP) was activated, which outlined the procedure for managing oil spill emergencies. Finally, the Department of Petroleum Resources (DPR) carried out a comprehensive HSE audit of all our facilities and operations.

In compliance with statutory requirements, NDEP Plc, through its operating Company, is committed to conducting an Environmental Impact Assessment at the beginning of each new project, in line with industry standards. This allows potential environmental, health and safety concerns to be identified and managed so that any adverse environmental impact arising therefrom can be addressed at the outset of each project.

COMMUNITY RELATIONS

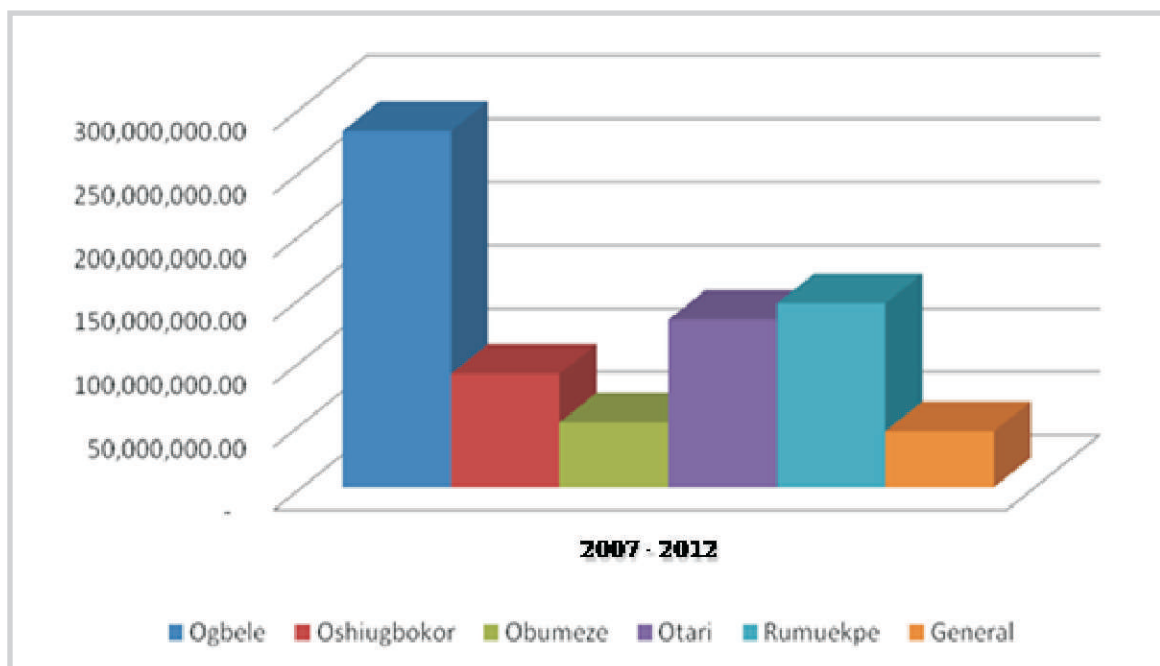
The Ogbele Field Project is hosted by five vibrant communities located in Ahoada East Emohua and Abua Local Government Areas, in Rivers State, (Niger Delta) region. These are

- The Ogbele Community
- The Obumeze Community
- The Oshuigboko Community
- The Otari Community
- The Rumuekpe Community

Very early on in NDEP's history, much thought was given to the best way to meet the needs and aspirations for economic development of our host communities. It was decided then to establish a Host Communities Development and Environment Trust, which was incorporated in 2002. This being among the first of its kind.

The Trust is voluntarily funded by NDEP Plc through a donation of 5% of its net profits. This is administered separately by an Independent Board of Trustees with responsibilities to manage the funding for community development related projects. The Board of Trustees, under its Chairman, Professor Sylvanus, J. S. Cooley (OFR) works closely with an appointed Advisory Committee (selected from each community), that recommend specific projects based on the needs and desires of each autonomous community.

**Cumulative Expenditure per Community
2007 - 2012**



Over the years, many projects have been executed. Each have brought with it marked improvements in the quality of life of those that reside in each of our host communities. Gender empowerment training has been given to women, while students in further education from each community have benefited from annual bursaries. In addition, significant improvements have been made to local infrastructure, such as the ongoing construction of a new Town Hall for the Otari Community, completion of Oshiugbokor/Okoma Steel Girder Bridge and the Completion of other civic buildings, including an U.P.E School in the Obumeze Community.

Below are selections of community endorsed projects funded and supported in 2012:

- Ogbele Community- Electrification Project, and rehabilitation of a failed section of Ogbele Community Road
- Oshiugbokor Community- Medical aid grant given to 152 Elders
- Obumeze Community- 126 students each received a ₦50,000.00 (Fifty Thousand Naira) bursary in support of fees and books.
- Otari Community- ongoing construction of an Ultra Modern Town Hall after work began in 2011
- Rumuekpe Community- Construction of a school block and a medical aid grant given to 367 Elders
- The Women's Empowerment Project still continued to benefit all communities while as a general project, 3 Toyota Hiace buses were provided to the most supportive communities.
- A total of ₦221,090,304.28 was spent in the communities in 2012

These varied projects show the extended reach of the Host Community Development Trust and the involvement of the various communities in the nomination of each project. To a large extent, local capacity is also often deployed as a means of developing such skills within the host communities. It is self evident that projects supported and funded by the Trust will serve as a legacy for future generations, themselves demonstrating the unique relationship that NDPR has with its host Communities. By end 2012, NDEP has logged a cumulative of seven (7) years of uninterrupted operations with no downtime caused by community related disruptions, since First Oil production commenced in 2005.



NDPR Mini-Refinery, Ogbele

The background features a dark grey field with several overlapping circles in various shades of grey. A horizontal band, split into white and light grey sections, crosses the middle of the page. The text is positioned on the white section of this band.

REPORT OF THE
DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2012

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors submit to the members of the Company their report together with the consolidated audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The Company is in the business of investing in integrated oil and gas development activities.

STATE OF AFFAIRS

In the opinion of the Directors, the state of affairs of the Company is satisfactory and there has been no material change since the date of the balance sheet.

RESULTS FOR THE YEAR

	THE GROUP 2012 N'000	THE COMPANY 2012 N'000
Turnover	9,848,523	8,319,172
	=====	=====
Profit before taxation	2,708,738	2,375,790
Taxation	(1,942)	-
	-----	-----
Profit after taxation	2,706,796	2,375,790
	=====	=====

DIVIDEND

The Board of Directors has recommended for approval of the members a dividend of ₦6 per share which if approved will amount to ₦907,042,248 and 1 new ordinary bonus share for every 5 ordinary shares held by the members.

FIXED ASSETS

Information relating to fixed assets is given in Note 2 to the financial statements. In the opinion of the Directors, market value of the Company's fixed assets is not less than the value shown in the financial statements.

CHARITABLE CONTRIBUTIONS

The Company made charitable contributions amounting to ₦22,351,000 during the year (2011: ₦40,582,000).

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS

The names of the Directors at the date of this report and of those who held office during the year are as follows:

Mr. Goodie Ibru (OON)	Chairman	Appointed 1 June 2012
Mr. B. A. Osuno	Chairman	Retired 31 May 2012
Dr. O. F. Fatona	Managing Director	
Mr. Femi Balogun	Executive Director Finance	Appointed 1 January 2012
Mr. Ahmed Khelif	(Algerian)	
Prof. S.J.S. Coockey (OFR)		
Mrs. Z. Mantu		
Mr. L. Jadesimi		
Mr. Nuhu Adaji	Executive Director Technical	Appointed 1 January 2012

DIRECTORS' INTERESTS

Directors' interests in the share capital of the Company were as follows:-

	Number of Shares
Mr. L. Jadesimi	4,587,705
Mrs. Z. Mantu	2,481,220
Dr. O.F. Fatona	2,211,214
Mr. Femi Balogun	1,177,056
Mr. B.A. Osuno	198,969
Mr. Goodie Ibru(OON)	120,000
Prof. S.J.S. Coockey (OFR)	118,666
Mr. Nuhu Adaji	2,333
Mr. Ahmed Khelif	Nil

Also, the following Directors have beneficial interests in the shares held by the corporate bodies listed against their names:

Name of Director	Corporate body in whose name shares are held	Number of shares
Mr. Goodie Ibru (OON)	Associated Ventures International Ltd	9,482,057
Dr. O.F. Fatona	Geotrex Systems Ltd.	523,962
Dr. O.F. Fatona	Nouveau Technologies Limited	1,687,437
Mr. L. Jadesimi	First Zenith Investment Holding Company	1,200,000
Mr. L. Jadesimi	Global Resource Management Limited	1,688

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors has notified the Company for the purpose of section 277 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 of any disclosable interest in contracts with which the Company is involved as at 31 December 2012.

EMPLOYMENT OF DISABLED PERSONS

The company has a policy of fair consideration of job application by disabled persons having regard to their abilities and aptitude. The company's policy prohibits discrimination against disabled persons in the recruitment, training and career development of its employees.

HEALTH, SAFETY AND WELFARE AT WORK OF EMPLOYEES

One of the Company's primary business objectives is that its operations shall not cause accidents, damage or losses. The Company is committed to protecting people, the environment and physical assets. The Company established adequate health and safety measures within its premises and its areas of operations and in the operation of all its vehicles. The Company aims to provide as far as possible (subject to limits) medical care for all members of its staff and immediate members of their nuclear families.

EMPLOYEES' TRAINING AND INVOLVEMENT

The Directors maintain regular communication and consultation with the employees and staff representatives on matters affecting employees and the Company.

Negotiations on salary packages were concluded and related agreements were signed with both junior and senior staff members.

The company organises various in-house, local and international training courses and also sends staff abroad for training when the training capacity is not available locally.

PROTECTION OF THE ENVIRONMENT

The Company is committed to protecting the environment within and around its operational areas. In this regard, it has established a framework for complying with all statutory environmental requirements, applying best industrial practices and operating in a manner that assumes no harm to the environment.

FORMAT OF FINANCIAL STATEMENTS

The financial statements have been issued under the reporting and presentation requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004. The Directors consider that the format adopted is most suitable for the Company.

REPORT OF THE DIRECTORS - Continued

FOR THE YEAR ENDED 31 DECEMBER 2012

POST BALANCE SHEET EVENTS

As stated on Note 28, on 30 June 2013, the Shareholders of ND Western Limited in an agreement with Guaranty Trust Bank Plc obtained a loan facility of US\$670 million dollars for OML 34 Asset development over five years. US\$360 million of the facility is to be used to refinance part of the shareholders equity participation. The Shares of ND Western Limited was pledged as the Security for the facility. Niger Delta Exploration & Production Plc will receive US\$145.8 million dollars as their portion of the equity participation refinancing, leaving a balance of US\$44.2 million dollars outstanding now secured by Ogbele Field Assets.

There were no other significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2012, which have not been adequately provided for.

AUDITORS

Ernst & Young have expressed their willingness to continue in office as the auditors to the Company in accordance with section 357(2) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

BY ORDER OF THE BOARD



SECRETARY

10 July 2013

FRC/2013/NBA/00000003574

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2012


The Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of financial affairs of the Company at the end of the year and of its profit or loss. The responsibilities include ensuring that the Company:

- a) Keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company and comply with the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004;
- b) Establishes adequate internal controls to safeguard its assets and to prevent and detect fraud and other irregularities; and
- c) Prepares its financial statements using suitable accounting policies supported by reasonable and prudent judgments and estimates, and are consistently applied.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Statements of Accounting Standards issued by the Financial Reporting Council of Nigeria and the requirements of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its profit. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.



 Director
 10 July 2013
 FRC/2013/ICAN/00000003297



 Director
 10 July 2013
 FRC/2013/IODN/00000003811



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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NIGER DELTA EXPLORATION & PRODUCTION PLC

Report on the financial statements

We have audited the accompanying consolidated financial statements of Niger Delta Exploration & Production Plc, which comprise the consolidated balance sheet as at 31 December 2012, the consolidated profit and loss account, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibilities for the financial statements

The company's Directors are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria and the provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004 and for such internal control as the Directors determine necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Niger Delta Exploration & Production Plc as at 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with the relevant standards issued by the Financial Reporting Council of Nigeria and provisions of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
NIGER DELTA EXPLORATION & PRODUCTION PLC - Continued**

Report on other legal and regulatory requirements

In accordance with the requirement of Schedule 6 of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we confirm that:

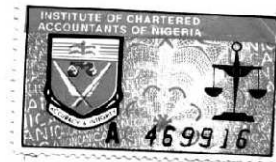
- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) in our opinion, proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the Company's balance sheet and profit and loss account are in agreement with the books of account.

Ernst & Young

Lagos, Nigeria.

10 July 2013

FRC/2013/ICAN/0000000670



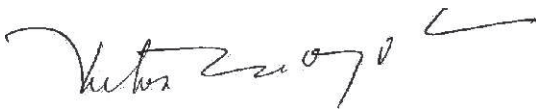
REPORT OF THE AUDIT COMMITTEE TO THE MEMBERS OF NIGER DELTA EXPLORATION & PRODUCTION PLC

FOR THE YEAR ENDED 31 DECEMBER 2012

In accordance with the provisions of sections 359(4) and (6) of the Companies and Allied Matters Act, CAP C20 Laws of the Federation of Nigeria 2004, we have reviewed;

1. the scope and planning of the audit requirements and
2. the accounting and reporting policies of the Company for the year ended 31 December 2012 and ascertained that they are in accordance with legal requirements and agreed ethical practice.

In our opinion, the scope and planning of the audit for the year ended 31 December 2012 together with the consolidated audited financial statements were satisfactory. The external auditors had discharged their duties conscientiously and satisfactorily. We were satisfied with management responses to the auditors' findings.



Chief Victor Oyolu
Chairman
Audit Committee

10 July 2013

FRC/2013/ICAN/00000003347

Members of the Audit Committee

- | | | |
|----|-------------------------|--------------------------|
| 1. | Chief Victor Oyolu | Chairman |
| 2. | Prof. G. O. A. Sowemimo | Retired 11 February 2012 |
| 3. | Engr. Alex Ogedegbe | |
| 4. | Mr. Goodie Ibru (OON) | |
| 5. | Mrs. Z. Mantu | |
| 6. | Mr. L. Jadesimi | |
| 7. | Mr. Gbola Akinola | Appointed 25 July 2012 |

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES FOR THE YEAR ENDED 31 DECEMBER 2012

The following significant accounting policies were adopted by the Company in the preparation of these financial statements.

A. Basis of Accounting

The consolidated financial statements have been prepared under the historical cost convention.

B. Consolidation

The group financial statements consolidate the financial statements of Niger Delta Exploration & Production Plc and its subsidiaries wherein there is majority shareholding and control of the Board of Directors and management. The consolidated subsidiaries are Niger Delta Petroleum Resources Limited, ND Gas Limited and ND Properties Limited.

C. Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

D. Depreciation

Non-production assets are depreciated on a straight-line basis over the estimated useful lives of the various classes of assets, using the following annual rates:

	%
Building	2.5
Plant and machinery	25
Office equipment	25
Furniture and fittings	25
Internet Equipment	25
Motor vehicle	25
Computer software	25

Depreciation commences in the month in which an asset is brought into use.

Depreciation of Production and Field Facilities which comprises of Project equipment and civil works are calculated using the Unit of Production basis, which proportionately amortises the assets over the life of the reserves of the field. However, the Topping plant, though a production asset is depreciated on a straight-line basis for ten years.

E. Foreign Currency Translation

Transactions denominated in foreign currencies are translated into Naira using the appropriate official rates of exchange ruling at the transaction date as notified by the Central Bank of Nigeria. At the end of the year, all monetary assets and liabilities denominated in foreign currencies are translated at the official exchange rates ruling at the balance sheet date and the resulting exchange differences are dealt with in the determination of the profit or loss for the year.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued

FOR THE YEAR ENDED 31 DECEMBER 2012

F. Inventories

- i) **Crude oil**
Crude oil is valued at the lower of cost and net realisable value at the balance sheet date.
- ii) **Automotive Gas Oil (Diesel)**
Diesel is valued at the lower of cost and net realisable value at the balance sheet date.
- iii) **Consumable materials.**
Consumable materials are valued at the lower of cost and net realisable value, cost being determined on a moving average basis.

G. Receivables

Receivables are stated after deduction of adequate provisions for any debts considered bad and doubtful.

H. Investment in Subsidiaries

Investment in subsidiaries are stated at the lower of cost and the Company's share of net tangible assets for unquoted investments and market value for quoted investments, the difference is written off to profit and loss account.

I. Current Taxation

Income taxes payable are provided on taxable profit at the current petroleum profit tax rate.

J. Deferred Taxation

Deferred income tax is provided using the liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

K. Pension

The Company operates a pension scheme in line with the Pension Reform Act 2004. The employee and Company contributions are 5% and 10% respectively of the annual emoluments (Basic, Housing and Transport). The Company's contributions are accrued and charged to the profit and loss account while that of the staff is charged along with salaries. The fund is being managed predominantly by IBTC Pension Administrators and Trust Fund Pensions Plc.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES - Continued
FOR THE YEAR ENDED 31 DECEMBER 2012**L. Turnover**

Turnover represents the value of sales of crude oil, diesel and gas invoiced at official selling price on the date of transaction to third parties during the year.

M. Accruals and Provisions

Accruals and provisions are recognized when the Company has a present obligation whether legal or constructive, as a result of a past event for which it is probable that an outflow of resources embodying economic benefits is required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

N. Dividend

Dividend on ordinary shares is recognised as a liability in the period in which they are approved by members of the Company.

O. Interest Income

This represents amount accrued by the banks on deposits and other short term investments as well as interest received from the Joint Venture in respect of the Irredeemable Participating Interest Notes holders.

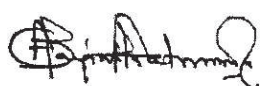
CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	THE GROUP		THE COMPANY	
		2012 N'000	2011 N'000	2012 N'000	2011 N'000
FIXED ASSETS	2	25,648,687	24,430,787	10,496,493	10,366,830
INVESTMENTS	3	41,833,939	32,408,818	42,616,270	39,669,885
		67,482,626	56,839,605	53,112,763	50,036,715
CURRENT ASSETS					
Inventories	4	(961,052)	475,784	(877,489)	434,416
Debtors and prepayments	5	1,642,908	954,444	9,235,763	1,052,427
Cash and bank		5,434,377	4,346,982	4,528,677	3,555,952
		6,116,233	5,777,210	12,886,951	5,042,795
CURRENT LIABILITIES					
Creditors and accruals	6	(7,388,695)	(9,953,908)	(9,769,517)	(12,051,571)
Loan repayable within one year	8	(9,410,409)	(3,303,044)	(6,056,577)	(3,303,044)
Taxation	7	48,249	50,191	622,750	622,750
NET CURRENT LIABILITIES		(10,634,622)	(7,429,551)	(2,316,393)	(9,689,070)
TOTAL ASSETS LESS CURRENT LIABILITIES		56,848,004	49,410,054	50,796,370	40,347,645
LONG-TERM LIABILITIES					
Long term loan	8	(32,100,988)	(25,503,206)	(27,070,240)	(17,693,206)
Provision for abandonment	9	(1,258,007)	(1,480,774)	(1,148,623)	(1,352,021)
Deferred taxation	10	(3,728,023)	(3,728,023)	(3,403,871)	(3,403,871)
		19,760,986	18,698,051	19,173,636	17,898,547
FINANCED BY:					
Share capital	11	1,457,803	1,493,877	1,511,737	1,503,121
Share premium	12	13,008	55,809	13,008	55,809
Translation reserve	13	985,670	1,643,614	1,479,911	1,639,385
Revenue reserve	14	17,304,505	15,504,751	16,168,980	14,700,232
		19,760,986	18,698,051	19,173,636	17,898,547



Mr. Femi Balogun
Executive Director Finance
FRC/2013/ICAN/00000003297



Dr. O. F. Fatona
Managing Director
FRC/2013/IODN/00000003811



Mr. Goodie Ibru (OON)
Chairman
FRC/2013/NIM/00000003510

See notes to the financial statements.

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Note	THE GROUP		THE COMPANY	
		2012	2011	2012	2011
		N'000	N'000	N'000	N'000
Turnover	15	9,848,523	12,595,783	8,319,172	11,500,580
Operating costs	16	(8,686,874)	(10,066,711)	(8,009,322)	(9,109,224)
Operating profit	17	1,161,649	2,529,072	309,850	2,391,356
Other income	18	2,526,485	514,394	2,124,373	459,118
Interest and similar charges	19	(979,396)	(575,515)	(58,433)	(101,961)
Pre-production expenses	20	-	(396,322)	-	-
Profit before taxation		2,708,738	2,071,629	2,375,790	2,748,513
Taxation	7(c)	(1,942)	(653)	-	-
Profit after taxation		2,706,796	2,070,976	2,375,790	2,748,513
Basic earnings per share (₦)	22	₦18.57	₦13.86	₦15.72	₦18.29
Adjusted earnings per share (₦)	23	₦18.57	₦14.21	₦15.72	₦18.18

See notes to the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	THE GROUP		THE COMPANY	
		2012 N'000	2011 N'000	2012 N'000	2011 N'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		11,644,107	13,178,843	9,925,588	12,020,057
Payments to suppliers and employees		(8,160,956)	(6,164,043)	(7,048,407)	3,666,697
Input VAT		(198,658)	(170,761)	(181,385)	(156,906)
Tax paid		-	(791,440)	-	(501,375)
		-----	-----	-----	-----
Net cash inflow from operating activities	21	3,284,493	6,052,599	2,695,796	15,028,473
		-----	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceed from sale of assets		9,127	450	2,910	411
Interest received		37,554	87,454	32,655	79,190
Purchase of fixed assets		(2,956,109)	(4,710,781)	(1,609,346)	(1,562,847)
Payment for investment		(9,425,121)	(31,876,924)	(2,946,385)	(37,879,985)
		-----	-----	-----	-----
Net cash outflow from investing activities		(12,334,549)	(36,499,801)	(4,520,166)	(39,363,231)
		-----	-----	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of shares		(78,875)	78,510	(34,185)	69,994
Interest paid		(978,666)	(565,176)	(57,766)	(92,506)
Proceeds from investors' deposit		(5,160)	285	(5,160)	285
Additional bank loans	8	25,753,096	30,658,451	25,132,016	22,848,451
Repayment of bank loans	8	(13,650,785)	(1,852,201)	(13,650,785)	(1,852,201)
Dividend paid		(907,042)	(1,107,330)	(907,042)	(1,107,330)
Receipts from/(payments to) related companies		4,883	(4,883)	(7,679,983)	1,108,304
		-----	-----	-----	-----
Net cash inflow from financing activities		10,137,451	27,207,656	2,797,095	20,974,997
		-----	-----	-----	-----
Net increase/(decrease) in cash and bank balances		1,087,395	(3,239,546)	972,725	(3,359,761)
Cash and bank balances at the beginning of the year		4,346,982	7,586,528	3,555,952	6,915,713
		-----	-----	-----	-----
Cash and bank balances at the end of the year		5,434,377	4,346,982	4,528,677	3,555,952
		=====	=====	=====	=====

See notes to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE STRUCTURE AND BUSINESS

Niger Delta Exploration & Production Plc was originally incorporated on 25 March 1992. The Company's objective is to create a diversified oil and gas investment portfolio. The Company invests principally in oilfield properties (both developed and undeveloped) and in oil related services companies.

2. FIXED ASSETS

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Assets in Progress (Note 2a)	2,010,601	16,910,626	1,835,779	4,042,367
Other fixed assets (Note 2b)	755,442	884,363	250,557	355,656
Production and field facilities (Note 2c)	22,882,644	6,635,798	8,410,157	5,968,807
	<u>25,648,687</u>	<u>24,430,787</u>	<u>10,496,493</u>	<u>10,366,830</u>
	=====	=====	=====	=====

(2a) ASSETS - IN - PROGRESS

Gas plant Facility	-	9,085,449	-	-
Gas pipeline	-	3,397,854	-	-
Construction Spares	146,806	136,974	134,041	125,064
3D seismic acquisition	1,362,963	-	1,244,453	-
Well 3 workover	190,350	-	173,799	-
Omerelu Cost	16,303	8,337	14,885	7,612
Well 1 Re-entry	-	2,282,679	-	2,084,200
Well 6 Field Cost	-	1,620,023	-	1,479,162
Access Road	-	122,651	-	111,986
WIP-Civil Works	262,691	252,928	239,850	230,936
Warehouse	31,488	3,731	28,751	3,407
	<u>2,010,601</u>	<u>16,910,626</u>	<u>1,835,779</u>	<u>4,042,367</u>
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

(2b) OTHER FIXED ASSETS - THE GROUP

	Land & Building # '000	Office Equipment # '000	Furniture & fittings # '000	Plant & machinery # '000	Internet equipment # '000	Computer software # '000	Motor Vehicles # '000	Total # '000
COST:								
At 1 Jan. 2012	552,223	417,219	13,831	120,255	25,152	6,133	291,840	1,426,653
Additions	881	29,405	7,036	16,960	-	6,236	24,917	85,435
Disposal	-	-	-	(24,580)	-	-	(44,796)	(69,376)
At 31 Dec. 2012	553,104	446,624	20,867	112,635	25,152	12,369	271,961	1,442,712
DEPRECIATION:								
At 1 Jan. 2012	55,365	212,364	13,831	60,786	18,947	6,133	174,864	542,290
Charge for the year	13,827	83,923	2,235	19,536	3,833	909	76,963	201,226
Disposal	-	-	-	(11,450)	-	-	(44,796)	(56,246)
At 31 Dec. 2012	69,192	296,287	16,066	68,872	22,780	7,042	207,031	687,270
NET BOOK VALUE								
At 31 Dec. 2012	483,912	150,337	4,801	43,763	2,372	5,327	64,930	755,442
At Dec. 31, 2011	496,858	204,855	-	59,469	6,205	-	116,976	884,363

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

(2b) OTHER FIXED ASSETS- THE COMPANY

	Office equipment #’000	Furniture and fittings #’000	Plant & Machinery #’000	Internet equipment #’000	Computer software #’000	Motor vehicle #’000	Total #’000
COST:							
At 1 Jan. 2012	381,905	12,668	110,050	22,965	6,133	267,687	801,408
Additions	27,624	6,425	5,569	-	6,236	4,251	50,105
Disposal	-	-	(12,290)	-	-	(22,398)	(34,688)
At 31 Dec. 2012	409,529	19,093	103,329	22,965	12,369	249,540	816,825
DEPRECIATION:							
At 1 Jan. 2012	194,369	12,668	55,622	17,300	6,133	159,660	445,752
Charge for the year	76,946	2,041	13,170	3,499	909	52,074	148,639
Disposal	-	-	(5,725)	-	-	(22,398)	(28,123)
At 31 Dec. 2012	271,315	14,709	63,067	20,799	7,042	189,336	566,268
NET BOOK VALUE:							
At 31 Dec. 2012	138,214	4,384	40,262	2,166	5,327	60,204	250,557
At 31 Dec. 2011	187,536	-	54,428	5,665	-	108,027	355,656

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

(2c) PRODUCTION AND FIELD FACILITIES - THE GROUP

	Project Equipment R'000	Civil Works R'000	Gas pipeline R'000	Gas plant facilities R'000	Motor Vehicle R'000	Total R'000
COST:						
At 1 Jan. 2012	11,089,767	533,107	-	-	98,581	11,721,455
Transfer from assets in progress	3,910,408	122,651	3,397,854	9,085,449	-	16,516,362
Additions	40,506	50,885	7,354	1,155,592	-	1,254,337
At 31 Dec. 2012	15,040,681	706,643	3,405,208	10,241,041	98,581	29,492,154
DEPRECIATION:-						
At 1 Jan. 2012	4,787,823	297,834	-	-	-	5,085,657
Charge for the year	1,330,281	120,328	12,127	36,472	24,645	1,523,853
At 31 Dec. 2012	6,118,104	418,162	12,127	36,472	24,645	6,609,510
NET BOOK VALUE:						
At 31 Dec. 2012	8,922,577	288,481	3,393,081	10,204,569	73,936	22,882,644
At Dec. 31, 2011	6,301,944	235,273	-	-	98,581	6,635,798

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

(2c) PRODUCTION AND FIELD FACILITIES - THE COMPANY

	Project Equipment ₦'000	Civil Works ₦'000	Total ₦'000
COST:			
At 1 Jan. 2012	10,125,513	486,753	10,612,266
Transfer from assets			
In progress	3,570,398	111,986	3,682,384
Additions	36,984	46,461	83,445
	-----	-----	-----
At 31 Dec. 2012	13,732,895	645,200	14,378,095
	-----	-----	-----
DEPRECIATION:			
At 1 Jan. 2012	4,371,522	271,937	4,643,459
Charge for the year	1,214,613	109,866	1,324,479
	-----	-----	-----
At 31 Dec. 2012	5,586,135	381,803	5,967,938
	-----	-----	-----
NET BOOK VALUE:			
At 31 Dec. 2012	8,146,760	263,397	8,410,157
	=====	=====	=====
At 31 Dec. 2011	5,753,991	214,816	5,968,807
	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
2d. SUMMARY OF DEPRECIATION				
Other fixed assets	201,226	158,400	148,639	129,518
Production and field facilities	1,523,853	582,448	1,324,479	531,805
	-----	-----	-----	-----
	1,725,079	740,848	1,473,118	661,323
	=====	=====	=====	=====
3. INVESTMENTS				
Global Energy Inc.	-	145	-	145
Niger Delta Gas Dev. Co. Ltd.	-	180	-	180
ND Gas Limited	-	-	10,000	5,952,067
ND Properties Ltd	-	-	20,000	556,669
Niger Delta Exploration & Production (Uganda) Ltd	15,527	137,754	15,527	137,754
Niger Delta Petroleum Resources Ltd (NDPR)	-	-	752,331	752,331
Nigerian Energy Sector Fund	-	250	-	250
OPL 227	19,242	19,242	19,242	19,242
Petro-Data Management Services Limited	16,000	16,000	16,000	16,000
ND Western Limited (Note 3.1)	41,783,170	32,229,899	41,783,170	32,229,899
Zambia Project	-	5,348	-	5,348
	-----	-----	-----	-----
	41,833,939	32,408,818	42,616,270	39,669,885
	=====	=====	=====	=====

The Directors are of the opinion that the market values of unquoted equity investments are not below their costs.

3.1 The cost of acquiring the Company's interest in ND Western Limited, ₦41.8 billion, was financed by GTB loan of ₦33.1 billion (Note 8) and internally generated funds amounting to ₦8.7 billion.

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
4. INVENTORIES				
Crude	(1,026,063)	351,150	(936,847)	320,618
Diesel	21,071	80,431	19,239	73,438
Flowlines	43,940	44,203	40,119	40,360
	-----	-----	-----	-----
	(961,052)	475,784	(877,489)	434,416
	=====	=====	=====	=====

At 31 December 2012, the Joint Venture had an over lift as a result of sale of 58,179 barrels of crude oil belonging to joint storage partners in the Shell Petroleum Development Company of Nigeria's pipelines and storage tanks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
5. DEBTORS AND PREPAYMENTS				
Trade receivable	957,043	1,938	724,787	1,769
Due from related parties (Note 5a)	-	4,883	7,876,024	177,990
Prepayments	173,041	323,518	159,259	299,762
Other debtors	512,824	624,105	475,693	572,906
	=====	=====	=====	=====
	1,642,908	954,444	9,235,763	1,052,427
	=====	=====	=====	=====
5a. DUE FROM RELATED PARTIES				
Niger Delta Petroleum Resources Ltd (NDPR)	-	-	-	173,107
ND Gas Limited	-	-	7,337,157	-
ND Properties Limited	-	-	538,867	-
Petrodata Management Limited	-	4,883	-	4,883
	=====	=====	=====	=====
	-	4,883	7,876,024	177,990
	=====	=====	=====	=====
6. CREDITORS AND ACCRUALS				
Trade payable	445,453	1,525,830	406,721	1,393,159
Due to related parties (Note 6a)	-	-	3,128,660	3,110,609
Investors' deposit	4,083	9,243	4,083	9,243
Royalty payable – ORRI to NNPC	5,515,552	4,980,386	5,035,975	4,547,341
Accruals	1,248,544	3,211,524	1,131,670	2,926,406
Sundry creditors	68,316	70,425	62,408	64,813
PetRe IPIN	106,747	156,500	-	-
	=====	=====	=====	=====
	7,388,695	9,953,908	9,769,517	12,051,571
	=====	=====	=====	=====
6a. DUE TO RELATED PARTIES				
ND Gas Limited	-	-	220,567	-
ND Properties Limited	-	-	13,000	40,623
Niger Delta Petroleum Resources Ltd	-	-	2,895,093	3,069,986
	=====	=====	=====	=====
	-	-	3,128,660	3,110,609
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
7. TAXATION				
BALANCE SHEET				
(a) PETROLEUM PROFIT TAX				
At the beginning of the year	71,834	839,910	(494,312)	(7,738)
Tax on profit for the year	-	-	-	-
Payments made during the year	-	(768,076)	-	(486,574)
At the end of the year	<u>71,834</u>	<u>71,834</u>	<u>(494,312)</u>	<u>(494,312)</u>
(b) INCOME TAX				
At the beginning of the year	(122,025)	(99,314)	(128,438)	(113,637)
Income tax	1,618	544	-	-
Education tax	324	109	-	-
Payments made during the year	-	(23,364)	-	(14,801)
At the end of the year	<u>(120,083)</u>	<u>(122,025)</u>	<u>(128,438)</u>	<u>(128,438)</u>
Total (a + b)	<u>(48,249)</u>	<u>(50,191)</u>	<u>(622,750)</u>	<u>(622,750)</u>
PROFIT AND LOSS ACCOUNT				
(c) TAXATION FOR THE YEAR				
Petroleum profit tax (Note 7(a))	-	-	-	-
Income tax (Note 7(b))	1,618	544	-	-
Education tax (Note 7(b))	324	109	-	-
Deferred taxation (Note 10))	-	-	-	-
	<u>1,942</u>	<u>653</u>	<u>-</u>	<u>-</u>

(d) The Company and its subsidiary, Niger Delta Petroleum Resources Ltd, were granted Pioneer Status incentive during the financial year ended 31 December 2011 by the Nigeria Investment Promotion Commission. The Pioneer Status incentive is for a period of five (5) years. This exempts both the Company and its subsidiary from tax payment during the period. The commencement dates are 1 February 2011 for the subsidiary and 1 March 2010 for the Company. As a result of this no provision was made for taxation in the financial statements. The tax shown relates to ND Properties Limited which is not under Pioneer Status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
8. LONG TERM LOAN				
Balance at the beginning of the year (Note 8a)	28,806,250	-	20,996,250	-
Additions during the year (Note 8b)	25,753,096	30,658,451	25,132,016	22,848,451
Repayment within the year (GTB)	(13,650,785)	(1,852,201)	(13,650,785)	(1,852,201)
Exchange difference	602,836	-	649,336	-
	-----	-----	-----	-----
Repayment due within one year	41,511,397 (9,410,409)	28,806,250 (3,303,044)	33,126,817 (6,056,577)	20,996,250 (3,303,044)
	-----	-----	-----	-----
Balance at the end of the year	32,100,988	25,503,206	27,070,240	17,693,206
	=====	=====	=====	=====

(8a) BALANCE AT THE BEGINNING OF THE YEAR

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Guaranty Trust Bank Plc (Note 8c)	20,996,250	-	20,996,250	-
Skye Bank Plc (Note 8d)	7,810,000	-	-	-
	-----	---	-----	---
	28,806,250	-	20,996,250	-
	=====	---	=====	---

(8b) ADDITIONS DURING THE YEAR

Guaranty Trust Bank Plc (Note 8c)	25,132,016	22,848,451	25,132,016	22,848,451
Skye Bank Plc (Note 8d)	621,080	7,810,000	-	-
	-----	-----	-----	-----
	25,753,096	30,658,451	25,132,016	22,848,451
	=====	=====	=====	=====

(8c) This represents the \$310,000,000 loan facility from Guaranty Trust Bank Plc (GTB). \$150,000,000 (N22,848,451,000) being the first tranche with an interest rate of 9% per annum was repayable over 60 monthly instalments from the date of initial disbursement, but has now been rescheduled to be repaid at three months intervals effective February 2012 up till December 2015. It is secured by: all assets debenture on fixed and floating assets of NDPR; floating charge on the crude oil produced from the acreage operated by NDPR in old OML 54 and now designated as The Ogbelle Farm-Out Area (FOA), assignment and domiciliation of crude oil sales proceeds to GTB; charge over collection accounts and corporate guarantee of NDEP Plc for the full facility amount and interest thereon. During the year an additional \$160,000,000 (N25,132,016,000), loan, being the second tranche of the aforementioned loan facility, with an interest rate of 9.25% and secured by the NDEP's initial 60% shareholding in ND Western Limited was obtained by the Company. Its repayment terms are still the same as that of the first tranche.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

(8d) This relates to the drawdown of \$54,000,000 in two tranches of \$50,000,000 (7,810,000,000) and \$4,000,000 (621,080,000) respectively out of the \$75,000,000 loan facility from Skye Bank Plc with an interest rate of 8.75% above three months LIBOR currently 0.3% to give an initial gross rate of 9.05% per annum, subject to review in line with changes in money market conditions as may apply from time to time. The loan is repayable over 48 monthly instalments after a principal repayment moratorium of eighteen months from the date of initial disbursement. Full repayment is to be completed by June 2015. It is secured by all assets debenture on the NDPR Ogebele Gas plant assets; assignment of all rights accruing to NDPR with respect to the Ogebele Gas Plant Offtake contract in favour of Skye Bank Plc, unconditional and irrevocable standing order instruction from NDPR to the Gas Offtakers to route the gas sales proceeds from the Ogebele field (old OML 54) through Skye Bank Plc, irrevocable and unconditional assignment of rights accruing to NDPR in the Ogebele field (old OML 54)-Gas plant to Skye Bank Plc, irrevocable and unconditional assignment of rights to all insurance policies (including but not limited to business disruption cover for 6 months) on the NDPR Ogebele Gas plant to Skye Bank Plc, charge over the permitted accounts including but not limited to: collection accounts, compensation accrual accounts and Debt Service Reserve Account (DSRA) and full continuous, irrevocable and unconditional corporate guarantee of Niger Delta Exploration & Production Plc.

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
9. PROVISION FOR ABANDONMENT				
Balance at the beginning of year	1,480,774	1,037,715	1,352,021	947,486
Charge for the year	(222,767)	443,059	(203,398)	404,535
Balance at the end of the year	<u>1,258,007</u>	<u>1,480,774</u>	<u>1,148,623</u>	<u>1,352,021</u>
10. DEFERRED TAXATION				
Balance at the beginning of year	3,728,023	3,728,023	3,403,871	3,403,871
Charge for the year	-	-	-	-
Balance at the end of the year	<u>3,728,023</u>	<u>3,728,023</u>	<u>3,403,871</u>	<u>3,403,871</u>
11. SHARE CAPITAL				
Authorized Share Capital: 275 million ordinary shares of ₦10 each	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,750,000</u>	<u>2,750,000</u>
Issued, called up and fully paid: 145,780,311 (2011: 149,387,700) ordinary shares of ₦10 each	<u>1,457,803</u>	<u>1,493,877</u>	<u>1,511,737</u>	<u>1,503,121</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

11. SHARE CAPITAL- Continued

The (decrease)/increase in issued share capital represents:

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
Bonus dividend declared during the year	-	369,110	-	369,110
Additional shares issued for IPIN Notes	8,616	26,681	8,616	26,681
Shares warehoused by NDPR	(44,690)	-	-	-
	-----	-----	-----	-----
	(36,074)	395,791	8,616	395,791
	=====	=====	=====	=====

During the year 2012, 861,650 shares were issued to the NDPR Irredeemable Participating Investment Notes (IPIN) holders for cancellation of the Notes.

12. SHARE PREMIUM

At the beginning of the year	55,809	12,496	55,809	12,496
Premium (paid)/received on issue of shares (Note 12a)	(42,801)	43,313	(42,801)	43,313
	-----	-----	-----	-----
At the end of the year	13,008	55,809	13,008	55,809
	=====	=====	=====	=====

12(a). PREMIUM ON ISSUE OF SHARES

The issue of shares in exchange for the cancelled Irredeemable Participatory Investment Notes (IPIN) resulted in a premium due to the difference between the value in the books and the consideration paid.

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
13. TRANSLATION RESERVE				
Balance at the beginning of the year	1,643,614	481,845	1,639,385	502,136
Movement during the year	(657,944)	1,161,769	(159,474)	1,137,249
	-----	-----	-----	-----
Balance at the end of the year	985,670	1,643,614	1,479,911	1,639,385
	=====	=====	=====	=====
14. REVENUE RESERVE				
Balance at the beginning of the year	15,504,751	14,901,699	14,700,232	13,428,159
Bonus shares issued	-	(369,110)	-	(369,110)
Redemption of IPINs	-	8,516	-	-
Final dividend paid for prior year	(907,042)	(1,107,330)	(907,042)	(1,107,330)
Profit for the year	2,706,796	2,070,976	2,375,790	2,748,513
	-----	-----	-----	-----
Balance at the end of the year	17,304,505	15,504,751	16,168,980	14,700,232
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - *Continued*

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	₦'000	₦'000	₦'000	₦'000
15. TURNOVER				
Crude Sales	7,489,256	12,111,768	6,239,482	11,058,650
Diesel Sales	2,196,033	484,015	2,005,088	441,930
Gas Sales	163,234	-	74,602	-
	<u>9,848,523</u>	<u>12,595,783</u>	<u>8,319,172</u>	<u>11,500,580</u>
	=====	=====	=====	=====
16. OPERATING COSTS				
Other operating charges	7,870,367	9,325,575	7,322,799	8,488,702
Company's pension contribution	69,100	54,531	63,664	50,391
Staff salaries and allowances	747,407	686,605	622,859	570,131
	<u>8,686,874</u>	<u>10,066,711</u>	<u>8,009,322</u>	<u>9,109,224</u>
	=====	=====	=====	=====
17. OPERATING PROFIT				
Operating profit is stated after charging:				
Audit fee	30,108	29,826	21,509	21,251
Depreciation	1,725,079	740,848	1,473,118	661,323
Directors fees	35,993	37,545	35,993	37,545
	<u>1,791,180</u>	<u>808,219</u>	<u>1,530,620</u>	<u>720,119</u>
	=====	=====	=====	=====
18. OTHER INCOME				
Crude handling	-	-	89,886	-
Dividend	3,600	1,800	3,600	1,800
Exchange gain	313,831	220,218	-	204,647
Gain on assets disposed	-	450	-	411
Interest income	37,554	87,454	32,655	79,190
Provision no longer required	2,170,996	-	1,998,228	-
Other item	504	204,472	4	173,070
	<u>2,526,485</u>	<u>514,394</u>	<u>2,124,373</u>	<u>459,118</u>
	=====	=====	=====	=====
19. INTEREST AND SIMILAR CHARGES				
Interest expense	911,406	446,498	57,766	92,506
Bank charges	730	10,339	667	9,455
IPIN interest	67,260	118,678	-	-
	<u>979,396</u>	<u>575,515</u>	<u>58,433</u>	<u>101,961</u>
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
20. PRE-PRODUCTION EXPENSES				
Exchange loss	-	235,269	-	-
Bank charges	-	140,103	-	-
Professional fees	-	20,950	-	-
	-----	-----	-----	-----
	-	396,322	-	-
	=====	=====	=====	=====

21. RECONCILIATION OF NET PROFIT AFTER TAXATION TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	THE GROUP		THE COMPANY	
	2012	2011	2012	2011
	N'000	N'000	N'000	N'000
Profit after taxation	2,706,796	2,070,976	2,375,790	2,748,513
	-----	-----	-----	-----
Adjustments to reconcile net profit to net cash provided:				
Depreciation	1,725,079	740,848	1,473,118	661,323
Loss/(profit) on disposal of asset	4,003	(450)	3,655	(411)
(Write back)/provision for abandonment	(222,767)	443,059	(203,398)	404,535
Interest received	(37,554)	(87,454)	(32,655)	(79,190)
Interest expense	978,666	565,176	57,766	92,506
Exchange difference on long term loan	602,836	-	649,336	-
Movement in translation reserve	(657,944)	1,161,769	(159,474)	1,137,249
Gas plant transferred to ND Gas Limited	-	-	-	8,753,381
Changes in assets and liabilities:				
Decrease/(increase) in inventory	1,436,836	(370,516)	1,311,905	(338,301)
(Increase)/decrease in debtors and prepayment	(693,347)	156,120	(485,302)	139,549
(Decrease)/increase in trade creditors	(2,560,053)	2,163,858	(2,294,945)	2,010,694
Increase/(decrease) in company income tax	1,942	(790,787)	-	(501,375)
	-----	-----	-----	-----
	577,697	3,981,623	320,006	12,279,960
	-----	-----	-----	-----
Net cash provided by operating activities	3,284,493	6,052,599	2,695,796	15,028,473
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

22. BASIC EARNINGS PER SHARE

Basic earnings per share is based on the profit after taxation for a particular year and the number of ordinary shares issued and fully paid as at the end of the respective year.

23. ADJUSTED EARNINGS PER SHARE

Adjusted earnings per share is based on the profit after taxation for the year and 145,780,311 (Company: 151,173,708) ordinary shares issued and fully paid as at 31 December 2012.

24. RELATED PARTIES TRANSACTIONS

During the year the Company entered into various transactions, in the ordinary course of business, with some related parties. Transactions entered into, balances outstanding with related parties have been disclosed in the financial statements.

Amounts due from related companies at the end of the year are:

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Niger Delta Petroleum Resources Ltd	-	-	(2,895,093)	(2,896,879)
ND Gas Limited	-	-	7,116,590	5,922,067
ND Properties Limited	-	-	525,867	516,046
Petrodata Management Limited	-	4,883	-	4,883
	-----	-----	-----	-----
	-	4,883	4,747,364	3,546,117
	=====	=====	=====	=====

25. STAFF COSTS

(a) Employee costs during the year amounted to:

	2012	2011	2012	2011
Salaries	747,407	686,605	622,859	570,131
Other staff costs (Administrative)	665,026	530,301	500,927	487,061
	-----	-----	-----	-----
	1,412,433	1,216,906	1,123,786	1,057,192
	=====	=====	=====	=====

(b) The average number of full time persons employed by the Company during the year was as follows:

	THE GROUP		THE COMPANY	
	2012 Number	2011 Number	2012 Number	2011 Number
Management	3	3	1	1
Finance	26	23	2	2
Administration	110	102	11	11
	----	----	----	----
Total	139	128	14	14
	====	====	====	====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued

25. STAFF COSTS- Continued

(c) Higher paid employees of the Company, other than Directors, whose duties were wholly or mainly discharged in Nigeria, received remuneration (excluding pension contributions) in the following ranges:

	THE GROUP		THE COMPANY	
	2012 Number	2011 Number	2012 Number	2011 Number
Less than ₦500,000	-	-	-	-
₦500,001 – ₦1,000,000	7	6	-	-
₦1,000,001 – ₦1,500,000	18	18	-	-
₦1,500,001 – ₦2,000,000	7	7	7	7
₦2,000,001 – ₦2,500,000	-	-	-	-
Above ₦2,500,000	104	94	7	7
	---	---	----	----
Total	136	125	14	14
	==	==	==	==

26. DIRECTORS REMUNERATION

The remuneration paid to the Directors of the Company was:

	THE GROUP		THE COMPANY	
	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
Emoluments (including fees and sitting allowance)	35,993	37,545	35,993	37,545
	=====	=====	=====	=====

Fees and other emoluments disclosed above include amounts paid to:

	THE GROUP		THE COMPANY	
	2012 ₦'000	2011 ₦'000	2012 ₦'000	2011 ₦'000
The Chairman	5,568	4,805	5,568	4,805
	=====	=====	=====	=====
The highest paid Director	5,568	4,805	5,568	4,805
	=====	=====	=====	=====

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - Continued**27. CONTINGENT LIABILITIES**

Contingent liabilities exist in a number of legal suits against Niger Delta Petroleum Resources Limited (NDPR) as the Operator of the Ogbele Joint Venture. The possible liabilities from these cases amount to **₦1,524,270,000 (2011: ₦1,020,740,000)**. These have not been incorporated in these financial statements. Management and the Company's solicitors are of the opinion that the Company will suffer no loss from these claims.

28. POST BALANCE SHEET EVENTS

On 30 June 2013, the Shareholders of ND Western Limited in an agreement with Guaranty Trust Bank Plc obtained a loan facility of US\$670 million dollars for OML 34 Asset development over five years. US\$360 million of the facility is to be used to refinance part of the shareholders equity participation. The Shares of ND Western Limited was pledged as the Security for the facility. Niger Delta Exploration & Production Plc will receive US\$145.8 million dollars as their portion of the equity participation refinancing, leaving a balance of US\$44.2 million dollars outstanding now secured by Ogbele Field Assets.

There were no other significant post balance sheet events which could have had a material effect on the state of affairs of the Company as at 31 December 2012, which have not been adequately provided for.

29. RECLASSIFICATIONS

Certain prior year figures have been reclassified in conformity with current year presentation format.

CONSOLIDATED STATEMENT OF VALUE ADDED

FOR THE YEAR ENDED 31 DECEMBER 2012

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
Turnover	9,848,523	12,595,783	8,319,172	11,500,580
Cost of bought in materials and services				
- Local	(5,410,597)	(7,433,529)	(5,179,444)	(6,415,032)
	4,437,926	5,162,254	3,139,728	5,085,548
Non-trading items	2,526,485	514,394	2,124,373	459,118
Value added	6,964,411	5,676,648	5,264,101	5,544,666
	=====	=====	=====	=====
		%	%	%
Applied as follows:				
To employees:				
- Staff costs	747,407	11	686,605	12
			622,859	12
			570,131	10
To Government:				
- Royalty costs	791,686	11	1,524,852	27
- Gas flaring charges	12,835	-	87,538	2
- Taxes	1,942	-	653	-
			-	-
			-	-
To providers of funds:				
- Interest	978,666	14	565,176	10
			57,766	1
			92,506	2
To provide for the Company's future:				
- Depreciation, depletion and amortisation	1,725,079	25	740,848	13
- Deferred taxation	-	-	-	-
- Revenue reserve	2,706,796	39	2,070,976	36
			2,375,790	45
			2,748,513	50
	6,964,411	100	5,676,648	100
	=====	=====	=====	=====

The value added represents the wealth created through the use of the Company's assets by its employees, management and Board. This statement shows the allocation of that wealth to employees, providers of finance, shareholders and that retained for the future creation of more wealth.

FIVE-YEAR FINANCIAL SUMMARY

31 DECEMBER 2012

THE GROUP

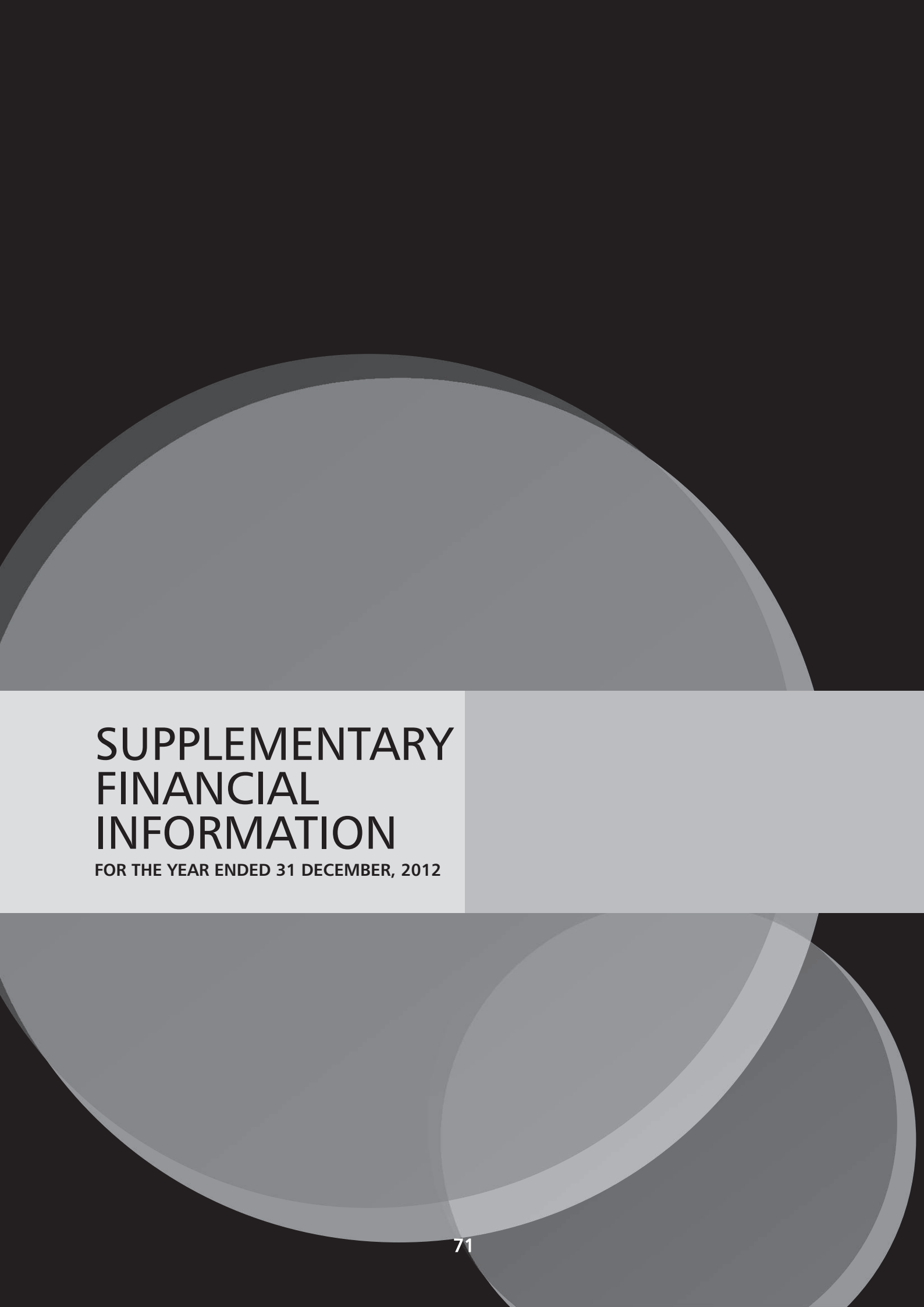
	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Assets and liabilities:					
Fixed assets	25,648,687	24,430,787	20,460,854	15,135,750	11,302,783
Investments	41,833,939	32,408,818	531,894	17,304	16,575
Net current (liabilities)/assets	(10,634,622)	(7,429,551)	267,116	(1,245,010)	(3,150,638)
Long term loan	(32,100,988)	(25,503,206)	-	-	-
Provision for abandonment	(1,258,007)	(1,480,774)	(1,037,715)	(654,684)	(258,885)
Deferred taxation	(3,728,023)	(3,728,023)	(3,728,023)	(1,622,044)	(750,665)
	19,760,986	18,698,051	16,494,126	11,631,316	7,159,170
	=====	=====	=====	=====	=====
Share capital	1,457,803	1,493,877	1,098,086	913,462	726,189
Share premium	13,008	55,809	12,496	12,496	1,456,847
Premium on IPIN	-	-	-	-	222,090
Translation reserve	985,670	1,643,614	481,845	(746,078)	(1,374,668)
Revenue reserve	17,304,505	15,504,751	14,901,699	11,451,436	6,128,712
	19,760,986	18,698,051	16,494,126	11,631,316	7,159,170
	=====	=====	=====	=====	=====
Turnover	9,848,523	12,595,783	14,176,308	16,289,654	13,495,672
	=====	=====	=====	=====	=====
Profit before taxation	2,708,738	2,071,629	7,560,808	7,149,782	7,751,140
Taxation	(1,942)	(653)	(2,993,581)	(1,734,787)	(1,578,420)
Profit after taxation	2,706,796	2,070,976	4,567,227	5,414,995	6,172,720
	=====	=====	=====	=====	=====
Basic earnings per share	N18.57	N13.86	N41.59	N59.28	N85.00
Adjusted earnings per share	N18.57	N14.21	N31.33	N37.14	N42.34
Final dividend per share	-	N6.00	N10.00	N9.00	N1.00
Return on net assets					
Employed (%)	14	11	28	47	86

FIVE -YEAR FINANCIAL SUMMARY

31 DECEMBER 2012

THE COMPANY

	2012 N'000	2011 N'000	2010 N'000	2009 N'000	2008 N'000
Assets and liabilities:					
Fixed assets	10,496,493	10,366,830	18,218,687	13,512,526	9,910,636
Investments	42,616,270	39,669,885	1,789,900	1,213,227	1,181,681
Net current liabilities	(2,316,393)	(9,689,070)	(607,109)	(1,710,442)	(3,284,978)
Long term loan	(27,070,240)	(17,693,206)	-	-	-
Provision for abandonment	(1,148,623)	(1,352,021)	(947,486)	(603,752)	(236,375)
Deferred taxation	(3,403,871)	(3,403,871)	(3,403,871)	(1,548,282)	(685,395)
	19,173,636	17,898,547	15,050,121	10,863,277	6,885,569
	=====	=====	=====	=====	=====
Share capital	1,511,737	1,503,121	1,107,330	922,706	735,433
Share premium	13,008	55,809	12,496	12,496	1,456,847
Premium on IPIN	-	-	-	-	222,090
Translation reserve	1,479,911	1,639,385	502,136	(549,540)	(1,222,025)
Revenue reserve	16,168,980	14,700,232	13,428,159	10,477,615	5,693,224
	19,173,636	17,898,547	15,050,121	10,863,277	6,885,569
	=====	=====	=====	=====	=====
Turnover	8,319,172	11,500,580	12,943,678	15,141,402	12,322,223
	=====	=====	=====	=====	=====
Profit before taxation	2,375,790	2,748,513	6,584,182	6,446,044	6,549,271
Taxation	-	-	(2,452,411)	(1,569,382)	(1,123,921)
Profit after taxation	2,375,790	2,748,513	4,131,771	4,876,662	5,425,350
Basic earnings per share	N15.72	N18.29	N37.31	N52.85	N73.77
Adjusted earnings per share	N15.72	N18.18	N27.33	N32.26	N35.89
Final dividend per share	-	N6.00	N10.00	N9.00	N1.00
Return on net assets employed (%)	12	15	27	45	79

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SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER, 2012

SUPPLEMENTARY FINANCIAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2012

	THE GROUP		THE COMPANY	
	2012 N'000	2011 N'000	2012 N'000	2011 N'000
1. OTHER OPERATING CHARGES				
Abandonment cost	179,912	379,549	164,269	346,547
Assets written off	508,200	3,020,124	476,203	2,757,524
Audit fee	30,108	29,826	21,509	21,251
Consultancy fee	554,030	584,206	509,262	519,043
Crude handling charges	427,798	786,551	390,601	718,160
Depreciation (Note 2d)	1,725,079	740,848	1,473,118	661,323
Directors' fee	35,993	37,545	35,993	37,545
Donation	22,351	40,582	21,057	37,814
Entertainment and gift	59,694	95,006	55,594	89,765
Exchange loss(Unrealised)	598,083	-	598,083	-
Exploration costs	694,101	217,693	635,203	200,421
Gas flaring	12,835	87,538	11,719	79,927
General and administrative	428,678	228,274	420,616	213,167
Insurance	240,475	201,486	221,426	185,368
Loss on sale of fixed assets	4,003	-	3,655	-
Management fees	251,025	211,327	229,199	192,953
Medical expenses	18,025	26,897	16,567	24,682
Net profit interest	136,010	263,232	496,250	240,344
Office rent	43,185	12,108	13,734	11,403
Professional fee	140,614	124,755	131,001	116,399
Repairs and maintenance	182,052	30,592	61,280	26,604
Royalty to FGN	376,506	303,045	343,769	276,695
Overriding royalty interest to NNPC	415,180	1,221,807	379,080	1,115,571
Staff cost	665,026	530,301	500,927	487,061
Stamp duties	98	169	98	169
Statutory fees	5,689	35,003	5,322	19,710
Telephone and postage	25,550	15,215	23,488	14,018
Training and seminar	19,018	13,065	17,747	12,589
Travelling and passage	71,049	88,831	66,029	82,649
	7,870,367	9,325,575	7,322,799	8,488,702

SUPPLEMENTARY FINANCIAL INFORMATION

FOR THE YEAR ENDED 31 DECEMBER 2012

2. TOTAL PROVED RECOVERABLE RESERVES

Estimated Quantities of Total Proved Developed and Undeveloped Oil, Condensate and Natural Gas Liquids Reserves (million barrels of oil equivalent) in the Ogbele field.

	2012	2011	2010	2009	2008
Total Hydrocarbon Reserves (Liquids+Gas):					
At beginning of year	64.16	64.98	18.19	6.07	7.45
Revision	-	-	48.03	13.74	-
Production	(0.79)	(0.82)	(1.24)	(1.62)	(1.38)
	-----	-----	-----	-----	-----
At end of year	63.37	64.16	64.98	18.19	6.07
	=====	=====	=====	=====	=====

PROXY FORM

18th ANNUAL GENERAL MEETING (AGM) to be held in the Agip Hall, MUSON Centre, Onikan, Lagos on Thursday 21st August, 2013 at 11.00 a.m.

I/We _____

being member/members of Niger Delta Exploration & Production Plc hereby appoint

or failing him Dr Layi Fatona, as my/our proxy to attend and vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on 21st August, 2013 at 11:00a.m and at any adjournment thereof.

Dated this _____ day of _____ 2013

SHAREHOLDER'S NAME

RESOLUTION	NUMBER OF SHARES	
	FOR	AGAINST
1. To lay before the members the Audited Financial Statements for the year ended 31st December 2012 and the Reports of the Directors, Auditors and Audit Committee thereon.		
2. To declare a dividend		
3. To re-elect Directors		
4. To re-appoint the Auditors.		
5. To authorise the Directors to determine the remuneration of the Auditors		
6. To re-elect/elect members of the Audit Committee.		
7. To fix the remuneration of the Directors for the year ending 31st December 2012.		
8. To consider and thought fit pass the following proposed Ordinary Resolution.		
9. To consider and if thought fit pass the following proposed Ordinary Resolution.		

IMPORTANT

- Before posting the above proxy, please tear this part off and retain it. A person attending the Annual General Meeting of the Company or his proxy should produce this card to secure admission to the meeting.
- A member of the Company is entitled to attend and vote at the Annual General Meeting of the Company. He is also entitled to appoint a proxy to attend and vote instead of him, and in this case the above card may be used to appoint a proxy.
- In line with best practice, the name of a Director of the company has been entered on the proxy form to ensure that someone will be at the meeting to act as your proxy, but if you wish, you may insert in the blank space on the form (marked*) the name of the person, whether a member of the Company or not, who will attend and vote on your behalf instead of the Director named.
- The above proxy when completed, must be deposited at the Registered Office of the Company being 15, Babatunde Jose Road, Victoria Island, Lagos, not less than 48 hours before the time fixed for the meeting.
- It is a requirement of the law under the Stamp Duties Act, Cap 58, Laws of the Federation of Nigeria, 2004, that any instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of shareholders must bear a stamp duty.
- If a proxy from is executed by a company, it should be sealed under its common seal or under the hand and seal of an attorney.

Signature of person attending

Admission Card

Annual General Meeting to be held on Wednesday 21st August, 2013 at 11.00 a.m at the Agip Hall, MUSON Centre, Onikan, Lagos.

I/We _____ Number of Shares _____



NIGER DELTA
EXPLORATION & PRODUCTION PLC
191616



THE NDEP PLC FOOTBALL TEAM

